

Affordable housing delivery in the town centre



Background

- **Funded by Homes England**
- **Overseen jointly by Dev. & Regen, MDC & Strategic Housing team**
- **Wider SMBC involvement in formulating proposed response**



Purpose

- **Inform our strategic objectives:** To advise on an optimal mix of housing type and tenure for the town centre, reflecting evidence of housing need and our regeneration objectives.
- **Review the current AH delivery trajectory for the town centre and advise on future delivery models and vehicles.**
- **Inform future delivery:** To produce a high-level route map to increase the supply of affordable housing across the MDC and wider town centre.

Stockport MDC

Affordable Housing Delivery Strategy Summary

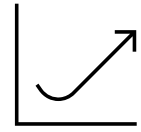
August 2024



Setting the Scene

Significant investment has been made in Stockport Town Centre West in the last five years, and as this continues and expands to Town Centre East, it will naturally stimulate an increase in demand for goods and services. This economic upswing, whilst beneficial in many ways, is also likely to exert upward pressure on house prices, potentially squeezing affordability for current residents and those employed in essential services. To ensure that this investment remains inclusive and beneficial to all, it is crucial to develop a strategic approach to housing delivery that encompasses a variety of housing types, supporting the Town Centre's growth ambitions and the diverse needs of Stockport's residents.

The approach to delivery of homes must be adaptable and grounded in the latest evidence and should prioritise the delivery of affordable housing of all types. By doing so, Stockport can cultivate a regeneration model that not only propels its growth ambitions but also meets the needs of its diverse population, securing a sustainable and fair future for all residents.



Growth

Since 2017, Stockport Council has seen transformational levels of housing in the town centre as key to :

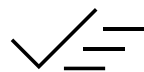
- a) Meeting housing need in a greenbelt-constrained borough; and
- b) Supporting a thriving town centre which acts as a generator for growth in the borough – this was explored through the Town Centre Living Scrutiny review in 2017/8

In a challenging delivery environment there has been a preference for build-to-rent developments in the early stages of MDC-led development due to its longer-term investment horizons. This approach comes with socio-economic consequences which this study seeks to address.



Policy

To accelerate regeneration, the Council adopted the Strategic Regeneration Framework for Town Centre West in 2019, which identified the potential for 4,000 new homes, doubling the existing town centre population over 15 years. The MDC was created to deliver the regeneration, with Greater Manchester Mayoral involvement based on the scale of the transformation, which is regionally significant in quantum and requires regional and national partnerships committed to deliver a mix of homes.



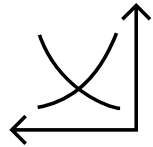
Successes

Five years on, much has been achieved:

- 1,176 homes delivered or on-site, of which 285 are affordable
- Values in the town centre have risen 100% over the last decade of investment
- The majority of these homes have been build to rent (BTR), alongside two major standalone affordable schemes delivered via the Stockport RP Partnership
- This has been a key component for accelerating development by proving the scale of growth in the local market.

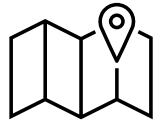
Context

Rising values are positive for the viability of schemes coming forward. However, rising housing costs come with their own challenges, especially in the wider context of rising rents and an affordability crisis across Stockport, where the Town Centre has been one of the more affordable places in a borough where affordability is a challenge.



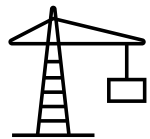
Type & Tenure

- At present, **the Town Centre is relatively affordable**, making Stockport attractive compared to Manchester City Centre.
- The **proportion of existing affordable housing is high compared to the districts**.
- Early phases emphasise Build-to-Rent (BtR) for its long-term investment benefits in high-cost, low-value areas.



Demographics

- Stockport has a **lower proportion of people aged 15-34** compared to other areas; this is in part driven by young adults (18-29) leaving Stockport to find affordable rental housing.
- **Build-to-rent (BTR) units have been designed to attract these younger working-age people**, contributing to a rebalancing of the population
- The growing town centre population will result in an **increased need for key workers**.
- **Ageing population is creating an under-occupation** issue in the districts.

