

# the challenge of delivering affordable housing in the south west

**Danielle Sinnett, Katie McClymont, Hannah Hickman, Zaky Fouad and Stephen Hall** outline the findings of a study of housing affordability in the South West of England, suggesting that it is unlikely that current housing need assessments will deliver enough affordable homes to address a shortfall and meet new demand



Andrew Sykes/Curo Group

**New housing association homes in the South West**

The South West of England is one of the least affordable regions for housing in the country. Previous assessments have estimated that around 15,000

new affordable homes need to be provided per year in the region, 35% of the housing requirement for the region,<sup>1</sup> and that the closer that places are to

London and the South East (for example Bristol, Bath, and Bournemouth) the less affordable they are in comparison with other parts of the region.<sup>2</sup> One would also expect that the high landscape quality (two National Parks and 13 Areas of Outstanding Natural Beauty) and the coastal and rural settings of much of the South West would also affect housing affordability.

A team at UWE Bristol (the University of the West of England) was commissioned by Homes for the South West<sup>3</sup> to examine the factors affecting housing affordability in the region and provide an estimate of future housing needs. The specific research questions were:

- What factors impact housing affordability in the South West?
- What is the impact of the Right to Buy on the availability of affordable housing?
- Which national and local policies have impacted on affordable housing?
- How many people in the region will need affordable housing in the coming years?
- How does all this compare with local authority assessments on housing need and demand planning?

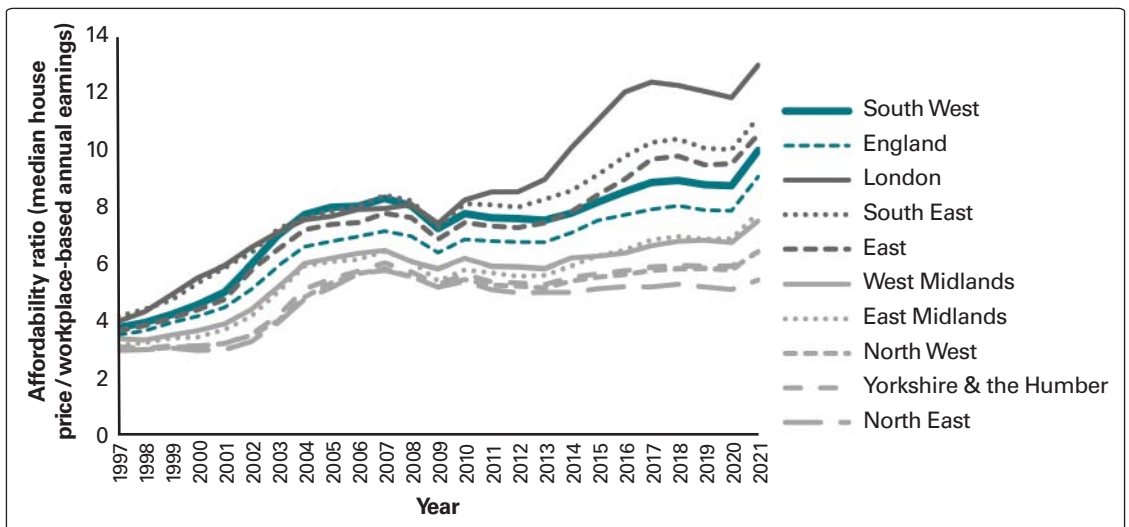
To answer these questions, we drew on government data, a survey of local authorities, interviews with housing associations, local authorities and private developers, and a review of planning policies in the region. The full report of our findings, *Housing Affordability in the South West of England*, is now available.<sup>4</sup> In this article we first explore the extent of the affordability challenges in the region. A follow-up article will explore the impact of the policies and experiences of regional stakeholders.

