# WEALTH OF THE NATION

CACI


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CACI

**At CACI we've worked with clients to analyse customers and catchments on a daily basis over the past 40 years.**

**Whether you need to benchmark postcodes, neighbourhoods or catchments, CACI's Data solutions define the industry standard; every dataset is built, maintained and updated by a dedicated team of expert analysts ensuring you have a robust source of independent analysis to corroborate your decisions and support your strategy.**

# HOW CACI DATA REVEALS THE WEALTH OF THE NATION

Every year, CACI releases Paycheck, an estimate of the income and outgoings of households across the UK. Our data shows the average and modelled distribution of household incomes and essential outgoings for the 1.5 million residential postcodes in the UK.

We've analysed the latest Paycheck data to reveal the state of the nation's finances, and to uncover some overarching trends. Using this analysis, this report provides informed opinion on topics including the affordability of housing and the behaviour of the nation's savers.

> **In two decades of CACI reporting on the Wealth of the Nation, both the data available and the tools we use to model and interrogate it have transformed the depth, sophistication and accuracy of our analysis.**

For the purposes of this report we look at average household income by broader geographic areas: Postcode Sectors (e.g. W14 8) and Local Authority Districts / Unitary Authorities. We have identified local concentrations of wealth and hardship by ranking neighbourhoods with the highest proportion of high and low earners. The report focuses on the spatial variation in the average income of the UK population rather than seeking to identify the locations of the super-rich or extremely deprived.

Our proprietary products and the insights they provide combine to reveal the income, wealth and affluence of the UK and how how these impact lifestyles and housing affordability.

With all of these sources, together with granular postcode and address-level mapping, we have incredibly powerful data and tools to unpack fresh insight that shows both historic patterns and signposts future trends. Today, they provide vital insights for consumer and B2B organisations in the commercial and public sectors, helping to plan and deliver services, support infrastructure and to predict and tackle social challenges, from rural poverty and indebtedness to urban housing and transport provision.

**GRAHAM SMITH**
Associate Director

**STEWART ELDRIDGE**
Head of Public Sector Data

# CACI'S KEY PROPRIETARY DATA PRODUCTS

paycheck

Paycheck provides gross household income estimates at full postcode level across the UK. It uses information from Ocean, CACI's lifestyle database, in conjunction with data from the ONS's Average Weekly Earnings and Living Costs & Food Survey to build a consistent and statistically reliable model. Income reflected by Paycheck is gross household income from all sources including earnings, benefits and investments.

Paycheck includes additional information which allows us to study households at various life stages (young singles and couples, families, empty nesters and retired), right down to the individual postcode level (e.g. W14 8TR). With this level of detail, planners and analysts are able to see the underlying, regional variations in income patterns as well as local differences and so produce a true picture of the nation's wealth.

paycheck Disposable Income

Paycheck Disposable Income provides an estimate of the income available to households after tax, national insurance and other essential outgoings.

Understanding household income is vital in being able to provide the most appropriate products and services to customers and communities. Knowing how much income is actually available once the basic cost of living has been taken into account offers even more insight into your consumers.

We have built a range of statistically robust models to accurately predict expenditure on each of 16 categories of essential outgoings. These have been built using data from Ocean, CACI's lifestyle database, as well as official statistics and survey data. Average disposable income and outgoings are provided for each of the 1.5 million residential postcodes in the UK

fresco

Fresco is CACI's most powerful financial services segmentation and the first consumer classification of its kind in the UK. Using GFK's Financial Research Survey and CACI's own wealth of data on the UK population, it describes individuals in terms of their financial product holdings, attitudes, lifestage, affluence and digital behaviour.

Fresco is a code which can be appended to each record at individual level. The ability to divide UK consumers into discrete and clearly defined groups provides organisations with a universal vocabulary with which to describe customers, prospects and the market. Fresco can be used both for strategic and tactical planning in a wide range of different applications including propositions development, branch planning and management, prospect targeting and campaign planning.

ocean

Ocean is CACI's database containing the names and addresses of over 48 million UK adults, each with over 550 variables attributed to them describing their demographic, digital, lifestyle and attitudinal characteristics. Built from over one billion separate pieces of GDPR compliant information and updated quarterly, Ocean forms a complete and current picture of the UK population. This rich data source allows organisations to better target consumers with the right message, product or service – at the right time and across the right channel.

The variables held within Ocean cover a huge range of categories, of which many are particularly relevant to the Wealth of the Nation. There are variables to capture individuals' savings and investment products; their credit card expenditure and whether balances are paid in full each month; how confident individuals are at managing their own money; and how likely price comparison sites are used.

Consumer segmentation is one of the many applications of Ocean. The database is also invaluable in modelling applications primarily because of its level of granularity and broad range of variables.

acorn

Acorn is a geodemographic segmentation of the UK's population. It provides a detailed understanding of the consumer characteristics of people and places, allowing organisations to define and deliver appropriate targeting strategies. Acorn segments households, postcodes and neighbourhoods into 6 categories, 18 groups and 62 types. By analysing significant social factors and population behaviour, it provides precise information and an in-depth understanding of different types of people.

streetvalue

StreetValue is a postcode level directory of average residential property prices, covering all residential postcodes, each of which contain 15 households on average. Unlike any other published sources of information on the housing market, StreetValue allows you to analyse property price information at the very detailed level of individual postcodes, useful for assessing housing affordability and as a demographic indicator for modelling other aspects of consumer behaviour.

