Briefing

Resolution Foundation

Home Truths: How affordable is housing for Britain's ordinary working families?

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Introduction

In this year's Budget, the government made the biggest intervention in the housing market in recent history with its Help to Buy scheme. While this will help thousands of people get onto the housing ladder, it will do little to meet the needs of those on low to middle incomes. Historically high house prices mean that even a 95 per cent mortgage or a 20 per cent equity loan does not bring home ownership within reach of large numbers of less well-off households. With homes up to £600,000 eligible for the scheme, it is the better off who will predominately benefit.

Furthermore, with much of the new support for home ownership not tied to new housing supply, there is a clear risk that Help to Buy will not kick start the housing market and construction industry but further drive up prices.[1] Housing starts reached 115, 620 in 2012,[2] while the number of households is projected to grow by 272,000 per year between 2008 and 2033.[3] This lack of adequate supply likely explains the fact that, although mortgage lending has fallen dramatically since its pre-recession peak, it has not been accompanied by a proportionate fall in average house prices as has occurred in other countries.[4]

The failure of house building to keep up with demand has created significant upward pressure on the costs of housing, with families frequently spending more than a third of their income on housing. This has not just affected the over-heated markets of London and the South East but has created affordability black spots across the country for ordinary working families.

The situation is particularly acute in the private rented sector which is now, in large parts of the country, the most expensive form of housing but also the only option for most low to middle income households. In a third of all local authorities, a low income couple with one child on £22k would have to spend more than a third of their income to rent the least expensive two bedroom property in the local area. In 10 per cent of local authorities, the same family would have to spend more than half of their income on rent. For a proportion of renters, high costs are not matched by a high quality offer for tenants. Certain parts of the private rented sector are badly run and poor quality and few landlords offer long term security for families.

High housing costs are adding pressure to family budgets that are already struggling to keep up with the costs of living, as real wages continue to fall. Many low to middle income families are faced with the unenviable choice of forgoing other essentials in order to pay for housing or living in overcrowded conditions to reduce their housing costs. Alarmingly, there are no local authorities where a low income family can meet the costs of a basic standard of living as defined by the Minimum Income Standard and afford rent on a two bedroom property. Their 22k income will just not stretch that far, assuming they do not get help from Housing Benefit. The same is true if they own with a mortgage or live in social rent. Even a median income family on close to £28k would struggle to pay rent and meet the costs of other essentials in more than half of local authorities. And with household incomes among the low to middle income group not expected to be any higher in 2020 than they were in 1997-98, today's affordability problems will persist for some time to come.

This report is the first comprehensive assessment of the cost of housing for low to middle income families across four different housing tenures: owning a home with a mortgage, private renting, social renting and shared ownership. Of course, to fully understand the problems facing families in the housing market requires a local view: housing markets in Britain vary enormously. The same family on £22,000 can spend

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[1] Donnell, R. (2013) Can we buy our way out of the housing crisis, London: Hometrack, http://www.hometrack.co.uk/our-insight/commentary-and-analysis/can-we-buy-our-way-out-of-the-housing-crisis

[2] Department of Communities and Local Government (2013) House Building: December quarter 2012, England, London: DCLG, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/86119/House_Building_release_-_December_Qtr_2012.pdf

[3] Doherty, A. (2013) *The Case for Investing in Affordable Housing*, London: Schroders.

[4] Ibid.

as little as 20 per cent of its income on rent in Burnley and as much as 130 per cent of its income in Kensington and Chelsea. Recognising this diversity, the report first looks at the national picture of how much low to middle income households on average spend on housing and then takes a view local authority by local authority using market data from residential analysts, Hometrack. The report is divided into four main sections:

The first section describes the four different dimensions to housing costs used in this report: household income; the type of housing in which the household lives; the part of the country where the household lives; and access to Housing Benefit.

The second section presents a national picture of the housing choices of the low to middle income group in 2010-11 - the last year for which national data are available - and how much of their disposable (after taxes and benefits) income they spent on housing by tenure type.

The third section discusses different definitions of affordability in the context of housing and looks at whether low and median income families have enough income to meet their housing costs and also achieve a basic standard of living in different parts of the country.

The fourth section drills down to the local authority level and looks at the percentage of local authorities in Britain in 2012-13 where housing is unaffordable for three stylised families: a low income family on £22k; a very low income family on £19k; and a median income family on £28k, assuming that they spend more than 35 per cent of their income on housing. It also looks at how well off a family would have to be to live in some of the country's most expensive local authorities.

The report concludes with a set of recommendations for how to improve affordability in Britain's housing market for low and middle income families, drawing out the particular approaches needed to support different tenures.

1. Calculating the costs of housing for the low to middle income group

The basic costs of housing vary by several dimensions: household income; the type of housing in which the household lives; the part of the country where the household lives; and the level of support the household receives through Housing Benefit. This report deals with each of these four dimensions in the following ways:

Household income

This report focuses on the costs of housing for the 5.6 million low to middle income households of working-age in the UK. The Resolution Foundation defines low to middle income households as those in deciles two to five of the working-age household income distribution, excluding those who receive more than twenty per cent of their income from means-tested benefits. For this group, net household income in 2010-11 was on average £21,000.

Within the low to middle income group, much of this report focuses on three stylised families: a low income family at the 35th percentile of the household income distribution; a very low income family at the 25th percentile of the household income distribution; and a median income family at the 50th percentile of the household income distribution. Table 1 shows the incomes for different family types at each of these three points on the household income distribution.

Table 1: Annual net household incomes for three stylised families

	Net household income (unequivalised)		
Family type	Low income (p35)	Very low income (p25)	Median income (p50)
Couple with no children	18,409	15,577	23,129
Couple with one child	22,091	18,692	27,755
Couple with two children	25,773	21,808	32,381

Notes: Net household income distribution for working age households

Source: Authors' analysis of DWP, Family Resources Survey 2010/11, uprated to 2012/13

Of the different family types shown in Table 1, we focus on a low income couple with one child under 14 with a household income of £22k; a very low income couple with one child under 14 with a household income of £19k; and a median income couple with one child under 14 with a household income of close to £28k. The portraits below illustrate these three stylised families.

 £22k	**David and Louise: low income couple with one child** **net household income - £22,164** David and Louise have a five year old daughter, Holly. They live in the South East and own their own home with a mortgage. David works 40 hours a week in sales, while Louise is at home looking after Holly. David earns £14 an hour and earns £29,200 before tax. The family receives child benefit (£1,059) and pays £8,095 in tax.
 £19k	**Brian and Jane: very low income couple with one child** **net household income - £18,806** Brian and Jane have a five year old son, Luke. They rent privately in the East Midlands, and receive £1,817 in housing benefit. Brian works 20 hours a week in administration and earns £7.50 an hour. Jane is a social worker for a private social care provider. She works 10 hours a week and earns £6.19 an hour. Together, they earn £11,049 a year before tax. They pay £1,310 in taxes and receive £6,008 a year in tax credits, £1,059 in child benefit and £183 in council tax benefit.
 £28k	**Peter and Sarah: a median income couple with one child** **net household income - £27,733** Peter and Sarah have a five year old daughter, Annie. They live in the South West and own their own home with a mortgage. Sarah is a manager in the public sector and works 38 hours a week, earning £15 an hour. Peter works 10 hours a week for a private waste company and earns £10 an hour. They earn £34,936 before tax. They pay £8,262 in taxes and receive child benefit which adds £1,059 a year to their family income.

We recognise that the household income distribution varies across the country. While a low income couple with one child in Doncaster will have a lower household income than the 35th percentile level nationally of £22,091, the same type of family in London will have a higher income. This study purposefully does not take into account local variation in incomes but focuses on the variation in house prices across the country. This allows us to identify places across the country where the same low and median income families would face excessive housing costs and how costs vary for the same families depending on the housing tenure they choose.

Housing tenure

The report covers four different types of housing tenure:

- Ownership with a mortgage
- Private renting

- Social renting
- Shared ownership

One important form of tenure is excluded from this report: outright home ownership. Generally older, 18 per cent of households in the UK are now home owners without a mortgage. Outright owners face no on-going housing costs outside of maintenance and repairs and are largely protected from structural changes in the housing market and their impact on the costs of housing.

For the other four tenures, the report looks at the on-going costs of each rather than the upfront costs of access. In the case of mortgaged home ownership, for example, we know that it would take a low to middle income household 22 years to save for a typical first time buyer deposit, assuming they saved 5 per cent of their income a year.[5] Therefore, while the on-going costs of servicing a mortgage may currently be lower than the costs of renting privately in the same area, getting a foot on the home ownership ladder remains out of reach for many in the group who cannot get help to raise a deposit from family and friends.

In the case of shared ownership, it would take only a few years in some parts of the country to accumulate a 10 per cent deposit to purchase a 25 per cent share of a home based on the same savings assumption.[6] However, we know that just over half of all low to middle income households make no savings at all.[7] Furthermore, the supply of shared ownership properties is constrained and the secondary market inefficient which limits access to and movement within the tenure.[8] Similar supply constraints also restrict access to social housing for all but the most vulnerable.

The costs of each of the tenures discussed in this report change over time depending on the broader economic context as well as supply and demand in the housing market itself. For example, a significant number of mortgage holders who currently face relatively low ongoing costs are vulnerable to a future interest rate rise and may find themselves under extreme financial pressure to keep up with repayments. Table 2 shows the assumptions used in relation to each housing tenure analysed in this report. The assumptions reflect the low to middle income population that is the focus of the report. Full details of data sources used for each tenure type are given in the Annex.

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[5] Resolution Foundation (2013) *Squeezed Britain 2013,* London: Resolution Foundation

[6] In Peterborough, for example, a shared ownership deposit to buy 25 per cent of a lower quartile property worth £88,000 would cost £2,200. It would take a typical low to middle income household just over two years to save this amount if they saved 5 per cent of their income a year

[7] Resolution Foundation (2013), op cit.

[8] Clarke, A. and Heywood, A. (2012) *Understanding the Secondary Market for Shared Ownership,* Cambridge: Cambridge Centre for Housing and Planning Research

Table 2: Housing tenure assumptions

Tenure	Assumptions
Private rent	Local market prices only at the lower quartile of the local rental costs distribution for properties of a given size (e.g. for a couple with one child, rents are for 2 bedroom homes). No further assumptions.
Social rent	Local social rents for general needs units.
Private ownership	10 per cent deposit; 5 per cent mortgage rate; 25 year mortgage period; property value based on the lower quartile of local property value distribution.
Shared ownership	25 per cent equity share; 10 per cent deposit on the equity share; 5 per cent mortgage rate; 25 year mortgage period; 2.75 per cent annual rent on unsold equity; property value based on the lower quartile of local property value distribution.