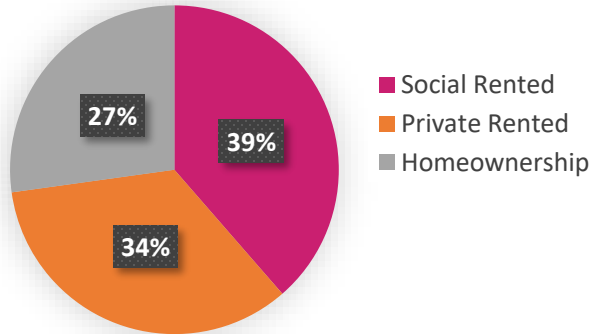


Affordable
Homes Delivery

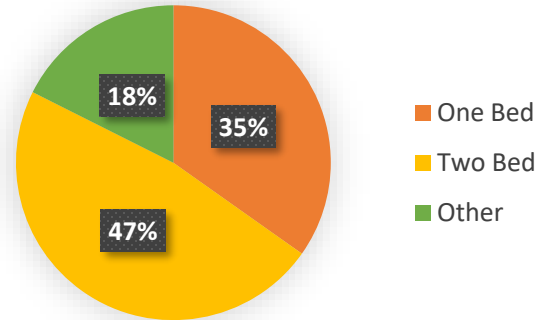
- **To date 20-25% of homes created or in delivery in the MDC area are affordable**
- **Borough-wide levels of affordable housing delivery have been relatively low** (366 homes of all types of affordable housing started on site since 2019 compared to the North West average of 668), with **very few specialist schemes**, such as housing for older persons.
- The **regeneration effect causes housing costs to rise**.

Key Characteristics of the Town Centre Housing Market

Accommodation Type in Stockport Town Centre – Current Supply



Accommodation Sizes in Stockport Town Centre – Current Supply



Housing Market – Agent Outlook

Affordability: Stockport Town Centre is considered more affordable than Manchester, attracting residents seeking lower housing costs and a short commute.

Investment Impact: Significant investment in Stockport Town Centre has boosted the rental market and improved transportation and amenities, attracting more residents.

Private Rented Sector: The PRS is experiencing growth, with some agents expecting increased activity soon.

Target Market: Young professionals are a significant demographic drawn by affordability and access to good amenities.

Future Prospects: Positive outlook with expected growth over the next 10 to 15 years, driven by ongoing investment.

Demographic Profile

Younger Population: The town centre has a younger population, with 63.7% of residents under 44 years old.

Single Households: A higher proportion of single households (42.1%) compared to the rest of the borough (17.1%).

Workforce

Employment: 59.3% of households are economically active, 15.4% are retired, and 19.7% are economically inactive.

Unemployment: The unemployment rate in the town centre is higher (3.7%) than the borough average (1.7%).

Employment Market

7,000 new jobs in business, financial, and professional services.

The digital sector will have 1,500 new jobs by 2035.

Income Levels and Affordability

Median Income: Estimated at £28,800, impacting affordability for both renting and buying.

Rental Costs: Median rents are £875 per month, making it challenging for lower-income households to afford.

House Prices: Lower quartile house prices are £119,950, and median prices are £145,000.

What could be considered affordable homeownership in the Town Centre?

Private Market Sale

The affordability analysis focuses on the incomes of key workers and households earning minimum or living wages. This evaluation assumes a 10% deposit is available for property purchases. A property is considered affordable if the cost does not exceed 3.5 times the buyer's annual income. The findings reveal that most purchase options fall within this affordable range of 3.5 times the income. However, median-priced properties typically exceed this threshold, indicating lower affordability, particularly for single-person households. The situation is even less favourable for new build properties.

Genuine affordability varies significantly. Properties priced at the median level generally require a higher income multiple, rendering them less affordable for key workers and those on minimum or living wages. Despite this, two working adults can generally afford a typical property in the town centre. Ensuring affordable home ownership is essential for supporting low-income workers. However, it is important to recognise that new builds will be priced at the higher quartile, limiting the availability of new homes to single-household key workers.

