



# Affordable Rent

## Cost, Affordability and Implications for Policy

Prepared on behalf of

**Winchester City Council**

Final Report

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# Contents

<b>1</b>	<b>Introduction</b>	<b>3</b>
1.1	Objectives	3
1.2	Approach	3
<b>2</b>	<b>Rents within Winchester</b>	<b>6</b>
2.1	Market Rents	6
2.2	Affordable Rents	6
2.3	Social Rents	8
<b>3</b>	<b>The Income Required to Rent within Winchester</b>	<b>9</b>
3.1	Income Required for Market Rents	9
3.2	Income Required for Affordable Rents	9
<b>4</b>	<b>Incomes of Households in Need</b>	<b>12</b>
4.1	Priority Households on the Waiting List	12
4.2	Existing Tenants of Social Rented Housing	20
4.3	'Intermediate' Households	27
<b>5</b>	<b>Policy Implications</b>	<b>29</b>
5.1	Planning Policy and Decisions	39
5.2	Strategic Tenancy Policy	41
<b>6</b>	<b>Appendix</b>	<b>44</b>
6.1	Market Rents within Winchester	44
6.2	Affordable Rents (80% of market)	45
6.3	Affordable Rents (70% of market)	46
6.4	Affordable Rents (60% of market)	47
6.5	Affordable Rents (50% of market)	48

# 1 Introduction

## 1.1 Objectives

The key objective of this report is to examine the implications of the new affordable rent tenure for meeting housing need within Winchester. This research is needed to inform the development of Winchester's Strategic Tenancy Policy, planning policy and on-site discussions with developers and registered providers.

In 2010 the HCA published its framework document for the National Affordable Housing Programme. This introduced major changes to the operation of the NAHP for the period 2011-15. In particular it states that:

- HCA grant will not generally be available for affordable housing provided in accordance with local authority affordable housing policies contained in Development Plans and secured by means of section 106 agreements. The starting point for all assessment of the viability of development schemes will therefore be that no grant funding is available on sites subject to section 106 agreements.
- In recognising that withdrawal of grant aid would have an adverse effect on development viability, the government is focusing the NAHP on funding affordable rent– social housing let at higher rents than traditional social rented housing and on time limited tenancies of more than 2 years.

Affordable rent has been designed to provide landlords, registered providers and local authorities with scope to increase rents on new lettings. Landlords will also be able to offer affordable rented properties on flexible tenancies. Like social rented housing, affordable rent is intended to be for people in housing need on local authority waiting lists.

Government guidance states that affordable rents can be set at *up to* 80% of market rents but there is very little other guidance on how affordable rents should be determined. A key issue for authorities and for registered providers is what sort of people can be housed in the new affordable rent homes, taking account of their incomes and access to benefits. It might be that a significant number of those in housing need might not be able to afford rents set at 80% of market levels. There may be a need, as in London, to focus on seeking RPs and the HCA to agree to rents being set at below the 80% level, though this will have implications for the viability of affordable housing development. Alternatively, affordable rent could be targeted at those that can afford the rents; and some strain taken off the demand for social rented housing.

The introduction of affordable rents raises a number of policy questions for Winchester City Council:

- How low would affordable rents need to be set in order for those in priority need to be able to afford them, taking account of benefit entitlements?
- If affordable rents are set at a higher level and unaffordable to those in greatest need, how will homes be allocated and what are the implications of this for fairness?
- What would be the implications of operating a dual system of social and affordable renting, with different tenants potentially paying different rents for the essentially identical properties?

## 1.2 Approach

This study has involved three stages of analysis:

- Establishing rental levels within Winchester District in the market, affordable and social rented sectors
- Estimating the income required to rent within Winchester, based on rental levels
- Modelling the extent to which households in housing need can afford rental levels, based on their incomes and taking into account Housing Benefit rates

Whilst these are relatively simple calculations, this task is made challenging by the difficulties in collating data on both rental levels and household incomes.

Data on market rents has been sourced from the property website Rightmove, which brings together advertised rental properties from the majority of local agents. We have cross checked these rents with local agents to ensure that they do not include further service charges etc and to gather more qualitative information on the nature of the rental market in different parts of the District. We have also cross checked the data with that provided by the Rent Service to determine the local housing allowance.

**We have reduced these ‘asking’ rents by 10%, in order to estimate actual rental values as achieved in the market.** Unlike with house prices, where the Land Registry records sales prices, there is no data available on *actual* rental values at the local authority level. Many tenants negotiate with the agent of landlord and achieve a slightly lower price than that advertised. This may be too large a discount in some cases and in robust markets, such as in particular parts of Winchester, it may not be possible to achieve a discount at all. It is worth noting that those tenants accessing properties at the lower end of the market may have less leverage in negotiating down the asking rent because there are fewer properties within their price range. However, as market rents feed through into the rest of the analysis we have taken the precaution of reducing them marginally.

**Affordable rents have been calculated using market rents as the baseline. We have used the mean average market rent.** We also calculated median rents and these were used to cross check the mean average and ensure that the mean was not being obscured by abnormally high or low outliers. In the vast majority of cases, the median and mean average market rents were identical or similar so we have used to mean to calculate affordable rents. There is no guidance on how affordable rents should be calculated (whether from mean or median or other market rents). An alternative would be to use lower quartile market rents as the base rent from which to determine affordable rents. This would ensure they remained below rents in the open market, but may present practical difficulties because of the challenge in collecting rental data and the sample size, particularly when looking at sub-District areas and different sized properties.

Affordable rents are initially calculated as 80% of market rents. **We assume that any service charge is included in the rental value**, as it is with the market rents in our sample. In practice, this might mean that providers need to reduce the headline affordable rent to ensure that, together with any service charge, this works out at less than 80% of the market rent for a particular sized property.

**The income required to rent is based on the assumption that a household can afford to pay up to 33% of their gross income in rental costs.** The CLG’s Strategic Housing Market Assessment guidance suggests 25-33% is used as a threshold for rental affordability when calculating housing need. We have used 33% because we believe it better reflects the fact that households are to prepared to stretch their incomes to afford housing costs. DTZ understands that most local authorities and Providers are using this benchmark to establish affordability, though the approach is different in London where Councils have used 40% of *net* incomes as the affordability threshold.

In order to assess the extent to which households in housing need are able to afford rental costs we have collated and analysed data from Winchester City Council’s waiting list (Hampshire Home Choice) and the Local HomeBuy Agent (HomesinHants) which maintains a list of households interested in intermediate housing. There are limitations with these sources, the key one being that income data is based on applicants self-reporting. The limitations of the data are discussed in full in Section 4. Nevertheless, these are true of most sources of income data and despite these limitations it represents the best available information.

Data is presented for Winchester District as a whole and, where possible, is broken down into three sub-district areas:

- Winchester City
- PUSH area (southern part of the District which falls within the Partnership for Urban South Hampshire)

- The market towns and rural area (the villages and rural areas outside of the City and the PUSH area)

The rest of this report is structured as follows:

- **Section 2** estimates what affordable rents are likely to be in Winchester (if they are set in relation to market rents)
- **Section 3** sets out the cost of renting and the income required for renting to be affordable to a household.
- **Section 4** examines the extent to which households on the waiting list can afford affordable rents and what level of rent they can afford. It also examines the extent to which other households might be able to afford affordable rents including existing tenants and intermediate households.
- **Section 5** draws out the implications for housing and planning policy.

## 2 Rents within Winchester

### 2.1 Market Rents

Figure 2.1 presents **mean average market rents** for different property sizes within Winchester District and the sub-district areas. As set out in the introduction to this report, market rents have been established by surveying asking rents within Winchester and reducing these by 10% to reflect likely achieved rents. This may be too large a discount in some cases and in robust markets like Winchester City it may not be possible to achieve a discount at all, particularly where landlords have a choice over prospective tenants. However, as market rents feed through into estimates of the level of affordable rents we have taken the precaution of reducing them marginally. Rents are based on data from August 2011.

In Winchester District, average rents for a 1 bedroom property are £550 per month. There are some properties available at a cheaper rent, the lowest being £450 per month and at the other end of the spectrum rents for some 1 bedroom properties are as high as £740 per month. The range of rents for each size of property and for each sub-district is contained in the Appendix.

The data in Figure 2.1 suggests that average monthly rents rise by around £300 for each additional bedroom in a property in the District as a whole.

Rents are lower in the PUSH area of the District with rents highest in Winchester City. The average rent for a 2 bedroom property within Winchester City is over £1,000 per month. There are properties available for lower and higher rents than the average, though even the lowest rent for a 2 bedroom property within Winchester City is £700 per month. There are limited numbers of properties available which are priced below average levels.

**Figure 2.1: Average Market Rents (pcm) within Winchester District, by Sub-District Area**

	Winchester City	PUSH area	Market Towns and Rural area	District
1 bed	£570	£520	£590	<b>£550</b>
2 bed	£1,030	£620	£810	<b>£860</b>
3 bed	£1,310	£1,080	<b>£990</b>	<b>£1,220</b>
4 bed	£1,560	£1,200	£1,710	<b>£1,510</b>
5 bed	£2,350	£1,080	-	<b>£1,600</b>

Source: Rightmove, follow up telephone survey of local agents. Figures rounded to nearest £10.

Rental levels in the market towns and rural areas of the District, which contains the settlements of Kingsworthy and New Alresford, appear to be higher than the average for the District for some property sizes. However, the number of properties available to rent in this area is much lower and so caution needs to be applied when interpreting the figures. The limited availability of rental properties in these areas may be an issue for policy in itself.

The average market rents in Figure 2.1 have been used to estimate the level of affordable rent within the District and each of the sub-district areas.

### 2.2 Affordable Rents

Figure 2.2 sets out affordable rents in Winchester when these are calculated as 80% of open market rents. Affordable rents for a 1 bedroom property range from £420 per month in the PUSH area to £470 in the market towns and rural area. The average for the District is £440 per month.

It is relevant to note that affordable rents for 1 bedroom properties in the District are at the same level as the lowest market rent recorded in the survey of market rents. There is therefore overlap between affordable rents (at 80% of market levels) and low end market rents. However, there are very few lower priced market properties available and in practice these are not always accessible to those in housing need because

landlords have a choice over whom to let them to, particularly in Winchester City, where young professionals, students and those on Housing Benefit are competing for a small pool of cheaper rented properties. The deposit required for market rented properties is also a barrier to those on the lowest incomes as these households do not have sufficient savings to pay a deposit.

**Figure 2.2: Average Affordable Rents pcm (80%) within Winchester District, by Sub-District Area**

	Winchester City	PUSH area	Market Towns and Rural area	District
1 bed	£450	£420	£470	<b>£440</b>
2 bed	£820	£500	£640	<b>£670</b>
3 bed	£1,050	£860	<b>£790</b>	<b>£980</b>
4 bed	£1,250	£960	£1,360	<b>£1,210</b>
5 bed	£1,880	£860	-	<b>£1,280</b>

Source: DTZ, based on Rightmove. Figures rounded to nearest £10.

Figures 2.3-2.5 set out the levels of affordable rent in Winchester if these are set at 70%, 60% and 50% of open market levels. At 50% of open market levels, affordable rents are relatively close to the level of social rent within the District (Figure 2.6). Figure 2.6 shows that affordable rents set at 50% of market rents range from £270 per month for a 1 bedroom property to £760 per month for a 4 bedroom property. Whilst this level is starting to come into line with social rents for 1 and 2 bedroom properties, there remains a divergence between affordable rents and social rents for 3 and 4 bedroom properties.

**Figure 2.3: Average Affordable Rents (70%) within Winchester District, by Sub-District Area**

	Winchester City	PUSH area	Market Towns and Rural area	District
1 bed	£400	£360	£410	<b>£380</b>
2 bed	£720	£430	£560	<b>£600</b>
3 bed	£920	£750	£690	<b>£860</b>
4 bed	£1,090	£840	£1,190	<b>£1,060</b>
5 bed	£1,650	£750	-	<b>£1,120</b>

Source: DTZ, based on Rightmove. Figures rounded to nearest £10.

**Figure 2.4: Average Affordable Rents (60%) within Winchester District, by Sub-District Area**

	Winchester City	PUSH area	Market Towns and Rural area	District
1 bed	£340	£310	£350	£330
2 bed	£620	£370	£480	£510
3 bed	£790	£650	£590	£740
4 bed	£940	£720	£1,020	£910
5 bed	£1,410	£650	-	£960

Source: DTZ, based on Rightmove. Figures rounded to nearest £10.

**Figure 2.5: Average Affordable Rents (50%) within Winchester District, by Sub-District Area**

	Winchester City	PUSH area	Market Towns and Rural area	District
1 bed	£280	£260	£290	£270
2 bed	£510	£310	£400	£430
3 bed	£660	£540	£500	£610
4 bed	£780	£600	£850	£760
5 bed	£1,180	£540	-	£800

Source: DTZ, based on Rightmove. Figures rounded to nearest £10.

## 2.3 Social Rents

Figure 2.6 sets out social rents within Winchester, distinguishing between Winchester City Council owned properties and those owned by housing associations. As noted above, there is much more compression of rents in the social rented sector with relatively small steps in price between properties with additional bedrooms. The social rented sector rents are regulated and not set in relation to the market. Nevertheless, smaller properties maybe more comparable with those in the market sector, in terms of size and type whereas larger properties in the market sector may have additional attributes eg large gardens, more internal space etc which are not matched in the social rented sector for properties with the same number of bedrooms. This has implications for setting affordable rents within Winchester. If rents are set in relation to the market, rents on larger properties will be significantly higher than those in the social rented sector.

Rents within Winchester City Council stock are notably lower than within housing association properties and therefore the gap between social rent and affordable/ market rents is greater within Winchester City Council homes. The majority of social rented stock within Winchester District is owned by Winchester City Council.

**Figure 2.6: Social Rents within Winchester District (pcm)**

	Winchester City Council homes	Housing Association homes
1 bed	£290	£370
2 bed	£330	£420
3 bed	£390	£460
4 bed	£420	£530
5 bed	£500	n/a

Source: Dataspring 2009 (latest available data that is broken down by property size). Rounded to nearest £10

### 2.3.1 Housing Benefit and Local Housing Allowance

It is important to note that housing benefit may cover all or part of the rent where a household is eligible for it. Households living within Winchester City Council or housing association homes and receiving housing benefit will have their full rent covered or receive a discount on their rent depending on how much housing benefit they are entitled to. Those living in the private rented sector will receive the local housing allowance (LHA) for the size of property the household is entitled to. The LHA is set at the following levels within Winchester (as at January 2012):

- Shared accommodation rate: £69.35 per week (£300 per month)
- One Bedroom Rate: £144.23 per week (£625 per month)
- Two Bedrooms Rate: £178.85 per week (£775 per month)
- Three Bedrooms Rate: £207.69 per week (£900 per month)
- Four Bedrooms Rate: £300.00 per week (£1,300 per month)

This level of benefit may or may not cover the full rent of the property. The LHA level is calculated by the Rent Service from the distribution of market rents within the District and is set at the 30<sup>th</sup> percentile. **It is clear from the analysis of market rents that the LHA rent levels in Winchester would not cover the full rent of properties with 2 bedrooms or more unless they can be secured at lower than average rents.** However, the supply of properties at entry level rents is very limited within the District. The Council's housing team have also confirmed difficulties placing those in need in the private rented sector in the District because of deposit requirements and the reluctance of landlords to house those dependent on housing benefit when they have a choice of other prospective tenants.

For tenants in council accommodation or other social housing, the maximum housing benefit they can receive is the same as their 'eligible' rent. Eligible rent includes rent for the accommodation and charges for some services, such as lifts, communal laundry facilities or play areas. The amount of housing benefit a households is entitled to will depend on their personal and financial circumstances. It will also reflect the type of property and rent paid and whether the rent is reasonable for the particular property. The eligible rent may be limited to an amount that is reasonable for a suitably sized property in the area.

## 3 The Income Required to Rent within Winchester

### 3.1 Income Required for Market Rents

Using the rental levels set out in Section 2, Figure 3.1 calculates the annual income a household would need to be able to rent affordably. This calculation assumes that households spend no more than 33% of their gross income on rental costs. There are alternatives to this affordability threshold (eg London authorities generally use 40% of net incomes) but this is widely accepted by practitioners and in line with the CLG's SHMA guidance. Furthermore, the income data available makes calculation of net incomes very difficult.

Figure 3.1 shows that, in the District as a whole, the income required to access market rents starts at £19,600 per annum. This would allow the household to access an average priced 1 bedroom property. If a household is able to access a lower priced property, it might be possible for those on incomes of £16,000 to afford a market rent. The income required to afford an average priced 2 bedroom property is over £30,000, rising to £44,000 for a 3 bed and £54,500 for a 4 bed property.

**Figure 3.1: Income Required to Afford Average Market Rents within Winchester District**

	Winchester City	PUSH area	Market Towns and Rural area	District
1 bed	£20,300	£18,700	£21,100	<b>£19,600</b>
2 bed	£37,000	£22,300	£29,000	<b>£30,900</b>
3 bed	£47,200	£38,800	£35,600	<b>£44,100</b>
4 bed	£56,100	£43,000	£61,400	<b>£54,500</b>
5 bed	£84,600	£38,700	-	<b>£57,400</b>

Source: DTZ, using Rightmove. Figures rounded to nearest £100.

The income required to rent is relatively lower in the PUSH area. Households on incomes above £22,000 could afford a 2 bedroom property, compared to £30,900 required in the District as a whole. In fact, rental levels in the PUSH area suggest that households could access an extra bedroom on the same income when compared to rental levels in Winchester City and the Market Towns and Rural Area of the District. For example, whilst an income of £22,000 would afford a household a 2 bedroom property in the PUSH area of the District, in Winchester City the same household would only be able to afford 1 bedroom. The choice facing lower income households who work in Winchester City may be to live with less space than they might want or need or move to cheaper parts of the District or adjacent Districts and commute back in for work.

