Warwick District Council Strategic Housing Market Assessment

Final Report:
Executive Summary

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GL Hearn

In association with

jg Consulting
Quality Specialist Research

Introduction

1. GL Hearn (GLH) and Justin Gardner Consulting (JGC) were commissioned to prepare a Strategic Housing Market Assessment (SHMA) for Warwick District by the District Council. The purpose of the SHMA is to provide a robust and up-to-date understanding of housing need and demand within the District in order to inform and support planning policy and housing strategy.

2. The Assessment considers future housing requirements, in terms of the number of homes required to meet need and demand. It considers the mix of housing required, in both the affordable and market sectors. It also looks at the housing requirements of specific groups, including older people, Black and Minority Ethnic (BME) households, and those with support needs.

3. Planning Policy Statement 3: Housing (PPS3) sets out current national policies for housing provision. It outlines that the Government's key housing policy goal is to ensure that everyone has the opportunity to live in a decent home, which they can afford, in a community where they want to live. This will be achieved through ensuring a choice of high quality homes, both market and affordable, is made available; by widening opportunities for home ownership, but ensuring that high quality affordable housing is available for those who cannot afford market housing; by improving affordability and by working to deliver sustainable, mixed communities in both urban and rural areas. Through the planning system, the Government also seeks to ensure delivery of high quality, well-designed housing in sustainable locations, which provide access to jobs, services and infrastructure.

4. In late July 2011 the Government published a draft of the National Planning Policy Framework (NPPF), which when issued in final form will replace PPS3. It is important to recognise that the policies are 'draft' for public consultation and are subject to review and the policies are finalised.

5. There are also a series of reforms proposed affecting the affordable housing sector which need to be considered in considering future housing policies, including changes to tenancies, and the introduction of the affordable rented tenure.

6. The SHMA has been informed by an interview survey of households alongside analysis of a range of wider data and consultation with stakeholders. In total, 1,520 households took part in the survey representing 2.6% of all households in the District. The number of responses provides sufficient data to allow complete, accurate and detailed analysis of need and demand across the District.

7. The Study is structured to provide outputs for seven Community Forum areas. In some

cases these areas have been merged into three for the purposes of analysis. The three areas are Leamington/Warwick/Whitnash, Kenilworth and Rural.

Demographic Dynamics

8.   The population of Warwick District has been increasing at a faster rate than across the West Midlands, growing by 11.9% between 2000 and 2010. In the past population growth has principally been driven by migration (as shown in the figure below) although the most recent data available (for 2010) suggests a net out-migration of population from Warwick District for the first time in at least 15-years.

Figure A Components of Population Change, Warwick District
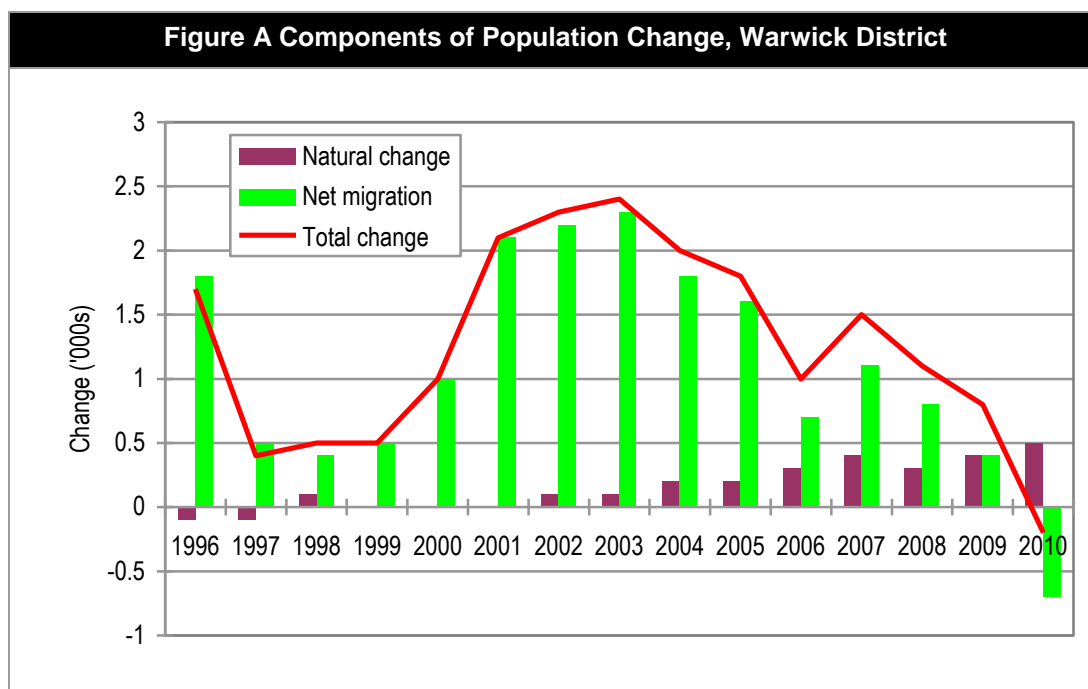
Source: ONS Mid-Year Population Estimates

9.   A higher proportion of the District's population is of working age compared to other parts of Warwickshire. Within the District, the highest proportions of households with children are found in the Rural West, Warwick and Whitnash Community Areas. We would expect stronger relative demand for family housing to arise in these areas.

