

West of England Strategic Housing Market Assessment

Monitoring Report

May 2010

Prepared on behalf of:

Bath and North East Somerset Council
Bristol City Council
North Somerset Council
South Gloucestershire Council
Mendip District Council
West Wiltshire District Council

DRAFT

**Bath & North East
Somerset Council**



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DISTRICT COUNCIL

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District Council**

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1. Introduction

- 1.1 Planning Policy requires local authorities to undertake Strategic Housing Market Assessments (SHMA) as part of the evidence base required to develop planning and housing policy and inform Core Strategies.
- 1.2 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.
- 1.3 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 from Professor Glen Bramley of Heriot Watt University and utilises much baseline data from 2006/07. It was guided by the West of England Strategic Housing Market Partnership and a Project Team.
- 1.4 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>

Emerging Policy

- 1.5 CLG Practice Guidance on SHMA's¹ requires authorities within Housing Market Areas (HMAs) to work together to: assess housing needs; monitor the annual availability and take-up of land for housing in the HMA; and co-ordinate policy and action on the levels of affordable housing sought across their boundaries. In July 2010 the Secretary of State announced the revocation of Regional Spatial Strategies, however, guidance issued for Local Planning Authorities (LPAs) recognises that although overall ambitions for housing growth may change, SHMAs will remain a useful tool for justifying housing supply policies and identifying viable land.
- 1.6 Guidance for Local Planning Authorities following the revocation of Regional Strategies states that LPAs should justify housing supply policy in line with current policy in PPS3: Housing.
- 1.7 PPS3 recognises that authorities should take into account SHMAs as one of a number of factors that should be considered when determining housing provision and the right mix of housing. Nevertheless, SHMA findings alone do not constitute housing targets; the SHMA advises that when developing policy and assessing housing targets individual authorities will also need to take into account a range of other factors, including: the available capacity for new housing; the portfolio of sites available; the objective of creating mixed and balanced communities; the aspirations of residents; the need to ensure economic viability of residential development sites; and the possibility of meeting needs through existing stock.

West of England Housing Market Area

- 1.8 The West of England Housing Market area was defined by DTZ Pida (2004)² along local authority boundaries and consists of Bath and North East Somerset, Bristol, Mendip, North Somerset, South Gloucestershire and the former West Wiltshire. CLG guidance³ defines sub-regional housing market areas as geographical areas defined by household demand

¹ Strategic Housing Market Assessments: Practice Guidance, CLG, 2007

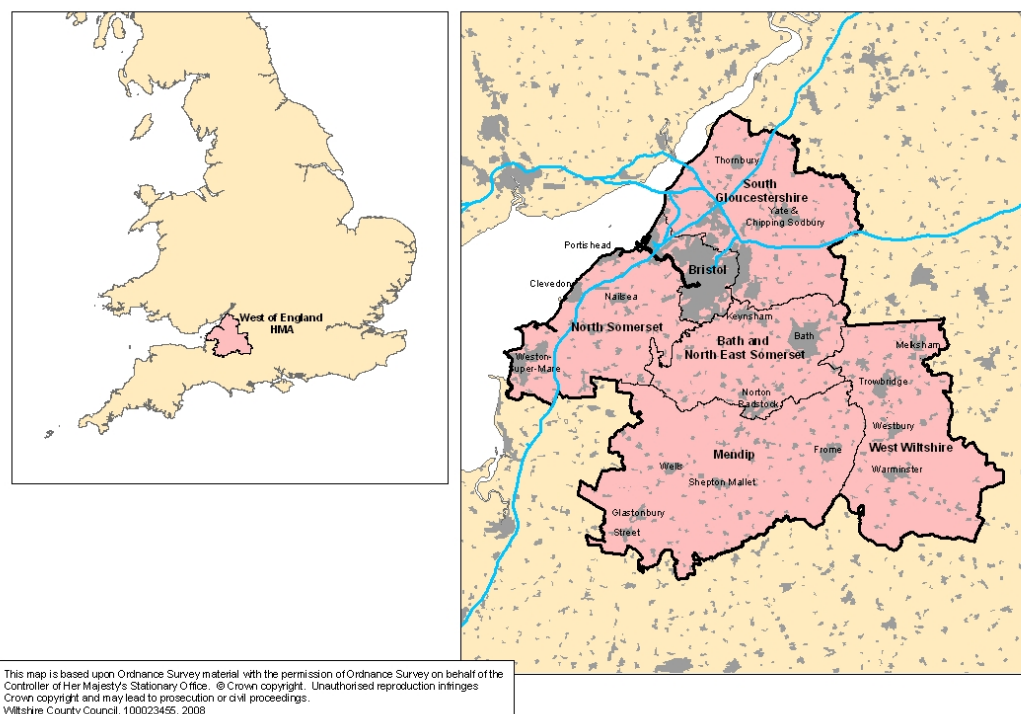
² West of England Housing Market Study, DTZ Pida, May 2004

³ Identifying sub-regional housing market areas: Advice note, CLG, 2007

and preferences for housing, reflecting the key functional linkages between places where people live and work. It is impossible to identify perfectly sealed housing market areas - dependent upon the methods and information used to reflect household behaviour, HMA boundaries are changeable. Nevertheless, Analysis of travel to work patterns supports the current boundary of the housing market area - 93% of people living in the West of England Housing Market area also work in the area showing this sub region has a high degree of containment.

- 1.9 The HMA includes the Strategically Significant Cities and Towns of Bristol, Bath, Weston-Super-Mare and Trowbridge, as well as a range of other settlements. It particularly benefits from access to good motorway and rail connections to the Midlands, South Wales, London and the South East, as well as areas further to the south west. The M4/M5 motorways cross the northern and western parts of the area, joining on the north fringe of Bristol⁴. Main London to South Wales/South West rail routes and the North East/South West “cross country” rail routes all serve the sub region.
- 1.10 Four of these authorities, which comprise the area formerly known as the County of Avon, have collaborated over a number of years under the banner of ‘West of England Partnership’. Mendip and West Wiltshire are not part of the West of England Partnership. Wiltshire became a unitary authority in April 2009, and as such West Wiltshire no longer exists. Throughout this monitoring report where possible data on West Wiltshire has been included to give information that covers the whole HMA, however, it is indicated if information is not available. Future working arrangements will be considered by the Housing Market Partnership, particularly in light of the announcement in July 2010 by the new coalition government on the abolition of the Regional Spatial Strategy .

Figure 1: The West of England Housing Market Area.



⁴ The North Fringe of Bristol is part of the Greater Bristol Principal Urban Area that falls within the administrative boundaries of South Gloucestershire Council.

Purpose of the Monitoring Report

1.11 The West of England Authorities recognise that the SHMA will not provide definitive estimates of housing need, demand, and market conditions because, as the Practice Guidance states⁵, housing markets are dynamic and complex. Chapter 11 of the SHMA therefore sets out the commitment of the Partners to work together to monitor and respond to changes in the housing market as they emerge. In particular, consideration will be given to:

- housing completions and commitments in the context of the total level of housing provision needed in the West of England to meet identified need and demand
- the type and size mix of supply in relation to the requirements presented in the SHMA report
- the impact of economic conditions on affordability, including mortgage terms/deposits and private rents
- ways of meeting affordable housing need other than through new building, for example through forms of Open Market Homebuy, appropriate use of private renting or market acquisitions for social rent

1.12 PPS3 states that authorities should take into account SHMAs as one of a number of factors that should be considered when determining housing provision and the right mix of housing. SHMA findings alone do not constitute housing targets.

1.13 CLG guidance outlines how the monitoring of trends and activities in Housing Market Areas should be undertaken on a proactive basis as set out in PPS3 and PPS12; Local Spatial Planning, to reflect a plan, monitor, manage approach to planning for housing. The guidance requires that these monitoring activities are linked to the existing requirement for each authority to submit an Annual Monitoring report to the Secretary of State.

1.14 The guidance also outlines that SHMAs should provide a robust evidence base looking forward over 20 years and Partnerships should not therefore need to undertake comprehensive assessments more frequently than every five years. Instead Partnerships should select a few key indicators for regular updating. It is important in the West of England that the task is proportionate, consistent, timely and manageable within local authority resources.

1.15 The purpose of this monitoring report is to:

- update key variables to maintain and develop our understanding of what is happening in the housing market now and what may happen in future.
- ensure assumptions underpinning the SHMA are still valid.
- identify any significant changes in the housing market area and consider what actions may be required to ensure that policies set out in the emerging Local Development Documents are achieved.

The SHMA model

1.24 In assessing total affordable need the SHMA took account of a wide range of inter-related factors, including:

- demographic trends, including household formation rates and migration
- owner occupiers moving to social rented
- existing need 'backlog'
- relets of social rented accommodation and intermediate resales

⁵ Strategic Housing Market Assessments: Practice Guidance, 2007, CLG

- house prices
- economic output
- employment/unemployment
- incomes

- 1.16 The most important inputs to the model are economic assumptions about growth in income, jobs and associated unemployment rates. Feedback mechanisms between indicators included in the model ensure that the indicators, including the total number of households and dwellings, remain realistic. For example, new household formation is forecast to respond to house prices.
- 1.17 The SHMA therefore contained many modelled outputs that cannot easily be reproduced, nor is it necessary or appropriate to update. As such, this monitoring report has selected nationally published statistics and LA records, which generally provide an appropriate proxy for the modelled figures, to track general trends in the housing market and identify any significant changes.

Indicators

- 1.18 The Project Team has discussed common definitions and approaches to monitoring, and housing and planning officers in the Authorities have developed indicators. The content of the SHMA monitoring report has been informed by the requirements of PPS3; the SHMA, which outlined future areas of monitoring; and the Audit Commission Toolkit. The report will broadly set out the key findings in the SHMA and provide an updated view of current and future trends for each of the following areas:
- Economic context
 - Demographic Context
 - Demand for homes
 - Supply of housing
 - Affordability
- 1.19 Monitoring is an ongoing process. Inevitably the information required to monitor particular aspects of the housing market may need to adapt to changing circumstances and indicators will be refined as appropriate over time. Where monitoring gaps have been identified in this report (indicated by not available (NA) within tables), the Housing Market Partnership will work to ensure that these gaps can be addressed in future reports.
- 1.20 It should be noted that West Wiltshire's new status as part of the wider Wiltshire Unitary Authority will mean that the availability of data for the former West Wiltshire district will decrease over time.

Recommendations and monitoring requirements set out in the SHMA

- 1.21 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.
- 1.22 Planning Authorities should be planning for a total level of housing provision in West of England to meet identified need and demand.
- 1.23 Consideration needs to 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 as defined within the terms of the SHMA) or market acquisitions for social rent.

- 1.24 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 rent levels.
- 1.25 New affordable housing should broadly reflect the evidence on size mix requirements presented in the SHMA report. In particular, a significant proportion (50% of intermediate, 70% of social rented provision on average) should be suitable for families.
- 1.26 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.
- 1.27 New developments should contribute to a mix of housing types and avoid excessive concentration on one particular type, for example flats.

2. Economic context

- 2.1 The economic context of an area has a significant influence on the local housing market; some of the most important inputs to the SHMA model were therefore economic assumptions about growth in incomes, jobs and unemployment. Chapter 3 of the Strategic Housing Market Assessment used nationally available sources of data to assess the economic context of the West of England, which this chapter seeks to update.

