

Brighton & Hove Housing Costs Report

2014 | Q2 | Apr-Jun

Housing Costs at a Glance		Price	Annual Change	Affordable Income*	Price to Income Ratio**
Land Registry average (Jun)		£ 250,216	+10.2%	£ 57,742	8.86
To Buy <i>(Q2 average advertised)</i>	1 bed flat	£ 201,068	+12.0%	£46,400	7.12
	3 bed house	£ 348,764	+6.8%	£80,484	12.35
To Rent <i>(Q1 average advertised)</i>	1 bed flat	£ 821/mth	+4.0%	£43,217	35% gross income
	3 bed house	£ 1,434/mth	+0.7%	£75,462	61% gross income

* based on 25 year mortgage of 3.25 times income at 5% interest with a 25% deposit
 ** based on based on median gross household income of £28,240 per annum

Land Registry House Price Index

Land Registry House Price Index figures show that the average house price in the city is now £250,216, an increase over the last few months and higher than a year ago.

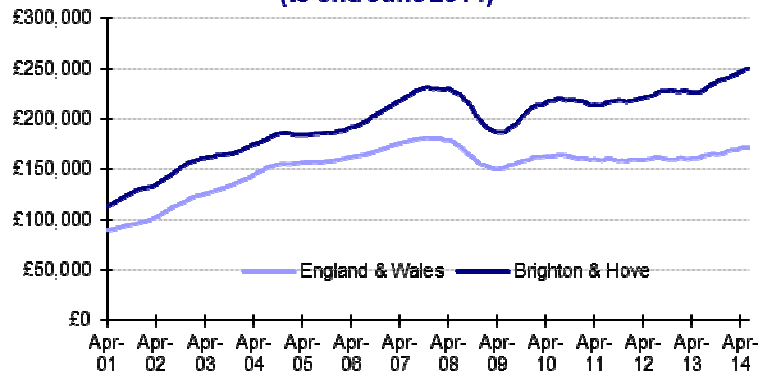
Prices are now 7.6% above the high of £232,136 seen in November 2007.

The gap between the average property price for Brighton & Hove and England & Wales continues to widen with prices in the city now 45.5% higher.

Over the last year prices in Brighton & Hove have seen a 10.2% increase in comparison to 6.4% increase nationally.

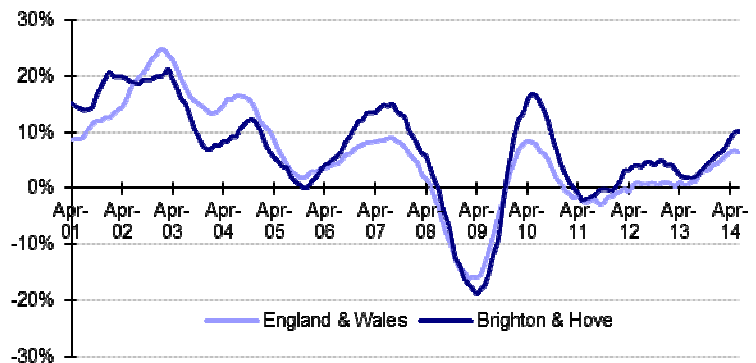
Although sales are still at low levels with a pattern showing clear seasonal peaks and troughs, there has been a gradual increase in sales since the beginning of 2009.

**Brighton & Hove
Average Property Prices
(to end June 2014)**



Source: HM Land Registry

**Brighton & Hove
Annual Property Price Inflation
(to end June 2014)**



Source: HM Land Registry

**Brighton & Hove
Monthly Volume of Sales
(to end April 2014)**



Source: HM Land Registry

About the data used for this report

The Land Registry House Price Index is a mathematical model that works out the average value of a home in the city based on the sale price of those homes sold more than once since 1995.

Our monitoring is a representative sample of properties that have been advertised in the city during the quarter in the Latest Homes magazine. As it is based on advertised prices it can give an indication of the future trends in prices.

