

Chapter Seven - Future Housing Market Need and Supply.

7.1 Overview of chapter

7.1.1 This chapter looks at the future housing market need, and supply. The first section examines in more detail the various component parts of the projection of housing need into the future, initially at a sub-regional level. This is supported by projections of housing growth. This work is then built on in the later part of the chapter which looks in more detail at the components of future housing need by local authority. The final section of the chapter looks at the implications of this work for planning and housing policy.

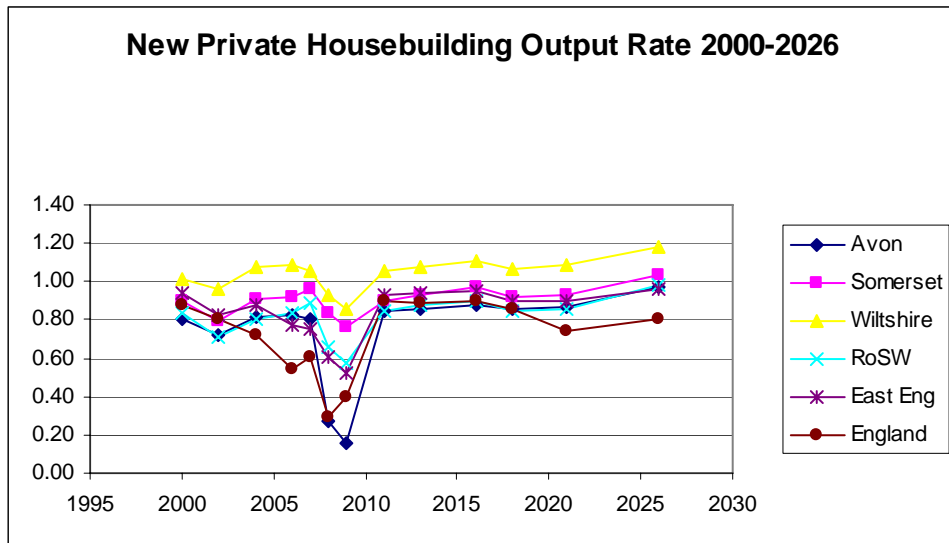
7.2 Housing supply

7.2.1 Chapter 2 has examined current housing supply issues in some detail and set out the differences between the current position, and the various targets for new supply which are under discussion within the emerging Regional Spatial Strategy. Although final dwelling requirements are awaited, it is clear that there could be a step change in the number of affordable homes being built in the HMA area between now and 2026, based on a projection of the impact of current housing and planning policies, but this does assume that target levels of affordable housing are viable within the developments taking place.

7.2.2 This section reports the results of the baseline run of the market area forecasting model. The results are mainly presented as charts showing the evolution of key measures over the period from 2000 to the current planning horizon of 2026. The three former county areas for WoE (former Avon, Somerset and Wiltshire) are compared with benchmarks of the rest of the South West, one comparable region (East of England), and England as a whole. Financial variables are all expressed in real terms at 2004 prices.

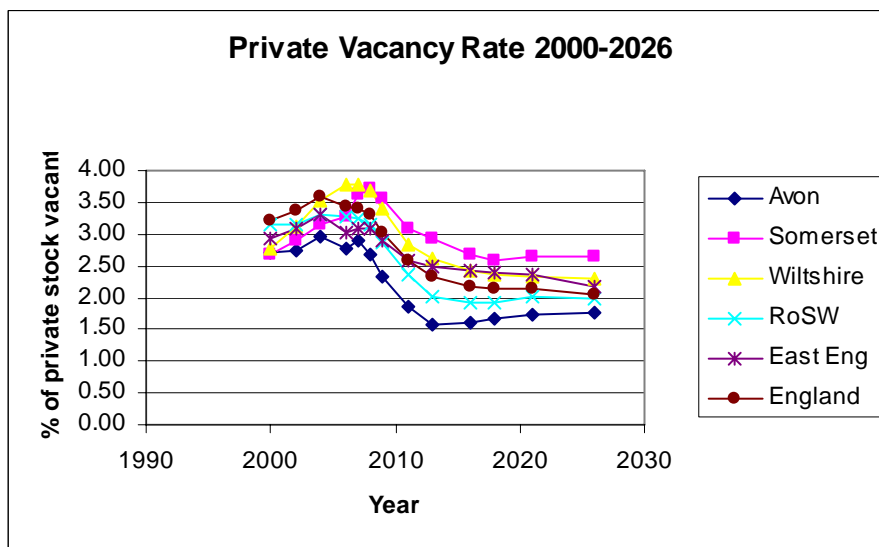
7.2.3 Figure 7.1 shows rates of new private house building per 100 households. This shows sharp drops in England and former Avon areas in 2008, recovering by 2011, and then climbing gradually (while in England rates would drop a little from the peak). The increases in the rate of house building may seem in this figure to be quite moderate. It should be remembered that the denominator, the number of households in each LA, will be rising significantly.

Figure 7.1 New Private Housebuilding Output Rate 2000-2026



Source: higher level forecasting model; completions per 100 households. Reference to Wiltshire is to Former Wiltshire including Swindon.

Figure 7.2 Private Vacancy Rate 2000-2026



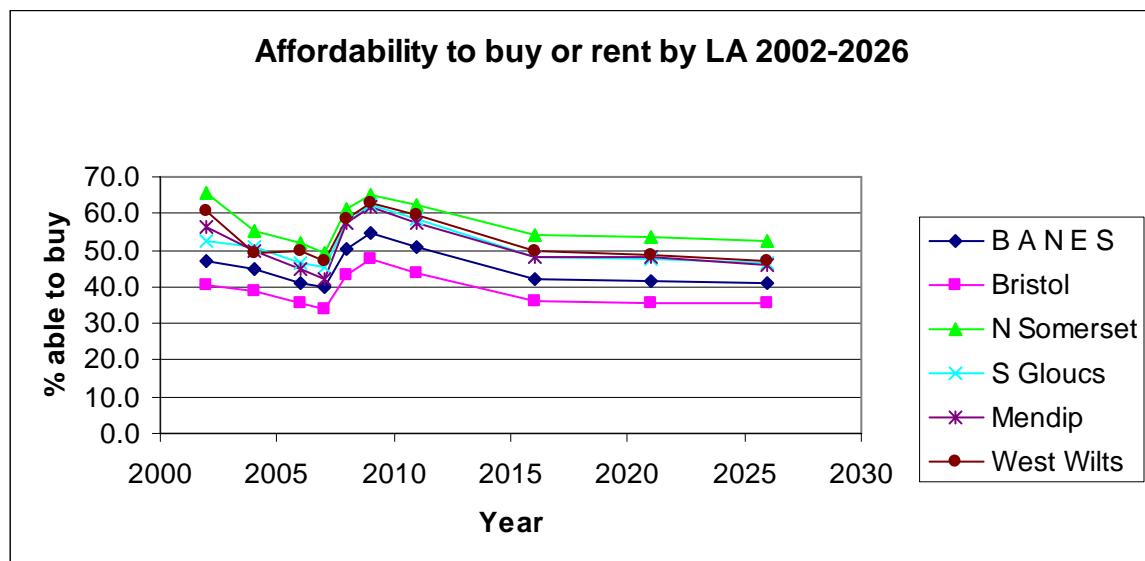
Source: HIP/HSSA vacancy and stock data and higher level forecasting model.

7.2.4 The model predicts private vacancy rates. In previous years vacancy rates in WoE areas were generally low by national standards, but tending to rise. Some further rise is expected up to 2008, but thereafter vacancies are expected to fall gradually to 2018, and then rise slightly after that. In future vacancies are expected to be higher in Somerset and Wiltshire and relatively lower in former Avon. There are more localised variations reported at zonal level. In general, the model suggests that greater levels of new supply will tend to increase vacancies somewhat. However, the overall picture of low vacancy rates is part of the wider picture of constrained housing supply.

7.2.5 The next stage of the analysis is to link the market forecast to affordability and need, using the 'Bramley Affordability Model' at LA level. The structure and operation of this model was summarised in Chapter 1. This provides a more refined set of affordability measures than the House Price to Income Ratio (HPIR) and actually measure the proportions of key groups of households who can afford various options in the market. These measures turn out not to be very well correlated across LA's with the 'lower quartile HPIR' (as used by CLG, 'Reading Affordability Model' and NHPAU). The reasons are to do with variations in household composition, the presence of second earners and part-time working, house price structures by size, and so forth.