### How affordable is housing in the South West?

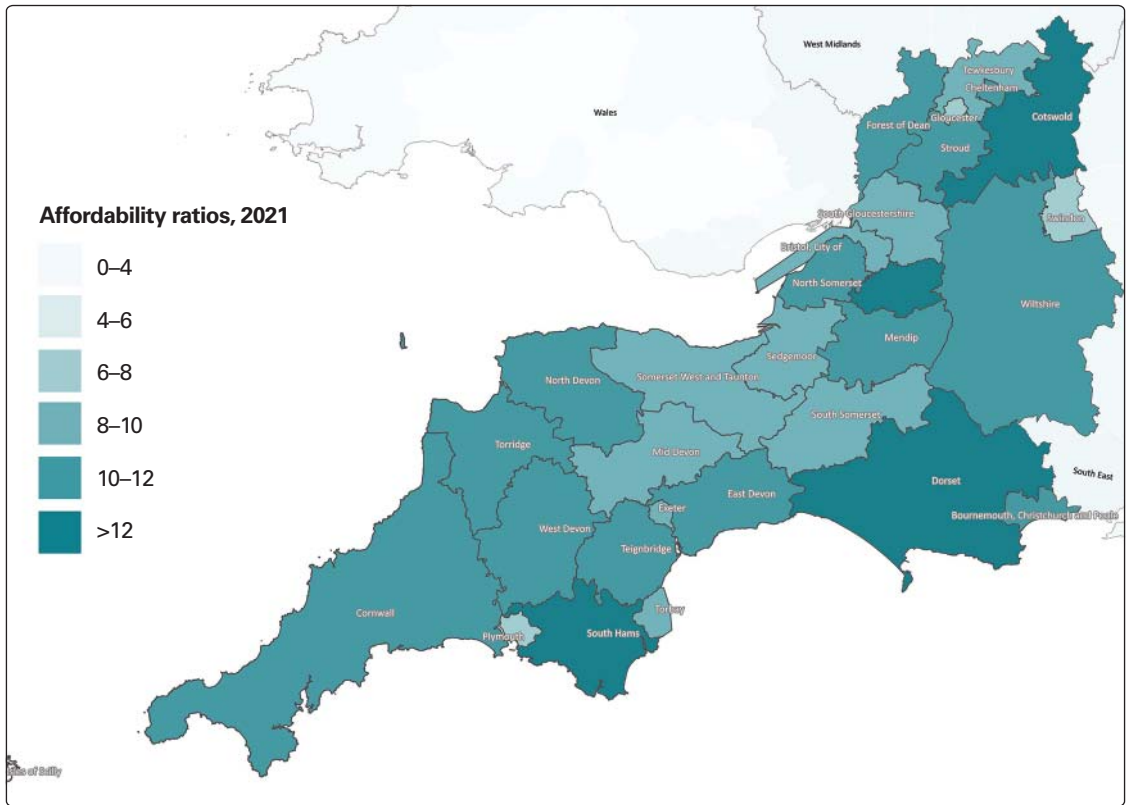
Our approach was to use affordability ratios—of house prices to earnings—to examine trends and patterns in affordability across the region. This choice was based on the availability of data at a fine spatial resolution over a long period of time (since 1997). The dataset includes median, bottom-decile and low-quartile house prices and individual earnings data based on workplace and residence alongside the resultant affordability ratios at regional and local authority levels for every year from 1997 to 2021, as well as house price data for Middle Super Output Areas (around 6,000 people) and Lower Super Output Areas (around 1,500 people). There is very little difference between workplace-based and residence-based earnings, and we elected to use workplace-based earnings as they are more appropriate when considering local demand.

We found that the South West faces acute problems of housing affordability. The region is conspicuously less affordable than England as a whole, and the North and Midlands in particular. *In 2021, median house prices were approximately ten times greater than the median earnings.* These inter-regional disparities are also becoming progressively more pronounced; in 1997 house prices were around four times greater than earnings (see Fig. 1, below).