Again, there are some rental properties with prices above and below the average and so households on lower incomes may be able to afford to rent in the market if they are able to access these; but there are very few of these lower priced properties available and availability varies from month to month. Figure 3.2 shows the income required to access the lowest price market rental properties within the District. The appendix provides similar data for the sub-district areas.

**Figure 3.2: Annual Income Needed to Rent within Winchester District (£ per annum)**

	Lowest	Average	Median	Highest
1 bed	£16,000	<b>£19,600</b>	£19,300	£26,700
2 bed	£18,300	<b>£30,900</b>	£31,600	£44,600
3 bed	£32,200	<b>£44,100</b>	£43,700	£69,700
4 bed	£38,700	<b>£54,500</b>	£55,100	£76,100
5 bed	-	<b>£57,400</b>	-	-

Source: DTZ, using Rightmove. Figures rounded to nearest £100.

## 3.2 Income Required for Affordable Rents

Figure 3.3 sets out the income required to access affordable rented properties, when rents are set at 80% of market rents. Again, households are assumed to be able to afford to spend up to 33% of their gross annual income on rental costs. To access affordable rented homes, with rents set at 80% of market values, households would need an annual income of £15,700 to access a 1 bedroom property, £24,700 for 2 bedrooms, £35,300 for 3 bedrooms and £43,600 for 4 bedrooms. Figures 3.4-3.6 progressively reduce the level at which affordable rents are set (to 70%, 60% and 50% of the market rent) and calculate the income required to access properties in the District as a result.

**Figure 3.3: Income Required to Afford Affordable Rents (80%) within Winchester District**

	Winchester City	PUSH area	Market Towns and Rural area	District
1 bed	£16,300	£15,000	£16,800	<b>£15,700</b>
2 bed	£29,600	£17,800	£23,200	<b>£24,700</b>
3 bed	£37,800	£31,000	£28,500	<b>£35,300</b>
4 bed	£44,900	£34,400	£49,100	<b>£43,600</b>
5 bed	£67,700	£31,000	-	<b>£45,900</b>

Source: DTZ, using Rightmove. Figures rounded to nearest £100.

**Figure 3.4: Income Required to Afford Affordable Rents (70%) within Winchester District**

	Winchester City	PUSH area	Market Towns and Rural area	District
1 bed	£14,200	£13,100	£14,700	<b>£13,700</b>
2 bed	£25,900	£15,600	£20,300	<b>£21,600</b>
3 bed	£33,000	£27,100	£24,900	<b>£30,900</b>
4 bed	£39,300	£30,100	£43,000	<b>£38,100</b>
5 bed	£59,200	£27,100	-	<b>£40,200</b>

Source: DTZ, using Rightmove. Figures rounded to nearest £100.

**Figure 3.5: Income Required to Afford Affordable Rents (60%) within Winchester District**

	Winchester City	PUSH area	Market Towns and Rural area	District
1 bed	£12,200	£11,200	£12,600	<b>£11,800</b>
2 bed	£22,200	£13,400	£17,400	<b>£18,500</b>
3 bed	£28,300	£23,300	£21,400	<b>£26,400</b>
4 bed	£33,700	£25,800	£36,800	<b>£32,700</b>
5 bed	£50,800	£23,200	-	<b>£34,500</b>

Source: DTZ, using Rightmove. Figures rounded to nearest £100.

**Figure 3.6: Income Required to Afford Affordable Rents (50%) within Winchester District, by Sub-District Area**

	Winchester City	PUSH area	Market Towns and Rural area	District
1 bed	£10,200	£9,400	£10,500	<b>£9,800</b>
2 bed	£18,500	£11,100	£14,500	<b>£15,400</b>
3 bed	£23,600	£19,400	£17,800	<b>£22,000</b>
4 bed	£28,100	£21,500	£30,700	<b>£27,200</b>
5 bed	£42,300	£19,400	-	<b>£28,700</b>

Source: DTZ, using Rightmove. Figures rounded to nearest £100.

The income required to afford social rents within Winchester is similar to the income required for affordable rents set at 50% of the market value for 1 and 2 bedroom properties (Figure 3.7). However, there remains a significant step between social rents and affordable rents for the larger properties if the rental values of these properties are set in relation to market levels.

Figure 3.7 does not take account of housing benefit which may cover all or part of the cost of renting. If a household is not eligible for housing benefit, Figure 3.7 sets out the income they are likely to need in order to afford their Social Rent.

**Figure 3.7: Income Required to Afford Social Rents within Winchester District**

	Winchester City Council homes	Housing association homes
1 bed	£10,400	£13,300
2 bed	£11,900	£15,100
3 bed	£14,000	£16,600
4 bed	£15,100	£19,100
5 bed	£18,000	n/a

Source: Dataspring 2009 (latest available data that is broken down by property size). Rounded to nearest £10

## 4 Incomes of Households in Need

### 4.1 Approach

This section analyses data on the incomes of the majority of applicants for housing in Winchester and examines how affordable different levels of rent are for these households. Data is available from Hampshire Home Choice for both new applicants and transfer tenants and can be profiled according to the size of property the household requires (number of bedrooms) and the level of priority on the waiting list (Bands 1 – 5). **Annual income is the combined sum of annual income from employment and annual income from benefits for each household.** We have also examined separate data on 325 households on the Homes in Hants list. These households are interested in intermediate housing options.

#### Data Limitations

The income data analysed is not a complete sample because not all applicants filled out all relevant parts of the application form and so a proportion of households have been excluded from the analysis. Once we removed data entries that we are unable to include with confidence, we were left with 3,186 applicants out of a total of 3,988. The sample includes 2,390 new applicants and 800 transfer tenants. It is not possible to tell whether this is a representative sample or whether those applicants who have not reported income information share certain characteristics. Nevertheless, it represents the majority of households on the waiting list and represents the best available information on the incomes of households in need within the District. Winchester City Council and Hampshire Home Choice are now working to amend the system so that applicants are required to provide responses to certain questions – specifically the income they receive from employment or benefits or both.

There are three other caveats which need to be borne in mind in using this income data:

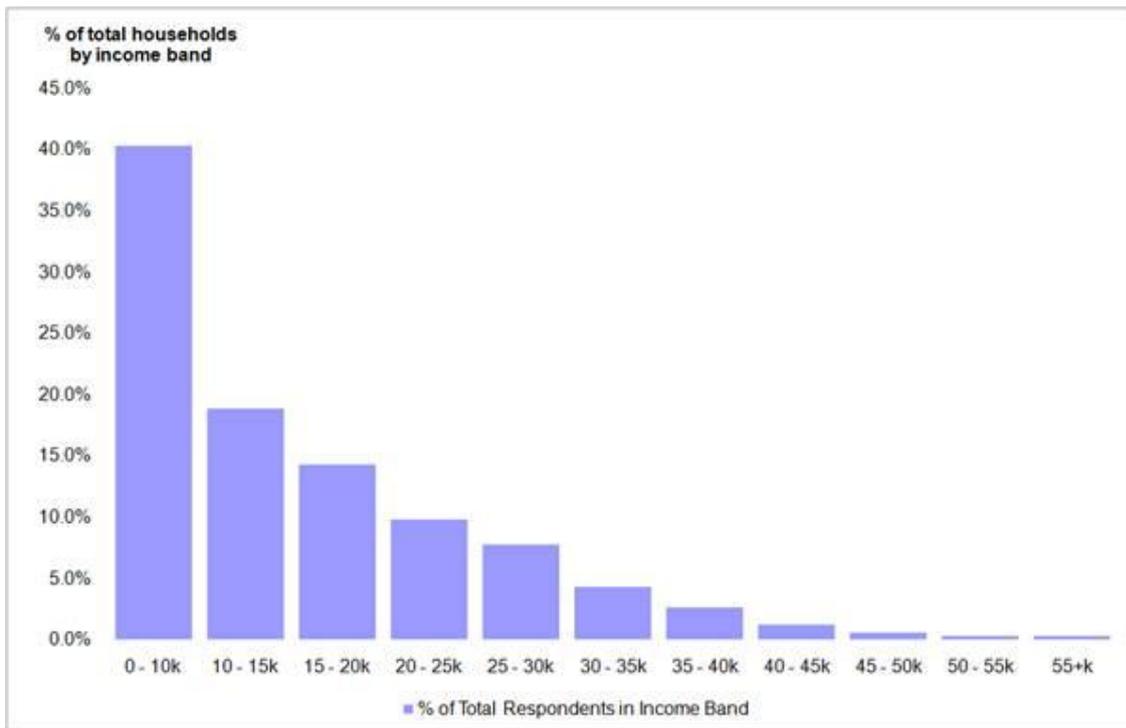
- First, it is based on households self reporting and relies on households accurately disclosing their income from earnings and benefits on the application form. This applies to both data sets.
- Second, this information is not verified by the Council until a household is offered a home. This means that the data below may not be accurate for all applicants.
- A further issue is that the income reported by a household is reflective of their *current* circumstances. Some households may be living with friends or family and not yet claiming housing benefit; their incomes will be higher when they receive the benefits to which they are entitled when they form an independent household. Others may be living in social rented housing and receiving housing benefit to pay their full rent. But social rents are much lower than affordable rents. The income of these households will increase if they to move to affordable rented homes as they will be able to claim a higher level of housing benefit to cover the corresponding increase in rent.

There were a small number of data inconsistencies relating to applicants entering income amounts for different time periods (e.g. weekly, monthly and annual income). It is impossible to determine with complete accuracy which records these apply to, but we have applied a set of simple checks and assumptions to enhance the accuracy of results.

The vast majority of entries provide an estimate of weekly benefits and have converted this to annual benefits. Where this produced results with extremely high annual levels of benefits we have assessed whether this is feasible (related to size of the household and nature of benefits). For a small number of records we have assumed that entries actually reflect their monthly benefit income as opposed to weekly (and so have amended the calculation used to convert these entries to annual benefits).

Equally, where income levels are recorded as being significantly above reasonable expectations, and it is not possible to adjust with confidence, we have excluded the results. We have excluded 4 entries – in all of which annual household income exceeded £72,000. Even with these adjustments, we are unable to guarantee that each record is accurate. Nevertheless, the overall pattern of results should not suffer major impact from the adjustment or exclusion of a small number of outliers. Figure 4.1 presents the distribution of incomes of those on Winchester’s waiting list. The largest proportion (40%) of households have annual incomes of £10,000 or less.

**Figure 4.1: Income of Winchester’s Waiting List Applicants, by Income Band (includes earnings from employment and income from benefits)**



Source: Hampshire Home Choice

The rest of this section analyses the income of waiting list applicants and those in housing need and the extent to which they can afford different levels of rent.

In 4.2 we analyse the income profile of *new* applicant households on the waiting list to understand what proportion could in theory afford market rent; and affordable rent at 80%; 70%; 60% and 50% of market rents in Winchester. In 4.3 we assess the proportion of *transfer* tenants that could potentially afford market and affordable rents in Winchester. This gives an indication of the extent to which existing social rented tenants might be able to afford to move out of social rented accommodation and into other tenures.

We distinguish between households *not* reliant on benefits who are reliant on their own earnings through employment and those who do receive benefits (which includes those who earn as well as those who are wholly reliant on benefits).

We also examine whether households who have expressed an interest in intermediate housing options within Winchester would be able to afford affordable rent.

## 4.2 Households on the Waiting List

Overall, around one quarter of households on Winchester's waiting list could afford affordable rent set at 80% of market rents. Most of those that can afford 80% market rents need a 1 or 2 bedroom property. Those needing larger properties are less able to afford the size of home they require. As affordable rents are reduced more households on the waiting list are able to afford them. When set at 50% of market rents, almost half of the households on the waiting list would be able to afford the rent.

It is important to keep in mind that this assessment sets 33% of gross incomes as the affordability threshold. In practice, many households, particularly those dependent on benefits, will be spending more than 33% of their incomes on rent. This partly explains why not all households are 'priced in' when the level of rent is reduced though this would be extended if households were assumed to spend 40% or 50% of their incomes on rent. There may be other applicants who are not yet receiving benefits to which they are entitled or maybe entitled to more (eg housing benefit) if they were to move to affordable rented accommodation.

**Figure 4.2: Number and Percentage of All Applicants that can Afford Affordable Rent (80%)**

	Band 2	Band 3	Band 4	Band 5	Total applicants that can afford 80% market rent	Total Applicants	% of all applicants
1 bed	16	346	102	88	552	1,775	31%
2 bed	6	94	30	32	162	705	23%
3 bed	0	27	4	13	44	477	9%
4 bed	0	5	1	3	9	226	4%
5 bed	0	0	0	n/a	0	3	N/A
<b>Total</b>					<b>767</b>	<b>3,186</b>	<b>24%</b>

Source: DTZ using Hampshire Home Choice. Note n/a refers to categories where there were no applicants in that band needing that size of property. There were no Band 1 applicants with complete income data in our sample.

**Figure 4.3: Number and % of All Applicants that can Afford Affordable Rent (at varying levels)**

Minimum size of property required	% who can afford Affordable Rent (80%)		% who can afford Affordable Rent (70%)		% who can afford Affordable Rent (60%)		% who can afford Affordable Rent (50%)	
	No.	%	No.	%	No.	%	No.	%
1 bed	552	31%	703	40%	850	48%	984	55%
2 bed	162	23%	201	29%	261	37%	323	46%
3 bed	44	9%	68	14%	105	22%	160	34%
4 bed	9	4%	11	5%	25	11%	45	20%
5 bed	0	0%	0	0%	0	0%	1	33%
<b>Total</b>	<b>767</b>	<b>24%</b>	<b>983</b>	<b>31%</b>	<b>1,241</b>	<b>39%</b>	<b>1,513</b>	<b>47%</b>

Source: DTZ using Hampshire Home Choice.

### 4.3 New Applicants

Figures 4.4 and 4.5 show the number and percentage of new applicants not receiving benefits that could afford rents set at 80% of the average market rent in Winchester.

- Overall 42% of new applicants that are not receiving benefits can afford rents set at 80% of average market rents.
- The proportion is higher for smaller properties, with 46% of new applicants for 1 bedroom properties able to afford 80% of market rent; 34% of new 2 bedroom applicants; 16% of 3 bedroom applicants and 14% of 4 bedroom applicants.
- There appears to be a higher proportion of households in Band 5 (the lowest priority band) that can afford 80% market rent.

**Figure 4.4: Percentage who can Afford Affordable Rent (80%), New applicants, Not Receiving Benefits**

Minimum size of property required	Band 2	Band 3	Band 4	Band 5
1 bed	100%	45%	44%	55%
2 bed	n/a	32%	50%	32%
3 bed	n/a	18%	0%	17%
4 bed	n/a	0%	0%	67%

Source: DTZ using Hampshire Home Choice. Note n/a refers to categories where there were no applicants in that band needing that size of property. There were no Band 1 applicants with complete income data in our sample.

**Figure 4.5: Number of applicants who can Afford Affordable Rent (80%), New applicants, Not Receiving Benefits**

Minimum size of property required	Band 2	Band 3	Band 4	Band 5	Total that can afford 80%	Total new applicants without benefits	% that can afford 80%
1 bed	1	317	49	53	420	921	46%
2 bed	n/a	44	10	6	60	177	34%
3 bed	n/a	7	0	2	9	58	16%
4 bed	n/a	0	0	2	2	14	14%
<b>Total</b>					<b>491</b>	<b>1,170</b>	<b>42%</b>

Source: DTZ using Hampshire Home Choice. Note n/a refers to categories where there were no applicants in that band needing that size of property. There were no Band 1 applicants with complete income data in our sample.

Figures 4.6 and 4.7 present the same analysis for new applicants that receive benefits. The data indicate a lower level of overall affordability, with 13% of new applicants receiving benefits able to afford affordable rents at 80% of market rent, compared to 42% of new applicants who are not dependent on benefits.

- Affordability appears to be marginally better for those in the lowest priority band (Band 5).
- Almost 1 in 10 households needing a 1 bedroom or a 3 bedroom property are able to afford 80% market rent; compared to almost 1 in 4 seeking a 2 bedroom property. The data also suggests that all 5 applicants for a 4 bedroom property could afford 80% market rent, though this is based on a small sample.

**Figure 4.6: Percentage who can Afford Affordable Rent (80%), New Applicants, Receiving Benefits**

Minimum size of property required	Band 2	Band 3	Band 4	Band 5
1 bed	0%	7%	13%	9%
2 bed	25%	23%	19%	27%
3 bed	n/a	8%	3%	19%
4 bed	0%	0%	0%	100%

Source: DTZ using Hampshire Home Choice. Note n/a refers to categories where there were no applicants in that band needing that size of property. There were no Band 1 applicants with complete income data in our sample.

**Figure 4.7: Number who can Afford Affordable Rent (80%), New Applicants, Receiving Benefits**

	Band 2	Band 3	Band 4	Band 5	Total new applicants with benefits that can afford 80%	Total new applicants with benefits	% of new applicants with benefits
1 bed	0	23	17	8	48	544	9%
2 bed	1	53	13	12	79	342	23%
3 bed	n/a	12	1	8	21	228	9%
4 bed	0	4	0	1	5	5	100%
5 bed	n/a	0	0	n/a	0	2	0%
<b>Total</b>					<b>153</b>	<b>1,217</b>	<b>13%</b>

Source: DTZ using Hampshire Home Choice. Note n/a refers to categories where there were no applicants in that band needing that size of property. There were no Band 1 applicants with complete income data in our sample.