7.2.6 Figure 7.3 presents the headline affordability measure (to buy or rent in the market) for the six WoE LA's over the 24 year timescale (2002-2026). Affordability deteriorated sharply down to 2006 and 2007; it is expected to improve noticeably by 2011, following the price correction induced by the Credit Crunch¹. 10% points more households will be able to buy in 2011 compared with 2006 in WoE. After that there will be some deterioration again by 2016, and then a fairly stable position up to 2026. The position in 2026 will be virtually the same as in 2006, which was by historical standards a very 'unaffordable' time. However, the average over the whole period 2006-2026 will be better than the spot picture in 2006.

Figure 7.3: Ability to buy or rent by LA 2006-2026



Source: LA-level affordability model projections linked to higher level market forecast; % of under-35 households able to buy in the market, adjusted for wealth, or rent privately if that is more affordable.

7.2.7 The pecking order of affordability between the districts does not change much. North Somerset is the local authority with the best

¹ Affordability is shown to improve from 2008 onwards, due to falling house prices, even after allowing for higher interest rates and limited income growth. This may be slightly misleading insofar as credit crisis is reducing the availability of mortgages, particularly for those without access to large deposits. It is assumed that by 2011 more 'normal' conditions will have returned to the lending market.

affordability, followed by West Wilts with South Glos and Mendip close behind. Bristol has the poorest affordability, followed by B&NES. Bristol's position is affected by markedly lower incomes, while B&NES is more affected by high prices.

7.3 Components of future housing need

7.3.1 The Guidance sets out clearly the information needed to calculate future housing need (see table 7.1 below, table 5.3 in the Guidance). This section examines each of the component parts in turn.

Table 7.1 Summary of data required to calculate newly arising household need

Table 5.3: Summary of data required for each step of Stage 2	
Step	Data items
2.1 New household formation (gross per year)	Census, SEH
2.2 Proportion of new households unable to buy or rent in the market	Entry level rents/property prices identified in Chapter 3, SEH, Mortgage lenders, LA/RSL databases
2.3 Existing households falling into need	Housing register, LA/RSL data, tenants surveys
2.4 Total newly arising housing need (gross per year)	$(2.1 \times 2.2) + 2.3$

Source: CLG Guidance

7.4 New household formation

7.4.1 Table 7.2 (below) looks at some modelled demographic numbers lying behind the projections. The top part of the table looks at gross household formation, a key influence on both housing demand and affordable need under this model. The most striking feature is that the modelled number is expected to remain relatively stable. This may seem surprising, given the general demographic growth of the area and the trend which has been exhibited in the past towards smaller household size and higher 'headship rates (both discussed further in Chapter 3). However, the model applies cautious assumptions about headship, basically taking the key rates for younger adults from 2001 and only adjusting these with changes in affordability. Secondly, new household formation reflects age structure and there is a general tendency towards an ageing population (as described in Chapter 3). This will have the effect of reducing the gross household formation rate expressed as a percentage of all households, which is what the model is predicting. In addition, there is also a consistency adjustment, so that net household growth must always equal gross household formation plus net migration (in household equivalents) less household dissolutions. Net household growth is controlled to forecasts from the

higher level model which takes account of both the official projections and affordability changes. This model forecasts net household growth slightly below the official projection level.

- 7.4.2 It has already been noted that the housing market is tight and under pressure. There is evidence that in such circumstances household formation may, to some extent, be suppressed compared with what would have happened just following past trends. The rising household size in London in the 1990s is an example of this (see also the work of the NHPAU published in 2008 work showing evidence of increased 'constrained demand' within their 'demographic' approach to housing supply ranges). Table 7.2 contains further evidence of exactly this point. In five of the six years shown, household growth exceeds the number of new dwellings². That is a recipe for falling vacancies, increased sharing, and suppressed household formation. The higher level economic model also produces a consistent story on this.
- 7.4.3 One other point worth commenting on in Table 7.2 is the differential pattern of growth in new dwellings, and new households, between the different authorities. B&NES and South Glos show a relatively sharper upturn in numbers later in the period; Bristol and North Som show a more modest upturn, while Mendip and West Wilts show relatively little upturn. This reflects the planning strategy of concentrating growth on or near the core cities and the land allocations made in accordance with this.

² Technically, we should look at net additions. We do not have complete or forecast values for conversion gains or losses, and we only have sketchy estimates of demolitions. For the purposes of the modelling we have therefore assumed that conversions and demolitions outweigh each other. However, the limited evidence that is available does suggest that conversion gains make an important contribution to growth in dwelling numbers on smaller sites, particularly in some urban areas where dwelling sub-division is particularly prevalent, and that these form a net addition to stock not totally offset by other losses.

Table 7.2: New Household Formation, Household Growth and New Build Numbers by Local Authority 2006-2021

Gross New Household Formation	2006	2007	2009	2011	2016	2021	2009-21 average
B&NES	1,523	1,538	1,489	1,435	1,393	1,419	1,434
Bristol	3,326	3,757	3,536	3,375	3,241	3,218	3,343
North Som	1,628	1,611	1,626	1,592	1,682	1,842	1,686
South Gos	2,152	2,207	2,187	2,151	2,166	2,256	2,190
Mendip	812	815	801	776	695	632	726
West Wilts	1,158	1,037	1,065	1,058	973	896	998
West of England	10,599	10,965	10,704	10,387	10,150	10,264	10,376
Net Household Growth	2006	2007	2009	2011	2016	2021	2009-21 average
B&NES	527	739	700	700	725	799	731
Bristol	576	2,399	2,320	2,320	2,281	2,063	2,246
North Som	1,221	1,288	1,271	1,271	1,504	1,660	1,427
South Gos	785	1,188	1,186	1,186	1,339	1,366	1,269
Mendip	546	719	713	713	581	442	612
West Wilts	1,051	840	869	869	629	234	650
West of England	4,706	7,173	7,059	7,059	7,061	6,563	6,936
New Dwelling Completions	2006	2007	2009	2011	2016	2021	2009-21 average
B&NES	343	345	118	512	761	823	554
Bristol	1,746	1,749	690	1,977	1,936	2,058	1,665
North Som	990	1,010	300	1,110	1,407	1,548	1,091
South Gos	675	681	253	971	1,186	1,293	926
Mendip	364	368	403	514	427	446	447
West Wilts	507	519	560	839	641	656	674
West of England	4,625	4,673	2,324	5,922	6,358	6,824	5,357

Sources: zonal affordability and need model, linked to ward forecasting model. Note that new dwelling completions are forecast by the model and do not match actual outputs. Net Household figure is the same for 2009 and 2011 because figures are given for five year periods.

7.4.4. Table 7.3 compares the model's forecasts of household numbers with the official (2004-based) household projections. In general, the forecast is for similar household numbers to those shown in the projections. For England as a whole, the forecast is very close to the projection. Up to 2016, Avon, Wiltshire and RoSW are forecast to see a larger than projected household increase, while for Somerset the forecast is slightly lower than the projection.

Table 7.3: Comparison of Household Forecasts and Projections

Year/ basis	Avon	Somerset	Wiltshire	RoSW	East Eng	England
Base2000	411,254	208,066	249,026	1,199,291	2,183,326	20,343,722
Proj 2006	435,000	226,000	267,000	1,280,000	2,363,000	21,489,000
Fcst 2006	431,583	218,377	270,405	1,300,728	2,321,748	21,448,315
Fcst 2011	458,969	236,334	293,341	1,388,827	2,470,562	22,638,735
Proj 2016	481,000	261,000	302,000	1,440,000	2,652,000	23,698,000
Fcst 2016	488,222	252,661	314,814	1,480,642	2,640,056	23,829,543
Fcst 2021	517,660	267,319	336,643	1,564,085	2,806,981	24,928,298
Fcst 2026	547,859	282,837	358,370	1,647,564	2,970,938	26,045,926

Source: CLG Household Projections (2004-based); higher level forecasting model.

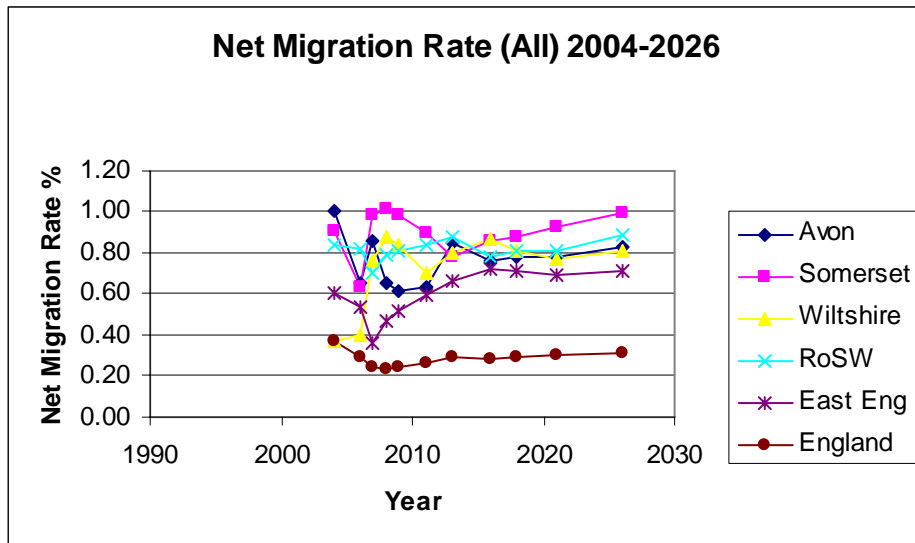
7.4.5 When the CLG household projections are revised they will incorporate more recent ONS population estimates and projections which incorporate higher migration numbers and assumptions than previously. Thus they will certainly be higher. There is some debate about whether the migration assumptions will in fact be too high, allowing for changing Home Office rules and the abating of the flows from new EU member states. It is likely that forecasts for household numbers contained within the model will be a reasonable comparator for the new household projections with a lower (and arguably more realistic) migration assumption.