The lack of affordability is widespread across the region. Three-quarters (22 out of 29) of local authority areas have affordability ratios higher than that for England as a whole, and all have affordability ratios higher than those for the North of England. Affordability ratios vary from 7.3 in Plymouth (which is still higher than those in the Northern regions) to 15.8 in the Cotswolds District area (see Fig. 2, on the next page). In all local authority areas, *detached*



**Fig. 1 Affordability ratios 1997-2021, based on median house price and median workplace-based annual earnings**  
*Data source:* Office for National Statistics, licensed under the Open Government Licence v.3.0. Ratio of median house price to median gross annual workplace-based earnings by region, 1997-2021, as obtained from Table 1c in *House Price to Workplace-based Earnings Ratio*. Dataset. Office for National Statistics, Mar. 2023. [www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoworkplacebasedearningslowerquartileandmedian](http://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoworkplacebasedearningslowerquartileandmedian)



**Fig. 2 Affordability ratios in 2021 across South West local authorities**

Data source: Office for National Statistics, licensed under the Open Government License v.3.0. Ratio of median house price to median gross annual workplace-based earnings by local authority, 1997–2021, as obtained from Table 5c in *House Price to Workplace-based Earnings Ratio*. Dataset. Office for National Statistics, Mar. 2023. [www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoworkplacebasedearningslowerquartileandmedian](http://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoworkplacebasedearningslowerquartileandmedian) Contains OS data © Crown copyright and database right 2022. © OpenStreetMap

homes cost more than ten times median earnings, and only in Gloucester are terraced houses priced at less than six times individual earnings. This means that for many families, especially those without two incomes, owning a ‘traditional’ family home (more likely with a garden) is not affordable. Even median-priced flats cost more than four times earnings, and in Bath and North East Somerset, South Hams and Cotswolds they cost more than eight times earnings.

There is also substantial diversity in affordability ratios within local authority areas. The ten least-affordable neighbourhoods<sup>5</sup> in the South West have median house prices more than 28.3 times median earnings. Even in the most affordable neighbourhoods of Plymouth and Gloucester, median house prices are still more than three times median earnings. This variation within local authority areas is likely to be particularly important in larger, rural authority areas where it might be more challenging to commute to work or education and to access amenities.

### Factors that impact housing affordability

We also explored the factors that impact on housing affordability. Affordability ratios are calculated from house price and earnings data, and an examination

of these data reveals that property prices in the South West are markedly higher than in England as a whole, and have risen nearly fourfold—faster than the national average rate of increase—in the past 25 years. In 2021, the median house price in the South West was £290,000, and 16 out of 29 local authority areas had median property prices higher than the England median (see Table 1 on the next page). In all local authority areas, house prices have increased by more than 300% since 1997, and in some (for example Bristol) the increase has surpassed 500%.

However, the housing affordability crisis in the South West is also driven by lower than average earnings typical of sub-regional labour markets characterised by seasonal, low-paid work in agriculture or tourism. Median individual earnings in the region are lower than in England as a whole, and only three local authority areas—South Gloucestershire, Bristol, and Tewkesbury—have median individual earnings higher than the England average (see Table 1). A particularly stark example is Cotswold district, which had the highest median house price in the South West in 2021, but is ranked 23rd in the region for median individual earnings. A similar disparity is

**Table 1****Ranking of 2021 affordability ratios, median house prices and median earnings in local authorities in the South West**