Summary

- Economic growth, both in the West of England HMA and nationally, has been lower than predicted by figures reported in the SHMA. Potentially as a result of this lower economic growth, job creation and therefore inward migration levels to the WofE HMA have been lower than predicted. Nevertheless, sensitivity testing undertaken by the SHMA showed that lowering the economic growth rate had little or no impact upon the total number of households and affordability in the WofE. This is linked to the fact that although a lower economic growth rate may decrease migrant need, it will simultaneously increase need amongst the existing population.
- The economic downturn has impacted upon employment opportunities in the West of England, however, economic productivity in the HMA remains above regional and national levels. The WofE is therefore well positioned to assist an emerging economic upturn.
- Viability in the West of England HMA will nevertheless remain an issue:
- A recent infrastructure study commissioned from Roger Tym & Partners identified a substantial funding gap, in part due to a historical investment deficit, to provide the infrastructure required to support both existing and future growth in the West of England⁶. This growth is critical to supporting the economic well-being of the West of England, which accounts for 23% of regional employment and output. Issues specific to the West of England include; a Strategic Road Network that is at capacity, large areas at risk of flooding, and deprived areas where site viability was an issue that pre-existed the recent economic downturn. Addressing these issues will make an important contribution to stimulating the local housing market.
- The downturn and continuing uncertainty over the direction of property values is likely to have affected land values. These will take some time to recover, and this will have significant impacts in the West of England upon viability and deliverability of some housing and employment sites.

Productivity

- 2.2 In line with regional and national trends, productivity rates (GVA per head) in the West of England HMA have been increasing year on year between 1998 and 2006. The West of England HMA has historically outperformed both the SW and the UK in terms of GVA per head.

⁶ The Infrastructure study covers the areas of the West of England sub-region Bath & North East Somerset, Bristol, North Somerset and South Gloucestershire.

Table 2.1 Gross Value Added (GVA) per head at current basic prices (£)

Area	1998	1999	2000	2001	2002	2003	2004	2005	2006
B&NES	13,213	13,800	14,404	15,413	16,627	17,988	18,962	19,583	20,447
Bristol	18,756	19,590	20,324	21,558	22,804	23,863	24,230	24,444	25,345
North Somerset	13,213	13,800	14,404	15,413	16,627	17,988	18,962	19,583	20,447
South Gloucestershire	13,213	13,800	14,404	15,413	16,627	17,988	18,962	19,583	20,447
Mendip	10,941	11,543	11,993	12,453	12,924	13,665	14,561	15,210	16,088
West Wilts	12,125	12,561	13,059	13,673	14,339	15,023	15,607	15,961	16,574
WofE HMA*	14,772	15,438	16,054	17,054	18,174	19,326	20,067	20,552	21,432
SW	11,148	11,676	12,138	12,788	13,445	14,244	14,965	15,407	16,102
England	13,021	13,606	14,102	14,775	15,531	16,417	17,216	17,738	18,549

Source: Audit Commission Housing Market Data Toolkit.

*WofE HMA figures calculated by West of England Partnership Office

- 2.3 The SHMA model assumed that the credit crunch would have significant effects in 2008-2010, but after that the markets would return to a normal pattern. As such, the SHMA model used modelled inputs of economic growth based on Treasury forecasts up until 2011 and then assumed a long-term regional growth rate of around 2.8% for the region and 2.4% nationally until 2026.
- 2.4 At the time the SHMA modelling was undertaken, Treasury forecasts of national economic output predicted positive growth, including an increase of 1.7% in 2008. It was recognised in June 2009, when the SHMA was published, that such growth forecasts were unlikely to be reached; latest information illustrates that as a result of the financial crisis, growth in the national economy slowed during 2008 to just 0.7%⁷. However, it should be noted that although based on Treasury projections, the modelled inputs used in the SHMA made adjustments for the period 2007-2010 to reflect the disturbance of the credit crunch. Furthermore, in recognition of the fact that the growth or decline of the economy is likely to impact upon other economic and demographic variables, the SHMA model included feedback mechanisms between variables, (including economic growth and population/household projections) to ensure figures remain realistic.
- 2.5 Current HM Treasury forecasts for the UK economy suggest a total decline of -4.5% for 2009 with a small level of growth (1.1%) returning in 2010⁸. In the longer term, economic projections produced by Cambridge Economics (June 2010) suggest an average national growth rate of 2.7% and a regional growth rate of 2.6% between 2010 and 2020, followed by 2.0% nationally and 2.1% regionally between 2020 and 2030.
- 2.6 The post-2011 regional economic rate of 2.8% used in the SHMA model may therefore be considered optimistic. However, the SHMA included sensitivity testing of higher and lower economic growth scenarios which showed that a lower long-term regional growth rate of 2.3% has little or no impact upon the total number of households and ultimately affordability in the WofE HMA. This is likely linked to the fact that although a lower economic growth rate may decrease migrant need, which in the baseline scenario accounted for about 1,000 per annum, it will have little impact upon natural change and simultaneously increase need amongst the existing population, linked to increasing unemployment (see below), repossessions and restricted lending (see chapters 4 and 6). The increase in need emerging from within the existing population is therefore expected to offset the decrease in migrant need to such an extent that total households in need remains as intense as reported in the SHMA, if not higher.

⁷ Economic Labour Market Review, ONS

⁸ HM Treasury Forecasts for the UK Economy, November 2009 and May 2010

2.7 The Bank of England cut interest rates to 2.0% during 2008 and current 2010 interest rates are set at 0.5%, however, these cuts are not necessarily reflected in mortgage interest rates for homebuyers – see paragraph 6.13.

Economic Activity and Unemployment

2.8 The SHMA model assumed that unemployment would increase between 2007 and 2010 as a result of the economic downturn. Since 2006/07, the base period for much of the SHMA data, there has been a decrease in overall levels of economic activity and an increase in unemployment in the West of England. This has inevitably impacted upon the ability of residents to buy into, or remain in, the private housing market.

2.9 Since 2006/07 there has been a decrease in the economic activity rate of the West of England HMA, however, figures remain above the national average.

2.10 The number of unemployed in the West of England HMA during 2008/09 was over 5,000 greater than during 2006/07. Nevertheless, the unemployment rate of the HMA remains below regional and national averages.

Table 2.2 Key Economic Indices

Area	Economic Activity Rate %		Employment Rate %		Unemployment Rate %	
	2006/07	2008/09	2006/07	2008/09	2006/07	2008/09
B&NES	78.4	78.8	75.0	75.6	3.8	4.2
Bristol	78.4	77.2	75.1	73.9	4.8	5.3
N.Som	83.0	84.0	81.7	81.1	2.9	3.9
S.Glos	86.8	87.4	84.2	84.7	3.3	3.6
Mendip	84.8	84.3	81.6	77.8	3.2	4.4
West Wilts	86.0	79.8	84.0	77.5	3.2	5.4
WofE HMA	82.0	81.3	79.2	78.0	4.0	4.8
SW	81.0	81.9	77.7	78.0	4.0	4.7
E&W	78.5	78.9	74.2	73.9	5.5	6.5

Source: Annual Population Survey, ONS. Data relates to financial years April-March

2.11 As a result of the economic downturn, employment opportunities have inevitably deteriorated. Just over 11,500 redundancies in the West of England HMA have been notified to Job Centre Plus between November 2008 and April 2010. The majority of these redundancies have been felt in the following sectors: finance & insurance, manufacturing, wholesale & retail trade. Manufacturing and wholesale & retail trade have also been the hardest hit sectors in the SW, however, financial & insurance services less so; this reflects the fact that this sector is a key source of employment in the West of England.

2.12 Despite the particularly high number of redundancies over the past year, a significant number of new jobs have been created across the West of England. The opening of Bristol's Cabot Circus (September, 2008) for example has resulted in almost 4,000 new jobs. It should be noted however that the retail sector is characterised by a high proportion of low-paid and part-time positions.

Employment Projections

2.13 The Draft Regional Spatial Strategy (RSS)⁹, assumed that based on a GVA growth rate of 3.2% per annum, employment in the WofE HMA would increase by 132,200 between 2006 and 2026. However, the SHMA recognised that some doubt must surround the RSS assumption that the high rate of economic expansion seen during the past decade (3.2% GVA increase pa) will be replicated in the longer-term, especially given the impacts of the recent financial crisis.

Table 2.5 Projected employment levels in the West of England

Travel to Work Area	2006	2026	Change between 2006-2026
Bath	98,700	115,000	16,300
Bristol	509,200	583,100	73,900
Weston-super-Mare	43,200	50,400	7,200
Trowbridge & Warminster	61,500	70,900	9,400
Wells & Shepton Mallet	34,800	40,400	5,600
Total WofE HMA	747,400	859,800	112,400

Source: Cambridge Econometrics 2005

Note: These projections are based on an assumption of 2.8% increase in regional GVA pa.

2.14 Economic projections (Table 2.5), produced in June 2005 by Cambridge Econometrics, which assumed regional GVA will increase by 2.8% per annum over the next 20 years, are a more realistic long-term trend. The SHMA model assumed a national growth rate of 2.4% post 2011.

2.15 Geographically, much of the forecast employment change is concentrated in Bristol (35,600 jobs), South Gloucestershire (29,100 jobs) and B&NES (17,000 jobs).

⁹ Cambridge Econometrics for SWRA based on regional economic growth of 3.2% pa.

3. Demographic Context

- 3.1 The WofE SHMA used modelled demographic predictions which are not simple extrapolations of past trends, but do take account of forecast economic and market conditions which will in themselves reflect past experience. These modelled outputs cannot be easily replicated, however, can be considered broadly comparable to nationally available data sources available at the time the SHMA was undertaken. The intention of this monitoring report is to monitor the updates in these data sources in order to track general changes.

Summary

- The modelled population and household projections used in the SHMA model take account of changing economic conditions and Home Office policy, therefore assume lower long-term migration rates than the latest nationally produced projections. The lower projections used by the SHMA are therefore considered as more realistic.
- The population of the West of England HMA currently accounts for a quarter of the total population of the SW and continues to grow at rates above regional and national averages. These levels of population and household growth are expected to continue and will therefore increase the pressure on an already over-heated housing market and congested strategic road network within the sub-region.
- The West of England remains a growth area of regional significance. It is well placed with government support to make a major contribution to delivering regional prosperity and growth targets. Projections acknowledge this potential, showing levels of growth above regional and national averages.

Population estimates

- 3.2 In June 2010, the office for National Statistics (ONS) released sub-national mid-2009 population estimates. The population of the West of England HMA now stands at 1,317,800 (an increase of 15,200 since 2008), representing 25% of the total population of the SW.
- 3.3 Reflecting the economic prosperity and high quality of life offered by the sub-region, the West of England HMA population continues to grow at a rate above regional and national averages. Such rapid growth will increase the pressure on an already over-heated housing market and strategic infrastructure network.