7.5.1 Migrant need

7.5.1 Figure 7.4 shows predicted net migration rates for all ages (including international). Although there are some slightly confusing fluctuations, the general prediction is that WoE areas will experience migration rates which are significantly positive and well above national rates. At around 0.8%-0.9% of population per annum, these indicate a scenario of considerable demographic growth in housing demand. These numbers are not simple demographic extrapolations; they do take account of forecast economic and market conditions, although these themselves reflect past experience.

7.5.2 Migration is shown to fall initially after the 'peak' year of 2004 (when A8 migrants initially came in large numbers). However, the forecast is for some increase in later years, back towards the earlier levels. The net migration rates are slightly higher in Somerset and RoSW than in former Avon and Wiltshire. This may reflect housing supply conditions and/or the environmental attractions of these areas.

Figure 7.4 Net Migration Rates



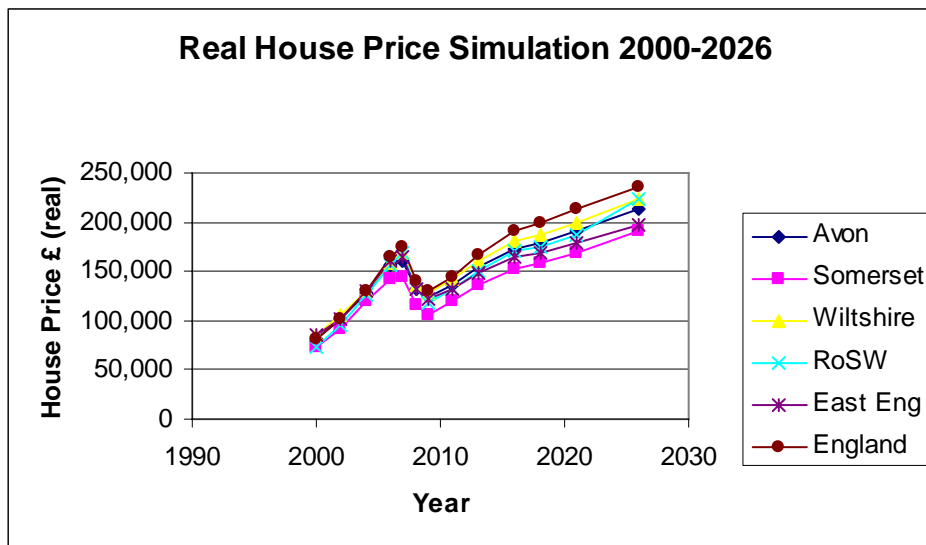
Source: higher level forecasting model; net migration rate per 100 population, including international.

7.6 Proportion of new households unable to buy or rent in market

7.6.1 Chapter 6 examines the issue of affordability and sets out some examples of how this has been calculated. In this chapter the focus is on how affordability might change over time.

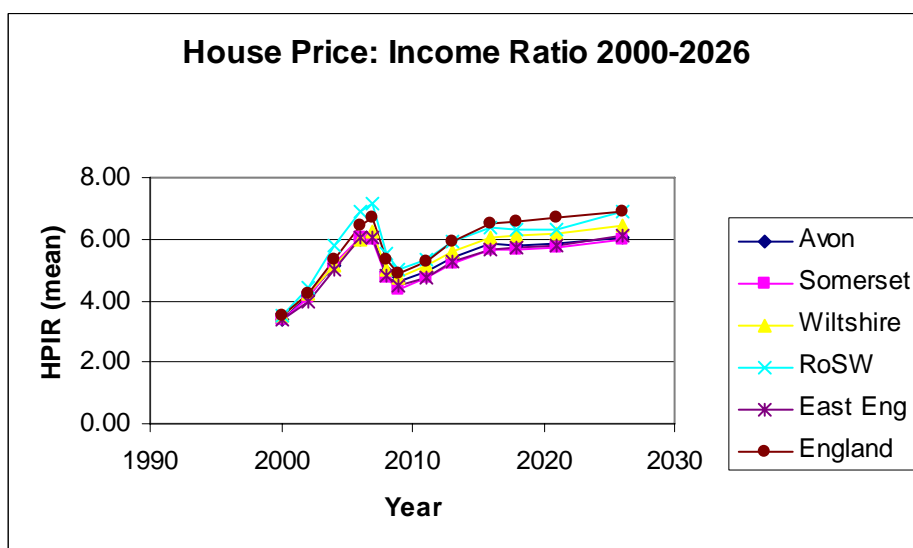
7.6.2 Figure 7.5 shows the price trends predicted by the model in real terms (prices adjusted to exclude the impact of inflation). Prices rose very steeply up to 2007 (at 10% pa). There is expected to be a sharp drop to 2008-09 (about 25%) and a slow recovery thereafter. Prices in the WoE area, which were very close to the national average, are predicted to lag a little behind the England level, but will recover to around their 2006 level by 2016. They continue to rise at a moderate rate to 2026. The price growth rate from 2009 to 2026 is 3.3% pa in real terms, still above the rate which the Barker (2004) review regarded as damagingly high.

Figure 7.5 Real House Prices Simulation 2000-2026



Source: higher level forecasting model; average price of Nationwide 'type 3' house at 2004 general price levels. Reference to Wiltshire is to Former Wiltshire including Swindon.

Figure 7.6 House Price: Income Ratio 2000-2026



Source: higher level forecasting model; ratio of average house price to average household income. Reference to Wiltshire is to Former Wiltshire including Swindon.

7.6.3 The house price: income ratios (HPIR) shown in Figure 7.6 and Table 7.5 show a similar pattern. However, these rise only gradually after 2016. This is due to the effects of rising incomes relative to house prices. WoE areas lie slightly below the England average, and this difference becomes slightly accentuated. Nevertheless, by 2026 HPIRs rise again to almost the same high level seen in 2006 (slightly higher in Wiltshire, slightly lower in Somerset).

7.6.4 The Rest of the South West had worse affordability than England in 2006 (see also Wilcox 2005, 2007). In the later period of this forecast this wider region is expected to track the England level of HPIR closely.

Table 7.4 shows that the East of England also has a generally similar affordability profile to WoE.

Table 7.4: House Price Income Ratios for WoE Areas and Comparators 2000-2026

<i>Year</i>	<i>Avon</i>	<i>Somerset</i>	<i>Wiltshire</i>	<i>RoSW</i>	<i>East Eng</i>	<i>England</i>
2000	3.41	3.36	3.50	3.50	3.40	3.51
2002	4.16	4.10	4.23	4.43	4.00	4.21
2004	5.15	5.21	5.11	5.77	4.98	5.37
2006	6.00	6.02	6.00	6.88	6.02	6.41
2007	6.06	5.97	6.25	7.17	6.04	6.70
2008	4.96	4.75	5.03	5.55	4.84	5.31
2009	4.64	4.36	4.74	4.98	4.48	4.90
2011	4.96	4.75	5.11	5.36	4.78	5.29
2013	5.41	5.22	5.58	5.91	5.24	5.95
2016	5.82	5.67	6.05	6.36	5.67	6.54
2018	5.81	5.66	6.08	6.29	5.70	6.57
2021	5.87	5.70	6.19	6.32	5.80	6.69
2026	6.07	5.99	6.44	6.87	6.14	6.91

Source: higher level forecasting model;

Note: Ratio of mean price of Nationwide 'Type 3' house to mean gross household income. These figures differ from the house price to earnings ratios shown in table 6.6.

7.6.5 In 2006, the three WoE areas had similar HPIR affordability values. In later years Wiltshire is predicted to get worse (higher) than former Avon, while Somerset may be marginally better. Note that the projection shows that HPIR will not return to the relatively low levels achieved in 2000, in any area, throughout the period of the forecast. All six authorities had HPIR of under 4 in 2000, compared to 6 or over in 2007. The cost of borrowing was generally higher in 2000 but affordability was better because of lower house prices. Overall this demonstrates stark evidence of the decline in affordability over the past seven years.

