

Action *with* Communities in **Rural Kent**



The Old Granary
Penstock Hall Farm
East Brabourne
TN25 5LL

Tel: 01303 813790

Fawkham Housing Needs Survey

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Tessa O'Sullivan – Rural Housing Enabler

5. LOCAL HOUSING COSTS

To fully assess local housing need it is important to look at open market prices in the private sector of houses both to rent and buy.

Property for sale

Searches of www.rightmove.co.uk which markets property for a number of leading local estate agents, in July 2015, found the following cheapest properties for sale in Fawkham (there were no 1 or 2 beds available):

Type of Property	Number of Bedrooms	Price £
Semi-detached house	3	285 000
Barn conversion	4	574 000
Barn conversion	4	860 000

Property to rent

A similar search for rental property in Fawkham found only the following available to let:

Type of Property	Number of Bedrooms	Price £pcm.
Detached house	4	1350
Barn conversion	4	2750

Household income required to afford current market prices

Using local information, the table below shows gross income level needed to purchase a property in the area. The figures are calculated assuming a 15% deposit and using 3.5 x gross income. Monthly repayment is based on a 2 year fixed standard with HSBC at 3.94% (July 2015) 25 year mortgage term and is calculated using HSBC's mortgage calculator.

It should be noted that in the current economic climate lenders have made the borrowing criteria for potential mortgagees far stricter by requiring at least a 15% deposit, making securing a mortgage difficult for some first time buyers, especially those on lower incomes. Although there are now higher LTV mortgages available, they tend to attract a higher interest rate. The Help to Buy Mortgage Guarantee Scheme is now available where purchasers only need to provide a 5% deposit; however, they will need to make repayments on a 95% mortgage so the income levels indicated on the table below are still relevant and may actually need to be higher if using this scheme; monthly repayments may also be higher. Eligibility for this scheme is based on a case by case basis and assessed by the lender.

Type of Property	Price £	Deposit (15%)	Gross Income Level	Monthly Repayment
3 bed house	285 000	42 750	69 214	1062
4 bed barn conversion	574 000	114 800 20% dep required	131 200	1945
4 bed barn conversion	860 000	172 000 20% dep required	196 571	2913

To gauge the income level required to afford to rent privately, Government guidance states that a household can be considered able to afford market house renting in cases where rent payable was up to 25% of their gross household income (*DCLG Strategic Housing Market Assessment Guide 2007*)

Type of Property	Price £ pcm	Approx. Gross Annual income £
4 bed house	1350	64 800
Barn conversion	2750	132 000

Using HM Land Registry data on house sales (www.mouseprice.com) using postcode area DA3 which lies within or includes part of the following towns, counties, localities, electoral wards and stations: Ash, Farningham, Horton Kirby and South Darenth, Fawkham, Fawkham and West Kingsdown, Hartley, Hartley and Hodsoll Street, Kent, Longfield, Longfield Hill, Longfield, New Barn and Southfleet, Meopham North, New Ash Green, the average house prices in the last 3 months are –

1 bed properties £181,600
 2 bed properties £281,600
 3 bed properties £315,200
 4 bed properties £499,300
 5+ bed properties £627,800

To afford the average cost of a 1 bed property using the mortgage calculation shown above, a salary of £44,103 would be required. To afford the average cost of a 2 bed property a salary of £68,389 would be required.

Information provided by 'mouseprice' states that the average property in the DA3 area costs £350,700 with average earnings being £26,631. This means that the average property costs over 13 times more than the average salary. The source used by 'mouseprice' to assess price to earnings ratio is Calnea Analytics proprietary price data and earnings data – updated quarterly.

Affordable Rent

The Government has introduced changes relating to rents charged to new tenants of social housing from April 2011. Affordable Rent properties allow landlords to set rents anywhere between current social rent levels and up to 80% of local market rents. The following table shows Local Housing Allowance (LHA) levels for the North West Kent area; Sevenoaks District Council have an agreement with their Housing Association partners to calculate affordable rent at 80% of market rents or 100% LHA whichever is lower. Affordability of the affordable rent levels can be achieved through the input of Housing Benefit where eligible.

Size of Property	LHA levels £pcm/Affordable Rent
1 bed	540
2 bed	663
3 bed	756
4 bed	1050

The table below shows income needed to afford the affordable rent levels using 25% of gross income as the indicator of what is affordable.

Property	Price £ pcm	Gross annual Income £
1 bed	540	25 920
2 bed	663	31 824
3 bed	756	36 288
4 bed	1050	50 400

Shared ownership

To give an indication of respondents' ability to afford shared ownership, levels of income and rent/mortgage have been taken into consideration on purchasing a 25% and 40% share of a property with estimated value of £181,600 for a 1 bed property, £281,600 for a 2 bed property and £315,200 for a 3 bed property. Calculations are made using the Homes and Communities Agency's market assessment calculator and assume a 10% deposit of mortgage share. These values are taken from information on average values for the DA3 area found on mouseprice.

Property price £	Share	Deposit Required £	Monthly mortgage £	Monthly rent £	Monthly Service charge	Monthly total £	Gross Income required
181 600	25%	4540	279	312	90	681	25 550
181 600	40%	7264	447	250	90	787	28 336
281 600	25%	7040	433	484	90	1007	36 283
281 600	40%	11 264	693	387	90	1170	42 154
315 200	25%	7880	485	542	90	1117	40 226
315 200	40%	12 608	775	433	90	1298	46 797