Table 3.1 Mid Year Population Estimates 2001-2009

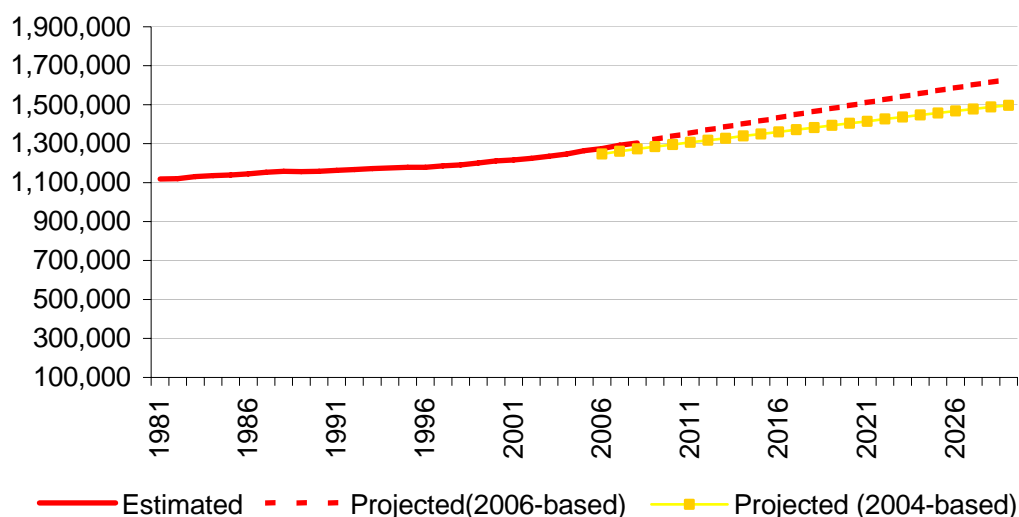
	England	South West	West of England HMA	B&NES	Bristol	North Som	South Glos	Mendip	West Wilts
2001	49,449,700	4,943,400	1,216,500	169,200	390,000	188,800	246,000	104,000	118,500
2002	49,649,100	4,972,500	1,224,600	170,100	390,500	190,500	248,300	104,700	120,500
2003	49,863,300	5,002,900	1,234,800	171,000	392,700	192,900	250,200	105,300	122,000
2004	50,109,700	5,039,600	1,247,100	171,600	397,900	195,100	253,000	106,100	123,600
2005	50,466,200	5,085,300	1,264,300	172,600	408,000	197,900	255,400	106,700	124,300
2006	50,763,900	5,123,800	1,275,000	173,100	413,600	200,800	257,500	107,300	124,800
2007	51,106,200	5,178,500	1,290,700	175,500	420,700	204,100	259,400	108,100	125,700
2008	51,464,600	5,210,400	1,302,600	177,400	426,100	207,000	260,400	108,900	126,600
2009	51,809,700	5,231,200	1,317,800	177,700	433,100	209,100	262,200	108,700	127,000
2001-2009 change	2,360,000	287,800	101,300	8,500	43,100	20,300	16,200	4,700	8,500
2001-2009 % change	4.8	5.8	8.3	5.0	11.1	10.8	6.6	4.5	7.2
2008-2009 Change	345,100	20,800	15,200	300	7,000	2,100	1,800	-200	400
2008-2009 % Change	0.7	0.4	1.2	0.2	1.6	1.0	0.7	-0.2	0.3

Source: ONS Mid year Population Estimates

Note: data for 2002-2008 reflects revisions undertaken by ONS in May 2010 due to improved migration statistics

Population projections

Figure 3.1 West of England HMA Population Trend 1981-2029



Source: ONS Mid 2008 Population Estimates, ONS Population Projections 2006

- 3.2 In 2008 ONS published 2006-based long-term subnational population projections. By 2026 the West of England HMA is projected to have a population of 1,585,700. This represents an additional 310,700 residents; a population increase of 24.4% between 2006 and 2026.

- 3.3 The modelled population forecasts included in the SHMA are most comparable to the ONS 2004-based population projections (table 3.2). The more recent ONS 2006-based population projections (table 3.3) predict a much higher HMA population increase between 2006 and 2026 than the 2004-based figures, equating to a difference of 148,500 between the two projections. However, the 2006-based projections predict high levels of international net in-migration around which there is a high degree of uncertainty.

Table 3.2 West of England HMA 2006-based Sub-national population projections

	2006	2011	2016	2021	2026	2006-2026	% Change 2006-2026
B&NES	175,600	184,200	191,400	198,600	206,400	30,800	17.5
Bristol	410,500	440,700	469,400	495,600	519,800	109,300	26.6
North Som	201,400	216,800	233,200	250,100	266,400	65,000	32.3
South Glos	254,400	266,400	280,000	294,300	308,100	53,700	21.1
Mendip	108,300	113,300	119,000	125,200	131,300	23,000	21.2
West Wilts	124,800	132,100	139,400	146,700	153,700	28,900	23.2
WofE HMA	1,275,000	1,353,500	1,432,400	1,510,500	1,585,700	310,700	24.4
South West	5,124,200	5,368,300	5,620,300	5,881,700	6,138,800	1,014,600	19.8
England	50,763,000	52,706,500	54,724,400	56,757,300	58,682,200	7,919,200	15.6

Source: ONS 2006 Population Projections

Table 3.3 West of England HMA 2004-based sub-national population projections

	2006	2011	2016	2021	2026	2006-2026	% change 2006-2026
B&NES	175,100	180,100	184,400	188,700	193,400	18,300	10.5
Bristol	398,700	408,300	418,500	428,600	438,300	39,600	9.9
North Som	196,600	204,400	212,700	221,200	229,200	32,600	16.6
South Glos	250,200	256,300	262,900	270,000	276,600	26,400	10.6
Mendip	108,300	111,800	115,700	119,900	123,900	15,600	14.4
West Wilts	127,100	135,200	142,800	150,200	156,800	29,700	23.4
WofE HMA	1,256,000	1,296,100	1,337,000	1,378,600	1,418,200	162,200	12.9
South West	5,096,900	5,261,800	5,429,400	5,600,700	5,764,000	667,100	13.1
England	50,483,000	51,595,400	52,770,300	53,953,700	55,025,100	4,542,100	9.0

Source: ONS revised 2004 Population Projections

- 3.4 2006-based sub-national population projections indicate that a majority of the increase in the West of England HMA population between 2006-2026 will occur as a result of international net migration (see table 3.4). However, the projected increase in the net migration inflow shown by these more recent projections should be treated with caution. The population projections assume that recent trends in births, deaths and migration will continue in the long-term, therefore do not take account of any future policy changes or other factors which may influence demographic trends. Migration flows are volatile, especially in the West of England where fluctuations in levels of in-migration over the past have been very much influenced by local economic performance.

Table 3.4 Components of projected population change 2006-2026

	Population change 2006-2026	Natural change	Net internal migration	Net international migration
B&NES	30,800	9,800	-4,500	25,500
Bristol	109,300	77,400	-67,900	99,900
N. Som	64,900	5,300	54,000	5,600
S.Glos	53,700	25,500	18,000	10,200
Mendip	23,100	2,600	11,400	9,100
West Wilts	28,900	4,800	24,800	-700
WofE HMA	310,800	125,200	35,900	149,700

Note: Unlike the mid-year estimates, cross-border migration within the UK is counted as part of international migration for the English subnational population projections.

Source: ONS 2006 Population Projections

- 3.5 The migration assumptions included in the SHMA model take account of the economic downturn and changing Home Office rules, therefore assume lower (and arguably more realistic) levels of net international migration. The SHMA assumes that migration in the WofE will fall after an initial peak in 2004 (when A8 migrants initially came in large numbers), but increase in later years back towards its earlier levels, well above national rates.
- 3.6 It is extremely difficult to obtain accurate, comprehensive and consistent information between Censuses on the scale and characteristics of international migration at a local level. Research by the Institute of Public Policy Research¹⁰ suggests that a significant proportion of migrant workers stay for only short-term gains, a trend substantiated by the fact that National Insurance Number (NINo) registrations to overseas adults have been falling in all WofE HMA authorities since 2007. There is therefore uncertainty about whether or not the high international inflow observed since 2001 will continue; as the cost of living rises in the UK, and wages remain level, the prospect of migrating to take up jobs working in the UK may become less attractive. Should there be a slowing of international in migration over the coming years, this will be reflected in future ONS population projection updates; the SHMA project team will therefore seek to track these trends.
- 3.7 Like the 2004-based projections, the 2006-based population projections show that between 2006 and 2026 the greatest increase in the West of England HMA will be amongst the 65+ age groups (see table 3.5). The SHMA identified that an increasing proportion of future need in the West of England HMA will arise from older households moving from owner occupation into social rented or to smaller private sector housing. Consideration will therefore need to be given to meeting the needs of the elderly within planning policy, in particular the provision of two-bed private accommodation and specialist housing; ensuring this need is sufficiently met could in turn free up larger family housing.
- 3.8 According to the 2006-based population projections the West of England HMA is expected to see significant growth in the proportion of 0-14 year olds and 25-44 year olds. The need for smaller properties, including those suitable for families is therefore evident. The SHMA identified the need for more family housing in all zones of the HMA, in particular the need for family-suitable 2 and 3-bed homes.

¹⁰ IPPR (2008) 'Floodgates or Turnstiles? Post-EU enlargement migration flows to (and from) the UK'

Table 3.5 West of England HMA 2006-based sub-national population projections: selected age bands

Age	2006	2011	2016	2021	2026	% change
0-14	216,200	224,900	240,800	260,300	270,000	24.9
15-24	180,800	190,400	184,600	180,200	191,600	6.0
25-44	364,600	384,400	411,400	440,000	458,700	25.8
45-64	308,300	329,500	341,900	353,100	362,200	17.5
65-74	102,800	116,100	134,700	137,800	139,300	35.5
75+	102,500	108,300	119,100	138,800	164,700	60.7
All ages	1,275,200	1,353,600	1,432,500	1,510,200	1,586,500	24.4

Source: ONS 2006 Population Projections

Household Projections

- 3.9 In 2009, CLG released 2006-based household projections, which are based upon the ONS 2006-based population projections. The modelled household projections included in the SHMA are most comparable to the CLG 2004-based household projections, which are based on the ONS 2004-based population projections.
- 3.10 The 2006-based household projections suggest that by 2026 the number of households in the West of England HMA will be 726,000, an increase of 183,000 (34%) since 2006. By comparison, the 2004-based household projections predict a much lower increase in households, with a total of 663,000 households in the West of England HMA by 2026, an increase of 127,000 (24%).

Table 3.6 2006-based Household Projections 2006-2026

	2006	2011	2016	2021	2026	2006-26	% change
ENGLAND	21,515,000	22,748,000	24,107,000	25,439,000	26,674,000	5,159,000	24%
SOUTH WEST	2,211,000	2,361,000	2,529,000	2,697,000	2,854,000	643,000	29%
B&NES	74,000	79,000	84,000	89,000	93,000	19,000	26%
Bristol	178,000	194,000	211,000	227,000	241,000	63,000	35%
North Som	87,000	95,000	104,000	114,000	123,000	36,000	41%
South Glos	105,000	113,000	121,000	130,000	138,000	33,000	31%
Mendip	46,000	49,000	53,000	56,000	60,000	14,000	30%
West Wilts	53,000	57,000	62,000	67,000	71,000	18,000	34%
WofE HMA	543,000	587,000	635,000	683,000	726,000	183,000	34%

Source: 2006 based household projections, CLG

- 3.11 In terms of absolute numbers, projected household growth is greatest in Bristol, however, in terms of percentage growth North Somerset sees the greatest increase in households. In Bristol and B&NES, the majority of the projected population/household growth can be accounted for by international migration, however, in North Somerset, Mendip and West Wiltshire, the majority of growth is accounted for by internal migration. South Gloucestershire is the only Local Authority where the majority of projected population/household growth can be accounted for by natural change.
- 3.12 The SHMA recognised that CLG household projections published after completion of the SHMA would certainly be higher than those used to inform the SHMA. However, allowing for changing Home Office rules and the abating of the flows from new EU member states, caution must surround the migration assumptions included in the 2006-based projections (see paragraphs 3.4 and 3.5). The household forecasts

contained within the SHMA, which assume a lower migration assumption are therefore arguably more realistic than the latest nationally available sources.