The Advertised Cost to Buy in Brighton & Hove

Houses

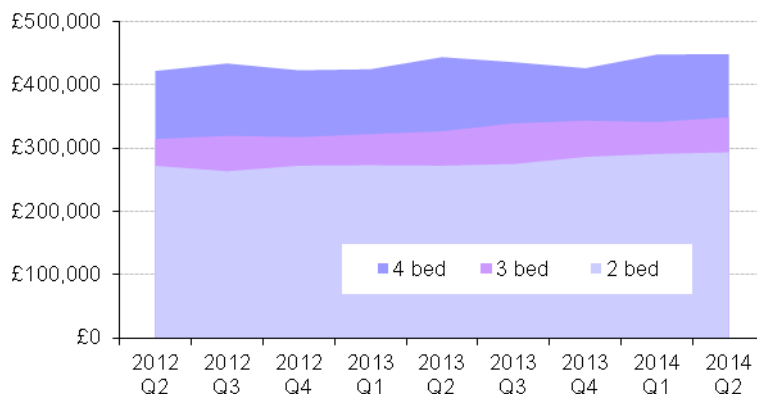
Annual Average House Prices & Inflation

Size	2014 Q2	2013 Q2	Increase
2 bed	£293,401	£272,218	+7.8%
3 bed	£348,764	£326,634	+6.8%
4 bed	£448,468	£443,649	+1.1%

Quarterly Average House Prices & Inflation

Size	2014 Q2	2014 Q1	Increase
2 bed	£293,401	£290,837	+0.9%
3 bed	£348,764	£341,157	+2.2%
4 bed	£448,468	£447,836	+0.1%

Brighton & Hove Average Cost of a House



The annual average advertised asking price for all houses has increased with 2-bed houses showing the greatest increase at +7.8%.

Over the quarter there has been an increase in the average advertised asking price for all houses with 3-bed houses showing the greatest increase at +2.2%.

Flats

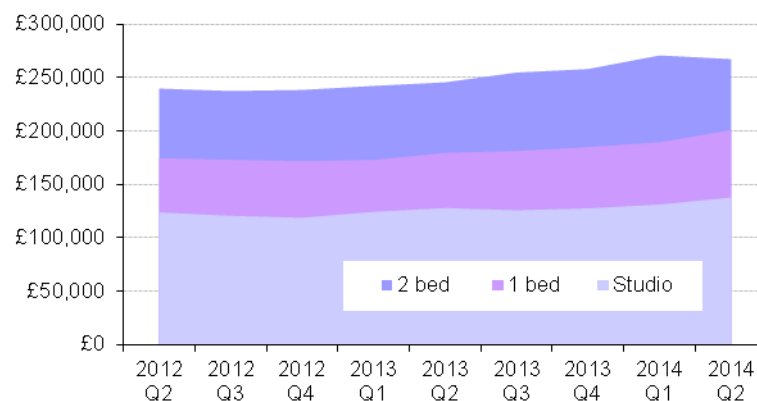
Annual Average Flat Prices & Inflation

Size	2014 Q2	2013 Q2	Increase
Studio	£137,810	£127,919	+7.7%
1 bed	£201,068	£179,596	+12.0%
2 bed	£267,427	£245,667	+8.9%

Quarterly Average Flat Prices & Inflation

Size	2014 Q2	2014 Q1	Increase
Studio	£137,810	£131,232	+5.0%
1 bed	£201,068	£189,576	+6.1%
2 bed	£267,427	£270,879	-1.3%

Brighton & Hove Average Cost of a Flat



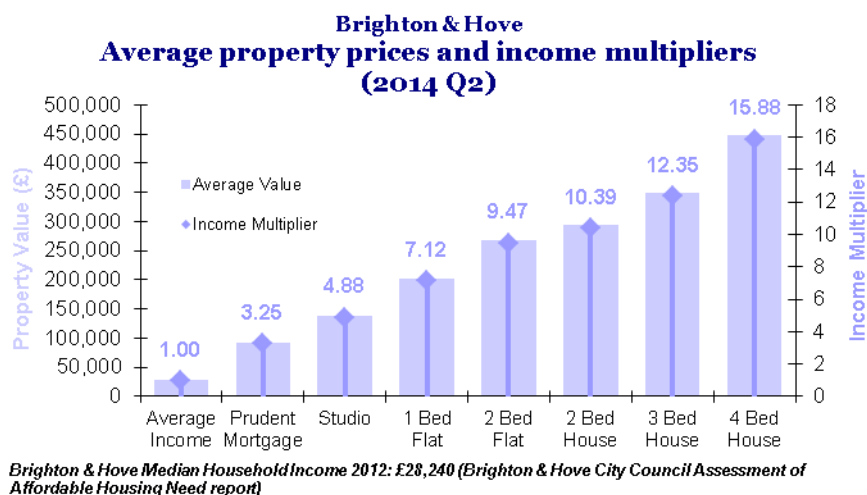
The annual average advertised asking price for all flats has increased with 1-bed flats showing the greatest increase at +12.0%.

