

Chapter Eleven - Policy issues and recommendations and future monitoring

11.1 Conclusions

- 11.1.1 The West of England sub-region has been characterised by relatively high levels of economic and employment growth and low unemployment and this is likely to continue. The economy has successfully restructured away from manufacturing towards more of an office and service base. There is considerable commuting within the sub-region, particularly into the city centres and the North Fringe of Bristol. Prospective employment growth raises issues about the quantitative adequacy of planned housing growth for the sub-region.
- 11.1.2 Housing in WoE has a similar profile to England as a whole but with rather more owner occupation and private renting and more older housing. Social renting has a relatively low share in some of the districts. Intermediate affordable housing is a small but growing tenure. Bristol is much the largest local authority in population size but growth has been fastest in North Somerset and West Wilts. Bristol has significantly more private and social renting and a greater incidence of poverty. Vacancies are generally low except in parts of inner Bristol.
- 11.1.3 Variations in housing type and size mix may be relevant to housing choice options, with relatively more flats and few large dwellings in Bristol and the opposite pattern in some surrounding areas.
- 11.1.4 House prices are generally higher in WoE than national levels, but similar to the wider region, and have tended to increase more in recent years. B&NES has the highest prices within the WoE. Prices are highest in the city centres, followed by the most rural areas, and there is some evidence of a recent decentralisation of house price pressures within the sub-region.
- 11.1.5 Private renting has become more affordable than buying in many parts of the area recently, and private renting supply has increased in line with national trends. Transaction rates are similar to the national level but higher in some areas with more new development or more transient population and private renting.
- 11.1.6 The credit crunch is currently affecting mortgage availability in a serious way, as is happening nationwide, and this is expected to depress the market at least up

until 2010. However, both the baseline assessment for 2006 and the forward forecasts for later years are not fundamentally altered by this.

- 11.1.7 Demand for social renting expressed through Housing Registers has increased markedly since 2002. Social rented relet rates have also fallen markedly in this period.
- 11.1.8 Analysis of the overall drivers of market demand show that WoE has been affected by stronger demand from economic/employment factors, regional market cycle, and lower poverty levels. The city areas also benefit more from location/access and from housing mix and urban form. The effect of greater supply in some districts (North Somerset and West Wilts) can be shown to have moderated prices there, while strong employment demand is particularly reflected in South Gloucestershire. Regional analyses by NHPAU indicate that the South West region is one where greater housing supply will be needed to moderate affordability pressures and meet demographic demand.
- 11.1.9 Affordability criteria applied in this study reflect recent evidence on market behaviour and the characteristics of the region. The proportion of younger households in WoE able to buy fell from 50% in 2002 to 41% in 2006 and 39% in 2007, and affordability in WoE is worse than the national average and comparable regions. Affordability is worst in Bristol and best in North Somerset. Ability to buy or rent in the market stood at 43% in 2006, again below comparable regions.
- 11.1.10 The net need for additional affordable housing between 2009 and 2021 is estimated at around 4,893 units per year. This is greater than the recent historic rate of overall household growth in the sub-region, and a high proportion of projected household growth (6,400). WoE accounts for 2.9% of total net needs for England, greater than its share of household growth or household formation. WoE has only 1.5% of all relets supply in England. There are substantial positive needs in all districts within WoE and in of the 31 Zones.
- 11.1.11 The forecasting model for the higher housing market area level shows a sharp drop in prices (down about 24% in real terms) and output in 2008 and into 2009, but then a gradual recovery back to 2006 price levels in real terms by about 2015.
- 11.1.12 The baseline scenario for supply is consistent with the recent RSS Panel report, but suggests output will continue to grow beyond 2016 as new sites develop. In this scenario prices grow slowly after 2016 and affordability continues to worsen slightly after this date, reaching the levels seen in 2006 by 2026.

- 11.1.13 The WoE area is forecast to continue to experience significant net inward migration running at 0.8-0.9% pa. Recent government projections show successively larger increases in the projected number of households over the future. The 2004 based projections show the number of households in the WoE rising by 96,000 between 2006 and 2026 whereas the 2006 based projections show the number rising by 151,000.
- 11.1.14 Vacancies were expected to rise in 2008 but fall gradually to 2018. Relet rates are also expected to fall somewhat, while remaining close to England averages.
- 11.1.15 Affordability to buy will improve by 12-15% by 2011, but then deteriorate again up to 2016 and more gradually after that. The relative position of the LAs will not change much, although there will be some change at zone level. Net need for affordable housing will move inversely with affordability, falling to 2009 (although still above 2002 levels), then rising to 2016. All districts look set to have higher needs in 2021 than in 2006.
- 11.1.16 Net need for affordable housing is equivalent to 64% - 116% of forecast provision across all tenures, suggesting that the implied planning targets for affordable housing would be unfeasibly high in most of the LAs.
- 11.1.17 New development will be concentrated in certain Zones, which are a mixture of inner city, urban fringe and rural areas. At Zone level, prices are expected to increase more in the more expensive areas, and vice versa, implying a degree of polarisation of price levels.
- 11.1.18 Private renting has increased a lot (by over 50% since 1991) but is expected to fluctuate somewhat with the state of the market. Zones with more development and poorer urban areas are expected to see further increases. Owner occupation is expected to increase in the most deprived wards but not necessarily in moderately deprived areas. The generally low level of vacancies expected further underlines the pressured nature of the WoE market. Flats are expected to increase their share of the housing stock most in the poorest areas, an outcome which might be considered undesirable. However, poverty should continue to reduce more in the more deprived areas, after 2011.
- 11.1.19 If economic growth in the South West were 0.5% pa higher than in the baseline, prices would be progressively higher, reaching 10-13% higher by 2026. However, the effect of this on affordability would be slight, as rising incomes broadly compensate for higher prices. There would be small positive effects on new building rates and on household growth.