- 3.13 Like the 2004-based household projections, the 2006-based projections show that the majority of household growth will be amongst one-person households and cohabiting couple households. The SHMA recognised that demographic projections emphasise the need for smaller properties.

Table 3.7 2006-based household estimates and projections for the West of England HMA by household type

Household Type	2006	2011	2016	2026	Change 2006-2026
Married couple household	239,000	235,000	236,000	243,000	4,000
Cohabiting couple household	60,000	75,000	88,000	106,000	46,000
Lone parent household	37,000	41,000	45,000	51,000	14,000
One person household	157,000	178,000	202,000	252,000	95,000
Other multi-person household	37,000	41,000	46,000	51,000	14,000
Total	543,000	587,000	635,000	726,000	183,000
Average household size	2.29	2.26	2.21	2.14	-

Note: Sub regional household projections are less robust than those at the regional level, particularly for those areas with relatively small numbers of households. Due to rounding, districts may not sum to regional totals.

Source: CLG 2006-based household projections.

- 3.14 The components of change underpinning the 2006-based household projections show that average household size is falling; the number of newly forming households out of the existing population is therefore likely to rise. The SHMA identified that newly forming households in need, unable to buy or rent, contribute to a significant proportion of overall need in the West of England HMA.

4. Demand

Summary

- The composition of the West of England housing stock remains as reported in the SHMA; social rented sector dwellings account for 15% of total housing stock and private sector dwellings account for 85%. However, vacancy rates have declined, which could indicate pressure on the housing market, with limited opportunities to move.
- The high levels of demand from the current backlog of people on waiting lists, and the growing and ageing population, together with the increase in single person households, has resulted in demand rising faster than ever. The increased pressure on an already over-heated housing market presents an urgent challenge, that has the potential to cause serious socio-economic consequences if not met.
- The number of households accepted as homeless in the WofE HMA has declined, however, this trend is a direct result of preventative strategies put in place by each local authority and therefore masks the true number of households in need.
- The number of households on housing registers in the WofE HMA has declined as a result of authorities recent revision to social letting policy. Nevertheless, the number of households on the register remains substantial at some 33,000 to 35,000 households and the SHMA recognises that housing register numbers can underestimate need. Over the long-term it is anticipated that potential rises in repossessions, unemployment, population and house prices, coupled with limited increases in incomes, house building and social re-lets will likely result in an increase in demand for social housing.

Dwelling Stock

- 4.1 The SHMA outlined the characteristics of the current housing market, and notable issues regarding the stock within the West of England HMA, including relatively low levels of vacancies, relatively good stock condition but low levels of existing social stock, and re-lets when compared with other areas regionally and nationally.

Table 4.1: Housing Stock by Tenure

(a) Dwellings numbers by tenure

	LA (incl. owned by other LAs)			Housing Associations			Private sector		
	2007	2008	2009	2007	2008	2009(P)	2007	2008	2009(P)
B&NES	0	0	-	10,973	11,022	11,114	62,358	62,710	63,179
Bristol	28,903	28,731	28,533	8,787	8,767	10,472	139,733	142,071	144,327
North Som	29	32	1	8,171	8,310	8,677	95,196	96,161	81,011
South Glos	0	0	33	10,196	10,370	10,896	41,049	41,494	96,594
Mendip	0	0	-	5,635	5,633	5,921	78,655	80,823	41,761
West Wilts	51	51	51	6,572	6,679	6,910	47,164	47,696	48,373
WofE HMA	28,983	28,814	28,618	50,334	50,781	53,990	464,155	470,955	475,245

Source: Live table 100, CLG

1. Figures marked as (P) are provisional. A new live table with updated figures will supersede these figures following the implementation of the new methodology recommended in a review carried out by the Office for National Statistics.
2. LA and other public sector were reported by local authorities through the HSSA as at 1 April and includes non-permanent dwellings
3. Housing Association figures include all self-contained units and bedspaces as at 31 March as collected in the RSR return
4. Total figures are as collected through the HSSA as at 1st April 2009, but these will be replaced using net additions data
5. Private stock is calculated by the residual.

(b) Percentage of total dwellings by tenure

%	LA (incl. owned by other LAs)			Housing Associations			Private sector		
	2007	2008	2009	2007	2008	2009 (P)	2007	2008	2009 (P)
B&NES	0%	0%	-	15%	15%	15%	85%	85%	85%
Bristol	16%	16%	16%	6%	6%	6%	78%	78%	79%
North Som	0%	0%	0%	10%	10%	10%	90%	90%	90%
South Glos	0%	0%	0%	12%	12%	10%	88%	88%	90%
Mendip	0%	0%	-	9%	9%	12%	91%	91%	88%
West Wilts	0%	0%	0%	13%	13%	12%	86%	86%	86%
WofE HMA	5%	5%	5%	10%	10%	10%	85%	85%	85%
South West	5%	5%	5%	8%	8%	8%	86%	86%	86%
England & Wales	9%	8%	8%	9%	10%	10%	82%	82%	82%

Source: Live table 100, CLG

- 4.2 Table 4.1 looks at the tenure structure by Local authority. Bristol is the only stock holding authority within the West of England HMA; all other authorities have transferred their stock to Housing Associations.
- 4.3 The composition of the West of England HMA housing stock in terms of tenure is broadly similar to the regional and national picture. Private sector dwellings account for about 3% more of total dwellings in the West of England HMA compared to the national average.
- 4.4 The total proportion of social rented dwellings has remained the same as that identified within the SHMA in 2006. The SHMA identified a yearly net need for affordable housing of 4,893 dwellings, over three quarters (82%) of which need to be social rented dwellings.

Table 4.2: Dwelling Vacancies

	Local Authority dwellings		Housing Associations dwellings		Private sector dwellings	
	2007	2008	2007	2008	2007	2008
B&NES	NA	NA	138	123	692	690
Bristol	622	481	146	324	6,158	6,119
Mendip	NA	NA	54	62	1,292	1,344
N.Som	NA	NA	69	104	1,482	1,144
S.Glos	NA	NA	120	127	1,826	2,024
West Wilts	NA	NA	106	129	1,186	1,101
WofE HMA	622	481	633	869	12,636	12,422

Source: HSSA, Section A 7: Vacant dwellings, CLG

- 4.5 The total number of vacancies in the social rented stock of Local Authorities and Housing Associations has remained low since the SHMA was undertaken. The SHMA model predicted that public sector vacancies will rise up until 2008 but fall gradually to 2018; this trend was confirmed by Housing Strategy Statistical Appendix (HSSA) figures for 2008 (Table 4.2). Low vacancy rates are an indicator of pressure on the housing market with few opportunities to move at a time.

Housing Register

- 4.6 The number of applicants on housing registers was considered in the preparation of the SHMA. Great efforts were made to ensure housing register information was used to reflect housing need on a consistent and robust basis and filtered to contain only those households in need, as defined within the CLG SHMA 2007 Guidance. It has not been possible to replicate such filters in this monitoring report, therefore, whilst housing register data (table 4.3) is informative, it is unlikely to be comprehensive since some households in need may not register and some on the register may not be classified as in need. The key consideration should be that the numbers may fluctuate but the scale remains substantial at some 33,000-35,000 households.
- 4.7 Housing Register increase/decrease is affected by the recent implementation of the Choice-based lettings (CBL) schemes in some authorities. The re-banding and re-registration exercise undertaken in moving to CBL has removed applicants from registers, however, it is anticipated that many of these will re-apply over time. Current register numbers give a snapshot at different points within this process for local authorities, and are unlikely to represent a real decrease in need or demand. With widespread marketing and web-based access to the scheme combined with the impacts of the economic downturn resulting in a lack of alternative options, it is likely that the total number of applicants on the register will increase in the long run.

Table 4.3: % increase in total households on the housing register

	Total applicants on register 07/08	Total applicants on register 08/09	% change total applicants 2007/08-2008/9	Notes
B&NES	6,560	7,067	8%	
Bristol	14,291	12,642	-12%	Applications decreased as a result of re-registration for CBL in January 2008.
North Somerset	5,674	5,318	-6%	Applications de-creased as a result of re-registration exercise between Jan-Mar 2009 for launch of HomeChoice
South Glos	4,874	5,344	10%	
Mendip	2,284	2,126	-7%	Applications decreased as a result of re-registration exercise between December 2008 and March 2009 for launch of Homefinder Somerset
West Wilts	5,441	2,148	-61%	Applications decreased due to the introduction of a new choice based lettings system across Wiltshire just prior to Wiltshire becoming a unitary authority from 1st April 2009.
WofE HMA	39,124	34,645	-11%	

Source: Individual Authority Housing Registers

Note: total applicants includes transfers and new applicants

Homelessness

- 4.8 The total number of households accepted as being homeless and in priority need across the West of England HMA has been decreasing year on year, with a 30% decrease between 2006/07 and 2008/09. This reduction is a result of homelessness strategies and prevention measures being put in place by each local authority. These services aim to assist at an early stage, and where possible, avoid households becoming homeless. Therefore, whilst the number of households presenting to local authorities as homeless, and being accepted as so under the legislation has declined, the number needing to approach local authorities for assistance, and now accessing prevention services, has remained consistently and significantly higher.
- 4.9 The pattern in which a decline in Homeless acceptances goes hand in hand with increased prevention strategies and services is one which is mirrored in local authorities across the country. The UK Housing Review 2009/10¹¹ stresses the importance of maintaining homelessness strategies and prevention measures during 2010 to prevent rising homelessness from repossessions.

Table 4.5: Households accepted as being homeless and in priority need

	2006/07	2007/08	2008/09
B&NES	118	123	127
Bristol	927	573	441
North Som	126	129	107
South Glos	276	199	229
Mendip	87	94	102
West Wilts	105	157	137
WofE HMA	1,639	1,275	1,143

Source: P1E, CLG

¹¹ UK Housing Review 2009/10, Chartered Institute of Housing

Repossessions

4.10 The difficulties households face in retaining their properties is reflected in part in mortgage repossession orders; homeowners who face repossession may potentially fall into housing need. Orders issued in the West of England HMA increased significantly between 2006 and 2008 (see table 4.6) as a result of the economic downturn and increasing unemployment, however, actual possessions in the UK have been lower than originally predicted by the Council of Mortgage Lenders (CML) for 2009. A combination of lower interest rates, lender forbearance, and government intervention (e.g. the Homeowner Mortgage Support scheme) has forestalled a significant proportion of possessions. This indicator will need to be closely monitored to gauge the effect of changes in other factors such as movement in interest rates or property prices, to which this is closely linked.

Table 4.6: Mortgage possession claims leading to orders 2006 – 2009 Q1

	2006	2007	2008	2009
B&NES	130	115	140	80
Bristol	555	435	640	460
N. Som	225	220	325	210
South Glos	240	220	310	210
West Wilts	155	165	190	120*
Mendip	95	105	130	80
WofE HMA	1,400	1,260	1,735	1,160
SOUTH WEST	5,520	5,445	7,215	3,920
ENGLAND AND WALES	88,018	90,654	111,763	72,235

* 2009 figure for West Wilts is a proxy only. Calculated by projecting 2009 Q1 figures for the full year.

