

Torus Developments

Assessment of the Affordability of Housing in Liverpool

September 2024

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Report title: Assessment of the Affordability of Housing in Liverpool

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Status: FINAL

Draft date: 1 August 2024

For and on behalf of Avison Young (UK) Limited

1. Introduction

- 1.1 Avison Young have been appointed by Torus Developments ("Torus") to produce an evidence-based assessment of the affordability of housing across Liverpool.
- 1.2 The purpose of this report is to develop a deeper understanding of the affordability challenges and opportunities that persist across the area and provide Torus with guidance on areas they should focus investment in going forward. The report provides a baseline analysis of the market and local drivers that impact upon genuinely affordable homes within Liverpool.
- 1.3 The report sets out the strategic context that impacts housing and affordable housing delivery at a national and local level, considers the different types of affordable housing product within the market and assesses the demographic challenges across Liverpool that impacts the affordability of housing in the area.
- 1.4 The report follows the structure set out below:
 - **Strategic Context** – this section analyses the strategic context that influences the delivery of housing and affordable housing in Liverpool including the policy frameworks, affordable housing products and Torus' objectives as an organisation.
 - **Liverpool Market Analysis** – this section analyses the socio-economic data and housing market trends within Liverpool to set a context of 'affordability' in the city.
 - **Understanding Affordability across Liverpool** – this section sets out the key affordability challenges across sub-areas of Liverpool and the genuine affordability of housing in the city to determine areas Torus should consider for investment.
 - **Conclusions and Next Steps** – this section sets out the route to further site identification that would position Torus to secure future development pipeline.

2. Strategic Context

2.1 This section sets out the strategic context which is impacting housing affordability across the UK and in Liverpool.

Cost of Living

2.2 In the past decade, the UK has experienced significant challenges which have substantially impacted the cost of living. In the aftermath of the Brexit Referendum, the impact of the COVID-19 pandemic, the Russian invasion of Ukraine and the economic turmoil following the 2022 mini-budget, much of the population experienced a significant rise in their cost of living, resulting in increasing challenges with the affordability of everyday essentials including housing costs.

2.3 The annual rate of CPI inflation reached 11.1% in October 2022, a 41 year high, having now eased to 3.2% in March 2024. The annual inflation rate is expected to continue falling in 2024, though at a slower pace than 2023, mainly due to reduction in the cost of food and energy bills. The prognosis is not without risk. Ongoing global factors including the conflict in Ukraine and rising energy costs could see inflation stay higher for longer.

2.4 The Office for National Statistics (ONS) reports that from February and March 2024, 46% of adults in Great Britain reported an increase in their cost of living compared to the previous month.

2.5 High inflation has meant the Bank of England has increased the base policy interest rate to bring inflation back to the 2% target, with 14 increases occurring between December 2021 and August 2023. This resulted in high borrowing costs for households, notably in mortgage interest rates which rose sharply from the record low rates seen previously. Around 1.6 million households can anticipate higher mortgage costs in 2024 as previous fixed rate mortgage agreements expire.

2.6 With general living costs increasing and wage growth not keeping pace, real pay experienced a significant reduction over 2022/23. This trend is anticipated to continue, with growing concerns over the growth prospects of the national economy more households are finding themselves at or below the poverty line. It is also noted that low-income households are most affected by rising prices and it is forecast that 18% of the population will be living in absolute poverty between 2024 and 2025 (House of Commons Library).

Housing Market

2.7 Exacerbating the issue of housing affordability in the UK is the significant rise in house prices over the last decade.

2.8 It was reported by the ONS that between January 2013 and January 2023 the average UK house price rose from £168,000 to £290,000, an increase of 73%. Nationwide have noted that in 2023, house prices fell 1.8% nationally with the average UK house price was £285,000 in December 2023, which was £4,000 lower than 12 months previous.

2.9 However, early figures in 2024 show modest house prices increase of 0.7% after accounting for seasonal variations. As a result, the annual rate of growth in housing prices improved from -1.8% in December to -0.2% in January, marking the largest increase since January 2023. It is also anticipated that there will be an upward trajectory of house prices across 2024.

2.10 Restricted housing supply remains a key driver of increased house prices in the country, with just 230,000 homes delivered in 2023, significantly below the government set target of 300,000 per year.

The Conservative government's 2019 manifesto stated a commitment to supply 1 million new homes by the end of current parliament and in a speech made on 24 July 2023, MP Michael Gove committed to the allocation of £800m from the Brownfield Infrastructure and Land Fund to unlock 56,000 new homes on brownfield sites.

- 2.11 The economic impacts of the pandemic also continue to play a role in slowed rates of development, although this is easing. Planning consents for residential development are also down 25% from the peak of Summer 2023 suggesting that in the short term housing delivery is set to drop significantly. Construction is also being impacted by the cost of debt and materials.
- 2.12 Data from the ONS indicate significant recent increases in private rents, with an increase of 9.0% over the 12-month period from February 2023. Average monthly rents increased to £1,276 (England), £723 (Wales) and £944 (Scotland). This remains the largest annual percentage change recorded since January 2016.
- 2.13 It is expected that rental growth will continue in 2024, but not quite at the high levels that have characterised the last few years. Rises in nominal earnings over recent years has contributed to this; as has imbalances of supply and demand in some locations. The cause of this is largely structural, although an increase in the number of buy-to-let landlords selling out of the market over the last 18 months has contributed to the issue.

Affordable Housing

- 2.14 The most recent affordable housing delivery figures published in November 2023 reported that 63,605 affordable homes were delivered in 2022-23, a 7% increase on the year before. There were also 71,046 starts in England in 2022-23, a 12% increase on the year before.
- 2.15 This level of delivery represents an estimated 27% of the total number of new additions to the housing stock. This was the highest proportion of completions since 2014-15, with both increases coinciding with the beginnings of respective Affordable Homes Programmes. 47% of 2022-23 completions were delivered through Section 106.
- 2.16 The composition of affordable delivery was relatively stable overall with 64% for rent (including social, affordable and intermediate rent).
- 2.17 The Affordable Homes Programme (2021 – 2026) provides grant funding for the construction of affordable homes in England. The programme included £11.5 billion of capital funding over 5 years to enable the supply of approximately 162,000 new affordable homes. These homes were to be split as follows:
- 50% of homes at discounted rent, including affordable rent and social rent in areas of high affordability challenge;
 - 50% of affordable home ownership including a majority of shared ownership;
 - 10% of homes to provide supported housing;
 - 10% of homes in rural areas;
 - 25% of homes delivered through Strategic Partnerships using modern methods of construction (MMC).
- 2.18 Homes England recently announced changes to the Affordable Housing Programme, including social rent-specific grant rates, supporting a continued increase in the proportion of social rented homes. The changes also included an increased scope to grant-fund tenure switches for homes that were initially intended to be market sale. Accordingly, it is expected this will be an area that sees more

activity the challenges in the sales market will make bulk sales more attractive to housebuilders and the grant funding will help make the deals viable.

- 2.19 However, it has been reported¹ that the programme is not delivering fully on its delivery pledges, mainly due to the economic, financial and policy circumstances. Grant funded starts of social rent, affordable rent and shared ownership properties have collapsed by 60% in the first half of the 2023-24 financial year. Unless delivery is rapidly increased, this will have significant implications on the delivery of affordable housing in the short term across the country.
- 2.20 The Department of Levelling Up, Housing and Communities (DLUHC) have also recently announced the expansion of the Affordable Homes Guarantee Scheme, which provides low-cost loans to housing providers. A £3 billion extension to the programme will result in the delivery of 20,000 additional new homes. The scheme can also be used to upgrade existing properties. The scheme was originally launched in 2020 and has resulted in delivering over 6,000 affordable homes so far.
- 2.21 In addition, there are several changes that housing providers need to take account of when considering the investment into their existing stock and the delivery of new stock:
- **Building Safety Act:** As of April 2022, amendments were made to the Building Safety Act giving residents and homeowners increased rights, powers and protections with the intention of making homes across the country safer. The act creates a clear framework for the design, construction and management of safer, high-quality homes. A new developer tax, and levy on developers will ensure that industry contribute to rectifying existing building safety crisis.
 - **Impacts of RBH mould case:** Following the tragic death of 2 year old Awaab Ishaak, caused by the inadequate condition of his family's social housing in Rochdale, nationwide guidance advised all social housing providers to review their housing stock condition which revealed over 160,000 homes had damp or mould. Subsequent to this review, the government produced new guidance for social housing providers on damp and mould in September 2023.
 - **Impact of 7% rent cap for 2023 / 2024:** Annual change in rent for tenants had a 7% cap introduced as of April 2023 with the exception of supported housing accommodation. Registered Providers must adhere to these limits on rent increases even if a tenant's rent is below formula rent, or if they have previously applied a lower – or no – annual increase. The cap has been designed to keep rent levels low for tenants amidst the current cost of living crisis and continued period of heightened inflation.

Local Housing Market Trends

- 2.22 In Liverpool, the average house in March 2024 was £215,000², an increase of c. 1% since 2023 and slightly differing from the trend seen nationally. Terraced properties made up the majority of sales completed, with an average price of £153,492. Flats averaged out at £137,487 and semi-detached properties sold for £235,093.
- 2.23 Over the past five years, average (mean) rents in Liverpool have grown by 48% compared to 39% across England. Over this period, Liverpool's rent has generally been ahead of that of England, especially during the post-Covid-19 pandemic period in 2021 and 2022, driven largely by the city's growing city centre flat and student accommodation market. This is generally because the city is more affordable than most of the UK, which provides more headroom for growth.

¹ <https://www.building.co.uk/focus/the-figures-on-starts-are-terrifying-whats-really-happening-to-the-11bn-affordable-homes-programme/5127669.article>

² Rightmove

- 2.24 There are just under 230,000 houses within Liverpool, 170,000 of which are within the private sector and c. 60,000 owned by housing associations. Within the past decade, there has been an average delivery of 2,100 homes per year (including conversions and change of use).
- 2.25 Recent corruption activity within Liverpool City Council has damaged trust between the local authority and developers resulting in a decline in Liverpool's development pipeline. Key changes within the council's leadership continue to restore and rebuild relations.
- 2.26 Findings of the 2016 Liverpool Strategic Housing Market Assessment (SHMA) found that there is a housing need of 1,321 dwellings per annum of which 386 should be affordable. This equates to a need for 27,500 homes created between 2013 – 2033.
- 2.27 The report also noted that since 2013, there has been an estimated 1,767 existing households annually in the Liverpool City Region that have fallen into the category of 'in need of affordable housing'.
- 2.28 The SHMA also set out the recommended housing mix for the city that would meet the needs of the population.

Table 2.1: Recommended Housing Mix (City Wide)

	1 bed	2 bed	3 bed	4+ bed
Market	5 – 10%	20 – 25%	45 – 50%	20 – 25%
Affordable	25 – 30%	30 – 35%	30 – 35%	5 – 10%
All Dwellings	10%	25%	50%	15%

Source: Liverpool City Council, 2016

- 2.29 It is noted in Liverpool's SHMA that 'The reality in Liverpool (taking account of development viability) is that affordable housing is not principally delivered through S106 agreements on market-led housing development schemes, as occurs in many other areas nationally.'
- 2.30 Liverpool's Strategic Housing Land Availability Assessment was updated in 2023 and highlighted 962 sites of which 362 are 'committed sites' and 636 are considered potential sites for housing development with the Liverpool City Region.
- 2.31 All of Liverpool's affordable housing stock was transferred in the 2000s from the City Council to a variety of registered providers. As a result, the makeup of affordable housing is complex, with 75 registered social providers owning a total 59,473 units (as of 2022). Of these units, 46,000 are owned by seven social housing landlords.

Climate Change

- 2.32 There is a clear and pressing need to build more quality, affordable homes at a rapid pace but there is also an urgent requirement to invest in record amounts of existing stock, both to improve the quality and move towards the net zero horizon.
- 2.33 In the past few years, the UK has experienced more frequent and intense weather extremes, especially increased frequency of extreme rainfall events and heatwaves, all which have been attributed to climate change.
- 2.34 However, many of our homes and the wider build environment are not prepared to cope with these conditions. This includes 20% of households that currently live within areas of significant flood risk

and if flood events continue this is likely to double to 40% of households within 20 years. Approximately 20% of homes in England experience overheating.

- 2.35 The UK has a net zero greenhouse gas emissions target for 2050 which includes the need to deliver low carbon homes and housing associations must play a significant role in this. However, carrying out large scale remediation works and meeting government targets of building hundreds of thousands of new homes a year pose a significant challenges based on both capacity and funding.

Housing Development Policy

- 2.36 The National Planning Policy Framework (NPPF) sets out that local authorities should seek to meet housing need within their areas where it is sustainable to do so and consistent with policies within the framework. National Planning Practice Guide (NPPG) also states that the provision of appropriate housing for vulnerable people is crucial in helping them live independent lives.
- 2.37 Paragraph 60 of the NPPF states that to support the Government's objective of significantly boosting the supply of homes, it is important that a sufficient amount and variety of land can come forward where needed. To support this, Paragraph 69 states that local authorities should produce a strategic housing land availability assessment identifying specific deliverable sites for a five year period and where possible a 10 and 15 year period.
- 2.38 To determine the minimum number of homes needed, strategic policies should be informed by a local housing needs assessment and this should also influence the size, type and tenure of housing needed for different groups. Where a need for affordable housing identified, planning policies should specify the type of affordable housing required.

Liverpool Housing Policy

- 2.39 Liverpool City Council does not have an up-to-date housing strategy, meaning there is a shortfall of necessary policy to guide development within the city region. However, as of 2022, Liverpool City Council's Interim Housing Statement was produced to provide a short-term plan for the council's activities in the housing sector. It is to remain in place until the council produces a longer-term housing strategy.
- 2.40 The Interim Housing Statement serves the Council's overarching plans, namely the City Plan, the Council Plan and the Economic Strategy. The City Plan vision is for a thriving, sustainable and fair city for everyone. This vision is set out across six aims. The first priority under the Neighbourhoods aim is that "every person in Liverpool lives in a home they can afford, which is safe, secure, warm, sustainable and able to meet their needs".
- 2.41 Liverpool Local Plan policy H1 outlines the local authority's requirement to provide an additional 34,780 dwellings between the period 2013 –2033.
- 2.42 Liverpool Local Plan policy H12, from Liverpool's adopted 2022 Local Plan states:
- All development proposals for new homes should provide quality living environments for residents both now and in the future and contribute to delivering sustainable communities.*
- 2.43 Liverpool Local Plan policy H3 requires:
- Proposals for the development of 10 or more dwellings should ensure that 20% of the homes to be provided are affordable and comprise the following types:*

A) 80% social/affordable rent

B) 20% intermediate (shared equity housing) provision.

- 2.44 Liverpool Local Plan policy H13 sets out guidelines for the design standards required outside the City Centre. It advocates new housing be well designed and contribute to improving the quality of the environment. The plan requires a minimum of 10% of new dwellings to be designed with M4(3) 'wheelchair user dwellings' standard. This will apply to proposals of 10 dwellings or more.
- 2.45 The council also expects affordable housing to be distributed in small clusters throughout development sites. Affordable homes should face open market dwellings as neighbours; the dispersal of affordable housing units within a wider residential development helps to promote mixed communities and minimise social exclusion.

Housing Affordability

- 2.46 There is no universally agreed definition of affordable housing in the UK, as noted in a House of Commons Library briefing in 2023³. Definitions are and always will be contested and dependent on the availability of data and type of audience.
- 2.47 Whilst it is commonly claimed that housing costs should comprise no more than one-third of net household income, this guidance masks specific challenges faced by different socio-economic groups. Principally, it is less *affordable* for a lower-income household to spend one-third of their net income on housing costs because it leaves less to spend on essentials.⁴

Affordable Housing Types

- 2.48 Affordable homes play a vital role in supporting residents on low incomes who are unable to access the private housing market. Low income households are crucial in the success of Liverpool's businesses and public services yet are the most disadvantaged by rising living costs associated with the same success.
- 2.49 There are many different aspects to affordable housing and there is no one-size-fits-all approach. There are a wide range of affordable products and the mechanisms to fund and incentivise prospective tenants, buyers, and developers. Table 2.2 outlines the key affordable housing products available in the UK.
- 2.50 The National Planning Policy Framework (NPPF) sets the definition of affordable housing as:
- "Housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/ or is for essential local workers), under four sub headings: affordable housing for rent, starter homes, discounted market sales housing and other affordable routes to home ownership e.g. Shared ownership".⁵*
- 2.51 The national affordable housing definition is simple and concise, giving certainty to investors and providers of affordable housing, the local planning authority and Planning Inspectorate when interpreting Local Plans. It also encompasses numerous types of products of affordable housing developers can incorporate into their schemes.

³ House of Commons Library 2023, *What is affordable housing?*, accessed 2024, URL: <https://researchbriefings.files.parliament.uk/documents/CBP-7747/CBP-7747.pdf>

⁴ Affordable Housing Commission, 2019, *Defining and measuring housing affordability – and alternative approach*. Accessed 2024, URL: <https://nationwidefoundation.org.uk/wp-content/uploads/2019/06/Definingandmeasuringhousingaffordability.pdf>

⁵ Annex 2, NPPF

- 2.52 However, whilst the NPPF sets the foundation by which a property can be deemed affordable, it fails to consider the additional influences by which the homes are 'genuinely' affordable to prospective renters and buyers.
- 2.53 The measure by which affordable products are assessed and implemented to address viability gaps differ between rented and intermediate products. To date, affordability measures have been predominantly market driven or based on out-of-date income data. This is described in the table below.

Table 2.2: Types of affordable housing products

Product	Target / Eligibility	Affordability Measure
Affordable Rent	Low income households	Rents set as proportion of market rent
Social Rent	Low income households	Based in part on local earnings
Shared Ownership	Low-middle income households	Market led; no overarching measure of affordability
Housing Benefit	Low income renters	Based on household incomes taking into consideration housing costs
Rent to Buy	Low-middle income households	Eligibility based on household income
Right to Buy	Council Tenants	Sub-market prices, not shaped by income affordability
First Homes	Middle income households	No affordability limit to prices; 45% of income limited on housing costs
Mortgage Regulation	Borrowers	Based in part on income to loan ratio
NPPF	Low-middle income households	Mainly market led; sub market prices not shaped by income affordability

Source: Affordable housing commission (2019)

Affordable Rent

- 2.54 Affordable rent was introduced in 2011 by the Coalition Government to deliver more sub-market housing through increased rents rather than grant funding (revenue over capital).
- 2.55 Affordable rent is exempt from Social Rent regulation, typically higher than Social Rents and as a rule of thumb should not exceed more than 80% of gross market rent.
- 2.56 However, the introduction of Affordable Rent has moved away from housing affordability based on incomes towards rents set below market levels. In addition, local authorities have increased powers under new reforms to cap affordable rents at Local Housing Allowances (LHA). With capped rents, the product is less favourable for developers due to lack of competitiveness and yet remains in high demand as an affordable product for tenants. LHA rates from April 2024 for Liverpool are detailed in Table 2.3.