Over the quarter there has been an increase in the average advertised asking price for studio and 1-bed flats with 1-bed flats showing the greatest increase at +6.1%. There has been -1.3% decrease in the average advertised asking price for 2-bed flats

The Affordability of Buying in Brighton & Hove

Historically, mortgage lending has usually been limited to around 3.25 times annual income.

The 2012 Brighton & Hove City Council Assessment of Affordable Housing Need report showed that the average household income in Brighton & Hove was £37,000. However, 54% of households earn below £30,000. The average is affected by the number of very high earners in the city.



The Median household income (where 50% of households earn less and 50% of households earn more) in the city is £28,240. We have used this median figure to more accurately reflect the pressures on local residents.

In Brighton & Hove the average 1-bed flat costs over 7 times the median household annual income and 3-bed houses costs over 12 times the median annual income.

Households on average incomes must have either a sizeable deposit or borrow significantly in excess of prudent mortgage limits in order to buy. If interest rates rise, it could place a serious financial strain on households who have had to borrow large sums in excess of 3.25 times their income, with every 1% increase in interest rates adding around £90 per month to a £150,000 mortgage.

Mortgage interest rates and availability have been improving in recent months. However, deposits of 25% are now the norm rather than 5% required in previous years. As a result, the income required to finance a home has reduced but the deposit requirement has increase significantly.

Monthly Cost of Mortgage Repayments		
	1 bed flat	3 bed house
Purchase value of property	£201,068	£348,764
Deposit 25%	£50,267	£87,191
Total value of mortgage	£150,801	£261,573
Income required*	£46,400	£80,484
Repayment @ 4% **	£796	£1,381
Repayment @ 5% **	£882	£1,529
Repayment @ 6% **	£972	£1,685

* Based on 3.25 x salary ** Based on a 75% repayment mortgage repaid over 25 years

A sufficient mortgage for the average 1-bedroom flat would require an income of over £46,000 per annum with a £50,000 deposit and a 3-bed home requires an income of over £80,000 with a £87,000 deposit.

The Advertised Cost to Rent in Brighton & Hove

Houses

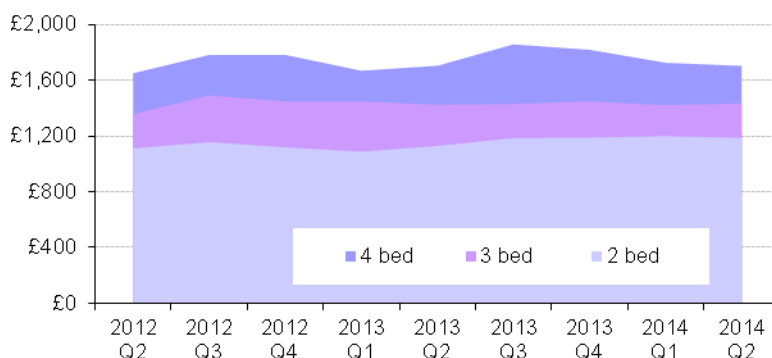
Annual Average Monthly House Rent & Inflation

Size	2014 Q2	2013 Q2	Increase
2 bed	£1,186	£1,129	+5.1%
3 bed	£1,434	£1,424	+0.7%
4 bed	£1,703	£1,704	0.0%

Quarterly Average Monthly House Rent & Inflation

Size	2014 Q2	2014 Q1	Increase
2 bed	£1,186	£1,199	-1.1%
3 bed	£1,434	£1,421	+0.9%
4 bed	£1,703	£1,725	-1.3%

Brighton & Hove Average Monthly Cost to Rent a House



The annual average advertised cost of renting 2-bed and 3-bed houses has increased with 2-bed houses showing the greatest increase at +5.1%. The annual average advertised cost of renting a 4-bed house has remained stable

The quarterly average advertised cost of renting a 3-bed house has shown a small increase at +0.9%. In contrast the quarterly average advertised cost of renting 2-bed houses and 4-bed houses has decreased, with 4-bed houses showing the greatest decrease at -1.3%

