



Mind the Gap: How Rural Communities Are Falling Behind on Affordable Homes

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**Rural
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Executive Summary

Why This Report Matters

England's countryside is often portrayed as prosperous, yet rural residents face the sharpest housing pressures in the country. Fresh analysis by Arc4, using their Rural Affordable Housing Needs Model (RAHNM), shows that the gross need for affordable homes is higher in every rural settlement type than in urban areas.

Key findings at a glance

Indicator	Rural England	Urban England*	What it means
Gross annual affordable housing need (homes per 1,000 households)	16.8	11.0	Rural demand is ≈50% higher.
Highest need smaller parishes within and further than 30 minutes from a major town or city	Smaller parishes within and further than 30 minutes from a major town or city – 18.8 (per 1,000 households)	n/a	small villages face the most acute shortages.
Second highest – larger parishes more than 30 minutes from a major town or city	Larger parishes more than 30 minutes from a major town or city 16.1 per 1,000 households		
Small rural parishes (≤3,000 pop.)	17.7 per 1,000 households	—	Need outstrips both larger parishes and towns.
Social housing share	9% of stock	17%	Rural households rely on a far smaller safety-net.
Waiting times	Up to 93 years for a social home in some areas	—	Without action, many residents will never be housed.

*Urban figures exclude Greater London

What Drives the Rural Unaffordable Housing Need?

- **Higher prices, lower pay:** Detached homes dominate village markets and command a rural price premium while local wages lag urban levels.
- **Limited tenure mix:** With only 9% social housing in smaller villages with fewer than 3,000 residents, options for lower-income households are scarce.
- Private rented housing is often the only option for rural low-income households, but is often insecure, has high rents and its supply too is falling with conversions to holiday lets

How We Measured Need

RAHNM applies a single, National Planning-Practice-Guidance-compliant method to parishes and every urban ward outside London. Twelve readily available datasets covering income, prices, rents, tenure, demographics and housing utilisation feed the model, producing a gross annual requirement that captures existing and newly forming households priced out of the market. Using the ONS Rural Urban classification a comparison can then be made between rural and urban settlements.

Consequences of Inaction to Improve the Supply of Rural Affordable Housing

- **Economic drag:** Employers from land-based businesses, SMEs, to hotels struggle to recruit when staff cannot live locally.
- **Ageing communities:** Young families leave; services from schools to shops close.
- **Weakened resilience:** An absence of mixed-income households erodes social networks and volunteers, undermining community life.

The Rural Affordable Housing Package – Headline Recommendations

- **Plan for parity** – allow all planning authorities to secure affordable-housing contributions from developments of ≤ 10 dwellings in all parishes $\leq 3,000$ population, introduce a National Development Management Policy and Planning Permission in Principle for Rural Exception Sites.
- **Unlock land** – abolish Capital Gains Tax on sites sold for rural affordable schemes.
- **Match the grant to the challenge** – set a national target for at least 10% of Affordable Homes Programme completions in parishes $\leq 3,000$ and apply an automatic grant-rate uplift to small rural schemes.
- **Use devolution opportunities** – require Combined and Mayoral Authorities to include action to meet rural affordable housing needs in their Spatial Development Strategies and Place Making Strategies
- **Boost capacity** – fund a national network of Rural Housing Enablers and Community-Led Housing Advisers to accelerate schemes and ensure residents are involved.

