



Affordable Housing Assessment 2019

**Analysis of Household Income
and Housing Affordability on the
Isle of Wight**

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Introduction

The housing strategy for the Island identified that it was important to define affordability at a local level.

The Island has high levels of home ownership with 70% of homes being owned compared to 68% in the South East and 63% in England. By comparison there are relatively low levels of socially rented properties (10.7%) compared to the South East (13.7%) and England (17.7%). The Private Rented Sector (PRS) offer is variable but is generally considered to comprise around 19% of total properties. However, these proportions have remained largely static over the past 15 years, which suggests that to significantly influence this, positive intervention is required. The Island also has a high level of second home ownership (1 in 6 homes) which has the effect of inflating prices and adding to the affordability issue as well as limiting the availability of housing stock in certain areas.

Executive Summary

From the analysis undertaken in this assessment, we would suggest that appropriate Island Affordable Rent levels would be as below:

- 1-bed: 70% market rent or LHA, whichever is the lowest
- 2-bed: 70% market rent or LHA, whichever is the lowest
- 3-bed: Up to 65% for working families or capped at 50% for low income
- 4-bed: 50% market rent (capped rent)

The rent levels above would give some comfort that the “at risk” larger low income or benefit dependant families will at least have some housing options that will not see immediate affordability issues.

As three beds are the threshold point at which Island affordability issues begin in earnest, it could be that a proportion of these could be appropriate at a lower “capped” level for families most in housing need, but with the remainder placed at a slightly higher rental level (up to 65%) for working families where affordability is not as acute an issue. Such a split would be more difficult for four bed homes as the affordability results are that much worse

Affordable Rent Methodology

There are many ways to calculate and measure 'affordable' rent levels. Deciding what level of rent is affordable is a complex undertaking as there are many varying factors such as family size, distribution of income across household members, various tax codes and tax credits, as well as variations in the non-housing-based costs of living such as transport.

The costs of undertaking this sort of analysis are large and time consuming, and subject to a large degree of variation, so for the purposes of strategic decision making we felt that a basic affordability calculation looking at rent and income levels in a local area was sufficient.

There are many different definitions of affordability, but a range of between 25%-35% of net income (after tax) being spent on housing is commonly considered affordable. Of course this will depend on other demands on income, and 35% of income for a low income family with children may be much less affordable than 35% of income for a higher earning couple without children.

A definition is needed to be able to make some generalisations about populations however, and we are able to look at gross household income at a local level, so for the purposes of this assessment we are starting from the assumption that viable affordable rent should not exceed 30% of gross household income (which would be more than 35% of net income so is a cautious estimate of affordability).

Strategic Context

There are approximately 61,000 residential households, spread across the 5 regeneration areas as below (Newport has 9,597 but these overlap the other areas). For the purposes of this study we have excluded Newport as a separate area due to this overlap.

East Medina	8,105
Ryde	15,926
The Bay	16,131
West Medina	14,149
West Wight	6,774

2.1 Market Rental Values

In order to ascertain the average market rental values for the Island, we have used the following process:

1. Procured rental data for the past three years from Rightmove, covering all private rental properties.
2. Calculated an average figure for each property size by LSOA
3. Aggregated these to calculate an average figure for each property size by regeneration area

Table 1 shows the average advertised rental values per regeneration area, by property size

Regeneration Area	1 Bed	2 Bed	3 Bed	4 Bed
East Medina	£522.30	£673.64	£816.90	£1,060.97
Ryde	£489.46	£627.24	£837.96	£1,151.86
The Bay	£480.88	£628.29	£833.77	£1,095.70
West Medina	£531.91	£665.33	£803.07	£1,129.28
West Wight	£498.87	£655.41	£863.24	£1,269.75

Table 1: Average Advertised Isle of Wight rental values by regeneration area and bedroom size
Source: Rightmove data 2016-2019

This is the average of all* properties advertised on Rightmove between 2016 and 2019. All obvious duplicates have been removed, but if the same property was advertised more than once during the year then it will have been included in the data set each time, which is why average costs are being used.

*We have excluded those properties listed as having more than 4 bedrooms and those listed as 0 bedrooms as there were only small numbers of these and they skewed the figures for the purposes of this report.