Local authority	Affordability ratio		House price		Annual earnings	
		Rank	£	Rank	£	Rank
Cotswold	15.75	1	408,000	1	25,910	23
<i>London</i>	<i>12.97</i>		<i>515,000</i>		<i>39,716</i>	
South Hams	12.56	2	352,998	3	28,096	17
Dorset	12.22	3	330,000	4	26,999	18
Bath and North East Somerset	12.15	4	368,000	2	30,296	7
West Devon	11.96	5	290,000	15	24,247	29
Teignbridge	11.40	6	280,000	16	24,558	28
Mendip	11.22	7	298,500	14	26,612	22
Bournemouth, Christchurch, Poole	11.17	8	325,000	5	29,095	13
<i>South East</i>	<i>11.12</i>		<i>365,000</i>		<i>32,810</i>	
Cornwall	10.99	9	275,000	18	25,013	27
East Devon	10.88	10	317,500	6	29,176	11
Forest of Dean	10.62	11	275,000	18	25,883	24
North Somerset	10.58	12	300,000	11	28,353	16
Cheltenham	10.55	13	310,000	9	29,371	10
<i>East</i>	<i>10.53</i>		<i>325,000</i>		<i>30,867</i>	
North Devon	10.46	14	280,000	16	26,766	21
Torridge	10.34	15	265,000	22	25,629	26
Wiltshire	10.32	16	300,000	11	29,069	14
Stroud	10.27	17	315,000	7	30,680	5
<i>South West</i>	<i>9.97</i>		<i>290,000</i>		<i>29,080</i>	
Bristol	9.70	18	315,000	7	32,470	3
Mid Devon	9.29	19	270,750	21	29,144	12
Exeter	9.22	20	275,000	18	29,827	8
Somerset West and Taunton	9.16	21	260,000	23	28,384	15
Tewkesbury	9.15	22	301,000	10	32,896	2
<i>England</i>	<i>9.05</i>		<i>285,000</i>		<i>31,480</i>	
Sedgemoor	9.00	23	243,000	25	26,987	19
Torbay	8.90	24	230,000	27	25,854	25
South Gloucestershire	8.82	25	300,000	11	34,010	1
South Somerset	8.80	26	259,600	24	29,516	9
<i>East Midlands</i>	<i>7.78</i>		<i>221,000</i>		<i>28,416</i>	
Swindon	7.69	27	241,950	26	31,471	4
<i>West Midlands</i>	<i>7.50</i>		<i>225,000</i>		<i>30,000</i>	
Gloucester	7.34	28	223,000	28	30,389	6
Plymouth	7.27	29	195,000	29	26,820	20
<i>North West</i>	<i>6.43</i>		<i>190,000</i>		<i>29,529</i>	
<i>Yorkshire &amp; the Humber</i>	<i>6.42</i>		<i>185,000</i>		<i>28,808</i>	
<i>North East</i>	<i>5.45</i>		<i>150,000</i>		<i>27,515</i>	

Data source: Office for National Statistics, licensed under the Open Government Licence v.3.0)

Affordability ratios calculated from two datasets: Median house price, by local authorities, for detached houses, semi-detached houses, terraced houses and flats or maisonettes, as obtained from Tables 2b–2e in *Median House Prices for Administrative Geographies. HPSSA Dataset 9*. Office for National Statistics, Mar. 2023. <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/medianhousepriceforationalandsubnationalgeographiesquarterlyrollingyearhpssadataset09>; and median workplace-based earnings, as obtained from Table 5b in *House Price to Workplace-based Earnings Ratio*. Dataset. Office for National Statistics, Mar. 2023. [www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoworkplacebasedearningslowerquartileandmedian](http://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoworkplacebasedearningslowerquartileandmedian)

observed for other local authority areas, including Cornwall, South Hams, and Dorset. In contrast to property prices, earnings across the region have grown by only 83.6% since 1997. In short, *wage growth is not keeping up with house price increases*, and this has significant implications for local people, especially younger households or first-time buyers.

Unsurprisingly, house prices are often higher in places with a high environmental quality and good access to local amenities and services. The region has an abundance of designated landscapes, including Areas of Outstanding Natural Beauty (AONBs), National Parks, and the coastline. However, many areas are disconnected from jobs and services. We joined spatial data—including proximity to the coastline, Areas of Outstanding Natural Beauty and National Parks, broadband connectivity, journey times to train stations and areas of employment, deprivation, and rural-urban classifications—to the affordability ratios in a Geographical Information System. This provided a complete dataset of these spatial characteristics and affordability ratios for each Lower Super Output Area in the region.