Summary

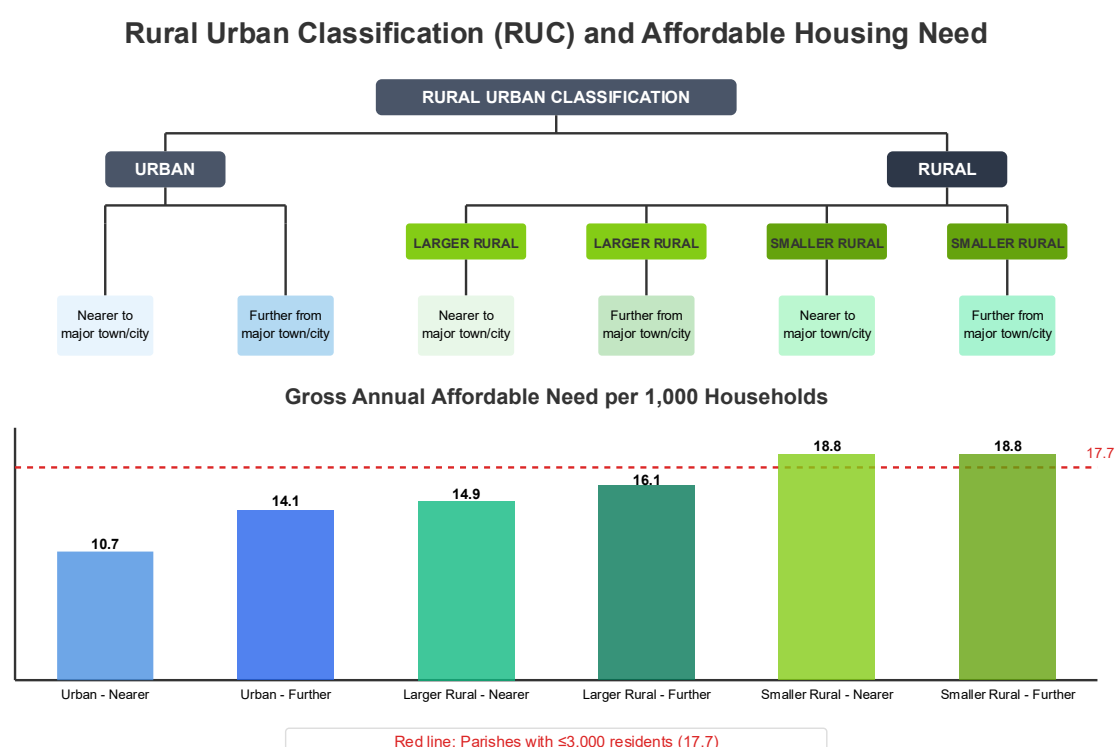
Rural England's affordable housing gap is wider and deeper than previously evidenced. Closing it is not special pleading; it restores fairness so that rural residents can live, work and age in the places they call home. The full report sets out the data, methodology and detailed policy package needed to turn evidence into homes. Read the full report to discover how policymakers, councils, housing associations and community groups can deliver a new generation of genuinely affordable rural homes.

Introduction

England faces an acute shortage of affordable housing across rural and urban communities. Yet rural areas endure additional pressures: higher house prices (the *rural premium*), a housing stock dominated by detached homes, lower local incomes, higher living costs and a scarcity of affordable housing. These factors prompt a persistent question: how does rural need compare with urban need?

Recent research by [Arc4](#) provides that answer, showing that (outside London) the gross need for affordable housing is greater in rural communities than in urban ones. The study uniquely combines multiple datasets and analyses them at parish and ward level. Figure 1 illustrates the variation in annual need per 1,000 population across settlement types defined by the latest ONS Rural Urban Classification (RUC).

Figure 1:



This report sets out the rationale for the research, explains the methodology and presents the results. It offers compelling evidence for urgent action on rural affordable housing, examines the barriers to delivery and proposes a package of measures to address the crisis.

The research is aimed at national and local policymakers (including Combined and Mayoral Combined Authorities as they devise place-making and spatial development strategies) as well as Members of Parliament, rural housing advocates, housing associations and parish councils.

Why a Rural Community Analysis is Needed

Following consultation on the National Planning Policy Framework, the Government pledged to explore measures to boost rural affordable housing. Targeted action first requires clarity on how rural need compares with urban need.

Although village-level surveys are plentiful, reliable national data have been lacking for both rural *and* urban areas.

The closest approximation has used local-authority level data aligned with the Rural Urban Classification at authority level, but this masks rural need: most 'rural' authorities contain urban settlements whose larger, more varied housing stock obscures the situation in small villages.

