

The need for Discount Market Rent

Draft Report prepared for Elder
Savills Residential Research and Consultancy
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Reading has 27,000 key workers who have seen their pay fall relative to other workers and particularly vs the increases seen in rental values

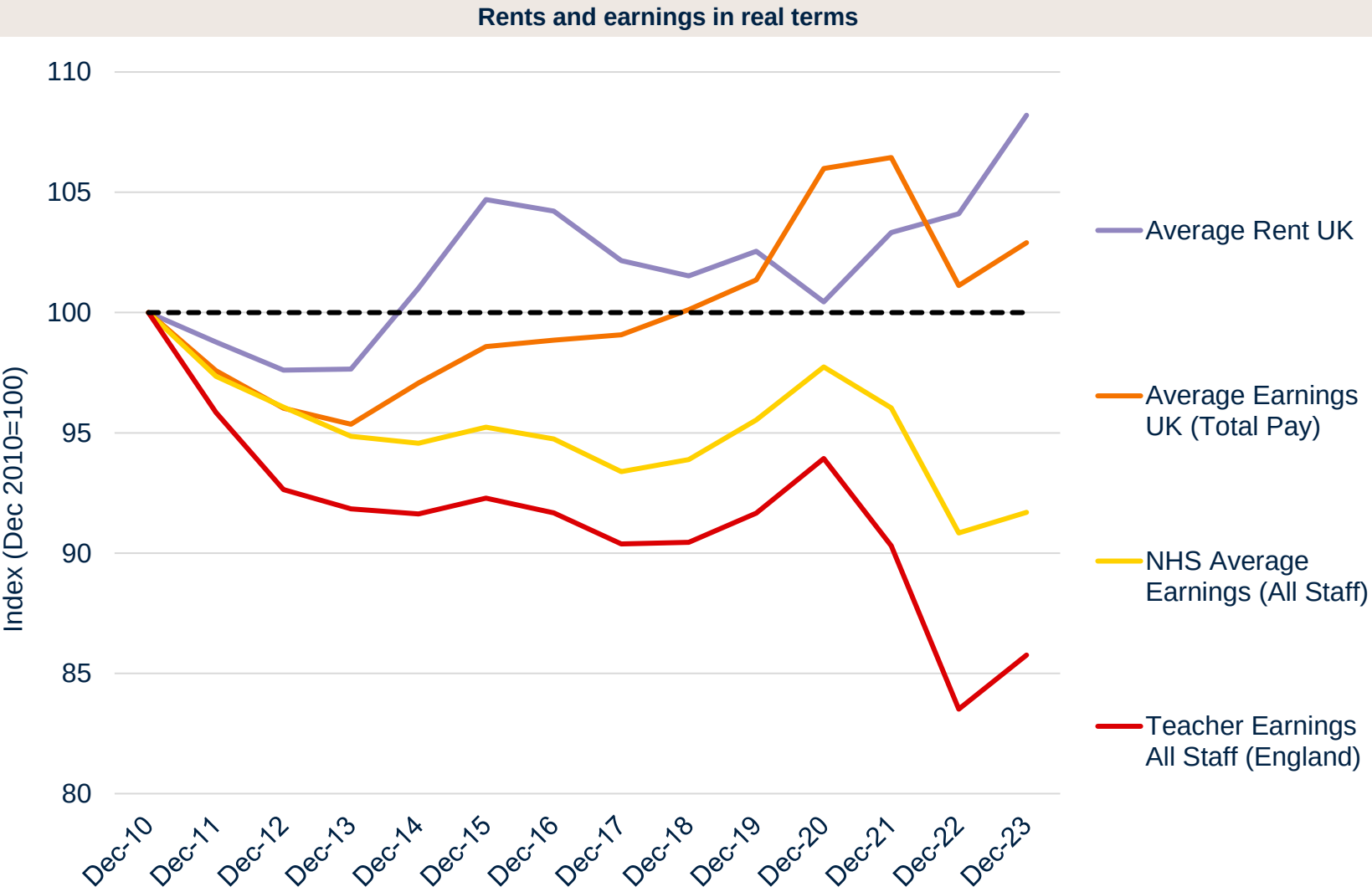


Reading has 27,000 workers employed as key workers. This is equal to 30% of all workers. Large local employers of key workers include Royal Berkshire Hospital and the University of Reading (both a short distance to the south of the town centre) as well as other various schools and health providers.