Source: Ministry of Justice

Note: This data shows the number of repossession orders issued in county courts; it does not indicate how many properties have actually been repossessed. Repossessions can be made without a court order being made while not all court orders result in a possession.

4.11 The actual number of UK repossessions reported by CML for 2009 was 46,000. Whilst much lower than the 75,000 first predicted, this figure is the highest since 1995 and represents a continuation of the year-on-year increase in UK repossessions seen since 2004¹². Despite the improving economy and increasing house prices, CML's mortgage repossession forecasts predict a further increase in repossessions for 2010. Based on a scenario of increasing interest rates, a slow recovery of the job market and the end of short-term government support schemes CML predict 53,000 repossessions in the UK during 2010¹³. It is possible therefore that current measures have only delayed the process of mortgage repossession.

¹² Council of Mortgage Lenders, Mortgage arrears and possession statistics, February 2010

¹³ Council of Mortgage Lenders, Market Commentary, February 2010

5. Supply

Summary

- The SHMA model was based on the Draft RSS Panel Recommendations housing trajectory for the West of England HMA.
- As a result of short-term government funded stimulus packages, such as direct grants through Kickstart, affordable completions in the WofE HMA have remained relatively buoyant. However, total gross completions between 2007/08, when the SHMA was undertaken, and 2008/09 have declined by over 1,000 dwellings (15%).
- According to the past annual average completion rate, current commitments in the WofE HMA demonstrate an 8-year land-supply; whether all of these commitments are realised is yet to be seen.
- Market completions in the West of England continue to be dominated by 1 and 2-bedroom flats, which are assumed to be unsuitable for families. The SHMA identified a surplus of 2 bed-non-family accommodation in some parts of the sub-region and a substantial need for family accommodation in all WofE authorities. Anecdotal evidence suggests that flat completions on large sites have stalled over the past year as a result of the downturn in the buy-to-let market, however a lack of detail makes tracking this trend in the current data difficult.
- As reported in the SHMA, affordable housing delivery under current policy continues to be insufficient to meet need; emerging Core Strategies may seek to address this issue.
- At a time when restricted lending makes it hard for households to enter the private housing market, there is likely to be few households moving out of social rented accommodation, whilst the numbers in need increase. New supply of affordable housing is therefore important, particularly in those LA's with low levels of existing social rented stock. Furthermore, linked partly to the recent change to a Choice-Based-Lettings policy it is anticipated that in the long-term demand for social housing will further increase.

Housing trajectory

- 5.1 Following revocation of the RSS by the Secretary of State in July 2010, Local Planning Authorities will be responsible for establishing housing trajectories for their area. Guidance for Local Planning Authorities following the revocation of Regional Strategies states that LPAs should justify housing supply policy in line with current policy in PPS3. PPS3 recognises that authorities should take into account SHMAs as one of a number of factors that should be considered when determining housing provision and the right mix of housing.
- 5.2 The new housing completions forecast by the SHMA baseline model correspond to the Draft RSS Panel Recommendations for the South West; however, a lower supply scenario was also tested, based on Draft RSS Allocations for the South West. It should be noted that the feedback mechanisms included in the SHMA model ensure that different supply scenarios do affect the total number of households in the area.
- 5.3 The SHMA found that lower supply levels in the West of England and nationally will increase house prices and therefore decrease affordability (the proportion of younger households able to afford to buy or rent in the market). In fact, the impacts of supply

on affordability are of a generally similar order of magnitude (in percentage terms) to the supply changes themselves.

- 5.4 Decreased affordability will increase need amongst newly forming households and decrease the number of social relets. Lower new housing supply, in both the West of England and the rest of the country (particularly the south), will therefore result in increased affordable need numbers in the West of England HMA. Whilst lower economic growth will at the same time significantly reduce the numbers of international migrants in need (see chapter 2), on balance the total number of households in need in the WofE HMA will likely remain as reported in the SHMA or higher.

House building

- 5.5 The SHMA highlighted that the West of England Housing Market Area (HMA) is a relatively prosperous area with a diverse economic base. There is a need to ensure that a 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. The SHMA recommended that future housing supply strategies need to recognise the potential for these wider adverse impacts and seek to meet the sub-regions affordable housing need appropriately.
- 5.6 The SHMA identified that the scale of need for affordable housing in the West of England is not being met through existing policies and levels of delivery. Table 5.1 illustrates the scale of need compared with annual average dwelling completions.

Table 5.1 Annual average completions and annual average households in need of affordable housing

Authority	Annual average households in net need of affordable housing 2009-2021	Annual Average completions (2001-2008)	Annual Average affordable (net) completions* (2001-2008)	Affordable completions (net) 2008/09*
B&NES	847	317	50	90
Bristol	1,526	1,848	212	510
North Somerset	904	1,208	78	266
South Gloucestershire	903	770	149	203
Mendip	324	472	62	113
West Wilts	386	715	86^	136^
WofE HMA Total (of data available)	4,890	5,330	637	1,320

* Does not include acquisitions.

^ Gross figure provided by Wiltshire's affordable housing team

Source: Residential Land Surveys/Local Authority Monitoring records, and the SHMA 2009.

- 5.7 The SHMA has estimated that the need for affordable homes in the West of England is some 4,893 per annum, this is compared with past historic completion rates for all housing of 5,329. The scale of need in the West of England cannot be met directly through the planning system alone. Additional and substantial direct public investment will be required to address the problem. Other components that could contribute to meeting the affordable housing need include, provision from Housing Associations, acquisitions to transfer private stock to social stock, and shared equity products to enable those in need to access homeownership in the private market.

- 5.8 Emerging Core Strategies will set out the level of affordable housing required as a percentage of all new homes on larger sites. Current policy thresholds are set out in table 5.2. A particular problem in the West of England is that a significant proportion of housing sites are below the site size thresholds where developer contributions are required. Authorities have addressed this in the past by reducing site thresholds from 25 units to 15. However between 1998-2008 approximately 26% of all housing completions (some 14,314) in the West of England were on small sites of less than 10 units and did not therefore receive any private developer contributions to affordable housing; emerging Core Strategies may seek to address this issue.

Table 5.2 Housing Policy site thresholds where contributions for affordable housing are required

	Urban areas or main towns	Rural or villages	% affordable dwellings required
B&NES	15 or 0.5 ha	10 or 0.5ha	35%
Bristol	15	NA	30%/40%
N.Somerset	15	15	30%
S.Glos	15 or 0.5 ha	5 or 0.2ha	33.3%
Mendip	15	15	35%*
West Wilts	25	all	30%

*SPG states 22%, however PPS3 target of 35% now used in negotiations as a minimum.

Note: Core Strategy work is continuing and may have an impact on thresholds

Table 5.3 Total net housing completions on small, large and below affordable housing policy threshold sites

	Total completions (Net)		Total completions (net) on large sites		Total completions (net) on small sites		Total completions (net) on sites below affordable housing policy threshold	
	07/08	08/09	07/08	08/09	07/08	08/09	07/08	08/09
B&NES	557	353	269	147	288	205	325	242
Bristol	2,411	2,574	1,661	1,763	750	811	953	989
N.Somerset	1,474	935	1,182	732	292	203	313	269
S.Glos	1,003	916	657	584	346	332	408	421
Mendip	603	574	358	366	245	208	294	276
West Wilts	771	436	600	306	171	130	Not Available	Not Available
WofE HMA Total (of data available)	6,819	5,788	4,727	3,898	2,092	1,889	2,293	2,197

Source: Residential Land Surveys/Local Authority Monitoring records

Notes: No data for affordable breakdowns available from West Wilts. This data will be available in future monitoring reports.

Large sites are those consisting of 10 or more dwellings.

- 5.9 One of the national priorities is to produce more affordable housing through the planning system. Bristol has had its highest ever (net) annual completion rate of 2,574 in 2008/2009, however the current effect of the economic conditions, decline in the housing market and available finance for purchase and development is likely to be reflected in dwelling completions in future years.

Table 5.4: Gross completions and commitments

	Completions (gross)		Commitments*	
	07/08	08/09	07/08	08/09
B&NES	597	390	6805	7,405
Bristol	2,582	2,672	12,764	12,673
N.Somerset	1,498	1,007	3490	3,814
S.Glos	1,108	984	10,987	10,600
Mendip	610	574	3,500	3,614
West Wilts	801	464	5,153	5,448
WofE HMA	7,196	6,091	42,699	43,554

* Commitments include uncompleted homes on sites, sites with planning permission, sites subject to S106 and Local Plan allocated sites without PP

5.10 Gross housing completions in the West of England HMA have decreased by 15% between 2007/08 and 2008/09; however this decrease was not as severe as predicted by the SHMA model for 2009. As a result of declining housing market viability all authorities with the exception of Bristol have experienced a decline in gross housing completions over the past year.

5.11 Total commitments in the West of England HMA at 2008/09 are 43,554. According to the past average annual completion rate of 5,329 the West of England HMA can demonstrate an eight-year housing land-supply. However, as can be seen from table 5.5 below, failure to deliver housing completions, including affordable dwellings, is not solely linked to land supply; land prices and viability of development also play an important role.

Table 5.5: Commitments broken down (planning permission or subject to S106) by private/affordable

	Commitments with Planning permission (excl. commitments subject to S106)				Commitments subject to S106			
	private	affordable	private	affordable	private	affordable	private	affordable
	07/08	07/08	08/09	08/09	07/08	07/08	08/09	08/09
B&NES	-	-	1,251	244 [^]	-	-	n/a	n/a
Bristol	10,842	2,121	10,600	1,819	432	97	224	30
N.Somerset	2,517	331	3,073	99	0	0	0	0
S.Glos	4,278	1,375	4,179	1,291	251	88	113	25
Mendip	1,996	297	1,959	275	12	5	151	39
West Wilts	NA	NA	NA	NA	NA	NA	NA	NA
WofE HMA (of data available)	19,633	4,124	21,062	3,728	695	190	488	94

[^] Includes an acquisitions estimate of 14

Notes:

Commitments in S.Glos only relate to sites with planning permission and the subject of S106 and do not include Local Plan allocations

Data not currently available for B&NES (07/08) and West Wilts

5.12 The number of affordable commitments has decreased in 2008/09 compared to 2007/08 as the economic downturn has reduced the number of large sites being brought forward.

5.13 Between 2007/08 and 2008/09 there has been an increase of only 368 affordable completions (Table 5.6). The 1,500 affordable completions during 2008/9 represent 21% of total completions for that year. The SHMA identified a need for 87% of total annual completions in the West of England to be affordable.

Table 5.6: Affordable Housing supply

	NI155: Affordable housing supply (gross completions & acquisitions)		Change 07/08-08/09	% Change 07/08-08/09
	2007-2008	2008-2009		
B&NES	89	111	22	25%
Bristol	443	583	140	32%
N.Somerset	208	266	58	28%
S.Glos	215	291	76	35%
Mendip	44	113	69	157%
West Wilts*	133	136	3	2%
WofE HMA	1,132	1,500	368	33%

Notes: *West Wilts data supplied by affordable housing team, does not include acquisitions.