Over the past decade, increasingly granular secondary data have made it possible to evidence rural affordability challenges. Commissioned by North Yorkshire Council, Arc4 developed the Rural Affordable Housing Needs Model (RAHNM) to support its Rural Housing Enablers. The model quickly proved its worth and, for the first time, enabled a national rural-urban comparison of affordable housing need.

Methodology

Arc4 developed the RAHNM drawing on their extensive experience of producing more than 100 local-authority strategic housing-needs assessments and many parish studies. The model rests on two principles: (1) use of consistent, readily available secondary data; (2) focus on key drivers of affordable housing need. It identifies those drivers and calculates the annual affordable-housing requirement.

Because the model applies the same method to every parish, it reveals places with unmet need despite no current affordable-housing stock. Running parallel modelling for urban wards allows a like-for-like comparison of rural and urban need.

For this analysis Arc4 used the latest ONS Rural Urban settlement classification to derive rural affordable need calculations for rural settlements and comparable calculations for urban settlements (excluding Greater London). The latest ONS Rural Urban classification has adopted a different approach to previous versions. It defines rural as any settlement with a population of less than 10,000. These are sub-divided between smaller and larger rural settlements. The former are villages and hamlets, the latter are towns and low-density fringes of conurbations. Urban areas are dominated by densely populated centres with populations of more than 10,000 population. Both urban and rural settlement types are also classified according to whether they can access a major town or city (population larger than 75,000) within a 30-minute car journey. Those that can are classified as 'nearer' to a major town or city and those that cannot are classified as 'further' from a major town or city.

Twelve variables were selected covering tenure, the household-to-dwelling ratio (a proxy for second- and holiday-home use), economic activity, age profile, health, rents, prices and affordability to determine the scale of need.

RAHNM then calculates total gross annual need covering households in need from existing and newly forming households. The gross need takes into account households in affordable housing need, but not already living in an affordable home. It is in line with National Planning Practice Guidance calculating gross need on: (i) the extent to which existing households likely to require affordable housing; (ii) likely scale of new household formation (English Housing Survey estimates); and (iii) the extent to which new households can afford market options.

A more detailed explanation of the methodology is provided in **Appendix A**.

Results

Table 1 presents the findings. Both types of smaller rural settlement display the highest need of 18.8 per 1,000 households per annum, whereas the lowest levels of need are in the two urban types of settlement where respectively the number falls to 14.1 and 10.7 per 1,000 households per annum as the Table shows the affordable housing need in all types of rural settlement is higher than for urban settings. For rural settlements, the affordable housing need is greatest in the smaller settlements, with the same levels of need whether they are within or beyond a 30-minute car journey of a major urban centre. However, even for the larger rural settlements the need is greater than for urban areas, but with a marginal difference between the larger villages nearer to urban centres and urban settlements (greater than 10,000 population) that are further from a major urban centre. The study also examined parishes with fewer than 3,000 residents - communities recognised as 'rural' for Homes England's Affordable Homes Programme and subject to protections that keep housing association homes affordable in perpetuity. The annual affordable housing need in these communities is 17.7 per 1,000 households, compared with 16.1 and 14.9 for larger villages.

Table 1:

Analysis by Parish

Parish type fewer or greater than 3,000 population	Gross annual affordable housing need (per 000 population)
Rural Parishes ≤3,000 population	17.7
Larger rural settlements further from a major urban area	16.1
Larger rural settlements nearer to a major urban area	14.9

Analysis by RUC (6-fold) Classification – Parish-Based Analysis for Rural Settlements, Ward Based Analysis for Urban Settlements

RUC (10-fold) classification	Gross annual affordable housing need (per 000 population)	Rank (1 =highest)
Smaller rural: further from a major urban town or city	18.8	01
Smaller rural: nearer to a major town or city	18.8	01
Larger rural: further from a major town or city	16.1	02
Larger rural: nearer to a major town or city	14.9	03
Urban: further from a major town or city	14.1	04
Urban: nearer to a major town or city	10.7	05