Housing costs by area

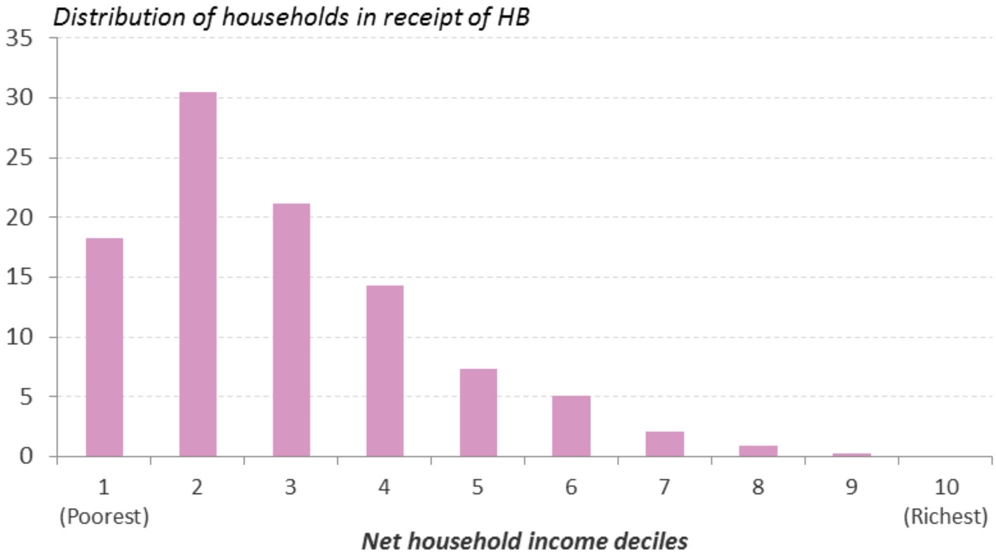
Housing costs vary dramatically by local authority. At the extremes, rent at the lower quartile of the housing distribution on a two bedroom property in Blaenau Gwent in Wales costs £340 a month compared to £2,384 a month for a two bedroom property in the London Borough of Kensington and Chelsea. With the exception of social housing, the costs of each tenure type are taken from the Hometrack dataset for Great Britain collected between August 2012 and January 2013.[9] In all cases, costs relate to lowest quartile prices in the local housing market. This means that the analysis presented is conservative since it is based on the least expensive properties in the local market. In reality many families will face a more challenging situation than the already difficult situation presented in this report.

Housing benefit

The extent to which households are entitled to help with the costs of housing through housing benefit - albeit a reduced amount following recent reforms - will affect affordability by boosting their household income. Eligibility for housing benefit is based on household income, household savings and other forms of capital, family circumstances and rent levels. Just under half of all working age households in receipt of housing benefit are in the bottom fifth of the household income distribution, as shown in Figure 1. Receipt of housing benefit among households in the top half of the income distribution is dominated by households living in London, as shown in Figure 2, and is a reflection of high rents in the capital.

[9] Throughout the report, where the analysis is at local authority level, Hometrack data is used and covers Great Britain. Where the analysis refers specifically to the low to middle income group at a national or government office region level, it is based on the Family Resources Survey and covers the UK.

Figure 1: The distribution of working age households in receipts of housing benefit

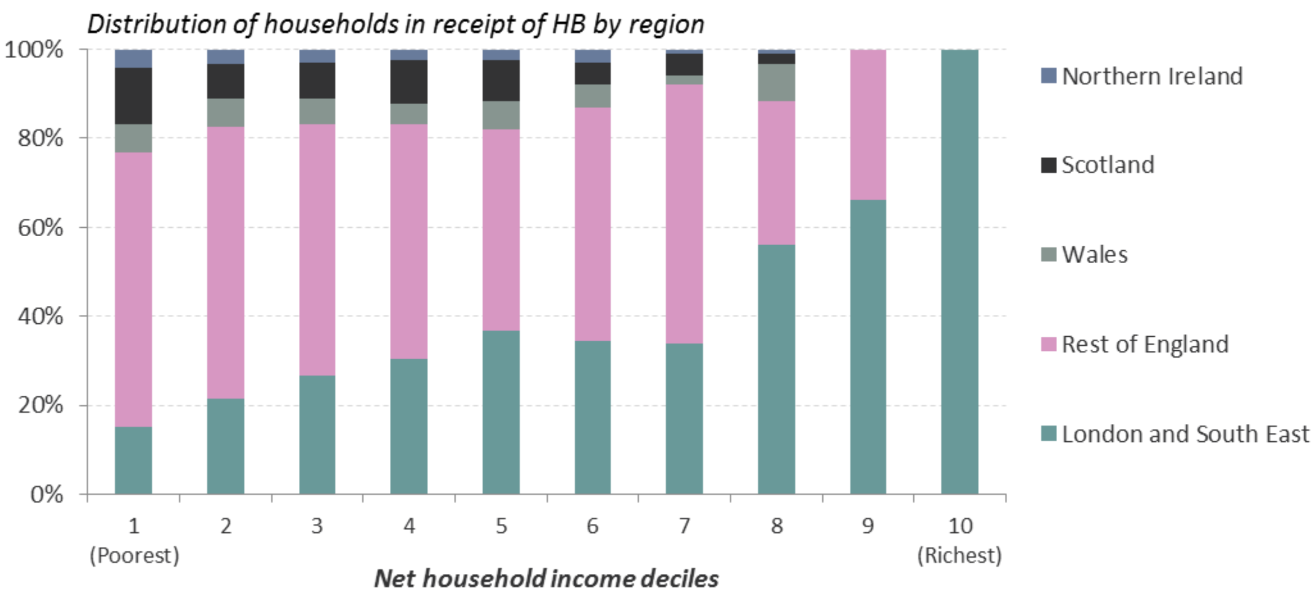


Notes: Refers to net household income distribution of working age households

Source: Authors' analysis of DWP, Family Resources Survey 2010/11

Among those working age households who receive housing benefit, the average award is £80 per week (2010/11 prices) which can make a substantial difference to housing costs for a low income family. Awards are largely flat across the distribution except for the top 20 per cent of households where average awards are high. However, very few better off households receive housing benefit. The number of households receiving housing benefit who are in work has risen dramatically since 2008 from 10 per cent of all recipients to 19 per cent in 2012. However, the vast majority of recipients continue to be workless households living in social housing. Nearly two thirds (65 per cent) of working age households who do receive housing benefit live in the socially rented sector.

Figure 2: The distribution of working age households in receipts of housing benefit by region



Notes: Refers to net household income distribution of working age households

Source: Authors' analysis of DWP, Family Resources Survey 2010/11

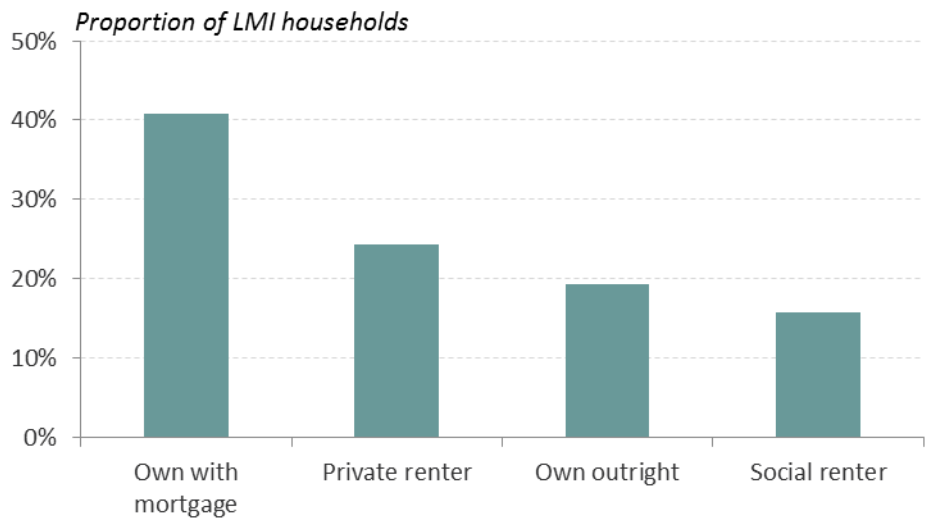
Given that the majority of recipients of housing benefit are low income, workless households living in social housing, this analysis looks at affordability without taking into account housing benefit. This reflects the fact that the focus of this report is working families living across different tenures who are outside the poorest fifth of households. However, it is worth noting that in some cases working families on low or very low incomes may qualify for housing benefit, especially if they live in high rent areas. This would see their housing costs fall compared to those reported here.

2. The housing tenure of low to middle income families

As a starting point for thinking about the housing costs that low to middle income households face in different parts of the country, we first examine what percentage of the low to middle income group lives in different types of housing.

As Figure 3 shows, of the 5.6 million households in the group in the UK, the majority still own their own homes. Four in ten (41 per cent) own with a mortgage and close to a fifth (19 per cent) own outright. Just under a quarter of households in the group rent privately and the remaining 16 per cent rent socially. Less than 1 per cent of the group lives in shared ownership. Nearly a quarter (23 per cent) of shared owners are low to middle income households compared to 74 per cent of higher income households.[10]

Figure 3: Tenure types for LMI households



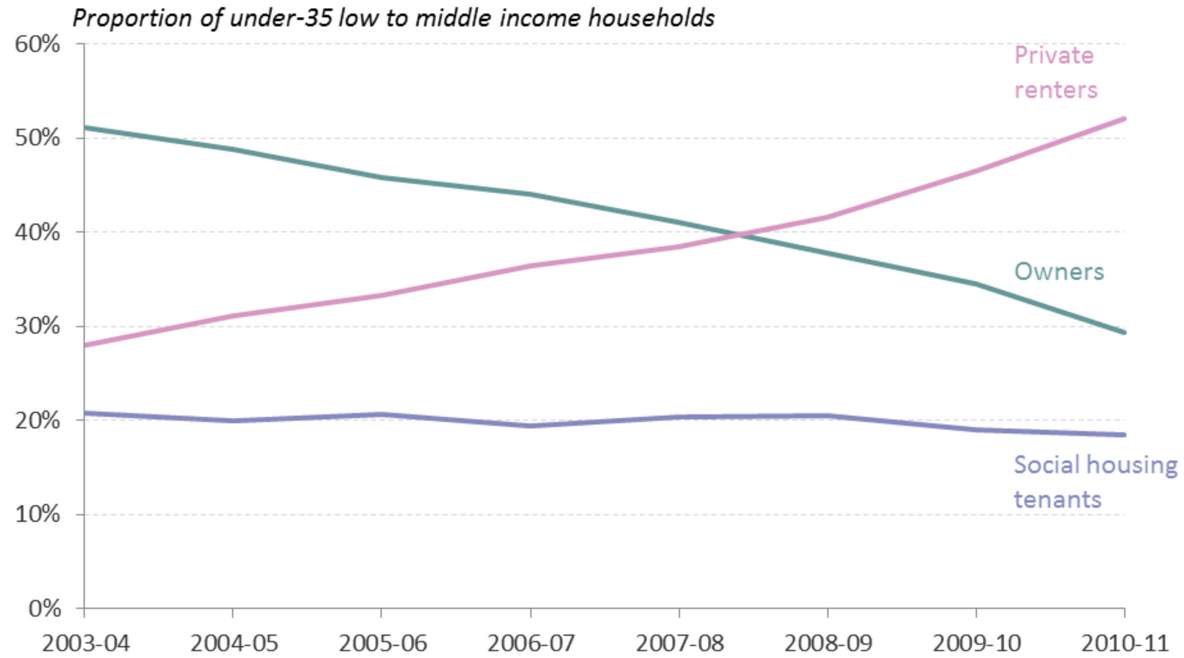
Notes: Shared owners are grouped under "own with mortgage" in this figure

Source: Authors' analysis of DWP, Family Resources Survey 2010/11

This overall picture looks very different when looking at households under 35 where changes in the wider housing market discussed in the Introduction bite hard. Among this younger age group, the percentage of low to middle income households renting privately has grown dramatically, as shown in Figure 4. The majority of households (52 per cent) are now for the first time living in the private rented sector. Ownership among younger households in the group has fallen to 29 per cent, with the remaining 18 per cent renting socially. This is in contrast, to younger households in the top half of the income distribution in which 56 per cent own their own home and 41 per cent rent privately.