7.7 Implications of Forecast for Affordability and Need

7.7.1 The first part of this chapter has examined the future housing market, with an emphasis on the components that will establish future housing need. The second part of this chapter illustrates modelled need for future affordable housing and the implications of this for planning and housing policies. The section examines figures for each of the component parts of future need i.e.

- New younger households unable to afford to buy or rent in the market
- Migrant households unable to afford market housing
- Older households moving from owner occupation into social renting
- A 'quota' (10%) of the 'backlog' of households with existing needs

7.8 Newly forming households unable to buy or rent in the market

7.8.1 The number of new households unable to afford to buy in the market is itself a complex equation which includes:

- The number of newly forming households
- Affordability, which is itself built up from:
 - income levels; and
 - the cost of buying or renting in the market

Trends on affordability have been discussed in the preceding paragraphs.

7.8.2 Previous tables 6.5 and 6.6 looked at the proportion of younger households able to buy or rent historically. Table 7.5 below shows the projected number of newly forming households unable to buy or rent in the market. Numbers are predicted to drop slightly in 2009; falling house prices mean that more people will be able to afford to buy (once mortgages again become more widely available) and the model also presumes that falling house prices will translate into slightly lower market rents.

Table 7.5 Newly forming households unable to buy or rent in the market

	2006	2007	2009	2011	2016	2021	Average percentage of all newly forming households 2009 – 21
B&NES	916	953	704	731	819	843	54
BCC	2,199	2,568	1,920	1,920	2,082	2,074	59.8
North Som	843	870	605	635	785	840	42.5
South Glos	1,077	1147	834	906	1093	1166	45.7
Mendip	456	471	310	321	334	292	43.3
West Wilts	574	543	390	418	458	425	42.4
WoE	6,065	6,552	4,764	4,931	5,572	5,640	50.4

Source: zonal level affordability and need model.

7.9 Migrant need

7.9.1 Table 7.6 shows the projected number of migrant households in need of social rented housing. Migration patterns and trends have already been discussed in chapter 2. There is more information on the particular needs of migrant households in chapter 10.

7.9.2 Migrant affordable housing need shows an upward trend over the period, although with a slight hesitation in 2009. This reflects the combination of affordability trends and the rising migration rates generated from the higher level economic model. Both variant models (which use somewhat different treatment of migration) show this same tendency to increase.

Table 7.6 Migrant households in need of social rented housing

Local Authority	2006	2007	2009	2011	2016	2021	Average 2009 - 2021 ^e
B&NES	88	120	107	126	155	170	140
Bristol	204	407	379	447	579	594	500
North Som	174	190	136	157	222	247	191
South Glos	-38	1	18	28	81	103	58
Mendip	59	92	69	82	107	110	92
West Wilts	56	58	45	50	55	23	43
WoE	544	869	754	890	1198	1248	1023

Source: zonal level affordability model

7.10 Existing owner occupiers falling into need

7.10.1 Table 7.7 shows the projected number of older owner occupiers who may move into social rented housing. The needs of older households are discussed in more detail in chapter 10. The model assumes that the number of older owners potentially moving to social rented housing is a constant proportion of all older owner occupiers and therefore displays a steady, slightly increasing trend.

Table 7.7 Existing owner occupiers moving to social rented housing

Local Authority	2006	2007	2009	2011	2016	2021	Average 2009 – 2021
B&NES	98	99	102	105	110	115	108
Bristol	185	186	195	203	216	227	210
North Som	125	127	131	136	146	158	143
South Glos	143	145	149	154	162	170	159
Mendip	64	65	68	71	76	80	74
West Wilts	77	78	80	84	87	88	84
WoE	692	700	725	752	797	838	

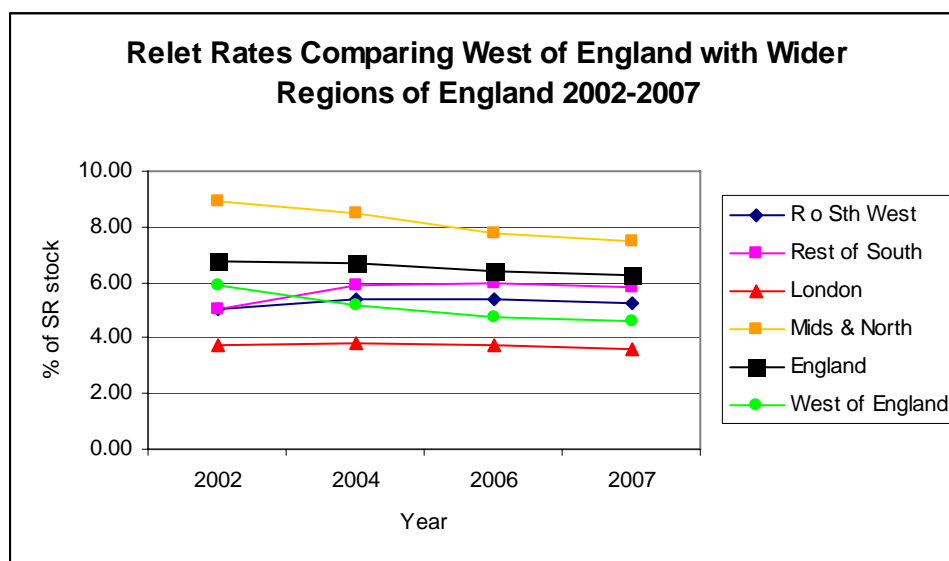
Source: zonal level affordability model

7.11 Relets and intermediate resales

7.11.1 The most important source of affordable housing supply in any year are the relets arising in the existing social housing stock. Relets of social housing are very important for two reasons, firstly as the main source of supply of affordable housing opportunities and secondly as a good (inverse) measure of the demand for/popularity of social housing (Bramley et al 2000). The assessment of supply also takes account of resales from the intermediate stock, which currently average 50 per year (2005/6-2006/7 figures). There are no intermediate rental sector properties but if these are developed in the HMA then intermediate rent relets should also be counted. In future, as the stock of intermediate accommodation increases, this factor will become more significant.

7.11.2 Figure 7.7 compares WoE relet rates with wider regional comparator areas. In 2006-07 WoE relet rates were lower than in the main comparator areas, other than London. Rates fell in WoE from 2002 to 2007 whilst they rose in the wider South, and fell less in England as a whole. This suggests that WoE is an area of relatively greater pressure and limited supply and that this situation has intensified.

Figure 7.7 Relet Rates from social housing stock 2002-2007



Source: HSSA returns, supplemented by local lettings estimates and CORE in WOE areas.

7.11.3 Table 7.8 shows net social rented relets (including shared ownership resales) in the two most recent years by local authority, and the projection forward. In the recent period relets were declining somewhat due mainly to the intensifying pressures in the housing market. Nevertheless, there were nearly 4000 affordable letting or sale opportunities in 2006 in the sub-region, with nearly half of these being in Bristol City. The Table then projects relets for affordable housing, including intermediate housing, over the modelling period. Relets do fluctuate over the projection period, falling in 2007, rising in 2009 (due

to assumed improved market affordability), falling to 2016, and then rising marginally to 2021. At the end of the period relets are slightly below their level at the beginning. Relet numbers are driven by the interaction of social housing stock and relet rates as forecast in the higher level economic model. The latter generally predicted a fall in relet rates (Figure 7.7 above) after 2009. Social housing stock has been falling due to RTB, which is expected to continue at recent average rates, but will be augmented by new provision as this comes on stream. Over the whole period, Bristol and Mendip will see a fall in relets, while North Somerset and South Glos will see some rise.

