

West of England Partnership  
22 October 2009

## Strategic Housing Market Assessment

### Purpose of report

To inform the Board of the nature and findings of the West of England Strategic Housing Market Assessment (SHMA) and actions to be considered, including through the Single Conversation with the HCA and the RDA.

### Background

1. Planning Policy requires local authorities to undertake SHMAs as part of the evidence base required to develop planning and housing policy and inform Core Strategies.
2. SHMAs are not intended to give definitive estimates of housing need and demand, but a fit for purpose basis for developing housing and planning policies by considering the characteristics of the housing market, how key factors work together, and the probable scale of change in housing need and demand.
3. The West of England SHMA carried out in accordance with the published Practice Guidance, was completed in June 2009. The study is based upon research and technical modelling work commissioned by Professor Glen Bramley of Heriot Watt University. It was guided by the West of England Strategic Housing Market Partnership and a Project Team.
4. The SHMA report and Executive Summary are available on the West of England Partnership website: <http://www.westofengland.org/planning--housing/housing-market-partnership/strategic-housing-market-assessment>
5. The SHMA provides important evidence to support Single Conversation negotiations on investment in affordable and supported housing.

### Nature of the Strategic Housing Market Assessment

6. The SHMA made use of published data where appropriate and feasible; some additional research was carried out. The approach to the SHMA also included the use of technical models that enabled forward forecasts and projections to be made.
7. The affordability models used in the SHMA considered many factors in order to predict the impact on affordability and to model estimates of households in need of affordable housing.
8. Need for affordable housing is determined by the number of existing and newly forming households who are unable to afford either to buy or rent on the open market.

9. The assessment calculates the number of extra affordable homes required each year to meet emerging need; it takes into account the backlog of applications on housing registers over a ten year period.
10. In summary the gross number of households needing affordable housing has been calculated in the SHMA from the following information:
  - Population
  - Annual Household formation rates
  - House prices and rents
  - Incomes of younger households (under 35s)
  - The number of households who can afford to buy rent, considering both;
    - income only
    - with access to wealth (Council of Mortgage Lenders data)
  - Migrant need
  - Former-owner occupiers moving into social rented property
  - Existing need (registers, surveys)
11. The net number of households needing affordable housing given in the SHMA takes account of the supply of affordable housing from the re-lets of social rented accommodation, and re-sales of affordable intermediate accommodation.

## Findings from the Strategic Housing Market Assessment

### Scale of Need

12. The West of England Housing Market Area (HMA) is a relatively prosperous area with a diverse economic base. It needs to ensure that lack of housing does not cause labour shortages, threaten the competitiveness of the area and lead to the growth of unsustainable long distance car commuting. Future housing supply strategies need to recognise the potential for these wider adverse impacts and seek to meet need.
13. There is a high level of need for affordable housing in the West of England that is not being met through existing policies and levels of delivery. Table 1 illustrates the scale of need compared with annual average dwelling completions.

**Table 1: Annual average completions and annual average households in need of affordable housing**

| Authority                    | Annual Average completions (1998-2008) | Annual average households in need of affordable housing |
|------------------------------|--|---|
| <b>B&amp;NES</b>             | 353                                    | 847   |
| <b>Bristol</b>               | 1,448                                  | 1526  |
| <b>North Somerset</b>        | 1,109                                  | 904   |
| <b>South Gloucestershire</b> | 969                                    | 903   |
| <b>West of England</b>       | 3,878                                  | 4,180   |

Source: Residential Land Surveys of the 4 Unitary Authorities, and the SHMA 2009.

### Co-ordination of new dwellings supply and current policy thresholds

14. The 35% proposed target for affordable housing as a proportion of all housing in the Regional Spatial Strategy (RSS) presents a major challenge, especially in the case of the West of England where many sites are of a size that rules out contributions

from many developers. Delivery of affordable housing based on existing policies will not meet anticipated need. To improve the situation a significant step change in the supply of affordable housing is required alongside other measures outside of the planning system.

15. The different contributions to housing supply of each part of the Housing Market Area is important, particularly given the spread of incomes and house prices. The co-ordination of development would help to maximise opportunities for affordable housing.

### **Affordability**

16. Need for affordable housing is determined by the number of existing and newly forming households who are unable to afford either to buy or rent on the open market. In 2002 more than half of younger households could afford to access the market, but by 2007 this had fallen to 41%.

### **Affordable housing stock and re-lets**

17. Another issue in the West of England is the shortage of affordable dwelling stock, and the impact of its slow growth on addressing either current need or reducing need backlogs.

### **Types and mix of affordable housing required**

18. Authorities will determine the balance of provision between social rented and affordable (intermediate) housing. The SHMA examined the requirements for both social rented and intermediate affordable housing; broadly, across the 6 districts the requirement is for 82% social rented and 18% intermediate affordable housing. The percentage split by district is illustrated in table 2.