Table 2.3: Local Housing Allowance rates in Liverpool, April 2024

Room Type	Rate per week	Rate per month	Rate per month
Shared	£79	£344	£344
1	£115	£500	£500
2	£137	£595	£595
3	£150	£650	£650
4	£201	£875	£875

Source: Liverpool City Council

Social Rent

2.57 In comparison to affordable rent, Social Rent is mainly calculated through income drivers. Based on a 'formula rent' calculation set by the government, the formula takes account of property values and local earnings relative to national earnings. The basis for the calculation of formula rents is:

- 30% of a properties rent is based on relative property values
- 70% of a properties rent is based on relative local earnings
- A bedroom factor is applied based on the number of bedrooms in the property.

2.58 Social Rent is a favourable product to tenants as rents are set to a formula which is heavily weighted towards consideration of local wages. The challenge facing Social Rent is growing demand versus depleted supply in favour of the continued rise of a tenure shift to the Private Rental Sector ('PRS'), where rents are generally higher. We have calculated an example for Liverpool in Section 4 of this report.

2.59 A study by the Affordable Homes Commission (March 2020) found 40% of PRS renters face serious affordability difficulties in comparison to 9% of Social Rented tenants, of which 60% of these renters are within the vulnerable and low-income households.

Shared Ownership

2.60 Shared ownership is a scheme which allows for aspiring homeowners to purchase a share of a property where they cannot afford it outright on the open market. The scheme offers the opportunity to buy a share – usually in a new build home – on a part buy / part rent basis whereby rent is charged at 2.5 – 3% of the equity value retained by the freeholder.

2.61 The share on the property can be between 10% to 75% of the full purchase price, with the opportunity to gradually purchase up to 100% and own the property outright, otherwise known as 'staircasing'. In practice, staircasing is rarely achieved.

2.62 To be eligible for shared ownership, the following criteria need to be met:

- You cannot afford to buy a home on the open market;
- You have a household combined income of less than £80,000 per year (£90,000 in London);
- You are a first time buyer, however if you currently own or have previously owned a property you may be considered for the scheme;
- You are at least 18 years of age with a good credit rating; and

- You have at least £1,500 in savings to cover the one-off costs involved in buying your new home such as solicitor fees. This does not include any mortgage deposits or developer reservation fees. Most schemes will require at least a 5% deposit of the share you are buying.
- 2.63 In addition, an affordability criterion for shared ownership is defined by local authorities via a nominations agreement or planning agreement. This typically stipulates the importance of a locality-based approach to the eligibility of individuals.
- 2.64 Backed by government funding, the Shared Ownership scheme has increasingly gained momentum and has since become a helpful product for many people who cannot buy at market rate.
- 2.65 In addition, developers have increasingly sought to deliver shared ownership as part of their affordable housing offer on development schemes given the greater certainty of projected percentage shared for areas, thus reducing costs associated with voids.
- 2.66 There are however some concerns around the Shared Ownership product. Namely, the ability of local authorities to apply locality restrictions, the limited opportunities to staircase, and the potentially punitive costs of service charges typically associated with apartment developments.

Torus Developments

- 2.67 Torus is the North West's largest affordable housing provider and one of the largest and fastest growing developers and commercial contractors.
- 2.68 Torus defines itself as a growth and regeneration group with a strong social purpose, working in partnership within the region to improve lives and create thriving, vibrant communities through support, investment, development and regeneration. This is underpinned by an overarching strategic mission to 'grow stronger communities'.
- 2.69 The Torus Corporate Plan (2024 – 29) identifies three core focuses which defines Torus' organisational approach to growing stronger communities within the Corporate Plan period. The three strategic focuses are:
- **Homes and Communities Focused:** the Group will create and nurture sustainable and inclusive communities by improving housing delivery focusing on affordability, sustainability and design excellence providing a positive platform for residents of Torus homes and neighbourhoods.
 - **Viability and Sustainability Focused:** the Group will maintain the position as financially robust and environmentally responsible organisation, ensuring financial viability and maximising sustainability.
 - **People and Services Focused:** the Group will be firmly established as a leading provider of user friendly and easily accessible services that satisfy and promote the wellbeing of tenants, residents and colleagues.
- 2.70 Within the Liverpool City Region, Torus owns and manages about 40,500 homes mainly in Liverpool, Warrington and St Helens with a total presence in 11 Local Authority areas. The homes are broken down as follows:
- 34,000 for general needs
 - 3,800 homes for older people

- 1,200 leaseholder homes
- 1,600 shared ownership homes
- 230 supported living homes

Torus has plans to create another 5,600 homes within the next 5 years.

2.71 In 2022 / 2023 Torus delivered 695 new homes and over 100 homes were handed over from HMS to Torus. Key developments in Liverpool included:

- **Lightbody Street:** Investing over £40 million into the regeneration and redevelopment of the former industrial site, Torus and contractor Eric Wright will build a mix of 185 affordable 1-, 2- and 3-bedroom apartments and 10 townhouses - all of which will be available via Rent to Buy.
- **Allerton Fire Station:** HMS transformed a former iconic landmark, Allerton Fire and Police Station, to create a modern, energy efficient development in Allerton. The £10m scheme is a mix of 40 one and 2-bedroom shared ownership apartments for over-55s and seven 3 and 4 bed houses.
- **The Approach:** Torus and Contractor Vistry developed this £23m scheme at Edge Lane Liverpool. It is a former Liverpool Strategic Housing Partnership scheme – a cross-sector LCC initiative designed to unlock difficult sites and deliver quality homes and housing solutions. 145 high-specification homes for Shared Ownership and Rent to Buy now occupy land on which a derelict Victorian terrace previously stood.

Liverpool Stock

2.72 Torus is a major owner and operator of affordable housing in Liverpool which are distributed across the local authority area.

2.73 In total, they own 15,250 properties across Liverpool, the majority of which is categorised for General Needs (93%) of the total stock. There is also a small proportion of Housing for Older People (5%) with the remainder being divided by Supported Living stock, Rent to Buy stock and a very small amount of Private Rental stock.

2.74 The Torus stock ranges in bedroom size from 1 bedroom to 6 bedroom, the most common type of property is a 3 bedroom property (46%) with 1 bedroom properties accounting for 28% of the total stock.

Table 2.4: Torus stock by number of bedrooms

No of Bedrooms	% Total Stock
1	28%
2	23%
3	46%
4	4%
5+	0%

Source: Torus Developments, 2024

- 2.75 The most common type of property owned by Torus is a house which accounts for 57% of the total stock. This compares to 33% of properties that are flats and 8% of properties that are bungalows.

Table 2.5: Torus stock by type of property

Types of Property	% Total Stock
House	57%
Flat	33%
Bungalow	8%
Maisonette	2%
Bedsit	1%

Source: Torus Developments, 2024

- 2.76 Overall, the most common type of properties Torus own and operate are 3-bedroom houses, which accounts for 43% of the total stock and 1 bedroom flats which accounts for 23% of the total stock.

Liverpool Submarkets

- 2.77 Within this report, we have divided Liverpool into 6 different geographical submarkets which allows an assessment of the different challenges associated with delivering housing and affordable housing across the city.
- 2.78 The submarkets are associated with Liverpool's new Neighbourhood model which has divided the city into 13 neighbourhoods. Liverpool City Council have referred as 'natural neighbourhoods' which have been brought together due to similarities in the socio-demographics.
- 2.79 The Liverpool submarkets used in this report are:

Liverpool North West – area of north Liverpool that covers the key residential settlements of Anfield, Kirkdale and Everton and which meets Sefton Local Authority to the north. It also contains the majority of Liverpool Waters (part of the Mersey Waters Enterprise Zone), the Port of Liverpool and Bramley Moor Dock.

Liverpool North East – an area of Liverpool with some suburban areas for commuters to the City Centre including Croxteth and West Derby with a boundary to Knowsley Local Authority.

Liverpool Central West – covering most of Liverpool City Centre including the Historic Waterfront and World Heritage sites as well as the residential community of Toxteth in the southeastern end.

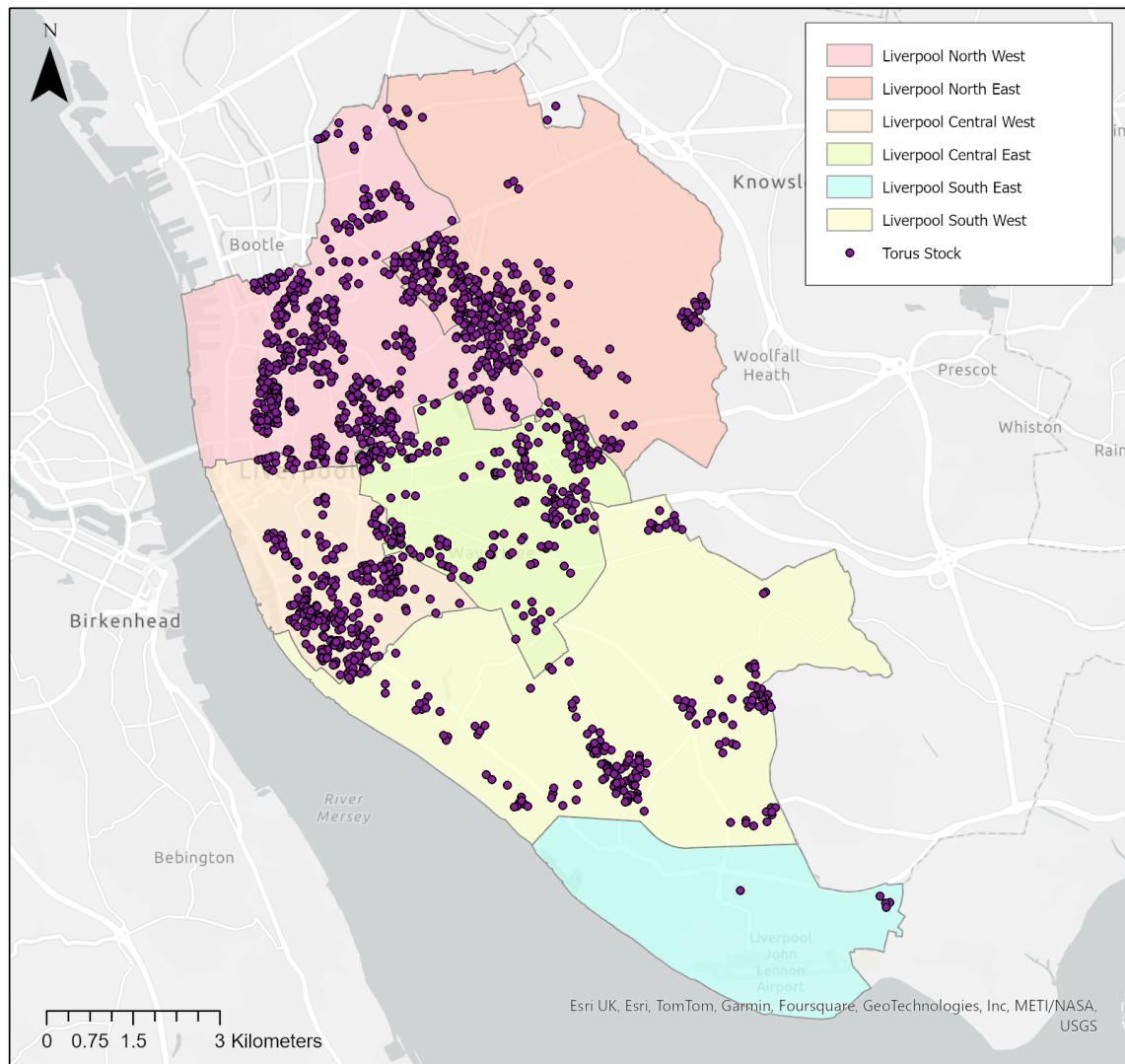
Liverpool Central East – the centre of Liverpool as a city covering the residential areas including Wavertree and Edge Hill. It is the residential area for many of the students at Liverpool's universities.

Liverpool South West – part of Liverpool's commuter belt including the residential suburbs of Childwall, Allerton, Aigburth and Woolton with the conservation area of Sefton Park in the north of the submarket which is popular with students and longer term residents.

Liverpool South East – including Liverpool airport and associated industrial uses as well as the residential areas of Speke and Garston.

- 2.80 Figure 2.1 shows the distribution of Torus stock across Liverpool layered onto the defined Liverpool submarkets.

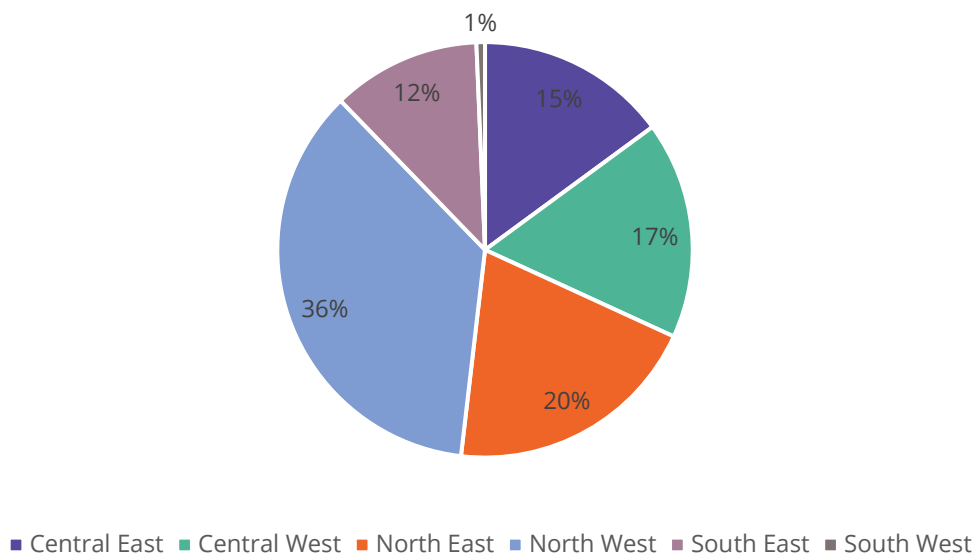
Figure 2.1: Geographic distribution of Torus stock



Source: Torus Developments, 2024. Map created by Avison Young.

- 2.81 The majority of Torus’ stock is clustered in the north and central areas of Liverpool which accounts for 87% of the total stock.
- 2.82 When broken down further, 36% of the Torus stock is located in Liverpool North West and 20% of the total stock in Liverpool North East. On the other hand, only 1% of Torus stock is located in Liverpool South West. Figure 2.2 shows the total distribution by submarket.

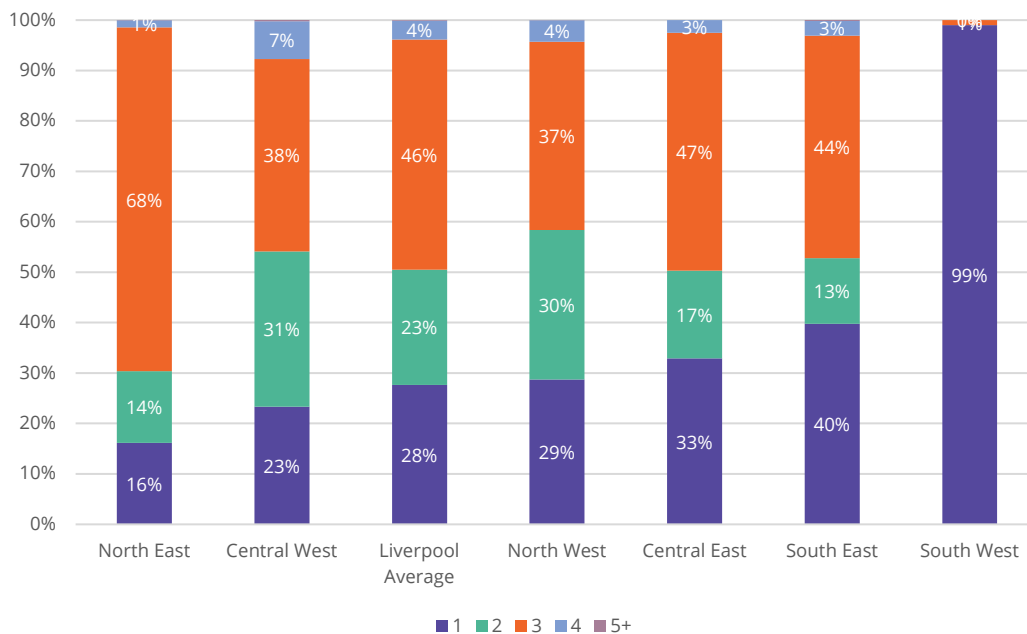
Figure 2.2: Distribution of Torus stock by submarket



Source: Torus Developments, 2024

2.83 When considering the breakdown by submarket and number of bedrooms, Liverpool North West has a relatively even split of 1, 2 and 3 bedroom properties within the Torus owned stock, whereas in Liverpool North East, over 2/3 of the total stock are 3 bedroom properties. On the other hand, in Liverpool South West, almost all the stock are 1 bedroom properties.

Figure 2.3: Distribution of Torus stock by submarket and number of bedrooms

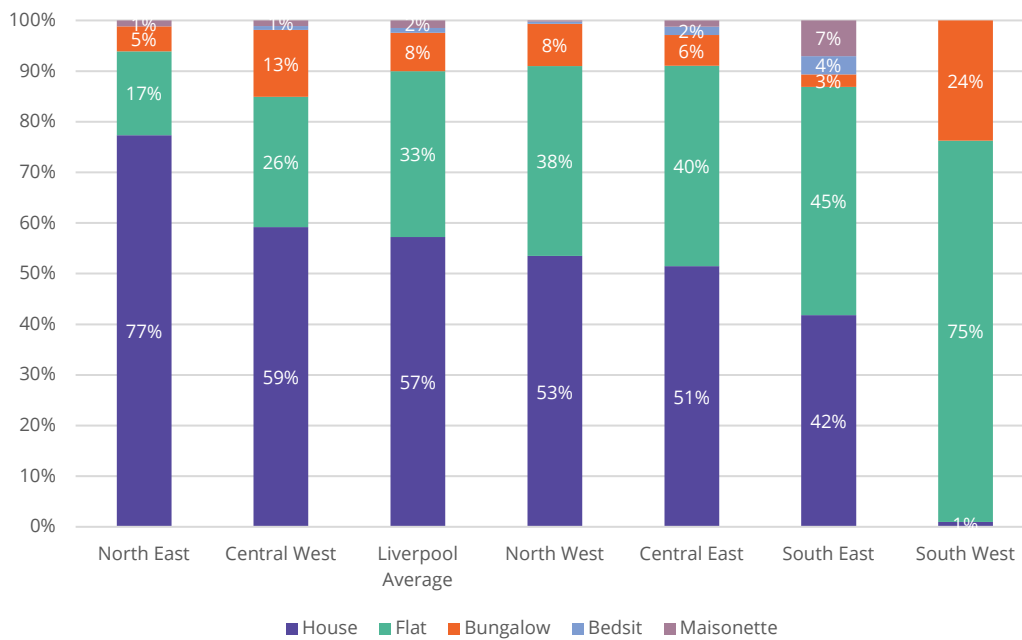


Source: Torus Developments, 2024

2.84 In addition, breaking down the house type by submarket area it is clear that whilst housing is the most common house type in general, it is very dominant (77%) in North East Liverpool. On the other hand, in areas such as Central East and South East, the number of flats is much more closely aligned

to the number of houses. In addition, South West Liverpool is dominated by flats (75%) with bungalows taking up the majority of the remaining stock.