Table 7.8: Net affordable housing relets/sales by Local Authority 2006-2021

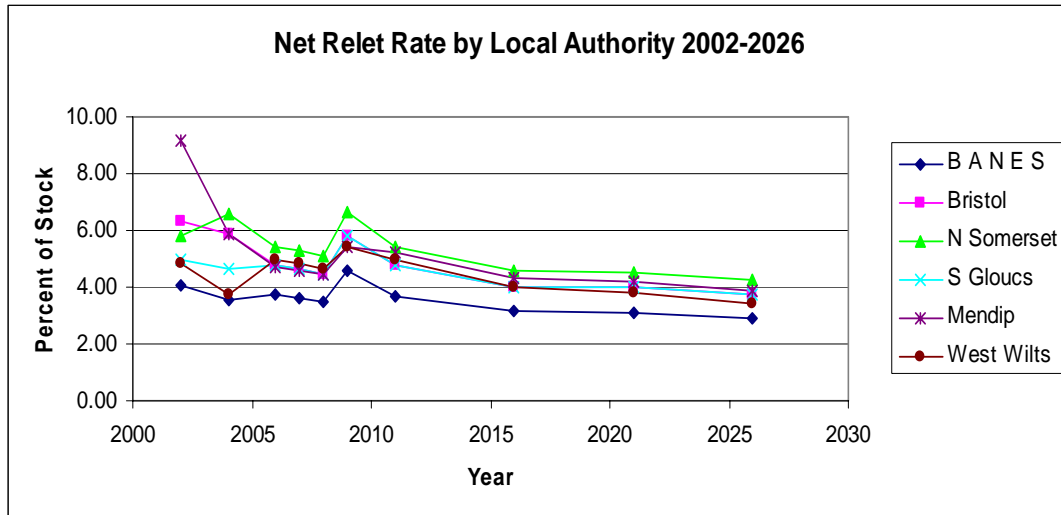
Local Authority	2006	2007	2009	2011	2016	2021	Annual Average
B&NES	431	403	509	423	379	415	431
Bristol	1,922	1,783	2,306	1,913	1,682	1,716	1,904
North Som	450	399	507	433	421	493	464
South Glos	518	497	636	538	501	555	558
Mendip	280	243	291	287	255	258	273
W Wilts	353	330	381	369	341	351	361
West of England	3,955	3,655	4,630	3,963	3,579	3,788	3,989

Sources: Local letting estimates, supplemented by CORE and HSSA returns, including shared ownership resales, as used in zonal need model.

7.11.4 Figure 7.8 shows the trends in relet rates by local authority over the whole planning period, as a percentage of social rented stock . The market area forecasting model generates estimates of how relet rates are expected to change in future years. Although there is some fluctuation at individual authority level, the trend from 2002 to 2006 was generally downwards. Rates are expected to be fairly static to 2011, then to fall to 2021, with a slight rise after that. Relet rates are higher in North Somerset and lower in West Wilts and B&NES.

7.11.5 It must be remembered that stock levels are also falling. Given the importance of relets as the main source of supply of affordable social rented housing, it is easy to see how this reduces the opportunities for households in need.

Figure 7.8 Net Relet Rate by Local Authority 2002-2026



Source: LA-level need/affordability model, linked to higher level forecasting model; 2002-2007 values based on local data and HSSA returns.

7.11.6 Relet rates vary between zones. They can be influenced by many factors – the age structure of the area (higher relet rates may be associated with an ageing population), availability of alternative housing options (low relet rates may reflect a lack of alternative housing opportunities), and the property type (it can be argued that high rise flats for example attract a more transient population). Within WOE, the needs model did not suggest a particularly strong correlation between relet rates and the relative popularity of particular neighbourhoods, i.e. turnover rates are not necessarily higher in less popular areas, although this is generally true across the country as a whole. Table 7.9 shows the rates for all zones.

Table 7.9: Relet Rates by Zone in 2006

Zones with Higher Rates	Net Relet Rate % 2006	Zones with Medium Rates	Net Relet Rate % 2006	Zones with Lower Rates	Net Relet Rate % 2006
South Glos Rural	8.4	Thornbury	5.0	Kingswood	3.8
Clevedon-Yatton	7.2	Keynsham	4.8	Bath City South	3.7
West Wilts Rural	7.1	Bradford on Avon	4.8	Wells & Rural	3.4
Weston-Super-Mare	6.3	Glastonbury	4.6	Westbury	3.2
Shepton Mallet & Rural	6.0	Bristol Inner West	4.5	Bath City North	3.2
Bristol North	5.7	Nailsea and Backwell	4.5	Portishead-Gordano	3.0
Frome & Rural	5.5	Chew Valley	4.3	Bathavon	2.5
Trowbridge	5.4	North Fringe	4.3	Yate/Sodbury	2.3
Bristol South	5.3	Norton Radstock	4.2	Bristol North West	0.6
Bristol Inner East	5.3	Melksham	4.1		
Warminster	5.1	Bristol East	3.9		

Source: Local letting estimates, supplemented by CORE and HSSA returns.

7.11.7 Areas with very low relets are found mainly in suburban and small town areas – such areas are found in all of the districts. The highest relet rates are, interestingly, in some more rural areas, in some towns further from the core cities, and in some of the poorer areas in Bristol. In some of these cases these relet rates may reflect the relatively greater possibility of households on moderate incomes exiting social housing into the local housing market. It might be expected that inner city areas would experience higher relet rates but this is less clearly the case in WoE in recent years.

7.12 Modelled backlog need for affordable housing

Table 7.10 Modelled Backlog

@ 10%	2006	2007	2009	2011	2016	2021
B&NES	246	267	318	323	356	435
Bristol	663	745	764	683	560	548
North Som	311	342	391	391	406	472
South Glos	321	268	317	320	348	428
Mendip	89	131	184	193	221	284
W Wilts	214	228	278	291	336	430
West of England	1,845	1,981	2,253	2,201	2,228	2,597

Source: zone level needs affordability model (pre-SEH adjustment)

- 7.12.1 The way that backlog need for social rented housing is calculated is discussed in more detail in Chapter 6, which illustrates how figures from the Survey of English Housing have been combined with filtered waiting list numbers to give a composite estimate. The model starts with this composite backlog estimate for 2006-07. Chapter 4 explains the decision to assume that only 10% of backlog need is met each year, rather than the 20% which the Guidance allows. The modelled backlog need is important as it reflects the reality, that if backlog need is not met year on year then the backlog need will increase. Given the very high levels of housing need in the WoE SHMA, this is likely to be the case. However, the Guidance treats backlog need as a single figure and assumes that need will be met over a 5 or 10 year period. These modelled figures are therefore included for illustrative purposes only. The housing need figures quoted in Chapter 4 use a single backlog figure and thus are in line with the Guidance.
- 7.12.2 For forward projection, the model increases backlog where (at LA level) net need (excluding backlog allowance) exceeds new affordable provision, but only by half of the difference, and vice versa. So basically where supply is not keeping pace with need, backlog gradually increases, and vice versa. For this purpose new affordable provision is projected based on recent/current levels and land availability. For WoE as a whole, between 2006 and 2021, backlog is projected to increase by about a third. This is similar to the scale of increase seen in the early 2000s, and provides a further indication of the high level of need and pressure on the housing system and the inadequate current and projected levels of supply in the baseline. The backlog rises over the projection period in five of the six authorities; in Bristol it is projected to fall slightly after 2009.

7.13 Net need

- 7.13.1 Table 7.11 shows the headline net need numbers resulting from the components just described, over the projection period at local authority level. Absolute net need rises to 2007, falls to 2009, rises again to 2016 and then more slowly to 2021. This table also underlines the importance of Bristol City in the overall numerical picture, for example, with net need of 1329 in 2006, 25.6% of the sub-regional total, although its relative need is generally smaller than other local authorities. Bristol generates large gross annual needs but has a much larger number of relets than any other authority (nearly 1900 in 2006, compared with less than 500 in any other authority). With its large social housing stock Bristol may be in a position to reduce its backlog in periods of more favourable affordability, to a greater extent than other authorities.
- 7.13.2 Table 7.11 shows sizeable increases in net needs between 2006 and 2026 for several of the districts, particularly Bristol and South

Gloucestershire. The Bristol figure is affected by the different way the zone level model treats migration, recognising the lower income of in-movers compared to out-movers. The Bristol net needs figure is also more volatile due to the large number of relets in Bristol. The overall picture is one of high positive net needs for all authorities throughout the projection period. All authorities show increased need comparing 2006 to 2021.