### 4.3.1 Affordability of Different Levels of Rent

Figures 4.8 and 4.9 show how affordability changes across all bands as rental levels are reduced (excluding Band 2 which only has one entry, hence the 100% across all rental levels).

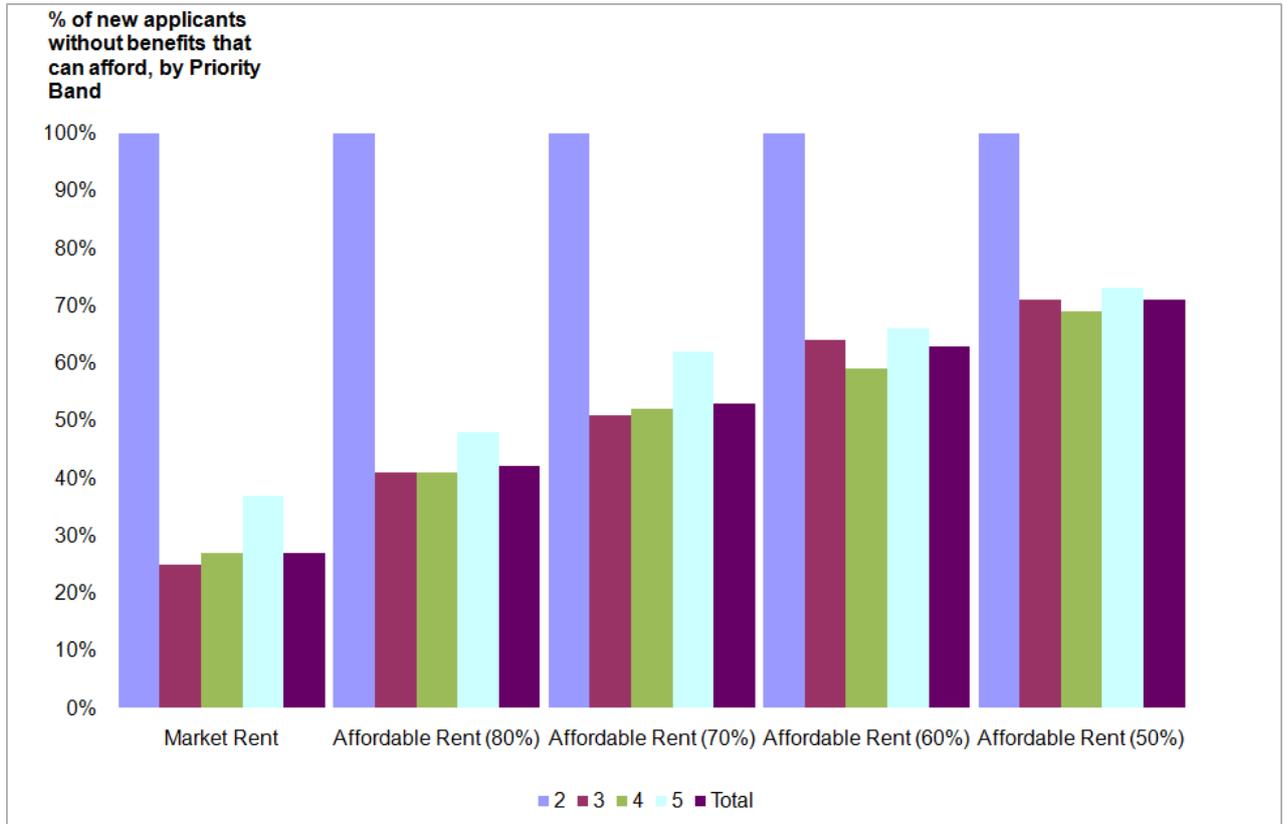
- Overall, 27% of new applicants not receiving benefits could afford market rents; with 42% able to afford an 80% market rent. The proportion rises to almost three quarters that could afford 50% of a market rent.
- Households in Band 5 (lowest priority banding) demonstrate consistently higher ability to afford rents, across all rental levels, when compared to other bands.
- There are a number of households who are deemed unable to afford these levels of rent yet they are already renting in the market. In practice, many households are paying more than 33% of their incomes in rent. Their current housing may be unaffordable to them but they are managing to get by, at least on a short term basis.

**Figure 4.8: Percentage who can Afford at Different Rent Levels, New Applicants, Not Receiving Benefits**

Band	Market Rent		Affordable Rent (80%)		Affordable Rent (70%)		Affordable Rent (60%)		Affordable Rent (50%)	
	No.	%	No.	%	No.	%	No.	%	No.	%
2	1	100%	1	100%	1	100%	1	100%	1	100%
3	226	25%	368	41%	458	51%	569	64%	637	71%
4	38	27%	59	41%	75	52%	85	59%	98	69%
5	48	37%	63	48%	81	62%	87	66%	96	73%
<b>Total</b>	<b>313</b>	<b>27%</b>	<b>491</b>	<b>42%</b>	<b>615</b>	<b>53%</b>	<b>742</b>	<b>63%</b>	<b>832</b>	<b>71%</b>

Source: DTZ using Hampshire Home Choice.

**Figure 4.9: Percentage who can Afford, at Different Rent Levels, New Applicants, Not Receiving Benefits**



Source: DTZ using Hampshire Home Choice.

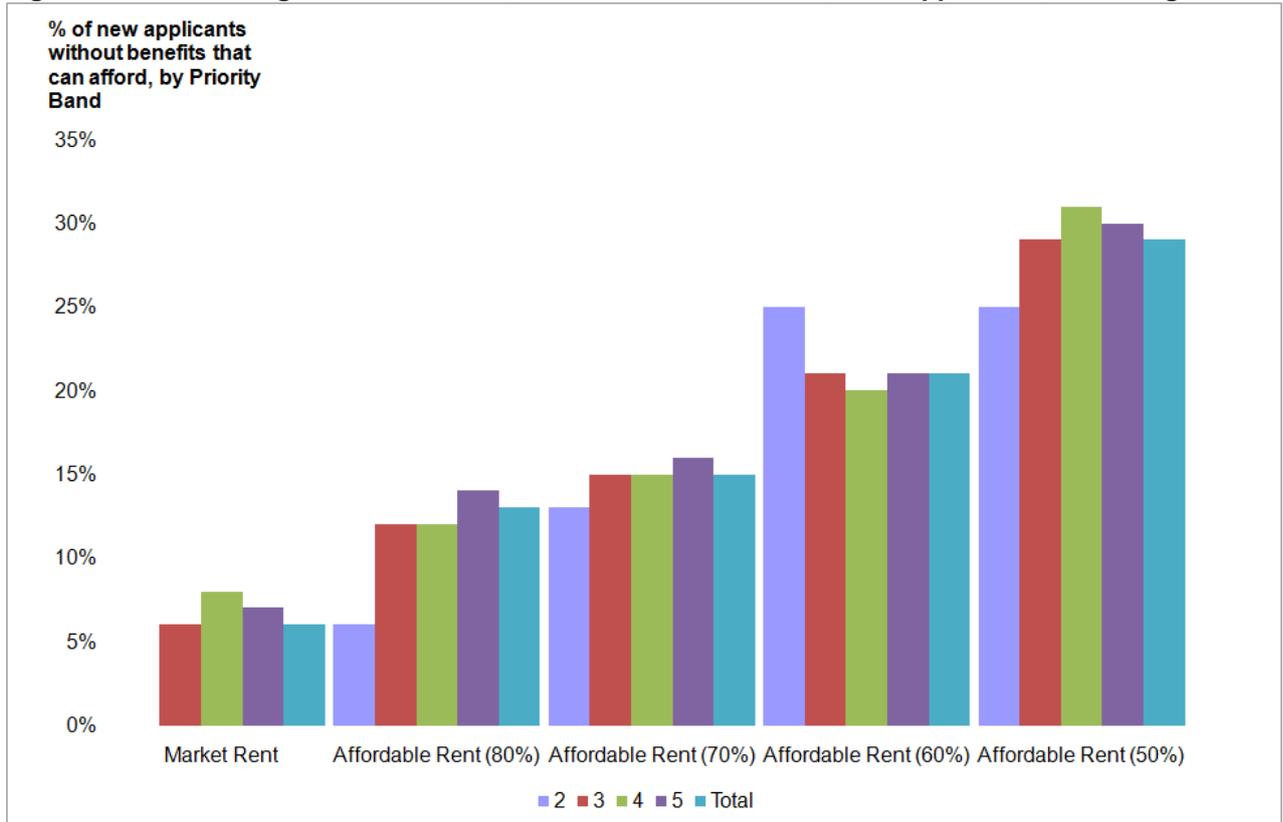
Figures 4.10 and 4.11 present the same analysis for new applicants receiving benefits and again demonstrate the progressive increase in affordability as rental levels are reduced. However, affordability is much more limited than for those who do not receive benefits. While only 6% of new applicants receiving benefits could afford a market rent for the property they need, 13% of new applicants not receiving benefits (earning through employment) could afford 80% market rent.

**Figure 4.10: Percentage who can Afford, at Different Rent Levels, New Applicants, Receiving Benefits**

Band	Market Rent		Affordable Rent (80%)		Affordable Rent (70%)		Affordable Rent (60%)		Affordable Rent (50%)	
	No.	%	No.	%	No.	%	No.	%	No.	%
2	0	0%	1	6%	2	13%	4	25%	4	25%
3	41	6%	92	12%	114	15%	153	21%	213	29%
4	21	8%	31	12%	38	15%	53	20%	80	31%
5	15	7%	29	14%	33	16%	43	21%	60	30%
Total	77	6%	153	13%	187	15%	253	21%	357	29%

Source: DTZ using Hampshire Home Choice. Note: there were no Band 1 applicants with complete income data in our sample.

**Figure 4.11: Percentage who can Afford, at Different Rent Levels, New Applicants, Receiving Benefits**



Source: DTZ using Hampshire Home Choice. There were no Band 1 applicants with complete income data in our sample. Note: no Band 2 applicants could afford market rent so there is no bar on the chart above.

### 4.3.2 Affordability of Different Levels of Rent – by Size of Property Required

Figures 4.12 and 4.13 highlight the significantly higher levels of affordability of smaller property types for new applicants *not receiving* benefits.

- For those requiring a 1 bedroom property, 30% could afford market rent, compared to 14% that could afford a 4 bedroom property at a market rent.
- If affordable rents were set at 80% of market rents, 46% of those needing a 1 bedroom property would be able to afford this; compared to 14% requiring a 4 bedroom property.
- At 50% of market rents, 76% of those needing a 1 bedroom property would be able to afford, compared to 36% of those needing a 4 bedroom property.

Figures 4.13 and 4.14 present the same analysis for new applicants *receiving* benefits.

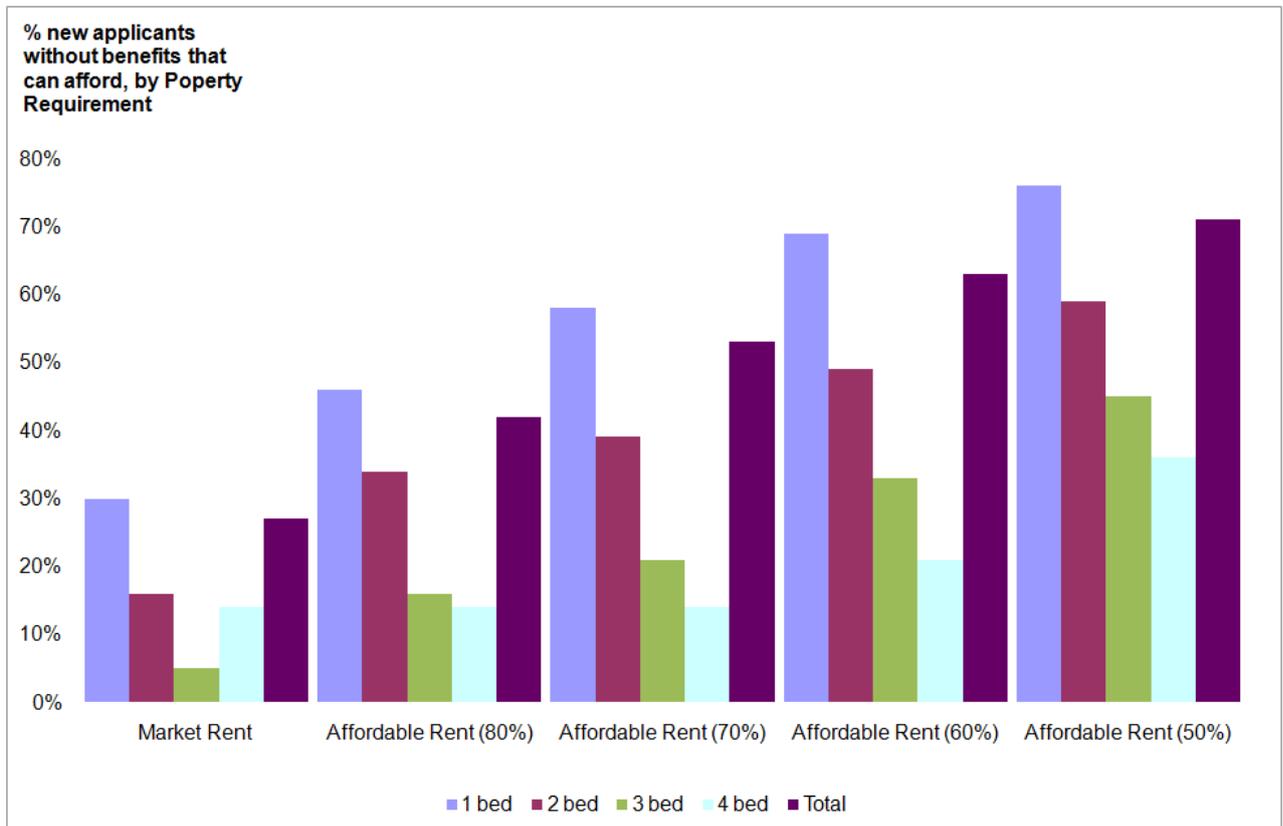
- For those requiring a 1 bedroom property, 6% could afford a market rents, compared to 2% that could afford a 4 bedroom property at a market rent.
- If rents were 80% of market rents, 9% of those needing a 1 bedroom property would be able to afford it; compared to 5% needing a 4 bedroom property.
- At 50% of market rents, around 29% of households would be able to afford the property size they need, with slightly better affordability amongst those needing a 2 bedroom property.

**Figure 4.12: Percentage who can Afford, by Size of property Required, New Applicants, Not Receiving Benefits**

Minimum size of property required	% who can afford Market Rent		% who can afford Affordable Rent (80%)		% who can afford Affordable Rent (70%)		% who can afford Affordable Rent (60%)		% who can afford Affordable Rent (50%)	
	No.	%	No.	%	No.	%	No.	%	No.	%
1 bed	279	30%	420	46%	532	58%	633	69%	697	76%
2 bed	29	16%	60	34%	69	39%	87	49%	104	59%
3 bed	3	5%	9	16%	12	21%	19	33%	26	45%
4 bed	2	14%	2	14%	2	14%	3	21%	5	36%
<b>Total</b>	<b>313</b>	<b>27%</b>	<b>491</b>	<b>42%</b>	<b>615</b>	<b>53%</b>	<b>742</b>	<b>63%</b>	<b>832</b>	<b>71%</b>

Source: DTZ using Hampshire Home Choice.

**Figure 4.13: Percentage who can Afford, by Size of property Required, New Applicants, Not Receiving Benefits**



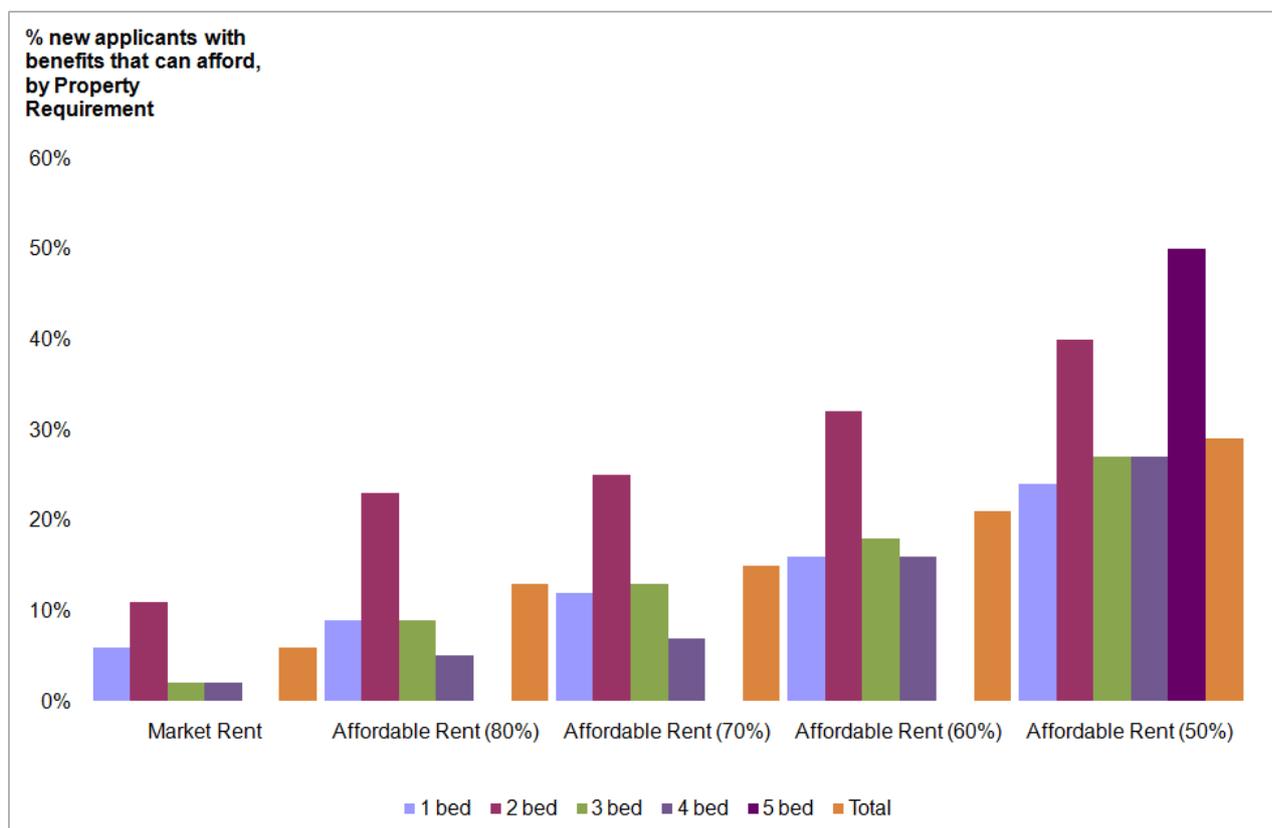
Source: DTZ using Hampshire Home Choice.