The standard StreetValue postcode directory provides estimates of the mean, median and range of house values in a postcode, together with index comparisons against the corresponding Postcode Area and against the whole of the UK.

# HOUSEHOLD INCOMES

The current average gross household income in the UK is £39,800, an increase from £39,100 in 2018.

At a Regional level the South East has, not surprisingly, the highest average figure at £46,400 with Northern Ireland having the lowest at £33,400.

London residents aren't far behind the South East with a mean gross household income of £44,000.

> **However, looking at disposable income, once the cost of mortgage, rents, bills and other essential outgoings are taken into account, Londoners are actually worse off than the UK average, with a net disposable income of just £13,600 per household against a UK average of £17,500.**

Averaging across large areas does tend to result in figures lower than you may intuitively expect. Within London itself there is a huge income disparity, with some households benefiting from incomes way above the national average. Almost 6% percent of London households have a mean household income of over £100k, compared to 4.6% for the UK as a whole.

| | 2018 | Current |
|---|---|---|
| |  | |
| **average gross household income** | **£39,100** | **£39,800** |

**Lowest gross household income**
**↓ £33,400**

**Highest gross household income ↑ £46,400**

**disposable income**

**LONDON £13,600**

**AVERAGE £17,500**

# HOUSEHOLD INCOMES

We've identified the top ten and bottom ten Postcode Sectors in the UK by average household income (Tables 1 and 2 opposite):

Six of the top ten Postcode Sectors were also in the top ten of our previous Wealth of the Nation report, with Postcode Sectors in Loudwater, St Albans, Oxshott and South Kensington being new additions. Six of the bottom ten also remain there from the last report, joined by Postcode Sectors in Greenock, Shankhill, Stockbridge Village, and Vauxhall.

As well as comparing average incomes by geographical level we can also examine differences across life stages. For instance, Manchester has the lowest average income for Retired households of any local authority in the UK at £17,900, but other demographic groups bring up the overall figure, with Singles and Couples (£33,700), Families (£34,200) and Empty Nesters (£35,600) all having higher average household incomes.

This kind of information from our Paycheck datasets has proved vital for our clients when making decisions across all areas of business and government, for everything from assessing housing affordability to planning premium banking services.

It provides a detailed understanding of geographic areas that is key to meeting the needs of customers and communities. Accurate, granular data enables organisations to provide targeted, appropriate services and to make sound commercial judgements.

Table 1: Top Ten Postcode Sectors by Mean Annual Household Income:

| Postcode Sector | Area Name | Number of Households | Mean Annual Gross Household Income |
|---|---|---|---|
| WD3 4 | Loudwater, Hertfordshire | 1,450 | £73,000 |
| SE21 7 | Dulwich, London | 1,400 | £72,800 |
| SW11 6 | Clapham, London | 4,350 | £71,200 |
| AL5 3 | Harpenden, Hertfordshire | 1,800 | £71,100 |
| AL5 2 | Harpenden, Hertfordshire | 1,800 | £70,800 |
| N20 8 | Totteridge, London | 1,550 | £70,500 |
| AL1 4 | St Albans, Hertfordshire | 3,600 | £69,900 |
| KT22 0 | Oxshott, Surrey | 1,500 | £69,700 |
| KT10 9 | Esher, Surrey | 2,050 | £69,500 |
| SW7 2 | South Kensington, London | 850 | £69,100 |

Table 2: Bottom Ten Postcode Sectors by Mean Annual Household Income:

| Postcode Sector | Area Name | Number of Households | Mean Annual Gross Household Income |
|---|---|---|---|
| TS1 5 | Newport, Middlesbrough | 800 | £14,800 |
| PA15 1 | Greenock, Inverclyde | 1,400 | £15,000 |
| B7 4 | Nechells Green, Birmingham | 1,500 | £15,100 |
| CH41 3 | Birkenhead, Merseyside | 750 | £15,100 |
| B19 3 | Jewellery Quarter, Birmingham | 1,450 | £15,600 |
| BT13 1 | Shankhill, Belfast | 2,000 | £15,900 |
| L5 0 | Anfield, Liverpool | 800 | £16,100 |
| L28 5 | Stockbridge Village, Liverpool | 650 | £16,200 |
| L5 8 | Vauxhall, Liverpool | 750 | £16,700 |
| NE4 7 | Elswick, Newcastle upon Tyne | 1,350 | £16,900 |

**Source:** CACI Population and Household Estimates & Projections, Paycheck 2019

# HOUSING AFFORDABILITY FROM A LOCAL AUTHORITY PERSPECTIVE

Local Authorities make use of a variety of data sources including income and house price when assessing housing affordability, the latter being treated as a barometer for the strength of the economy. However, a home is only affordable if someone really has the means with which to pay for it and whilst this is largely governed by house price and income, the socio-economic characteristics of the population also have an influencing factor.

It has been widely reported that the housing market in general faces many challenges. In particular, a general shortage of housing to meet demand and an increase in homelessness. Shelter[1] assessed that there were some 320,000 people living in temporary accommodation, sleeping rough or in hostels.

According to the Housing Affordability in England and Wales: 2018 document published by the Office for National Statistics (ONS), Copeland, in the North West of England, remained the most affordable local authority in England and Wales with average house prices being 2.5 times average workplace-based annual earnings. Kensington and Chelsea remained the least affordable local authority, with average house prices being 44.5 times workplace-based average annual earnings.