10.   The proportion of the population made up of older persons is greatest in the Kenilworth, Whitnash and the Rural Community Areas. These areas have higher levels of owner occupation and higher proportions of larger housing. They are likely to be attractive to middle-aged and older households with equity in existing homes. A growing population aged over retirement age may result in an increase in the number of households under-occupying homes. The substantial growth projected in the population in their 80s may increase demand for adaptations to existing homes and for specialist housing.

11.   The BME population has increased significantly in size in recent years with survey data estimating a 46% increase in households headed by a non-White (British/Irish) person from 2001 to 2011. Its growth has been supported by international migration, particularly from Poland and India.

12.   As part of the SHMA we ran a series of different population/household projections based on a range of different assumptions (mainly relating to migration levels) with the main outputs from each of these being total population numbers (by age and sex) and the number of households this is likely to translate into.

13.   An assessment based on past population trends and population dynamics in the District would result in a requirement for 11,900 homes over the period from 2011 to 2031 (595 homes per annum). This would support growth in the resident labour force of around 8,250 jobs (12.3% employment growth).

14.   Forecast employment growth in the District is for 11,860 jobs over this period. If an equivalent number of homes are to be provided to house the additional employees within the District, then 14,300 new homes would be required (taking account of changes in the age structure of the population). If current commuting flows remain consistent (in proportional terms) to 2001 levels, then an additional 11,380 homes would be required. The level and type of housing development, relative housing costs and economic dynamics in both Warwick District and surrounding areas could influence future commuting dynamics.

15.   In considering the housing requirement for the District, it should be recognised that there are a range of wider factors which warrant consideration alongside need/demand including the availability of suitable land for development, the feasibility and funding of key infrastructure, community and stakeholder consultation and Sustainability Appraisal which considers the social, economic and environmental implications of alternative options. It will also be important to liaise with other local authorities within the sub-region.

Current Housing Offer

16.   In 2010, there were 59,400 homes in Warwick District of which 13.6% were in public sector ownership, with 86.4% owned privately. The stock of affordable housing in the District has declined by 3% over the previous decade - there was a net loss of 300 affordable homes between 2000 and 2010. Over this same period the number of private sector dwellings increased by 14%. Whilst the decline in the number of publicly owned dwellings is low compared with other areas we would expect this trend to affect the ability of the current stock to meet housing needs, particularly in the context of a growing population.

Figure B Housing stock by tenure, 2000-2010
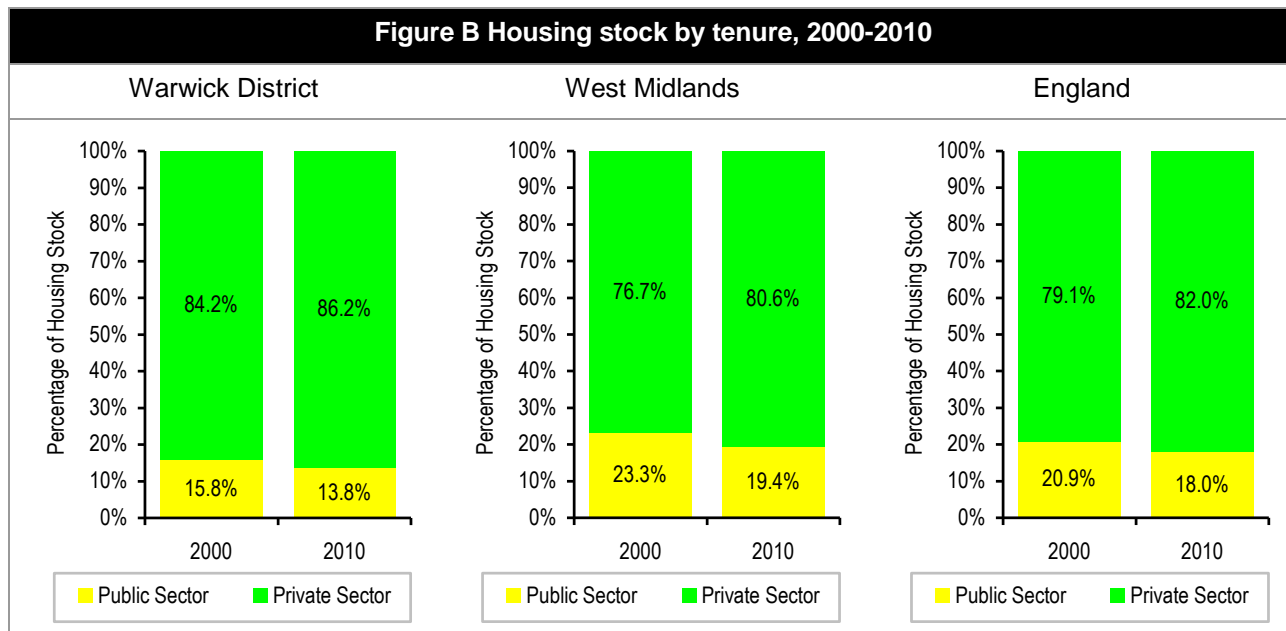
Source: HSSA, HIP and CLG data (2000 and 2010)

17. In 2001, 58% of homes in Warwick District were detached and semi-detached, with 22% terraced and 20% flats or maisonettes. This is a reasonably balanced profile. However in the two rural Community Forum Areas, the proportion of properties with 6 or more rooms (equivalent to 3+ beds) is well over half (57% in Rural East and 61% in Rural West compared to 46% across the whole District).