[10] Resolution Foundation analysis of FRS 2010-11

Figure 4: The tenure choices of younger low to middle income households



Notes: Under-35 low to middle income households are those in which the head of household is under 35 years old

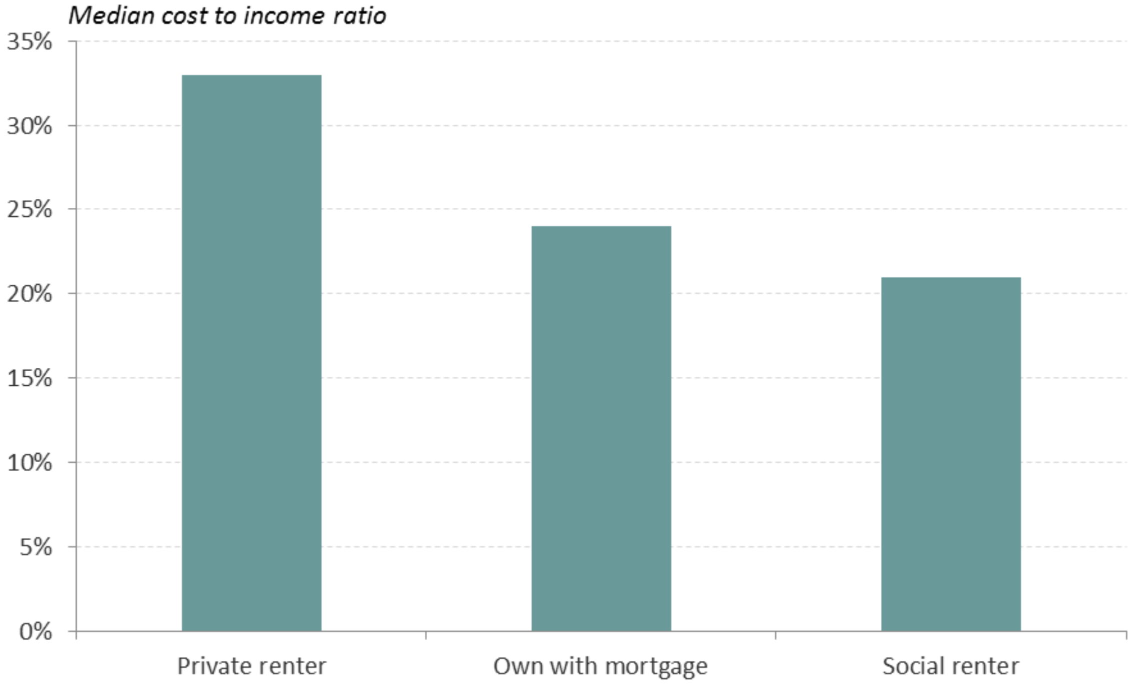
Source: Resolution Foundation analysis of DWP, Family Resources Survey 2010/11(and earlier)

Previous analysis conducted for the Resolution Foundation and Shelter shows that the tenure mix of the group going forward will be affected by the pace and strength of the economic recovery. A weak recovery is likely to see current trends accelerate, with 27 per cent of low to middle income households with children living in the private rented sector by 2025, while owning with a mortgage will fall below 35 per cent.[11]

Across these different tenures, Figure 5 shows what proportion of disposable income the typical low to middle income household spent on housing in 2010-11.

[11] Whitehead et al. (2012) Housing in Transition: Understanding the dynamics of tenure change, London: Resolution Foundation and Shelter.

Figure 5: Median percentage of net income spent on housing by tenure for the low to middle income group



Source: Authors' analysis of DWP, Family Resources Survey 2010/11

Households who rent privately spent the largest percentage of their income on housing, with a median cost to income ratio of 33 per cent. The median cost to income ratio for mortgaged home owners was 24 per cent to service their mortgage and for social renters, it was 21 per cent. These medians mask vast extremes in costs, even for those in social housing.

The percentage of income spent on housing among the low to middle income group varies by tenure but also by household type as this affects both income and the size of the property required. Table 3 below shows the cost to income ratios for different family types across all three tenures. As Table 3 reveals, single adult and single parent households face higher costs than couple households because their incomes are lower on an equivalised basis and therefore housing costs account for a larger percentage of their income. Smaller families also face higher costs than larger families because costs do not rise proportionately with property size.

Table 3: Cost to income ratios by family type and housing tenure for low to middle income households

	Couple with no children	Couple with one child	Couple with two children	Couple with three + children	Single without children	Single with children
Social renter	21%	21%	17%	16%	29%	22%
Private renter	33%	28%	27%	26%	38%	32%
Own with mortgage	22%	23%	25%	22%	31%	24%

Notes: Excludes those who own outright

Source: Authors' analysis of DWP, Family Resources Survey 2010/11

While at the median low to middle income households do not spend more than a third of their disposable income on housing across all tenures, this figure masks a vast range of costs and significant affordability problems across different parts of the country. The next section will discuss the concept of affordability as it relates to housing, before Section 4 turns to look at how costs vary for low and middle income families by local authority to identify Britain’s affordability black spots.

3. Defining the affordability of housing

The question of how much a household should expect to spend on housing has no straightforward answer. There is a degree of personal choice involved, for example between housing quality and other forms of household consumption. In selecting the location of one's home, one person may choose to have lower housing costs and spend more on commuting, while another may choose the opposite. Households might be willing to incur higher housing costs to own a property rather than to rent because of the opportunity to accumulate an investment. However, it is also clear that, as the single largest expense for most households, high housing costs can easily squeeze out other essentials for low to middle income families or force families to live in overcrowded, poor quality conditions. We, therefore, need to be concerned when housing costs are too high.

There are a wide variety of measures of affordability that are used internationally for housing. They vary by tenure and what is considered unaffordable fluctuates by country and over time depending on the state of the housing market. For example, for home ownership, the ratio of the median house price to annual gross median household income is a common measure, with prices three times income or less being considered affordable. In the 1980s, however, prices being double median income would have been considered affordable.[12]

In the context of renting, rent as a proportion of disposable income - household income after taxes and benefits- is frequently used and can be used for all tenure types to assess on-going housing costs. Thirty five per cent of disposable income spent on rent or other housing costs has traditionally been seen as the upper limit of affordability in the UK.[13] However, now that the costs of housing are rising in some parts of the country and median household incomes have been falling, the cost to income ratio that is considered affordable is also starting to drift upwards. Several London housing organisations, for example, are using 40 or 45 per cent cost to income ratio as affordable.[14]

Given the fluidity of these definitions of affordability, it is helpful to take a step back and consider what affordability would look like using a measure that more directly addresses the implications of housing costs for living standards. Do families have enough income to pay for their housing costs as well as other essentials, such as transport and food? Are housing costs eating up such a large proportion of income that households have to cut back on other things that can be considered necessary as part of achieving a basic standard of living? The cost of meeting a basic living standard is calculated by the Minimum Income Standard (MIS).[15] The MIS quantifies the cost of essentials that families themselves deem necessary to participate in society, including food, drink, clothing, transport and healthcare. The MIS goes beyond the level needed to bring families out of poverty but does not include luxuries. Table 4 shows the cash value of the MIS for different family types before housing costs.

[12] Cox, W and Pavletich, H. (2013) *9th Annual Demographia International Housing Affordability Survey: 2013 ratings for metropolitan markets*, Belleville, IL: Demographia.
[13] Reynolds, L. (2011) Shelter Private Rent Watch. Report 1: Analysis of local rent levels and affordability, London: Shelter.
[14] Authors' conversations with London housing providers, including registered providers.
[15] http://www.minimumincomestandard.org/

Table 4: The Minimum Income Standard by family type

Family type	MIS spending requirement excl. childcare and housing costs (£ annual)
Couple with no children	15,734
Couple with one child	19,510
Couple with two children	23,700

Notes: Refers to April 2012

Source: JRF, A Minimum Income Standard For The UK In 2012 -Keeping Up In Hard Times (2012)

The following analysis looks at the number of local authorities in Britain where our three stylised families on £22k, £19k and £28k can afford to pay for housing and have enough income left over for a minimum acceptable standard of living as defined by the Minimum Income Standard.

Table 5 shows that for a couple with one child on £22k, there is no level of private or social rent or mortgage payment that would be affordable. The only exception is the costs of shared ownership which can be met alongside the costs of achieving a minimum standard of living in 10 per cent of local authorities. For the other three tenures across all local authorities, there is a shortfall in household income of between £1,710 and £4,220 depending on tenure type. The shortfall is greatest for those who own with a mortgage, closely followed by private renters (although in some cases this would be partially offset by housing benefit). It is safe to assume that in order to pay for housing costs, such low income families are forced to cut back on many of the essentials included in the MIS. Furthermore, as they stand, these calculations do not take into account the costs of childcare which can be considered an essential for working families with young children.

Table 5: Percentage of local authorities in which a low income family (£22k) can afford housing costs and the costs of the Minimum Income Standard

Tenure type	Proportion of LAs in which low income household has any remainder income after MIS and housing costs	Median excess cost, for those with excess costs	Median remainder income, for those with remainder income
Owners with mortgages	0%*	£4,220	£130
Renters	0%	£3,930	-
Social renters	0%	£1,710	-
Shared ownership	10%	£1,780	£220

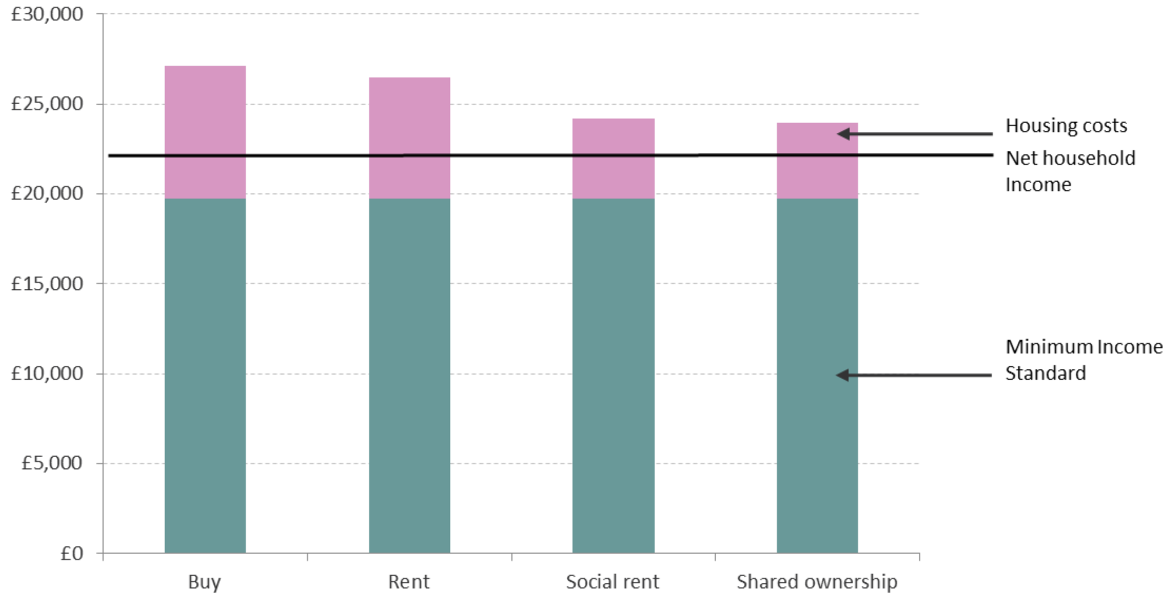
Notes: This is for couple with one child living in a two bedroom property. The family is shown at the 35th percentile of the net equivalised household income distribution. In the case of owners with mortgages, private renters and those in shared ownership, housing is at the 25th percentile of the housing distribution. Average excess costs have been weighted by the number of households in the LA. (*) There is 1 LA where positive remainder income - 0.26% of LAs, rounded to 0.