Figure 2.4: Distribution of Torus stock by submarket and type of property



Source: Torus Developments, 2024

- 2.85 Therefore, when assessing Torus’s stock as a whole it is clear that the stock Torus holds differs significantly across the sub markets. This will likely be due to the age of the properties, the method of delivery, location and population dynamics at the time of the development.
- 2.86 Therefore going forward, if Torus are to deliver in a certain sub market, they should reflect on the population dynamics of the area to ensure that new properties delivered meet the needs of the current and anticipated future residents.

3. Liverpool Market Analysis

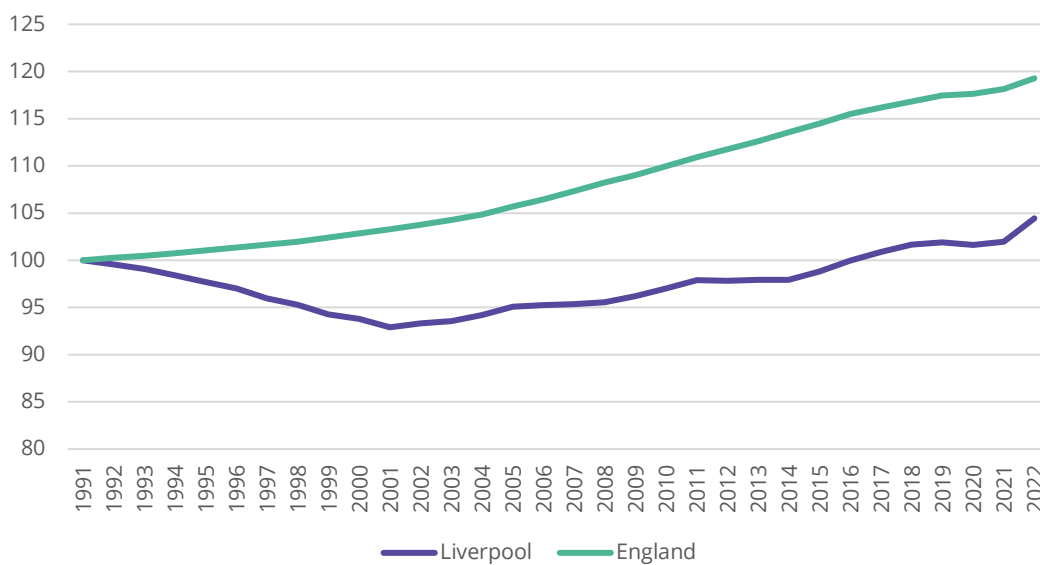
3.1 This section breaks down the key socio-demographic factors that characterise Liverpool and also assess the strengths and challenges within the housing market.

Liverpool’s Demographic Profile

3.2 Liverpool’s population has grown slower than the England average over the past 20 years, up **12%** compared to **15%**. In the 10 years before this, since 1991 Liverpool saw significant declines in its population of **-7%** whilst England’s population as a whole increased **4%**.

3.3 The declines in population seen in the 1990s were a continuation of the trend during the preceding decades, brought about by the city’s loss of economic activity and employment. This was replicated across many industrial and maritime cities in England over the period, although Liverpool’s return to population growth was later than many.

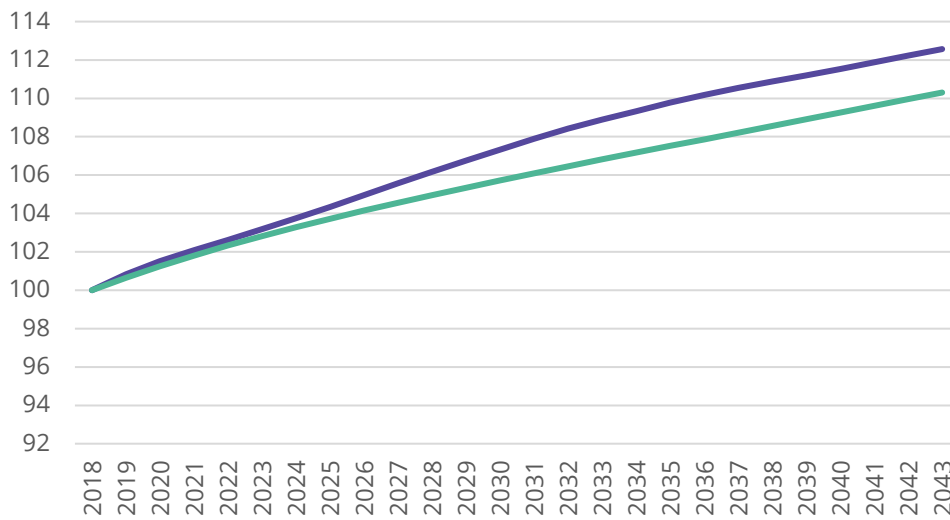
Figure 3.1: Population growth in Liverpool and England, 1991-2022, indexed 1991=100



Source: ONS, 2023

3.4 Liverpool is projected to see slightly greater population growth over the next 20 years, as is the case in many key regional cities. Liverpool will see **13%** growth over the period to 557,000 people whilst England as a whole will grow **10%** to 61.74m people.

Figure 3.2: Population projections, 2018-2043, indexed 2018=100

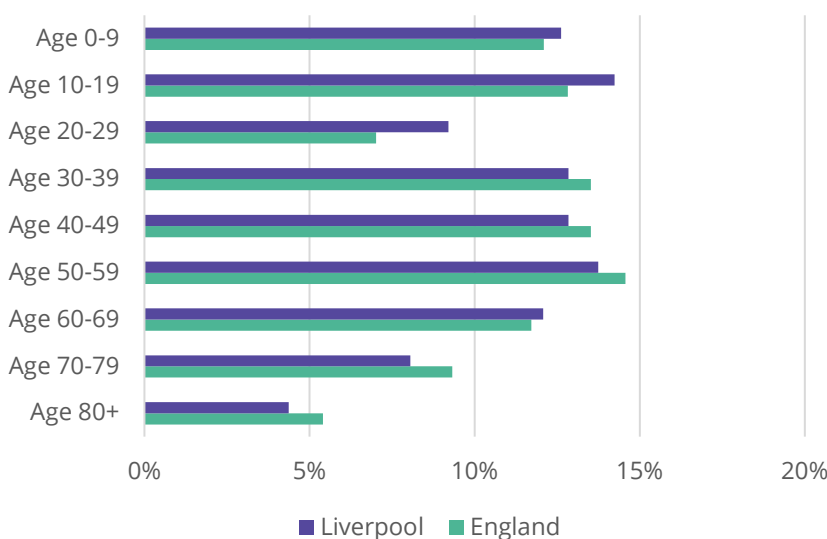


Source: ONS, 2019

3.5 Liverpool’s population is younger than the England average, with its most over-represented groups including 20-29 year olds (**1.53x**) and 10-19 year olds (**1.05x**).

3.6 Liverpool’s student population makes up a large proportion of its total and so removing the age bracket 20-24 year olds can provide a clearer picture of the population’s age profile, as show in Figure 3.3 below. The age bracket 20-29 year olds still remains the most overrepresented by **1.31x**, demonstrating the prominence of 25-29 year olds. Most other age groups are underrepresented except those aged 19 or younger and the minor overrepresentation of 60-69 year olds (by **1.03x**).

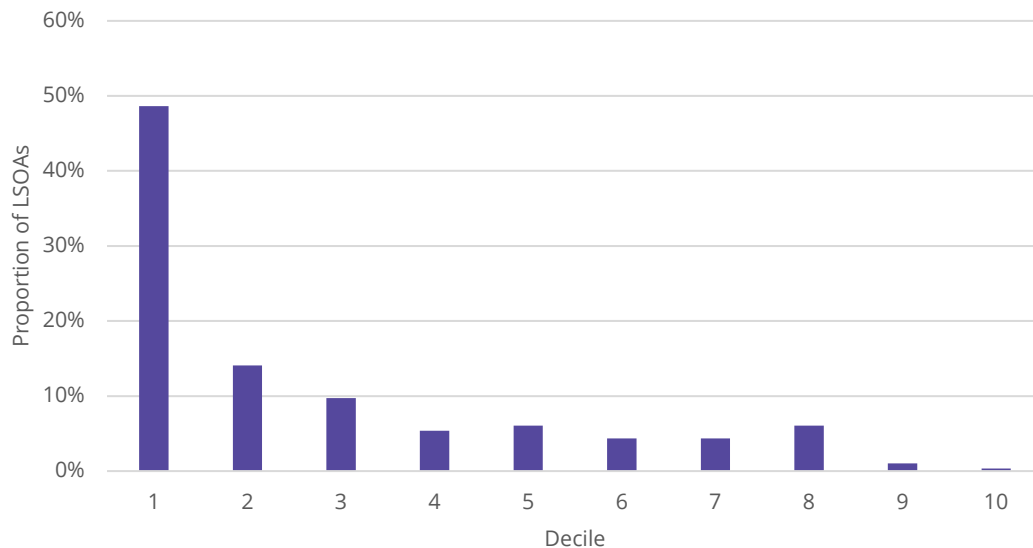
3.7 Figure 3.3: Share of Liverpool’s population at 10-year age brackets, 2021



Source: ONS, 2021

- 3.8 Liverpool's population has a lower household income than the rest of the UK at £34,939 compared to £39,948 in England.⁶
- 3.9 Liverpool is far more deprived than the national average. The Index of Multiple Deprivation (IMD) ranks every Lower Super Output Area (LSOA) of the UK across nine deprivation domains, including health, education and quality of living environment. Almost half of Liverpool's LSOAs fall into the most deprived decile (10%) of the population, with a further quarter falling into second and third most deprived deciles.

Figure 3.4: Level of deprivation across Liverpool, by shares of LSOAs which fall into each decile



Source: IMD, 2019

- 3.10 Each of the IMD's nine domains can be analysed to determine *what drives deprivation* in a location. In Liverpool, the most significant drivers of deprivation including health and disability, living environment (indoors and outdoors), and employment.
- 3.11 Significantly, as shown in Figure 3.5, barriers to housing (and services) are the least significant driver of deprivation in Liverpool. The IMD defile barriers to housing as follows:

"The Barriers to Housing and Services Domain measures the physical and financial accessibility of housing and local services. The indicators fall into two sub-domains: 'geographical barriers', which relate to the physical proximity of local services, and 'wider barriers' which includes issues relating to access to housing such as affordability and homelessness." (IMD, 2019)

- 3.12 A key measure of housing accessibility not included in the IMD data or income data is that of fuel poverty. This is especially relevant in the currently fragmented global energy market, where in recent years the UK's vulnerability to external price shocks has had a demonstrable impact on the population's standard of living. This has in turn demonstrated the significance of how energy-efficient homes can support bill-payers through these pricing shifts.
- 3.13 Liverpool has a greater proportion of its population which are fuel poor, **18%** compared to **13%** across England. Fuel poverty is defined by the Department for Energy Security and Net Zero (DESNZ)

⁶ ONS, 2020. Inflated to current-day prices using CPI index.

as households which cannot meet their energy needs at a “reasonable cost”.⁷ This demonstrates an under-consumption of housing, whereby prices are restricted by poor quality or housing accessibility.

Figure 3.5: Drivers of deprivation in Liverpool, by share of LSOAs in the most deprived 20% nationally



Source: IMD, 2019

3.14 A total of 14,932 persons were registered on Liverpool’s waiting list for social housing as of December 2023, amounting to 3% of its total population. This compares unfavourably to the North West and Merseyside averages of 2.5% and 2.9%⁸ and signifies a disproportionate pressure on housing services.

Liverpool Residential Market

Housing stock

3.15 Liverpool’s housing market’s most prominent tenure is Social Rent, accounting for **26%** of total dwellings and **1.54x** the average proportion across England. Rental tenures are in general overrepresented compared to the national average, accounting for over half of stock and **1.4x** the proportion seen in England. By contrast, owner-occupied dwellings comprise just under half of total stock which is **0.76x** the England average.

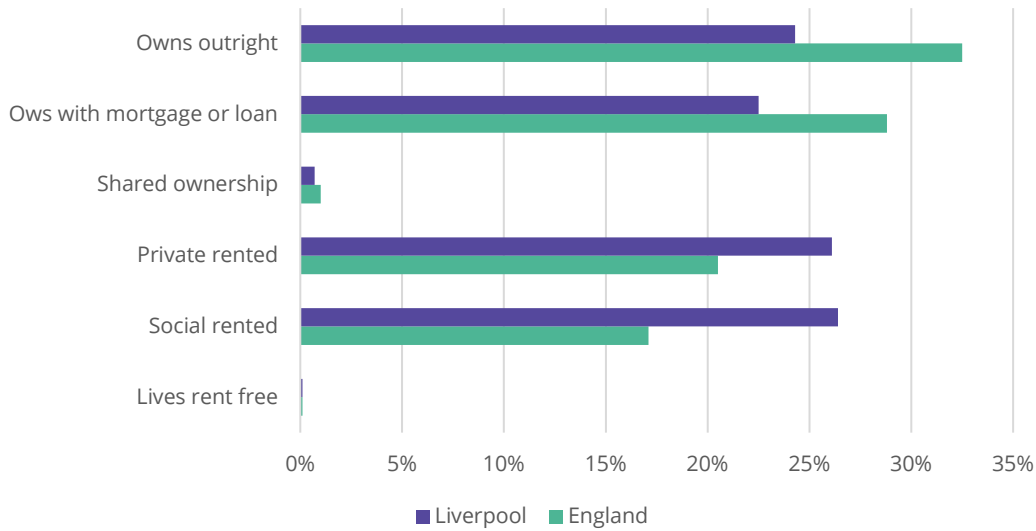
3.16 Liverpool’s housing market is also dominated by terraced housing, accounting for **38%** of all stock and **1.65x** the proportion seen in England. Semi-detached housing is slightly less common in Liverpool, whilst detached housing comprises a far smaller proportion of total stock, just **8%** compared to **23%** across England.

Figure 3.6: Residential stock by tenure

⁷ ONS, 2023: accessed March 2024. URL:

<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/articles/howfuelpovertyismeasuredintheuk/march2023>

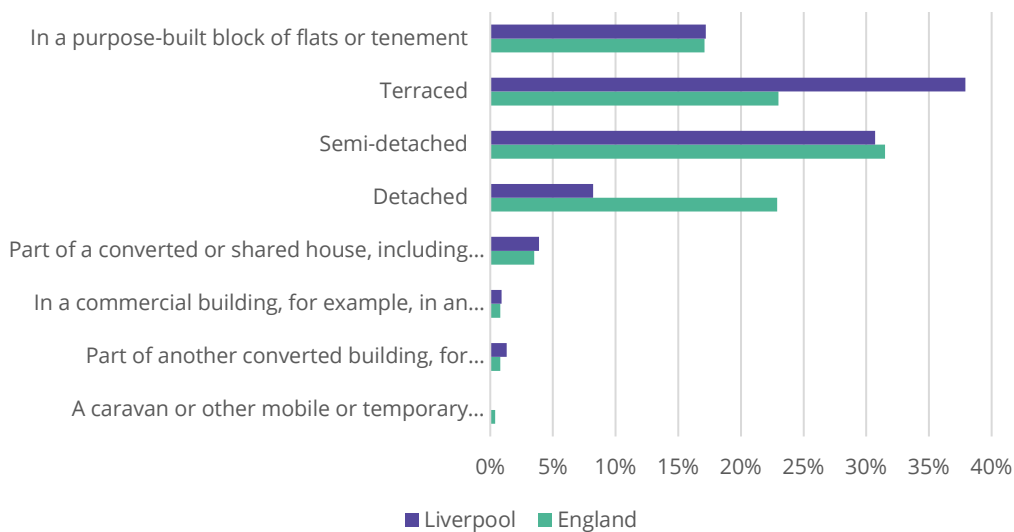
⁸ ONS 2023. There are multiple factors which affect a local authority’s waiting list, and as such these figures should be treated with a note of caution. Figures provided by Torus relating to April 2024 indicate a slight increase in Liverpool’s waiting list to 15,078.



Source: ONS, 2021

3.17 Notably, unlike many major cities, Liverpool has a modest proportion of flats, accounting for approximately the same share as the England average at **17%**. Flatted residential development has made notable gains in recent years, but there remains an opportunity for Liverpool to tap its potential for higher-density accommodation where appropriate.

Figure 3.7: Residential stock by type



Source: ONS, 2021

Pricing

3.18 The average (mean) price paid for residential property in Liverpool is currently **£215,250**, equating to £177 per sq ft. This compares to an average value across England of **£374,000** equating to £323 per sq ft.⁹

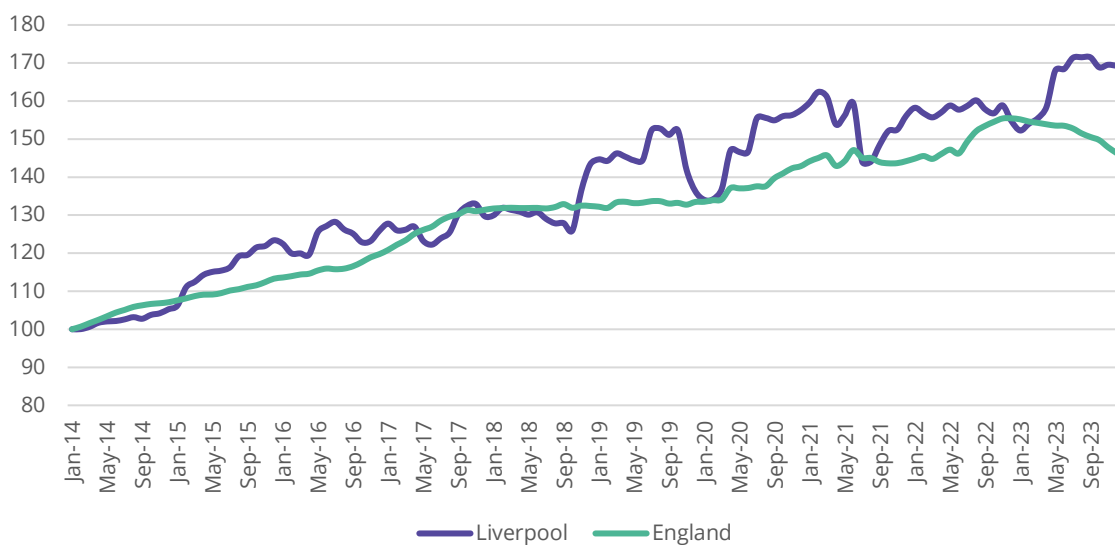
Figure 3.8: Average (mean) price paid by property type, 2023

Property Type	Price
Flat	£167,100
Terrace	£141,700
Semi-detached	£238,000
Detached	£415,200

Source: Searchland, 2024

3.19 Over the past 10 years, average residential pricing in Liverpool has grown by **69%** compared to **46%** in England. As to be expected it has been more volatile than England's average pricing, and therefore much of this differential in pricing over the 10-year period has been achieved in the past 12 months during which pricing appears to have held stronger than in England. In general, however, Liverpool's house prices have been ahead of England more often than not over the period.