Flats

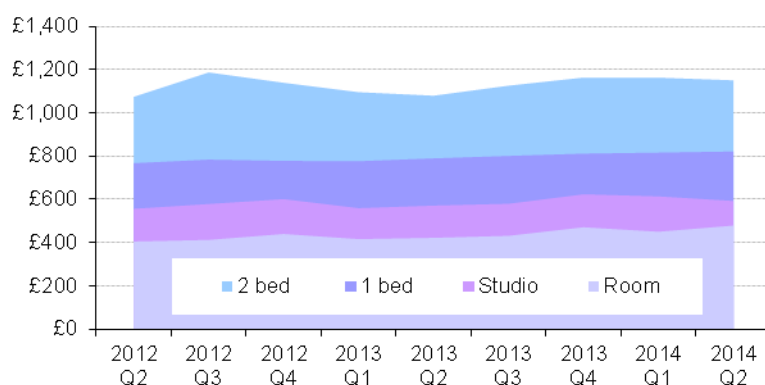
Annual Average Monthly Flat Rent & Inflation

Size	2014 Q2	2013 Q2	Increase
Room	£479	£422	+13.5%
Studio	£592	£571	+3.8%
1 bed	£821	£789	+4.0%
2 bed	£1,151	£1,079	+6.6%

Quarterly Average Monthly Flat Rent & Inflation

Size	2014 Q2	2014 Q1	Increase
Room	£479	£450	+6.4%
Studio	£592	£614	-3.5%
1 bed	£821	£816	+0.6%
2 bed	£1,151	£1,163	-1.1%

Brighton & Hove Average Monthly Cost to Rent a Flat



The annual average advertised cost of renting a room and all flats has increased with the average cost to rent a room showing the greatest increase at +13.5%.

The quarterly average advertised cost of renting a room and 1-bed flat has increased with the average advertised cost to rent a room showing the greatest increase at 6.4%. The average advertised cost of renting a studio and 2-bed flat has decreased with studios showing the greatest decrease at -3.5%.

The Affordability of Renting in Brighton & Hove

Rent & Mortgage Comparison

Private Sector Rent Levels and Mortgage Comparison				
Property	2014 Q2		Rent Compared to Mortgage *	
	Average Rent per Month	Equivalent Mortgage	Annual Income Required	Rent as a % of Purchase Cost
Room	£ 479	£81,873	£25,192	not applicable
Studio	£ 592	£101,326	£31,177	73.5%
1 Bed Flat	£ 821	£140,455	£43,217	69.9%
2 Bed Flat	£ 1,151	£196,805	£60,556	73.6%
2 Bed House	£ 1,186	£202,952	£62,447	69.2%
3 Bed House	£ 1,434	£245,253	£75,462	70.3%

* Assuming a mortgage at 3.25 times income over 25 years with 5% interest

A household renting an average 1-bed flat would be paying £821 per month in rent, which is equivalent to the monthly repayment cost of a £140,455 mortgage. Traditionally, a mortgage of this amount would require an income of over £43,000 to finance, 52% above the city average.

During 2003 rents averaged at around 80% of what a mortgage would be on that home. However, prices have risen quicker than rents resulting in rents now covering around 71% of purchase value, and this is before factoring in managing agent fees, maintenance, and other costs. Buy to Let investors should undertake careful financial appraisals to ensure they will receive sufficient returns.

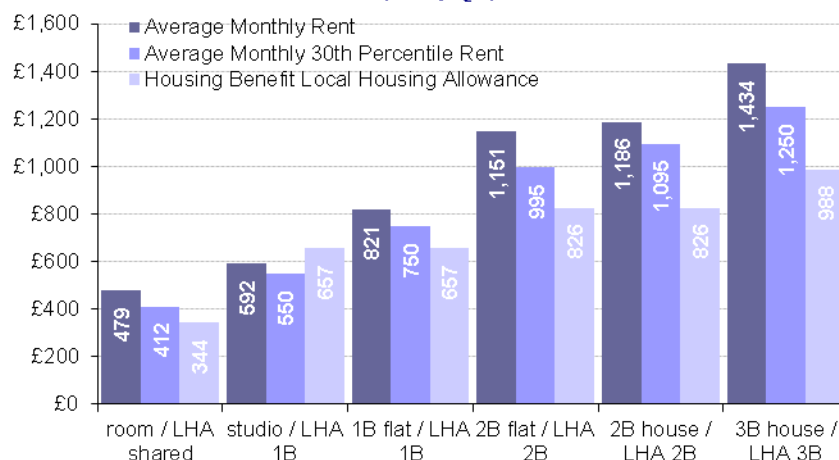
Rent & Housing Benefit Comparison

The Local Housing Allowance (LHA) is a standard housing benefit rate based on the number of people in the household and the number of rooms that the household needs.