Source: Authors' analysis of Hometrack, HCA, Statistical Data Return 2012; Statistical Directorate of the Welsh Government, Scottish Government Housing Statistics; MIS data from JRF, A minimum income standard for the UK in 2012 - Keeping up in hard times (2012)

Housing costs and the Minimum Income Standard in Bedford

£22k

The figure below illustrates how housing costs and the costs of achieving the Minimum Income Standard relate to disposable income for a low income couple with one child living in Bedford in a two bedroom, lower quartile property. The family has an annual disposable income of £22, 091 as shown by the black line. The cost of meeting the Minimum Income Standard for this family is £19,716 and is represented by the green bars.[16] The pink bars represent housing costs and vary by tenure. Across all four tenures, the family's income cannot stretch to cover their housing costs and the costs of meeting the Minimum Income Standard.



Notes: This is for couple with one child at the 35th percentile of the income distribution. They are living in a two bedroom property. Housing is at the lower quartile of the housing distribution.

Source: Authors' analysis of Hometrack; MIS data from JRF, A minimum income standard for the UK in 2012 - Keeping up in hard times (2012)

£19k

£28k

For a very low income couple with one child on a little under £19k, their income is £1,000 short of what the family would need to meet the costs of the Minimum Income Standard alone, before even paying for housing, let alone childcare costs. Therefore, for a very low income family, the shortfall in income needed to meet the costs of housing and the MIS is between £4,830 and £7,620 depending on tenure (although in some cases this would be partially offset by housing benefit). For a median income family, the situation is less dire but still difficult. Table 6 shows the percentage of local authorities in which a median income couple with one child on £28k could meet the costs of the minimum income standard as well as their housing costs. Once again, we assume that they live in a two bedroom property at the lower quartile of the local housing market and we exclude the costs of childcare.

[16] This is uprated from the figure shown in table above.

Table 6: Percentage of local authorities in which a median income family (£28k) can afford housing costs and the costs of the Minimum Income Standard

Tenure type	Proportion of LAs in which low income household has any remainder income after MIS and housing costs	Median excess cost, for those with excess costs	Median remainder income, for those with remainder income
Owners with mortgages	65%	£2,460	£2,670
Renters	69%	£2,700	£2,220
Social renters	100%	-	£3,950
Shared ownership	95%	£1,940	£4,430

Notes: This is for couple with one child living in a two bedroom property. The family is shown at the 50th percentile of the net equivalised household income distribution. In the case of owners with mortgages, private renters and those in shared ownership, housing is at the 25th percentile of the housing distribution. Average excess costs have been weighted by the number of households in the LA.

Source: Authors' analysis of Hometrack, HCA, Statistical Data Return 2012; Statistical Directorate of the Welsh Government, Scottish Government Housing Statistics; MIS data from JRF, A minimum income standard for the UK in 2012 - Keeping up in hard times (2012)

As Table 6 shows, the vast majority of shared owners and all social renters have enough income at the median to cover their housing costs and achieve a basic standard of living as defined by the MIS. However, there is not much left over so getting beyond a basic standard of living towards feeling comfortable will be tough for these families. The situation for owners and private renters is very different. In a third of local authorities in Britain, a median income family who owns with a mortgage or rents privately is unable to meet the costs of housing and a minimum standard of living. The excess costs are far smaller at the median than for lower income families - £2,700 per year for median income renters and £2,460 for median income owners.

From a living standards perspective, it is clear that the majority of low income families have insufficient incomes to comfortably meet an adequate standard of living as defined by the Minimum Income Standard and cover their housing costs. Even at the median, family incomes for owners and private renters do not stretch to cover both costs in a third of local authorities. This is not just an issue in London and the South East. Even in cheaper parts of the country and in lower priced tenures, housing costs can be hard for those on the lowest incomes to afford. For a very low income couple with one child, the cost of meeting the MIS alone is greater than their income of £19k. This means that even a subsidised social rent is unaffordable.

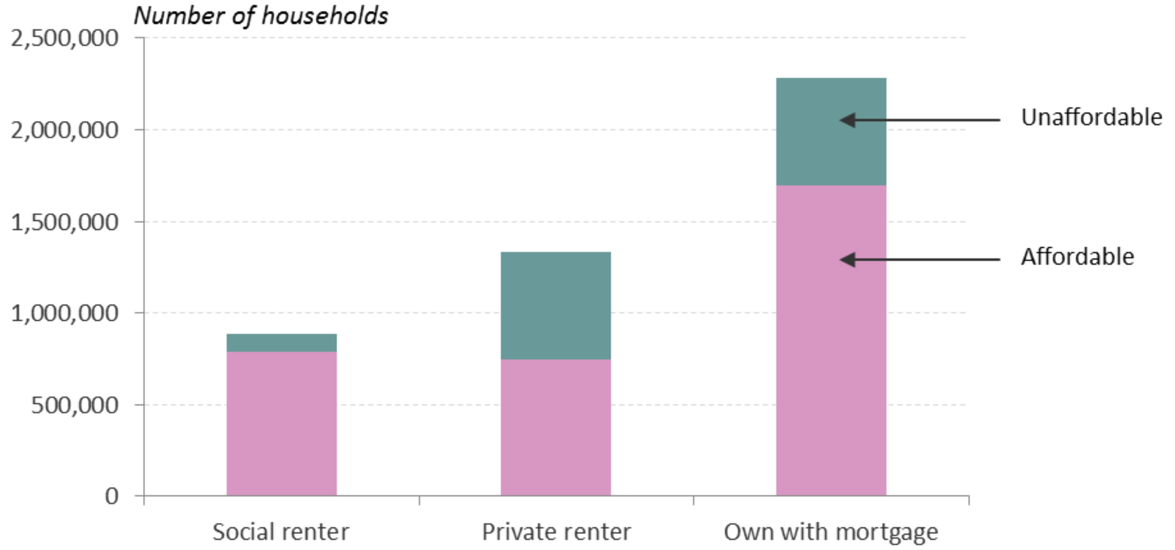
Taking a Minimum Income Standard perspective on housing costs highlights the magnitude of the crisis that families face when it comes to housing. However, the fact that no family with children in the bottom quarter of the income distribution can meet the Minimum Income Standard, regardless of housing costs, means that it is difficult to use this as the only measure of housing affordability. Clearly, these low income families are finding ways to pay for housing, most likely by spending a large share of their income on housing costs, living in overcrowded conditions, travelling long distances to work and cutting back on other essentials.

It is important to understand what is currently going on in the housing market and how it affects these families. Therefore, the rest of this report will use a more conventional measure of affordability and look at the costs of different tenures as a percentage of disposable household income.

4. Where can low to middle income families afford the costs of housing?

We saw in Section 2 that nationally low to middle income households spend no more than a third of their disposable income on housing costs at the median. However, this masks considerable variation, with the costs of housing in some parts of the country almost driving out low income households. While the pressure on housing in London and the South East is long standing, the gap between supply and demand is creating black spots in almost all regions, particularly for renters. If we assume that housing costs are affordable if they are below 35 per cent of disposable household income, we can look at how many low to middle income families currently face excessive costs. Figure 6 shows in green the number of households by tenure who face costs in excess of 35 per cent of disposable household income. This equates to 1.3 million low to middle income households.

Figure 6: Low to middle income households with housing costs above and below 35 per cent of disposable income



Notes: Excludes those who own outright. Shared owners are grouped under "own with mortgage" in this figure

Source: Authors' analysis of DWP, Family Resources Survey 2010/11

By and large, low to middle income households who face housing costs in excess of 35 per cent of disposable income either rent privately (46 per cent) or own their home with a mortgage (46 per cent). The fact that a small percentage of those who live in social housing face unaffordable housing costs (8 per cent) is perhaps surprising and raises concerns about the viability of affordable rent set at 80 per cent of market rent.

Single adult households without children are more likely to face housing costs in excess of 35 per cent of disposable income than couple households. Unsurprisingly, households who struggle with high housing costs are more likely to be among the poorer households in the low to middle income group and are more likely to live in areas where housing costs are high. Of those with unaffordable housing costs, 16 per cent live in London and 31 per cent are in London and the South East. They are over-represented in these areas. While median housing costs for the group as a whole are £5,160, for those who spend more than 35 per cent of their disposable income on housing, median costs are £7,925 (2010/11 prices).

Affordability across local authorities in Britain

We know that housing costs vary dramatically by local authority. In Blaenau Gwent in Wales, a low income family on £22k would spend only 18 per cent of its disposable income to rent a two bedroom property in the lower quartile of the local housing market; in Burnley and Merthyr Tydfil just 20 per cent. Move the same family to London and the picture changes dramatically. To rent a two bedroom, lower quartile property in Kensington and Chelsea, a family on £22k would have to spend 130 per cent of its disposable income. In the City of London, it would have to spend 117 per cent and in Westminster 118 per cent. Much of London is now out of reach for low income households. Rent would eat up their entire income.

Looking across Britain, it is possible to identify housing hotspots in all parts of the country where low and middle income families have to spend in excess of 35 per cent of their disposable income. Table 7 below shows the percentage of local authorities where our three stylised families on £22k, £19k and £28k can rent or own without paying more than 35 per cent of their income in housing costs. Further information on how affordability changes by family type and property size is shown in the Annex as well as the impact of using 50 per cent of disposable income as an affordability cap.