> **The same report also identified 77 local authorities that became less affordable over the last five years (most in London, the South East and the East of England) and there were no local authorities where affordability improved.**

Although the statistics in the ONS report come from a robust and recognised source, like a lot of open data there is a data lag and it doesn't provide the detail required by many public and private sector organisations.

To complement ONS and other open data, many public sector organisations make use of commercial data sources such as CACI's gross household income dataset, Paycheck and house price dataset, StreetValue, as they provide a more up-to-date view of the housing market at detailed postcode and/or household levels that open data cannot provide. In particular, local authorities will use this kind of data to support a variety of different analysis projects such as Housing Needs Assessments which include the requirement to understand housing affordability and need. Authorities such as Shropshire Council[2] and North Ayrshire Council[3] publish analysis that outlines their approach and findings.

In this section of the Wealth of the Nation Report, we look at average house prices in conjunction with gross household income to assess affordability by the cash shortfall (or surplus) in the highest and lowest income areas for the two-tier authority system (Borough/District, Unitary and County) across the UK. Unlike other sources of income data, Paycheck provides a consistent measure of income from all sources and not just earnings.

Our calculations are based on a three times multiple of mean gross household income from CACI's Paycheck, which is about the average given for a mortgage (i.e. mortgage availability). In this example we take account of a 10% deposit on the mean house price (from CACI's StreetValue), which is the current average minimum of loan to value (i.e. mortgage needed), leaving us with the "cash gap". It also assumes there is no other equity or other assets available (e.g. selling existing property).


Note: While CACI has based its income multiplier on 3 times, we know that some banks will lend up to 4.5 times.

# HOUSING AFFORDABILITY - ELMBRIDGE & KNOWSLEY


**An Example Housing Affordability Assessment - Elmbridge & Knowsley**

This section explores the cash gap by lifestage and house type for the Borough of Elmbridge in Surrey and Knowsley Metropolitan Borough in Merseyside.

These areas were chosen for comparison as they are respectively at the highest and lowest ends of the spectrum in terms of average gross annual household income by Borough and District Authority, with the average Elmbridge household earning £58,300 and those in Knowsley earning £28,200.

Elmbridge and Knowsley are both very similar in terms of geographic coverage and population size – Elmbridge has 149,000 residents and Knowsley has 138,000 – however, this is where the similarities end. According to CACI's consumer segmentation, Acorn, the demographic and lifestyle of these populations differ greatly.

In Knowsley the dominant Acorn groups come from Struggling Estates, Striving Families and Steady Neighbourhoods where incomes are below the average for the country. In contrast, Elmbridge's Acorn groups are dominated by Executive Wealth, Lavish Lifestyles and Career Climbers where income is significantly above the national average.

The results of the analysis suggest that lower income areas are more likely to be able to afford homes within their local area as the cash gap is generally a lot less compared to higher income areas. However, residents in lower income areas could struggle to qualify for a mortgage given lenders' stringent application processes as well as the fact that there is a cash-gap shortfall at all.

Areas that have a high concentration of residents with a younger age profile like Knowsley are more likely to struggle with their applications for a mortgage. This is supported by a report by Which?[4] that found homeowners aged 18-24 are much more likely to have faced mortgage rejection than older applicants. Areas that have a high concentration of residents with an older age profile could take advantage of Retirement Interest Only (RIO) mortgages. Similar comparisons can be found in the Appendix for Unitary Authorities and Counties.