Table 7.11: Net positive annual need for affordable housing by local authority 2006-2021

	2006	2007	2009	2011	2016	2021	2009-21 average
B&NES	917	1,038	723	862	1,061	1,148	948
Bristol	1,329	2,123	952	1,341	1,755	1,727	1,443
North Som	1,003	1,130	756	885	1,139	1,224	1,001
South Glos	985	1,063	682	871	1,183	1,311	1,013
Mendip	389	517	340	379	483	509	427
W Wilts	568	577	412	473	596	616	522
West of England	5,191	6,449	3,865	4,811	6,217	6,535	5,354

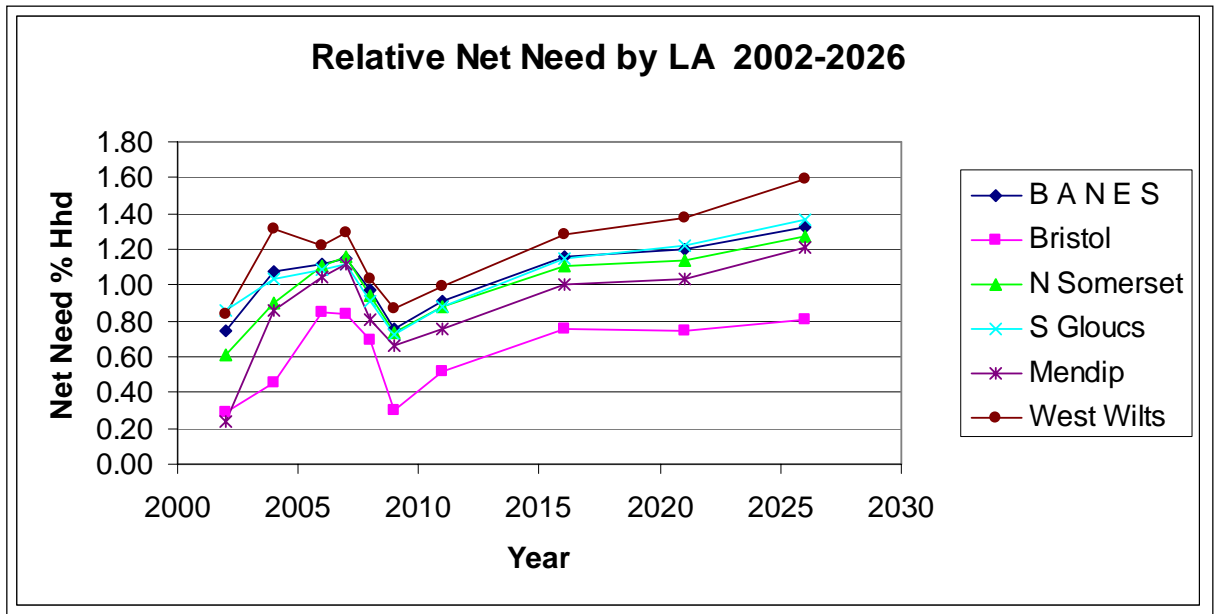
Source: Zonal level affordability and need model. Note figures may not sum due to rounding

7.13.3 It should be noted that the absolute values of net need figures from table 7.11 are different from those in the calculation set out in Chapter 4. This is due to the differences in the way that the backlog is treated, as discussed above. The figures in chapter 4 have been calculated to conform to the Guidance and form the evidence base for the local authorities. They are lower than the figures above, which may more closely reflect what will actually happen: for example it is unlikely that the backlog will be cleared by 10% year on year over a 10 year period.

7.14 Relative net need

7.14.1 Needs may be expressed as net annual numbers, as in Table 7.11 above, or as rates relative to existing household population, as in Figure 7.9 below.

Figure 7.9 Relative Net Need by LA 2002-2026



Source: LA-level affordability model projections linked to higher level market forecast; net annual need for affordable housing as percent of resident households

7.14.2 Figure 7.9 shows that net need for affordable housing follows the expected inverse relationship with prices and affordability. Need increased steeply between 2002 and 2007, and this was true in all the districts although to a more marked extent in certain cases (Mendip). Relative need is projected to fall by 2011, although it will still in most cases be above or similar to the level of 2002. Need will then rise again to 2016 with static or slightly changing rates to 2021 and then a further increase up to 2026. The rate of need seems to increase more in some districts, particularly West Wilts, while in Bristol there is a marginal fall from 2016-2021 and a lower relative increase overall. In most cases, need in 2026 would exceed 2006 levels, whereas in Bristol it would just fall short. However, in all cases need in 2026 would exceed 2002 levels. All WoE authorities show significant positive needs throughout the period, which is not the case in some other regions of England (where surpluses become increasingly apparent over time).

7.15 Future Need at Zonal Level

7.15.1 In this section we consider briefly some summary measures of need over the period covered. Table 7.12 shows key need indicators averaged over the four forward years 2009/2011/2016/2021.

7.15.2 The first column of the table shows that the numerical scale of need varies greatly between the zones, partly because of their differing population sizes but also because of factors like affordability and existing supply (relets). Zones with high absolute needs include Bath City North and South, Bristol Inner West, South and East, Weston-

super-Mare, Kingswood, and North Fringe. Small absolute need characterises Thornbury, Shepton Mallet, Chew Valley, Bathavon, Bradford-on-Avon, Melksham, and Bristol Inner East. These are mainly small towns and rural areas, apart from the latter which is a deprived inner city area which is less popular, cheaper and which has a substantial relet supply. However, it is also noteworthy that, looking over the whole period, all zones have some positive needs for additional affordable provision.

7.15.3 Need relative to existing household population is shown in the second column. Some of the same zones feature as high on this indicator too, including Bath City North and South and Bristol Inner West. However, some of the smaller towns also show up with higher scores, for example Wells, Portishead-Gordano, Yate-Sodbury, and Bradford-on-Avon. Low relative scores characterise Bristol North, Inner East and South (all areas with a large existing social supply) and also Shepton Mallet.

7.15.4 The need levels shown in Table 7.12 are average values. The model also enables changes to be tracked year on year, showing zones with high increases in the intensity of net need (i.e. measured as a percentage of all households). High increases may reflect a number of factors: higher rises in prices/worsening affordability, greater increases in the population through migration, and declining stock and relets.

Table 7.12: Key Need Indicators Averaged over Projection period 2009-2021 Average Values 2009-21

Zone	Net Need per annum	Need % Hshlds
Bath City North	320	1.6
Bathavon	49	0.9
Bath City South	312	1.5
Chew Valley	31	0.8
Keynsham	106	0.9
Norton/Radstock	130	0.8
Bristol North	123	0.4
Bristol North West	110	0.9
Bristol Inner West	556	1.7
Bristol Inner East	63	0.3
Bristol East	261	0.9
Bristol South	330	0.5
Clevedon-Yatton	139	1.0
Nailsea-Backwell	179	1.0
Portishead-Gordano	204	1.3
Weston-Super-Mare	479	1.0
Yate/Sodbury	165	1.1
Kingswood	396	0.9
North Fringe	292	1.0
South Glos Rural	125	0.6
Thornbury	35	0.6
Glastonbury/Street & Rural	117	0.9
Wells & Rural	130	1.2
Shepton Mallet & Rural	42	0.5
Frome & Rural	138	0.7
Bradford on Avon	57	1.2
Melksham	66	1.0
Trowbridge	126	0.8
Westbury	68	1.0
Warminster	72	0.9
West Wilts Rural	133	0.7
WoE Sub-region	5,354	0.9

Sources: zonal affordability and need model

Note: minor differences due to rounding.

7.16 Implications for affordable housing targets

7.16.1 This section presents analysis from the model and discusses the following issues:

- Affordable housing targets –
- Splitting of targets between social rent and intermediate.
- Mobile demand in the social and intermediate affordability categories and implications for the level and distribution of provision.

Affordable housing targets

7.16.2 Earlier sections in this chapter have set out the forecast level of housing need. A key point about these affordable needs estimates is that they are very high relative to projected or forecast levels of new dwelling provision.

7.16.3 Table 7.13 below compares the annual average net need figure from chapter 4 with the local authorities own forecasts of the amount of affordable housing that could be delivered within current policy constraints as discussed in Chapter 2 section 2.9. The two averages cover slightly different time periods but illustrate the key point – that current levels of provision of affordable housing are completely inadequate to meet projected need. Net need is averaging almost 5,000 households each year (this is the figure from chapter 4 which complies fully with the Guidance) whilst new supply only delivers 1,376 new homes each year, a shortfall of 3,517 homes each year.

Table 7.13 current levels of provision compared with future levels of need

	Average annual affordable housing output on current policy (2006 – 2026)	Average annual net need (2009 - 2021)	Average Annual Shortfall
B&NES	228	847	619
BCC	367	1,526	1,159
North Som	331	904	573
South Glos	302	903	601
Mendip	37	324	287
West Wilts	111	386	275
WoE	1,376	4,893	3,517

Source: Local Authority information-theoretical assumptions based on existing policy

7.16.4 It is clearly a major policy purpose of this study to inform the setting of targets for proportions of new housing developments to be devoted to affordable housing. The evidenced level of need cannot realistically be met with the levels of new housing provision currently planned or projected; demand for affordable housing outstrips, in three areas, the total projected new build supply. The remaining three areas have needs which would require a significant proportion of new supply to be affordable. Table 7.14 (below) shows this clearly.