Figure 3.9: Average (mean) price paid for residential property, indexed 2014 = 100



Source: Searchland, 2024

3.20 Mean asking rents and median average achieved rents in Liverpool are currently **£995 pcm** (per calendar month) and **£675 pcm**, respectively.¹⁰

⁹ Searchland 2024. Mean values give equal weighting across the pricing distribution and therefore show more extreme values, hence the differences between this figure and Nationwide's figure reported earlier in this report.

¹⁰ The former is provided by Searchland and the latter by the ONS, each related to the end of 2023. Mean values give equal weighting across the pricing distribution and therefore show more extreme values, hence the variation in these figures.

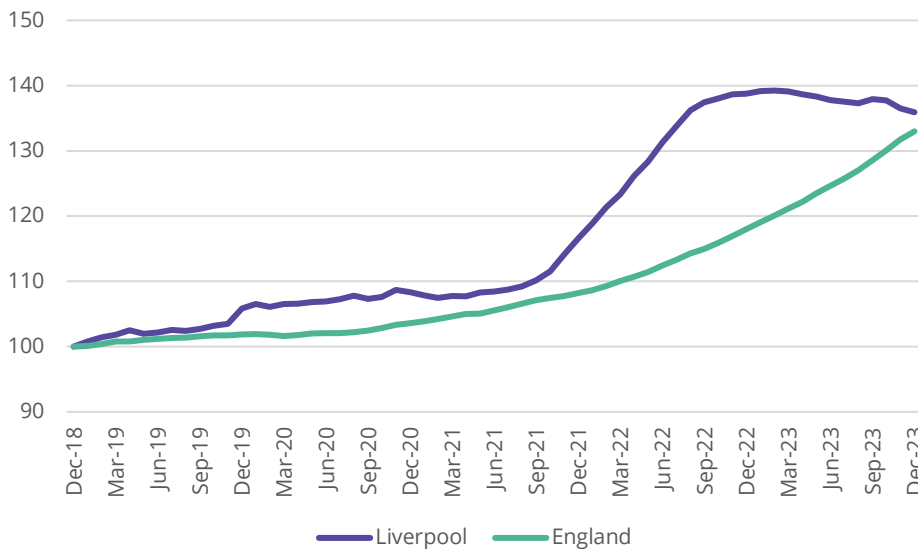
Figure 3.10: Average (mean) asking rents by property type, 2023

Property Type	Rent £ pcm
Flat	£942
Terrace	£936
Semi-detached	£1,054
Detached	£1,351

Source: Searchland, 2024

3.21 Over the past five years, average (mean) rents in Liverpool have grown by **48%** compared to **39%** across England. Over this period, Liverpool's rent has generally been ahead of that of England, especially during the post-Covid-19 pandemic period in 2021 and 2022, driven largely by the city's growing city centre flat and student accommodation market.

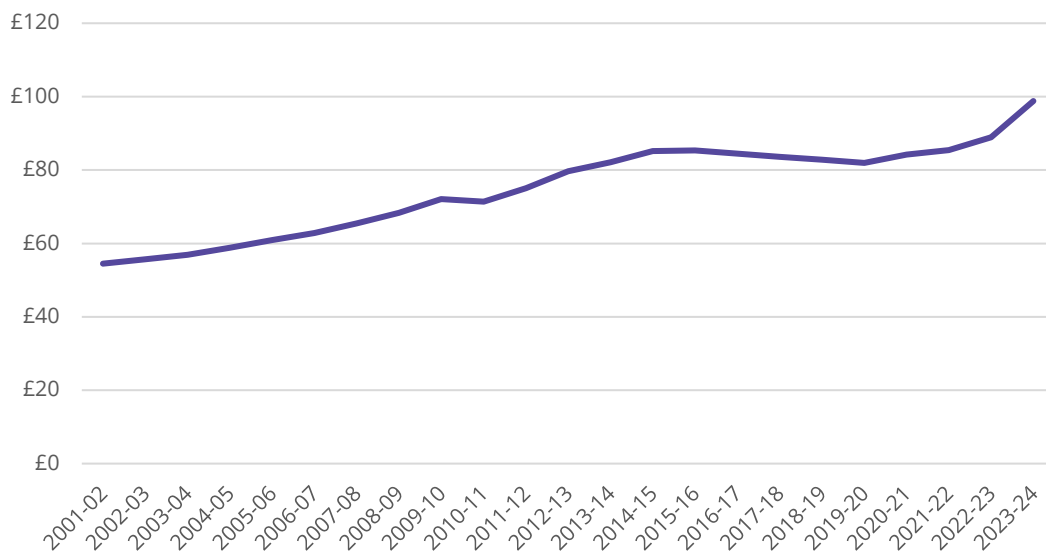
Figure 3.11: Average (mean) asking rent for residential property, indexed 2018 = 100



Source: Searchland, 2024

3.22 Liverpool's Social Rent cap for a 3-bedroom property at the city's average 2023/24 is **£98.80** per week, or £415 pcm. Over the past couple decades it has followed an upwards trend with the exception of 2016-2020 where rents were deflated nationally. The rent cap has increased significantly in the past couple years in line with higher rates of inflation.

Figure 3.12: Social Rent cap in Liverpool based on a 3-bedroom property¹¹

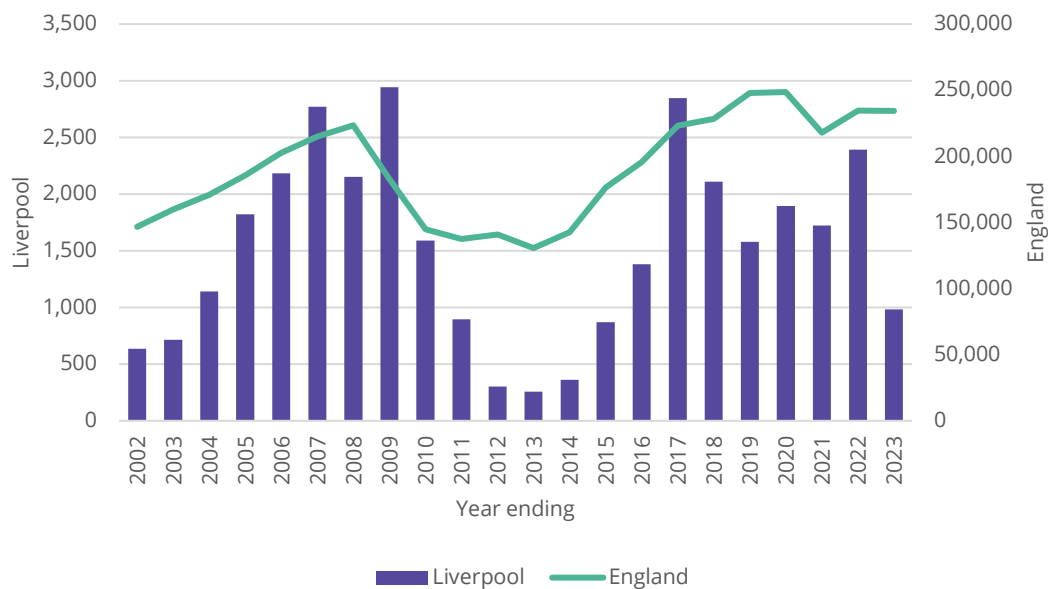


Sources: Avison Young calculations using Searchland and DLHUC data.

Housing delivery

3.23 Housing delivery in Liverpool has followed a similar trend to the wider national market, with delivery falling below 500 units during the post-GFC years and increasing to a maximum rate of 2,845 in 2017 before the interest rate hiking cycle began in 2022 which appears to have had a greater effect on Liverpool’s market than England as a whole.

Figure 3.13: All net additional dwellings per year

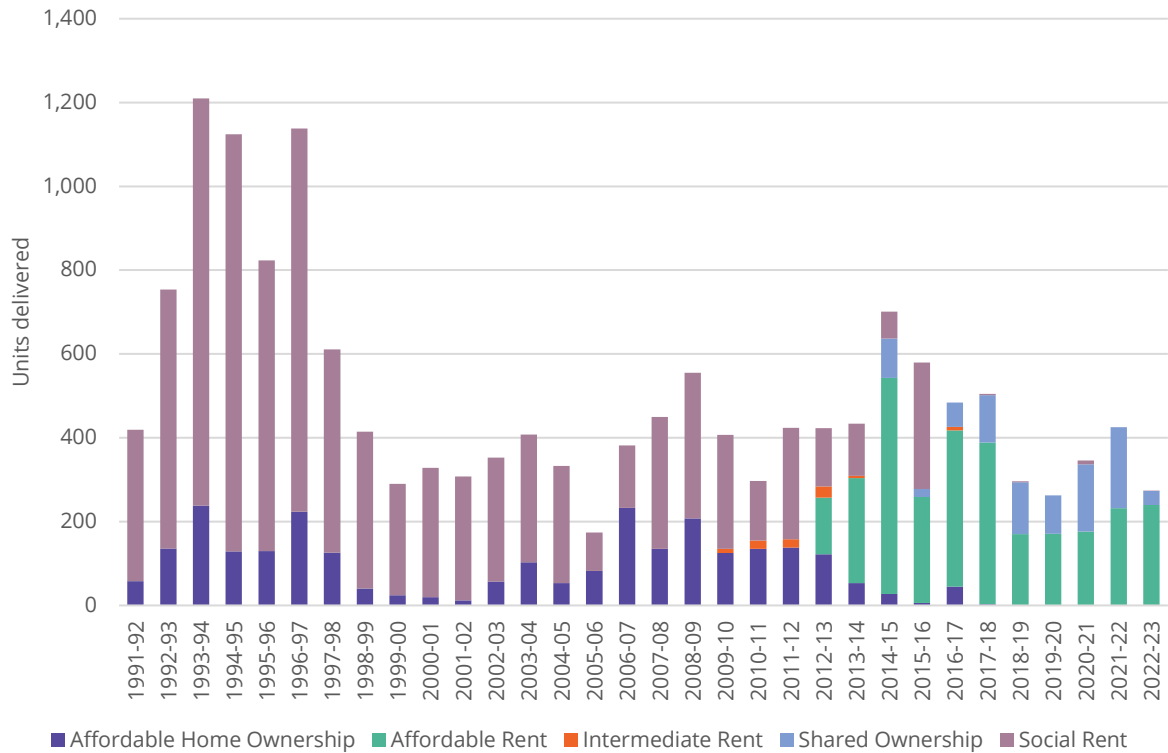


Source: DLHUC, 2023

¹¹ This calculation follows the methodology explained in section 2 of this report. For the property value component of the calculation, it assumes an average 1999 value of £47,580 in Liverpool and £86,115 for England, as per figures reported by Searchland.

- 3.24 In general, Liverpool’s delivery of affordable housing over recent decades has followed the national trend. The predominant tenures delivered since 2015 have been Affordable Rent and Shared Ownership, as determined by the policies of the Affordable Homes Programme 2016-2023.
- 3.25 Social Rent was previously the main tenure delivered. Total affordable housing delivery peaked in the mid-1990s before falling to a level of c.300-500 units per year which has been maintained since.

Figure 3.14: Net additional affordable housing delivery in Liverpool

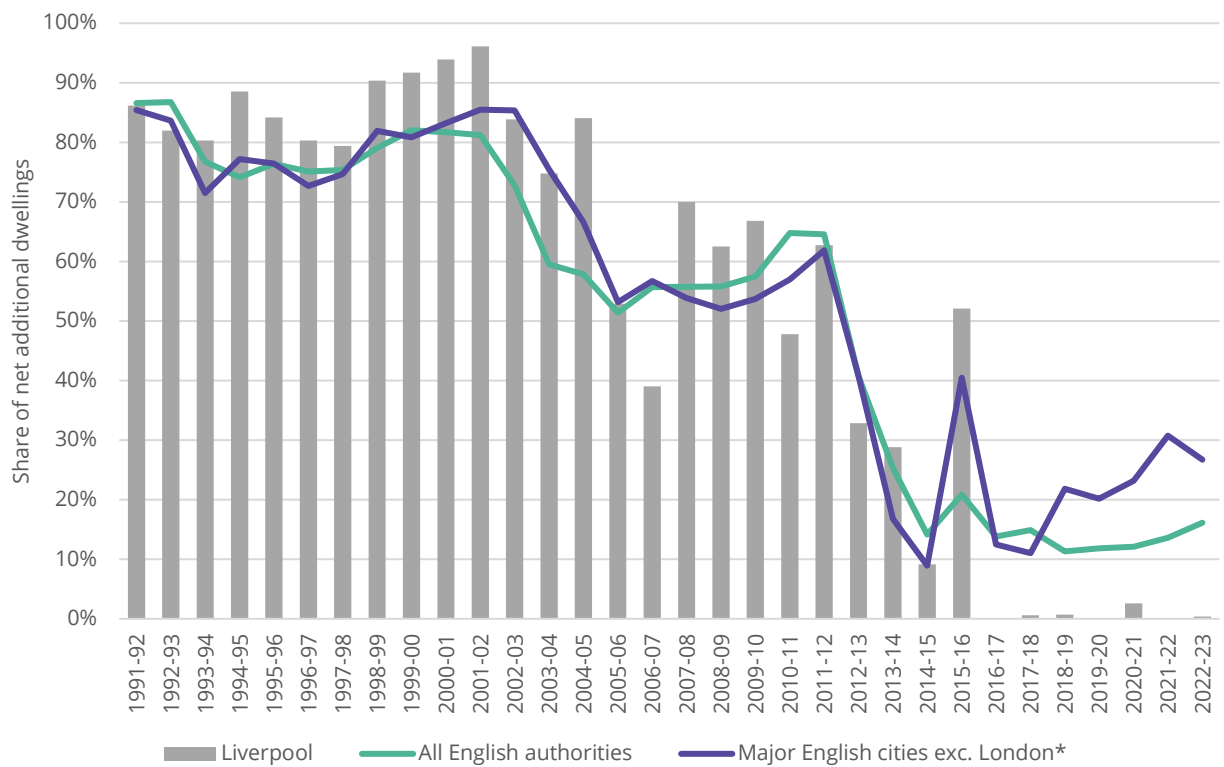


Source: DLUHC, 2023

- 3.26 Whilst most of the UK experienced a sharp drop in Social Rent delivery after 2015, in Liverpool it was more acute than many places, with just 15 units delivered since 2016. As a share of all affordable housing delivery, Social Rent has represented a maximum of 3% compared to an average level of 27% seen across other major English cities.¹²

¹² Other major English cities: Bristol, Birmingham, Nottingham, Sheffield, Manchester, Leeds, Newcastle.

Figure 3.15: Social Rent as a proportion of all net additional affordable housing



Source: DLUHC, 2023

Affordability

3.27 The Affordable Housing Commission recommends two primary metrics which are suitable in the context of this report. These metrics allow for an assessment of both rental and home ownership affordability.

- House price to income ratios, or mortgage costs to income ratios
- Rent to income ratio

Homeownership affordability

3.28 Assuming that borrowing rates are equal, ONS' house price-to-income ratios can be used to assess relative affordability.

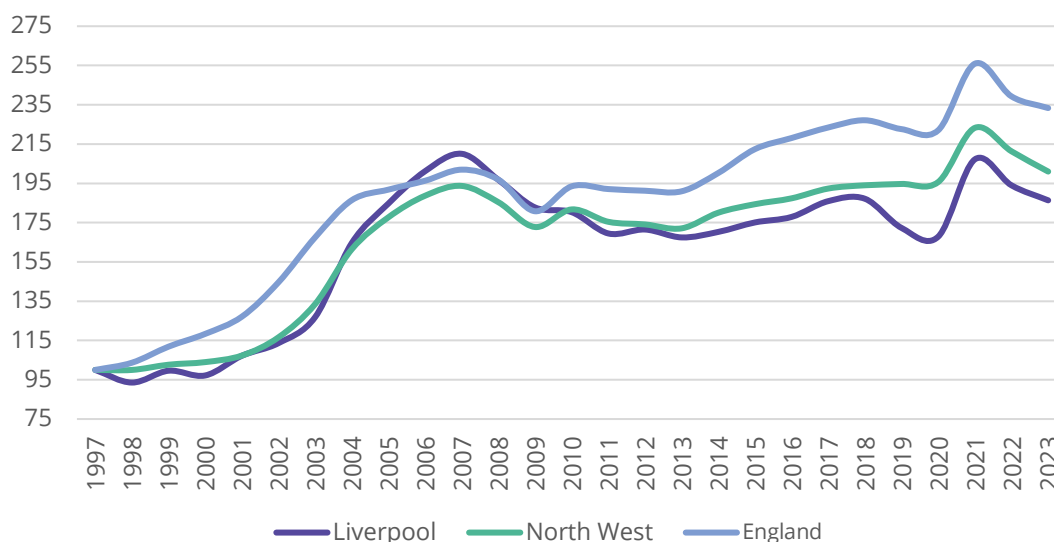
3.29 Whilst the mean achieved house prices were used previously in this report, for the purposes of assessing affordability against median income statistics, we use the ONS' median house price statistics. This enables us to run a like-for-like comparison of affordability between Liverpool and the wider geographies.

3.30 We would expect a higher price : income ratio when using mean averages for example looking at Liverpool in isolation, a mean value would give a ratio of **6.15x** incomes.

3.31 However, using median house price averages, in 2023 Liverpool's house prices were **4.64x** incomes, whereas in the wider North West and England they were **6.05x** and **8.26x** respectively.

- 3.32 On the basis of median affordability, Liverpool has become less affordable since records began in 1997, when house prices were **2.49x** incomes. This figure is not adjusted for changes in borrowing rates over the period.
- 3.33 Liverpool's ratio has however risen at a slower rate than the North West and England: Liverpool house price to income ratio has increased **86%** over this period, whereas in the North West and England they have increased **101%** and **133%** respectively. This is illustrated in Figure 3.16 where 1997 is rebased to 100.