Analysis by RUC (2-fold) Classification

RUC (2-fold) Classification	Gross annual affordable housing need (per 000 population)
Rural	16.8
Urban total- ward based data* (excluding London)	11.0

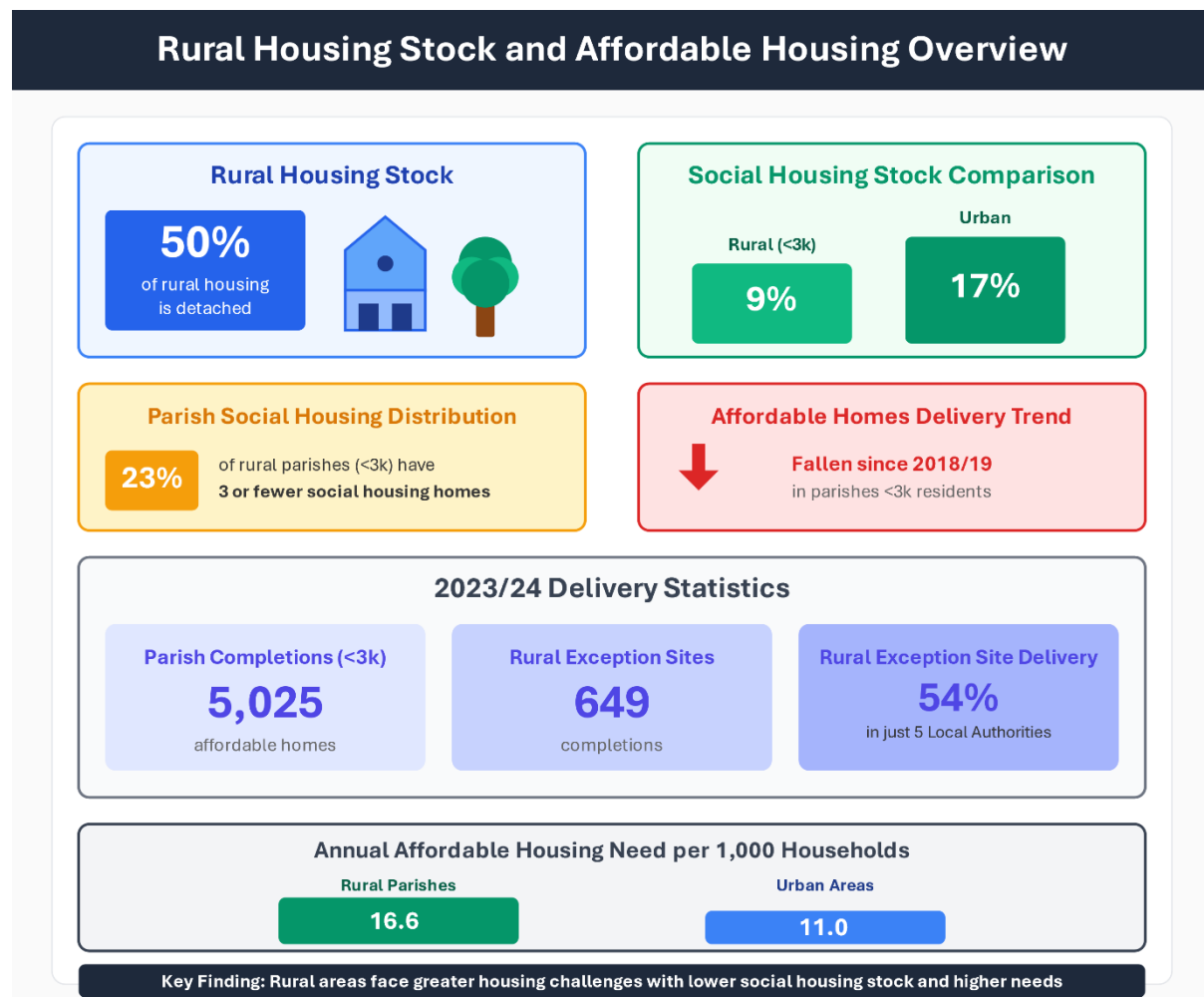
**Ward-based data used to analyse need in urban areas*

Why the Rural Housing Crisis is Different

Extensive evidence (see Defra's Rural Statistical Digest: Housing and MHCLG Live Tables) shows that rural housing markets possess features that restrict affordable options for local people.