We used regression modelling to test whether there is a statistically significant difference in the affordability ratios between these places, and to explore the extent to which these spatial factors explain the variation in affordability ratios. Our model found that, within a local authority area, neighbourhoods closer to the coastline are less affordable, as are those in AONBs. In general, more rural places are less affordable than towns and cities, but, within these rural areas, those with better transport and broadband connectivity were even less affordable. Further, the high-quality protected natural environment in the South West is such that developable land is scarce and subject to market premium prices, impacting the viability of affordable housing.

These locations are also popular retirement and tourist destinations. There is a paucity of comprehensive and consistent data on the impact of second homes and holiday lets. However, the data that are available suggest that *local authority areas with a greater proportion of second homes are also less affordable. The South West is also the only English region in which in-migration is dominated by arrivals from elsewhere in the UK* (as opposed to international migration). This suggests, perhaps, the existence of a distinctive residential 'offer' in the region—one that attracts retirees, people working from home, and those commuting to London and the South East, further increasing demand for new homes.

Finally, we looked at the supply of new homes compared with projected household formation since 1997. Over this period the supply of new homes has not kept pace with demand. It is estimated that some 496,768 new households formed in the region between 1997 and 2021. In contrast, *only*

*396,790 new homes were completed—a deficit of 99,978 homes.* This shortfall does not account for units 'lost' to holiday lets or second homes, so the actual figure is likely to be much greater; and we found that the largest concentrations of second homes are, typically, found in local authority areas with the highest shortfalls in housing delivery—for example Cornwall and Bournemouth, Christchurch and Poole. When this shortfall is adjusted by the annual affordability ratio, as per the government's 'standard method', it increases to around 200,000 homes across the region.

### **The impact of the Right to Buy**

Housing providers in the South West report that the Right to Buy has had a detrimental impact on housing affordability in the region, particularly in respect of its role in the depletion of the overall stock of affordable housing. Across the region 144,000 local-authority-owned properties have been sold since 1980. *Since 1997, some 33,220 local-authority-owned homes were sold through the Right to Buy, whereas local authorities in the South West delivered only 2,320 new homes.*

The impact of the Right to Buy is particularly acute in small rural communities, where a handful of sales locally might equate to a high proportion of the total stock, and may be difficult to replace given the higher unit costs of construction on small rural sites. In addition, development viability and funding challenges make it difficult for local authorities to replace social housing on a one-to-one basis in these locations.

### **Assessing future affordable housing need**

To assess future housing need, we projected house price and annual earnings data for each local authority area in the South West, to create median and lower-quartile projected affordability ratios. These projections used data from 1997 to 2021 to predict lower-quartile and median house prices and annual earnings to 2039. We then used these figures to calculate predicted affordability ratios.

We calculated the annual housing requirement using the affordability adjustments in government's 'standard method',<sup>6</sup> based on the future predicted affordability ratios. We then used the resulting housing requirements from 2022 to calculate the number of new homes that are needed in each local authority area between 2022 and 2039.

We estimated the future household incomes for each decile, by local authority, from the predicted individual earnings between 2022 and 2043. Using the projected house prices, household formations and these estimated future household incomes, we calculated the proportion of new households in each decile of income that would need to spend more than 40% of their monthly income on mortgage repayments, assuming a 10% deposit, a 25-year term, and the 2021 interest rate. We did

this for both median- and lower-quartile-priced homes. This allowed us to estimate the proportion of new households, at each income decile, that would experience an affordability problem, and therefore the proportion of new homes that would need to be affordable at these two price brackets in each local authority area for each year.

We estimated that around 28,337 homes need to be delivered in the region each year between 2022 and 2039. This assumes that new homes are purchased by these resident households and not as second homes or holiday lets. On average *an estimated 17,282 of these new homes would need to be affordable for those on median incomes across the region*—around 60% of the total need. For those with household incomes in the lowest quartile, an estimated 11,069 affordable homes would be required—around 40% of the total. These proportions are far greater than the thresholds in many planning policies. Given the difficulties in delivering affordable homes, especially those for social rent, achieving these requirements will be challenging.