Table 7 Affordability under a 35 per cent income cap: summary for a couple with one child in a two bed home

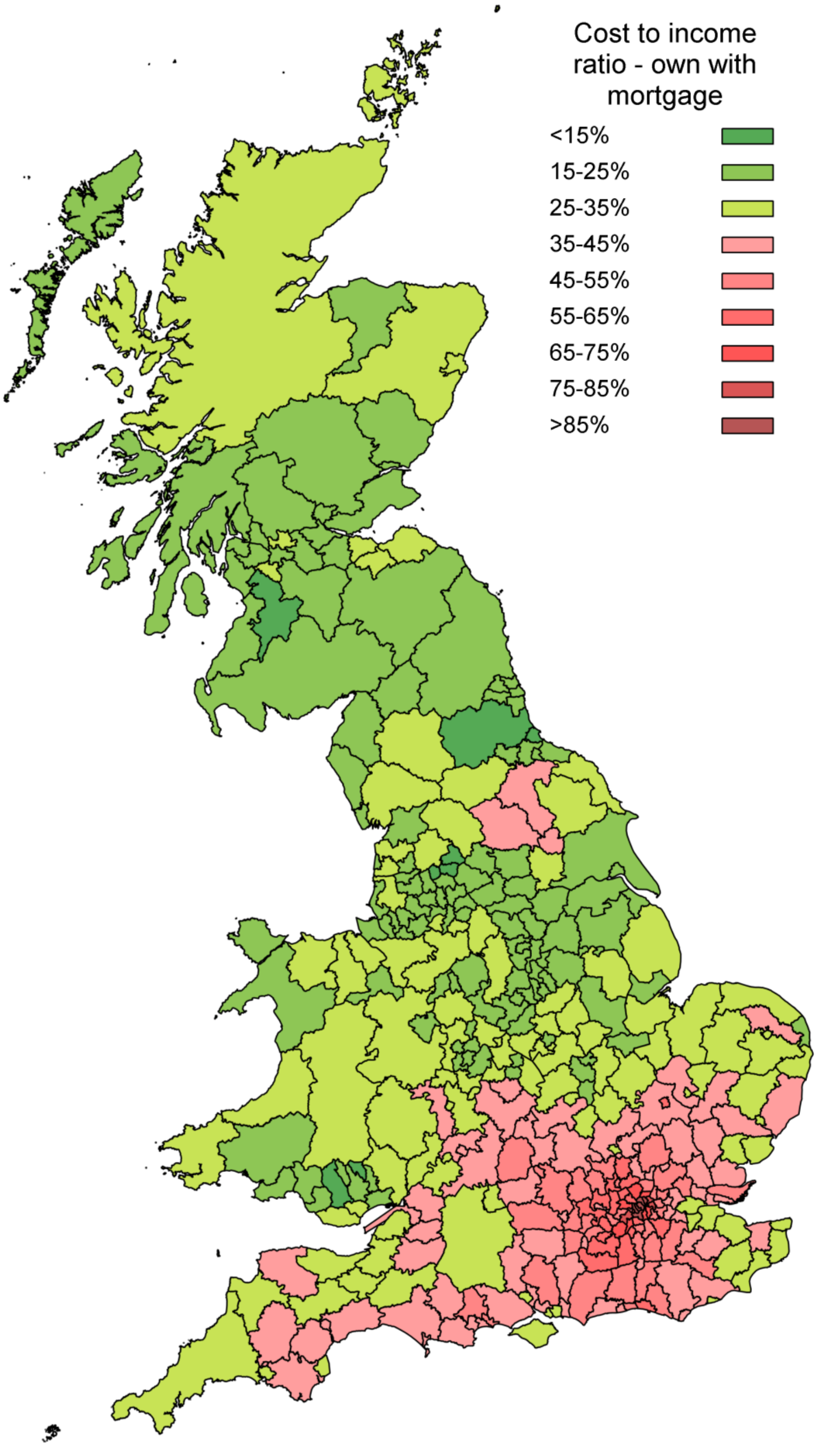
	Proportion of LAs in which a family can afford housing under a 35 per cent income cap			
Household income	Own with mortgage	Rent	Social rent	Shared ownership
£22k	61	67	100	94
£19k	44	51	100	88
£28k	78	84	100	97

Notes: Data refers to family of a couple with one child living in a two bed home. Housing costs are for properties at the lower quartile of the local housing distribution. Due to some cases of missing data, a small number of local authorities have been excluded.

Source: Authors' analysis of Hometrack 2012/13; HCA, Statistical Data Return 2012; Statistical Directorate of the Welsh Government, Scottish Government Housing Statistics

Building on the affordability picture presented in Table 7, the maps below show the distribution of affordable and unaffordable local authorities across the country for each tenure type. In each case, the Local Authorities shown in green are those where a couple with one child on £22k would need to spend less than 35 per cent of net income on a lower quartile property of the type shown. The shading reflects local authorities within that group which are more or less affordable. The Local Authorities shown in red are those where the same family would have to spend more than 35 per cent of disposable income on housing. Once again, the shading reflects local authorities that are more or less unaffordable within that group.

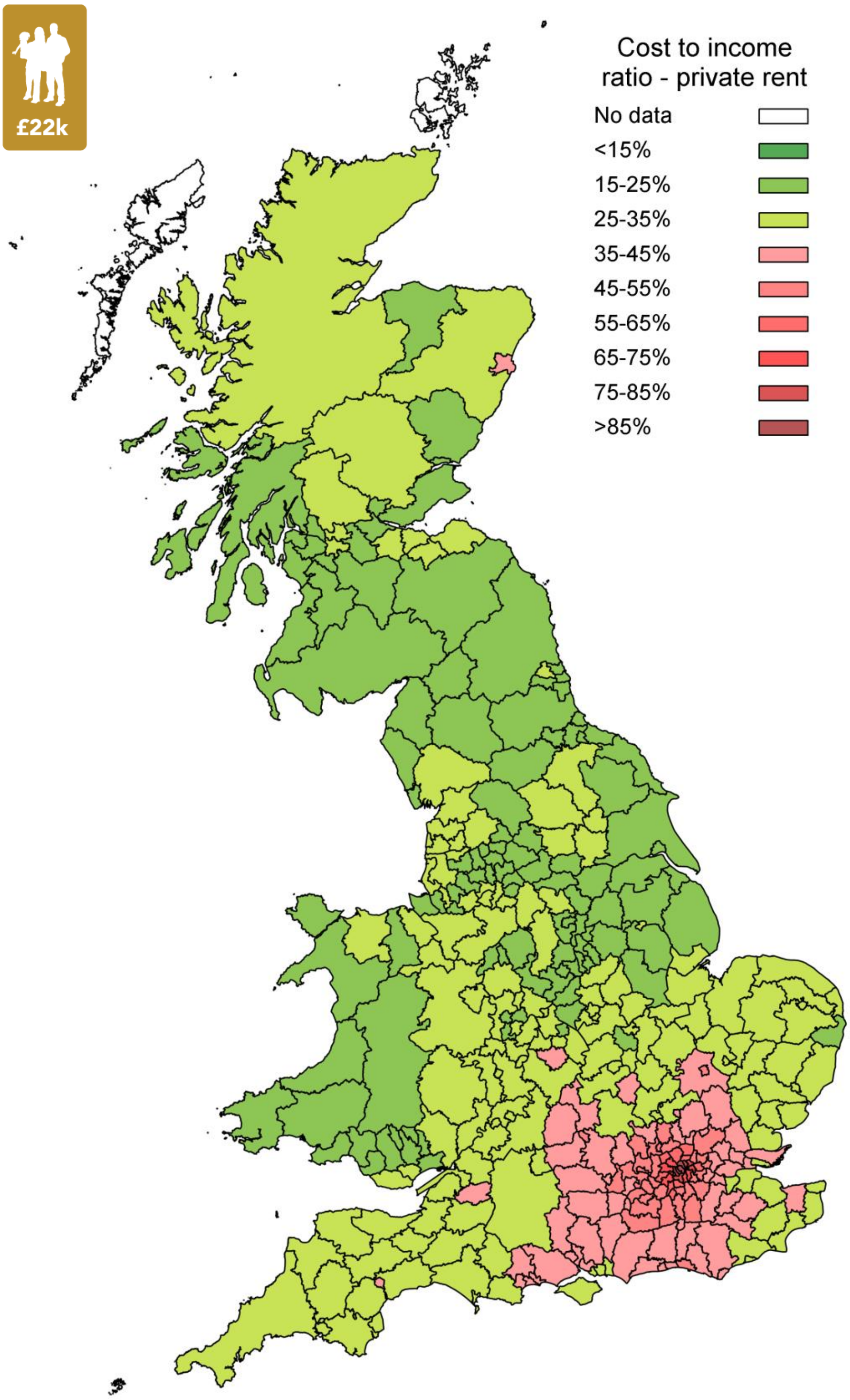
Map 1: Cost to income ratio for a low income couple with one child: Owning with a mortgage



Notes: This map is for a couple with one child at the 35th percentile of the household net income distribution. They live in a two bedroom property at the lower quartile of the local housing distribution.

Source: Authors' analysis of Hometrack 2012/13

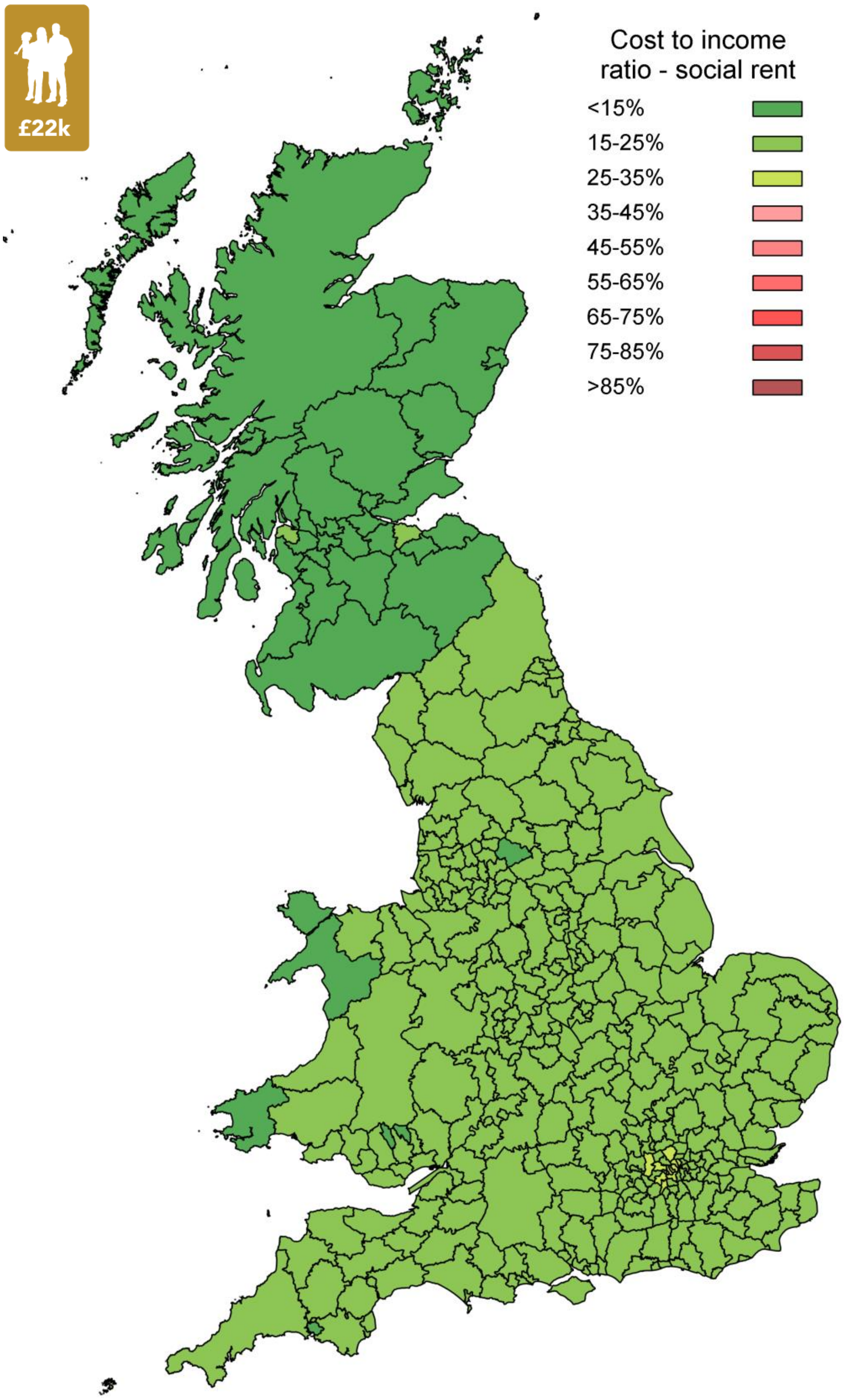
Map 2: Cost to income ratio for a low income couple with one child: Private rent



Notes: This map is for a couple with one child at the 35th percentile of the household net income distribution. They live in a two bedroom property at the lower quartile of the local housing distribution.

