Land at Hinxton Grange

Smithson Hill representations to the Greater Cambridge Regulation 19 Local Plan

Smithson Hill

25 September 2026

LICHFIELDS

Appendix 1 Technical Note - Housing Affordability

1.1 To understand how housing affordability might change in Greater Cambridge under different future scenarios for housing growth, house prices have been modelled based on various assumptions about the underlying level of demand, and how this (along with other factors) might impact affordability.

1.2 This is based on the following assumptions:

- There are currently 128,401 households in Greater Cambridge (Source: ONS 2022-based projections, migration category variant) and 133,743 (Source: MHCLG Live Table 125);
- For housing, an elasticity of -2 is applied (that is, a 1% increase in housing stock creates a 2% decrease in prices, all else being equal);
- Median workplace earnings for Greater Cambridge (weighted, based on population) are, as of 2025, £45,901, and median house prices for Greater Cambridge (weighted, based on population) are, as of 2025, £457,238, giving an affordability ratio of 10.0;
- OBR's March 2026 Economic and Fiscal Outlook indicated that average weekly earnings will grow by 2.4% per year by 2030 (down slightly from the 3.4% growth expected for 2026).
- For incomes, an elasticity of +2 is applied (that is, a 1% increase in income creates a 2% increase in prices, all else being equal);
- OBR also forecasts that mortgage rates will rise, from 3.9% expected in 2026 to 4.7% by 2031. For the purposes of this analysis, we assume that long-term interest rates will stabilise at future short-term average (2025-31), which is 4.3%. This is an increase compared with current rates but a slight reduction compared with the short-term forecast;
- For mortgage rates, an elasticity of -3 is applied (that is, a 1% increase in interest rates creates a 3% fall in prices, all else being equal).

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