Across the South East, around half of workers are employed in either health and social care or education and childcare.

For those living in the private rented sector (PRS), they have seen rents rise and earnings fall in real terms. This has squeezed incomes, worsened the cost-of-living crisis and pushed the reality of home ownership further and further away.

Employment sector	% of the total (South East)
Health and social care	27%
Education and childcare	23%
Utilities and communication	19%
Food and necessary goods	12%
Transport	7%
Public safety & national security	6%
Key public services	4%
National and Local Government	2%



Note: Average earnings represent mean average pay across all workers, including annual pay increases and changes to the makeup of the workforce

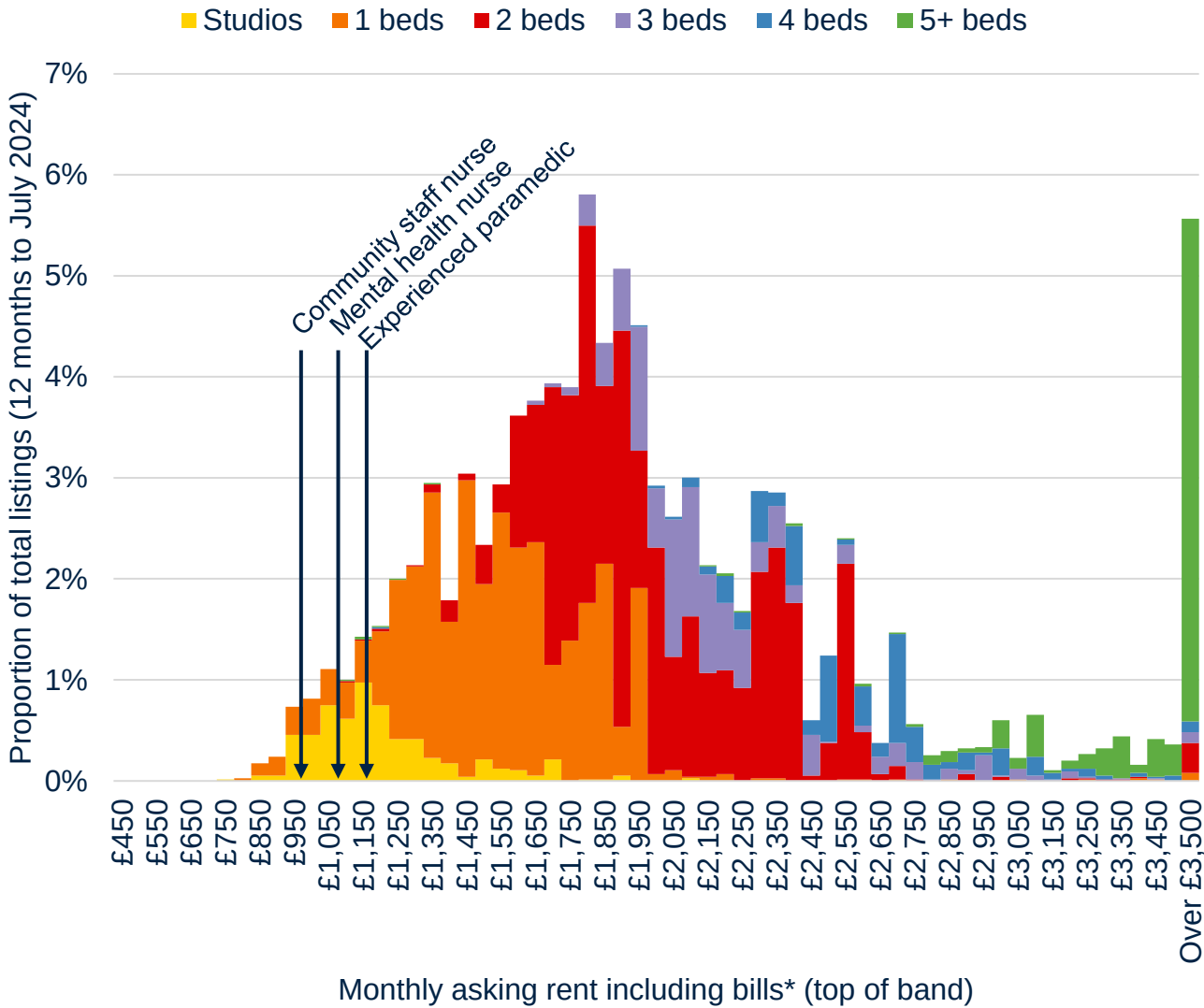
Rental values across Reading mean key workers have little choice and can afford only a small proportion of the market