Source: Authors' analysis of Hometrack 2012/13

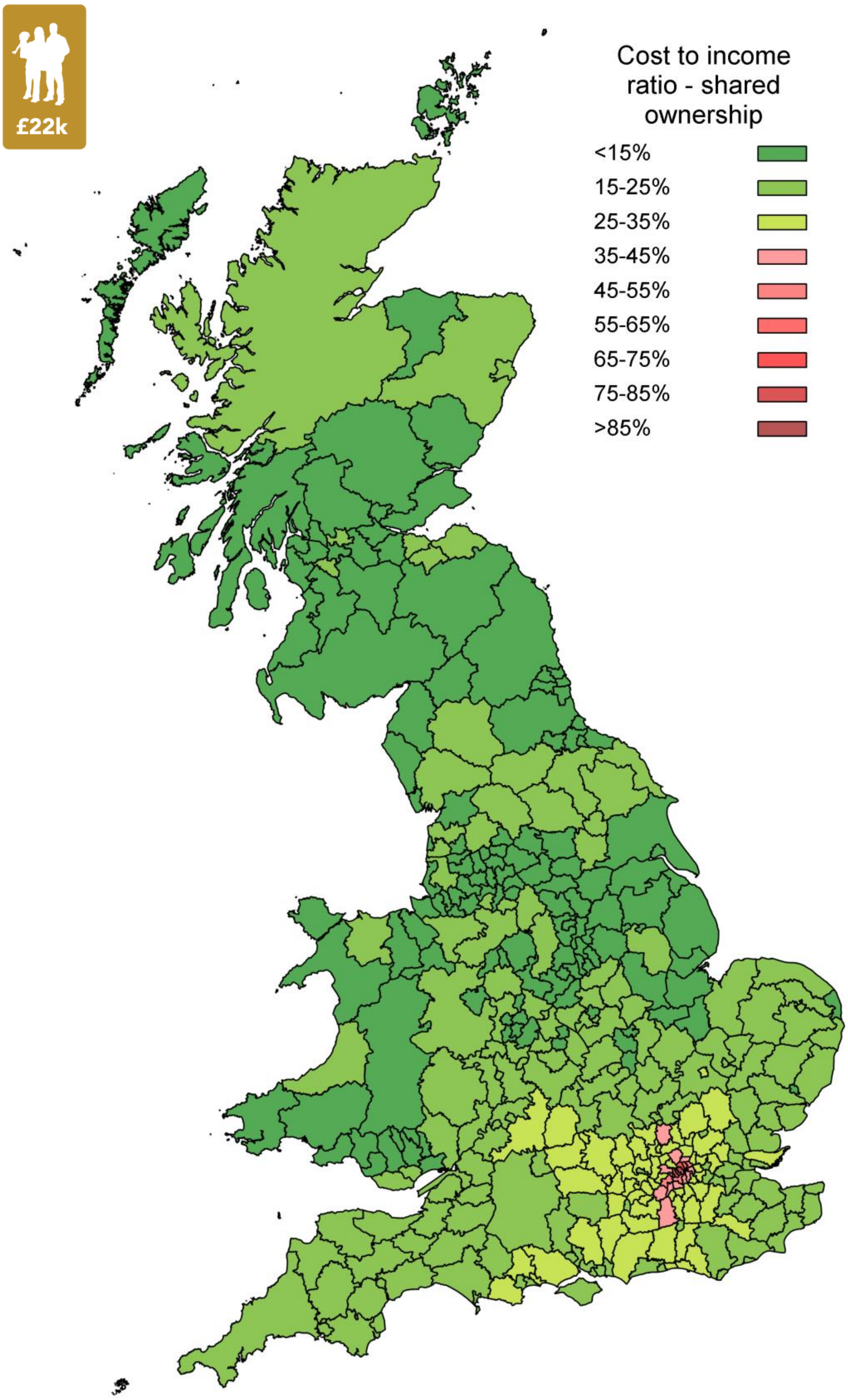
Map 3: Cost to income ratio for a low income couple with one child: Social rent



Notes: This map is for a couple with one child at the 35th percentile of the household net income distribution.

Source: Authors' analysis of HCA, Statistical Data Return 2012; Statistical Directorate of the Welsh Government, Scottish Government Housing Statistics

Map 4: Cost to income ratio for a low income couple with one child: Shared ownership



Notes: This map is for a couple with one child at the 35th percentile of the household net income distribution. They live in a two bedroom property at the lower quartile of the local housing distribution.

Source: Authors' analysis of Hometrack 2012/13

Looking across the four maps, the spiralling costs of private rent are evident. A low income couple with one child living in a privately rented, lower quartile property has to spend more than 35 per cent of its income on rent in a third of all local authorities. Even for a middle income couple on £28k in a two bedroom property, rent would eat up over 35 per cent of net income in 59 local authorities.

Owning with a mortgage is also unaffordable in a large number of local authorities when looking at on-going costs. A low income couple with one child owning a two bedroom, lower quartile property would spend more than 35 per cent of its income in 39 per cent of local authorities. For the same family type on £28k, affordability improves but owning with a mortgage is still unaffordable in just over a fifth of local authorities (22 per cent). Of course, the deposit requirements, even on a high loan to value basis as we have modelled here, are a major barrier to access for low to middle income families, making them heavily reliant on the private rented sector. It is, therefore, of concern that there are a growing number of local authorities where the costs of renting privately outstrip the costs of servicing a mortgage. Table 8 below shows the proportion of local authorities by region in which renting a two bedroom, lower quartile property is more expensive than the ongoing costs of owning with a mortgage. This reveals a clear regional split with lower capital values in the North of England making owning more affordable than renting, while capital values make owning more expensive than renting in the South East and South West.

Table 8: Proportion of local authorities by region in which renting a two bedroom lower quartile property is more expensive than paying on-going mortgage costs for an equivalent property

Region / country	Proportion of LAs in which the cost to rent is greater than cost to own with mortgage
East Midlands	53
East of England	17
London	52
North East	100
North West	82
Scotland	72
South East	21
South West	5
Wales	55
West Midlands	50
Yorkshire and the Humber	62
Great Britain	*44*

Notes: Rental and mortgage costs are for a two bedroom property at the lower quartile of the local housing distribution for rent and property values respectively.

Source: Authors' analysis of Hometrack 2012/13

By comparison to full ownership, owning a 25 per cent share of a property under shared ownership is considerably more affordable for a low income couple with one child. There are only 6 per cent of authorities where the family would have to spend more than 35 per cent of its income on housing costs. Social rent also performs well, with all local authorities being affordable for a low income couple with one child on £22k living in a two bedroom property. However, this is largely because social rents provide a substantial discount to market rent, as shown in Table 9 below for England. Median social rents across all regions are currently set below 80 per cent of market rent – the government's new threshold for affordable rent. In London, the South East and South

West where market rents are high, the discount on a two bedroom property is close to 50 per cent. This raises serious doubts about the affordability of the government's new rent policy for those who typically depend on social housing.

Table 9: Median of social rent as a percentage of market rent by local authority, shown by government office region

	Median for each region / country of: social rent as % of market rent by LA		
Region / country	1 bed	2 beds	3 beds
East Midlands	78%	73%	69%
East of England	64%	61%	56%
London	46%	40%	36%
North East	74%	74%	69%
North West	75%	69%	65%
Scotland	60%	55%	54%
South East	61%	56%	52%
South West	66%	59%	56%
Wales	74%	67%	64%
West Midlands	75%	65%	66%
Yorkshire and the Humber	77%	73%	67%
Great Britain	*69%*	*62%*	*59%*

Notes: Market rent reflects the lower quartile of the local rental costs distribution for properties of each given size. Social rents are the average local social rents for general needs units of each given size.

Source: Authors' analysis of Hometrack 2012/13; HCA, Statistical Data Return 2012; Statistical Directorate of the Welsh Government; Scottish Government Housing Statistics

The examples below show how affordability varies across four contrasting local authorities for a low income couple with one child living in a lower quartile, two bedroom property: the London Borough of Islington; Guildford in the South East: Coventry in the West Midlands and Doncaster in Yorkshire and the Humber. A detailed breakdown of affordability for a low income couple with one child on a local authority by local authority basis is given in the online annex.[17]

Islington, London

Rent per month	£1,625
Capital value	£346,727
Cost to buy (private) as per cent of net income	99 per cent
Cost to rent (private) as per cent of net income	88 per cent
Cost to rent (social) as per cent of net income	26 per cent
Cost of shared ownership (25 per cent) as per cent of net income	57 per cent

Guildford, South East

Rent per month	£950
Capital value	£209,253
Cost to buy (private) as per cent of net income	60 per cent
Cost to rent (private) as per cent of net income	52 per cent
Cost to rent (social) as per cent of net income	25 per cent
Cost of shared ownership (25 per cent) as per cent of net income	34 per cent

Coventry, West Midlands

Rent per month	£498
Capital value	£83,000
Cost to buy (private) as per cent of net income	24 per cent
Cost to rent (private) as per cent of net income	27 per cent
Cost to rent (social) as per cent of net income	18 per cent
Cost of shared ownership (25 per cent) as per cent of net income	14 per cent

Doncaster, Yorkshire and the Humber

Rent per month	£411
Capital value	£65,753
Cost to buy (private) as per cent of net income	19 per cent
Cost to rent (private) as per cent of net income	22 per cent
Cost to rent (social) as per cent of net income	17 per cent
Cost of shared ownership (25 per cent) as per cent of net income	11 per cent

Notes: These are for a couple with one child at the 35th percentile of the household net income distribution. They live in a two bedroom property at the lower quartile of the local housing distribution

Source: Authors' analysis of Hometrack 2012/13; HCA, Statistical Data Return 2012

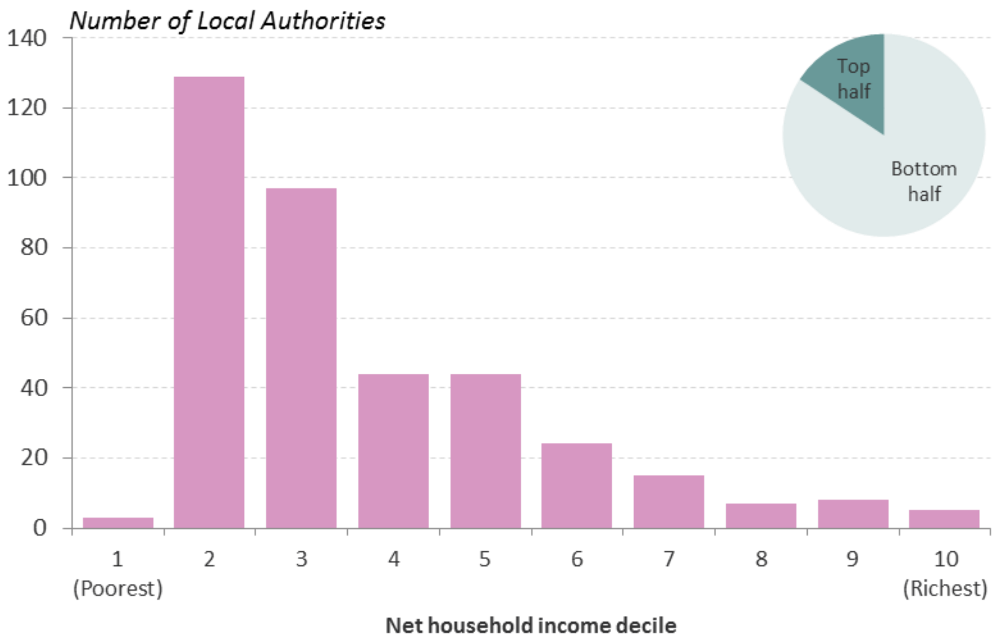
[17] Online annex available at http://res-fdn.org/12riTOO

How well off do you have to be to afford to rent in London?