**Figure 4.14: Percentage who can Afford, by Size of property Required, New Applicants, Receiving Benefits**

Minimum size of property required	% who can afford Market Rent		% who can afford Affordable Rent (80%)		% who can afford Affordable Rent (70%)		% who can afford Affordable Rent (60%)		% who can afford Affordable Rent (50%)	
	No.	%	No.	%	No.	%	No.	%	No.	%
1 bed	32	6%	48	9%	63	12%	85	16%	132	24%
2 bed	38	11%	79	23%	87	25%	110	32%	136	40%
3 bed	5	2%	21	9%	30	13%	42	18%	61	27%
4 bed	2	2%	5	5%	7	7%	16	16%	27	27%
5 bed	0	0%	0	0%	0	0%	0	0%	1	50%
<b>Total</b>	<b>77</b>	<b>6%</b>	<b>153</b>	<b>13%</b>	<b>187</b>	<b>15%</b>	<b>253</b>	<b>21%</b>	<b>357</b>	<b>29%</b>

Source: DTZ using Hampshire Home Choice.

**Figure 4.15: Percentage who can Afford, by Size of Property Required, New Applicants, Receiving Benefits**



Source: DTZ using Hampshire Home Choice.

## 4.4 Existing Tenants of Social Rented Housing

Figures 4.16 and 4.17 show the number and percentage of transfer tenants, not receiving benefits, that could afford 80% market rent.

- Overall 38% of transfer tenants *not receiving* benefits could afford an affordable rent set at 80% of market rent for the property they need.
- As with new applicants, transfer tenants requiring smaller homes appear better able to afford affordable rents; while those in the lower priority bands appear better able to afford affordable rents than those in higher priority bands.
- Over half of transfer tenants *not receiving* benefits and needing a 1 bedroom property could access affordable rent set at 80% of the market rent; compared to almost a quarter of those needing a 2 bedroom property and just 15% and 11% of those needing 3 and 4 bedroom homes.

**Figure 4.16: Percentage who can Afford Affordable Rent (80%), Transfer Tenants, Not Receiving Benefits**

Minimum size of property required	Band 2	Band 3	Band 4	Band 5	Total
1 bed	39%	43%	61%	51%	<b>52%</b>
2 bed	17%	17%	13%	43%	<b>23%</b>
3 bed	n/a	12%	25%	17%	<b>15%</b>
4 bed	n/a	0%	33%	0%	<b>11%</b>

Source: DTZ using Hampshire Home Choice. Note n/a refers to categories where there were no applicants in that band needing that size of property. There were no Band 1 applicants with complete income data in our sample.

**Figure 4.17: Number who can Afford Affordable Rent (80%), Transfer Tenants, Not Receiving Benefits**

Minimum size of property required	Band 2	Band 3	Band 4	Band 5	Total transfer tenants without benefits that can afford 80%	Total transfer tenants without benefits	% transfer tenants without benefits that can afford 80%
1 bed	9	3	25	19	56	108	52%
2 bed	1	2	2	6	11	48	23%
3 bed	n/a	2	1	1	4	27	15%
4 bed	n/a	0	1	0	1	9	11%
<b>Total</b>					<b>72</b>	<b>192</b>	<b>38%</b>

Source: DTZ using Hampshire Home Choice. Note n/a refers to categories where there were no applicants in that band needing that size of property. There were no Band 1 applicants with complete income data in our sample.

Figures 4.18 and 4.19 show affordability levels for transfer tenants who receive benefits.

- For transfer tenants receiving benefits, those needing smaller properties are better able to afford 80% market rents. Affordable rent appears affordable to 14% and 17% of those requiring 1 bedroom and 2 bedroom properties respectively.
- As is the case for new applicants, the total proportion of transfer tenants receiving benefits that can afford 80% market rent is lower (10%) than those not receiving benefits (38%).

**Figure 4.18: Percentage who can Afford Affordable Rent (80%), Transfer Tenants, Receiving Benefits**

Minimum size of property required	Band 2	Band 3	Band 4	Band 5	Total
1 bed	19%	10%	16%	11%	14%
2 bed	27%	8%	15%	19%	17%
3 bed	0%	6%	17%	4%	6%
4 bed	0%	2%	0%	0%	1%

Source: DTZ using Hampshire Home Choice.

**Figure 4.19: Number who can Afford Affordable Rent (80%), Transfer Tenants, Receiving Benefits**

Minimum size of property required	Band 2	Band 3	Band 4	Band 5	Total new applicants with benefits that can afford 80%	Total new applicants with benefits	% of new applicants with benefits
1 bed	6	3	11	8	28	202	14%
2 bed	4	2	6	11	23	138	17%
3 bed	0	6	2	2	10	164	6%
4 bed	0	1	0	0	1	102	1%
5 bed	0	n/a	n/a	n/a	0	1	0%
<b>Total</b>					<b>62</b>	<b>607</b>	<b>10%</b>

Source: DTZ using Hampshire Home Choice. Note n/a refers to categories where there were no applicants in that band needing that size of property. There were no Band 1 applicants with complete income data in our sample.

#### 4.4.1 Affordability of Different Levels of Rent – by Band

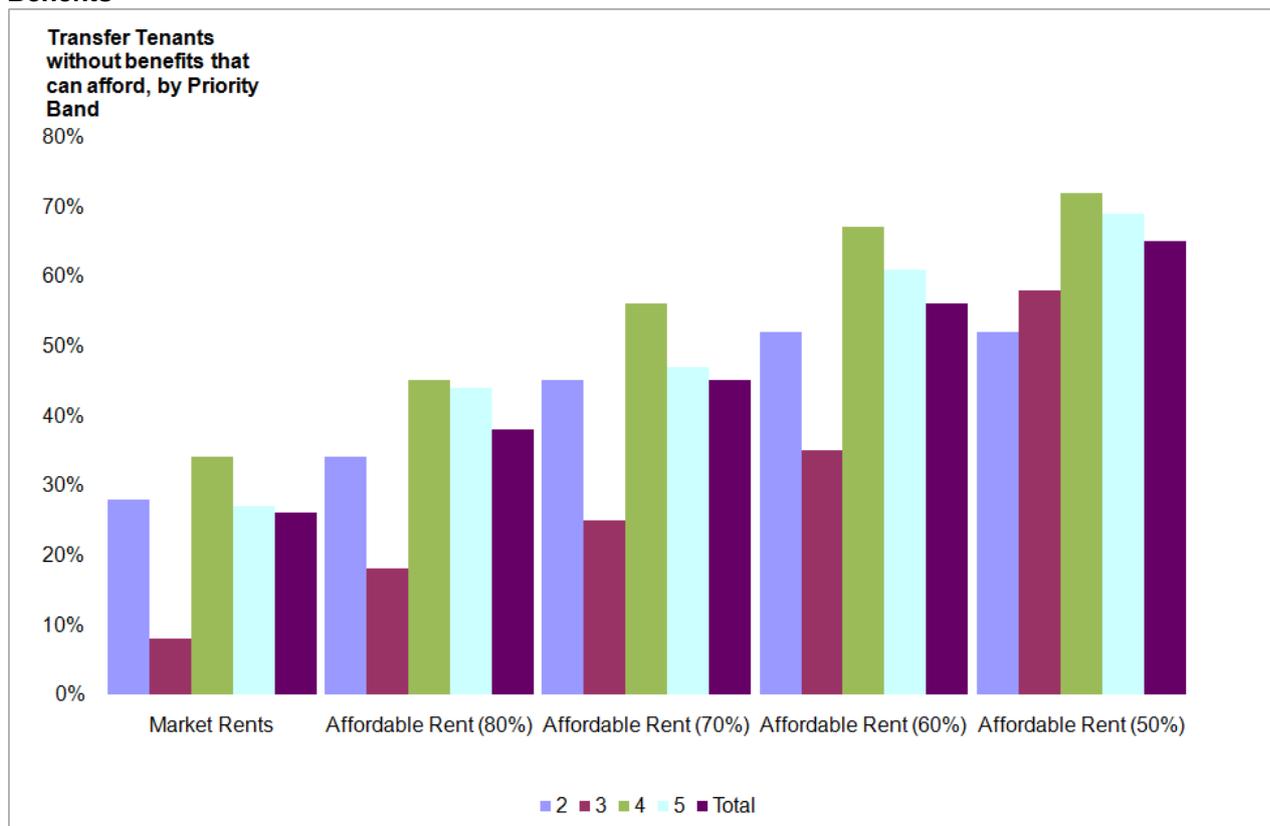
The proportion of transfer tenants not receiving benefits that can afford rents at all levels is greater in the lower priority bands (Bands 4 and 5). For example 44-45% in Bands 4 and 5 would be able to afford 80% of market rent, compared to 18% of those in Band 3 and 34% in Band 2.

**Figure 4.19: Percentage who can Afford, by Different Rent Levels, Transfer Tenants, Not Receiving Benefits**

Band	Market Rents		Affordable Rent (80%)		Affordable Rent (70%)		Affordable Rent (60%)		Affordable Rent (50%)	
	No.	%	No.	%	No.	%	No.	%	No.	%
2	8	28%	10	34%	13	45%	15	52%	15	52%
3	3	8%	7	18%	10	25%	14	35%	23	58%
4	22	34%	29	45%	36	56%	43	67%	46	72%
5	16	27%	26	44%	28	47%	36	61%	41	69%
Total	49	26%	72	38%	87	45%	108	56%	125	65%

Source: DTZ using Hampshire Home Choice. Note: there were no Band 1 applicants with complete income data in our sample.

**Figure 4.20: Percentage who can Afford at Different Rent Levels, Transfer Tenants, Not Receiving Benefits**



Source: DTZ using Hampshire Home Choice. Note: there were no Band 1 applicants with complete income data in our sample.

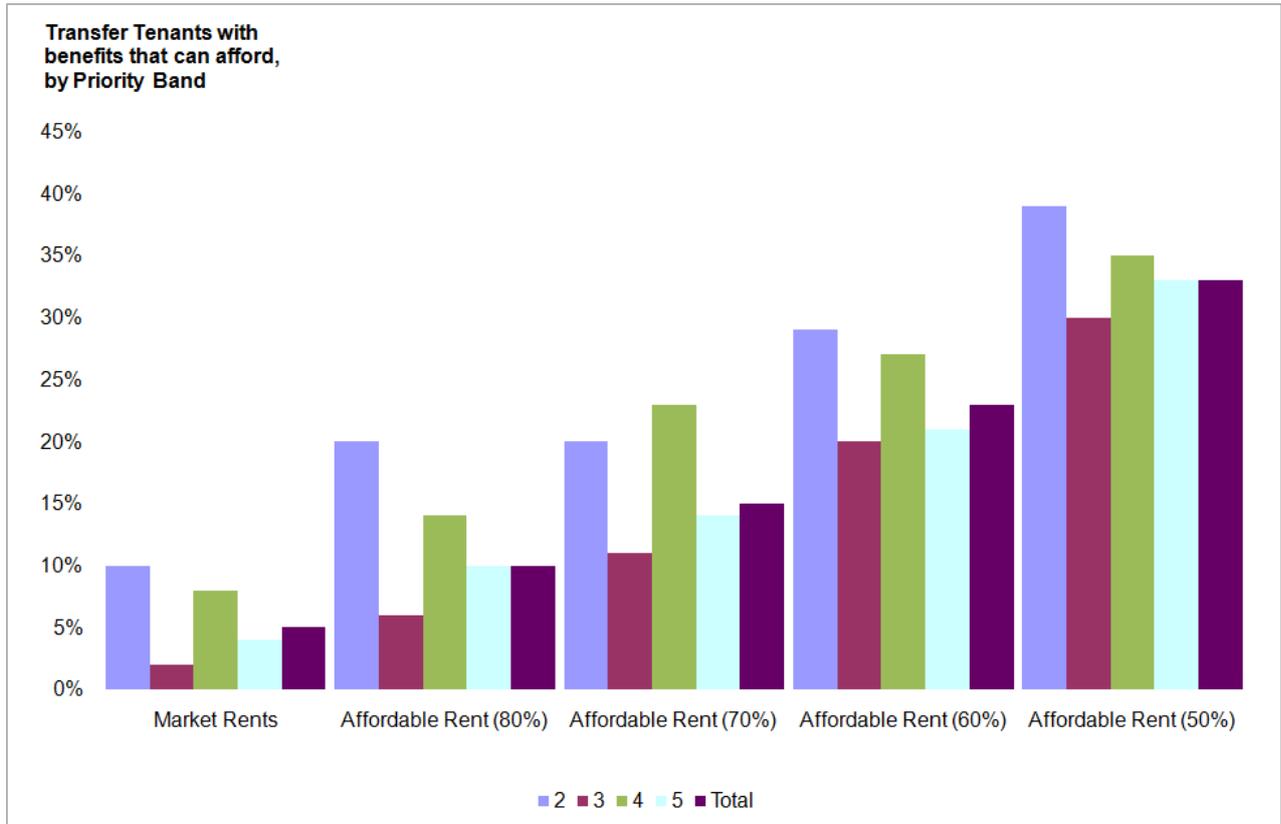
The pattern identified for those receiving benefits is not as clear for those transfer tenants not receiving benefits. For example, 20% in Band 2 could afford 80% of market rent, compared to 6% in Band 3, 14% in Band 4 and 10% in Band 5; though this could be a feature of the small sample size of this group.

**Figure 4.21: Percentage who can Afford at Different Rent Levels, Transfer Tenants, Receiving Benefits**

Band	Market Rents		Affordable Rent (80%)		Affordable Rent (70%)		Affordable Rent (60%)		Affordable Rent (50%)	
	No.	%	No.	%	No.	%	No.	%	No.	%
2	5	10%	10	20%	10	20%	15	29%	20	39%
3	4	2%	12	6%	24	11%	43	20%	64	30%
4	11	8%	19	14%	30	23%	36	27%	46	35%
5	8	4%	21	10%	30	14%	44	21%	69	33%
<b>Total</b>	<b>28</b>	<b>5%</b>	<b>62</b>	<b>10%</b>	<b>94</b>	<b>15%</b>	<b>138</b>	<b>23%</b>	<b>199</b>	<b>33%</b>

Source: DTZ using Hampshire Home Choice. Note: there were no Band 1 applicants with complete income data in our sample.

**Figure 4.22: Percentage who can Afford at Different Rent Levels, Transfer Tenants, Receiving Benefits**



Source: DTZ using Hampshire Home Choice. Note: there were no Band 1 applicants with complete income data in our sample.

#### 4.4.2 Affordability of Different Levels of Rent – by Size of Property Required

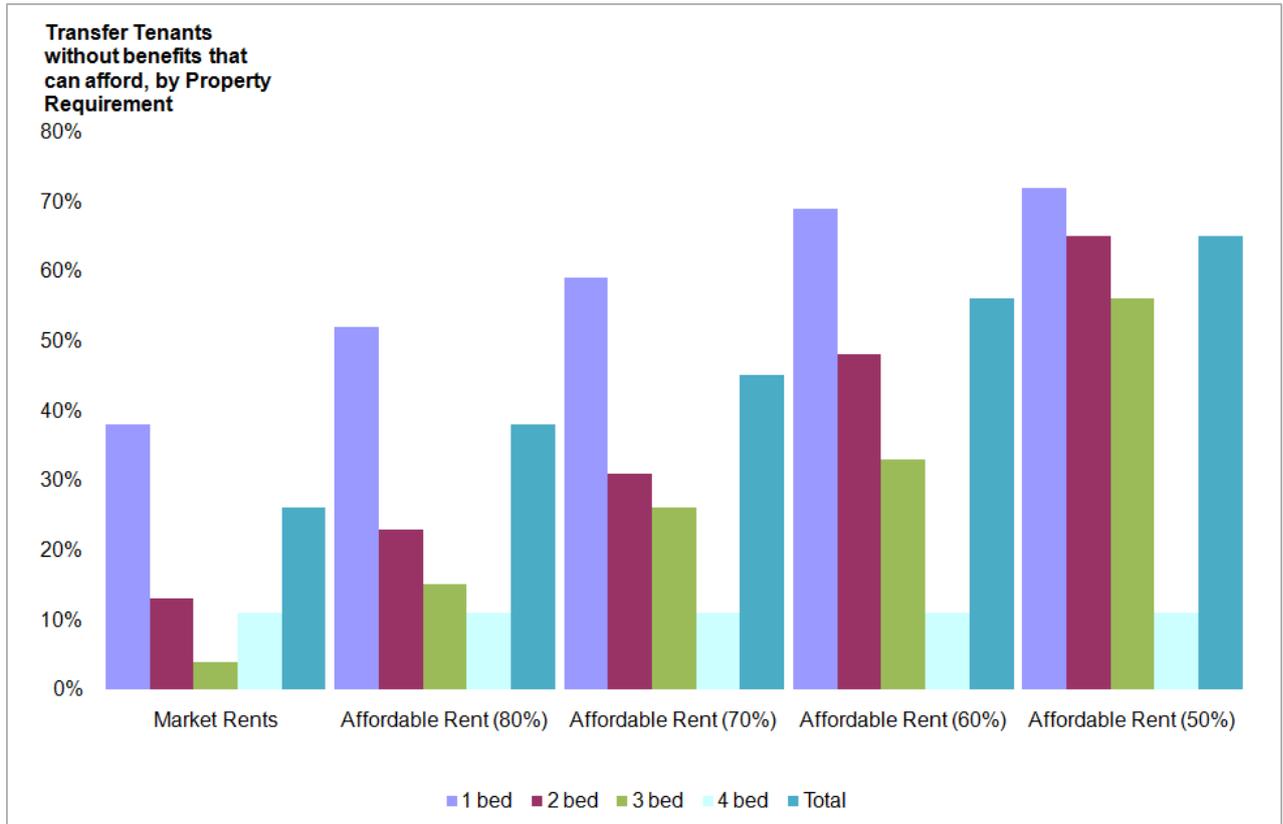
As is the case for new applicants, transfer tenants not receiving benefits and requiring smaller properties are generally more likely to be able to afford rents. At 80% of market rent, over half of transfer applicants not receiving benefits and requiring a 1 bedroom property could access affordable rent based on their household income. This compares to 23% requiring a 2 bedroom; 15% requiring a 3 bedroom and 11% requiring a 4 bedroom property.