18. In the main urban area of Leamington/Warwick/Whitnash, the housing offer is more biased towards smaller properties. While there is a degree of complementarity, the Council should consider how through policy it can support greater diversity in the housing stock in the Rural Community Forums where the dominance of larger properties contributes to affordability pressures.

19. In addition, Leamington has a much higher proportion of rented properties than other parts of the District, with a particular concentration of private and social rented properties in the Leamington South Community Area. The Council would be justified in seeking to diversify the housing and tenure mix to create a more stable and sustainable community in this area. This could include a particular focus on Houses in Multiple Occupation (HMOs) – data from the Council shows that 90% of all HMOs and 95% of student HMOs are in Leamington. In response to this the Council has introduced an Article 4 Direction to mange more effectively

the location of HMOs so as to avoid increasing concentrations in Leamington Spa.

Figure C Size of dwelling stock (2001)


Source: 2001 Census
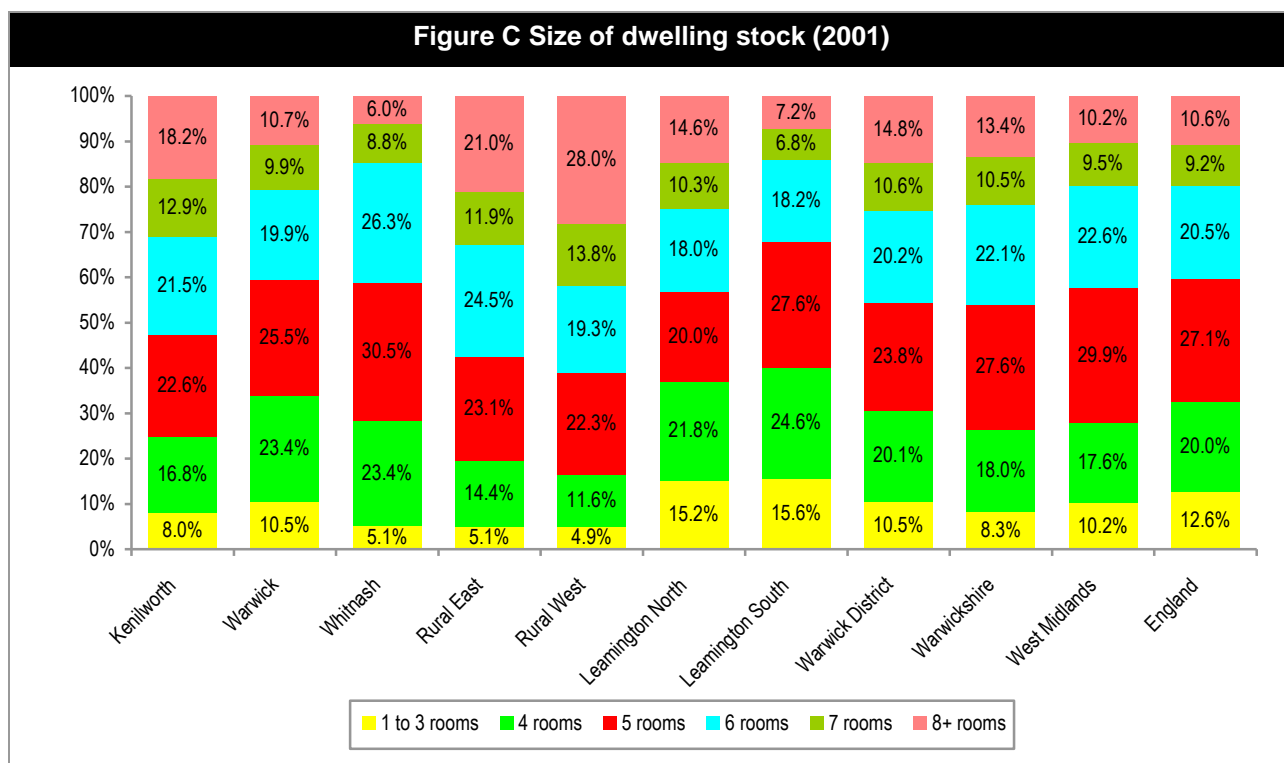
20.   There is a low vacancy rate within the current housing stock as well as low levels of overcrowding (at 1.3%). The low vacancy rate means there is very limited effect potential to meet future requirements through better use of the existing stock. Over the plan period to 2031 there should however be some potential to release supply of existing family housing by supporting downsizing of older households and providing specialist housing to meet their needs.

Current Housing Market Conditions

21.   Median house prices across the District grew strongly between 2002 and 2008 from £100,000 to £209,000. However we have seen a fundamental shift in housing market conditions since 2007/8 driven by banks' more cautious approaches to lending. House prices in early 2011 were £14,000 below levels in 2008 at an average of £195,000.

22.   First-time buyers, the lifeblood of the housing market, now require at least a 10% deposit to secure a mortgage – and this has significantly restricted their numbers. Many first-time buyers as a result are relying on 'the bank of mum and dad.' Over the last two years 1,800 first-time buyers have bought homes in the District, putting down an average deposit of around 23%.