The LHA is a maximum amount payable, which may be reduced due to income and savings. Households finding cheaper accommodation than their allowance keep some of the excess.

With the exception of studio flats, the local housing allowance is now less than average rents and 30th percentile rents, which could reduce the chances of those on benefits finding an affordable home.

Brighton & Hove
Monthly Private Sector Rents & Housing Benefit
(2014 Q2)



Note: The housing benefit local housing allowance is calculated is only based on the number of bedrooms required, as all tenants are entitled to a kitchen and bathroom.

Valuation Office Agency Comparison

One of the statutory functions of the Valuation Office Agency (VOA) is to monitor private sector rent levels. This monitoring supports the provision of housing benefit under the local housing allowance and local reference rent schemes. Data is collected from a range of sources and includes information about new and ongoing tenancies in the private rented sector and rents that tenants have agreed to pay (it excludes tenancies where the tenant intends to claim housing benefit).

The tables below record the data collected by the VOA from 1 April 2013 to 31 March 2014 and compare this with the data we have collected from the Rightmove website over the same period.

Room

Although our monitoring reported a lower median than the VOA, across the other measures we reported higher room rents, with the average 5% higher and the upper quartile 6% higher than the VOA figures

Brighton & Hove: Room				
Monthly rent	Average	Lower quartile	Median	Upper quartile
VOA monitoring	£416	£377	£416	£450
Our monitoring	£438	£380	£412	£475
Difference	£22	£3	-£4	£25
Difference %	5%	1%	-1%	6%

Studio

Both the VOA and our figures for the lower quartile were the same but across the other measures our monitoring reported higher rents with the average 2% above the VOA figures and the median 3% above.

Brighton & Hove: Studio				
Monthly rent	Average	Lower quartile	Median	Upper quartile
VOA monitoring	£582	£525	£580	£635
Our monitoring	£595	£525	£595	£650
Difference	£13	£0	£15	£15
Difference %	2%	0%	3%	2%

1-Bed

Across all the different measures our monitoring reported higher rents than the VOA. The average was 8% higher and the lower quartile 7% higher

Brighton & Hove: 1-Bed				
Monthly rent	Average	Lower quartile	Median	Upper quartile
VOA monitoring	£751	£675	£750	£800
Our monitoring	£814	£725	£795	£850
Difference	£63	£50	£45	£50
Difference %	8%	7%	6%	6%

2-Bed

The comparison identified that our monitoring reported higher rents across all the different measures with the average and upper quartile 15% higher and the median 16% higher

Brighton & Hove: 2-Bed				
Monthly rent	Average	Lower quartile	Median	Upper quartile
VOA monitoring	£1,007	£850	£950	£1,100
Our monitoring	£1,155	£950	£1,100	£1,260
Difference	£148	£100	£150	£160
Difference %	15%	12%	16%	15%

3-Bed

Our monitoring reported higher rents across all the different measures ranging from the average at 12% higher and the lower quartile at 4% higher

Brighton & Hove: 3-Bed				
Monthly rent	Average	Lower quartile	Median	Upper quartile
VOA monitoring	£1,351	£1,200	£1,300	£1,450
Our monitoring	£1,508	£1,250	£1,365	£1,595
Difference	£157	£50	£65	£145
Difference %	12%	4%	5%	10%

We were unable to compare the rents in the VOA category 4-beds or more as we do not collect data on homes with more than 4 bedrooms