Table 3.5 Incomes of households, selected key workers, and households on minimum/living wage and open market prices: Stockport Town Centre

	Property Prices									
	LQ	Median	Shared ownership (50%)	Shared ownership (25%)	Help to buy	Discounted Home Ownership (30%)	Discounted Home Ownership (25%)	Discounted Home Ownership (20%)		
Price>>	£84,000	£145,000	£72,500	£36,250	£108,750	£101,500	£108,750	£116,000		
Price after deposit/loan>>	£75,600	£130,500	£65,250	£32,625	£94,250	£91,350	£97,875	£104,400		
Gross household income 2023 (Annual £)		Ratio of house price to income								
ONS Income Estimates for Small Areas (2020)	Lower confidence limit (£)	£32,120	2.4	4.1	2.0	1.0	2.9	2.8	3.0	3.3
	Total annual income (£)	£37,980	2.0	3.4	1.7	0.9	2.5	2.4	2.6	2.7
	Upper confidence limit (£)	£44,900	1.7	2.9	1.5	0.7	2.1	2.0	2.2	2.3
Occupation		Wage	Ratio of house price to income							
Police officer*										
	Pay Point 2	£29,751	2.5	4.4	2.2	1.1	3.2	3.1	3.3	3.5
	Pay Point 4	£32,163	2.4	4.1	2.0	1.0	2.9	2.8	3.0	3.2
Nurse**										
	Band 1	£22,383	3.4	5.8	2.9	1.5	4.2	4.1	4.4	4.7
	Band 3	£22,816	3.3	5.7	2.9	1.4	4.1	4.0	4.3	4.6
	Band 5	£28,407	2.7	4.6	2.3	1.1	3.3	3.2	3.4	3.7
Fire officer***										
	Trainee	£27,178	2.8	4.8	2.4	1.2	3.5	3.4	3.6	3.8
	Competent	£36,226	2.1	3.6	1.8	0.9	2.6	2.5	2.7	2.9
Teacher****										
	Unqualified (min)	£20,598	3.7	6.3	3.2	1.6	4.6	4.4	4.8	5.1
	Main pay range (min)	£30,000	2.5	4.4	2.2	1.1	3.1	3.0	3.3	3.5
Minimum/Living Wage*****										
	Single household (25 and over)	£20,319	3.7	6.4	3.2	1.6	4.6	4.5	4.8	5.1
	1xFull-time, 1xPart-time	£30,479	2.5	4.3	2.1	1.1	3.1	3.0	3.2	3.4
	Two working adults	£40,638	1.9	3.2	1.6	0.8	2.3	2.2	2.4	2.6
	Single household (21-24)	£19,851	3.8	6.6	3.3	1.6	4.7	4.6	4.9	5.3
	1xFull-time, 1xPart-time	£29,777	2.5	4.4	2.2	1.1	3.2	3.1	3.3	3.5
	Two working adults	£39,702	1.9	3.3	1.6	0.8	2.4	2.3	2.5	2.6

Up to 3.5x	2.9
Between 3.5x and 5x	4.2
5x or more	6.5



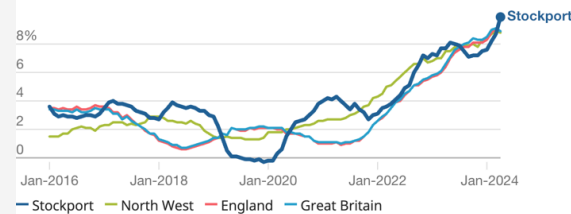
What could be considered affordable private rent in the Town Centre?

Private Rental Sector

The affordability assessment is based on the assumption that rent should be less than 25% of income, following Shelter's guidelines. Despite this, all key workers on entry-level grades spend more than 25% of their income on rent, indicating reduced affordability. If we consider 35% of net earnings as the affordability benchmark, as recommended by the Smith Institute and Nationwide Foundation, 12 more categories would be deemed affordable. This analysis also takes into account single-working adult households.

Annual change in rents in Stockport

Private rental price annual inflation, Stockport, January 2016 to April 2024



Source: Price Index of Private Rents from the Office for National Statistics

The graph represents the rental price trajectory, which is outpacing the northwest. This could be down to a new market being opened up through regeneration.