**Figure 4.23: Percentage who can Afford, Size of Property Required, Transfer Tenants, Not Receiving Benefits**

Minimum size of property required	% who can afford Market Rent		% who can afford Affordable Rent (80%)		% who can afford Affordable Rent (70%)		% who can afford Affordable Rent (60%)		% who can afford Affordable Rent (50%)	
	No.	%	No.	%	No.	%	No.	%	No.	%
1 bed	41	38%	56	52%	64	59%	75	69%	78	72%
2 bed	6	13%	11	23%	15	31%	23	48%	31	65%
3 bed	1	4%	4	15%	7	26%	9	33%	15	56%
4 bed	1	11%	1	11%	1	11%	1	11%	1	11%
<b>Total</b>	<b>49</b>	<b>26%</b>	<b>72</b>	<b>38%</b>	<b>87</b>	<b>45%</b>	<b>108</b>	<b>56%</b>	<b>125</b>	<b>65%</b>

Source: DTZ using Hampshire Home Choice.

**Figure 4.24: Percentage who can Afford, by Size of Property Required, Transfer Tenants, Not Receiving Benefits**



Source: DTZ using Hampshire Home Choice.

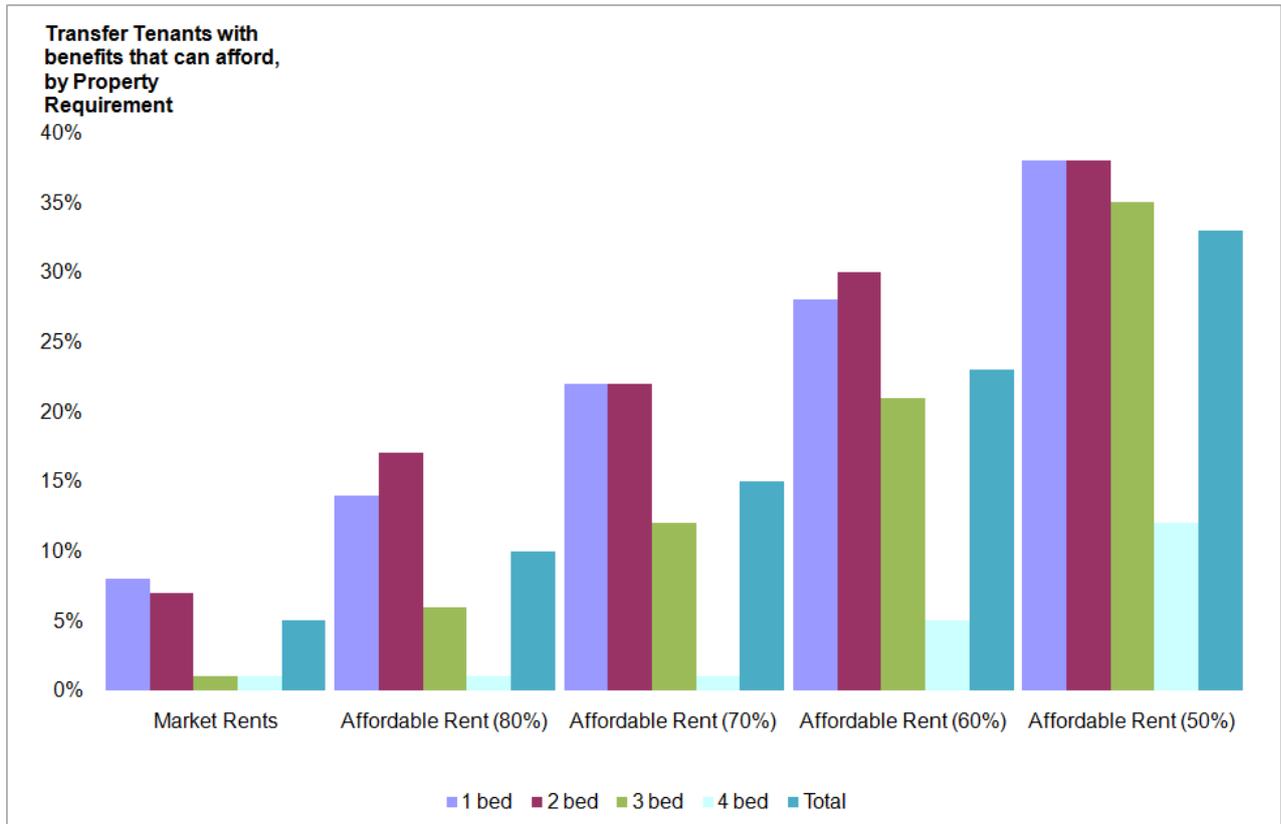
For those receiving benefits it is also generally those needing 1 and 2 bedroom properties that are able to afford (Figure 4.24 and 4.25).

**Figure 4.25: Percentage who can Afford, by Size of Property Required, Transfer Tenants, Not Receiving Benefits**

Minimum size of property required	% who can afford Market Rent		% who can afford Affordable Rent (80%)		% who can afford Affordable Rent (70%)		% who can afford Affordable Rent (60%)		% who can afford Affordable Rent (50%)	
	No.	%	No.	%	No.	%	No.	%	No.	%
1 bed	16	8%	28	14%	44	22%	57	28%	77	38%
2 bed	9	7%	23	17%	30	22%	41	30%	52	38%
3 bed	2	1%	10	6%	19	12%	35	21%	58	35%
4 bed	1	1%	1	1%	1	1%	5	5%	12	12%
5 bed	0	0%	0	0%	0	0%	0	0%	0	0%
<b>Total</b>	<b>28</b>	<b>5%</b>	<b>62</b>	<b>10%</b>	<b>94</b>	<b>15%</b>	<b>138</b>	<b>23%</b>	<b>199</b>	<b>33%</b>

Source: DTZ using Hampshire Home Choice.

**Figure 4.26: Percentage who can Afford, by Size of Property Required, Transfer Tenants, Receiving Benefits**



Source: DTZ using Hampshire Home Choice.

It is also worth examining data from the Local HomeBuy Agent (Catalyst) which provides information on a small number of social rented tenants who have expressed interest in intermediate housing. These social rented tenants are unlikely to be in housing need or registered on the City Council’s waiting list; their circumstances are different to those applicants in the analysis presented earlier in this section. Nevertheless, Figure 4.27 shows that around half could afford market rents and, by implication, do not need the social rented housing which they currently occupy (although it is important to note that social rented homes provide secure tenancies). Additional households would be ‘priced in’ to affordable rented housing as rents are steadily reduced in relation to market rents. This suggests that there are social rented tenants who are able to afford more than a social rent and who may be willing to move to other tenures; though most of these would probably aspire to home ownership options rather than another form of renting.

**Figure 4.27: Social Rented Tenants who can afford Affordable Rent (based on those who are interested in intermediate products)**

Minimum size of property required	Total number	Number who can afford Market Rent	Number who can afford Affordable Rent (80%)	70%	60%	50%
1 bed	5	4	5	5	5	5
2 bed	13	8	9	9	10	12
3 bed	7	0	0	2	4	6
<b>Total</b>	<b>25</b>	<b>12</b>	<b>14</b>	<b>16</b>	<b>19</b>	<b>23</b>

Source: Catalyst

## 4.5 Affordability for Single People 35 Years or Younger

Figure 4.28 shows how far single people on the waiting list are able to afford a suitably size property (a room in a house share or 1 bedroom home). This table focuses on those aged 35 years old and under so that we can examine the impact of changes to housing benefit levels which have affected this age group. Local housing allowance is capped at £300 per month for a room in a shared house or flat for single people under the age of 35. Rooms advertised for rent within Winchester suggest that the average cost per month is £360 and there are very few properties available at £300 per month. This suggests that even those individuals eligible for the full amount of housing benefit may struggle to afford a room in a house share, let alone independent self contained accommodation within Winchester.

At present, 165 (21%) single households under the age of 35 on the waiting list would be able to afford the market rent for a room in a shared house, leaving 79% unable to afford. Limited numbers (5%) could afford the market rent for a 1 bedroom property. In practice, many of these younger applicants either remain living in their current circumstances eg as concealed households living with family or friends or they leave Winchester District in order to access cheaper accommodation elsewhere. Introducing affordable rent has a limited impact on the ability of these households to afford a property unless rents are set at 50% of market levels. We assume that affordable rents would not be available for rooms in shared houses or flats, although the single room rate will not apply to single person households who are tenants in self contained one bedroom social rented housing.

**Figure 4.28: Single People, Under 35 years of Age: Ability to Afford Market and Affordable Rents for a 1 Bed Property or House/Flat Share**

Band	Number of Households	Able to Afford					
		Room in House/Flat	Market Rent (1 bed)	Affordable Rent (80% of market)	Affordable Rent (70% of market)	Affordable Rent (60% of market)	Affordable Rent (50% of market)
2	1	0	0	0	0	0	0
3	591	134	31	86	131	180	209
4	141	14	4	11	13	18	25
5	60	17	7	11	17	18	21
<b>Total</b>	<b>793</b>	<b>165 (21%)</b>	<b>42 (5%)</b>	<b>108 (14%)</b>	<b>161 (20%)</b>	<b>216 (27%)</b>	<b>255 (32%)</b>

Source: Hampshire Home Choice. Market and affordable rents are based on 1 bedroom properties.

Affordability improves incrementally as affordable rent levels are reduced but even when rents are set at 50% of market levels most households, remain unable to afford. There are a number of reasons for this:

- Some of those on the waiting list (new applicants) do not yet receive housing benefit but they may be eligible for it. The income reported reflects their current income. Some may be able to rent in the private rented sector if they are eligible to claim.
- Many of those on low incomes will be spending more on housing costs than 33% of their gross income. Whilst analysis of their incomes suggests that market rents or affordable rents are unaffordable to the majority of those in housing need the reality is that many households are already paying this level of rent and that rental costs account for more than half of their income.

## 4.6 'Intermediate' Households

It is useful to explore how far other groups within Winchester might be able to afford affordable rent, even though it is primarily intended to be aimed at those on the Council's waiting list and in housing need.

The Local HomeBuy Agent for Winchester, HomesinHants, maintains a list of households interested in intermediate options. Some of the households interested in intermediate options are social rented tenants who may or may not be in the waiting list. Affordable rent is not intended to be an intermediate product but it may be that suitable tenants in social rented accommodation may be identified and targeted through the intermediate route, or if affordable rent is not taken up by those in priority need it may be necessary to widen eligibility to other households. Furthermore, some of the households interested in intermediate products are specifically interested in rented rather than low cost homeownership products.

Figure 4.29 shows that the majority (55%) of the 325 intermediate households on the HomesinHants list who want to live in Winchester can afford to rent in the open market and this could be extended to 72% under affordable rent (set at 80% of market rents). However, the majority of those who can afford open market rents and affordable rents are those that need smaller sized properties. Households who need 3 bedrooms are largely unable to afford the market rent for the size of home they need and whilst affordability would be extended under affordable rent (at 80%) the majority would still not be able to afford a suitably sized home.

**Figure 4.29: Households Interested in Intermediate Products and Ability to Afford Market and Affordable Rents**

Size of property required (bedrooms)	Number of households	Able to Afford	
		Market Rent	Affordable Rent (80% of market)
1 bed	106	84 (80%)	100 (94%)
2 bed	165	86 (52%)	112 (68%)
3 bed	53	8 (15%)	21(40%)
4 bed	1	1 (100%)	n/a
Total	325	179 (55%)	234 (72%)

Source: HomesinHants, base of 325 applicants who have expressed an interested in any type of intermediate product within Winchester District

Figure 4.30 focuses on those households who are only interested in intermediate rental products. Our analysis suggests that the majority of those interested in 1 bedroom properties (75%) could in fact afford open market rents. Affordable rent (set at 80% of market rents) would allow almost all of these households to afford a suitably sized property. Those that require 2 or 3 bedrooms are less able to afford market rents. Figure 4.30 suggests affordable rents would allow more of these households to afford a suitably sized home, although affordable rents set at 80% of market levels do not extend affordability very far.

**Figure 4.30: Households Interested in Intermediate Rental Products and Ability to Afford Market and Affordable Rents**

Size of property required (bedrooms)	Number of households	Able to Afford			
		Market Rent	Affordable Rent (80% of market)	Affordable Rent (70% of market)	Affordable Rent (60% of market)
1 bed	36	27 (75%)	34 (94%)	-	-
2 bed	34	12 (35%)	16 (47%)	21 (62%)	27 (79%)
3 bed	11	1 (9%)	6 (55%)	7 (64%)	-

Source: HomesinHants, base of 81 applicants who have expressed an interested in intermediate rental products only within Winchester District

## 5 Conclusions & Policy Implications

### 5.1 Key observations from the evidence

The analysis in this report sheds light on the following issues in relation to the new affordable rent tenure:

- Based on the assumption that a household can afford to pay up to 33% of their gross income on rental costs, **most of those households in priority housing need would be unable to afford affordable rents set at 80% of market rents, based on their current incomes.** Overall, affordable rent would assist a relatively small proportion of households in need. There are, however, significant differences in affordability between different households in need.
- The affordable rent product will increase rents significantly in many cases, **potentially doubling the rent for larger properties.**
- **Larger households are less able to afford the size of home they need and younger single people have great difficulty in affording accommodation in either the affordable or private rented sectors.** Changes to the welfare system, together with the new affordable rent product will have implications for affordability for these groups in particular.
- Using current incomes of those in housing need as a guide to set affordable rents would suggest that rents need to be set substantially **below 80% of market rents**, particularly for larger properties, if they are to be affordable. However, this is likely to **impact on the ability of providers to deliver affordable housing.**
- Rent levels are very location sensitive. For example, in Winchester City, average market rents for a 2 bedroom property are £1,030 but prices range from £710 in the lowest value areas to £1,240 in the highest. It is difficult therefore to establish what is affordable over the whole City or District based solely a percentage of market rents.
- In practice, those in housing need and particularly those dependent on benefits have to spend far more than 33% of their gross income on housing costs. They may be entitled to the full amount of housing benefit to cover their rent in full but this would still appear unaffordable when judged against the threshold of 33% of gross income on housing costs. It may be unrealistic to use this measure as the threshold of affordability in cases where households are wholly reliant on benefits. As an alternative in these cases it is more relevant to consider the level of housing benefit available. There are, therefore, **alternative ways to measure affordability, either related to income, or related to the housing benefit available.** Within limits, the benefit system has the ability to respond to changes in the rent level. Measuring affordability against these limits (LHA allowance and in future Universal Credit caps) may be beneficial.
- In the private rented sector, LHA rates are making it increasingly difficult for households to access the market within Winchester. Households unable to afford suitable housing have the option of moving to a cheaper area, possibly outside of the District, living in unsuitable accommodation or applying for affordable housing.
- Affordable rents set at 80% of market rents in the District as a whole would generally fall below LHA rates, but not in Winchester City and, for some property sizes, in the market towns and rural area. Affordable rents set at 70% of market rents would fall within LHA limits in all areas of the District.<sup>1</sup> While benefits related to affordable housing are paid on a different basis and there is no specific requirement for affordable rents to be within LHA limits, **LHA rates provide a useful benchmark** for two reasons. Firstly,

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<sup>1</sup> Bearing in mind DTZ has discounted asking rents by 10%

rents in the private sector have traditionally been used as a way of benchmarking rents in social housing when calculating benefit entitlement. Secondly, they provide an indication of alternative choices for households. It is noteworthy, however, that LHA rates are less location sensitive, with rates set over three broad rental markets across the District.

- DTZ expect that the majority of households taking up affordable rented accommodation will be moving from the private rented sector because there is a direct incentive for these households to reduce their rents, especially if they are paying rent out of their own earnings.
- There are some existing tenants in social rented homes who would be able to afford affordable rent but their willingness to move into this tenure is uncertain. In the short term at least, significant differences between social rents and affordable rents, and in security of tenure, may impact on the relative demand for properties provided in these tenures.
- It is also worth noting that most of those households unable to afford to *buy* in the open market, who have registered their interest in intermediate housing, would be able to afford affordable rent based on their current incomes.