Figure 3.16: Change in ratio of median house prices to incomes, indexed 1997 = 100



Source: ONS, 2024

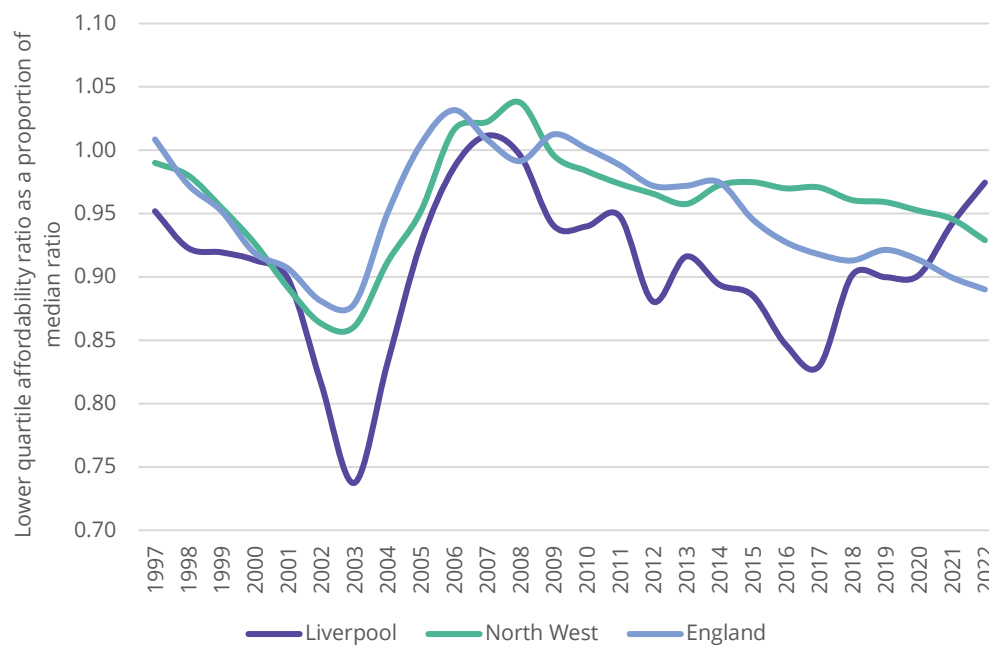
- 3.34 However, at the lower quartiles of income and house prices, on average Liverpool's house prices were **4.57x** incomes compared to **5.75x** and **7.37x** in the North West and England respectively. This suggests that Liverpool is unique compared to the wider region and nation: the degree to which affordability is better at the lower end of the market is less than other areas.¹³
- 3.35 Figure 3.17 illustrates the differences between median ratios and lower quartiles ratios since 1997. This demonstrates that relative to the North West and England, the degree of affordability in Liverpool's lower quartile housing market has been greater.
- 3.36 However, in recent years this trend has reversed. The degree of Liverpool's lower quartile affordability has worsened relative to the median, which is starkly against the trends seen at a regional and national level.
- 3.37 Therefore, not only has Liverpool's median house price to income ratio increased, but its lower quartile ratio has increased by a greater proportion.
- 3.38 It is possible that the loss of Social Rent delivery since 2015/16 has contributed to the shift in lower quartile affordability. Some households who might have otherwise taken-up new Social Rent stock might have targeted lower quartile private housing.

¹³ This data applies to 2022 as the ONS discontinued its publication for 2023 statistics.

- 3.39 Based on these house prices and income levels, and assuming a 30-year, 90% LTV, 5% interest repayment mortgage, monthly payments account for **30%** of income in Liverpool compared to **43%** across England.
- 3.40 When the 'true' costs and benefits of home ownership are included – adding the cost of maintenance (assumed to be 1% of property value per annum) and removing the cost of principal repayments (which are a form of saving towards a mortgage-free future) – net housing costs account for **19%** and **28%** of income respectively.

Figure 3.17: Comparison of lower quartile affordability to median affordability

A value above 1 indicates that lower quartile housing is relatively more expensive.



Source: ONS, 2023

- 3.41 Therefore, for homeowners and first-time-buyers, on average Liverpool is more affordable than the rest of England. Liverpool's more limited proportion of homeowners compared to the national average is driven more by historic levels of stock than by affordability.

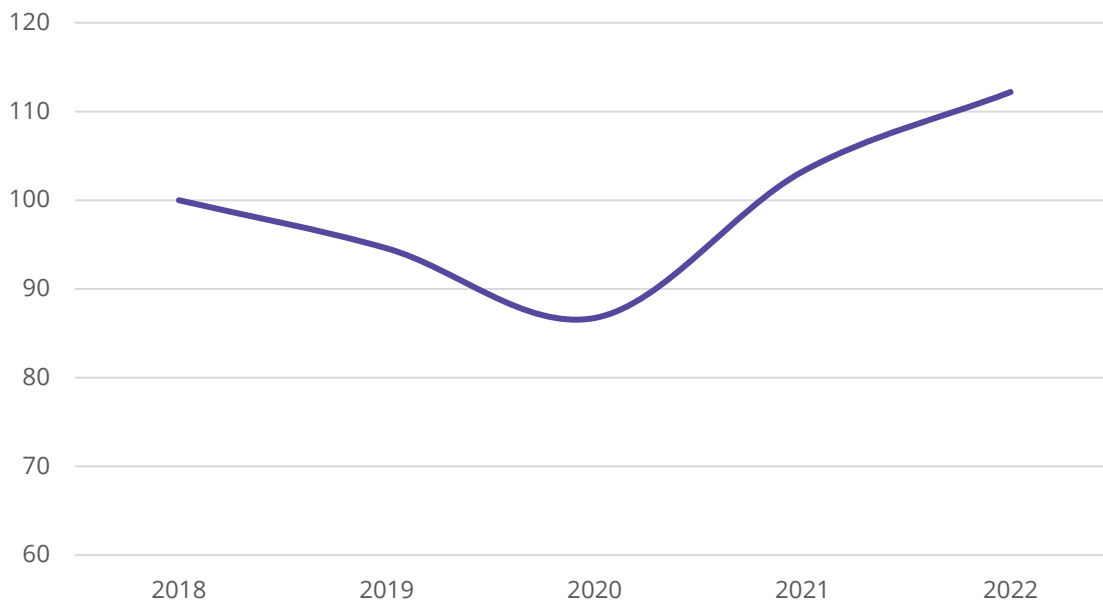
Rental affordability

- 3.42 As referenced above, Liverpool's median rent is £675 pcm compared to £995 pcm across England. When compared to median household incomes, rent in Liverpool amounts to **23%** of total income whereas in England is accounts for **30%**.¹⁴
- 3.43 The availability of data for assessing changes in rental levels over time is far more limited. Figure 3.18 shows the change in the ratio of rents to income from 2018-2022, rebased to 2018. Whilst rental affordability was improving from 2018-2022, it has been worsening since the pandemic, as evident in Liverpool's above-average rental growth during 2020-22.

¹⁴For the purposes of Liverpool-wide affordability assessments we use only the median achieved values reported by the ONS, since we compare to median income data also from the ONS, whereas at the submarket and MSOA level we have to rely on mean averages provided by Seachland.

- 3.44 The worsening of affordability eased slightly in 2022 as rental growth cooled, but still at an elevated level compared to pre-pandemic.

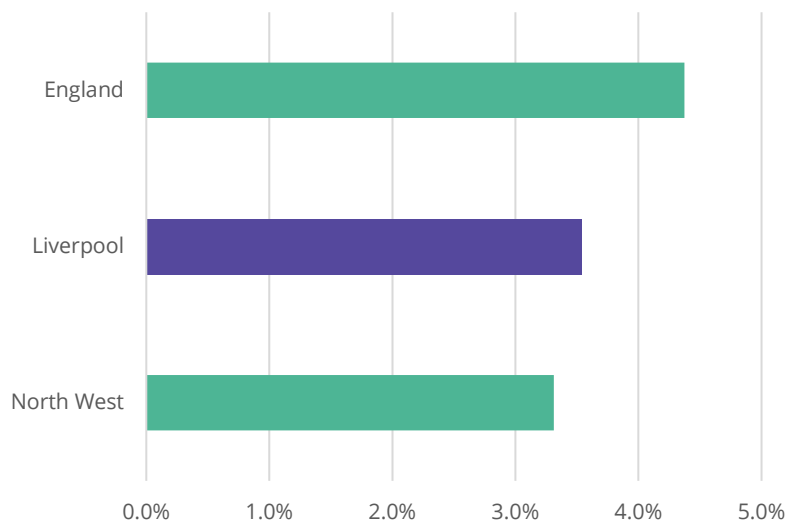
Figure 3.18: Ratio of rents to incomes in Liverpool, rebased 2018 = 100



Source: ONS 2023 and Searchland 2024

Affordability Summary

- 3.45 Liverpool is more affordable than England on a median basis both in the rental and homeownership markets. However, it is evident that Liverpool has a greater degree of affordability challenge at the lower end of its home ownership market.
- 3.46 Whilst it is not possible to analyse lower quartile affordability in the rental market due to a lack of available data, it must be emphasised that the affordability levels cited in Figure 3.17 do not apply equally across geographies. Due to lower than average incomes, households in Liverpool will spend a greater portion of this income on other essentials, and therefore have less remaining income for housing costs.
- 3.47 Liverpool's affordability relative to England is reflected in its lower level of overcrowding, however the city is actually *more overcrowded* than the rest of the North West despite being more affordable. This suggests that an issue of underconsumption of housing exists in Liverpool, whereby prices are suppressed because housing quality and needs are not being met. This fact is also supported by the high levels of fuel poverty relative to the national average.

Figure 3.19: Proportion of households which are overcrowded

Source: ONS, 2021

4. Understanding Affordability across Liverpool

4.1 In this section, we have considered socio-demographic and market intelligence, as well as the existing supply of affordable housing, to test how affordability changes across Liverpool.

4.2 Housing affordability challenges are not defined solely by the ratios of rents and house prices to incomes. This section analyses the pressures on affordable housing through a range of metrics:

- **Demographic pressures:** recent population growth, net household income, IMD ranking.
- **Housing market pressures:** average house prices to income ratio, and recent house price growth.
- **Existing supply:** existing affordable tenure stock.

Each of these factors are attributed a score 1-100 for each MSOA relative to each other and aggregated into the defined submarkets. These scores are mapped in the following pages.

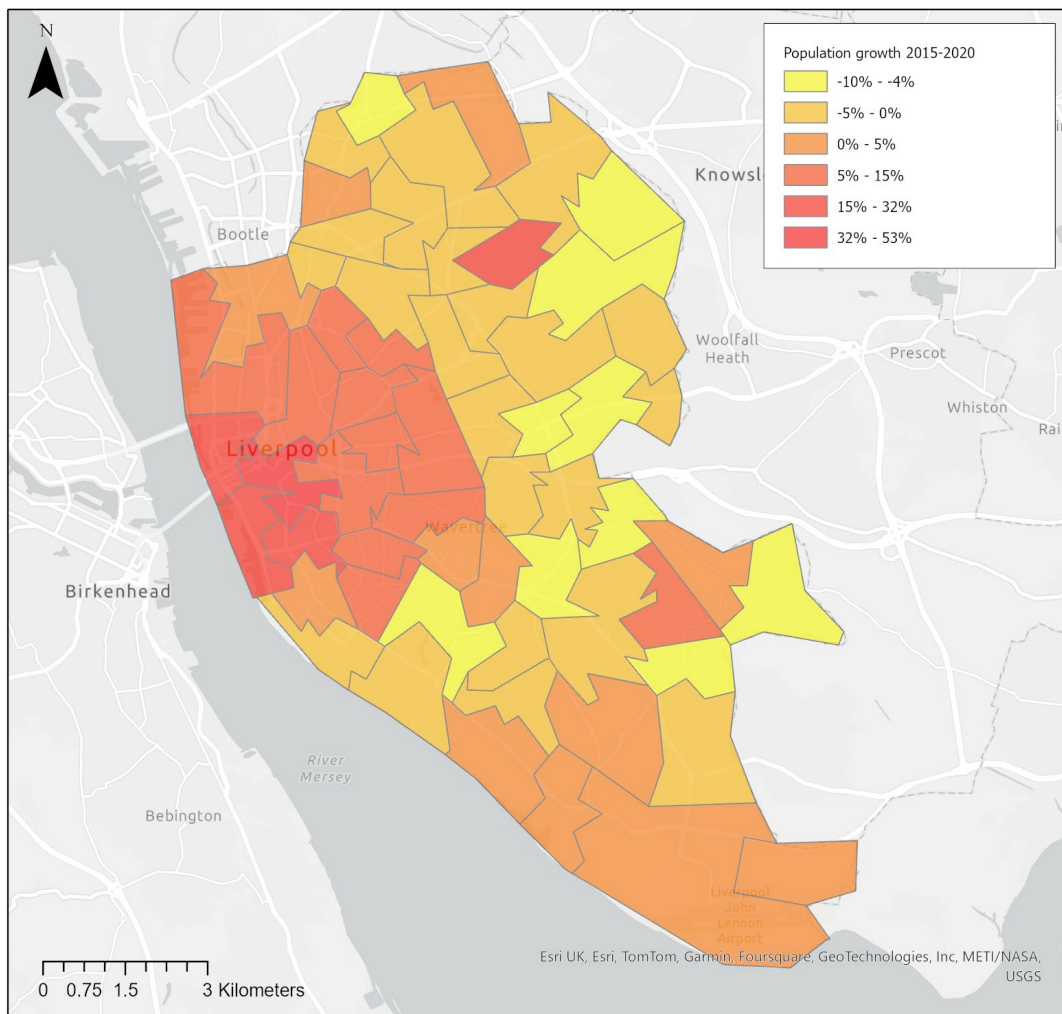
4.3 Having identified key target areas across the city, we have then considered areas which present greatest opportunities in terms of the availability of land.

Demographic pressures

4.4 In recent years, population growth across Liverpool has been concentrated in the city centre and surrounds, with some growth also occurring in the south.

4.5 Whilst population growth is mostly facilitated by residential development – hence the growth seen in Liverpool city centre in recent years – it can also be the result of increased household formation and crowding, and therefore sets a background of other population pressures evidenced in figure 4.2.

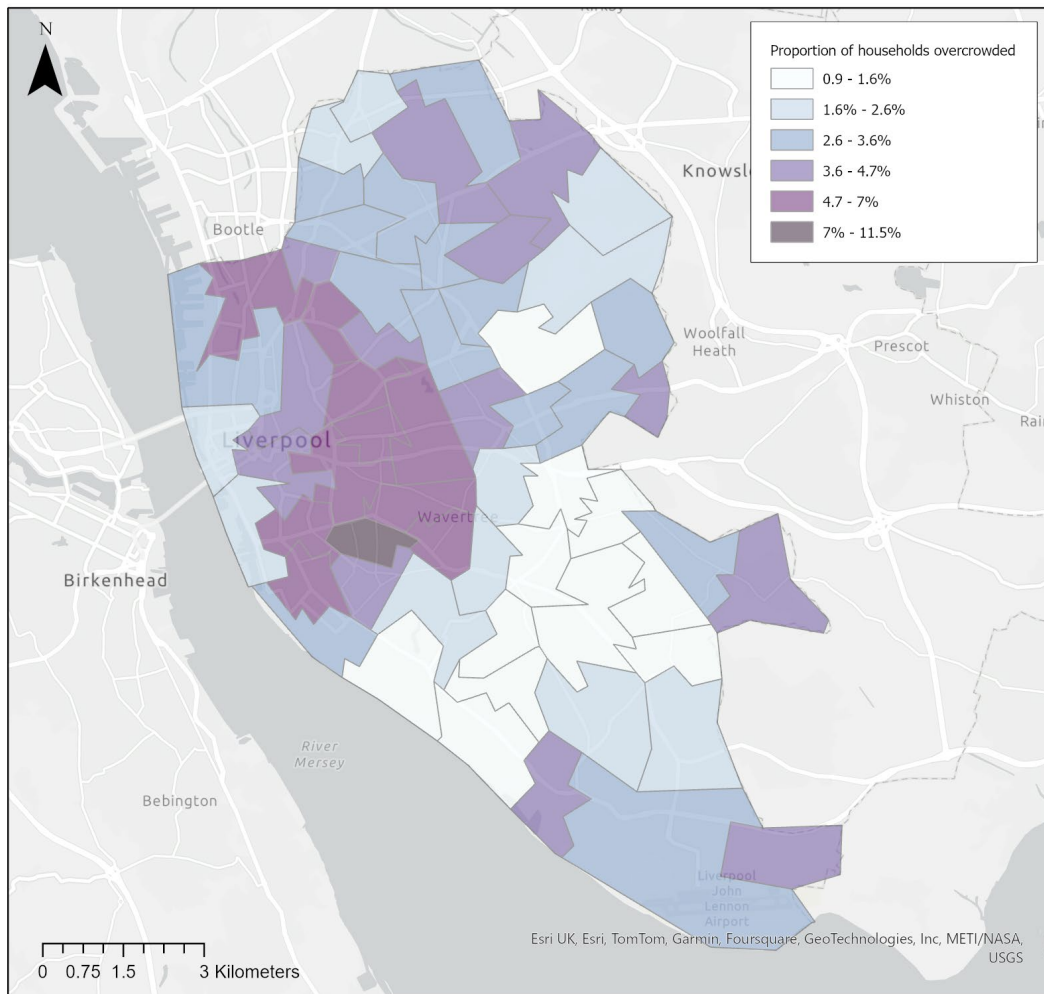
Figure 4.1: Population growth in Liverpool, 2015-2020



Source: ONS, 2022

4.6 This effect is evidenced in Figure 4.2, which shows the highest levels of crowding in Liverpool are highly correlated with those which have seen population growth with the exception of Liverpool city centre, where population growth has been driven largely by higher-value apartment led development in recent years.