Figure 2 summarises the key points.

Figure 2:



The data reveals a rural price premium set against lower local incomes, worsening affordability. Village housing stocks are dominated, and increasingly so, by detached homes. Although rural populations are growing faster than urban ones, delivery of new affordable homes is falling. Just 9% of housing in small rural communities is affordable housing, compared with 17% in urban settlements.

With such limited options the evidence shows that rural low-income households have until recently turned to the private rented sector to meet their housing needs. But this is increasingly insecure and costly - specially in coastal areas, National Parks and National Landscapes.

As in towns and cities, lack of secure, good-quality housing harms individual wellbeing - but rural consequences extend further. Rural populations are older and ageing faster; social networks weaken as younger people leave. Local businesses struggle to recruit and retain staff, and public services lose key workers who cannot afford to live nearby, undermining economic growth and community resilience.

This affects the availability and quality of rural health care, social care for the elderly, and education. While these issues also exist in urban areas, their higher population density and more diverse housing stock have somewhat mitigated extremes. In contrast, entire villages now have little or no affordable housing (a situation that affects nearly a quarter of small villages).

Modest, well-planned growth will help but will not meet the need for affordable, especially social, housing. Rural and housing experts therefore urge Government and its agencies to adopt a bespoke package of inter-related measures and embed them in the forthcoming Long-Term Housing Strategy.

The Rural Affordable Housing Package

Planning and delivery tools to secure affordable homes via appropriately scaled, market-led schemes and rural-exception sites:

- ✓ allow all LPAs to require affordable-housing contributions from schemes of ≤ 10 dwellings in parishes $\leq 3,000$ population;
- ✓ introduce a National Development Management Policy for Rural Exception Sites;
- ✓ create a “Rural Exception Site Permission in Principle” (RES Planning Passport); and
- ✓ ensure the NPPF, Strategic Authorities’ Spatial Development Strategies and Local Plans support proportionate rural growth

Land supply: secure exception-site land at prices that keep schemes viable:

- ✓ Remove Capital Gains Tax on land sold to Registered Providers or formally constituted community-led housing groups for affordable housing

Capital grant funding tailored to the higher costs of small rural schemes ($\leq 3,000$ population):

- ✓ set a national target for at least 10% of Affordable Homes Programme completions to be in parishes $\leq 3,000$;
- ✓ apply an automatic grant-rate uplift to rural-exception schemes of ≤ 15 dwellings;
- ✓ offer a three-year rolling capital programme for single or consortium Registered Providers;
- ✓ implement a Homes England rural-delivery action plan; and
- ✓ appoint a Homes England Board member with a rural brief

Devolution: require Strategic Authorities to address small-community needs through spatial strategies and funding allocations:

- ✓ Expected outcomes should include rural-affordable-housing delivery, measured against national and local targets
- ✓ Align Integrated Settlement outcome frameworks with national targets for small-community affordable housing
- ✓ Ensure Spatial Place Partnerships and shared development pipelines with Homes England explicitly resource rural-affordable-housing delivery

Revenue funding: provide grant to strengthen community engagement and expand enabling capacity, reducing risk and accelerating delivery:

- ✓ a national network of Rural Housing Enablers; and
- ✓ a network of Community-Led Housing Technical Advisers

Ongoing Monitoring and Research

National, local and combined authorities all require an evidence base to inform their policies and funding decisions; all policymakers should therefore commit to regular assessment of rural need and delivery.