The rest of this section summarises the implications of the analysis in relation to these key observations, distinguishing between different types of households in need. This section also examines the likely impact of welfare reform on the incomes of households analysed in this report and how this might affect the operation of affordable rent.

### 5.1.1 Households in Need – All Applicants

**Around one quarter (24%) of applicants on Winchester’s waiting list (Hampshire HomeChoice) could afford Affordable Rents set at 80% of market rents.** A proportion of those that can afford are not in housing need – or are a low priority for housing or re-housing (Band 5). However the vast majority (just over 80%) of applicants that can afford affordable rent are in need (Bands 1-4). But many of those that could afford affordable rent could also afford a market rent – 15% of all applicants on the waiting list could afford a market rent. So affordable rent would be accessible to an additional 9% of households. **Overall, affordable rent would assist a relatively small proportion of households in need, based on their current incomes.** There are significant differences in affordability between different households in need and these are summarised below.

### 5.1.2 Households in Need – New Applicants

**Overall, 27% of new households on Winchester’s waiting list are able to afford affordable rent (set at 80% of market rents) for the size of property that they need.** However, 16% of this group could also afford market rents and therefore may not need the assistance of the Council to access affordable housing. However, we do not have information on these households wider circumstances which may mean that an open market solution is beyond their financial reach or unsuitable for their needs eg because of household debts or need for medical or social support.

Providing accommodation at 80% of market rents would therefore appear to assist an additional 11% of new applicant households into affordable accommodation. Reducing the level at which affordable rents are set would make it affordable to more households in need. But once levels reach 40-50% of open market rents affordable rents would effectively be similar to social rents, with the exception of larger properties where rents would need to be even lower. This would not allow Providers to expand their revenues in the absence of grant subsidy.

The analysis in Section 4 suggests that households in priority need (Bands 1-4) are less able to afford affordable rents than those in Band 5. The evidence suggests that a relatively substantial number of households in Band 3 (470 households) would be able to afford affordable rents (at 80% of market rents)

which suggests that affordable rent could make a positive contribution to meeting the needs of some priority households.

The ability to access affordable rent is highest amongst those households needing 1 or 2 bedrooms – this is unsurprising because these properties are cheaper. But for those needing 3 bedrooms or larger, the cost of renting a 3 or 4 bedroom property in the market is significantly higher and this is transferred to affordable rents if they are set in relation to market rents. Affordable rents set at 80% of market levels for 3 and 4 bedroom properties do little to improve the affordability of these properties to those needing larger homes. This is a significant consideration for the Council. **If affordable rents are set in relation to market levels it is unlikely that those in need of 3 and 4 bedroom homes will be able to afford them, even if they receive the full amount of housing benefit. Affordable rents would need to be set substantially lower than 80% of market rents to become affordable to households in need of larger homes.**

The evidence from this analysis suggests that households not in receipt of benefits ie those who rely on earnings from employment are better able to afford affordable rent. 42% of new applicants not receiving benefits are able to afford 80% of market rents. In general, their incomes are higher than those who receive benefits. **This suggests that affordable rent could be used explicitly to give priority to working households who need affordable housing if the Council wished to give additional support to this group.** However, this may present challenges in terms of framing a scheme of allocations that achieves this.

**New households on the waiting list who are dependent on benefits are highly unlikely to be able to afford affordable rents set at 80% of market rents.** Only 13% of those on benefits could afford this level of rent. However, this figure needs to be treated with caution for two reasons:

- New applicants on the waiting list may be eligible for housing benefit but are not yet claiming it (eg because they are living temporarily with family or friends).
- For those that are claiming housing benefit, their incomes will reflect the rate that they can currently claim. They may be able to claim more to access affordable rented accommodation, providing the rent falls within the LHA limits.
- **Households dependent on benefits are likely to be spending significantly more than 33% of their income on rent.** They may be entitled to the full amount of Housing Benefit to cover their rent in full but this would still appear 'unaffordable' when judged against the threshold of 33% of gross income on housing costs.

It is relevant to note that Government modelling in relation to the impact of affordable rent assumes that **the majority of households taking up affordable rented accommodation will be moving from the private rented sector.** If this is the case, savings could be made to the overall housing benefit bill as those living in the private rented sector and supported by housing benefit move to cheaper accommodation. However, whether this proves to be true will depend on the balance of allocations to new applicants or transfer tenants and the relative decrease or increase in rents that each group experiences. Whilst there may be fewer transfer tenants moving from social rented homes to affordable rented homes it is likely that they will experience a significant increase in their rent, particularly occupants of larger homes who are likely to experience a doubling of their rent (+100%). **In most cases this will be met by increased housing benefit.** Whilst there may be more new applicants currently living in the private rented sector moving into affordable rented homes they are only likely to experience a 20% (max) reduction in their rent (a potential 20% saving to the housing benefit bill). Based on the differences between social, affordable and market rents across all property sizes in Winchester, DTZ estimate that allocations of affordable rented homes to new applicants need to exceed those to transfer tenants by a factor of at least 2:1 to have a neutral impact on the housing benefit bill. This is a concern for Government rather than Winchester City Council.

### 5.1.3 Young Single People in Housing Need

At present, 165 (21%) single households (aged under 35) on the waiting list would be able to afford the *market* rent for a room in a shared house. However, for the 79% who cannot afford to rent in the market, the maximum level of Housing Benefit these households are entitled to under the Local Housing Allowance is *less* than would be required to pay rent on a room in a shared house within Winchester. This means that **the majority of single households under the age of 35 on the waiting list will struggle to find affordable accommodation** unless they are offered a social rented home, move to a cheaper area (including outside of Winchester District) or are subsidised one way or another by friends or family.

Limited numbers of these single households could afford the market rent for a 1 bedroom property ie independent accommodation.<sup>2</sup> **Introducing affordable rent levels has a limited impact on the ability of these households to afford such a property unless rents are set at 50-60% of market levels.** We have assumed that affordable rents would not be available for rooms in shared houses or flats, which would make accommodation more affordable to this group.

### 5.1.4 Existing Social Rented Tenants

Section 4 has examined the affordability of affordable rent to existing social rented tenants through analysis of those on the transfer list and a small number of tenants who have expressed an interest in intermediate housing. These two groups may not be representative of all social rented tenants but it is the only source of data on their incomes. However, the data may be representative of those households who are willing to move and therefore more useful to the City Council than information on the generality of household incomes in the social rented sector.

The current housing benefit regime complicates the analysis of the incomes of these households and their ability to afford different tenures. It is not completely clear whether the incomes reported by those on Winchester's transfer list include or exclude housing benefit, where it is received. This may mean that the analysis underestimates the ability of these households to afford affordable rents (or even market rents in some cases). For households who live in the social rented sector and receive housing benefit, the vast majority have their benefit paid directly to the landlord and it is experienced by them as a discount on their rent or 'free' rent if they are entitled to the full amount. In contrast, households receiving housing benefit in the private rented sector have it paid directly to them and for these it is likely to be considered as part of their income and reported as such.<sup>3</sup>

**Around 17% of households on Winchester's waiting list who are already social rented tenants are able to afford affordable rent (set at 80% of market rents) for the size of property that they need.** However, around 10% of this group could also afford market rents and therefore may not need the assistance of the Council even though they may already live in affordable housing. The number who can access the open market rented sector is small and we do not have information on these households wider circumstances eg debt or need for support which may mean that an open market solution is beyond their financial reach or unsuitable for their needs.

Affordable rents at 80% of market rents would therefore appear to assist an additional 7% of households into affordable accommodation. Reducing the level at which affordable rents are set would allow more households to access affordable accommodation. But once levels reach 40-50% of open market rents affordable rents would be similar to social rents, with the exception of larger properties.

**There are 25 households who are interested in intermediate accommodation who are existing social rented tenants.** Half of these households can afford a market rent for the size of home they want. The

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<sup>2</sup> Furthermore, average waiting times for 1 bedroom flats have increased from 24 months to 36 months over the last year.

<sup>3</sup> It is impossible to tell how far this is currently skewing the incomes of those who living in the social rented sector and receiving housing benefit but improvements to the Hampshire Home Choice application form have been designed to ensure that complete income data is captured from applicants in the future.

majority of the remaining households would be priced in to affordable rent as rents are gradually reduced in relation to market levels. This is evidence that there is some scope for social rented tenants to move out of their existing accommodation into other tenures and free up affordable housing for those in greater need. Anecdotal evidence from one Provider within the District suggests that the time limited tenancies rather than the increase in rent levels may discourage some of these households from moving to affordable rent.

### 5.1.5 Intermediate Households

Over half of the 325 intermediate households on the HomesinHants list can afford to rent in the open market and this could be extended to 72% under affordable rent (set at 80% of the market rent). However, the majority of those who can afford open market rents and affordable rents are those that need smaller sized properties. Households who need 3 bedrooms are largely unable to afford the market rent for the size of home they need and whilst affordability would be extended under affordable rent (at 80%) the majority would still not be able to afford a suitably sized home.

**Affordable rent is not intended to be an intermediate product but it may be that suitable tenants in social rented accommodation may be identified and targeted through the intermediate route**, or if affordable rent is not taken up by those in priority need it may be necessary to widen eligibility to other households. Furthermore, some of the households interested in intermediate products are specifically interested in rented rather than low cost homeownership products.

### 5.1.6 Impact of Welfare Reform

There have been a number of recent changes to Housing Benefit which are relevant to the discussion of affordable rent:

- The **LHA single room allowance**, which covers the rent of a room in a shared house, has been extended to those aged under 35 (those aged 25 years and over would previously have been eligible for housing benefit to cover the rent of a 1 bed property). **The evidence suggests that the allowance these individuals are entitled to within Winchester is unlikely to cover the rent on a shared room.** This means that those aged 35 or under and in housing need will have to find additional resources to afford suitable accommodation. Some may be forced to live with parents, friends or family rather than finding independent accommodation. Others may not have this option and may end up in poor condition properties or they may move out of Winchester to find cheaper accommodation. Winchester's homelessness team confirm that moves out of the District to Eastleigh are common amongst those presenting as homeless to the City Council.
- The LHA was set at the 30<sup>th</sup> percentile of market rents rather than the 50<sup>th</sup> percentile (median average) in April 2011, with transitional arrangement running until December 2012. This means that households receiving the LHA to rent within the private sector may have to find extra resources to be able to afford rents within Winchester, unless they are able to find properties priced well below average levels. **Our analysis of rents suggests that properties priced at or below LHA levels are in short supply.**
- Reductions in benefit entitlements for those **under-occupying** will have implications for existing affordable housing tenants as well as new ones. With under-occupation by 1 bedroom resulting in a 14% reduction in housing benefit and 2 bedrooms by 25%, affordability will be adversely affected. Whether such reductions will encourage households to move to smaller accommodation in any scale is uncertain, particularly as such reductions will not affect pensioner households or working households not receiving benefits.
- Phased changes to the dependents allowance for those receiving housing benefit in the social rented sector will have completed by April 2013. This will affect households with dependents who are over the age of 18. These households experience a reduction (called an allowance) in their housing benefit in the expectation that those over the age of 18 can contribute to the rent. This allowance is being increased to

catch up with RPI and will have the effect of reducing housing benefit for these households unless the dependents move out. **The analysis above suggests that they may struggle to move out if they are dependent on benefits because the LHA single room allowance may not cover their full rent.**

**Analysis of the impact of changes to housing benefit, undertaken by the Chartered Institute of Housing using Department for Work and Pensions data suggests that around 570 households in Winchester will lose out as a result of the above changes.** This includes households who are currently living in and receiving benefit payments for accommodation priced above the 30<sup>th</sup> percentile rent (but below the 50<sup>th</sup> percentile). The CIH estimate this to be split between 270 households in 1 bed properties, 190 in 2 bed, 70 in 3 beds and 10 in 4 bed homes.

There are **two key proposed changes** to the benefit system which could have more dramatic impacts on the ability of households to afford suitable accommodation. These are the introduction of Universal Credit and a cap on the total benefits households can receive.

The introduction of a Universal Credit, planned for 2013, aims to bring together income support benefits for working age people into a single payment that is based on their overall needs.

**Universal Credit** is described in the Government's White Paper as 'an integrated working-age credit that will provide a basic allowance with additional elements for children, disability, housing and caring. It will support people both in and out of work, replacing Working Tax Credit, Child Tax Credit, Housing Benefit, Income Support, income-based Jobseeker's Allowance and income-related Employment and Support Allowance.'<sup>4</sup>

Universal Credit will improve work incentives by ensuring that support through benefits is reduced at a consistent and managed rate as people return to work and increase their working hours and earnings. People will generally keep more of their earnings than is currently the case. An IFS report found that the overall impact of UC was likely to improve the incentive to work and, initially, reduce child poverty. However, the IFS report claims that **Universal Credit payments will not keep up with inflation (because of changes to the measure for calculating inflation for means tested benefits) and so in the long term will lead to growth in child poverty.**

The Government's White Paper states that the intention is that no-one will experience a reduction in the benefit they receive as a result of the introduction of Universal Credit. The indications from the Government are that the existing method of calculating housing benefit will be carried over into Universal Credit.

However, there are likely to be transitional issues for those used to having their housing benefit paid directly to landlords. This covers the majority of those who live in the social rented sector and receive housing benefit. These households will have to adapt to receiving a monthly credit which covers their overall entitlement, not just housing benefit, and the individual components of their entitlement may not be broken down which means they will have to budget for different costs including housing. Households on housing benefit (LHA) in the private rented sector already have to do this so it is proven that it can work. However, it will represent a major change for some in the social rented sector, many of whom are long standing tenants who have never had to manage paying rent before. There are risks that this will increase rent arrears with the implication that Registered Providers as landlords will spend more time chasing arrears and this could also impact on their ability to borrow and fund their activities.

Although the White Paper on the Universal Credit states that no-one will be worse off as a result of the introduction of UC, the **Welfare Reform Bill is separately taking forward the introduction of a cap on the total amount a non-working household can receive in benefits.** In the future (post 2013) benefit payments will be capped so that households do not receive more in benefits than the average working household earns.

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<sup>4</sup> White Paper (November 2010) Universal Credit: welfare that works

There is little detail available on how this cap will be calculated and specifically, whether there will be different caps in different parts of the Country to reflect varied living costs. The Government's Equality Impact Assessment suggests that there will be different caps applied to different household types:

- Up to £350 per week for single adult households (£18,500 per annum). This equates to around £23,000 gross, for comparison with those who are earning and paying tax.
- Up to £500 per week for couple or lone parent households (£26,000 per annum). This equates to around £35,000 gross, for comparison with those who are earning and paying tax.

The EIA suggest that the cap of £500 per week will also apply to larger households with multiple children and the analysis in the EIA shows that the majority of 'capped' households will be those with more than three children. Data from Winchester's waiting list suggests there are just 13 households who receive more than £26,000 in benefits, of which the majority (7) are larger households (eligible for 4 and 5 bed properties). There will be more households living within Winchester and receiving more than £26,000 in benefits but as they are not on the waiting list it is difficult to quantify. The cap will eventually be brought into Universal Credit but until then, local authorities will be expected to re-coup/adjust levels of housing benefit as a way of enforcing the cap.

**If we apply the affordability threshold (33% of gross incomes on rent) to the proposed benefit cap for larger households, this implies households will have a maximum budget of £970 per month to spend on rent.** This is based on a gross figure of £35,000 per annum. The net figure is £26,000 per annum and in practice means that households will need to spend 45% of their net income on rent. This implies that affordable rents (set at 80% of market rents) in Winchester District would allow households to access up to 3 bedrooms. Four bedroom or larger homes would remain unaffordable. Three bedroom properties within Winchester City are also likely to be unaffordable to households receiving the maximum level of benefits, unless they stretch themselves further. Under the benefit cap, households will need to spend the following proportion of their income on rent to afford affordable rents set at 80% of average market rents in Winchester District:

- 3 bedroom properties: 33% of gross income; 45% of net income
- 4 bedroom properties: 41% of gross income; 56% of net income
- 5 bedroom properties: 44% of gross income; 59% of net income

In Winchester City, households will have to stretch themselves further because of higher rents:

- 3 bedroom properties: 36% of gross income; 48% of net income
- 4 bedroom properties: 43% of gross income; 58% of net income
- 5 bedroom properties: 64% of gross income; 87% of net income

**The introduction of a cap on the level of benefits that can be received by households is likely to have limited impact on the affordability of housing within Winchester for the majority of households in need.** However, where households are affected it might result in the following impacts:

- The Government's EIA suggests **larger families with children will lose out** compared to the current system which may mean they can afford to spend less on housing costs.
- These households may decide to move out of more expensive areas like Winchester, although it is uncertain whether the benefit cap will be calculated in relation to where a household lives, so this may or may not make a difference since their entitlement may fall when they move. **Furthermore, such households are likely to have to move significant distances out of the District to find suitable accommodation.**
- Some household may decide (or be forced) to live in **over-crowded or poor conditions** as a means of reducing their housing bill, or staying close to family, friends schools and support networks. This will have

knock-on impacts for children in these households as the effect of overcrowded and poor condition housing on health and education outcomes is well researched.

- If households see their overall budget reduced they will be forced to make decisions about what to prioritise spending their money on. Not all will choose to pay their rent first and this may lead to increases in arrears and ultimately **homelessness**, with additional pressures on social landlords and housing authorities with responsibilities in these areas.
- There is some anecdotal evidence that Registered Providers will set affordable rents to take account of entitlements under housing benefit and likely future caps but this is not guaranteed.