- 11.1.20 Higher new housing supply, applied in both WoE and the rest of the country (especially the south) would have a significant impact on outcomes. 11-18% higher output would be associated with affordability (price: income ratio) improvements of 10-11%, with about 5-6% points more households able to buy in 2016. Household numbers would also be 2-2.5% higher by 2026, while social sector relets would also rise, part of a virtuous circle of reducing excess need. Net need would fall by 27-31% for WoE but by 50-63% in Bristol. This finding shows that increasing overall supply would have a very tangible impact in improving affordability and reducing need, at least if part of a concerted regional and national effort. However, the level of increase needed to fully close the gap between need and likely provision would be greater than in this illustrative scenario.
- 11.1.21 Backlog housing needs in WoE are measured from a combination of Housing Registers, adjusted to exclude households with no or minimal needs, and estimates derivable from national surveys by type of ward at regional level. The most common types of need are insecure/unaffordable housing (33%), sharing (17%), overcrowding (15%), and disability/health problems.
- 11.1.22 Net annual needs total 5,200 in 2006 but will fall to about 4,800 by 2011 with improving affordability. From 2016 onwards this will rise again to over 6,000, reaching 6,500 by 2021 (these modeled estimates appear in chapter 7 and are illustrative; they marginally differ from the Guidance calculation due to different treatment of backlog need and supply). The intensity of need is greatest in B&NES and North Somerset but all authorities have some zones with higher than average intensity.
- 11.1.23 At Zone level, average household incomes vary between £846 pw and £464 pw, with corresponding variations in poverty rates between 6% and 30%. Entry level prices vary by a factor of two (£77k to £157k) while rents vary rather less, between £119 and £175 pw (two-bed accommodation, 2011). Affordability varies between 28% in parts of Bristol to 57% in parts of West Wilts in 2006. In 2006 14 of the 31 zones had private rents which were more affordable than buying, but in 2011 buying will be generally more affordable, although there may continue to be constraints on accessing funding, including a requirement for higher deposits. The least affordable zones are all in the two cities. Generally between 15% and 25% of younger households could afford HomeBuy options but not market purchase or renting. Marginal affordability for a 40% price reduction varies between about 14 and 22 percentage points.

- 11.1.24 Zones with the greatest need tend to have high prices, moderate incomes, large populations and limited affordable housing supply. The areas with the lowest net needs tend to have larger existing affordable housing stock and lower prices. Areas with very low relet rates tend to be in rural, small town and suburban areas, across the different districts. However, some small towns have higher relet rates.
- 11.1.25 There appears to be a surplus of social lettings of 2-bed flats (non-family) in several of the authorities, whereas there is a significant shortfall in the two-bed family house type and also a sizeable need for larger (4-bed) housing across all authorities, although with some variation in the balance between LAs and individual zones. In many zones, most or all of new social rented housing need is indicated as being for family-suitable houses, while typically 40-60% of intermediate need is also in this category.
- 11.1.26 In the owner occupier sector, the stock has relatively few small dwellings, although these do display a higher turnover. Recent new build has shown a high share of 2-bed flats as well as a significant share of larger houses. Bristol has relatively little supply of 4-bed homes and a particularly large concentration of 2-bed flats in new supply. Some of the other districts have hardly any 1-bed owner occupier homes. Broadly these data indicate a need for a significant supply of smaller units for first time buyers and intermediate sector, but also for more emphasis on family-suitable 2 and 3-bed homes.
- 11.1.27 Zones with high intensity of need occur across all of the LAs. Lowest need intensity is in some of the Bristol zones and some rural /smaller town areas. Need is forecast to increase in a number of zones, including Bristol South and some smaller town, suburban and rural areas which already had quite high needs. Some of these areas may be candidates for increased overall allocations of land.
- 11.1.28 Planning targets for affordable housing must be based on a range of considerations as well as need, including the portfolio of sites available, viability and the possibility of meeting needs through the existing stock. Local authorities will have to decide whether to set one planning target for the whole area or to vary this by zone. This decision will be informed by a number of issues – existing stock mix, site availability and local need, the extent to which households may be prepared to move to other zones in the local authority area and the extent to which zones which may themselves show slightly lower levels of housing need will need to meet higher levels of housing need arising in neighbouring zones

where supply may be lower. Similarly, the split of targets between intermediate and social may be set at local authority level or may vary between zones.