The stark reality of rental values means homes are hugely unaffordable for key workers. Living on your own in the PRS is therefore difficult for many, particularly those on lower incomes.

We have assumed key workers spend 35% of their gross income on rent and bills, to understand the proportion of the market that would be affordable. For a community staff nurse with an income of £32,324 they would be able to afford £943pcm on rent. This would mean just 8% of studios and 2% of 1 beds would be affordable.

	Annual income	Monthly rent affordable (35% of gross income spent on rent)	% of studios that are affordable	% of 1 beds that are affordable
Community staff nurse	£32,324	£943	8%	2%
Mental health nurse	£36,025	£1,051	29%	4%
Experienced paramedic	£39,404	£1,149	54%	7%



The discounted market rent studios proposed will be affordable to a large number of key workers on low to middle incomes

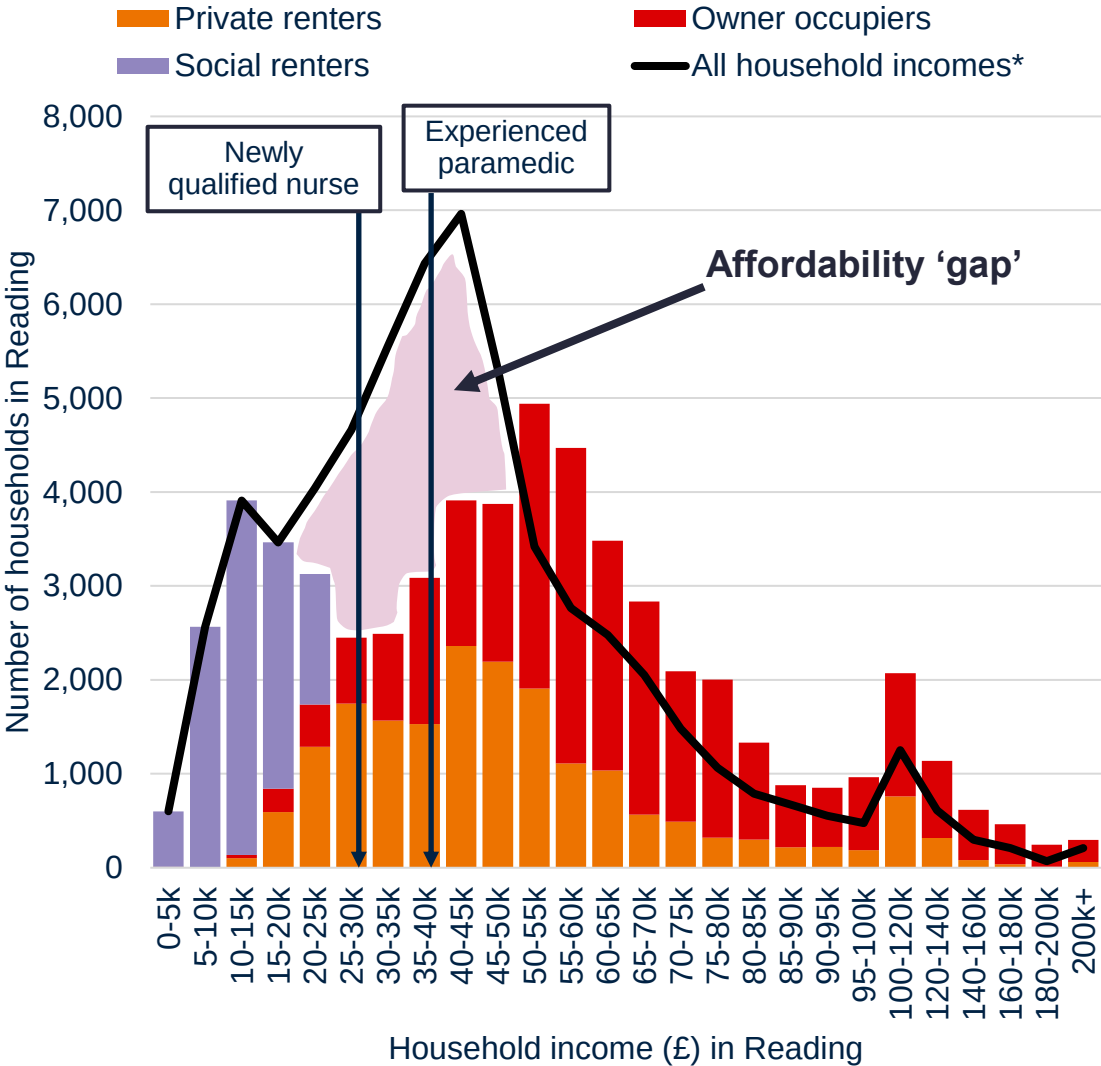


Elder propose 30% of the units on-site as ‘affordable’ Discount Market Rent (DMR) units. Various discounts mean a range of key workers would be able to afford the rents.

The mismatch between housing supply and demand is greatest for households with incomes of between £20,000 and £50,000. Our model assumes owner occupiers pay no more than 30% and renters no more than 35% of their gross income on housing costs. Any more is unaffordable with more supply needed. Our model suggests many people do pay higher proportions of income in order to afford housing. This - the ‘affordability gap’ is highlighted in pink. In total, over 14,000 households in Reading are in the ‘affordability gap’.