**Table 2: Annual Total housing requirements of households in need**

| <b>Average 2009 – 2021</b>                | <b>B&amp;NES</b> | <b>Bristol</b> | <b>North Som</b> | <b>South Glos</b> | <b>Mendip</b> | <b>West Wilts</b> | <b>WoE HMA</b> |
|---|------------------|----------------|------------------|-------------------|---------------|-------------------|----------------|
| Total annual net need social rented       | 786              | 1176           | 735              | 727               | 271           | 317               | 4014           |
| Total annual net need intermediate        | 61               | 351            | 169              | 176               | 54            | 69                | 879            |
| Total annual net need                     | 847              | 1526           | 904              | 903               | 324           | 386               | 4893           |
| <b>% split social rented/intermediate</b> | <b>93/7</b>      | <b>77/23</b>   | <b>81/19</b>     | <b>80/20</b>      | <b>83/17</b>  | <b>82/18</b>      | <b>82/18</b>   |

19. The mix of new housing by size was also examined. For affordable housing tenures the SHMA looks at projected need. Tables 3 and 4 show a high need for smaller property sizes. However, family suitable larger homes are also required and whilst the levels required may not be as high when compared with other types, priority for family housing needs to be taken into account. Also not taken into account is the consideration that the need for family homes may be met more slowly as there are lower levels of stock and re-lets of this type of housing.

**Table 3: Size and type mix need % for new social rented housing 2009-2021**

| Size/Type     | B&NES | Bristol | N Som | South Glos | Mendip | W Wilts | WoE  |
|---------------|-------|---------|-------|------------|--------|---------|------|
| 1 bed         | 38.3  | 48.4    | 38.8  | 22.9       | 43.2   | 55.1    | 40.5 |
| 2 bed flat    | 0.4   | 0.0     | 10.1  | 7.4        | 0.0    | 0.0     | 0.0  |
| 2 bed house   | 32.6  | 25.0    | 21.1  | 38.1       | 27.6   | 18.6    | 27.7 |
| 3 bed house   | 18.6  | 11.8    | 22.3  | 21.3       | 19.2   | 18.9    | 18.0 |
| 4 + bed house | 9.6   | 14.8    | 7.7   | 10.3       | 10.0   | 7.3     | 10.6 |

**Table 4: Size and type mix need % for intermediate housing 2009-2021**

| Size/Type    | B&NES | Bristol | N Som | South Glos | Mendip | W Wilts | WoE  |
|--------------|-------|---------|-------|------------|--------|---------|------|
| 1 bed flat   | 44.1  | 48.6    | 37    | 43.8       | 30.3   | 32.8    | 41.9 |
| 2 bed flat   | 18.5  | 13.4    | 18.1  | 16.7       | 20     | 17.5    | 16.5 |
| 2 bed house  | 13.9  | 19.1    | 20.9  | 18.9       | 24     | 23      | 19.6 |
| 3 bed house  | 21.7  | 16.9    | 22.5  | 19.4       | 23.9   | 25.2    | 20.3 |
| 4 bed+ house | 1.8   | 2.0     | 1.6   | 1.2        | 1.8    | 1.4     | 1.7  |

**Market housing**

20. For market housing, the drivers of demand are more complex. Factors other than simple price to income ratios and projected changes in household size (such as the aspiration of many households for additional space, and the effect of the investment market) come into play. Based on an analysis of mortgage data the study concludes that demand exists for a range of different size and type of market units.

**Needs of particular groups**

21. The report also examines housing needs of particular groups: families, older people, migrants, students and Gypsies and Travellers. There is a high demand for family housing that has not been matched by recent supply, particularly where this has emphasized flats and smaller units. Given the rising population of older people and their specific needs, careful planning will be required.

**Broad actions for further consideration including as part of the Single Conversation process with HCA and RDA**

22. Continuing current policies will not be sufficient to meet a significant proportion of the affordable housing need identified in the SHMA. Broad actions for further consideration include:

**Set planning and housing policies based on SHMA evidence**

23. Individual local authorities set their own targets for affordable housing on new schemes and could consider the following;

- a) Examining the impact of lowering thresholds at which affordable housing contributions will be required from developers
- b) Increasing proportions of affordable housing sought on housing sites, subject to site specific considerations including viability assessments
- c) Seeking affordable housing as part of mixed-use commercial developments.

24. 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.

### **Maximising potential for affordable housing**

25. The SHMA report identifies a requirement to review delivery mechanisms for affordable housing to ensure that the maximum amount of affordable housing is achieved. This may entail:
- a) Finding ways to meet needs through existing stock, such as Open Market Home Buy, purchase of existing stock and solutions involving the private rented sector, where possible
  - b) Reviewing S106 agreement thresholds and percentage requirements, although recognising that schemes have to be financially viable to proceed
  - c) Recognising that the planning system cannot be the only source of supply of new affordable housing. Recent experience has shown that affordable housing delivery through the planning system can only work in a buoyant market. When the market does begin to show signs of recovery it will be important to have land readily available for development, as affordability should be easier for a period of time
  - d) Through the Single Conversation, seeking additional grant funding to deliver affordable homes through the HCA Affordable Housing Programme (AHP).

### **Opportunities through the Single Conversation process**

26. Substantial direct public/private sector investment and joint working to deliver affordable homes and balanced communities will be required to overcome the challenges facing the sub-region. The recent announcements by the HCA on the expansion of the National Affordable Housing Programme and the Housing Kickstart programme are important developments.
27. The Single Conversation will build on this development to ensure that the West of England with HCA, RDA and other partners, are able to maximise opportunities and tackle affordable housing need, alongside the other clearly identified priorities in the West of England.

### **Recommendation:**

That the Board notes the report and gives its views.

Officer presenting the report:

Laura Grady, West of England Partnership

Email: [Laura.grady@westofengland.org](mailto:Laura.grady@westofengland.org) Telephone: 0117 903 6114