23.   Effective market demand as a result is currently subdued with sales of homes in 2010/11 being 40-50% down on levels before 2006/7 (as is shown in the figure below).

Figure D Sales levels in Warwick District 2000/1 – 2010/11 (2000/1 = 100)
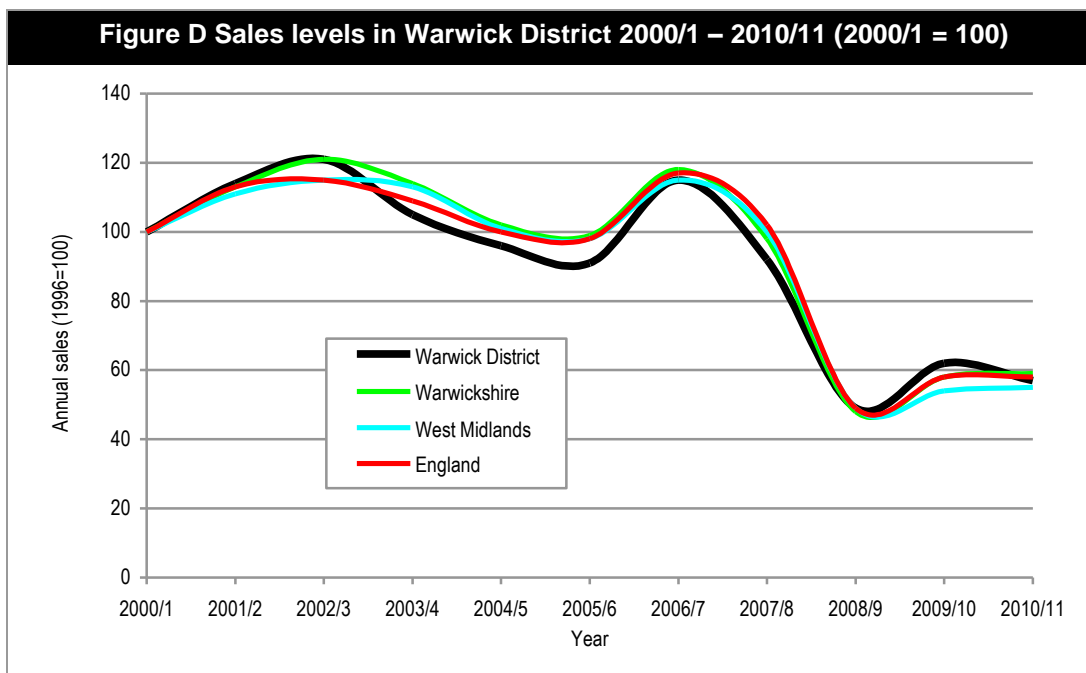
Source: CLG Live Tables

24.   Demand signals (in terms of prices) do however highlight strong demand in Warwick District relative to other parts of the region, which we would link to the economic dynamics, accessibility and quality of life of the area. House prices on average are around 15% above the regional average and also above national averages and figures for Warwickshire as a whole. Prices are highest in the Rural Areas, indicating stronger relative demand, and weaker in the Leamington/Warwick/Whitnash area.

25.   The Survey has also highlighted the high turnover of properties in the Private Rented Sector, which accounts for 51% of all moves over the past 2 years. The key role of the sector in supporting dynamism in the housing market should be recognised, as well as its importance to meeting the needs of newly forming households (where it has met 73% of needs). There is an important role for local policy in seeking to improve standards in the sector.

Affordability of Market Housing

26.   Lower quartile house prices in Warwick District are eight and a half times higher than lower quartile incomes; however this ratio has not grown since 2005. Within the District, incomes vary notably by age, household type, tenure and geography. Incomes are lowest in the Leamington South Community Forum area and highest in the two Rural Community Forums.

27.   It is estimated that 24% of all households cannot afford market housing within Warwick District without subsidy. Levels vary considerably by area with 49% of households in Leamington South being unable to afford compared with 12% in the Rural East Community Forum area.

28.   For house purchase, levels of savings are a key constraint to obtaining mortgage finance. For those households who are not current home owners, 19% are in debt, 52% have no savings and just 12% have savings of more than £5,000. Savings are a key constraint for young households looking to buy their first home.

| Figure E Median financial information by tenure				
Tenure	Median annual gross household income	Median savings	Median equity	Potential access to funds
Owner-occupied (no mortgage)	£18,808	£2,252	£259,448	£327,526
Owner-occupied (with mortgage)	£45,620	£1,180	£96,174	£257,024
Social rented	£9,818	-£148	£0	£34,215
Private rented	£25,332	£659	£0	£89,323
Average	£25,214	£935	£108,448	£197,631

Source: Household Survey Data

29.   As a result there is a risk that over the next decade, a dichotomy will develop in the housing market between those with equity in existing homes, and the non home-owners, who will have limited ability (without recourse to financial support from relatives) to get on the housing ladder. The ability of young households to buy would principally be improved by an increase in the loan-to-value ratios accepted by banks and building societies.

Assessment of Housing Need

30.   Housing need describes the quantity of households who cannot meet their needs in the housing market without support. An assessment of housing need is a statutory requirement to underpin policies for affordable housing provision, and in effect is used to establish whether at a particular point in time there is a surplus or deficit of affordable housing.