Average market rents - Isle of Wight by regen area and bedroom size

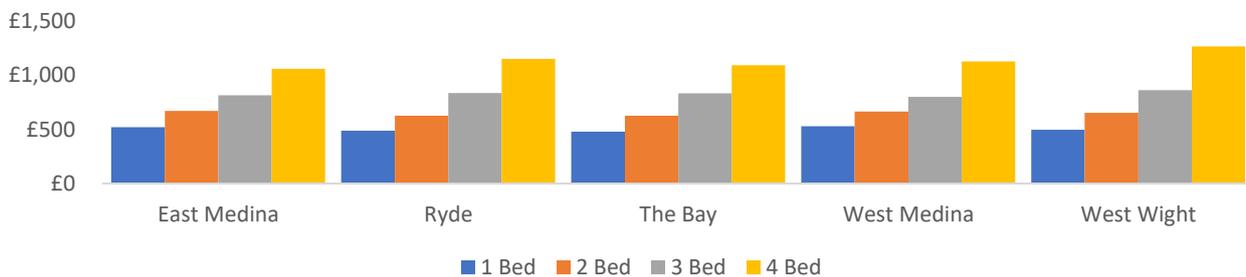


Table 2 – Source: Rightmove data 2016-2019

This graph shows that while 4 bedroom houses are more expensive to rent across the Island as you might expect, they are proportionately more expensive in the West Wight regeneration area.

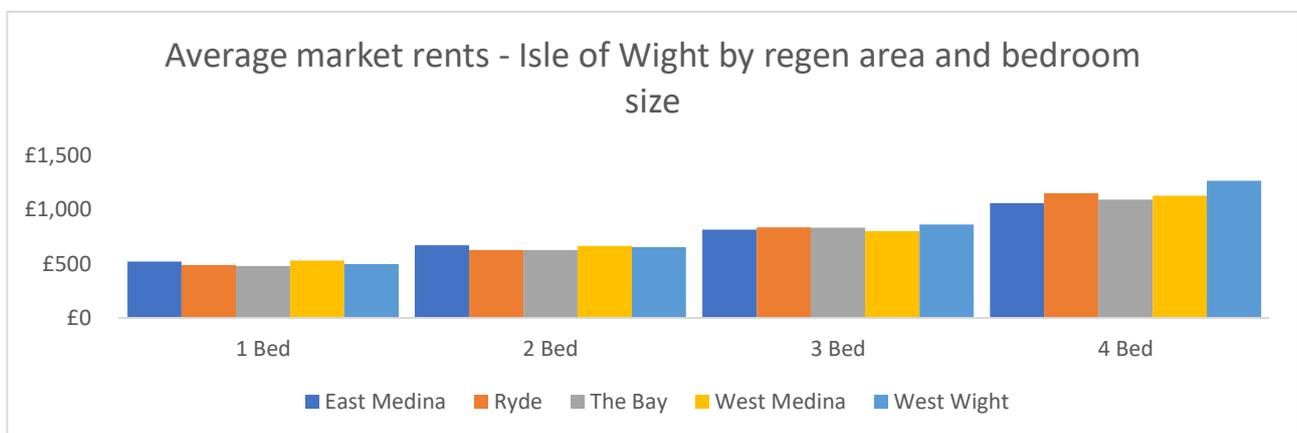


Table 3 – Source: Rightmove data 2016-2019

This graph shows the differences across the Island showing the same data as Table 2 but grouped by bedroom size. You can see again the increased rent levels for 3 and 4 bedroom houses in the West Wight area, but also 1 and 2 bedroom properties in the East Medina regen area seem slightly more expensive than the rest of the Island.

Local Housing Allowance

Local housing allowance (LHA) rates are used to calculate housing benefit for tenants renting from private landlords.

LHA rates in October 2019 for the Isle of Wight are as below:

- 1 bedroom - £93.13 per week (£403.56 per month)
- 2 bedroom - £121.97 per week (£528.54 per month)
- 3 bedroom - £149.59 per week (£648.22 per month)
- 4 bedroom - £184.11 per week (£797.81 per month)

Comparing the private rental market data with the LHA levels for each regeneration area gives an indication of how affordable private rental market options are in that area. The tables below give detail for the Isle of Wight. Affordability varies across the Island but across the board there are less than 12% of private rental properties that are likely to be affordable to those in receipt of housing benefit, and in East Medina and West Wight less than 5% of private rentals fall below the LHA limit.