# HOUSING AFFORDABILITY - ELMBRIDGE & KNOWSLEY

**Figure 1: Map of Borough of Elmbridge**

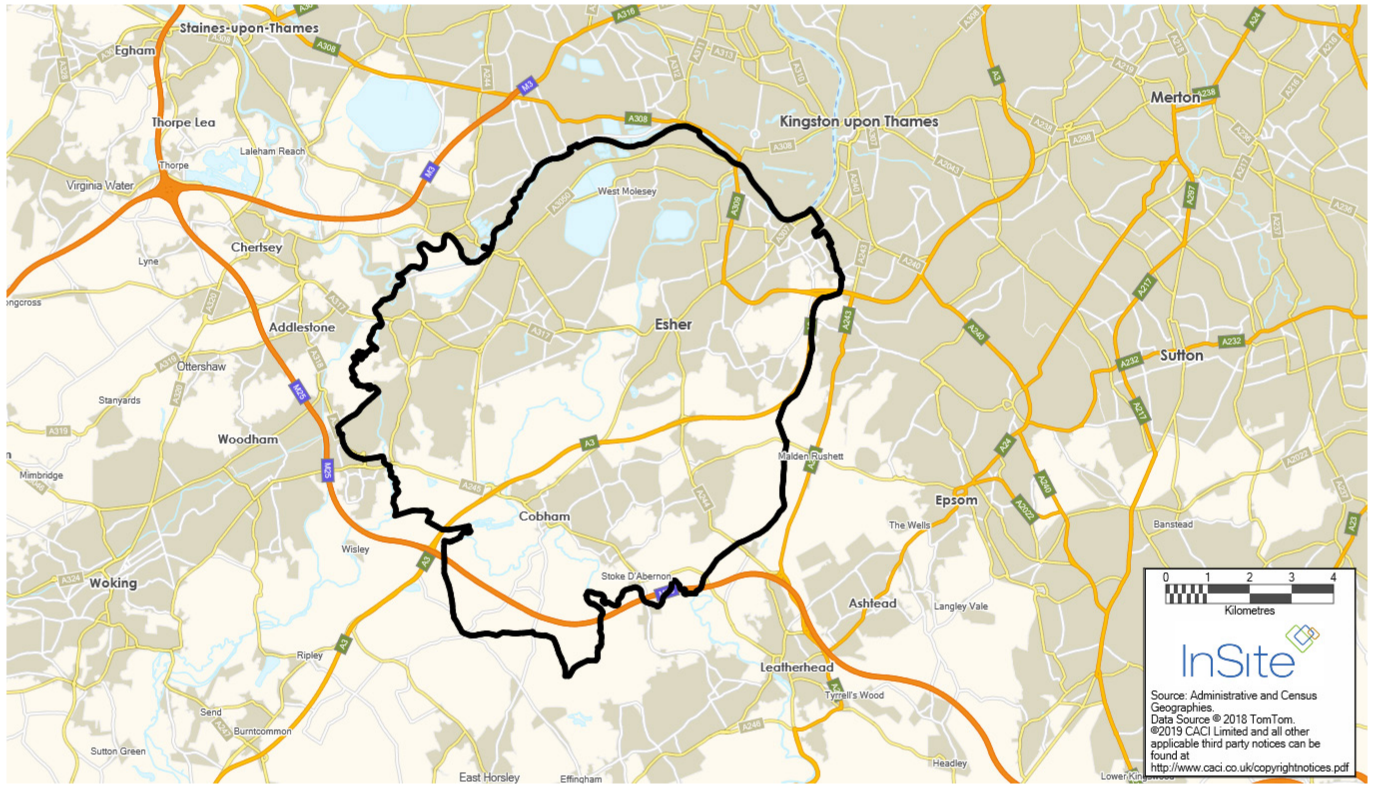


**Figure 2: Map of Knowsley Metropolitan Borough**

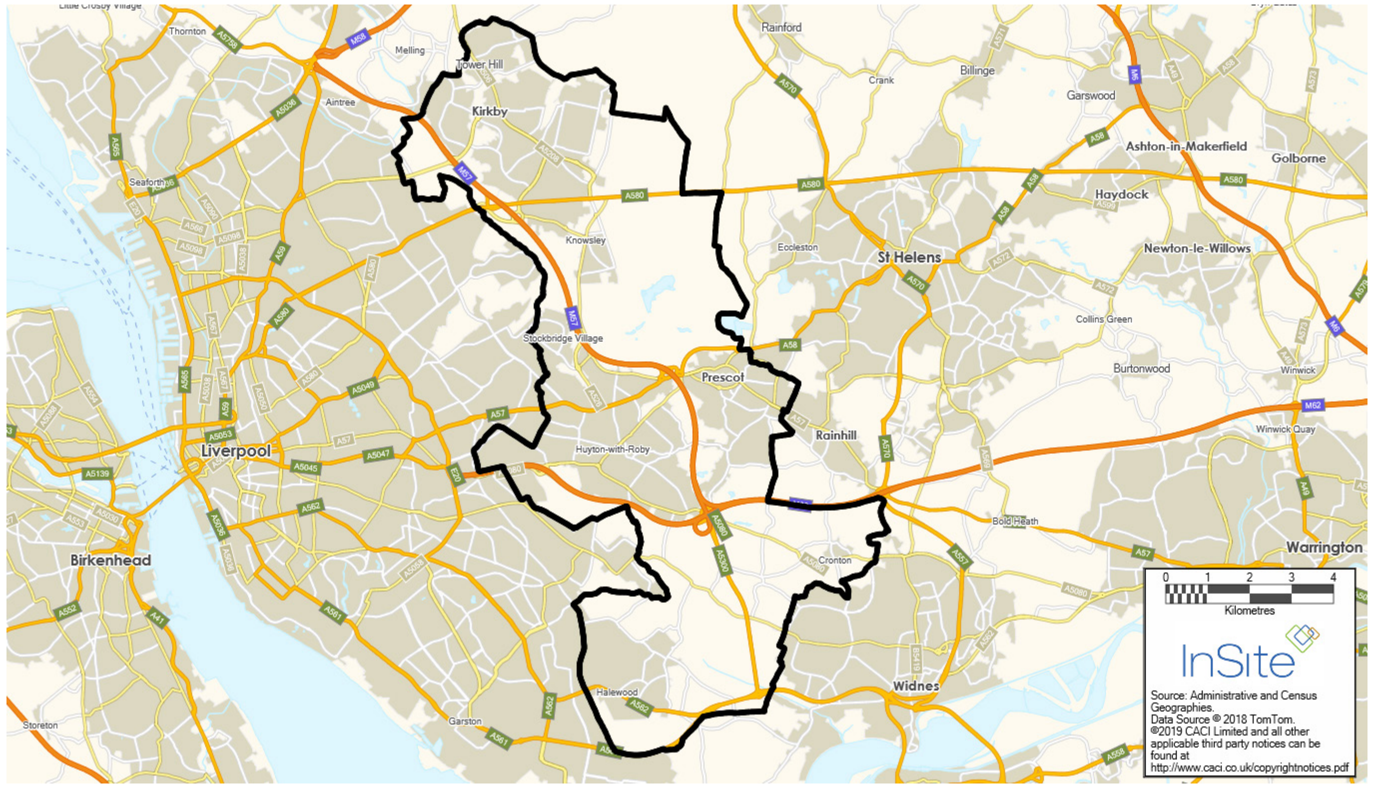


**Table 3: Borough of Elmbridge – Cash Gap by Lifestage and House Type**

| Average Annual Gross Household Income by Lifestage (Source: CACI Paycheck) | | Average House Price by House Type (Source: CACI StreetValue) | | | | |
|---|---|---|---|---|---|---|
| | | Flat/ Maisonette £405,500 | Terraced £555,800 | Semi-Detached £697,200 | Detached £1,455,650 | All £868,700 |
| Singles & Couples | £55,000 | -£200,100 | -£335,350 | -£462,600 | -£1,145,200 | -£616,950 |
| Families | £67,200 | -£163,450 | -£298,700 | -£425,950 | -£1,108,550 | -£580,300 |
| Empty Nesters | £62,900 | -£176,250 | -£311,500 | -£438,750 | -£1,121,350 | -£593,100 |
| Retired | £43,600 | -£234,100 | -£369,350 | -£496,650 | -£1,179,200 | -£650,950 |
| All | £58,300 | -£190,050 | -£325,300 | -£452,550 | -£1,135,150 | -£606,900 |

**Table 4: Knowsley Metropolitan Borough – Cash Gap by Lifestage and House Type**

| Average Annual Gross Household Income by Lifestage (Source: CACI Paycheck) | | Average House Price by House Type (Source: CACI StreetValue) | | | | |
|---|---|---|---|---|---|---|
| | | Flat/ Maisonette £75,850 | Terraced £91,750 | Semi-Detached £136,250 | Detached £227,000 | All £123,150 |
| Singles & Couples | £26,700 | £11,800 | -£2,500 | -£42,550 | -£124,200 | -£30,750 |
| Families | £33,800 | £33,200 | £18,850 | -£21,150 | -£102,850 | -£9,400 |
| Empty Nesters | £34,500 | £35,250 | £20,950 | -£19,100 | -£100,750 | -£7,300 |
| Retired | £18,700 | -£12,200 | -£26,500 | -£66,550 | -£148,200 | -£54,750 |
| All | £28,200 | £16,400 | £2,100 | -£37,950 | -£119,650 | -£26,200 |

**1: Shelter**
https://england.shelter.org.uk/media/press_releases/articles/320,000_people_in_britain_are_now_homeless,_as_numbers_keep_rising

**2: Shropshire Council – Market Signals and Housing Affordability Profile**
https://www.shropshire.gov.uk/media/7138/market-signals-and-housing-affordability-profile-september-2017-part-ii.pdf

**3: North Ayrshire Council – Rural Housing, Local Housing Strategy 2017 to 2022**
https://www.north-ayrshire.gov.uk/Documents/PropertyServices/HousingBuilding/lhs-rural-housing.pdf

**4: Which?**
Four in 10 young homeowners had a mortgage application rejected - https://www.which.co.uk/news/2019/01/four-in-10-young-homeowners-had-a-mortgage-application-rejected/

# HOUSING AFFORDABILITY FROM A DEVELOPERS PERSPECTIVE

### How much can builders afford to charge?

As the affordability of housing becomes an increasingly contentious point – for developers, buyers and local authorities alike – house builders need to pay ever closer attention to how they craft their pricing strategy.

We've used our proprietary data - Acorn, Paycheck, Ocean and StreetValue - to explore the relationship between average house prices and budgets and how that relationship varies geographically.