## 5.2 Policy Implications

Affordable rent is going to affect the ability of local authorities to meet housing need. Much relies on Providers setting rents at levels which are affordable to those in priority housing need. The greatest risk is that it is going to make it **more difficult to meet priority needs, especially larger households and it raises the prospect of increased use of temporary housing, overcrowding and the knock on effects on children in these conditions.**

It is important to keep in mind that the purpose of affordable rent is to allow Providers to deliver affordable housing with much less grant by allowing them to increase their revenues by raising rents. The level of public subsidy per new affordable home has been reduced from around £60,000 per unit to around £20,000 per unit. All other things being equal, setting higher rents under affordable rent will allow Providers to deliver more affordable housing than would otherwise have been the case. Lower rents will deliver less, unless additional subsidy can be provided by the Provider, developer/land owner or local authority. This is the trade off that Winchester City Council will need to consider in assessing whether affordable rented homes proposed by Providers on new developments are affordable to those in housing need.

DTZ would draw out the following broad policy implications for Winchester District:

- It will be increasingly **challenging to meet the needs of families and young single people within the District.** The introduction of the benefit cap and, in reductions in LHA levels to access the private rented sector, has implications for some households and will directly affect their ability to access affordable housing.
- **If affordable rents were to be set in relation to the incomes** of those in housing need and not exceeding 33% of their gross income, rents would need to be set significantly below 80% of market values. A reasonable proportion **(30-40%) of those in housing need and requiring 1 or 2 bedroom properties would be able to afford 70-80% of market rents** without spending more than a third of their income on rent. But **very few households needing 3 or 4 bedrooms would be able to afford rents set at 80% of market levels. Affordable rents set at 50-60% of market rents for 3 and 4 bedroom properties would allow a reasonable proportion of those in housing need (20-30%) to access them affordably.**
- In practice, those in housing need and particularly those dependent on benefits have to spend a much larger proportion of their income on housing costs. It may be unrealistic to use 33% of gross incomes as the threshold of affordability in cases where households are wholly reliant on benefits. In these cases it is **more relevant to consider the level of Housing Benefit available.**
- **Affordable rents need to take account of housing benefit (LHA) limits.** On average across the District, 70% market rents should ensure affordable rents are accessible to those on housing benefit, though there will be significant variations between property types and locations. This rent would need to

be inclusive of any service charge and needs to bear in mind that DTZ has discounted market rents in this analysis by 10% to reflect achieved rents. However, there is a risk in setting out specific rental limits (eg percentage of market rents that affordable rents must exceed) in policy since they may not always remain appropriate as the market or funding environment changes. **An approach which is linked to LHA (or UC levels in the future) may be more appropriate and provide the necessary flexibility.**

- The City Council and Providers will need to consider how far rents might increase over time and whether this would take them above LHA limits. If affordable rents are increased annually by RPI + 0.5% there is a risk, if the base rent is set too close to the LHA limit, that rents will exceed LHA limits during the course of the tenancy. Housing benefit (and eventually Universal Credit) will be increased in line with CPI rather than RPI in future. There needs to be enough ‘headroom’ in affordable rents in relation to LHA levels to allow rental growth without exceeding LHA limits.
- **Working households in housing need (who do not rely on benefits) are better able to afford affordable rents.** Amongst new applicants on the waiting list, 42% could afford rents set at 80% of market rents and 53% could afford 70% of market rents. The same is true for existing social rented tenants who are earning and do not receive benefits. However, it is difficult to see the incentive to move from social rented to affordable rent accommodation for these households since the increased rental payments will directly affect their income. **It is likely to be most attractive to low income working households in the private rented sector that would directly benefit from paying lower rents.**
- Similarly, those in the lowest priority banding (Band 5) and not generally deemed to be in housing need are better able to afford affordable rents than those in other bands. Whilst households in Band 5 would not normally receive priority in terms of affordable housing, those occupying social rented accommodation and able to afford higher rents could be encouraged to move to affordable rented accommodation and free up a social rented home. There would be some incentive for the household since they are unlikely to access other affordable accommodation given their low priority.
- It will be important to **monitor the impact of the new affordable rent** tenure in terms of:
  - the number of new affordable rented homes delivered or existing homes converted to affordable rent
  - the applicants who take up affordable rent, their characteristics and incomes, their previous tenure and the type of tenancies that are awarded by providers.
  - It would also be useful to monitor the levels of re-lets within the existing stock of affordable homes and whether any changes occur as a result of the introduction of affordable rent.
  - Monitoring will help the City Council and providers to determine whether rents are being set at affordable levels and whether the type of tenancies offered are appropriate.

### 5.2.1 Implications for Providers

The introduction of affordable rent requires Providers to re-think their activities. Many Providers are also doing work to establish at what level rents should be set. Providers who have bid for HCA funding in the most recent bid round have made assumptions about the level of rents they can achieve and their business plans will be based on this. **Providers operating within Winchester District have indicated that they plan to set affordable rents on the basis of 80% of market rents but not exceeding LHA limits.** An often quoted assumption amongst those operating nationally appears to be 65% of market rents – though this is described as a ‘blend’ with higher percentages for some properties (eg small flats) and lower percentages for others (eg larger houses).

It would make commercial sense to maximise the level of rent under affordable rent in order to secure greater revenue which can then be channelled in to development of new homes. For many tenants the increase in rent will be met by an increase in housing benefit. This gives landlords significant scope to increase rents from social rented levels before the LHA limit is reached. The cost in these cases will be borne by HM Treasury through the housing benefit bill, rather than the tenant or Provider. Nevertheless, like local authorities, Providers are likely to be wary of setting rents at higher levels because of the risk that this might result in greater levels of arrears amongst tenants and with the risk of arrears already being higher for those in larger properties. Early indications from some Providers suggest that rent levels will vary on a site by site basis for the same sized properties within a local authority area. These factors point to much more localised levels of rent within the District and between different sized properties. It is notable that neither income levels of LHA levels are as localised.

Providers will also be concerned about the type of tenancies offered under affordable rent. Whilst there is flexibility to offer short term (2 year+) tenancies, it is not in the Providers' interest to have higher levels of churn within their stock as this runs the risk of void periods and loss of revenue.

Providers are also concerned that current housing benefit levels will not necessarily be maintained over time. Cuts in benefit levels are on the horizon when the Government introduces a cap on the overall amount that can be claimed in 2013. At the same time, Universal Credit will be introduced which will make payments of benefits (including housing benefit) directly to tenants. Providers are concerned about the risks of arrears and void levels if rents are set too high for their tenants, or if some are unable to manage their own budgets, or if support through housing benefit starts to dwindle. The local housing allowance (which is likely to become the housing element of Universal Credit) will be increased in line with Consumer Price Inflation (CPI) in the future. **There is a risk that rents will increase at a faster rate and that housing benefit levels will increasingly fall short of rents.** If arrears increase this will negatively impact on a Providers' revenues and costs and their ability to raise finance against their assets. They will also have to invest more of their resources in chasing rents and dealing with voids - diverting resources away from development activities.

- The introduction of Affordable Rent is going to affect the ability of Providers to raise finance and fund their development activities. Overall it should improve their ability to borrow and to fund future developments by increasing their revenues, but this is counterbalanced by greater risk in arrears and voids if the levels of rent are not affordable or sustainable. They will need to manage this risk and in many situations it may mean setting rents at lower levels and foregoing the potential to increase revenues to fund the development of new homes. There are also some indications that lenders may not be willing to treat Affordable Rent differently to Social Rent in valuation terms. This would mean an inability to leverage higher borrowing in order to fund new development.
- Rental levels will vary on a localised basis for the same type and size of property as Providers look at schemes individually and attempt to make developments stack up. This may have implications for the take up of affordable rented properties as prospective tenants compare the costs of what is available to let and, as far as they are able to, exercise choice over which properties they rent. Early indications from Providers suggest that the nature of the tenancy will be as, if not more, important than the level of rent to prospective tenants.
- Some Housing Associations increasingly see themselves as property companies with a social purpose, with plan to build new homes for open market sale and rent in order to plough profits back into subsidising rents for those in housing need.

### 5.3 Planning Policy and Decisions

There are a number of specific questions that affordable rent raises for planning policy:

- Whether there is a need to make specific provision for affordable rent within planning policies
- How far Winchester City Council should specify conditions relating to rents and tenancies
- Whether affordable rent should be considered an intermediate tenure
- The extent to which affordable rent will impact upon the viability of housing developments

Winchester District's Local Plan Part 1 - Core Strategy (pre-submission 2012) specifies that new housing developments should provide 40% affordable housing of which 70% should usually be provided for rent (with rent levels being determined with regard to local incomes) and 30% as intermediate products. **If the Council is to make inroads into addressing its priority affordable housing needs it is important that planning policies influence the tenure, type, affordability and location of affordable housing as well as the overall quantity provided.**

The Winchester SHMA (update 2011) demonstrates the scale of need for affordable homes for those in housing need within the District. The priority remains for homes that meet the needs of those in greatest need and are unable to afford housing in the open market or intermediate sector.

In some respects, whether new homes are provided as social or affordable rent may not be the priority for Winchester City Council – what matters is whether they are accessible to those in the greatest housing need. In that respect, it is both rent levels and allocation policies that are of key importance. The question for housing and planning policy is **how Winchester City Council can ensure that new affordable rented homes, delivered through new housing development, are capable of addressing priority housing needs** within the District. There is a risk in setting out specific rental limits (eg % of market rents that affordable rents must not exceed) in policy since they may not always remain appropriate as the market or funding environment changes.

**DTZ would suggest that the Council set out in planning policy criteria along the following lines:**

- **70% of new affordable housing needs to be affordable to those in housing need.** Households in housing need are typically those in Band 1-4 on the Hampshire HomeChoice waiting list and unable to afford suitable housing in the open market. The Strategic Tenancy Policy could set out further detail on the households which the Council considers to have priority for affordable housing.
- **Rents in these homes need to be affordable in relation to the incomes of households in need (eg within housing benefit (LHA) limits and in future not exceeding one third of gross<sup>5</sup> incomes under the benefit cap).**
- **Rents should remain affordable ie within these limits throughout the lifetime of the tenancy.** This will involve taking account of likely rent increases in relation to increases in Housing Benefit.
- **If Providers plan to set rents on new affordable homes which are unaffordable to those in housing need (in excess of housing benefit (LHA) limits or greater than one third of gross incomes under the benefit cap) then Winchester City Council may define this as intermediate housing.**

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<sup>5</sup> Equivalent to around 45% of net income

- **The Council may also wish to set out the type of tenancy or tenancies that it would consider appropriate to households in housing need eg minimum 5 year tenancies for families or even ‘lifetime’ tenancies for elderly people moving out of accommodation that they under-occupy.**

This approach would involve setting out less detail in planning policy about the tenure of affordable homes but would involve greater scrutiny of Provider’s plans and planning applications at the site specific level. **There would be benefit in setting out broad guidance on rental levels in the Strategic Tenancy Policy, or other policy guidance, which can be updated more regularly and would provide greater certainty for developers and landowners.**

There are likely to be some circumstances where a scheme is unable to provide 70% of affordable housing for rent which is affordable to those in housing need. This is likely to be because of site specific viability issues or constraints on the ability of Providers to finance affordable rent in some cases. There may be two options for the Council and Provider:

- **Option 1:** The affordable housing could be provided as affordable rent but with rents that are at or close to the maximum level permitted (and likely to be above housing benefit limits in many locations). This would allow the Provider to increase revenues and may be enough to ensure the viability of the development. There may be households in need on the Home Choice waiting list who are able to afford these rents though there is no guarantee they will be willing to take up these properties, particularly if they are occupying social rented accommodation or if they have relatively high priority and are confident of securing other (lower rent) properties when they become available for re-let.
- It is likely that intermediate households (eg those registered with HomesinHants) would be able to afford affordable rents set at the maximum limit (80% of market rents). It may be attractive to these households, most of whom are paying market rents. But they are not the priority group and the majority can afford to pay a market rent so this would imply a significant subsidy, by way of a discount on the rent, for households who do not need it. However, there are some exceptions. These include larger households on the intermediate list who need 3 or 4 bedroom properties and cannot afford to pay market rents. There are also a small number of households living in social rented accommodation who can afford to pay higher rents. Priority could be given to these groups.
- **Option 2:** The affordable housing could be provided as intermediate housing either to buy or rent. This would effectively mean extending the proportion of intermediate housing on site, as a proportion of all affordable housing. This may be necessary in cases where site specific viability issues are more serious and where increasing the proportion of shared ownership or increasing the rents would allow the Provider to deliver affordable housing.

The introduction of affordable rent will have a number of implications for the viability of affordable housing delivery and consequently housing delivery overall. These implications may need to be reflected in the Council’s planning policies in relation to viability.

Viability issues are being considered in a separate study but affordable rent is likely to change the amount that Providers are able to pay for the affordable element of a scheme and this is likely to make valuations more complex as there is greater flexibility and uncertainty over rent levels. In some cases, where there was a presumption that affordable housing would be provided without grant, affordable rent should make some schemes more viable than they were previously, although overall viability will be affected by a range of factors. House builders are particularly concerned about the uncertainty around the setting of rents – with both housing associations and local authorities involved – and the impact this will have on the viability of affordable housing on schemes. There is an increased risk in this environment that deals will be done, impacting on land values, which make inaccurate assumptions about rents and revenues from the affordable housing element of a scheme.

## 5.4 Strategic Tenancy Policy

Winchester City Council has strategic housing responsibilities and is itself a social landlord. The Council need to know at what levels affordable rents should be set and whether those in housing need will be able to afford them. **Winchester City Council has a role in influencing Providers on the type of product that is developed in their area. This should include the level of rent and type of tenancies offered to ensure that they can meet their responsibilities to house those in greatest need.**

There are a number of specific issues that affordable rent raises for Winchester City Councils Strategic Tenancy Policy:

- **Affordable rent has the potential to prioritise households who have greater resources.** Some of those households in priority housing need will not be able to afford affordable rents. This implies that there will be a smaller pool of properties which these households can bid for, unless they are willing and able to stretch their incomes further to access new affordable rented properties. All other things being equal, these households will have to wait longer to secure a suitable property.
- The implication of the above is that Winchester City Council will need to set out what it considers to be the benchmark of affordability for households in priority need so that Providers can set rent levels accordingly. The evidence presented in this report suggests an appropriate benchmark might be for affordable rents to be **affordable in relation to the incomes of households in need (eg within housing benefit (LHA) limits and in future not exceeding one third of gross<sup>6</sup> incomes under the benefit cap).** These rents should also remain affordable ie within these limits throughout the lifetime of the tenancy. This will involve taking account of likely rent increases in relation to increases in Housing Benefit.
- Affordable rent has the potential to *reduce* the volume of re-lets within the existing social rented stock – the majority of which is owned and managed by Winchester City Council. Given the difference in rents between affordable and social rented homes, those already occupying social rented homes may be unwilling to move, unless the increased rent is entirely covered by an increase in housing benefit.
- There is already a two tier affordable housing system in operation – with those in housing need either supported through benefits in the private rented sector or allocated a social rented home (with or without support for their rent). Affordable rent would effectively sit between these two tenures and begin to erode the large differences in rents. The inequalities between the two tenures – with those in the social rented sector enjoying security of tenure and low rents, in contrast to those in the private rented sector is expanded on below.
- **The combination of affordable rents (higher rents) and Welfare Reform (lower levels of housing benefit) will mean that some households have to move to cheaper areas to access housing,** for instance, the southern part of Winchester District and surrounding authority areas. This may lead to polarisation across a wide spatial area, with some parts of the District becoming unaffordable for significant proportions of the community, with potential implications for the economy, transport, access to services and social cohesion.
- **Winchester City Council will need to monitor the impact of affordable rent in terms of the characteristics of households who take it up (including their incomes and previous tenure) and the type of tenancies offered.** This will allow the Council to work with providers to tackle any issues that arise as a result of affordable rent and adjust policies and practices accordingly.

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<sup>6</sup> Equivalent to around 45% of net income

Housing need in Winchester is addressed either through allocating a household a social rented property (they may or may not be entitled to housing benefit to pay the rent) or by supporting households to access properties in the private rented sector with local housing allowance to pay the rent, in whole or in part. The former is likely to offer more security of tenure and rents are likely to be around half those in the private rented sector. Furthermore, if a household is entitled to housing benefit to cover all or part of their rent, in the social rented sector it is usually paid directly to their landlord. The significant difference in rents between the social and private rented sector means that those on low incomes will inevitably try to secure social rented accommodation if it is available. It is unsurprising that a social rented home is highly sought after by those in need of affordable housing.

**The introduction of affordable rented properties (with rents set at 80% of market rents or lower) will have different effects on the behaviour of those living in the private rented sector to those in the social rented sector.**

There would be a **strong incentive for those living in the private rented sector to move into affordable rented accommodation** if it is available and the Government's model assumes most of those taking up affordable rents will come from this sector. **The incentive is likely to be stronger for those not receiving housing benefit** since they will immediately experience the benefits of paying lower rents, whereas those who are dependent on housing benefit will not be able to keep the saving so they are likely to be driven by other considerations eg the type of tenancy, location, property type and how urgently they need to move.

The incentive to move from the private rented sector into affordable or social rented properties could be compounded by the introduction of a cap on the level of benefits received by a household. Households affected by the cap are likely to look for cheaper accommodation to reduce the impact of the reduction in their entitlement unless their entitlement adjusts according to the tenure of accommodation. The demand is likely to come from those in the private rented sector, supported by benefits, since their rents in Winchester are already likely to be at the top of what the LHA provides.