Area	1 bed		2 bed		3 bed		4 bed	
	Number below LHA	Total						
Bay	48	371	120	829	10	316	3	97
East Medina	8	158	22	511	3	295	1	77
Ryde	64	531	126	889	15	363	2	94
West Medina	23	352	51	925	26	487	9	139
West Wight	5	68	13	190	4	162	2	40

Table 4 – private rentals vs LHA allowance by bedroom size

Source: Rightmove 2016-2019 and www.gov.uk LHA rate calculator

Area	Total Properties Advertised for private rent	Number below LHA maximum	% of private rentals affordable to those on LHA
Bay	1,613	181	11.2%
East Medina	1,041	34	3.3%
Ryde	1,877	207	11%
West Medina	1,903	109	5.7%
West Wight	460	24	5.2%

Table 5 – private rentals total vs LHA allowance by area

Source: Rightmove 2016-2019 and www.gov.uk LHA rate calculator

The picture gets worse for those people in need of larger properties – while 10.3% of 1 bed properties across the Island are affordable to those in receipt of housing benefit, less than 4% of 3 and 4 bed properties meet that threshold. Over the last 3 years there have only been 19 four bed houses and 67 three bed houses across the whole Island available at low enough rents.

Size of property % of private rentals

affordable to those on LHA

1 bed	10%
2 bed	9.9%
3 bed	3.6%
4 bed	3.8%

Table 6 – private rentals total vs LHA allowance

Source: Rightmove 2016-2019 and www.gov.uk LHA rate calculator

If all the rental properties were available at 80% of market rent then that would increase affordability, and in all areas except East Medina, at least half of properties would then be affordable to those on LHA. In East Medina around just under half (47%) would be affordable suggesting that private rental properties in that area are more over the LHA level, so even at 80% they would still be too expensive for the majority of people in receipt of housing benefit.

Area	Total Properties Advertised for private rent	Number below LHA maximum at 80% of market rent	% of private rentals at 80% market rent affordable to those on LHA
Bay	1,613	1,055	65.4%
East Medina	1,041	488	46.9%
Ryde	1,877	1,168	62.2%
West Medina	1,903	1,026	53.9%
West Wight	460	247	53.7%

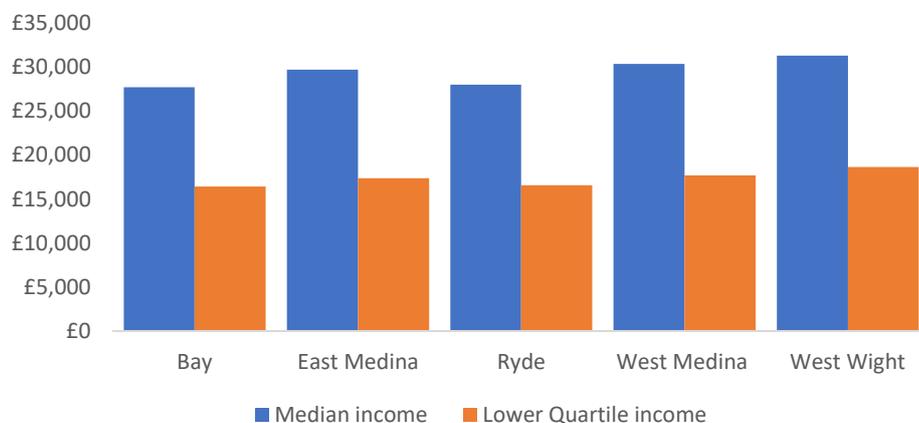
Table 7 – private rentals 80% of market rent vs LHA allowance by area