Table 5.7: Net completions by year broken down by private/affordable (excludes acquisitions)

	2007/08		2008/09	
	Private	Affordable*	Private	Affordable*
B&NES	477	80	263	90
Bristol	2,111	300	2,064	510
N.Somerset	1,266	208	669	266
S.Glos	760	243	713	203
Mendip	559	44	461	113
West Wilts^	-	133	-	136
WofE HMA Total (of Data available)	5,173	875	4,170	1,182

* excludes acquisitions

Note: In S.Glos the affordable units in this table relate to those monitored by the Spatial Planning Team and may differ to the ones in the previous table

^West Wilts planning team do not currently monitor affordable breakdowns. Affordable completions figures provided by the affordable housing team are gross.

- 5.14 Table 5.7 shows that whilst the net number of market housing completions in the West of England HMA has decreased between 2007/08 and 2008/09, the net number of affordable completions has increased. A number of short-term government funding initiatives have supported affordable housing completion rates through the economic downturn, and may be masking a decline in both market and affordable completions delivered through the planning system. The effect will become clearer over time and funding streams for all affordable completions should be monitored for 2010.

Table 5.8: Gross* completions broken down by type and bed space

(a) 2007/08	Flats					Houses				
	1 bed	2 bed	3 bed	4 bed+	Total	1 bed	2 bed	3 bed	4 bed+	Total
B&NES	113	68	3	0	184	5	74	82	104	265
Bristol	NA	NA	NA	NA	2,174	NA	NA	NA	NA	408
N.Somerset	242	522	15	0	779	13	120	273	313	719
S.Glos	308	349	12	5	674	28	97	187	122	434
Mendip	106	115	2	2	225	8	85	152	133	378
West Wilts	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
WofE HMA (of data available)	769	1,054	32	7	4,036	54	376	694	672	2,204

(b) 2008/09	Flats					Houses				
	1 bed	2 bed	3 bed	4 bed+	Total	1 bed	2 bed	3 bed	4 bed+	Total
B&NES	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Bristol*	1,214	1,017	75	29	2,335	31	149	145	38	363
N.Somerset	168	333	10	3	514	5	90	185	213	493
S.Glos	183	281	9	1	474	30	115	199	166	510
Mendip	96	151	2	0	249	9	87	126	103	325
West Wilts	78	88	4	0	170	15	83	113	82	293
WofE HMA (of data available)	1,739	1,870	100	33	3,742	90	524	768	602	1,984

Notes:

* Bristol's total bedspace data does not sum to the published gross dwelling completions figure of 2,672 as it includes gross gain dwelling conversions.

- 5.15 During 2007/08 and 2008/09 development of flats dominated total completions in the West of England HMA, particularly in Bristol. Whilst delivery of one and two bedroom flats meets need as predicted by demographic projections, which show falling household sizes, the SHMA also identified the need for family sized accommodation to be reflected in supply.
- 5.16 Based on the assumption that 2 bedroom flats are suitable for non-family accommodation and 2 bedroom houses are suitable for family accommodation, the SHMA identified a substantial net need for family-friendly 2 bedroom houses as well as larger family accommodation in all WofE authorities. During 2008/09 two bed flat completions were considerably higher than that of two bed house completions, particularly in Bristol where the SHMA identified a significant annual surplus of lettings of 2 bed non-family accommodation. The SHMA identified that a significant proportion of first-time buyers, particularly marginal buyers, are seeking 2 and 3-bed family-suitable accommodation.
- 5.17 As identified in the SHMA, North Somerset continues to have a high share of 4+bed new build in the WofE HMA. However, demand for 3 and 4 bed family accommodation is sizeable in all WofE authorities and a current lack of such accommodation can be linked to overcrowding problems in some parts of the sub-region.
- 5.18 Anecdotal evidence suggests that due to saturation of the market by flats in some urban areas and the associated decline in the buy-to-let market, development of flats on large sites has stalled during the past year. A lack of detailed data combined with a general downturn in all completions between 2007/08 and 2008/09 makes tracking this trend in the completions difficult. As data becomes more readily available, trends in West of England HMA completion rates by bed space should become clearer.

Table 5.9 Affordable completions broken down by type and bed space

2008/09	Flats					Houses				
	1 bed	2 bed	3 bed	4 bed+	Total	1 bed	2 bed	3 bed	4 bed+	Total
B&NES	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Bristol	96	209	1	4	310	2	94	115	25	236
N.Somerset	73	75	0	0	148	1	49	34	8	92
S.Glos	53	97	2	0	152	0	63	63	13	139
Mendip	28	21	0	0	49	0	28	28	8	64
West Wilts	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
WofE HMA (of data available)	250	402	3	4	659	3	234	240	54	531

Notes: Total number of affordable dwellings differs from NI 155 as it excludes acquisitions of existing private. Data currently unavailable for West Wiltshire

Social Rented Housing

- 5.19 Table 5.10 shows the numbers of new households moving into social rented housing. The figures reflect both re-lets of existing social rented stock and new affordable rented completions (either built or acquired). According to Table 5.6 there was a 33% increase in affordable delivery - 368 additional affordable new-build completions between 2007/08 and 2008/09, for rent and intermediate sale. It is likely that these account for a significant proportion of the increase in total social lettings to new applicants during 2008/09. Indeed, it is the LA's which saw a marked increase in new supply that also saw a marked increase in social lettings to new applicants.
- 5.20 The restricted lending market (as identified in chapter 6) during 2008/09 is likely to have meant that it was harder for people to enter the private housing market than at any other time since the SHMA was undertaken. For this reason, it is unlikely that people moving out of social rented accommodation can explain a significant proportion of the increase in total social lettings to new applicants. This trend is supported by the fact that West Wiltshire, which had the lowest number of affordable new build completions between 2007/08 and 2008/09, was the only LA to see a decrease in social lettings to new applicants across the same period. .

Table 5.10: Total Social lettings to new applicants

	Total social lettings to new applicants		Change 07/08-08/09	% Change 07/08-08/09
	2007-2008	2008-2009		
B&NES	353	445	92	26%
Bristol[^]	1,857	2,019	162	9%
North Somerset	361	452	91	25%
South Glos	397	451	54	14%
Mendip	199	231	32	16%
West Wilts	351	325	-26	-7%
WofE HMA	3,518	3,923	405	12%

Source: CORE data table 16. Total minus transfers from LA general needs tenancy and Housing Associations general needs tenancy.

[^] As the only stock holding authority in the West of England, Bristol has sourced this data from general needs CORE data table 16 HA lets total minus transfers from LA general needs tenancy and Housing Associations general needs tenancy plus HSSA Section D Q5 dwellings let to new tenants on an introductory basis.

Intermediate Housing

- 5.21 In line with PPS3 guidance, the West of England SHMA included intermediate housing within its definition of affordable housing. Intermediate housing is "housing at prices and rents above those of social rent but below market prices or rents...these can include shared equity products, other low cost homes for sale and intermediate rent"¹⁴.
- 5.22 Open Market Homebuy (OMHB) is a government-backed home-ownership scheme that provides key public sector workers, social tenants/those on a council waiting list and other priority first time buyers with an equity loan, allowing them to buy their own home on the open market.

¹⁴ Planning Policy Statement 3: Housing, CLG, July 2010

Table 5.11: Open Market Homebuy provision by bed space, 2008-2010

(a) 2008/09	Flats					Houses					Grand Total
	1 bed	2 bed	3 bed	4 bed	Total	1 bed	2 bed	3 bed	4 bed	Total	
B&NES	1	1	0	0	2	0	11	11	1	23	25
Bristol	5	3	0	0	8	1	23	20	0	44	52
N. Somerset	2	0	0	0	2	0	5	5	0	10	12
S.Glos	3	0	0	0	3	0	16	19	0	35	38
Mendip	0	0	0	0	0	1	15	19	0	35	35
West Wilts	0	0	0	0	0	0	0	6	1	7	7
WofE HMA	11	4	0	0	15	2	70	80	2	154	169

Source: Annual sales reports of OMHB agents.

Notes: Includes OMHB completions by Swaythling, Places for People and New Futures.

Where no property type is stated, the dwelling has been assumed as a house. This may result in under representation of flats.

(b) 2009/10	Flats					Houses					Grand Total
	1 bed	2 bed	3 bed	4 bed	Total	1 bed	2 bed	3 bed	4 bed	Total	
B&NES	1	1	0	0	2	0	3	5	0	8	10
Bristol	2	2	0	0	4	0	16	9	0	25	29
N. Somerset	0	0	0	0	0	0	4	4	0	8	8
S.Glos	1	1	0	0	2	0	8	10	2	20	22
Mendip	0	1	0	0	1	1	8	11	1	21	22
West Wilts	0	1	0	0	1	1	4	2	2	9	10
WofE HMA	3	5	0	0	8	2	40	41	3	86	94

Source: Annual sales reports of OMHB agents.

Note: Includes OMHB completions by Swaythling and Places for People

Where no property type is stated, the dwelling has been assumed as a house. This may result in under representation of flats.

5.23 The provision of OMHB products in all authorities in the West of England has been predominantly for the purchase of houses, particularly 2 and 3-bed properties, assumed suitable for families. This reflects a need for family-sized affordable homes, a household preference for more space where they can afford it, and also the greater range of property size and type available in the second-hand market.

5.24 The number of households receiving OMHB support has decreased by 44% (75 households) between 2008/09 and 2009/10. This is linked to the withdrawal of central government funding for the scheme; it is therefore unlikely that that the scheme will result in any completions post 2010. From 2009 Homebuy Direct has received funding from central government in conjunction with developers, however, unlike OMHB, Homebuy Direct does not deliver affordable housing as defined by PPS3.

5.25 Homebuy Direct is a government backed equity loan scheme available on new-build properties brought forward by developers. By offering buyers an equity loan of up to 30% of the properties value (co-funded by the developer and Government) the scheme enables more first time buyers to purchase newly built properties.

Table 5.12: Homebuy Direct by bed space 2009/10

	Flats					Houses					Grand Total
	1 bed	2 bed	3 bed	4 bed	Total	1 bed	2 bed	3 bed	4 bed	Total	
B&NES	1	3	0	0	4	0	2	10	0	12	20
Bristol	32	100	0	0	132	0	12	18	0	30	162
N. Somerset	0	8	1	0	9	1	4	32	2	39	53
S.Glos	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	44
Mendip	1	11	0	0	12	0	6	7	2	15	27
West Wilts	0	0	0	0	0	0	0	0	0	0	0
WofE HMA	34	122	1	0	157	1	24	67	4	96	302

Source:

Note: bedspace data unavailable for 5 dwellings in N Som

Where no property type is stated, the dwelling has been assumed as a house. This may result in under representation of flats.

5.26 In contrast to OMHB, Homebuy Direct is dominated by the purchase of flats rather than houses. This is likely to be linked to the fact that whilst OMHB allows households to access any property on the market that meets their needs, Homebuy direct enables households to purchase new build properties on selected developments. As demonstrated by table 5.8, flats have dominated completions in the West of England HMA during recent years.