31.   Housing need has been assessed in this Study using information both from the household survey and other data sources. It has been calculated using the Basic Needs Assessment Model recommended in national guidance.

Figure F Overview of Basic Needs Assessment Model
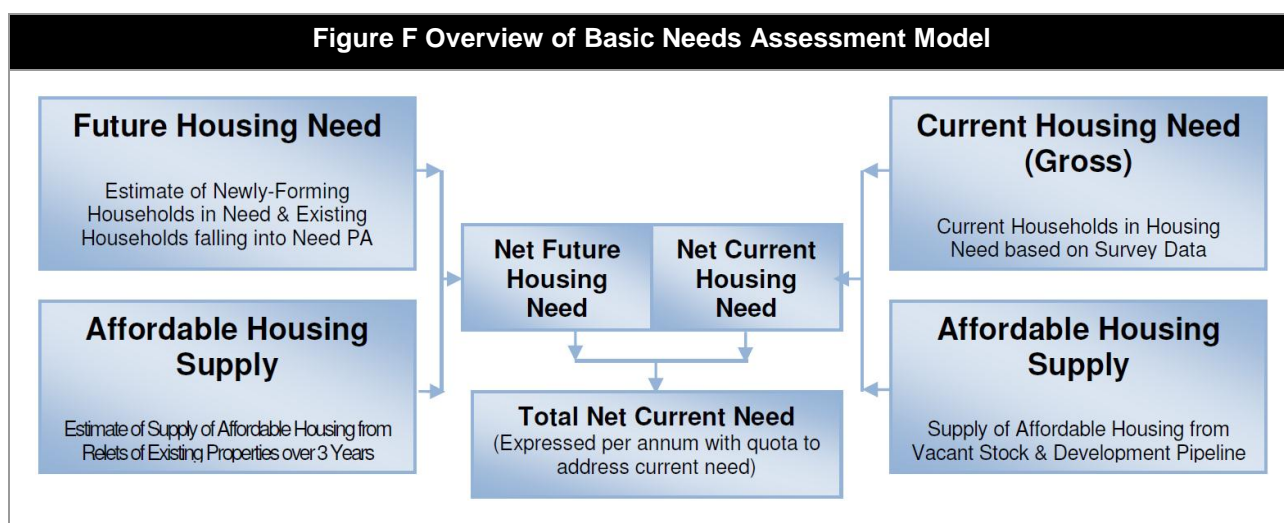
32.   The results of the housing needs assessment are summarised below. The needs assessment identifies an annual shortfall of 698 affordable homes. Although levels of housing need are highest in Leamington/Warwick/Whitnash, there is a shortfall of affordable homes in each of the three main areas. The Council is justified in seeking affordable housing provision in all parts of the District.

Figure G Summary of Housing Needs Assessment (Per Annum)

Element	Kenilworth	Leamington/ Warwick/Whitnash	Rural	Warwick District
① Backlog need (annual)	0	193	36	229
② Backlog supply (annual)	0	172	22	194
③ Net backlog need (annual) ① - ②	0	21	13	35
④ Future need (annual)	170	878	83	1,131
⑤ Future supply (annual)	55	373	41	468
⑥ Net future need (annual) ④ - ⑤	115	507	42	663

Total net annual need ③ + ⑥	115	528	55	698
Total households	9,987	37,882	10,705	58,575
Need as % of households	1.2%	1.4%	0.5%	1.2%

Source: Household Survey Data, CORE

33.   The level of need identified is very significant, and likely to be substantially higher than the number of new affordable homes which can realistically be delivered. The level of need is influenced by the reduction in the affordable housing stock which has occurred over the last decade – this in turn reduces the availability of stock and restricts the options available to households in need.

34.   Part of the gap between the likely future need for affordable housing and future supply is likely to be met by the Private Rented Sector. Over the last two years, the Private Rented Sector has housed 392 households in housing need per annum, supported by Local Housing Allowance (LHA). However, even taking this into account, the supply of affordable housing is likely to fall short of identified needs.

35.   Changes to Local Housing Allowance from April 2011 have affected a small number of households who would previously have been able to claim their full rent back and who are no longer able to do so. The Survey has also highlighted that around 130 single person LHA claimants in the Private Rented Sector may be impacted by changes to the single room allowance which is due to be introduced from January 2012, and this may drive an increase in demand for shared accommodation.

36.   The level of need identified provides an evidence base for seeking to maximise affordable housing delivery. However a policy within the Council's Local Plan must also take account of development viability. The results of the DTZ Viability Study (July 2011) show that up to 50% affordable housing is deliverable depending upon the scenario and area tested and the tipping point selected.

The Future Housing Market

37.   The diagram below captures our understanding of the key influences on housing demand. These factors play out at different spatial scales and influence both the level of housing demand (in terms of aggregate household growth) and the nature of demand/ need for different types, tenures and sizes of housing.

Figure H Understanding Housing Demand

38.   Macro-economic factors are expected to influence effective market demand for housing in the short-term. These include mortgage finance, market confidence, short-term employment growth, and pressures on household incomes. Market demand is expected to be subdued and can be expected to impact on housing completions. While this can be expected to support need and demand within the rented tenures, supply is unlikely to respond to the demand drivers in the short-term given the investment-led model for the Private Rented Sector and the funding model and constraints in the Affordable Housing Sector.