Table 7.14 Percentage of new supply that would have to be affordable to meet housing need

Local authority	Annual average supply of new build 2006-2026	Annual average need 2009-2021	Affordable need as a share of new supply (%)
B&NES	732	847	116
Bristol	1,501	1,526	102
North Som	1,401	904	64
South Glos	1,112	903	81
Mendip	358	324	90
West Wilts	494	386	78
WoE	5,596	4,893	87

Source: New build supply taken from Local Authority monitoring data (consistent with Draft RSS), annual average net need taken from table 4.11

7.16.5 Clearly it will be increasingly important to maximise the amount of affordable housing delivered through s.106 quotas policies. Authorities may also wish to look at ways of increasing the affordable housing stock which do not rely on new supply. It is also important to consider the overall level of supply and to use the models to examine what the impact of increasing supply might be. Chapter 8 looks at the impact of higher supply on house prices and affordability. The remainder of this section looks at the policy implications arising from the level of housing need and current projections of housing supply.

7.16.6 In getting from indicative unconstrained targets to a more usable set of policy targets, a number of considerations come into play:

- 1) sites which already have planning permission with a previously determined affordable quota, or none. There is often a considerable lead-in time before changes in planning policy are delivered on the ground.
- 2) the mix of sites coming forward above and below operative site size thresholds (the level of housing demand would suggest that authorities should consider reducing thresholds where feasible). Planning policies may need to require higher levels of affordable housing on larger sites to reflect the number of sites that come forward which are under the planning threshold. Thresholds could also be reviewed. Some authorities may wish to consider other approaches such as seeking an off-site contribution

to affordable housing from all housing developments, whatever the site size.

3) the extent of provision on available 'social housing only' sites.

4) the extent to which need may be met through provision not involving new build, for example OMHB, or market acquisitions for affordable housing. This may also involve working with the private rented sector although it is important to remember that solutions that rely on housing benefit do not meet housing need and risk trapping households into worklessness. However, longer term leasing and similar schemes may provide some stability of tenure and enable an intermediate rent level to be charged to those households on suitable incomes.

5) uncertainties about future fluctuations in market conditions and needs, which may be informed by the forecasts for different years, the different supply scenarios discussed earlier, or other sensitivity tests using the model.

6) allowances for some households with needs arising in one zone who may be willing and able to move to other zones which are under less pressure, this may result in authority wide based targets.

7) the availability of social housing grant to meet part of the subsidy costs of affordable housing in some circumstances, for example when the site would be unviable to deliver the full target amount of affordable housing without public subsidy.

8) prospective site viability for typical sites in different Zones with different price levels, and possibly differences in other development costs and planning obligations.

7.16.7 Many of these considerations go beyond the scope of this study or the data available to us. The land availability data goes some way towards answering the first three bullet points. Although a detailed analysis of site size and thresholds has not been carried out, there is evidence that authorities should be considering reducing the site size threshold for affordable housing requirements. The contribution of intermediate provision has also been considered, along with the sensitivity of outcomes to market variables, and the issue of mobile demand. Site viability is important and is addressed in some other work commissioned by WoE authorities, and in other work by the authors, but has not been part of the brief for this study.

7.16.8 Taking account of these points, and experience and precedents elsewhere, it is clear that there is an upper practical limit to affordability targets, even in the most pressured areas. This upper limit will largely be determined by site viability, and each local authority will be carrying out its own work on site viability issues. Given the emphasis in planning policy guidance on the requirement for evidence of need, it could be argued that targets should vary within the region in a way

which relates in part to need levels. However, many zones in the West of England area evidence needs which are likely to be above 100% of the projected new supply and is therefore unrealistic. There is therefore an equal argument that zones with lower levels of need should still be required to deliver a significant level of affordable housing to make a contribution to housing need elsewhere in the local authority area or possibly to meet wider sub-regional needs.

7.17 Future need for Intermediate housing

7.17.1 Table 7.15 (below) looks at the potential requirement for New Build HomeBuy based on affordability as agreed by the Housing Market Partnership in February 2008; the model estimates the number of new/younger or migrant households for whom this option could be relevant. In later years the potential need for NBHB is around 1,000 per annum. Numbers drop off sharply during the continued market slump in 2009 when it is assumed that affordability improves. This is consistent with current difficulties providers are reporting in selling intermediate housing units, although the reason for the current problems may be more to do with shortage of mortgage funds in general and uncertainty about market prospects, whereas within our model the reasons are to do with relative affordability and overall needs. The relative size of these needs broadly reflects the size of the authorities. It is noteworthy that Bristol's relatively high absolute number is consistent with the evidence from the Zone Agent list analysis. Potential need for NBHB looks set to persist over the period as a whole and to increase in Bristol and South Glos.

7.17.2 The potential role for OMHB has also been examined. OMHB targets the threshold entry level market price level rather than the price of a new build RSL unit, and may in some cases be initially more affordable even allowing for the fact that OMHB involves a 60% tranche being purchased of historically cheaper housing stock but with no immediate residual rent on the unsold equity. There is a delayed residual rent and the cost of these products are in some cases linked to mortgage products which require deposits to be raised. As OMHB targets existing stock it is therefore a way of meeting housing need which does not require new stock to be built. However, the availability of OMHB is determined by national policy, and current funding levels mean that only a modest number of households can be assisted. Increasing OMHB may be one way of helping to meet housing need without building new homes, although in not increasing overall supply it will reduce the capacity to meet market demand.

Table 7.15: Potential Need for New Build HomeBuy from newly arising households by Local Authority 2006-2021

Potential New Need NB HomeBuy	2006	2007	2009	2011	2016	2021	2009-2021 average
B&NES	98	26	27	74	69	58	57
Bristol	376	396	139	308	420	411	319
North Som	229	107	68	167	196	215	161
South Glos	191	74	73	177	194	200	161
Mendip	77	46	28	72	77	74	63
W Wilts	127	87	30	80	81	67	65
West of England	1,100	735	365	878	1,036	1,024	826

Source: Zonal level affordability and need model.

Social rented tenants moving into Intermediate Housing

7.17.3 The Guidance identifies that there may be justification to deliver increased levels of intermediate purchase options where it might enable existing “higher earning” social tenants to move into affordable intermediate housing therefore releasing rented homes for lower income households. (Intermediate rented options are considered unlikely to be attractive to social renters who would simply pay higher rents for less secure housing options, unless it is seen as a pathway to home ownership).

7.17.4 Headline data from the Survey of English Housing indicates that there are Social Rented tenants who may be able to afford to move from social rented into Intermediate Housing. Historically, the number has been very low, despite strong marketing of intermediate housing products and prioritisation of sales existing tenants. This may in part be due to discounts available under Right to Buy/Right to acquire, which provide an alternative option for these households. The model takes account of anticipated levels of RTB sales. Other reasons may exist preventing the purchase of Intermediate Housing. Essentially the programme encourages those on moderately higher incomes to move from a secure low cost housing option to one which presents greater risk and a borrowing commitment in return for the purchase of a stake in a dwelling.

7.17.5 CORE data demonstrates that a very small percentage of buyers historically have been sourced from the Social Rented sector. Between 2004 and 2007 social Rented Tenants represented an average 5.5% of all intermediate sales.

7.17.6 Zone Agent data shows that 180 applicants, (9.3%) of the filtered backlog need for intermediate housing, were existing social tenants. However, few of these progress to purchase. This may change over time, and will be monitored.

Table 7.16: Intermediate Sales to Social Tenants 2004-7

Housing pa	2004/5	2005/6	2006/7	3yr average	Total Programme of intermediate sales annual average	Average share of Social rented - Intermediate sales
B&NES	0	0	2	1	72	1%
Bristol	12	9	3	8	105	8%
North Som	4	1	0	2	48	3%
South Glos	4	4	0	3	23	12%
Mendip	1	2	2	2	21	8%
West Wilts	2	0	1	1	22	5%
West of England	23	16	8	16	291	5%

Source: CORE 2004/5 to 2006/7 SR to Int Sales Program CORE 2004-7

7.17.7 Using 3 year average figures the impact of social rented tenants moving has been small in terms of releasing stock for re-letting. The current 16 per annum are already accounted for in the relet figures in the model. Taking an optimistic view that more tenants can be persuaded to purchase Intermediate Housing options the supply of social rented relets has been tripled from 16 per annum to 47 per annum. This needs to be monitored against actual supply to ensure this does not overestimate social rented relets.

7.17.8 This increase will deliver an additional 31 extra relets to add to the traditional re-let supply to meet the housing needs of those who have a need for social rented housing as set out in Table 7.17.

Table 7.17: Annual Moves Social Rent- Intermediate Increased Sales

	2004/5	2005/6	2006/7	3yr average	Future sales increases x3	less existing SR relets already counted	Additional SR letting
B&NES	0	0	2	1	2	1	1
Bristol	12	9	3	8	24	8	16
North Som	4	1	0	2	5	2	3
South Glos	4	4	0	3	8	3	5
Mendip	1	2	2	2	5	2	3
West Wilts	2	0	1	1	3	1	2
West of England	23	16	8	16	47	16	31

Source CORE SR to Int Sales Program CORE 2004-7 (rounded upwards). Note: figures may not sum due to rounding.