Key workers with incomes firmly in the ‘affordability gap’ range are restricted by the lack of choice and affordability of homes, having to spend greater proportions of their income in order to afford their housing costs. Due to the affordability challenges and their squeezed incomes key workers are likely forced to find lower standard/poor quality housing in HMOs. Some will also live far from their place of work with extra costs associated with this

% of market rent	Discounted rent per week (minus bills)	Gross Income needed to afford DMR	Affordable to which key workers?
65%	£141	£31,426	Community staff nurse (1)
70%	£157	£33,800	Newly qualified midwife (2)
75%	£174	£36,214	Mental health nurse (3)
80%	£190	£38,629	Experienced paramedic (4)



1. <https://www.jobs.nhs.uk/candidate/jobadvert/C9371-24-1814?keyword=Royal%20Berkshire&location=Reading&skipPhraseSuggester=true&searchFormType=sortBy&sort=salaryAsc&language=en&page=2>
2. Band 5. <https://www.nhsbands.co.uk/>
3. <https://www.jobs.nhs.uk/candidate/jobadvert/E0132-24-0359?keyword=Royal%20Berkshire&location=Reading&skipPhraseSuggester=true&searchFormType=sortBy&sort=salaryAsc&language=en&page=3>
4. Band 6. <https://www.nhsbands.co.uk/>

Important Note

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Our findings are based on the assumptions given. As is customary with market studies, our findings should be regarded as valid for a limited period of time and should be subject to examination at regular intervals.

Whilst every effort has been made to ensure that the data contained in it is correct, no responsibility can be taken for omissions or erroneous data provided by a third party or due to information being unavailable or inaccessible during the research period. The estimates and conclusions contained in this report have been conscientiously prepared in the light of our experience in the property market and information that we were able to collect, but their accuracy is in no way guaranteed.