We've found that residential builders can go beyond basic statistics about an area's average income, and create a more realistic pricing strategy, taking account of detailed information about households' savings and disposable income too.

So how much can the average mover afford – and how much can house builders afford to charge?

### The Rising Cost of Buying

House prices and incomes vary wildly throughout the UK. Residential builders need to alter their pricing strategy – as well as their development plans – to suit each local area.

Affluent areas – where incomes and savings are higher – could prove to be more profitable for developers who are building properties to sell to the owner-occupier market.

In this analysis, house price to income ratios are calculated at a Regional level.

The average house costs 7.4 times the average household income in the UK.  Whilst this is the case, there are some huge variations regionally. The North East is the most affordable region with the average house price to income ratio sitting at 4.1. At the other end of the scale the average property in London is 14 times higher than the average household income making the capital unaffordable for the vast majority of the population.

Using our "cash gap" principle, based on 3 x the average household income and average house price assuming a 10% deposit, and without taking into account equity or the possibility of a higher loan to value ratio, only 3% of the London population would be able to afford to buy a property in the capital.

It is therefore no surprise to see rapid growth of the Private Rented Sector (PRS) and Buy To Rent (BTR) schemes. All across the country, in areas where buying is unattainable, private rental development and buy-to-let developments are likely to provide a more viable and profitable strategy for housing developers.

Of course, this is well-trodden ground for developers – it's well known how much it costs to buy and rent. But what is not widely understood is how much the average likely mover really has to spend.

### The Impact of Savings

Savings can have a huge impact on what people can afford. Dramatic differences in house prices mean deposits play a varying role, and a 10% deposit on the house price can set movers back anything from £14,000 to £62,000 on average, depending on the Region they live in.

Using CACI's Ocean lifestyle database, we've taken thousands of data points about savings and mortgages to identify how much the average mover is able to spend – and how much a lender is likely to give them.

The next section of this report provides more insight on the nation's savers.  Suffice to say many people have no savings, or very little savings relative to the cost of a house purchase.  Some mortgage lenders are willing to offer up to 4.5 times a household's income, which puts the average mortgage at around £179,000. But with the (mean) average house costing £296,000 according to CACI's StreetValue, that simply won't be enough – and that's before you consider the deposit. It's therefore likely that many will be staying in the rental market for years to come.