7.18 Intermediate-Social Split of Targets

- 7.18.1 There is a strong policy interest in splitting the affordability planning target between intermediate sector and social rented sector provision. There is a general policy push nationally to promote affordable home ownership; this meets aspirations for certain groups and may in some circumstances require less subsidy, although this will depend on the product being offered. There is evidence that more affordable products, such as the 40% minimum purchase/1% rent which is the basis of the modelling, may require similar levels of subsidy to social rented housing. Any requirement for intermediate housing will of course need to be based on evidence of potential need/demand, using the affordability analysis and other evidence. However, given the very high levels of housing need and the fact that it will take some time to move towards meeting a significant proportion of that need in most areas, it will be a policy decision for each local authority to determine the mix of affordable rented and intermediate housing set out in targets.
- 7.18.2 There are several additional ways in which intermediate provision can help address need. Firstly, there is a role for OMHB, which can help to make the most of existing owner occupied stock. Currently the national programme is relatively small at around 6,000 units per annum, which would only assist a very small proportion of those eligible and interested in the WoE area. It would require a significant increase in funding for OMHB for this to have any real impact in reducing housing need in WoE. However, at time of writing an increasing range of Equity Loan models are coming forward, and partner authorities will monitor the number and affordability of purchases through this programme in the future to assess the contribution that this element of supply can make to reducing housing need.
- 7.18.3 Secondly, intermediate provision may be attractive to some existing social tenants, who could afford to buy in this way and move, so creating extra social vacancies which can be let to poorer households for whom social renting is a necessity. This has been taken account in the modelling, although the numbers of social housing tenants taking up this option currently are very small. Thirdly, in the immediate future, with mortgage availability a problem, intermediate rental housing with options to purchase later may be viable and popular. Fourthly in addition to addressing need intermediate housing plays a vital role in creating a mixed balanced community.
- 7.18.4 Table 7.18 shows net need by local authority for both social rented housing and affordable intermediate housing.
- 7.18.5 It is important to understand the limitations of the model in relation to intermediate housing. The model assumes that households interested in intermediate housing will move to the more affordable areas within that local authority. This appears to be a sensible assumption but the impact is to depress the numbers quite significantly. To begin with, it

depresses the need for intermediate housing in high value areas because intermediate housing is not affordable there. Also, in some areas e.g. in high value areas it is cheaper to rent privately than to buy, so households who can afford to rent are assumed to take this option. However, in other areas the numbers are also depressed e.g. in lower value areas, because it is often possible for more households to meet their housing need in the market, either renting privately or buying outright.

Table 7.18: Net Need for Social rented and Intermediate Dwellings by local authority area for 2009 – 2021

Average 2009 – 2021	B&NES	BCC	North Som	South Gos	Mendip	West Wilts	WoE
1) Total annual net need social rented	786	1176	735	727	271	317	4104
2) Total annual net need intermediate	61	351	169	176	54	69	879
3) Total annual net need	847	1526	904	903	324	385	4893
4) % split social rented/intermediate	93/7	77/23	81/19	80/20	83/17	82/18	82/18

Source: modelled figures Note: minor differences due to rounding

7.18.6 However, the information is considered sufficiently robust at local authority level to inform the development of policy. There will be policy decisions to be taken about whether or not a minimum percentage of NBHB should be built in every zone, reflecting authority-wide demand, and whether NBHB should be built in areas with higher prices. In terms of creating mixed and balanced communities this may be a desirable option, but care will need to be taken to ensure that a 40% minimum share is affordable to those who cannot afford a market solution. Issues about mobility of demand are discussed further below.

7.18.7 At the other end of the spectrum, policy decisions will need to be taken on whether a larger share of intermediate provision is made in some areas. Although the potential need is clearly there, it may be difficult to sell large quantities of NBHB if these all come on to the market at the same time.

7.19 Mobile Demand

7.19.1 We have carried out some further analysis which modifies the need assessment by assuming that some or all of the marginally affordable households who are priced out of the Zones where they originate could move to cheaper areas within the market. This will both reduce the overall need and shortfall of supply, but also redistribute it somewhat. The method used is to take the threshold price, for access to buying or renting in the market or to OMHB, not from the particular zone in question but from the cheapest Zone within that local authority. Thus, we are assuming the possibility of some movement within LA areas but

not across the whole sub-region. This understates the full potential of such moves, but we do not consider that all households priced out in areas like Bristol or South Glos would be able to move to Zones at the far end of Mendip or West Wilts.

7.19.2 Table 7.19 shows the headline results from this modified model allowing for mobility within local authorities by households on the margins of affordability. In 2006, this alternative assumption would reduce net needs by 746 households per year or 14.4%. This suggests that this mobility process would make a useful contribution to reducing excess needs but that, in that pressured year, the level of need would still remain very high

Table 7.19: Differences in need in 2006 allowing for mobility to cheapest zone within Local Authority

Local Authority	Net Need	Difference Baseline	Difference %
B&NES	917	-158	-17.2
Bristol	1,329	-314	-23.6
North Som	1,003	-105	-10.5
South Glos	985	-40	-4.0
Mendip	389	-41	-10.5
W Wilts	568	-89	-15.7
WoE	5,191	-746	-14.4

Source: zonal affordability and need model.

7.19.3 It can be seen that this allowance for mobility would have the largest absolute and proportionate impact within Bristol. The next largest impact would be in B&NES. It would have a relatively small impact in South Glos, where there are no very cheap Zones, and a fairly small impact in North Somerset and Mendip. It is also accepted that increasing mobility does not increase supply, and if large numbers of households move to cheaper areas this is likely to have some impact on house prices in the area, which may in turn make the area less affordable to some of the households already within that zone.

7.19.4 Within the affordable housing sector mobility is also potentially significant. The model used takes account of this to some degree in any case. For example, the backlog estimates include an element for households registered for housing in one authority but living in another WoE authority. The model allows for an element of movement between West of England HMA authorities by households needing affordable housing. This accounts for between 750 and 1250 of the net need in the zonal model over the forward projection years, and tends to increase over time. The method used to calculate this in the zonal model takes account of differences in affordability between in- and out-movers. This tends to boost the demand in Bristol particularly (poorer

households moving in, better off households moving out). Evidence is presented in chapter 6 on the potential demand for intermediate housing, based on the Zone Agent register. This indicates potential demand from households willing to move between authorities.

7.19.5 Traditionally social housing has been seen as catering mainly for local needs, and not providing easy opportunities for moves between areas. This remains true to some extent, and it is also true that lower income households tend to be less able to move longer distances. However, recent rehousing data from CORE indicates that only 60% of lettings were to households from within the same zone. 30% were to households from other zones in the same local authority, and 5% each coming from other WoE authorities and outside the sub-region. The four West of England (former Avon area) Unitary Authorities have recently adopted a quota for cross-boundary moves to increase mobility.

7.20 Summary

7.20.1 This chapter has examined future housing market need and supply. The model reflects the recent drop in house prices and the impact that this is having on affordability, and predicts that by 2011 affordability will improve noticeably. After 2011, however, affordability will worsen again, levelling off by 2016. By 2026 affordability will be at similar levels to 2006.

7.20.2 Household formation rates and migration rates are also modelled. The model predicts a lower household formation rate than our demographic analysis might suggest, partly because household formation rates are tied to the supply of new housing. Migration patterns show a dip reflecting the current recession, but over the longer term will be significantly positive, and well above national rates.

7.20.3 The various components of housing need are also examined. Of particular concern is the predicted fall in relets, which form a large part of the supply of social rented housing, as affordability worsens again and overall stock levels reduce. In this chapter, a proportion of unmet backlog need is carried forward, so that net housing need figures shown here are higher than those in chapter four (which have been calculated in accordance with the Guidance).

7.20.4 Net need figures are examined against potential future supply. In all authorities, there is a predicted significant shortfall of supply of affordable housing, assuming current policies continue. Even with higher anticipated supply, need is a significant proportion of the total supply across all tenures – in 2 authorities, over 100%.

7.20.5 The Chapter also examines need for intermediate housing, and a possible split of social rented/intermediate supply for the future. Across the SHMA area as a whole, the modelling suggests an indicative split of 18% of future affordable housing to be intermediate, although it is

stressed that local authorities will wish to take policy decisions relating to the supply of intermediate housing, which may include a minimum percentage in every zone, and a view on whether intermediate housing should be provided in more expensive zones in order to balance the housing market.

7.20.6 The impact on housing need of assuming greater mobility within and between local authorities is also examined. Assuming that households who are buying or renting in the market would move to the cheapest zone in the local authority area could reduce overall need by around 15%, although it is recognised that such moves may impact on the market locally and supply may be insufficient to meet this level of demand.