Table 3.2 Affordability of private rents

Sub-area	LQ rent and income				Median rent and income			
	Actual LQ rent 2023	Total household income est. - lower confidence limit (monthly £)	% LQ income required to be spent on LQ rent	What would be an affordable rent based on income est.	Actual Median rent 2023	Total household income est. (monthly £)	% median income required to be spent on median rent	What would be an affordable rent based on income est.
Stockport Town Centre	£750	£2,677	28.0	£669	£875	£3,165	27.6	£791
Stockport Borough	£849	£3,251	26.1	£813	£997	£3,841	26.0	£960

Sources: Zoopla Lettings 2022, household income from ONS, Income Estimates for Small Areas (financial year ending 2020)

Table 3.4 Incomes of key workers and households on minimum/living wage and rental affordability

Income/occupation/ wage	Gross household income 2023 (annual £)	Gross household income 2023 (monthly £)	LQ rent	Median rent	LQ rent	Median rent
Police officer						
Pay point 2	£29,751	£2,479	30.3	35.3	£750	£875
Pay point 4	£32,163	£2,680	28.0	32.6	£750	£875
Nurse						
Band 1	£22,383	£1,865	40.2	46.9	£750	£875
Band 3	£22,816	£1,901	39.4	46.0	£750	£875
Band 5	£28,407	£2,367	31.7	37.0	£750	£875
Fire officer						
Trainee	£27,178	£2,265	33.1	38.6	£750	£875
Competent	£36,226	£3,019	24.8	29.0	£750	£875
Teacher						
Unqualified (min)	£20,598	£1,717	43.7	51.0	£750	£875
Main pay range (min)	£30,000	£2,500	30.0	35.0	£750	£875
Minimum/living wage						
Age 23 and over						
Single household	£20,319	£1,693	44.3	51.7	£750	£875
1x full-time, 1x part-time	£30,479	£2,540	29.5	34.5	£750	£875
Two working adults	£40,638	£3,387	22.1	25.8	£750	£875
Age 21 and 22						
Single household	£19,851	£1,654	45.3	52.9	£750	£875
1x full-time, 1x part-time	£29,777	£2,481	30.2	35.3	£750	£875
Two working adults	£39,702	£3,309	22.7	26.4	£750	£875

Housing Need

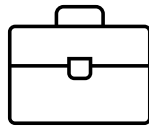
What does the Arc4 data tell us about the Town Centre?

Using demographic indicators and market and localised trends, the Arc4 data outlines the current diversity of housing demand in Stockport Town Centre. Based on the demographic analysis of the town centre alone, **the gross need for affordable homes is 106 annually**. However, while data suggests that meeting these needs within the town centre is possible with the current approach, there is likely to be a significant shortfall when the wider borough needs are considered, such as the ageing demographic, necessitating a longer-term strategy.

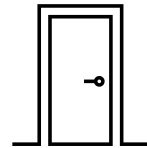
It is expected that a notable component of housing demand will come from younger professionals who are not yet starting families and, therefore, seek smaller homes, likely for rent. As the number of professionals and working families grows in the area, and as that initial group ages and builds roots, there will likely be increased demand for affordable home ownership and genuinely affordable rental properties. Additionally, based on current provisions and the wider needs of the Stockport borough, more specialist accommodation will be required to meet the needs of the ageing demographic.

Given the limited development opportunities in the wider districts, there needs to be a focus on making the town centre 'work harder' in delivering new affordable homes to meet the needs of Stockport as a whole. This requires a holistic strategy for delivering affordable new homes.

Young Professionals



Affordable Home Ownership



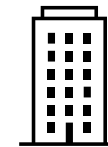
Genuinely Affordable



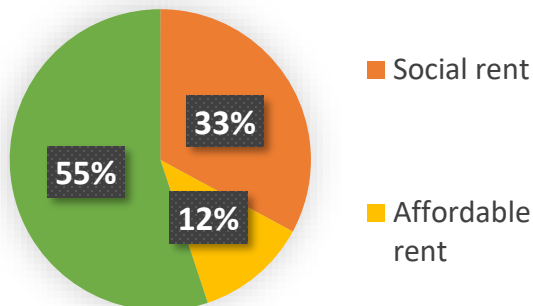
Specialist Accommodation to meet wider Borough needs