39.   There is some evidence, at the national level, that the housing market downturn has moderated growth in headship rates (for instance as a result of younger households sharing homes or living with parents for longer). However in previous market downturns and economic recessions this has been a temporary effect. The effect of this on overall housing occupancy however is likely to be moderated by growth in the population of retirement age which is more likely to under-occupy homes.

40.   It is still appropriate to plan on meeting expected household growth over the longer-term. This is expected to be driven by demographic trends and over the medium- and long-term in particular, by economic performance and employment growth. Changes in headship (in terms of how households occupy homes) are likely to have a relatively limited impact on the overall levels of homes needed.

Requirements for Different Types & Sizes of Homes over the Longer-Term

41.   Using our housing market model, which takes into account how households of different ages occupy dwellings and the potential delivery of housing in different tenures, we

consider that market demand will be strongest for 3-bedroom properties (43%). Demand for 1-bed properties is expected to be relatively limited (7%). With the ageing of the population, we might expect some households occupying larger market homes (4+ beds) to downsize, releasing these properties for younger households. Thus moving forward, we would expect demand for 4+ bed homes to be slightly more moderate than in the past.

42.   The figures are based on the trend-based projection which shows household growth of around 580 per annum although similar outputs in terms of the profile of housing would be expected with other projected growth rates.

43.   An estimated 42% of overall housing requirements (market and affordable) are for 3-bed properties, 20% for 4 or more bedrooms, 26% for 2-bed properties and 12% for 1-bed properties. Around 60% of requirements are thus for family housing with 3 or more bedrooms. This mix should be taken into account in considering the 'portfolio' of sites and density policies taken forward through the Local Plan.

44.   In the market sector the modelling suggests that around two-thirds of demand will be for family-sized accommodation with a slightly smaller profile of dwellings being required in the affordable sector. Outputs from the housing market modelling are shown in the figure below.

Figure J Summary of estimated housing requirements by tenure and size (per annum)
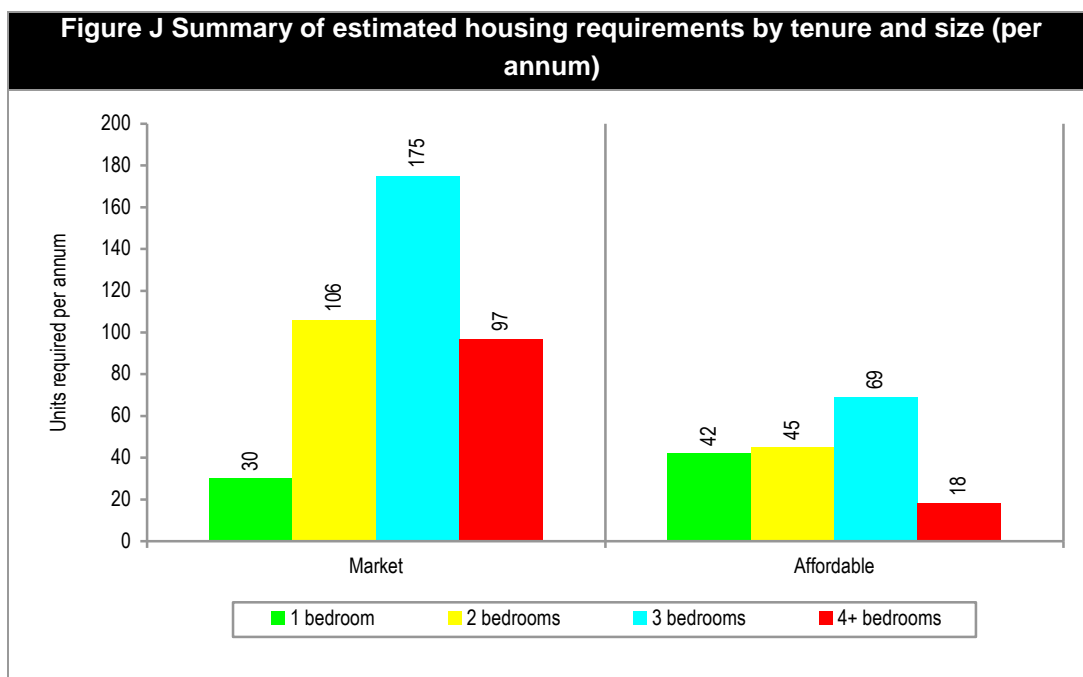
Source: Household Survey Data