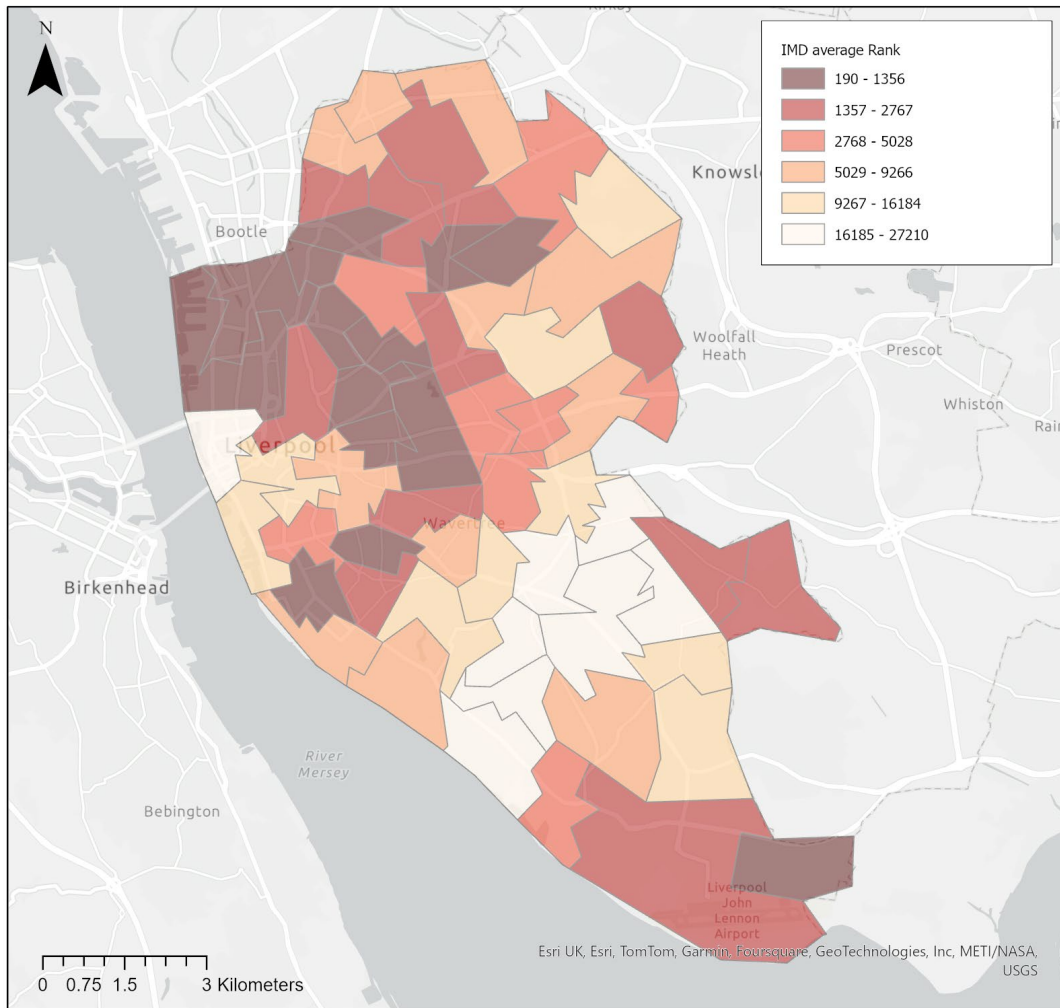
Figure 4.2: Proportion of households which are overcrowded



Source: ONS, 2021

- 4.7 The most deprived areas of Liverpool based on IMD rankings are in the north of the city, especially the north-western area. There are also pockets of higher deprivation to the southern and eastern extremities of the local authority boundary.
- 4.8 High levels of deprivation act as a pressure on affordable housing, since populations are more likely to rely on publicly subsidised services including housing to maintain a base standard of living.
- 4.9 Deprivation is also relatively well-correlated to household overcrowding, with the exception of the most north-western parts of the city which are amongst the most deprived in the city but are less overcrowded.

Figure 4.3: Index of Multiple Deprivation¹⁵

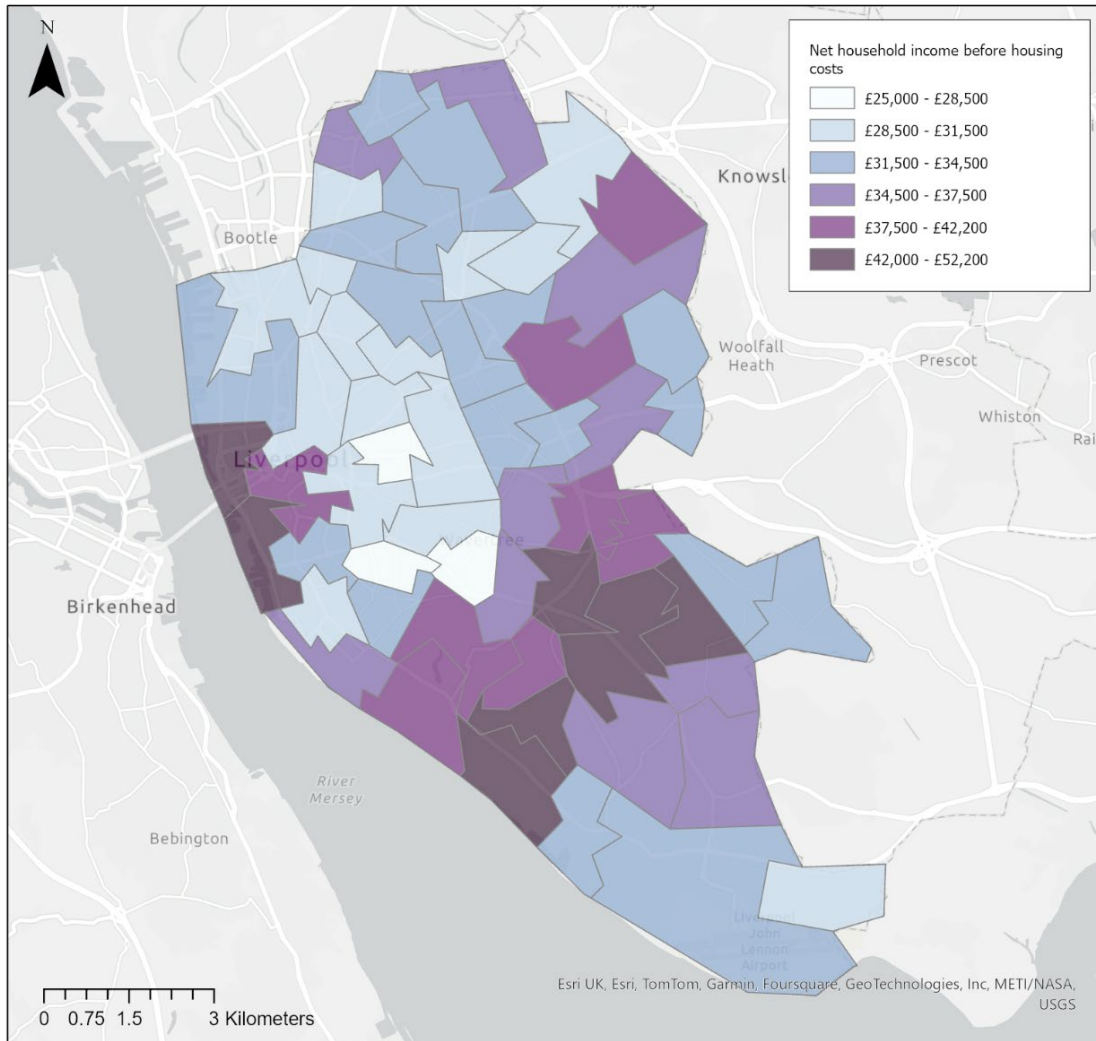


Source: IMD, 2019

4.10 Finally, whilst household income is a component of the index of multiple deprivation, it is important to isolate given its significant in driving housing affordability. Figure 4.4 shows the lowest-income areas of Liverpool also closely correlated with those which are overcrowded. Low income areas are concentrated in the north-western and south-eastern parts of the city.

¹⁵ IMD rankings are produced at LSOA level. For the purposes of this analysis, we have averaged this to MSOA level.

Figure 4.4: Median net household income before housing costs¹⁶



Source: ONS, 2023

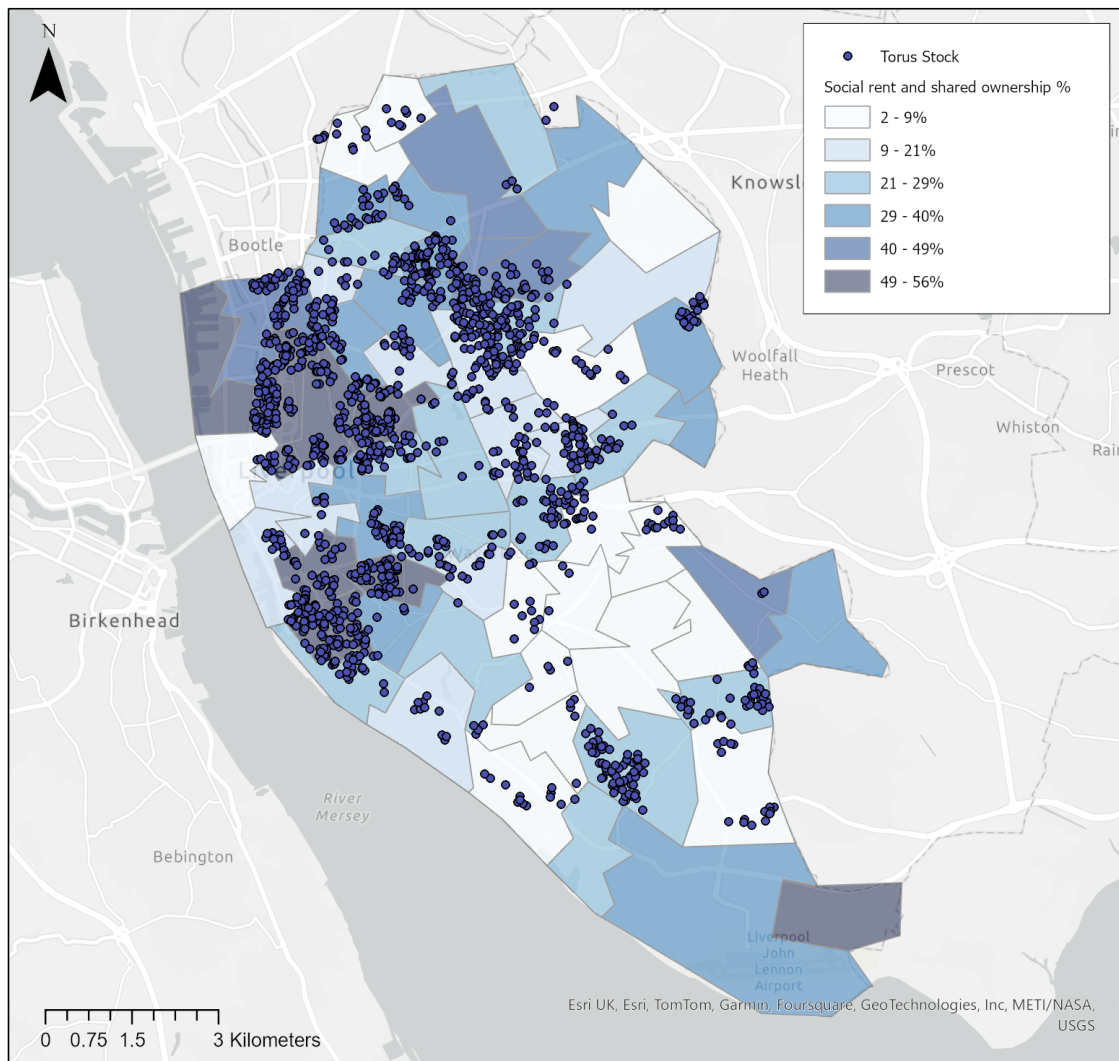
Affordable housing supply

- 4.11 Areas with higher levels of affordable housing supply can better accommodate population pressures by reducing household housing expenses and allowing households to access appropriate accommodation for their needs.
- 4.12 Figure 4.5 details levels of affordable housing supply across Liverpool, expressed as the proportion of total stock which is of Social Rent and Shared Ownership, together with a layer of purple pins which identify individual Torus-owned properties irrespective of tenure.
- 4.13 Affordable housing tenures provide varying levels of subsidy to housing costs, and many cater to specific needs, such as care facilities. Figure 4.5 represents ONS statistics and therefore intended only to be read as a proxy for the general supply of affordable housing across the city.
- 4.14 From this map, it is evident that the North West, Central West, and South East parts of the city have the greatest concentration of affordable housing supply. Torus’ stock is concentrated in these areas,

¹⁶ As above, inflated to current values

with the exceptions of the far north west and south east of the city where it holds limited stock in areas of generally high supply.

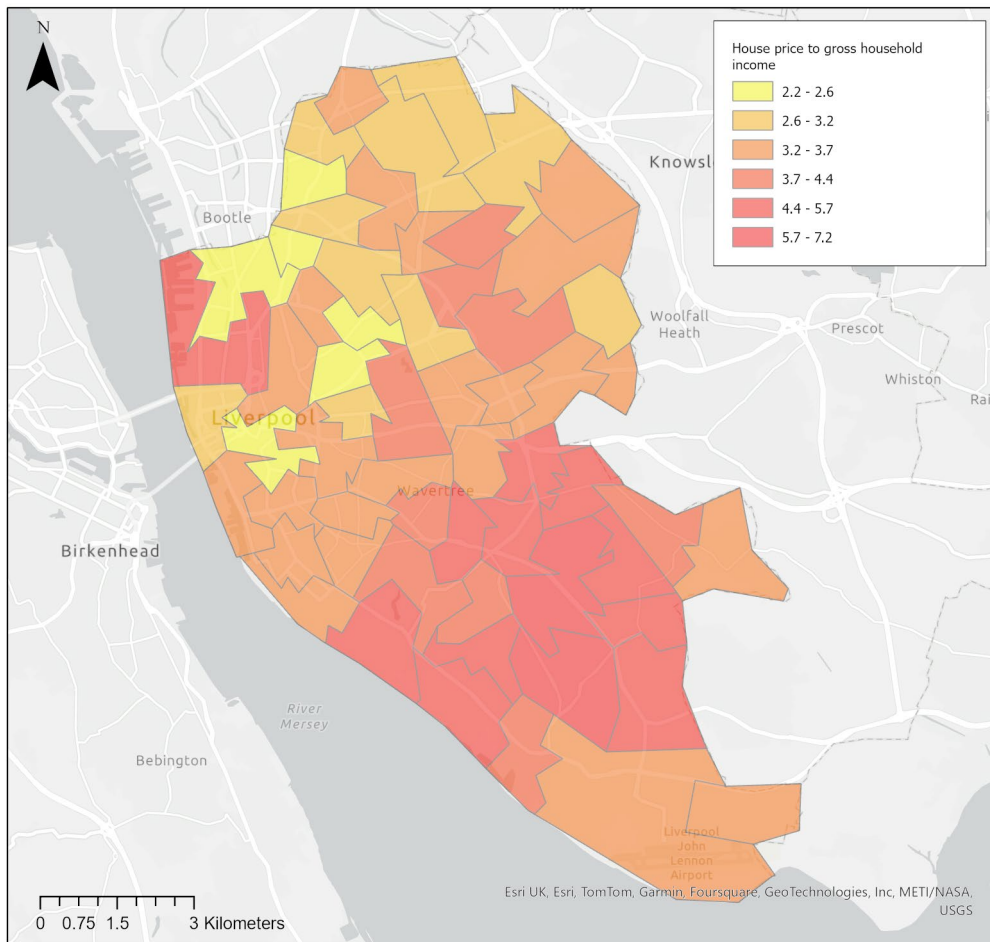
Figure 4.5: Levels of affordable housing supply across Liverpool overlaid with Torus stock



Source: ONS, 2021

Housing market pressures

- 4.15 House price to incomes is one way of expressing pressure on housing affordability. Given the same level of interest, areas with higher house price to income ratios have higher mortgage costs relative to incomes.
- 4.16 The areas of highest house price to income levels in Liverpool are in the less deprived parts of the city in the south and east.

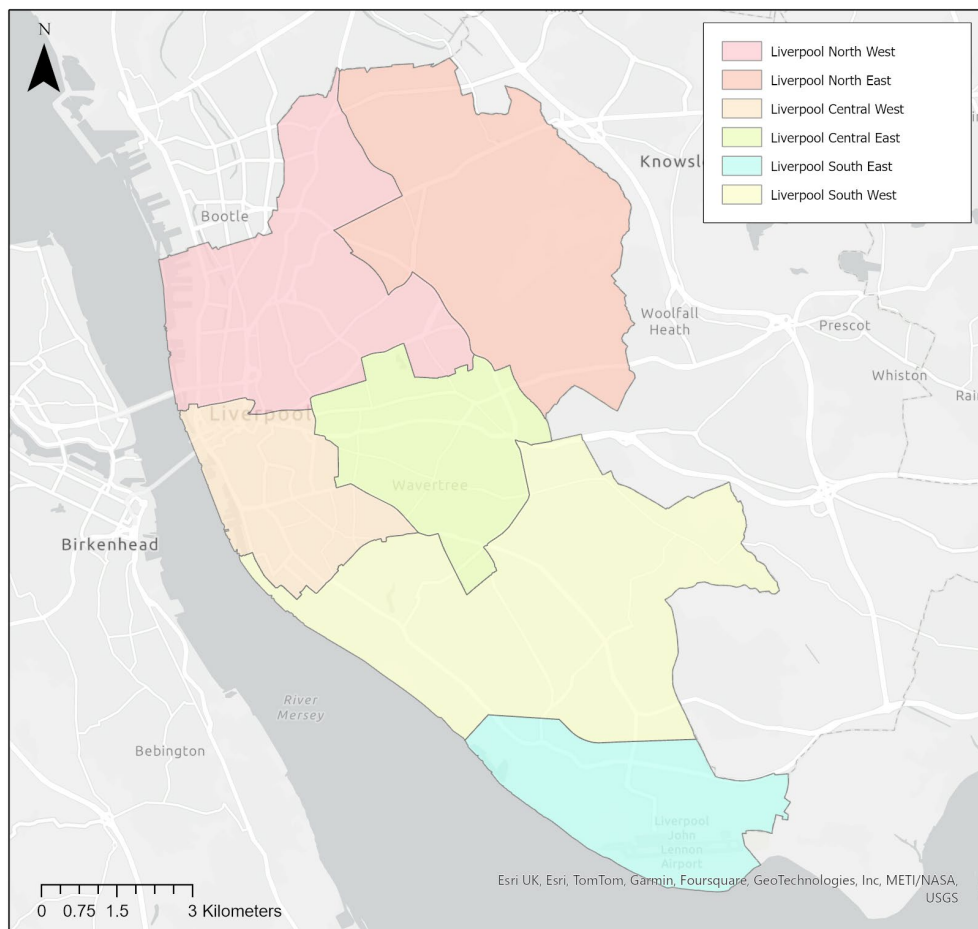
Figure 4.6: House price to gross household income

Source: ONS, 2023

- 4.17 Figure 4.8 identifies rental affordability pressures at submarket areas, since this cannot be analysed reliably at MSOA level.
- 4.18 As set out in Section 2, the submarkets are associated with Liverpool's new Neighbourhood model which has divided the city into 13 neighbourhoods. Liverpool City Council have referred as 'natural neighbourhoods' which have been brought together due to similarities in the socio-demographics.
- 4.19 The submarkets are displayed in Figure 4.8 and are as follows:
- **Liverpool North West** – area of north Liverpool that covers the key residential settlements of Anfield, Kirkdale and Everton and which meets Sefton Local Authority to the north. It also contains the majority of Liverpool Waters (part of the Mersey Waters Enterprise Zone), the Port of Liverpool and Bramley Moor Dock.
 - **Liverpool North East** – an area of Liverpool with some suburban areas for commuters to the City Centre including Croxteth and West Derby with a boundary to Knowsley Local Authority.
 - **Liverpool Central West** – covering most of Liverpool City Centre including the Historic Waterfront and World Heritage sites as well as the residential community of Toxteth in the southeastern end.