11.1.29 Current forecasts of new social /affordable provision fall far short of the levels of need indicated, in most zones. This underlines the importance of getting a rigorous set of targets in place, as well as the case for increasing the overall quantum of new supply.

11.1.30 It is realistic to recognise that some affordable housing need will be met by people moving between areas. Firstly, people on the margins of affordability can and do move to cheaper areas. If people can move to the cheapest zone within their local authority area, this reduces the net need in 2006 by 750 households per year, a 14% reduction. This would have its largest impact in Bristol and B&NES. Housing Registers also record significant potential demand for moves across LA boundaries in the social sector, and even more so in the intermediate sector.

11.1.31 For Older Person's accommodation, the data suggests that all authorities have some need for 1-bed OPDs, and all except for West Wilts have some need for 2 bedroom OPDs, based on need. There is extensive research that older people prefer to occupy 2 bed accommodation. There is also evidence of significant demand for extra-care housing.

11.1.32 The Zone Agent database indicates clear demand for intermediate housing. The filtered list identified nearly 2000 households who are currently seeking and eligible for intermediate housing in WoE, and provides significant reinforcement to the evidence base to support provision and associated planning targets for intermediate provision. The evidence suggests that around 18% of affordable provision could be intermediate, with slightly higher levels in Bristol.

11.2 Recommendations

11.2.1 In planning future housing provision, regional and local planning authorities should have greater regard to the impact on housing affordability of changes in supply as well as developments in the economy.

11.2.2 Planning authorities should be planning for a total level of housing provision in WoE to meet identified need and demand. It is acknowledged that the Secretary of State's most recent proposals were a step change over Draft RSS figures although it is recognised that these did not take into account the constraints on the delivery of such targets.

11.2.3 WoE authorities should seek to make the most extensive and effective use of s.106 planning agreements to secure affordable housing within all significant

housing developments across the sub-region. In areas of greater pressure authorities should seek the maximum proportion of affordable housing which is likely to be deemed viable having regard to market prospects, other s.106 obligations and the demands of the community infrastructure levy should this eventually be implemented. This may include revisions to site size thresholds below the national indicative target of 15.

- 11.2.4 Consideration should be given to ways of meeting affordable housing need other than through new building, for example through forms of Open Market HomeBuy, appropriate use of private renting (although solutions that rely on housing benefit do not meet housing need within the terms of the study), or market acquisitions for social rent. Currently Open Market HomeBuy is constrained at relatively low levels by the availability of funding and is not expected to play a major role in meeting housing need, but if national funding programmes increase substantially or were supplemented by private finance such schemes might be able to play a greater role.
- 11.2.5 New developments should typically provide for proportions of both social rented and intermediate (e.g. New Build HomeBuy) affordable housing. The proportions specified for the latter may reflect relative needs at the Zonal level, but need across the whole of the local authority area will be equally important. Given current mortgage difficulties, consideration should be given to intermediate rent with purchase option schemes, particularly if these can attract private finance.
- 11.2.6 Affordability and access to the market should be monitored on a regular basis, and this should take account of typical mortgage terms including deposit requirements as well as price and rent levels. The affordability of intermediate housing should be considered by each authority to ensure that the affordable housing provided meets the needs of households who cannot afford market housing, either to buy or rent.
- 11.2.7 New affordable housing provision should broadly reflect the evidence on size mix requirements presented in this report. In particular, a significant proportion (50% of intermediate, 70% of social rented provision, on average) should be suitable for families.
- 11.2.8 Authorities should seek to influence the mix of private sector housing development to ensure a good range of different house types and sizes. In particular, the need for family sized accommodation needs to be reflected in supply, and also the need for smaller accommodation suitable for single person households and for older people living alone.
- 11.2.9 While further intensification of development may be appropriate in some locations (e.g. where well served by public transport), new developments should contribute a mix of housing types and avoid excessive concentration on one particular type, for example high rise flats.

11.3 Monitoring

11.3.1 This strategic housing market assessment is based on robust secondary data. Much of this has been collected over a five year period, some of it longer. It is therefore far more than a simple snapshot taken at a moment in time. All of our assumptions are evidenced, and trends projected from a strong evidence base. However, projections are just that and it is important to monitor key indicators of the housing market as they emerge. The Partners will work together to monitor what is happening in the market and to respond to changes as they emerge.

11.3.2 Variables to be monitored will have to be considered but may include:

- Levels of economic growth
- Changes to income levels
- Population and demographic changes
- Supply of new housing
- Supply of new affordable housing
- Relets arising in social housing and resales from intermediate housing
- Levels of homelessness
- Numbers of repossessions
- Need for affordable housing, both rented and intermediate
- House prices
- Affordability ratios
- Mortgage Terms
- Deposit required
- Interest Rates
- Moves from social renting to intermediate housing
- The development of HomeBuy direct and Open Market Homebuy
- Market Rents