45.   For affordable housing, taking account of identified need, existing supply and turnover of
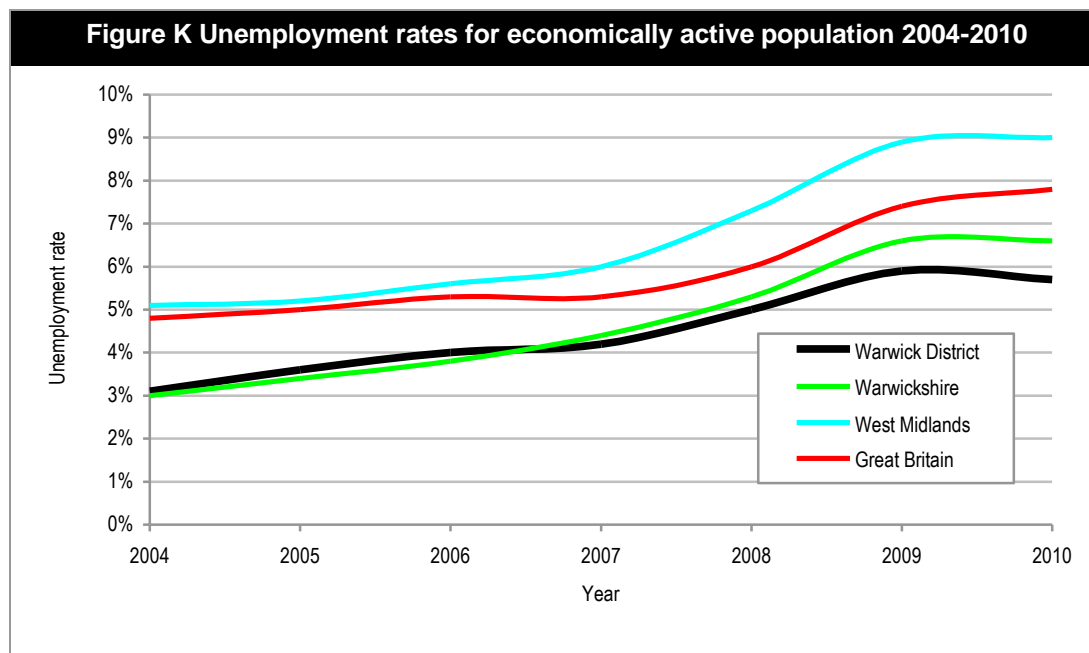
properties and issues related to the management of the housing stock (as well as outputs from the market modelling), we recommend a policy target for 15%-20% of future affordable housing provision to be 1-bed properties, 30% of 2-bed, 40% of 3-bed, and 10-15% with 4 or more bedrooms. On the basis of the modelling of dwelling types we would also recommend that the vast majority of 2-bed homes are built as houses/bungalows rather than flats.

46.   Our analysis also indicates that 9% of market demand (37 homes per annum) will be for specialist housing, particularly for older people. There is a slightly higher requirement over the long-term to 2031 within the affordable sector, with an anticipated 10% of need being for specialist housing (17 properties per annum). The Council should consider inclusion of specific policies for specialist housing within the Local Plan on this basis.

47.   In regard to the distribution of need/demand within different parts of the District, the analysis indicates that 63% arises in the Warwick, Leamington and Whitnash urban area, 19% in Kenilworth and 18% in the rural Community Forum areas. This should be considered in determining the distribution of development in the Local Plan alongside the spatial strategy, land availability and local aspirations.

Implications of Economic Trends

48.   Warwick District falls within one of the most dynamic and growth-orientated parts of the West Midlands region. The District has a high jobs density of 0.95 with evidence of net in-commuting to work (6,600 in 2001). The survey indicates that 62% live and work within the District. There is potential for strong employment growth over the next 20 years as the economy emerges from the recession, including within higher value-added sectors.

49.   The District's occupational structure is heavily skewed towards managerial and professional occupations, particularly in Kenilworth, the Rural West and Leamington North. This has been growing. The District also has an above average proportion of working residents with degree-level qualifications.

50.   As well as supporting its own economy, the District's location, transport links and quality of life make it an attractive place to live for households who may work elsewhere, particularly those in higher wage jobs where there is a 'wage incentive' to travel out of the area to work. We would expect this to support demand for larger family housing in the District.

51.   Overall, the economic profile and the District's locational strengths suggest that in the longer-term demand for family housing in the market sector will remain strong. However in the short-term, there is potential for recent growth in unemployment to have contributed to levels of housing need. Unemployment within the District is concentrated in Leamington

and Warwick. The figure below shows how unemployment levels have changed over the past six years.

Figure K Unemployment rates for economically active population 2004-2010

Source: ONS Annual Population Survey (from NOMIS website)

Housing Needs of Specific Groups within the Population

52.   Households within Black and Minority Ethnic (BME) groups are more likely than the general household population to live within the Private Rented sector. There are higher concentrations of Asian households in Whitnash and Warwick and of BME households generally in Leamington South. Whilst BME households did not demonstrate levels of need that were significantly different from the White (British/Irish) population it is clear where needs do arise that these are concentrated in certain locations (e.g. Whitnash) and for certain types of accommodation (i.e. larger homes).

53.   An estimated 22% of households in the District contain only older persons (with more than 25% in Kenilworth, Whitnash and the Rural East Community Forum areas). Around three quarters of older person households are outright owners, with older persons occupying 27% of social rented dwellings. Older households are very likely to under occupy homes, with two-thirds living in homes with three or more bedrooms. In the market sector there is a limited ability to influence this. In the affordable sector, there may be potential for policy to seek to reduce under-occupation by providing support and incentives to households to downsize. This may help to release larger housing for family households in priority need. It will be important that secure tenancies are provided for these households.

54.   The number of older households is expected to increase significantly over the next 20

years, with households of pensionable age growing by 6,500 over the next 20 years (to 2031). With improvements in life expectancy, the number of households with support needs will also grow, by an estimated 2,800. The Council should consider how to best meet the needs of these groups through the housing strategy. We would expect this to include providing support to older households to adapt their existing homes to meet their changing needs. They will however also be a need for specialist accommodation, and the Council might consider including a policy relating to specialist housing for older persons within the Local Plan.