As the map of affordability for private renting above shows, there is no local authority in London where a low income couple with one child on £22k can rent a two bedroom property and spend less than 35 per cent of its income on housing. In fact, a family on £22k would have to spend more than 50 per cent of its income on rent in 28 out of 33 London boroughs. This raises the question of what income a family would need to be able to afford to rent in London, meaning that they would spend thirty five per cent or less of their disposable income on rent. Of course, there is significant variation across London. In Kensington and Chelsea, a household would need to be in the top four per cent most affluent households and in Merton in the top 23 per cent most affluent households. In all but one London local authorities, households would have to be in the top half of the income distribution to be able to afford to rent privately and not spend more than 35 per cent of disposable income on rent.

Figures 7 and 8 below shows the decile of the household income distribution in which families have to be to be able to afford to rent their home privately or pay the on-going costs of owning with a mortgage, assuming they spend 35 per cent or less of their disposable income on housing. The height of each bar represents the number of LAs in each decile and the pie charts show the proportion of local authorities where renting and owning require households to be in the top or bottom half of the income distribution. For example, Figure 7 shows that there are 147 local authorities in which a low income couple with one child in decile three could not afford to rent a two bedroom lower quartile property. For the same family in decile seven, there are still 20 local authorities where they cannot afford to rent. Across all local authorities, households would have to be in the top half of the income distribution in a sixth (16 per cent) of local authorities to be able to afford to rent privately and in just over a fifth (22 per cent) of local authorities to be able to afford the on-going costs of owning with a mortgage (see Figure 8).

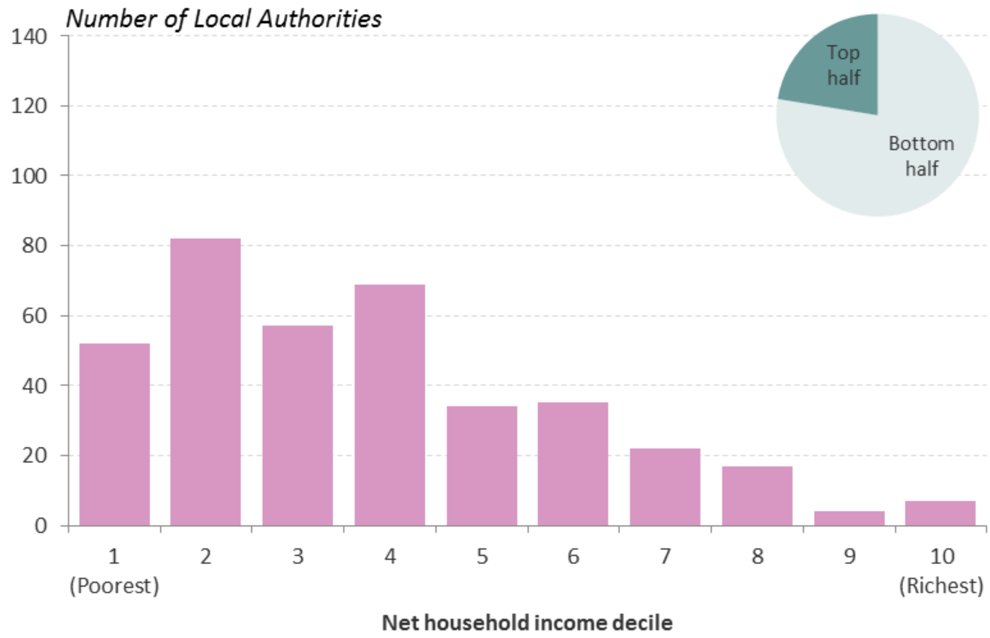
Figure 7. Decile of the household income distribution in which families are able to afford on-going costs of privately renting home, by local authority



Notes: Refers to a couple with one child. They live in a two bedroom property at the lower quartile of the local housing distribution

Source: Authors' analysis of Hometrack 2012/13; DWP, Family Resources Survey 2010/11

Figure 8. Decile of household in income distribution in which families are able to afford on-going costs of owning home with a mortgage, by local authority



Notes: Refers to a couple with one child. They live in a two bedroom property at the lower quartile of the local housing distribution

Source: Authors' analysis of Hometrack 2012/13; DWP, Family Resources Survey 2010/11

Looking again at the four places discussed above – Islington, Guildford, Coventry and Doncaster, Table 10 shows the percentile in the household income distribution in which a family has to be in to afford to rent or pay the on-going costs of a mortgage on a lower quartile, two bedroom property in each of the four local authorities. Across all local authorities, the situation is far more favourable for shared ownership and social renting.

Table 10: Percentile of household in income distribution in which families are able to afford on-going costs of renting privately and owning home with a mortgage in four local authorities

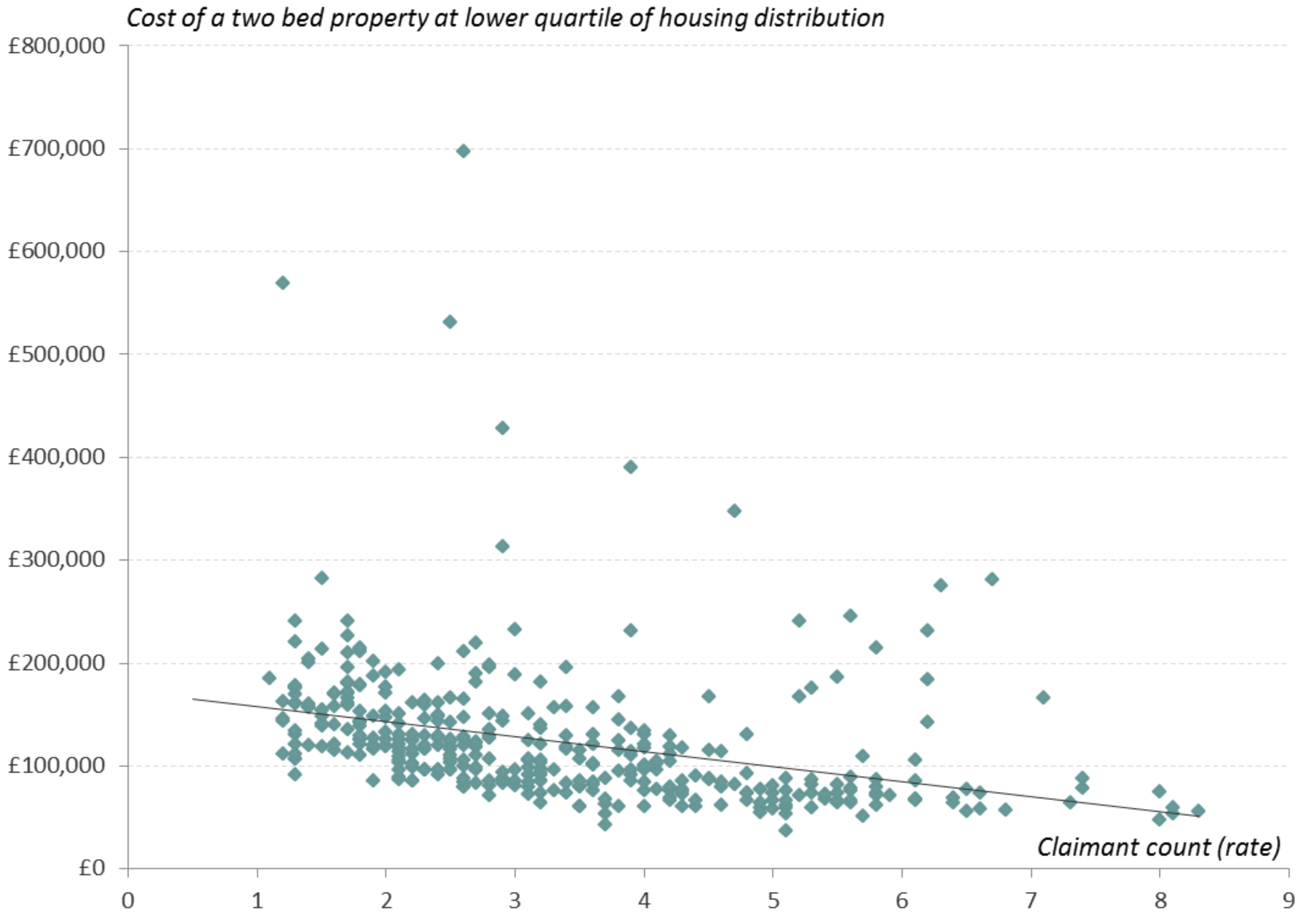
	Percentile	
	Private rent	Own with a mortgage
Islington, Greater London	90	92
Guildford, South East	62	72
Coventry, West Midlands	20	14
Doncaster, Yorkshire and the Humber	12	8

Notes: Refers to a couple with one child. They live in a two bedroom property at the lower quartile of the local housing distribution.

Source: Authors' analysis of Hometrack 2012/13 and the Family Resources Survey 2010/11

Of course, the affordability of housing is only one dimension of what makes a place a good location to live. Good jobs, good schools and good public transport are other critical dimensions that shape families' decisions about where they live. Affordable housing in the absence of employment opportunities, for example, makes a place a poor choice, despite the obvious attractions of low housing costs. Therefore, it is important to consider how housing costs are associated with these other dimensions and which areas offer the most favourable combination of affordability and opportunity. The chart below shows the relationship between the claimant count and property values in a local authority. Claimant count here acts as a proxy for employment opportunities. The chart shows an inverse correlation between the two: areas with a high claimant count tend to also have more affordable housing costs, in large part because there are fewer opportunities in those local authorities and, therefore, less pressure on housing. However, some places that are more affordable buck the trend and have more affordable housing costs than might be expected given their low claimant count.