**However, the introduction of affordable rent has the potential to create a greater incentive to acquire or remain in social rented housing:**

- Affordable rents could be double those of social rents for the same type and size of property whilst tenancies are less secure (albeit much more secure than in the open market). This will be especially true once the Universal Credit is introduced. Under the Universal Credit, tenants receiving benefits will have to manage their own budgets and the level of rent they pay will directly impact on how much they have left for other needs.
- Affordable rented tenancies will also be less secure than those under social rent, although current indications suggest secure tenancies will be offered for 5 years under affordable rent and it is in the Providers' interests to give more secure tenancies to reduce churn and void periods.
- Both of the above could reduce movement out of the social rented sector and limit the ability of Providers to convert homes to affordable rent. It also works against flexibility and mobility within the affordable sector – two things which the reforms intend to improve.
- Higher rents for affordable rented properties compared to like for like social rented properties could also add complications for choice based lettings as households bid for the property with cheaper rents. In some cases it could limit take up of affordable rented properties, though given the shortage of supply in relation to need for affordable homes it is difficult to envisage this being a real problem within Winchester.
- There may also be some concerns about different tenants paying different rents for essentially identical properties because they different tenures. This already happens within the social rented sector due to the different tenancies and rent controls that have been brought in over time. However, the difference

between the base rents of affordable and social rented properties is likely to be much greater and more visible; especially when they are advertised through the choice based letting system.

DTZ has not consulted all of the developing Providers within Winchester but discussions with some organisations and also with others operating nationally and regionally suggest that most are planning conversions of their existing stock to affordable rent.

It is difficult to estimate what the scale of conversions might be within Winchester:

- It is hard to envisage why Providers would *not* convert existing stock to affordable rent when the opportunity becomes available. This would allow them to increase their revenues, in many cases without any impact on their tenants, assuming they are supported by housing benefit. But there is a risk with conversions that not all tenants will not be able to afford rent increases and will start to fall into arrears. There is also a risk in relying on the benefit system to support higher rents in the longer term, given the uncertainties around the introduction of caps and inflation of benefit payments.
- Over half of the affordable housing stock is owned and managed by Winchester City Council. Unless the Council has a framework agreement with HCA for the period 2011-15, DTZ understands that conversions of existing stock to affordable rent are not permitted. Only those Providers under contract with the HCA are allowed to convert their stock – the extent of conversions being part of the funding agreement.
- Informal discussion with Providers operating in Winchester suggest that Providers who plan to convert between 25-50% of their stock to affordable rent as it becomes available for re-let or as a tenancy comes up for renewal. It is important to note that only around 5-10% of the social rented stock becomes available for re-let each year. If only a proportion of this is converted then it will take some time for this process to have an impact on the nature of the affordable housing stock. Nonetheless, this process will increase the effects discussed earlier in this section eg limiting the stock of housing available for those unable to afford affordable rents.

## 6 Appendix

### 6.1 Market Rents within Winchester (discounted by 10%)

Figure 6.1: Market Rents within Winchester District

	Low	Average	Median	High
1 bed	446	545	536	743
2 bed	509	857	878	1,238
3 bed	896	1,224	1,215	1,935
4 bed	1,076	1,513	1,530	2,115
5 bed	-	1,595	-	-

Figure 6.2: Market Rents within Winchester City

	Low	Average	Median	High
1 bed	450	565	563	743
2 bed	711	1,027	1,073	1,238
3 bed	990	1,311	1,305	1,935
4 bed	1,485	1,560	1,485	1,665
5 bed		2,350		

Figure 6.3: Market Rents within the PUSH area of Winchester

	Low	Average	Median	High
1 bed	446	521	-	608
2 bed	509	619	-	675
3 bed	896	1,077	-	1,346
4 bed	1,076	1,196	-	1,256
5 bed		1,076	-	

Figure 6.4: Market Rents within the Market Towns and Rural Area of Winchester

	Low	Average	Median	High
1 bed	-	585	-	-
2 bed	765	806	-	1,080
3 bed	810	990	-	1,080
4 bed	1,530	1,706	-	2,115
5 bed		-	-	-

## 6.2 Affordable Rents (80% of market)

**NB:** Low and High figures are illustrative of what affordable rents would be if they were set in relation to the lowest or highest market rents, rather than the mean average.

**Figure 6.5: Affordable Rents within Winchester District**

	Low	Average	Median	High
1 bed	360	440	430	590
2 bed	410	670	700	990
3 bed	720	980	970	1,550
4 bed	860	1,210	1,220	1,690
5 bed	-	1,280	-	-

**Figure 6.6: Affordable Rents within Winchester City**

	Low	Average	Median	High
1 bed	360	450	450	590
2 bed	570	820	860	990
3 bed	790	1,050	1,040	1,550
4 bed	1,190	1,250	1,190	1,330
5 bed	-	1,880	-	-

**Figure 6.7: Affordable Rents within the PUSH area of Winchester**

	Low	Average	Median	High
1 bed	360	420	-	470
2 bed	410	500	-	540
3 bed	720	860	-	1,080
4 bed	860	960	-	1,000
5 bed	-	860	-	-

**Figure 6.8: Affordable Rents within the Market Towns and Rural Area of Winchester**

	Low	Average	Median	High
1 bed	-	470	-	-
2 bed	610	640	-	860
3 bed	650	790	-	860
4 bed	1,220	1,360	-	1,690
5 bed	-	-	-	-

Red highlights this figure has been estimated based on rents for other sized properties because no properties of this size were on the rental market at the time

### 6.3 Affordable Rents (70% of market)

**NB:** Low and High figures are illustrative of what affordable rents would be if they were set in relation to the lowest or highest market rents, rather than the mean average.

**Figure 6.9: Affordable Rents within Winchester District**

	Low	Average	Median	High
1 bed	312	381	375	520
2 bed	356	600	614	866
3 bed	627	857	851	1,355
4 bed	753	1,059	1,071	1,481
5 bed	-	1,117	-	-

**Figure 6.10: Affordable Rents within Winchester City**

	Low	Average	Median	High
1 bed	315	396	394	520
2 bed	498	719	751	866
3 bed	693	918	914	1,355
4 bed	1,040	1,092	1,040	1,166
5 bed	-	1,645	-	-

**Figure 6.11: Affordable Rents within the PUSH area of Winchester**

	Low	Average	Median	High
1 bed	312	364	-	425
2 bed	356	433	-	473
3 bed	627	754	-	942
4 bed	753	837	-	879
5 bed	-	753	-	-

**Figure 6.12: Affordable Rents within the Market Towns and Rural Area of Winchester**

	Low	Average	Median	High
1 bed	-	410	-	-
2 bed	536	564	-	756
3 bed	567	693	-	756
4 bed	1,071	1,194	-	1,481
5 bed	-	-	-	-

## 6.4 Affordable Rents (60% of market)

**NB:** Low and High figures are illustrative of what affordable rents would be if they were set in relation to the lowest or highest market rents, rather than the mean average.

**Figure 6.13: Affordable Rents within Winchester District**

	Low	Average	Median	High
1 bed	267	327	321	446
2 bed	305	514	527	743
3 bed	537	735	729	1,161
4 bed	645	908	918	1,269
5 bed	-	957	-	-

**Figure 6.14: Affordable Rents within Winchester City**

	Low	Average	Median	High
1 bed	270	339	338	446
2 bed	427	616	644	743
3 bed	594	787	783	1,161
4 bed	891	936	891	999
5 bed	-	1,410	-	-

**Figure 6.15: Affordable Rents within the PUSH area of Winchester**

	Low	Average	Median	High
1 bed	267	312	-	365
2 bed	305	372	-	405
3 bed	537	646	-	807
4 bed	645	717	-	753
5 bed	-	645	-	-

**Figure 6.16: Affordable Rents within the Market Towns and Rural Area of Winchester**

	Low	Average	Median	High
1 bed	-	351	-	-
2 bed	459	483	-	648
3 bed	486	594	-	648
4 bed	918	1,023	-	1,269
5 bed	-	-	-	-

## 6.5 Affordable Rents (50% of market)

**NB:** Low and High figures are illustrative of what affordable rents would be if they were set in relation to the lowest or highest market rents, rather than the mean average.

**Figure 6.17: Affordable Rents within Winchester District**

	Low	Average	Median	High
1 bed	223	272	268	371
2 bed	254	429	439	619
3 bed	448	612	608	968
4 bed	538	757	765	1,058
5 bed	-	798	-	-

**Figure 6.18: Affordable Rents within Winchester City**

	Low	Average	Median	High
1 bed	225	283	281	371
2 bed	356	513	536	619
3 bed	495	656	653	968
4 bed	743	780	743	833
5 bed	-	1,175	-	-

**Figure 6.19: Affordable Rents within the PUSH area of Winchester**

	Low	Average	Median	High
1 bed	223	260	-	304
2 bed	254	310	-	338
3 bed	448	539	-	673
4 bed	538	598	-	628
5 bed	-	538	-	-

**Figure 6.20: Affordable Rents within the Market Towns and Rural Area of Winchester**

	Low	Average	Median	High
1 bed	-	293	-	-
2 bed	383	403	-	540
3 bed	405	495	-	540
4 bed	765	853	-	1,058
5 bed	-	-	-	-

## 6.6 Income Required to Rent

**NB:** Low and High figures are illustrative of the income required to rent if households access the lowest or highest market rents, rather than the mean average.

**Figure 6.21: Annual Income Needed for Market Rent within Winchester City (£ per annum)**

	Low	Average	Median	High
1 bed	16,200	<b>20,347</b>	20,250	26,730
2 bed	25,596	<b>36,968</b>	38,621	44,550
3 bed	35,640	<b>47,207</b>	46,980	69,660
4 bed	53,460	<b>56,149</b>	53,460	59,940
5 bed	-	<b>84,600</b>	-	-

**Figure 6.22: Annual Income Needed for Market Rent within the PUSH area of Winchester (£ per annum)**

	Low	Average	Median	High
1 bed	16,038	<b>18,738</b>	-	21,870
2 bed	18,306	<b>22,291</b>	-	24,300
3 bed	32,238	<b>38,772</b>	-	48,438
4 bed	38,718	<b>43,038</b>	-	45,198
5 bed	-	<b>38,718</b>	-	-

**Figure 6.23: Annual Income Needed for Market Rent within the Market Towns and Rural Area of Winchester (£ per annum)**

	Low	Average	Median	High
1 bed	-	<b>21,060</b>	-	-
2 bed	27,540	<b>28,998</b>	-	38,880
3 bed	29,160	<b>35,640</b>	-	38,880
4 bed	55,080	<b>61,398</b>	-	76,140
5 bed	-	-	-	-

**Affordable Rents @ 80% of Market Rents**

**NB: Low and High figures are illustrative of the income required to rent if affordable rents were set in relation to the lowest or highest market rents, rather than the mean average.**

**Figure 6.24: Annual Income Needed for Affordable Rent within Winchester District (£ per annum)**

	Low	Average	Median	High
1 bed	12,830	<b>15,682</b>	15,422	21,384
2 bed	14,645	<b>24,685</b>	25,272	35,640
3 bed	25,790	<b>35,261</b>	34,992	55,728
4 bed	30,974	<b>43,574</b>	44,064	60,912
5 bed	-	<b>45,943</b>	-	-

**Figure 6.25: Annual Income Needed for Affordable Rent within Winchester City (£ per annum)**

	Low	Average	Median	High
1 bed	12,960	<b>16,278</b>	16,200	21,384
2 bed	20,477	<b>29,575</b>	30,897	35,640
3 bed	28,512	<b>37,765</b>	37,584	55,728
4 bed	42,768	<b>44,919</b>	42,768	47,952
5 bed	-	<b>67,680</b>	-	-

**Figure 6.26: Annual Income Needed for Affordable Rent within the PUSH area of Winchester (£ per annum)**

	Low	Average	Median	High
1 bed	12,830	<b>14,990</b>	-	17,496
2 bed	14,645	<b>17,833</b>	-	19,440
3 bed	25,790	<b>31,018</b>	-	38,750
4 bed	30,974	<b>34,430</b>	-	36,158
5 bed	-	<b>30,974</b>	-	-

**Figure 6.27: Annual Income Needed for Affordable Rent within the Market Towns and Rural Area of Winchester (£ per annum)**

	Low	Average	Median	High
1 bed	-	<b>16,848</b>	-	-
2 bed	22,032	<b>23,198</b>	-	31,104
3 bed	23,328	<b>28,512</b>	-	31,104
4 bed	44,064	<b>49,118</b>	-	60,912
5 bed	-	-	-	-

**Affordable Rents @ 70% of Market Rents**

**NB: Low and High figures are illustrative of the income required to rent if affordable rents were set in relation to the lowest or highest market rents, rather than the mean average.**

**Figure 6.30: Annual Income Needed to Rent within Winchester District (£ per annum)**

	Low	Average	Median	High
1 bed	11,227	<b>13,721</b>	13,495	18,711
2 bed	12,814	<b>21,599</b>	22,113	31,185
3 bed	22,567	<b>30,854</b>	30,618	48,762
4 bed	27,103	<b>38,128</b>	38,556	53,298
5 bed	-	<b>40,200</b>	-	-

**Figure 6.31: Annual Income Needed to Rent within Winchester City (£ per annum)**

	Low	Average	Median	High
1 bed	11,340	<b>14,243</b>	14,175	18,711
2 bed	17,917	<b>25,878</b>	27,035	31,185
3 bed	24,948	<b>33,045</b>	32,886	48,762
4 bed	37,422	<b>39,304</b>	37,422	41,958
5 bed	-	<b>59,220</b>	-	-

**Figure 6.32: Annual Income Needed to Rent within the PUSH area of Winchester (£ per annum)**

	Low	Average	Median	High
1 bed	11,227	<b>13,117</b>	-	15,309
2 bed	12,814	<b>15,604</b>	-	17,010
3 bed	22,567	<b>27,140</b>	-	33,907
4 bed	27,103	<b>30,127</b>	-	31,639
5 bed	-	<b>27,103</b>	-	-

**Figure 6.33: Annual Income Needed to Rent within the Market Towns and Rural Area of Winchester (£ per annum)**

	Low	Average	Median	High
1 bed	-	<b>14,742</b>	-	-
2 bed	19,278	<b>20,299</b>	-	27,216
3 bed	20,412	<b>24,948</b>	-	27,216
4 bed	38,556	<b>42,979</b>	-	53,298
5 bed	-	-	-	-

**Affordable Rents @60% of Market Rents**

**NB: Low and High figures are illustrative of the income required to rent if affordable rents were set in relation to the lowest or highest market rents, rather than the mean average.**

**Figure 6.34: Annual Income Needed to Rent within Winchester District (£ per annum)**

	Low	Average	Median	High
1 bed	9,623	<b>11,761</b>	11,567	16,038
2 bed	10,984	<b>18,514</b>	18,954	26,730
3 bed	19,343	<b>26,446</b>	26,244	41,796
4 bed	23,231	<b>32,681</b>	33,048	45,684
5 bed	-	<b>34,457</b>	-	-

**Figure 6.35: Annual Income Needed to Rent within Winchester City (£ per annum)**

	Low	Average	Median	High
1 bed	9,720	<b>12,208</b>	12,150	16,038
2 bed	15,358	<b>22,181</b>	23,172	26,730
3 bed	21,384	<b>28,324</b>	28,188	41,796
4 bed	32,076	<b>33,690</b>	32,076	35,964
5 bed	-	<b>50,760</b>	-	-

**Figure 6.36: Annual Income Needed to Rent within the PUSH area of Winchester (£ per annum)**

	Low	Average	Median	High
1 bed	9,623	<b>11,243</b>	-	13,122
2 bed	10,984	<b>13,375</b>	-	14,580
3 bed	19,343	<b>23,263</b>	-	29,063
4 bed	23,231	<b>25,823</b>	-	27,119
5 bed	-	<b>23,231</b>	-	-

**Figure 6.37: Annual Income Needed to Rent within the Market Towns and Rural Area of Winchester (£ per annum)**

	Low	Average	Median	High
1 bed	-	<b>12,636</b>	-	-
2 bed	16,524	<b>17,399</b>	-	23,328
3 bed	17,496	<b>21,384</b>	-	23,328
4 bed	33,048	<b>36,839</b>	-	45,684
5 bed	-	-	-	-

**Affordable Rents @50% Market Rents**

**NB: Low and High figures are illustrative of the income required to rent if affordable rents were set in relation to the lowest or highest market rents, rather than the mean average.**

**Figure 3.17: Annual Income Needed to Rent within Winchester District (£ per annum)**

	Low	Average	Median	High
1 bed	8,019	<b>9,801</b>	9,639	13,365
2 bed	9,153	<b>15,428</b>	15,795	22,275
3 bed	16,119	<b>22,038</b>	21,870	34,830
4 bed	19,359	<b>27,234</b>	27,540	38,070
5 bed	-	<b>28,715</b>	-	-

**Figure 3.18: Annual Income Needed to Rent within Winchester City (£ per annum)**

	Low	Average	Median	High
1 bed	8,100	<b>10,174</b>	10,125	13,365
2 bed	12,798	<b>18,484</b>	19,310	22,275
3 bed	17,820	<b>23,603</b>	23,490	34,830
4 bed	26,730	<b>28,075</b>	26,730	29,970
5 bed	-	<b>42,300</b>	-	-

**Figure 3.19: Annual Income Needed to Rent within the PUSH area of Winchester (£ per annum)**

	Low	Average	Median	High
1 bed	8,019	<b>9,369</b>	-	10,935
2 bed	9,153	<b>11,146</b>	-	12,150
3 bed	16,119	<b>19,386</b>	-	24,219
4 bed	19,359	<b>21,519</b>	-	22,599
5 bed	-	<b>19,359</b>	-	-

**Figure 3.20: Annual Income Needed to Rent within the Market Towns and Rural Area of Winchester (£ per annum)**

	Low	Average	Median	High
1 bed	-	<b>10,530</b>	-	-
2 bed	13,770	<b>14,499</b>	-	19,440
3 bed	14,580	<b>17,820</b>	-	19,440
4 bed	27,540	<b>30,699</b>	-	38,070
5 bed	-	-	-	-