55. Currently 14% of households have support needs with the highest levels in Leamington North. Some 11% of those with support needs currently live in unsuitable housing (c. 900 households). Typically these households have a lower income. The greatest support needs are for alternations to bathrooms and toilets, provision of emergency alarms or help maintaining homes, as well as level access showers. In many cases it may be possible to resolve these needs in situ. Population growth can be expected to increase the numbers of households with support needs over time – we estimate that over the next 20 years an additional 3,000 households will have a support need. The support needs of households should be considered by the Council in the development and implementation of its Housing Strategy. It will be important that financial planning takes into account an expected increase in needed for support services.

56. For family households, lone parent households are particularly in need of support. Lone parent households typically have lower incomes and are more likely to be overcrowded (8.5%). They make up 15% of households with children. Most reside in the Private or Social Rented Sectors, and the Council might wish to consider how its allocations policies for social housing support this group, for instance through the development of its Tenancy Strategy.

57. Young households are more likely to be unemployed (with 8.5% of persons under 35, excluding students, unemployed) and in need of support. There are also market barriers for many young households to buying a home, with the average age of first-time buyer households in the District of 35 over the last 2 years, with a median income of £43,000. Given supply constraints in the affordable sector, the Council should work to promote improvements in standards of private rented properties to meet the needs of these groups. The Council should also signpost and promote understanding of intermediate housing options.

Conclusions & Recommendations

58. Strategic Housing Market Assessments are intended to improve understanding of both need and demand for affordable and market housing. They take account of the current stock (and how this has changed over time), and through this assessment we have

considered drivers of demand over both short- and long-term horizons.

59.   There has been a significant change in housing market conditions since late 2007, with effective housing demand substantially constrained – particularly by the availability of mortgage finance. The SHMA has addressed this, but seeks to look beyond this to provide a framework for development of planning policy over the longer-term to 2031. Warwick District Council is currently developing a Local Plan to cover the period to 2031.

Housing Requirements

60.   It is expected that population and demographic dynamics as well as employment growth will drive demand for housing over the longer-term to 2031. Planning policies should be developed to respond to these long-term drivers, alongside the Council's vision for the District and its ability to accommodate development.

61.   As part of this assessment, projections have been developed for future population and household growth, taking account of both demographic trends and projected future economic performance. In establishing policies for housing provision, the outputs from these projections need to be brought together with evidence of the availability of suitable land for development. The plan-making process will also need to test alternative options considering their social, economic and environmental implications and infrastructure requirements.

Housing Distribution

62.   In the past, the distribution of housing development has particularly been informed by the 'spatial strategy' within regional/county and local plans, and the availability of suitable land. These remain very relevant factors in considering where development is located, particularly with a view to supporting sustainable development including access to employment, services and public transport.

63.   A range of factors should therefore be brought together in considering the distribution of development within the District through the Local Plan preparation process and tested through the Sustainability Appraisal process. In doing so, the Council should consider the ability of the 'portfolio of sites' proposed for development to accommodate the mix of housing proposed.

Affordable Housing Policy

64.   An assessment of housing need is a statutory requirement to support affordable housing policies. Its purpose is to establish that the 'need' for affordable housing cannot be met by

existing or planned supply, and hence that there is an additional requirement for affordable housing.

65.   The SHMA identifies a net annual need for 698 affordable homes per annum, if all housing need was to be met. This is significantly above likely (or realistic) levels of housing delivery, and has arisen from under-provision of affordable housing for a decade or more. Since 2001-2, affordable housing delivery has averaged 85 dwellings a year (18% of total housebuilding) but this has been offset by losses of affordable housing through right-to-buy sales. Overall between 2000 and 2010 the stock of affordable housing in the District fell, with a net loss of 280 properties.

66.   In regard to the policies regarding the mix of affordable housing, our analysis indicates that of those in housing need:

- 53% require a social rented dwelling
- 29% would be able to afford an affordable rented home
- 11% could afford intermediate rented housing
- 7% could afford equity-based intermediate housing (e.g. shared ownership).

67.   On a District-wide basis this approach might support an 80/20 split between social/affordable rent and intermediate housing.

68.   We would expect that much new social housing would be delivered as affordable rented homes (particularly as households will be able to claim Local Housing Allowance to cover any shortfall between housing costs and what they can afford). However the Council can define a policy in this regard, including setting different levels for affordable rent for different bedroom sizes through a Tenancy Strategy. This will also need to have regard to the incomes of working households to ensure that rent levels are affordable without the need for households to claim benefits.

69.   It should be borne in mind that the needs assessment presents a 'snapshot' of housing need. We consider that the housing needs assessment should be reviewed in 5 years time (2016).

Meeting the Needs of Specific Household Groups

70.   Over the next 20 years (to 2031) the number of older households is expected to increase significantly, with households of pensionable age growing by 6,500. Policy needs to respond to this. Through the review of its Housing Strategy, the Council will need to consider its strategy for meeting the needs of older households.

71.   In the affordable sector in particular, there may be potential to reduce under-occupation and the Council may wish to consider providing support and incentives to households to downsize. It will be important that secure tenancies are provided. This may help to release larger affordable homes for younger households.