- **Liverpool Central East** – the centre of Liverpool as a city covering the residential areas including Wavertree and Edge Hill. It is the residential area for many of the students at Liverpool's universities.
- **Liverpool South West** – part of Liverpool's commuter belt including the residential suburbs of Childwall, Allerton, Aigburth and Woolton with the conservation area of Sefton Park in the north of the submarket which is popular with students and longer term residents.
- **Liverpool South East** – including Liverpool airport and associated industrial uses as well as the residential areas of Speke and Garston.

Figure 4.7: Liverpool Submarkets



Source: Avison Young, 2024

- 4.20 Comparing the mean asking rent (at sub-market level) with median household income (averaged across MSOA-level data), it shows:
- Average rent-to-income ratio in each submarket
 - Maximum rent-to-income ratio at each submarket, calculated by comparing the lowest MSOA-level income by the average submarket-level rent.
- 4.21 The table then demonstrates what affordability looks like across a range of rent-to-income ratios, from rent which accounts for 25% of income to over 40%. Columns and rows are colour-coordinated accordingly.

- 4.22 Central West Liverpool is clearly the least affordable submarket, with most of the other areas around a similar level of 29-30%.
- 4.23 On the basis of the *maximum* rent to income ratio in each subarea, Central East and the South West also perform poorly. This is calculated by dividing the average submarket rent by the lowest MSOA-level income, and therefore it highlights which submarkets have pockets of low income. An example of the city's lowest-income area of Toxteth Park is highlighted below.
- 4.24 In this analysis, we recognise that affordability cannot be assessed uniformly on the basis of rent-to-income ratios. As such, this analysis informs our wider consideration of housing pressures.
- 4.25 Figure 4.9 then applies the same analysis assuming Affordable Rents at 80% of market rates.
- 4.26 In the absence of wholesale MSOA-level analysis, we have assessed the home ownership and rental affordability of two neighbourhood (MSOA) areas to ground analysis in 'on the ground' examples of affordability for the average household in Toxteth Park and Kirkdale.
- 4.27 These neighbourhoods were chosen because they represent areas of lower than average income within Liverpool, and are within submarkets with more significant affordability challenges. These are therefore areas that Torus already have stock, or would consider investing in the future.
- 4.28 We have therefore considered how much of gross household income mortgage or rental costs would account for.

Figure 4.8: Actual and demonstrated average private rental affordability

	Mean asking rent	Median net household income	Avg rent income ratio	Max rent income ratio	Affordable (25-29%)	Mostly affordable (30-34%)	Almost affordable (35-39%)	Unaffordable (40%+)
North West	£775	£31,622	29%	31%	£659	£791	£922	£1,054
North East	£816	£33,837	29%	32%	£705	£846	£987	£1,128
Central West	£998	£31,993	38%	42%	£667	£800	£933	£1,066
Central East	£887	£35,803	31%	42%	£746	£895	£1,044	£1,193
South West	£1,004	£40,109	30%	38%	£836	£1,003	£1,170	£1,337
South East	£783	£32,110	29%	31%	£669	£803	£937	£1,070

Source: Avison Young, 2024

Figure 4.9: Actual and demonstrated average Affordable Rent affordability, assuming 80% of market rents

	80% of Mean Asking	Median net household income	Avg rent income ratio	Max rent income ratio	Affordable (25-29%)	Mostly affordable (30-34%)	Almost affordable (35-39%)	Unaffordable (40%+)
North West	£620	£31,622	24%	25%	£659	£791	£922	£1,054
North East	£653	£33,837	23%	25%	£705	£846	£987	£1,128
Central West	£798	£31,993	30%	34%	£667	£800	£933	£1,066
Central East	£710	£35,803	24%	34%	£746	£895	£1,044	£1,193
South West	£803	£40,109	24%	30%	£836	£1,003	£1,170	£1,337
South East	£626	£32,110	23%	25%	£669	£803	£937	£1,070

Source: Avison Young, 2024

Case Study: Toxteth Park, Central West Liverpool

Toxteth Park (MSOA: Liverpool 039) is the lowest-income area of Liverpool, with net household income before housing costs of £25,636.

The neighbourhood has an unaffordable level of market rent compared to incomes at 42%, making it the second-least affordable area of the city.

The Liverpool Social Rent cap in this area for a 3 bedroom property would account for 20% of household income in the area.

Local Housing Allowance-level rent for a 3-bedroom property would account for 30% of household income.



Average household income (gross/net)	£34,348 / £25,636
Mean asking rent	£890 pcm
Median house price	£121,250
Asking rent to income ratio	42%
House price to gross income ratio	3.53x
Gross mortgage costs to net income ratio	28%

Case Study: Kirkdale, North West Liverpool

Kirkdale (MSOA: Liverpool 014) has higher than average income compared to the rest of Liverpool, with net household income of £30,972. This is likely skewed by higher income households living in newly developed accommodation within the MSOA boundary.

Nevertheless, the neighbourhood has an unaffordable level of market rent compared to incomes at 37%, making it amongst the city's least affordable areas.

The Liverpool Social Rent cap in this area for a 3 bedroom property would account for 17% of household income in the area.

Local Housing Allowance-level rent for a 3-bedroom property would account for 25% of household income.



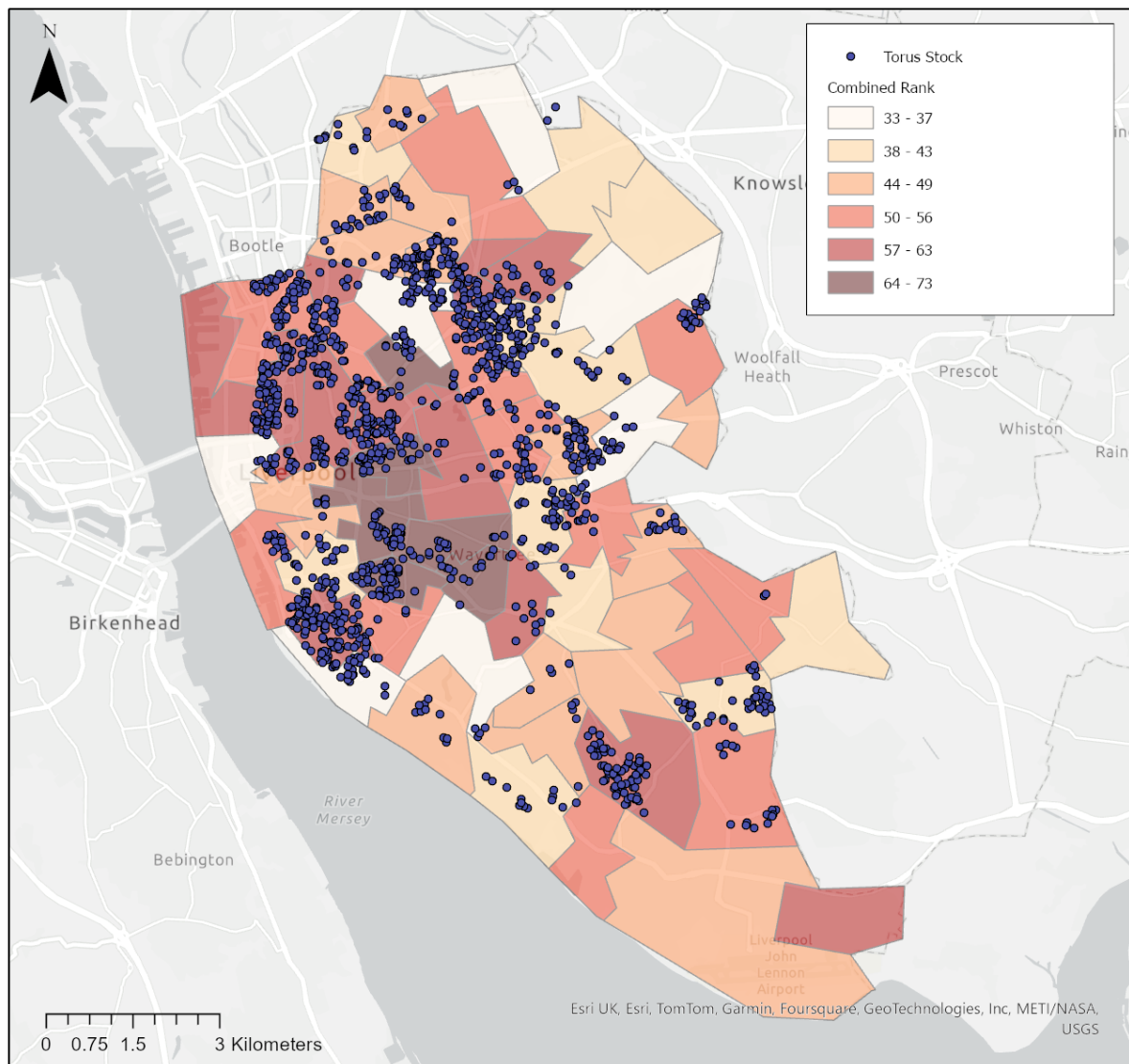
Average household income (gross/net)	£36,662 / £30,972
Mean asking rent	£868 pcm
Median house price	£86,700
Asking rent to income ratio	37%
House price to gross income ratio	2.36x
Gross mortgage costs to net income ratio	16%

Combined Pressures

- 4.29 These multiple affordability pressures can be summarised with a ranking of combined pressure.
- 4.30 As previously noted, the areas of Liverpool with highest pressure on affordable housing are those in the Central West, South East and North West. Figure 4.10 shows how the most significant areas of housing pressure run from just south of Bootle in the far north west of the city through Everton, Edge Hill and Toxteth in the middle of the authority. There are also pockets in the South West and South East of the city.
- 4.31 Torus' housing stock is generally well-placed to accommodate this pressure on affordable housing, although gaps of provision relative to pressures can be identified in Figure 4.10.
- 4.32 The Central East area is the submarket with the greatest level of affordability pressure, yet Torus' stock in this area totals just 2,267. Whilst the North West submarket has a significant affordability pressure, it accounts for by far the most of Torus' stock at 5,454 properties.

5.

Figure 4.10: Combined rank of housing pressures overlaid with Torus stock



Source: Avison Young, 2024

Target Areas

5.1 In addition to the analysis of pressure on affordable housing, we have analysed the **delivery potential** of each submarket through two metrics. to align with Torus' objective to increase delivery of rental products, we have considered:

- **Rental yield:** To consider the ratio of rental income to house prices (and therefore land prices) which supports delivery of PRS and Affordable Rent products.
- **House prices:** To consider the absolute value of house prices (and therefore land prices) relative to an assumed fixed Social Rent across the local authority. These are detailed at MSOA level in Figure 4.13.

We have collated this data at submarket level, ranked accordingly and average to ascertain a blended deliverability score.

5.2 These two aggregated scores are then averaged to produce two key combined reporting indicators:

- **Pressure:** Where the above metrics combined to create pressure on affordable housing. In Figure 4.11 this indicator is shaded green > red, with red indicating highest pressure.
- **Priority:** Considering both yields and house prices in each submarket, where affordable housing pressures are high and potential returns are high. In Figure 4.11, this indicator is shared red > green, with green indicating priority areas for intervention.

5.3 The performance of the six submarkets (as set out in Figure 4.7) on key metrics and indicators in summarised in Figure 4.11.

Figure 4.11: Relative affordable housing pressure and priority across Liverpool, ranked 1-100
Higher values indicate greater affordable housing pressure and greater potential for delivery. i.e. higher scores indicate priority areas of intervention.

	Population growth	Income	Deprivation	AH supply	Rent v. income	House price v. income	House price growth	Pressure	House price	Rental yield ¹⁷	Priority
North West	55	71	79	39	43	20	60	52	81	86	68
North East	37	52	50	44	14	45	41	45	53	43	46
Central West	56	68	54	59	86	52	60	58	55	71	61
Central East	89	49	50	38	57	38	53	53	59	57	55
South West	33	23	23	70	71	80	44	45	20	14	31
South East	63	63	66	27	29	63	49	55	45	29	46

Source: Avison Young, 2024

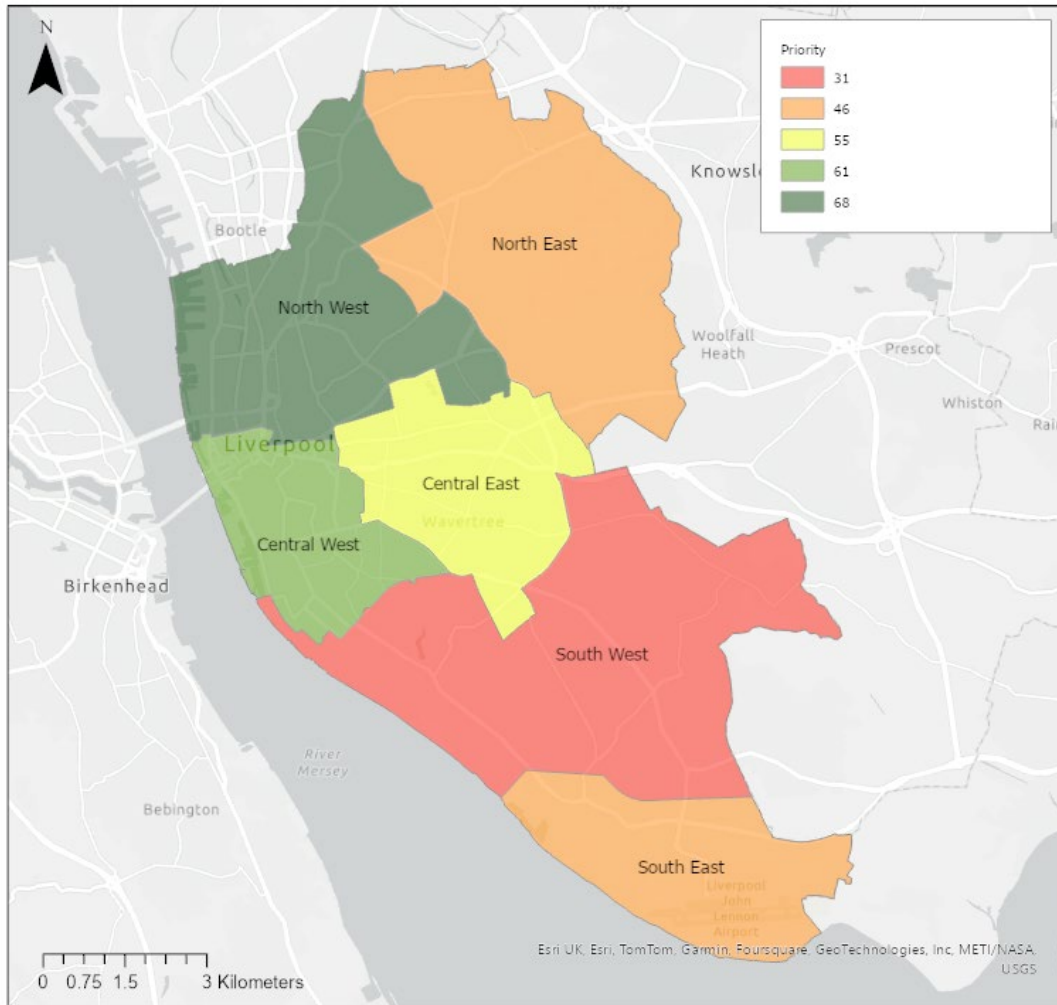
5.4 We have used these metrics and indicators to profile each of the six submarkets of Liverpool:

- **Liverpool North West:** Above-average affordability pressures driven by low incomes and deprivation and high house price growth, despite lower house price and rent to income ratios.
- **Liverpool North East:** Below average affordability pressures. Whilst the area has lower incomes and middling deprivation levels, there is a reasonable level of affordable housing provision and is the area where rent to incomer ratios are lowest.
- **Liverpool Central West:** High affordability pressures driven by low incomes, a more limited provision of affordable housing, high house price growth, and high ratio of rent to income.
- **Liverpool Central East:** Above-average affordability pressures driven mainly by high population growth and a slightly higher rent to income ratio, despite good provision of affordable housing and lower house price to income levels.

¹⁷ Calculated using mean asking rents divided by median house prices. Combining mean and median statistics can widen the range of reported yields, and there therefore we have provided a ranking figure rather than the calculated yield to avoid risk of misinterpretation.

- **Liverpool South West:** Below-average affordability pressures. Despite having the highest house price and rent to income ratios and a limited provision of affordable housing, the area has seen low levels of population growth and deprivation.
- **Liverpool South East:** Above average affordability pressures driven by high population growth, low incomes, high deprivation and higher house price to income levels, despite a lower rent to income ratio.