RAHNM generates the granular evidence needed to understand rural markets. Similar analysis should be refreshed periodically, alongside indicators such as:

- affordable-housing need per 1,000 households (rural vs urban);
- affordable homes delivered in settlements $\leq 3,000$;
- waiting-list numbers in rural districts;
- percentage change in social-housing stock (rural vs urban)

Regular assessments and monitoring will allow policymakers to refine policies and funding so that rural residents have access to good-quality, affordable homes, supporting opportunity and growth.

Conclusion

Rural England faces a more acute affordable housing crisis than its urban counterpart. Only 9% of homes in small parishes are social housing, private rents are scarce, costly and insecure. Although overall housebuilding continues and is higher in rural areas, the supply of genuinely affordable dwellings is falling in rural areas and persistently lags behind need.

To close this gap, the interventions set out in this report (planning reform, fiscal incentives, targeted grant funding, devolution commitments and enhanced enabling capacity) must be implemented as an integrated package. They do not confer preferential treatment on rural areas; rather, they restore parity so that countryside communities can meet residents' basic housing needs.

Policymakers, Members of Parliament and local leaders must therefore place rural affordability at the heart of national and local housing strategy. Acting on these recommendations will secure a pipeline of high-quality, affordable rural homes and keep the countryside vibrant, inclusive and economically resilient for generations to come.

Appendix A

Background to the Arc4 Rural Affordable Housing Need Model

Arc4 Ltd is a housing research consultancy and a market leader in understanding housing need, having completed over 100 major housing need studies for local authorities and numerous parish-based studies.

In early 2024 Community First Yorkshire and North Yorkshire Council asked Arc4 to devise an approach for assessing rural affordable-housing need using secondary data.

The outcome was the Rural Affordable Housing Need Model (RAHNM), developed by Dr Michael Bullock and Robin van Wonderen.

The RAHNM aims to provide a broad understanding of rural affordable need, underlying drivers of need and indicative levels of affordable need. This analysis then provides context for further rural housing enabling work at parish level.

The RAHNM is underpinned by two principles:

- use consistent, readily available secondary data;
- focus on the key drivers of affordable-housing need

The model produces two core outputs:

- the underlying drivers of need;
- the annual affordable-housing requirement

As modelling is conducted in a consistent manner across all parishes, the RAHNM can highlight areas where affordable housing need is present but there may be no current supply of affordable housing.

It can also identify need that could be met in nearby, more sustainable settlements serving several parishes.

By running comparable modelling for urban wards, the model quantifies how rural and urban needs differ.

Geography

The 2024 ONS Rural Urban Classification (RUC) of geographical areas has been used. This has been used to derive rural affordable need calculations for rural parishes and comparable calculations for urban wards (excluding Greater London).

Underlying drivers of affordable housing need

Building upon our extensive housing need research experience, 12 key variables have been identified which help to establish the extent to which communities are in affordable housing need. The variables relate to tenure, ratio of households to dwelling stock (as a proxy for non-residential use such as second and holiday homes), economic activity, age profile, health, rent and property prices and affordability (Appendix A).

Modelling of affordable need

The RAHNM establishes a total gross annual affordable housing need from existing and newly forming households. In line with Planning Practice Guidance, a gross affordable need is based on the extent to which existing households are likely to be in need of affordable housing; the likely scale of new household formation (based on English Housing Survey estimates) and the extent to which new households can afford market options. Affordable supply can then be considered based on likely turnover of social/affordable rented properties based on CORE lettings data. However, the net need outcomes should be carefully considered because in urban areas there is generally more affordable stock and higher levels of turnover. The scale of turnover can also be influenced by the profile of affordable stock. Smaller 1- and 2-bedroom stock tends to experience higher levels of turnover than larger 3 or more-bedroom stock.

Outcomes

Ultimately, the RAHNM seeks to use a reasonable range of readily available data and reasonable assumptions to establish the likely scale of affordable need in rural areas. Using a consistent approach, it is also possible to understand variations in affordable housing need by diverse types of rural area and how the scale of need varies across England.

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