6. Affordability

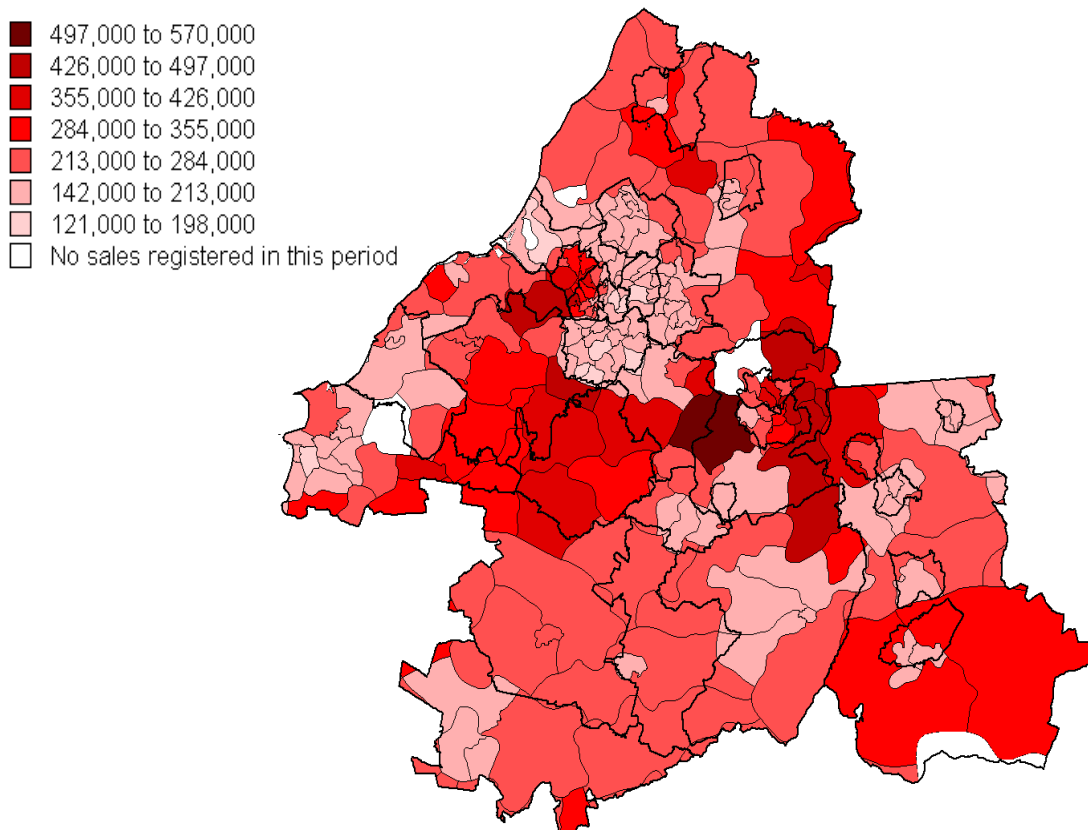
Summary

- Evidence shows that both house prices and the volume of property sales have been falling in the West of England HMA since 2007. Falling house prices alone are not sufficient in a restricted lending market to improve affordability for first time buyers, and the cost of the cheapest homes remains eight to ten times the level of lower level earnings. At the same time, the fall in the market has constrained the development of new homes. A significant loss of jobs throughout the HMA area as a result of the economic downturn has only compounded the affordability issue and the recovery of employment will lag an emerging economic upturn.
- The new supply of all tenures is not keeping pace with the needs of a growing number of households, in particular the needs of families. Affordability constraints are acting as a brake on economic recovery/growth. Housing is integral to the economic prosperity and wellbeing of communities.
- In the medium term affordability for first-time buyers is expected to improve as maximum loan to value ratios return to 90%, however, in the long-term affordability will be determined by the level of homes that are built. If build rates are too low, demand will further outstrip supply thus pushing up house prices and once again increasing house-price to income ratios.

House Prices

- 6.1 The SHMA stated that Affordability has worsened in the sub-region; in 2002 more than half of those under 35 could afford to buy their own home, by 2007 this number was only 42%; this demonstrates the need to monitor trends in house prices.

Figure 6.1: Average Land Reastrv house prices 2008 by postcode sector



- 6.2 Figure 6.1 shows average house prices in the West of England for 2008. Bath and North East Somerset contains the majority of postcode sectors with the highest average house prices, in particular postcode sector BA2 9 to the West of Bath City centre recorded the highest average house price in the West of England HMA. Areas which recorded the lowest average house prices were located in Bristol, particularly in South Bristol and postcode areas to the east of the city centre around Lawrence Hill. House prices are often higher in areas that benefit from an adequate supply of good quality community facilities and services; this leads to increasing polarisation between these areas and the most deprived.
- 6.3 Research undertaken by the National Housing and Planning Advice Unit (NHPAU) has found the 15th percentile house price to be an appropriate proxy for the average house price paid by first-time buyers¹⁵. As a representation of entry level house prices, the 15th percentile house price is therefore a key indicator of affordability.
- 6.4 Across all of the districts in the West of England HMA the lowest 15 percentile of house prices declined significantly during 2008. This would suggest increased affordability, however, across the same period the number of property sales has also declined as the lending market has been restricted (see table 6.2 and paragraph 6.15). Since Q1 of 2009 house prices in most authorities have been rising, along with the volume of property sales, this is likely to indicate the return of buyers who have delayed purchasing through the turbulence of 2008 and the increase of money going into the housing market through quantitative easing (low interest rates and increased mortgage lending rates).
- 6.5 Average house prices across England & Wales have also been rising since quarter 1 of 2009; according to the Halifax, house prices have risen 8.5% between April and November of 2009. However, forecasts for 2010 are uncertain; house prices could fall again if interest rates increase or the economy falls back into recession.

Table 6.1: 15-percentile house prices (£) based on Land Registry data (quarterly)

	2008				2009			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
B&NES	150,000	150,000	148,000	138,000	140,000	136,400	140,000	145,000
Bristol	125,000	125,000	120,250	107,000	106,500	110,000	107,500	117,625
N. Somerset	127,550	135,000	125,000	122,650	118,975	125,650	127,500	130,000
South Glos	145,000	145,000	138,000	122,000	120,000	122,025	132,000	134,466
Mendip	127,000	135,000	122,125	117,900	125,900	125,000	129,000	129,950
West Wilts	Not available				Not available			
South West	128,000	127,500	125,000	118,000	112,000	119,000	122,500	125,000
E&W	102,000	104,500	100,000	95,000	90,000	95,000	102,500	105,000

Source: CLG, Live table 580

Note: No data is available for West Wiltshire

1. The 15-percentile property price is determined by ranking all property prices in ascending order.

The lowest 15 per cent of prices are below the 15-percentile; the highest 85 per cent are above the 15-percentile.

2. Excluded from the above figures are sales at less than market price (e.g. Right To Buy), sales below £1,000 and sales above £20m.

¹⁵ *Evaluating requirements for market and affordable housing*, S. Wilcox & G. Bramley, forthcoming, in *Housing Affordability: A Fuller Picture*, NHPAU, 2010

Table 6.2: Property Sales based on Land Registry data, by district

	2007				2008				2009			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4 ⁴
B&NES	788	1,079	1,091	770	485	555	473	361	300	515	692	723
Bristol	2,255	2,543	2,823	2,326	1,455	1,766	1,259	1,070	849	1,298	1,674	1,954
North Som	1,250	1,569	1,550	1,523	736	811	528	541	389	650	871	1,036
South Glos	1,285	1,454	1,533	1,145	698	840	651	712	488	806	904	1,077
Mendip	575	669	763	557	346	427	294	251	202	331	413	536
West Wilts	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
WofE HMA*	6,153	7,314	7,760	6,321	3,720	4,399	3,205	2,935	2,228	3,600	4,554	5,326
SW	28,806	34,781	36,083	29,646	17,804	20,108	15,564	13,954	10,555	17,033	21,990	25,178
E&W	282,548	332,124	344,866	288,234	181,871	190,990	145,427	122,588	91,786	138,668	179,754	205,477

Incomes

- 6.6 The occupational make up of some parts of the West of England economy comprises some low wage occupations. Increased demand for housing has in part contributed to increased house prices and this has not been matched by an increase in earnings.

Table 6.3: Gross Annual Pay (median) of full-time workers

	2007		2008		2009	
	Residence	Workplace	Residence	Workplace	Residence	Workplace
B&NES	24,634	24,684	25,651	23,719	24,776	24,374
Bristol	22,899	24,652	23,874	24,977	25,166	26,158
N. Somerset	26,726	24,130	26,832	25,711	27,146	25,468
South Glos	24,711	25,590	25,714	26,208	25,522	27,542
Mendip	23,622	21,466	23,262	20,847	24,060	21,093
West Wilts	25,247	20,931	26,466	23,111	24,985	22,043
WofE HMA	Not available		Not available		Not available	
South West	22,951	22,665	23,968	23,648	24,531	24,183
E&W	24,300	24,255	25,397	25,373	26,000	26,000

Source: Annual Survey of Hours and Earnings

Table 6.4: Ratio of lower quartile house price to lower quartile earnings

	2007	2008	2009
B&NES	10.04	9.67	8.61
Bristol	7.91	7.63	6.35
N.Somerset	8.06	8.01	7.46
S.Glos	8.75	8.49	6.87
Mendip	10.12	9.69	8.53
West Wilts	8.65	7.87	NA
WofE HMA	NA		
South West	8.94	8.75	7.63
South East	8.88	8.82	7.71
England	7.25	6.97	6.28

Source: CLG, Live Table 575. Notes:

1. The Annual Survey of Hours and Earnings (ASHE) is based on a 1 per cent sample of employee jobs. Information on earnings and hours is obtained in confidence from employers. It does not cover the self-employed nor does it cover employees not paid during the reference period. Information is as at April each year. The statistics used are workplace based full-time individual earnings.

Summary

2. HM Land Registry data is for the first half of the year only, so it is comparable to the ASHE data which is as at April.

3. The "lower quartile" property price/income is determined by ranking all property prices/incomes in ascending order. The lowest 25 per cent of prices are below the lower quartile; the highest 75 per cent are above the lower quartile.

4. Data for 2008 is provisional.

- 6.7 The ratio of lower quartile (LQ) house prices to lower quartile earnings is an official measure of housing market affordability; it is used to demonstrate whether people with the lower earnings can afford the cheapest housing, and to provide a consistent measure of affordability between areas nationally. The LQ house price to LQ earnings ratios of all districts in the West of England have decreased marginally between 2006 and 2008; suggesting that in general affordability in the West of England has improved. The same trend has been demonstrated at regional and national level. However, it should be noted as discussed at paragraph 6.4 of this report that as a result of restricted lending, for many, the fall in house prices has not improved access to the housing market.
- 6.8 Affordability ratios in B&NES and Mendip, are worse than the national average and comparable with some parts of the South East.