Figure 9: The relationship between claimant count and housing costs by local authority



Notes: Property values are for a two bedroom property at the lower quartile of the local housing distribution. Claimant count is for October 2012

Source: Authors' analysis of Hometrack 2012/13; Office for National Statistics

While Figure 9 is merely indicative, it highlights the fact that moving to areas where housing is very affordable may not be sensible for many low to middle income families whose finances are squeezed by high housing costs because there may not be adequate employment and other opportunities in these inexpensive areas. Similarly, it highlights the importance for local authorities to consider the relationship between housing and other economic factors when planning where to locate new housing supply.

Conclusion

The analysis presented in this report highlights the need for urgent action to address the affordability of housing for low to middle income Britain. 1.3 million low to middle income households are spending more than 35 per cent of their disposable income on housing, crowding out other essentials. The problem is particularly acute for low and very low income families but it is striking how many median income families are also struggling with the costs of housing. Those renting privately now face some of the sharpest affordability problems but have few other options. Home ownership is out of reach for the vast majority of the group because few have the savings needed for a deposit and social housing is predominantly targeted at more vulnerable, out of work households. With household incomes for the group expected to stagnate until 2020, affordability will continue to be a pressing problem for the decade ahead and while the crisis in London is well documented, there are affordability black spots in almost all regions of the country.

The current affordability crisis is the inevitable outcome of the year on year failure to build enough homes to keep up with demand. But improving affordability is not a simple numbers game. It is not as straightforward as closing the gap between housing starts and household formation. We need to build more homes in the right locations and of the right type and at the right price to meet the needs of households who currently have few options. More one and two bedroom flats for sale will not help families with children who are currently paying high rents. Family homes will create few options for older people who would like to downsize and some towns and cities are more in need of better quality rental accommodation at market prices than they are social rented properties. A new private rented development of over 100 units in a high rent area, while not making a dent on the overall national shortage of supply, can have a significant effect on rents locally.

Local authorities must play an active role in planning for the overall needs of their communities and connecting up planning policy, housing affordability and the wider economic needs of their local residents. In affordability black spots, residents should expect to hold local politicians to account for the measures they take to address the affordability of housing and the extent to which they work with private developers and registered providers and proactively use planning and other policies to ensure that they get new housing supply in their area that matches the needs of their local communities. For example, a local authority could designate residential land for private rented development only, removing the possibility of the land being bought to develop homes for sale. It might choose to do this if large numbers of low and middle income households in the area are shut out of ownership but lack good quality alternatives.

The differences in affordability offered by the four tenures examined in this report highlight the need for particular responses to each one. For low to middle income families, the biggest affordability problems lie in the private rented sector because this is often the only tenure to which they can get access. In a third of local authorities, a low income family on 22k would have to spend more than 35 per cent of its disposable income on rent and it is now more expensive for a low income family to rent than to own with a mortgage in close to half of all local authorities . This acute problem comes in large part because private renting has absorbed those who are shut out of both social housing and home ownership, particularly younger low to middle income households. This pressure on the private rented sector is driving up rents, highlighting the clear need for more supply.

While in the short term, the supply constraint can be helped by more buy to let properties becoming available as the mortgage market recovers, this simply switches stock from ownership to renting and does not add to the stock of overall housing. It is, therefore, imperative that the government maintains momentum behind the development of a new build to rent sector which can provide purpose built rental properties that offer greater security of tenure and better quality management to tenants.

The government's response to the Montague Review into barriers to institutional investment in build to rent saw the creation of a private rented sector taskforce to drive forward the development of a this new sector as well as an equity fund to support development and a government guarantee to improve returns from built to rent schemes. However, this focus has been subsequently undermined by the Chancellor's emphasis on support for home ownership in the 2013 Budget. This mixed message about the government's priorities makes housing providers and investors reluctant to move forward given the inherent risks in establishing a new type of housing. Therefore, it is essential that government is able to provide a consistent focus on build to rent as a priority.

Furthermore, efforts have to be made to ensure that build to rent does not only deliver top quartile rental properties in London and the South East where the prospects for capital growth make it an attractive proposition for some investors. This will require both certainty for investors over the strength of the government guarantee which will be critical to making more affordable schemes viable, as well as measures by public land owners to reduce the upfront costs of land to support viability without driving up rents. There are various ways in which public land owners can make a return on land without charging upfront, for example they can provide it on a long term lease, thereby retaining ownership of the land, and charge an annual ground rent to the housing provider or they can invest it as an equity stake and take a return over time. Where land is of low value but there is a clear need for more private rented housing, there is a strong case for local authorities to put up their land at no cost in order to achieve other economic objectives.

It is striking that a small number of low to middle income families living in social rent face unaffordable housing costs. This raises serious questions about the viability of the government's affordable rent regime which allows registered providers to charge up to 80 per cent of market rent. This will be affordable in parts of the country where market rents remain relatively low but in others, it will simply add to the already large housing benefit bill. This is particularly the case given that our analysis looks at low income households who are largely in work, while many households renting socially will not be in work and will, therefore, have lower incomes.

Our analysis highlights the fact that the on-going costs of owning a home with a mortgage are currently lower than renting in nearly half of the country, particularly in the north of England. However, this is a temporary situation and it is critical that people are not drawn into home ownership through Help to Buy on the basis of these historically low interest rates as they will subsequently struggle to meet their on-going costs. Large numbers of low to middle income households are unlikely to qualify for Help to Buy given that they would struggle to raise even a 5 per cent deposit and meet the on-going costs of a 95 per cent mortgage in expensive areas. However, in 2006-7, 30 per cent of the group bought a home with a 100 per cent mortgage.[18] As we know, a significant proportion of these households are now only able to make repayments because interest rates are so low. Among all households with some form of debt in the bottom half of the income distribution, 30 per cent are 'debt-loaded'; that is, their repayments account for more than a quarter of their gross household income.[19] Adding to the number of debt loaded households over the next two years while interest rates remain low will store up severe problems for the future, for individuals and for the strength of the economic recovery.

[18] Whittaker, M. (2012) *The Essential Guide to Squeezed Britain*, London: Resolution Foundation

[19] Whittaker, M. (2012) *On Borrowed Time: Dealing with household debt in an ear of stagnant incomes,* London: Resolution Foundation.

On the other hand, the idea that renting is the only option for low to middle income households should be revised and renewed focus given to increasing access to shared ownership. As our analysis shows, a 25 per cent share in a property provides some of the benefits of home ownership such as stability and the ability to accumulate an asset, while minimising the costs. Compared to private renting, shared ownership is considerably more affordable for low to middle income households. However, the current product needs to be improved to make it less cumbersome for individuals and for lenders and to allow mobility within shared ownership. Otherwise, shared owners who cannot afford to staircase towards full ownership can become trapped in the tenure rather than being able to take their equity stake elsewhere.

In addition, there is a need to increase the supply of shared ownership to make it a genuine option for more low to middle income households. Supply is currently very limited, with less than 1 per cent of the group living in shared ownership. More policy attention should be given to the question of how to stimulate greater innovation in shared ownership models, particularly new models that do not require government grant such as Gentoo's Genie product but do require significant scale to attract the institutional investment that can sustain them for the long term. Innovation in this area has been made more difficult by the introduction of Help to Buy which has refocused the attention of house builders and the rest of the sector on traditional, debt financed routes to home ownership rather than the equity based models that were starting to emerge. But Help to Buy will not meet the needs of large portions of the low to middle income group, particularly in expensive areas and, therefore, greater innovation in shared ownership will remain critically important.

Low to middle income households are at the sharp end of changes in the housing market. They increasingly have only one housing option: unaffordable private rent. While traditionally housing policy saw its role to improve access to home ownership for first time buyers and to ensure the delivery of adequate social housing, it now needs to take a broader view across all four tenures if it is to meet the needs of low to middle income Britain. These 5.6 million households need better access to an affordable, high quality rental offer in the market and better access to products that allow them to move on from long term renting to acquire equity shares and build assets in a way that is cost effective and flexible. Without greater support for the housing needs of the low to middle income group, more families will find their living standards fall as the cost of putting a roof over their heads squeezes out other essentials.

Annex

1. Housing tenure assumptions

Table A1. Housing tenure assumptions

Tenure	Assumptions	Source(s)
Private rent	Local market prices only at the lower quartile of the local rental costs distribution. No further assumptions	Hometrack
Social rent	Local social rents for General Needs Units. For some areas, data has been uprated to 2012-13 using RPI + 0.5 per cent For Scotland where data by property size is not available, a ratio based on HCA data (England) has been applied to overall data to get estimates for specific property sizes	England: HCA, Statistical Data Return 2012 Wales: Statistical Directorate of the Welsh Government Scotland: Scottish Government Housing Statistics, Social Housing Statistical Tables
Private ownership	10 per cent deposit; 5 per cent mortgage rate; 25 year mortgage period; property value based on the lower quartile of local property value distribution	Hometrack
Shared ownership	25 per cent equity share; 10 per cent deposit on the equity share; 5 per cent mortgage rate; 25 year mortgage period; 2.75 per cent annual rent on unsold equity; property value based on the lower quartile of local property value distribution	Imputed from Hometrack

2. Affordability under a 35 per cent cost to income ratio cap

Table A2. Affordability under a 35 per cent income cap

	Proportion of LAs in which a family can afford housing			
Family type	Own with mortgage	Rent	Social rent	Shared ownership
p25				
Couple no children, one bed home	66	63	100	94
Couple with one children in two bed home	44	51	100	88
Couple with two children, three bed home	39	51	100	81
p35				
Couple no children, one bed home	78	74	100	97
Couple with one children in two bed home	61	67	100	94
Couple with two children, three bed home	52	66	100	90
p50				
Couple no children, one bed home	89	87	100	98
Couple with one children in two bed home	78	84	100	97
Couple with two children, three bed home	71	81	100	97

Notes: Housing costs are for properties at the lower quartile of the local housing distribution. Due to some cases of missing data, a small number of local authorities have been excluded.

Source: Authors' analysis of Hometrack 2012/13; HCA, Statistical Data Return 2012

3. Affordability under a 50 per cent income cap

Table A3. Affordability under a 50 per cent income cap

	Proportion of LAs in which a family can afford housing			
Family type	Own with mortgage	Rent	Social rent	Shared ownership
p25				
Couple no children, one bed home	87	84	100	98
Couple with one children in two bed home	76	82	100	97
Couple with two children, three bed home	69	80	100	96
p35				
Couple no children, one bed home	94	93	100	99
Couple with one children in two bed home	86	90	100	98
Couple with two children, three bed home	80	87	100	98
p50				
Couple no children, one bed home	97	97	100	99
Couple with one children in two bed home	95	95	100	99
Couple with two children, three bed home	91	95	100	99

Notes: Housing costs are for properties at the lower quartile of the local housing distribution. Due to some cases of missing data, a small number of local authorities have been excluded.

Source: Authors' analysis of Hometrack 2012/13; HCA, Statistical Data Return 2012

4. Cost to income ratios for each Local Authority

Full tables giving the cost to income ratios for each local authority and tenure type are given in the online annex. Please see http://res-fdn.org/12riTOO

The Resolution Foundation

The Resolution Foundation is an independent research and policy organisation. Our goal is to improve the lives of people with low to middle incomes by delivering change in areas where they are currently disadvantaged. We do this by:

- undertaking research and economic analysis to understand the challenges facing people on a low to middle income;
- developing practical and effective policy proposals; and
- engaging with policy makers and stakeholders to influence decision-making and bring about change.

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