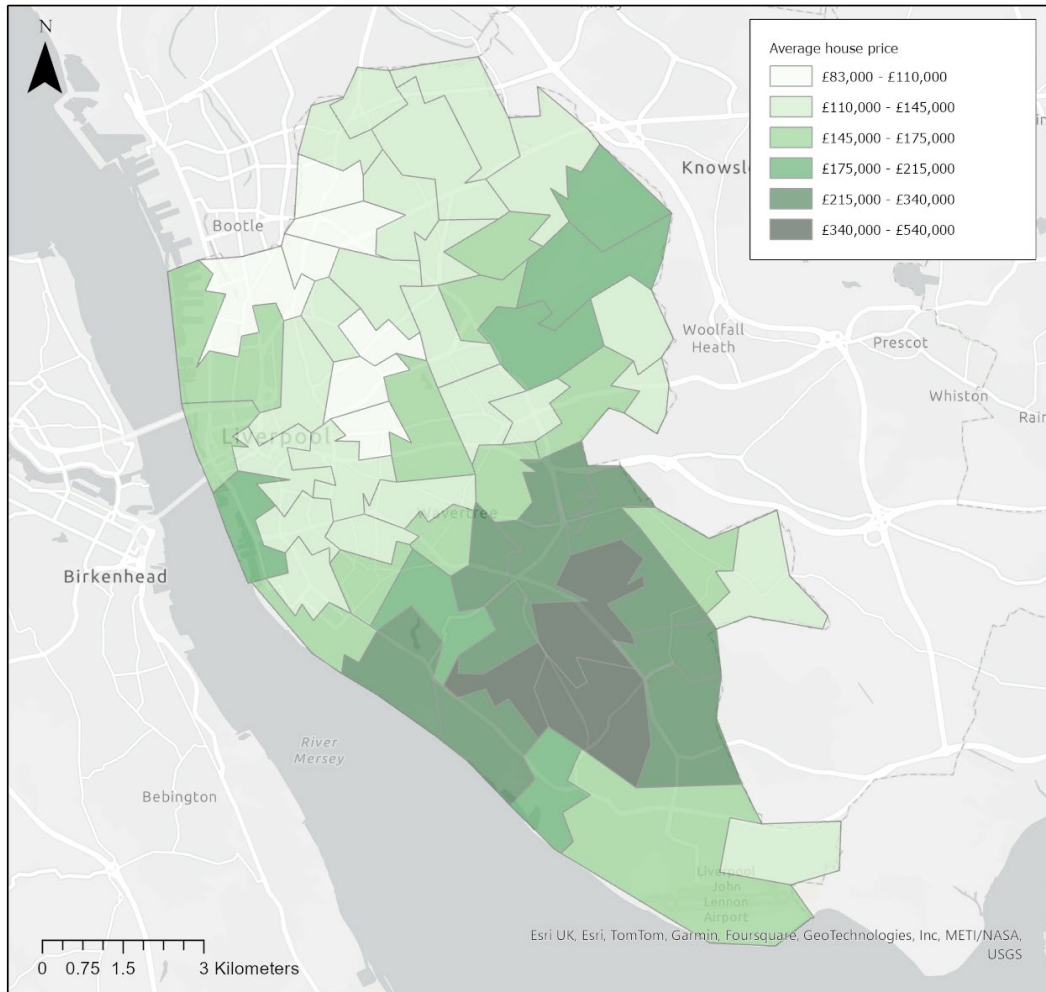
Figure 4.12: Affordability Priority by Submarket in Liverpool



Source: Avison Young, 2024

5.5 Based on this analysis, the areas which could be prioritised based on both affordable housing pressure and deliverability, as summarised in the 'Priority' score in Figure 4.11, are **North West**, **Central West** and **Central East** Liverpool.

Figure 4.13: Median house price



Source: ONS, 2023

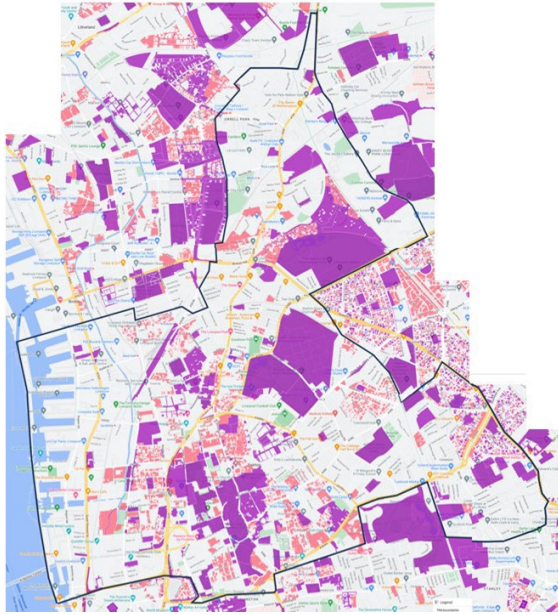
Land Ownership

5.6 Based on the areas of priority as identified above, we have conducted a high-level assessment of Liverpool City Council ownership. This would be developed further in a full delivery strategy.

North West Liverpool

5.7 North West Liverpool has a high concentration of council ownership, albeit mostly of parks and cemeteries. Housing associations also have significant holdings, especially in the southern part of the submarket in neighbourhoods such as Everton.

Figure 4.14: Land owned by Liverpool City Council, all plots 1 acre +

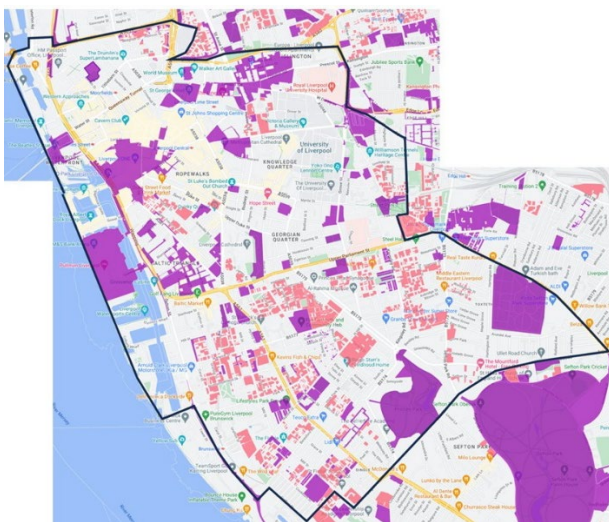


Source: Searchland, 2024

Central West Liverpool

- 5.8 In Central West Liverpool, there is a more modest total extent of council ownership. There are however more parcels which are not dedicated to open space. These include the dockland areas, Liverpool One Shopping Centre, areas surrounding Liverpool Lime Street Station, land off Parliament / Chaloner Streets, and smaller plots spread across the Georgian Quarter.
- 5.9 Housing associations also have significant holdings in the south of the submarkets, especially around Toxteth and Princes Park.

Figure 4.15: Land owned by Liverpool City Council, all plots 1 acre +

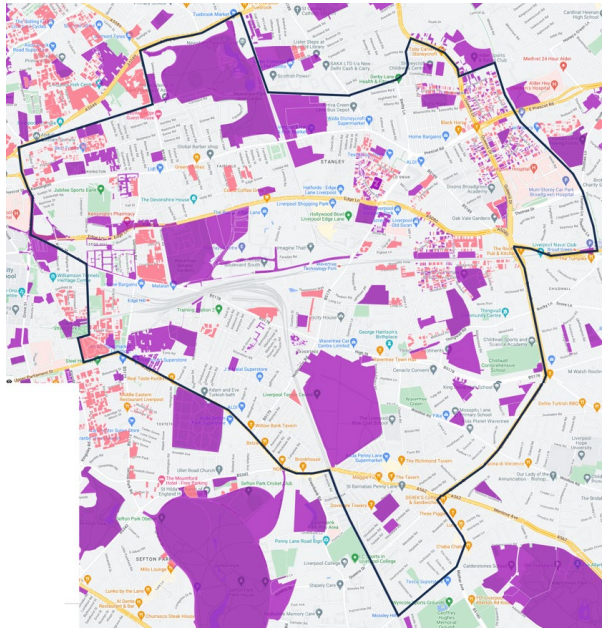


Source: Searchland, 2024

Central East Liverpool

- 5.10 Liverpool City Council's land holdings in Central East Liverpool are similar to in North West Liverpool. There are large plots of land but these are mainly dedicated to open spaces. Exceptions to this include Liverpool Shopping Park, the eastern boundary of Wavertree Park, and residential areas around Earle Road.
- 5.11 Housing associations have some holdings towards the east of the submarket.

Figure 4.16: Land owned by Liverpool City Council, all plots 1 acre +

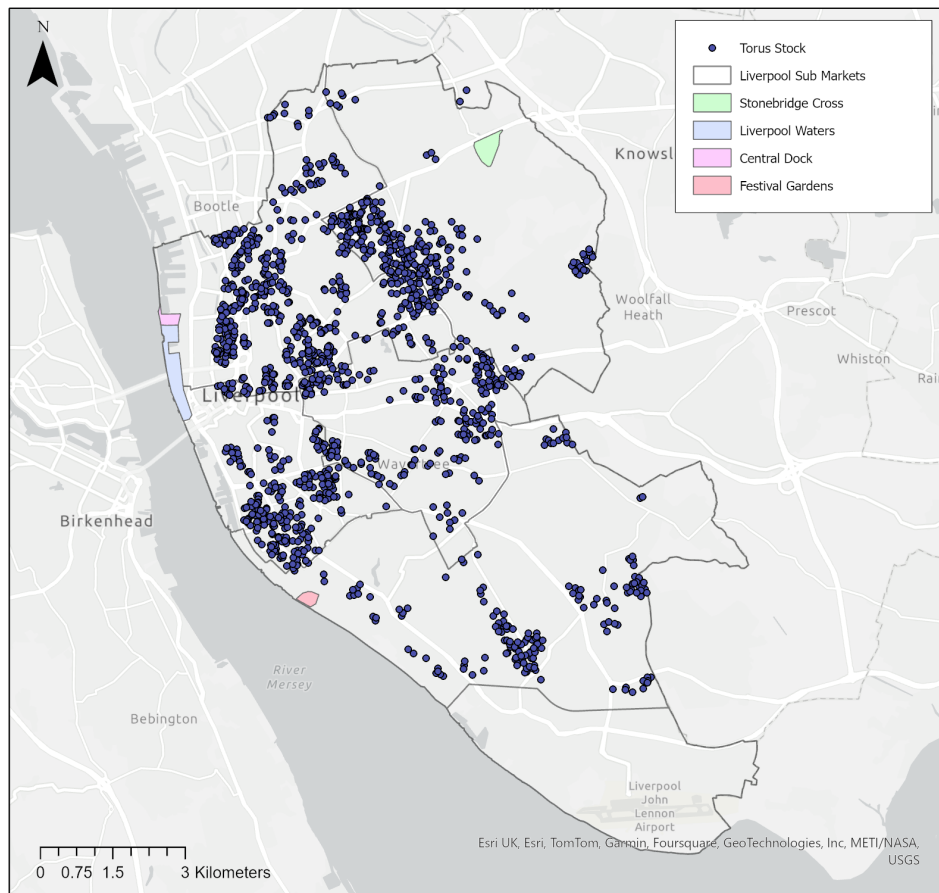


Source: Searchland, 2024

Strategic Sites in Liverpool

- 5.12 Within Liverpool, there are several strategically important sites that are likely to come forward for, in part, residential development. When they undergo development, they will have to deliver an element of affordable housing. Torus should be looking to target these developments to be an affordable housing provider on these sites.
- 5.13 The location of the sites are located in Figure 4.17 including the location of the existing Torus stock.

Figure 4.17: Strategic Sites in Liverpool



Source: Avison Young, 2024

5.14 We have provided a brief overview of each of the strategic sites below.

Festival Gardens

5.15 Festival Gardens comprises a 37-acre site located 3 miles South of Liverpool City Centre, adjacent to the River Mersey. Historically, the site was a used for landfill before undergoing remediation works in the 1980's and opening as the UK's first garden festival in 1984. Since 1996 much of the site had fallen into disrepair.

5.16 In more recent years, 22 acres of the site has been identified as a key development site for housing within the Liverpool City Region. Liverpool City Region Combined Authority has invested £27 million into the site alongside a government grant of c. £10 million to complete elements of remediation required for the site to be used for residential purposes. This was completed in summer 2023.

5.17 At the end of 2023, Liverpool City Council appointed a multidisciplinary team to work alongside the Council to prepare a development brief for the site. On completion, a development partner will be procured, likely to launch in Autumn 2024 with the desire for a planning application for a housing scheme and community facilities to be submitted in 2025.

Stonebridge Cross

5.18 Stonebridge Cross is located 6 miles from Liverpool City Centre and adjacent to Junction 4 of the M57. It is owned by Liverpool City Council, and at 55 acres, it is the largest single site available in the city.

Due to the size and location, it has been identified as a prime location for development for both residential and industrial purposes.

- 5.19 £217 million has already been invested into the area including into Stonebridge Cross Business Park which saw the expansion of 300,000 sq. ft. of industrial space. Additionally, Liverpool City Council has highlighted 23-acres available for a potential 1,200-home scheme, with the possibility of expanding to accommodate up to 1,500 homes.
- 5.20 While there is currently no specified timescale for an outline planning application, the site's strategic importance and promising attributes make it a focal point for future development initiatives.

Liverpool Waters

- 5.21 Liverpool Waters expands 20,000 acres of land connecting the River Mersey with inland areas of the Liverpool City Region. The area is a key opportunity for development in the city, encompassing Liverpool's Waterfront, Isle of Man ferry and cruise liner terminal and Everton Football Club's new stadium at Bramley Moore Dock.
- 5.22 Peel Waters have a 30 year vision for Liverpool Waters with the aim to create mixed use, high quality and sustainable communities. There are currently £880m worth of live projects underway within the Liverpool Waters region with 600 new homes recently completed and plans for additional residential development within the Central Dock area.
- 5.23 Outline planning permission has also been granted for an additional 350 new homes as well as an additional 270,000sqft floor space for commercial use and 195,000sqft for a new hotel and full planning permission was approved in March 2023 for a 4.7 acre park in the Central dock area to be developed of the next 3-years which unlocks a further 9 development plots on the periphery.
- 5.24 Liverpool City Council have highlighted this as a key area for housing development in the near future.

Northern Dock

- 5.25 Northern Dock is the most northern neighbourhood of the Liverpool Waters masterplan area. The key anchor development in this area is Bramley Moore Stadium, with a capacity of 52,000 but Peel have also suggested their desire to provide appropriate housing stock for local communities.
- 5.26 A masterplan is currently being drafted by Peel Waters LP focusing on shaping the public realm and housing within the surrounding area. The outline planning permission held currently includes a marina with floating retail and residential units as well as community and leisure opportunities.
- 5.27 A full planning application is yet to be submitted for the sites surrounding Bramley Moore.

6. Conclusions and Next Steps

Target Areas

- 6.1 Torus' existing affordable housing stock should be viewed as an asset which can be used to alleviate the housing challenges Liverpool faces. In the submarkets defined by this report, Torus holds most stock in the North West, North East, Central West and Central East parts of the city.
- 6.2 We have identified the **North West**, **North East** and **Central West** submarkets of the city to be those which both the most **pressure** on housing affordability and with potential for **focused delivery**.
- 6.3 Our initial review of land ownership in these areas found that each of them have their challenges. Most publicly owned land is dedicated to providing open space, although some larger sites and other smaller pockets do exist in the Central West and Central East areas of the city.

Delivery Strategy

- 6.4 Having established the need and potential to deliver more affordable homes within the identified target areas, it is relevant to consider how this may be achieved. Key considerations include those summarised in the remainder of this section, with the recognised need for alignment with Torus' strategic and financial objectives:

Defining Optimum Development Strategy

- 6.5 In defining what schemes should be brought forward, consideration will need to be given to:
- Optimum tenure mix to meet housing need alongside internal investment threshold – both at site and programme level
 - Scheme sizes and development outputs achievable
 - Housing typologies, also aligned with housing need
 - Programme timescales
 - Resourcing requirements and availability of funding

Development Partners

- 6.6 Given Torus have only limited land ownership across the area, it would be appropriate to consider partnership delivery to secure desired outcomes.
- 6.7 Torus works with a wide range of landowners, developers, housebuilders and local authorities including with developers such as Northstone and Castle Green Homes and historically developers such as Countryside Homes. A starting point when looking to increase delivery in the identified target locations could include engagement with these and other key stakeholders to understand existing opportunities to support on housing delivery.
- 6.8 As noted in Section 4, there are a number of strategically important sites in Liverpool that Torus should be engaging with to support on their affordable housing provision.

Site Identification and Land Assembly

- 6.9 In addition to exploring existing relationships with landowners and developers, Torus may consider land assembly to deliver development directly. This could include acquiring land and/or affordable

housing development opportunities (e.g. extant S106 commitments) from other Registered Providers, and more widely land from the public sector and third parties.

- 6.10 The site identification process may also lead to opportunities to redevelop parts of Torus' existing estate, especially with some of the stock that Torus own that is coming to the end of its lifespan and where density could be intensified to leverage greater housing numbers.

Viability and Funding Gap

- 6.11 The delivery strategy would be informed by viability reviews of individual sites which could be developed into business cases to attract public sector funding to support development where required.
- 6.12 Torus have provided an indicative assessment of grant funding required to support future development across Liverpool in Figure 5.1.
- 6.13 This calculates the grant level likely required for the development of a general needs 3 bedroom house which would achieve a rate of return of 5.5% and a positive Net Present Value at the end of a 40 year appraisal period.
- Rental income which accounts for just 25-30% of household income.
 - Rental income in line with Local Housing Allowance.

Figure 5.1: Expected grant requirements for varying levels of scheme rental income

Sub-market	AY House price index	Estimated land cost per unit	Average household income	Average rents PCM	Affordable rent PW (25-30% income)	Grant required per unit	LHA rent PW	Grant required per unit (when capped at LHA rates)
NW	81	£30,000	£31,622	£659	£152	£105,000	£121	£141,000
NE	53	£45,000	£33,837	£705	£163	£108,000	£121	£156,000
CW	55	£44,000	£31,993	£667	£154	£117,000	£121	£155,000
CE	59	£41,000	£35,803	£746	£172	£94,000	£121	£152,000
SW	20	£100,000	£40,109	£836	£193	£129,000	£121	£215,000
SE	45	£49,000	£32,110	£669	£154	£122,000	£121	£160,000
Toxteth Park	55	£44,000	£25,636	£534	£123	£152,000		
Kirkdale	81	£30,000	£30,972	£645	£149	£109,000		

Source: Torus Developments

- 6.14 Homes England's Affordable Homes Programme 2021-2026 commits £11.5bn to deliver up to 180,000 new homes.
- 6.15 Initially delivery across the programme was proposed to include 50% discounted rent homes (including Social Rent and Affordable Rent) and 50% for affordable home ownership (mostly Shared Ownership).

- 6.16 However, changes to the Affordable Homes Programme by the Department for Levelling Up, Housing and Communities in 2023 gave more weight to the delivery of Social Rent.
- 6.17 Torus would look to maximise grant to support delivery across the target areas, including through the preparation of necessary supporting business case evidence base to enable maximum grant to be leveraged.

Summary

- 6.18 This report has articulated the varying affordability challenges and pressures across Liverpool, and identified which areas of the city Torus can make the greatest difference in alleviating these pressures.
- 6.19 Liverpool's housing market is not alone in showing the strains of societal pressures: the cost of living and increasing poverty, climate change adaptation, and the general deterioration of housing affordability across the country.
- 6.20 The city's population is set to rise at a faster rate than average over the next 20 years. It is highly deprived compared to the rest of the country, and there is evidence the city faces an issues of housing underconsumption, whereby pricing is suppressed by poor quality and conditions which subsequently contribute to health issues.
- 6.21 Average sale and rental pricing has increased at a faster rate than average over the past decade. Whilst the city remains more affordable for home ownership this relative affordability has been deteriorating in recent years specifically at the lower quartile end of the market.
- 6.22 Rental affordability has deteriorated since the pandemic, owing mostly to Liverpool's surge in rental growth over the period driven by up-market city centre apartment and student development.
- 6.23 As is common across the country, total housing delivery slowed in 2023. Affordable housing delivery since 2016 has been dominated by Shared Ownership and Affordable Rent products, whilst volumes of Social Rent delivery have been virtually non-existent and lower than in other major cities.
- 6.24 There is a clear opportunity to respond to this context – albeit the report has concluded that this will likely require new sites and/or partnerships to be formed to deliver needed homes in the target locations identified.

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