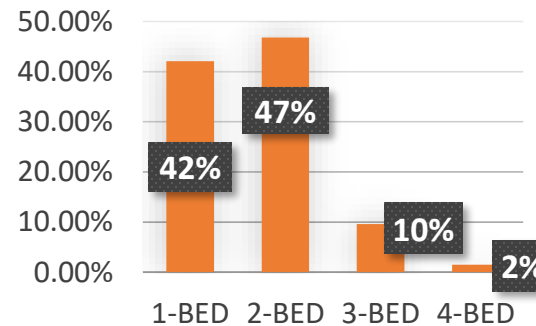
Smaller Homes



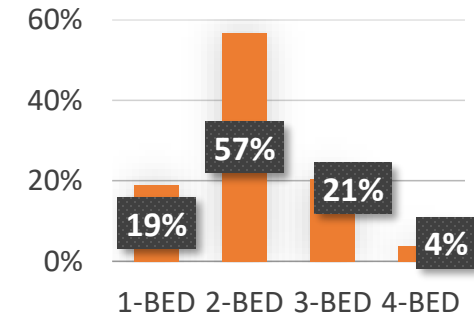
Forecasted Need - Affordable Housing Tenure Split



Social Rent – Forecast Need



Affordable Home Ownership – Forecast Need



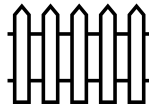
Conclusions

The regeneration approach taken by the MDC to date has been successful in delivering significant investment in the Town Centre by its partners and the Council. However, the high build costs coupled with lower than borough average sales values mean that the planning viability of projects has not yet reached the level to which the planning system can support the continuing delivery of the right quantum, type and tenure of affordable homes over the short to medium term. Therefore, as the MDC completes the first phase of delivering 4,000 homes in Town Centre West, the below interventions accelerate the delivery of priority outcomes across the wider Town Centre area for the current and future residents of Stockport:



Affordable Housing Partnership Strategy

Enable Strategic Partnerships - To facilitate large-scale delivery of affordable homes, the MDC and the Council need to ensure their partners have the necessary ability and capacity to deliver when needed. An adapted partnership strategy is crucial for fostering continued investment in a challenging market, enabling new entrants (particularly those that deliver specialist accommodation) while sustaining existing relationships.



Ringfenced Funding

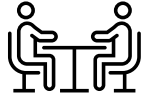
Investment model – Commuted sums to support the needed type and tenure of affordable housing provision, which can also help to get volume-building RPs involved (e.g., entire blocks of the right type, etc). In addition, the narrative of successful growth can be used to pitch for place-based funding from Homes England, fostering this relationship via GMCA.



Place Leadership

Council as a Place Leader—Setting clearer outcomes and priorities for the MDC to deliver will ensure that the right types of housing (a suitable mix of general needs tenures and specialist accommodation) are delivered to support the council's broader ambitions and needs to create “a great place for everyone to live happy, healthy lives” while providing a platform to enable migration from the district suburbs, which may free up family homes.

Next Steps



Affordable Housing Partnership Strategy

Establish an RP forum to showcase Stockport and investment opportunities in the Town Centre. This can include a variety of RPs that can demonstrate the capacity and willingness to contribute to the MDC's plans, with a track record of delivery in Greater Manchester and commitment to the long-term growth of the Boroughs. In the future, the forum could be extended to include a preferential partner system for allocating/ testing the suitability of sites for delivery with partners.



Ringfenced Funding

At the moment, the planning system generates very little affordable housing in the town centre. Rather than squeeze a very small number units the use of commuted sums, right to buy receipts, and ring-fenced Affordable Homes Programme funding, whilst it carries risks and requires financial capacity within the HRA and/or General Fund, it can be particularly effective for funding new development in the MDC when deployed alongside partnerships in which risk and reward can be shared. The potential of this funding should be explored with LPA.



Place Leadership

As more attention is focused on Town Centre East, the Council, as the steward of the Place, should develop a series of priorities and outcomes to support the MDC in delivering the right type and specification of housing in the right place. To do this effectively, a strategic framework could bring together key stakeholders to learn lessons, share knowledge and maintain momentum.



Growth

Implementing the above conclusions will help the MDC achieve its core objectives. To capitalise upon the resulting momentum and continue to support the growth of the wider Town Centre and Stockport's housing needs, the MDC should consider assessing the feasibility of bringing forward identified sites in Town Centre East and the additional resources the team will require to support a larger, longer-term pipeline.

Proposed next steps

1. **Work with SMBC colleagues to consider the recommendations and develop a proposed response**
2. **Present this proposal to SMBC Cabinet and MDC Board for approval**



Thank you for your time



Ambitious Stockport, creating opportunities *for everyone*