### Table 5: House price to income ratio

| Region | Average House Price to Income Ratio |
|---|---|
| London | 14.1 |
| South East | 8.6 |
| East of England | 7.9 |
| UK Average | 7.4 |
| South West | 7.3 |
| West Midlands | 6.0 |
| East Midlands | 5.7 |
| North West | 5.3 |
| Wales | 5.2 |
| Northern Ireland | 5.0 |
| Yorkshire and The Humber | 4.9 |
| Scotland | 4.6 |
| North East | 4.1 |

# THE SAVINGS MARKET

A conversation about the Wealth of the Nation wouldn't be complete without a look at the savings market. This is touched on in the previous section, and there is around £1,320 billion[5] sitting in savings accounts across the UK – that's £47,000 for every household, or £25,000 per person if every adult in the country were to get an equal share of savings pot.

> **But with 43% of the population not having a savings account at all, and 16% having fewer than £500 of savings, the wealth is clearly distributed incredibly unevenly.**

First of all, let's look at who is a typical "saver". Geographically, savers can be found across the UK – as you might imagine – but there are some clear regional distinctions. There are much higher concentrations in South East England – which is where the highest value savers seem to be concentrated also. In general rural areas tend to have higher proportions of savers than urban areas – although there are exceptions.

If we take a look at the parts of the country with the highest incidence of savers, it is perhaps no surprise to see the affluent areas in the Home Counties dominate the top five postcode sectors. Fewer savers are found in inner city locations, particularly in the West Midlands. And there is a similar picture with savings value – the very highest savings wealth (£100k+) can be found in London and the South East, and the lowest in other cities – particularly in the North.

**5:**
Figure reflects interest bearing cash deposits & premium bonds – Source: Bank Of England and NS&I

**Figure 4: Map of % adults with a savings account, by local authority**

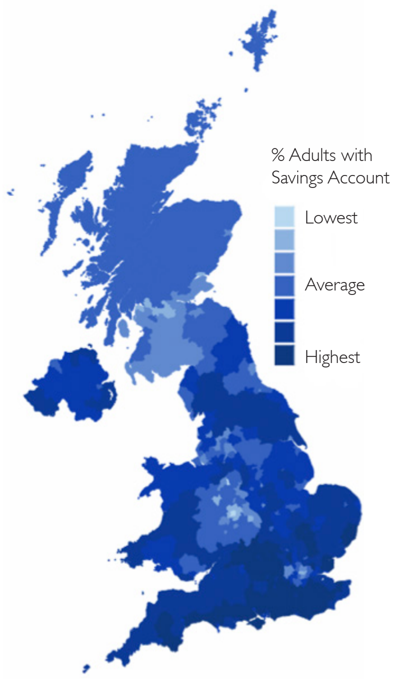


**Figure 5: Map of % adults with savings £100k+, by local authority**

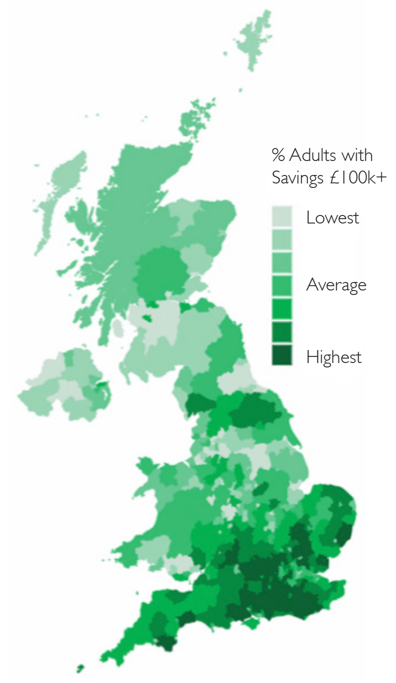


**Figure 6: Map of % savers who take out savings via a digital channel, by local authority**

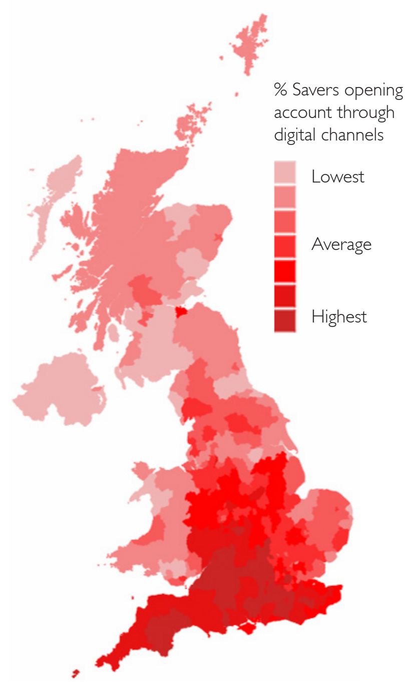

**Table 6: Top 5 and Bottom 5 Postcode Sectors by % Adults with a Savings Account**

| Postcode Sector | Area Name | % Adults with a savings account |
|---|---|---|
| BN20 0 | East Dean, East Sussex | 82.9% |
| KT24 5 | Effingham, Surrey | 82.8% |
| RG9 6 | Henley-on-Thames, Oxfordshire | 82.4% |
| CR3 7 | Woldingham, Surrey | 82.3% |
| KT22 0 | Oxshott, Surrey | 82.1% |
| | | |
| B35 7 | Castle Vale, Birmingham | 21.8% |
| B11 1 | Sparkbrook, Birmingham | 21.5% |
| B8 1 | Saltley, Birmingham | 21.5% |
| B19 1 | Lozells, Birmingham | 21.4% |
| B66 2 | Winson Green, Birmingham | 20.0% |