Source: Rightmove 2016-2019 and www.gov.uk LHA rate calculator

Income

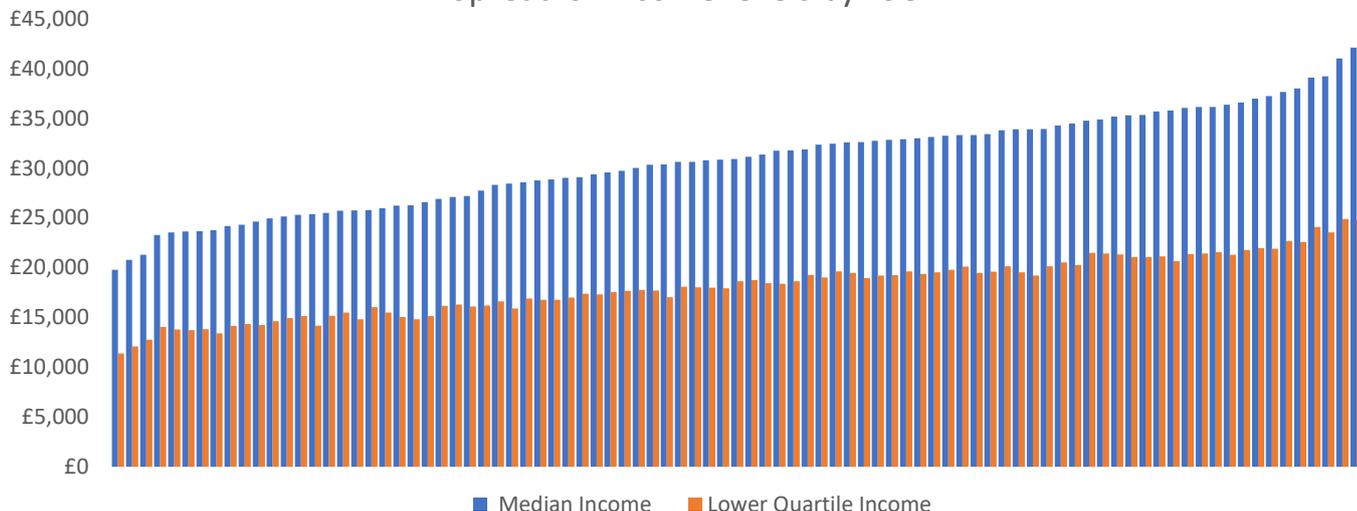
Local Housing Allowance is one measure of affordability, but those who are working and not in receipt of benefits can still struggle to find suitable affordable housing. CACI paycheck data gives us estimated income levels by postcode for all areas of the Island, which enables us to do some local analysis to identify areas where residents might find it more difficult to find suitable affordable housing.

Median and Lower Quartile Income by Regeneration Area



The median income doesn't vary greatly across the Island at a regeneration area level, from £27,728 in the Bay to £31,305 in West Wight, but within those areas there is greater variation at an LSOA level from £19,802 in Lake South A, to £42,137 in Binstead A (more than double that in Lake South A). The lower quartile income shows a similar spread, from £11,392 in Lake South A to £24,766 in Binstead A (again more than double the level in Lake South A).

Spread of income levels by LSOA



The tables below show the affordability ratio for market and discounted rent levels as a percentage of gross household income. Where the ratio is 30% or above then it is considered unaffordable, and is highlighted red in the tables below. Those with a ratio of 20% or under are highlighted green as they are affordable, and those in between are amber.

It is clear that in all areas market rent is just about affordable for 1 and 2 bedroom properties, but 4 bedroom properties are unaffordable in all areas. 3 bedrooms are unaffordable in most areas except West and East Medina, but this is a crude measure based just on gross income so where the figures are close to 30% it's likely that those are also unaffordable.

Reducing the rent to 80% of market value makes it more affordable in all areas for smaller properties, but for 4 bedroom homes particularly in the West Wight and Ryde areas rent would need to come down to 60% of market value to be more realistically affordable.