## **'In most local authority areas the assessments of housing need using the government's 'standard method' or the local authority housing requirements in Local Plans will not address the shortfall in housing delivery between 1997 and 2021 within ten years'**

### **Comparison with local authority assessments**

We compared the housing required based on our estimates with the government's 'standard method', which caps the number of new homes required but provides an uplift in the urban areas of Bristol and Plymouth. We found that to clear the shortfall of homes and maintain the required supply would take between one (Cotswold) and 126 (West Devon) years. *In most local authority areas the assessments of housing need using the government's 'standard method' or the local authority housing requirements in Local Plans will not address the shortfall in housing delivery between 1997 and 2021 within ten years.* In half of the local authority areas, using the standard method would fail to deliver enough housing to clear the shortfall of homes by 2039. Again, this does not take into account homes purchased as second homes or holiday lets. *To clear the shortfall in five years and keep up with new demand, an estimated 70,000 homes need to be built in the region each year for the next five years.*

### **Substantial and continuing shortfall in one of the least-affordable regions**

The *Housing Affordability in the South West of England* study has demonstrated that, across all types of housing, the South West is one of the least-affordable regions in England. This lack of affordability is driven by both high house prices and low earnings. There is substantial variation across the region, with urban locations (particularly those closer to the South East and London) and tourist destinations being the least affordable. There is a substantial shortfall in housing delivery compared with demand: the supply of new homes has failed to keep pace with household formation and internal migration.

It is unlikely that current housing need assessments will deliver enough homes to address this historic shortfall and keep up with new demand, particularly in light of these additional demand-side pressures. The number of affordable homes required will be challenging to achieve given the current constraints on the delivery of affordable housing highlighted by stakeholders in the region, including the viability of development, especially on smaller, rural sites, a lack of resources and specialist skills in local authorities, and shortages in the construction industry.

● **Danielle Sinnett** is Professor in Sustainable Built Environments and Director of the Centre for Sustainable Planning and Environments, **Dr Katie McClymont** is Associate Professor in Urban Planning, **Hannah Hickman** is Associate Professor—Planning Practice, **Dr Zaky Fouad** is Lecturer in Architecture and Sustainability, and **Dr Stephen Hall** is Associate Professor, all at the University of the West of England, Bristol. The report on which this article draws is available at <https://homesforthesouthwest.co.uk/home/affordability-report/>. The views expressed are personal.

### **Notes**

- 1 G Bramley: *Housing Supply Requirements across Great Britain: For Low-Income Households and Homeless People*. Crisis, Dec. 2018, Table 1.3. [www.crisis.org.uk/ending-homelessness/homelessness-knowledge-hub/housing-models-and-access/housing-supply-requirements-across-great-britain-2018/](http://www.crisis.org.uk/ending-homelessness/homelessness-knowledge-hub/housing-models-and-access/housing-supply-requirements-across-great-britain-2018/)
- 2 G Bramley, J Morgan, S Ballantyne Way, et al.: *The Delivery and Affordability of Housing in the South West of England*. Royal Town Planning Institute, Oct. 2017. [www.rtpi.org.uk/research/2017/february/deliverability-and-affordability-of-housing-in-the-south-west-of-england/](http://www.rtpi.org.uk/research/2017/february/deliverability-and-affordability-of-housing-in-the-south-west-of-england/)
- 3 A consortium of housing associations — see the Homes for the South West website, at <https://homesforthesouthwest.co.uk/>
- 4 D Sinnett, Z Fouad, K McClymont, et al.: *Housing Affordability in the South West of England*. University of the West of England, for Homes for the South West, Mar. 203. <https://homesforthesouthwest.co.uk/home/affordability-report/>
- 5 These are in the Bath and North East Somerset, Cotswolds, Cornwall, and Bournemouth, Christchurch and Poole districts
- 6 *Housing and Economic Needs Assessment*. Ministry of Housing, Communities and Local Government, Mar. 2015 (updated Dec. 2020). [www.gov.uk/guidance/housing-and-economic-development-needs-assessments](http://www.gov.uk/guidance/housing-and-economic-development-needs-assessments)