Data Tables: Advertised Cost to Buy in Brighton & Hove

HOUSES	2 Bed House	3 Bed House	4 Bed House
Average	£293,401	£348,764	£448,468
Last Quarter (2014 Q1 Jan-Mar)	£290,837	£341,157	£447,836
<i>% Change from last quarter</i>	+0.9%	+2.2%	+0.1%
Last Year (2013 Q2 Apr-Jun)	£272,218	£326,634	£443,649
<i>% Change from last year</i>	+7.8%	+6.8%	+1.1%
Highest	£400,000	£499,950	£650,000
Lowest	£157,000	£154,000	£230,000
Half the prices were higher than	£299,950	£350,000	£450,000
Most frequent price	£325,000	£350,000	£550,000
Average of lowest quartile	£265,000	£299,950	£375,000
Last Quarter (2014 Q1 Jan-Mar)	£250,000	£290,750	£365,000
<i>% Change from last quarter</i>	+6.0%	+3.2%	+2.7%
Last Year (2013 Q2 Apr-Jun)	£230,000	£270,000	£360,000
<i>% Change from last year</i>	+15.2%	+11.1%	+4.2%

FLATS	Studio	1 Bed Flat	2 Bed Flat
Average	£137,810	£201,068	£267,427
Last Quarter (2014 Q1 Jan-Mar)	£131,232	£189,576	£270,879
<i>% Change from last quarter</i>	+5.0%	+6.1%	-1.3%
Last Year (2013 Q2 Apr-Jun)	£127,919	£179,596	£245,667
<i>% Change from last year</i>	+7.7%	+12.0%	+8.9%
Highest	£175,000	£325,000	£395,000
Lowest	£95,000	£107,000	£147,000
Half the prices were higher than	£139,950	£195,000	£262,000
Most frequent price	£149,950	£185,000	£250,000
Average of lowest quartile	£120,000	£179,950	£230,000
Last Quarter (2014 Q1 Jan-Mar)	£119,713	£169,950	£230,000
<i>% Change from last quarter</i>	+0.2%	+5.9%	0.0%
Last Year (2013 Q2 Apr-Jun)	£115,000	£159,950	£205,000
<i>% Change from last year</i>	+4.3%	+12.5%	+12.2%

Data Tables: Advertised Cost of Renting in Brighton & Hove

HOUSES	2 Bed House	3 Bed House	4 Bed House
Average	£1,186	£1,434	£1,703
Last Quarter (2014 Q1 Jan-Mar)	£1,199	£1,421	£1,725
<i>% Change from last quarter</i>	-1.1%	+0.9%	-1.3%
Last Year (2013 Q2 Apr-Jun)	£1,129	£1,424	£1,704
<i>% Change from last year</i>	+5.1%	+0.7%	0.0%
Highest	£1,750	£2,550	£3,000
Lowest	£780	£800	£1,082
Half the prices were higher than	£1,200	£1,350	£1,650
Most frequent price	£1,200	£1,250	£1,600
Average of lowest quartile	£1,095	£1,250	£1,595
Last Quarter (2014 Q1 Jan-Mar)	£1,095	£1,250	£1,560
<i>% Change from last quarter</i>	0.0%	0.0%	+2.2%
Last Year (2013 Q2 Apr-Jun)	£950	£1,200	£1,550
<i>% Change from last year</i>	+15.3%	+4.2%	+2.9%

FLATS	Room	Studio	1 Bed Flat	2 Bed Flat
Average	£479	£592	£821	£1,151
Last Quarter (2014 Q1 Jan-Mar)	£450	£614	£816	£1,163
<i>% Change from last quarter</i>	+6.4%	-3.5%	+0.6%	-1.1%
Last Year (2013 Q2 Apr-Jun)	£422	£571	£789	£1,079
<i>% Change from last year</i>	+13.5%	+3.8%	+4.0%	+6.6%
Highest	£800	£900	£1,395	£2,000
Lowest	£275	£425	£610	£795
Half the prices were higher than	£455	£595	£795	£1,100
Most frequent price	£550	£650	£750	£1,200
Average of lowest quartile	£412	£550	£750	£995
Last Quarter (2014 Q1 Jan-Mar)	£400	£575	£750	£995
<i>% Change from last quarter</i>	+2.9%	-4.3%	0.0%	0.0%
Last Year (2013 Q2 Apr-Jun)	£388	£535	£750	£950
<i>% Change from last year</i>	+6.3%	+2.8%	0.0%	+4.7%

Housing Strategy Team

Brighton & Hove City Council
4th Floor Bartholomew House
Bartholomew Square, Brighton, BN1 1JE

t: +44 (0)1273 293055

e: housing.strategy@brighton-hove.gov.uk

Daniel Parsonage

Housing Strategy Manager

t: +44 (0)1273 293081

Sue Garner-Ford

Strategy & Performance Officer

t: +44 (0)1273 293055



**Brighton & Hove
City Council**