1 bed						2 bed					
Regen area	Median Income	Market Rent	80% of Market Rent	70% Market Rent	60% Market Rent	Regen area	Median Income	Market Rent	80% of Market Rent	70% Market Rent	60% Market Rent
Bay	£2,311	20.8%	16.6%	14.6%	12.5%	Bay	£2,311	27.2%	21.8%	19.0%	16.3%
East Medina	£2,476	21.1%	16.9%	14.8%	12.7%	East Medina	£2,476	27.2%	21.8%	19.0%	16.3%
Ryde	£2,335	21.0%	16.8%	14.7%	12.6%	Ryde	£2,335	26.9%	21.5%	18.8%	16.1%
West Medina	£2,530	21.0%	16.8%	14.7%	12.6%	West Medina	£2,530	26.3%	21.0%	18.4%	15.8%
West Wight	£2,609	19.1%	15.3%	13.4%	11.5%	West Wight	£2,609	25.1%	20.1%	17.6%	15.1%
3 bed						4 bed					
Regen area	Median Income	Market Rent	80% of Market Rent	70% Market Rent	60% Market Rent	Regen area	Median Income	Market Rent	80% of Market Rent	70% Market Rent	60% Market Rent
Bay	£2,311	36.1%	28.9%	25.3%	21.6%	Bay	£2,311	47.4%	37.9%	33.2%	28.5%
East Medina	£2,476	33.0%	26.4%	23.1%	19.8%	East Medina	£2,476	42.8%	34.3%	30.0%	25.7%
Ryde	£2,335	35.9%	28.7%	25.1%	21.5%	Ryde	£2,335	49.3%	39.5%	34.5%	29.6%
West Medina	£2,530	31.7%	25.4%	22.2%	19.0%	West Medina	£2,530	44.6%	35.7%	31.2%	26.8%
West Wight	£2,609	33.1%	26.5%	23.2%	19.9%	West Wight	£2,609	48.7%	38.9%	34.1%	29.2%

The tables below show the same information for the lower quartile income earners. It is clear from the large amount of red in these tables that for all areas of the Island the households in the lowest 25% of income are unable to afford either a three or four bedroom house without placing themselves in housing stress and spending more than 30% of their gross income on housing.

1 bed						2 bed					
Regen area	LQ income	Market Rent	80% of Market Rent	70% Market Rent	60% Market Rent	Regen area	LQ income	Market Rent	80% of Market Rent	70% Market Rent	60% Market Rent
Bay	£1,370	35.1%	28.1%	24.6%	21.1%	Bay	£1,370	45.9%	36.7%	32.1%	27.5%
East Medina	£1,449	36.1%	28.8%	25.2%	21.6%	East Medina	£1,449	46.5%	37.2%	32.5%	27.9%
Ryde	£1,383	35.4%	28.3%	24.8%	21.2%	Ryde	£1,383	45.3%	36.3%	31.7%	27.2%
West Medina	£1,477	36.0%	28.8%	25.2%	21.6%	West Medina	£1,477	45.0%	36.0%	31.5%	27.0%
West Wight	£1,555	32.1%	25.7%	22.5%	19.2%	West Wight	£1,555	42.1%	33.7%	29.5%	25.3%

3 bed						4 bed					
Regen area	LQ income	Market Rent	80% of Market Rent	70% Market Rent	60% Market Rent	Regen area	LQ income	Market Rent	80% of Market Rent	70% Market Rent	60% Market Rent
Bay	£1,370	60.9%	48.7%	42.6%	36.5%	Bay	£1,370	80.0%	64.0%	56.0%	48.0%
East Medina	£1,449	56.4%	45.1%	39.5%	33.8%	East Medina	£1,449	73.2%	58.6%	51.3%	43.9%
Ryde	£1,383	60.6%	48.5%	42.4%	36.3%	Ryde	£1,383	66.6%	66.6%	58.3%	50.0%
West Medina	£1,477	54.4%	43.5%	38.1%	32.6%	West Medina	£1,477	76.4%	61.2%	53.5%	45.9%
West Wight	£1,555	55.5%	44.4%	38.9%	33.3%	West Wight	£1,555	81.6%	65.3%	57.2%	49.0%

Conclusion

From the analysis undertaken in this assessment, we would suggest that appropriate Island Affordable Rent levels would be as below:

- 1-bed: 70% market rent or LHA, whichever is the lowest
- 2-bed: 70% market rent or LHA, whichever is the lowest
- 3-bed: Up to 65% for working families or capped at 50% for low income
- 4-bed: 50% market rent (capped rent)

References:

Local Housing Allowance information <https://www.gov.uk/government/publications/local-housing-allowance-lha-rates-applicable-from-april-2019-to-march-2020> (accessed online October 2019)

Local Housing Allowance rate calculator <http://lha-direct.voa.gov.uk/search.aspx> (accessed online October 2019)

Shelter "What is affordable housing" <https://blog.shelter.org.uk/2015/08/what-is-affordable-housing/> (accessed online October 2019)