**Table 7: Top 5 and Bottom 5 Postcode Sectors by % Adults with Savings £100k+**

| Postcode Sector | Area Name | % Adults with a savings £100k+ |
|---|---|---|
| KT22 0 | Oxshott, Surrey | 10.3% |
| AL5 2 | Harpenden, Hertfordshire | 10.3% |
| SW7 1 | South Kensington, London | 10.1% |
| SW1X 8 | Knightsbridge, London | 9.3% |
| SL9 7 | Gerrards Cross, Buckinghamshire | 9.1% |
| | | |
| TS3 9 | North Ormesby, Middlesbrough | 0.1% |
| L 33 9 | Kirkby, Liverpool | 0.1% |
| SK13 0 | Gamesley, Glossop | 0.1% |
| SR5 4 | Downhill, Sunderland | 0.1% |
| TS6 7 | Grangetown, Middlesbrough | 0.1% |

# THE SAVINGS MARKET

The geographic patterns can be partly explained by the typical demographics of a saver, and the types of places that these people live. The savings market is often thought to be largely made up of older individuals, often homeowners, with above-average income, and quite often empty-nesters making the most of their new-found disposable income. CACI's data backs up this generalisation for savers as a whole. Half are aged 55-plus, almost half own their own home outright, and income is 50% higher than average (even including the retired).

However, it is dangerous to rely on stereotypes alone when engaging with existing customers, or seeking out new ones – and this is particularly true for the savings market. The definition of "savings" has been blurred over the years. Many banks now offer market-beating rates on current account balances, and peer-to-peer lending looks more like saving than investing with its "near-instant access" and fixed rate returns. Add in the continued rise of the aggregator (think price comparison websites and consumer forums like Money Saving Expert), and the landscape is very different to a few years ago.

And importantly, those engaging with these new channels are quite different to the typical saver. First of all, they are considerably younger. The growth in those taking out savings accounts through a price comparison site or other website is greatest amongst what CACI's Acorn classification call "Starting Out" and "Rising Metropolitans" – typically 18-34 year-olds, pre-children, renting or first-time buying in urban areas.

These younger savers are more likely to save regularly (24% save every month vs. 18% of all UK savers), and more likely to save for a specific purpose (51% vs. 40%) – such as a home or a wedding. Savings providers should be using this information in their messaging to these demographics.

Data shows they are also much less risk averse, which coupled with higher digital engagement, makes them the perfect target market for peer-to-peer lenders. There is no need to lock money away for long periods, and less concern that savings aren't guaranteed by the Financial Services Compensation Scheme. So where are the hotspots of this new generation of digitally-focussed, savvy savers?

Well there are pockets in most parts of the country, but they do seem to be concentrated in the South East. Commuter towns feature strongly, as do large cities with an affluent young population such as Bristol, Brighton and Oxford.

Traditional banks and building societies in these locations can offset falling branch sales by encouraging online savings. Above the line marketing or in-branch messaging in these areas can signpost young savers to direct digital channels – removing the acquisition cost of aggregators and reducing the threat from peer-to-peer lenders. And what if you're one of these digital disruptors? Well an understanding of location by target demographic can underpin out-of-home campaigns and return a higher return on investment (ROI). As part of a marketing mix, and with the right messaging, there is a large slice of the new-generation savings pie to be won.

The last word is saved for the 59%. This was the proportion of the population with no or very little savings. It is just as important that these people aren't overlooked. Saving little and often, and creating a buffer for that "rainy day", should be encouraged as a means of avoiding financial difficulty and expensive short-term borrowing. Knowing where these non-savers are can help direct resource and advice to where it might be needed most.

# SUMMARY

CACI's Paycheck provides a detailed understanding of geographic areas according to gross income that is key for any organisation to meet the needs of customers and communities. Accurate, granular data enables organisations to provide appropriate services and to make sound commercial judgements and prioritise service delivery.

Looking at housing affordability, we assessed the cash gap between income and house price. Our analysis has shown that people living in lower income areas are more likely to be able to afford homes in their local area as their cash gap is generally a lot less when compared against people in higher income areas. That said, people living in lower income areas could struggle to qualify for a mortgage as there is still a shortfall in their finances.

Residential builders need to take households' savings and disposable income into consideration when defining their pricing strategies. Affordability varies considerably across the country and therefore there shouldn't be a one size fits all strategy.

According to a strict interpretation of affordability, only 3% of London's population can purchase a property in London, which could explain the rapid growth of the Private Rental Sector (PRS) and Buy To Rent (BTR) market. There are clearly more than 3% of Londoners who are property owners either because they have a combination of equity and savings beyond the minimum 10%, have a higher loan to value mortgage ratio, or because they are reliant on other sources for loans or gifts.

No one will be surprised that savers are concentrated in more affluent areas and generally more mature areas. However we're also seeing younger savers enter the market via new channels and these are typically 18-34 year-olds, pre-children, renting or first-time buying in urban areas. The savings market is evolving. For example peer-to-peer lending looks more like saving than investing with its "near-instant access" and fixed rate returns. This younger audience is much less risk averse, which coupled with higher digital engagement, makes them a perfect target market for peer-to-peer lenders.

For more information on the findings in this report, CACI's datasets or consultancy services please visit us at www.caci.co.uk or get in touch directly.