Table 6.5: Local Affordability Analyses

	% can buy 2007			% can buy 2008			% afford private rent 2007		
	Under 40 all households	Under 40 Working	Under 40 Family	Under 40 all households	Under 40 Working	Under 40 Family	Under 40 all households	Under 40 Working	Under 40 Family
Bath	35.2	36.9	28.6	35.2	37.0	28.7	49.9	51.7	35.7
Bristol	24.3	27.7	16.7	25.2	28.7	17.5	46.3	52.2	28.9
Mendip	32.9	32.6	22.7	36.6	36.8	25.2	64.6	69.8	52.7
N Som	40.7	43.6	30.0	44.3	47.3	31.1	67.4	72.9	56.6
S Glos	31.5	38.0	22.7	33.0	38.9	24.5	64.2	68.9	51.7
W Wilts	40.5	43.4	31.5	44.2	47.4	32.5	67.5	72.8	55.8
England	37.8	42.3	23.6	40.6	45.5	26.1	57.1	64.3	42.7

Source: National Housing and Planning Advice Unit (NHPAU)

- 6.9 Affordability was modelled by NHPAU¹⁶ at local authority level across England using modelled incomes, house price and rent thresholds. House prices were taken at the mid-point between the lower decile and lower quartile price for a two and a three-bedroom property. For affordability purposes it is most useful to focus on younger (under-40 years old) households and on income adjusted to exclude 'extra' adults'

¹⁶ *Evaluating requirements for market and affordable housing: Appendix A*, NHPAU, 2010

incomes and means-tested benefits. Within that age band, all households, working households, and family households (including multi-adult households) are considered.

- 6.10 According to the NHPAU modelling work, affordability has deteriorated to a greater extent for families than for younger households overall.
- 6.11 Under the current economic conditions private renting is much more affordable than buying for households under 40, in particular working households under 40 who require less space than family households. Across all of the West of England HMA districts over 20% more households under 40 could afford to rent than could afford to buy in 2007. Declining private market rents, as shown in table 6.7, supports such findings.
- 6.12 It should be noted that correspondence between affordability measures produced by NHPAU and affordability as measured by the ratio of LQ house price to LQ earnings is weak. This is because 'earnings' from full time employment for a single individual is not the same as household income, which may include more than one earner in full or part-time employment.

Mortgage Rates

- 6.13 Between August 2008 and March 2009 the Bank of England interest rate fell from 5.0% to 0.5%, the lowest level in the banks 315-year history. The interest rate continues to be held at 0.5% in January 2010 in an attempt to boost the economy, and despite the 0.1% growth in the national economy over the last three months of 2009 CML predicts the Bank rate will remain at 0.5% for most of 2010. The average standard variable rate (SVR) offered by UK resident banks and building societies to households has also fallen since 2007. Halifax SVR is currently set at 3.5%, however, according to research undertaken by MoneyMatters only the larger mortgage providers are able to offer cheaper deals; 23 out of 83 lenders in January 2010 have set their SVRs above 5%¹⁷.

Table 6.6: Monthly interest rate of UK resident banks (excl. Central Bank) and building societies' sterling standard variable rate mortgage to households (in percent) not seasonally adjusted

Date	Average Standard Variable Rate (%)
31-Jan-07	7.01
31-Jan-08	7.51
31-Jan-09	4.73
31-Jan-10	3.97

Source: Bank of England statistics 2010

- 6.14 CML figures for the second half of 2009 indicated a slow improvement in mortgage lending; despite remaining extremely low on any historic comparison, mortgage lending increased by 43% between October 2008 and 2009 to 55,300 loans agreed. This slow improvement in mortgage lending has however been dashed by a substantial dip during January, linked to the end of stamp duty relief. Whilst a decline in mortgage lending is typical between December and January, total gross mortgage lending of £9.1 billion in January is the lowest monthly total since February 2000.
- 6.15 As well as the affordability of mortgage repayments, the ability of first-time buyers to get onto the housing ladder is affected by two further indicators; the loan to value ratio (which determines deposits) and income multiples applied by mortgage lenders. As a result of cautious lending, the median income multiple was 3.09 in November

¹⁷ Figures based on research undertaken by [Money Facts](#)

2009, down from 3.12 in November 2008¹⁸. In relation, average deposits for home movers rose by 3% between November 2008 and November 2009 to 33% whilst average deposits for first time buyers rose to 25%, an increase of 8% across the same period¹⁹. A recent NHPAU report²⁰ has assumed a loan to value ratio of 75% for 2008-2011, gradually returning to 90% by 2016.

Private Rental Market

6.16 Private renting is often a crucial option for young households; historical evidence shows that renting has remained a more affordable option than home ownership (as demonstrated by table 6.5)²¹.

6.17 The availability and coverage of data on private rents is limited, therefore for the purposes of monitoring general trends this report utilises readily available data from the Local Housing Allowance to provide a robust proxy.

Table 6.7: Broad Rental Market Area Weekly Local Housing Allowance Rate

(a) March 2009

BRMA Name	1 Bed Shared	1 Bed Self Contained	2 Beds	3 Beds	4 Beds	5 Beds
Bristol	£62.31	£121.15	£150.00	£173.08	£230.77	£314.66
Bath	£69.23	£138.46	£173.08	£196.15	£276.92	£357.69
Gloucester	£71.54	£101.54	£132.69	£159.81	£207.69	£275.77
Mendip	£65.50	£102.69	£131.54	£160.38	£206.54	£282.69
Yeovil	£63.23	£98.08	£126.92	£155.77	£213.46	£305.77
Weston-S-Mare	£67.00	£105.00	£129.23	£155.77	£196.15	£229.62
West Wiltshire	£69.23	£103.85	£126.92	£155.77	£219.23	£276.92
Salisbury	£65.66	£132.69	£155.77	£180.00	£268.27	£328.85

(b) February 2010

BRMA Name	1 Bed Shared	1 Bed Self Contained	2 Beds	3 Beds	4 Beds	5 Beds
Bristol	£62.37	£115.07	£138.08	£161.10	£216.33	£299.18
Bath	£71.34	£136.93	£169.38	£195.62	£264.66	£345.21
Gloucester	£64.44	£97.81	£121.51	£149.59	£195.62	£218.63
Mendip	£61.00	£97.81	£126.58	£155.34	£205.97	£258.90
Yeovil	£67.45	£96.09	£126.58	£149.59	£203.67	£322.19
Weston-S-Mare	£71.00	£103.56	£126.58	£154.19	£189.86	£227.84
West Wiltshire	£60.50	£103.56	£126.58	£149.59	£201.37	£207.12
Salisbury	£69.04	£126.58	£155.34	£182.96	£241.64	£299.18

Source: The Rent Service. LHA rates represent the median rent charged by landlords in the BRMAs. They are reviewed monthly.

Notes: SGlos LA covers Bristol, Bath, Gloucester BRMAs
 N Somerset LA covers Bristol, Bath Weston-S-Mare BRMAs
 W Wiltshire LA covers West Wilts, Bath, Salisbury BRMAs
 Mendip LA covers Mendip, WWilts, Bath and Yeovil BRMAs

¹⁸ Homes & Communities Agency, monthly bulletin January 2010

¹⁹ Figures based on research undertaken by [Money Facts](#)

²⁰ *Housing affordability: a fuller picture*, NHPAU, 2010

²¹ *Housing affordability: a fuller picture*, NHPAU, 2010

- 6.18 Tables 6.7 (a) and (b) above show Local Housing Allowance levels at March 2009 and February 2010. The LHA is derived from a survey of rents being charged by landlords across broad rental market areas, and is derived from the median rent charge for a range of property sizes.
- 6.19 The pattern generally is one of declining rent levels in all but the 1-bed shared properties. Falling prices are particularly evident in the larger sized properties, and would seem to indicate a relatively plentiful supply of properties, with landlords accepting lower returns in order to attract or retain tenants.

7. Conclusions

- 7.1 The West of England Housing Market continues to be affected by the general national downturn in overall levels of economic activity. This has inevitably impacted upon the ability of residents to buy into, or remain in, the private housing market. Nevertheless, the levels of economic activity and unemployment in the West of England continue to fare well in comparison to national and regional averages.
- 7.2 The West of England HMA remains a growth area of regional significance and is well placed to maximise opportunities to assist market recovery and make a major contribution to regional prosperity and growth targets. However, there is a continuing need to ensure a lack of housing and supporting infrastructure does not constrain the increase in labour supply and threaten the economic competitiveness of the area.
- 7.3 Recent economic projections suggest that the level of economic growth assumed by the SHMA baseline model may be optimistic. A lower economic growth rate will significantly reduce international in-migration, therefore migrant need – which accounts for around 1000 of household in need per annum. However, it should be noted that the SHMA model found that a lower economic growth rate has little impact upon the total number of households in need. This is linked to the fact that although a lower economic growth rate may decrease migrant need, it will simultaneously increase need amongst the existing population.
- 7.4 In respect of social need the indicators present mixed messages. Whilst the total number of applicants on housing need registers has declined in some authorities, this may not reflect a real decrease in applicants due to the re-banding and re-registration exercise undertaken in moving to a choice-based letting system which has removed applicants from local authority lists. It is anticipated that many of these households may re-apply over time. In the long run, potential rises in repossessions, unemployment, population and house prices, coupled with limited increases in incomes, house building and social re-lets will likely increase the number of applicants to the housing register. Similarly, whilst the number of households presenting as homeless and being accepted as so under the legislation has declined, the number needing to approach local authorities for assistance, and now accessing prevention services, has remained consistently higher.
- 7.5 The total number of vacancies in the social rented stock of Local Authorities and Housing Associations in the West of England HMA has remained low since the SHMA was undertaken.
- 7.6 Mortgage repossession orders issued in the West of England HMA have increased significantly since 2006 as a result of the economic downturn and increasing unemployment. However, a combination of lower interest rates, lender forbearance, and government intervention (e.g. the Homeowner Mortgage Support scheme) may have forestalled a significant proportion of actual possessions.
- 7.7 Total annual gross housing completions in the West of England HMA decreased by 15% between 2007/08 and 2008/09 to nearly 6,100 units; however this decrease was not as severe as predicted by the SHMA model for 2009. Despite this decline in total completions, the total net number of affordable completions increased by around 33% across the same period.
- 7.8 Whilst the total number of social lettings to new applicants in the WofE HMA has increased by just over 400 between 2007/08 and 2008/09, much of this increase is

accounted for by affordable completions during the same period. 4,000 new affordable rented homes would be required to meet affordable rented need each year, as identified in the SHMA.

- 7.9 The SHMA found that lower new housing supply levels in the West of England and nationally will increase house prices and therefore decrease affordability (the proportion of younger households able to afford to buy or rent in the market). Decreased affordability will increase need amongst newly forming households and decrease the number of social relets. Lower new housing supply, in both the West of England and the rest of the country (particularly the south), will therefore result in an increased proportion of households in affordable need in the West of England HMA. Whilst lower economic growth will at the same time significantly reduce the numbers of international migrants in need (see paragraph 35), on balance the total proportion of households in need in the WofE HMA will likely remain as reported in the SHMA or higher.
- 7.10 Falling house prices have not improved affordability for first-time buyers in a restricted lending market; the cost of even the cheapest homes is still eight to ten times the level of lower quartile earnings. Under current economic conditions private renting is much more affordable than buying for households under 40.
- 7.11 It is expected that affordability for first-time buyers will increase as the lending market improves; nevertheless, the fall in the market has constrained the development of new homes. If build rates in the long-term are too low, demand will outstrip supply thus pushing up house prices and once again increasing house-price to income ratios, and also constraining the supply of new affordable homes through the planning system.

Future Monitoring:

7.12 Authorities are committed to continuing joint working and monitoring of the SHMA.

7.13 Future monitoring work will seek to track:

- Impact of the economic downturn on house building rates, mortgage availability, level of new household formation and inward migration
- Impact of expected public expenditure cuts on the delivery of affordable housing
- Impact of Choice Based Letting upon housing registers
- How a shortfall in the supply of private and affordable accommodation will impact upon house prices
- Potential under-provision of certain housing types and tenure