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# APPENDIX

### Unitary Authority Housing Affordability - Richmond & Blaneau Gwent

Tables 8 and 9 show the cash gap by lifestage and house type for Richmond and Blaneau Gwent.

**Table 8: London Borough of Richmond upon Thames – Cash Gap by Lifestage and House Type**

| Average Annual Gross Household Income by Lifestage (Source: CACI Paycheck) | | Average House Price by House Type (Source: CACI StreetValue) | | | | |
|---|---|---|---|---|---|---|
| | | Flat/ Maisonette £547,900 | Terraced £889,550 | Semi-Detached £1,095,900 | Detached £1,661,200 | All £887,450 |
| Singles & Couples | £58,000 | -£319,100 | -£626,650 | -£812,300 | -£1,321,100 | -£624,750 |
| Families | £66,200 | -£294,450 | -£602,000 | -£787,700 | -£1,296,450 | -£600,100 |
| Empty Nesters | £59,600 | -£314,200 | -£621,700 | -£807,400 | -£1,316,200 | -£619,800 |
| Retired | £39,600 | -£374,300 | -£681,800 | -£867,500 | -£1,376,300 | -£679,900 |
| All | £58,000 | -£319,050 | -£626,550 | -£812,250 | -£1,321,050 | -£624,650 |

**Table 9: Blaenau Gwent – Cash Gap by Lifestage and House Type**

| Average Annual Gross Household Income by Lifestage (Source: CACI Paycheck) | | Average House Price by House Type (Source: CACI StreetValue) | | | | |
|---|---|---|---|---|---|---|
| | | Flat/ Maisonette £56,089 | Terraced £82,900 | Semi-Detached £110,600 | Detached £198,450 | All £99,900 |
| Singles & Couples | £24,500 | £23,050 | -£1,050 | -£26,000 | -£105,100 | -£16,400 |
| Families | £36,000 | £57,400 | £33,300 | £8,350 | -£70,750 | £17,950 |
| Empty Nesters | £34,650 | £53,450 | £29,350 | £4,400 | -£74,650 | £14,000 |
| Retired | £18,050 | £3,600 | -£20,550 | -£45,450 | -£124,550 | -£35,850 |
| All | £28,000 | £33,450 | £9,350 | -£15,600 | -£94,700 | -£6,000 |

Richmond and Blaenau Gwent are demographically two significantly different areas across the Country. In terms of geographic coverage, Blaenau Gwent is almost double the size of Richmond. However the difference in population - 70,000 compared to 199,000 – is quite stark in contrast. Although Blaenau Gwent's towns suggest it is an urban borough, it is actually a largely rural area with the predominant Acorn demographic group – Modest Means – representing almost half of the overall population. Richmond, on the other hand is a leafy and wealthy suburb in West London where the demographic groups City Sophisticates, Executive Wealth and Career Climbers unsurprisingly represent the lion's share of the population.

### County Authorities Housing Affordability – Surrey & Cumbria

Tables 10 and 11 show the cash gap by lifestage and house type for Surrey and Cumbria.

**Table 10: Surrey County Council – Cash Gap by Lifestage and House Type**

| Average Annual Gross Household Income by Lifestage (Source: CACI Paycheck) | | Average House Price by House Type (Source: CACI StreetValue) | | | | |
|---|---|---|---|---|---|---|
| | | Flat/ Maisonette £302,250 | Terraced £417,000 | Semi-Detached £499,050 | Detached £898,250 | All £576,400 |
| Singles & Couples | £50,700 | -£119,950 | -£223,200 | -£297,050 | -£656,300 | -£366,650 |
| Families | £61,700 | -£86,850 | -£190,150 | -£263,900 | -£623,250 | -£333,600 |
| Empty Nesters | £60,250 | -£91,350 | -£194,650 | -£268,450 | -£627,750 | -£338,050 |
| Retired | £39,250 | -£154,250 | -£257,550 | -£331,400 | -£690,650 | -£401,000 |
| All | £53,750 | -£110,800 | -£214,100 | -£287,950 | -£647,200 | -£357,550 |

**Table 11: Cumbria County Council – Cash Gap by Lifestage and House Type**

| Average Annual Gross Household Income by Lifestage (Source: CACI Paycheck) | | Average House Price by House Type (Source: CACI StreetValue) | | | | |
|---|---|---|---|---|---|---|
| | | Flat/ Maisonette £113,900 | Terraced £132,500 | Semi-Detached £173,500 | Detached £321,800 | All £193,250 |
| Singles & Couples | £31,800 | -£7,200 | -£23,900 | -£60,800 | -£194,250 | -£78,550 |
| Families | £43,350 | £27,500 | £10,750 | -£26,100 | -£159,550 | -£43,900 |
| Empty Nesters | £44,350 | £30,500 | £13,800 | -£23,100 | -£156,550 | -£40,850 |
| Retired | £25,200 | -£26,850 | -£43,600 | -£80,500 | -£213,950 | -£98,250 |
| All | £35,600 | £4,250 | -£12,500 | -£49,400 | -£182,850 | -£67,150 |

The geographic area that Cumbria covers is more than four times the size of Surrey and its population (498,000) is less than half that of Surrey (1.2 million). The demographic make-up of both counties is also very different. Cumbria has high concentrations of Countryside Communities, Mature Money and Modest Means whereas the predominant groups in Surrey are Executive Wealth, Career Climbers and Mature Money.

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