

West of England Strategic Housing Market Assessment

Executive Summary

June 2009v2

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

Research commissioned from:

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Foreword and Background to the Study

1.1 This Strategic Housing Market Assessment (SHMA) has been undertaken for the West of England (WoE) Housing Market Area as defined in the South West Regional Spatial Strategy.

1.2 The area consists of six authorities: Bath and North East Somerset, Bristol, North Somerset and South Gloucestershire (all unitary authorities in the former Avon area and now working within the West of England Partnership) and Mendip and West Wiltshire (district authorities in Somerset and Wiltshire counties respectively).¹

1.3 The SHMA has been carried out in accordance with the published Practice Guidance², as required by PPS3:Housing³ and has sought to produce the core outputs and meet the process requirements set out in Figures 1.1 and 1.2 of the Guidance.

1.4 A Project Team consisting of housing and planning representatives of the local authorities has overseen the day to day technical work, as well as providing detailed information for the study. The team was co-ordinated by a Project manager, Wendy Murphy. The team employed consultants from Herriot Watt University to undertake the detailed modelling work which has underpinned the analysis in much of this report, the consultants were led by Professor Glen Bramley.

1.5 The Project Team in turn has reported to a Housing Market Partnership Steering Group consisting of other key stakeholders, including representatives of the South West Government Office, Regional Assembly and Regional Development Agency, the Housing Corporation and Registered Social Landlords (RSLs), housebuilders, and private landlords. The Housing Market Partnership has approved the brief for the study, debated key assumptions, and will be asked to accept the final report. Events for a wider group of interested organisations and individuals have also been held.

1.6 PPS3 states that a SHMA should estimate housing need and demand in terms of affordable and market housing, determine how the distribution of need and demand varies across the area, consider future demographic trends and identify the accommodation requirements of specific groups and the likely mix of housing.⁴

¹ West Wiltshire is to become part of Wiltshire Unitary Authority on 1 April 2009

² Strategic Housing Market Assessments- Practice Guidance; Version 2 -Communities and Local Government August 2007

³ Planning Policy Statement 3 (PPS3) Housing Communities and Local Government November 2006

⁴ Affordable housing is defined in PPS3. In brief, it includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market at a cost low enough for them to afford. Within this, social rented housing is rented housing generally owned and managed by local authorities and registered social landlords for which guideline target rents are determined through

1.7 SHMAs, however, go beyond the traditional descriptive account of housing needs and a forward projection based on demographics and simple extrapolation. The assessment should be based on an understanding of the housing market, key drivers such as the economy, and the implications of planning decisions.

1.8 The guidance acknowledges that *“housing markets are dynamic and complex”* and that because of this *“strategic housing market assessments will not provide definitive estimates of housing need, demand and market conditions. However, they can provide valuable insights into how housing markets operate both now and in the future. They should provide a fit for purpose basis on which to develop planning and housing policies by considering the characteristics of the housing market, how key factors work together, and the probable scale of change in future housing need and demand”*

1.9 This wider approach has been reflected in the research and modeling work undertaken. Much of it has been based on nationally available secondary data but incorporating local data on such things as house building rates, the housing stock and housing needs. A suite of four models, set within national modeling work to provide the wider social economic context, were integrated to provide ‘housing supply’ and ‘affordability’ forecasts at a market area level, that is ‘county’ and local authorities, and at a ward/zonal level, the six local authorities having identified a total of 31 zones for the purposes of the study.

1.10 Forecasting in the modeling work has generally been undertaken at five year intervals from 2006 to 2026, with the main emphasis on the period to 2021; the longer the timescale over which variables are modeled the less the certainty about outcomes. Even forecasting such things as house prices over short periods can be hazardous in a volatile housing market, as the current ‘credit crunch’ is proving.

1.11 However, this is not a reason to ignore housing need and demand. The underlying, if currently hidden, growth over time will remain and needs to be planned for. There is likely to be more confidence over medium term conditions than over conditions in the very short term. For planning purposes local authorities should be thinking 15-20 years ahead, for social and affordable housing a 5-10 year time frame is more important.

the national rent regime. Intermediate affordable housing is housing at prices and rents above those of social rent, but below market price or rents, and which meet the criteria set out above. These can include shared equity products (eg HomeBuy), other low cost homes for sale and intermediate rent.

The Key Research Questions

2. The current housing market

2.1 The Housing Market Area

2.1.1 The West of England Housing Market Area is a relatively self contained one. 93% of those in jobs and living in the area also worked in the area. The major employment centres in the area, coupled with good motorway and rail links provide a strong base of jobs. Bristol, and its South Gloucestershire north and east fringes, Bath, Weston Super Mare, and Trowbridge are designated Strategically Significant Cities and Towns in the South West Regional Spatial Strategy (RSS). 48% of the wards in the HMA are classified as “suburbs or small towns” compared to 30% in England.

2.1.2 Patterns of movement between home and work are however more complex and these are reflected in the four Travel to Work areas (TTWAs) which cover the majority of the SHMA and which can be regarded as housing sub markets⁵.

2.1.3 The Bristol TTWA has a significant influence over the wider sub region , extending the length of the HMA with the M5/M4 motorway network and extensive rail links at its core linking it to the South West, Midlands, London and South Wales. The TTWA contains 73% of the employment in the WoE HMA, with 40% of jobs focussed in Bristol City Centre, North Bristol and the North Fringe of Bristol within South Gloucestershire.^{6 7} Its influence extends as far as Weston Super Mare and beyond the WoE HMA into Stroud District.

2.1.4 The Bath TTWA has about 13% of HMA jobs, is dominated by Bath and covers most of Bath & North East Somerset, particularly extending its influence south east into Mendip District.

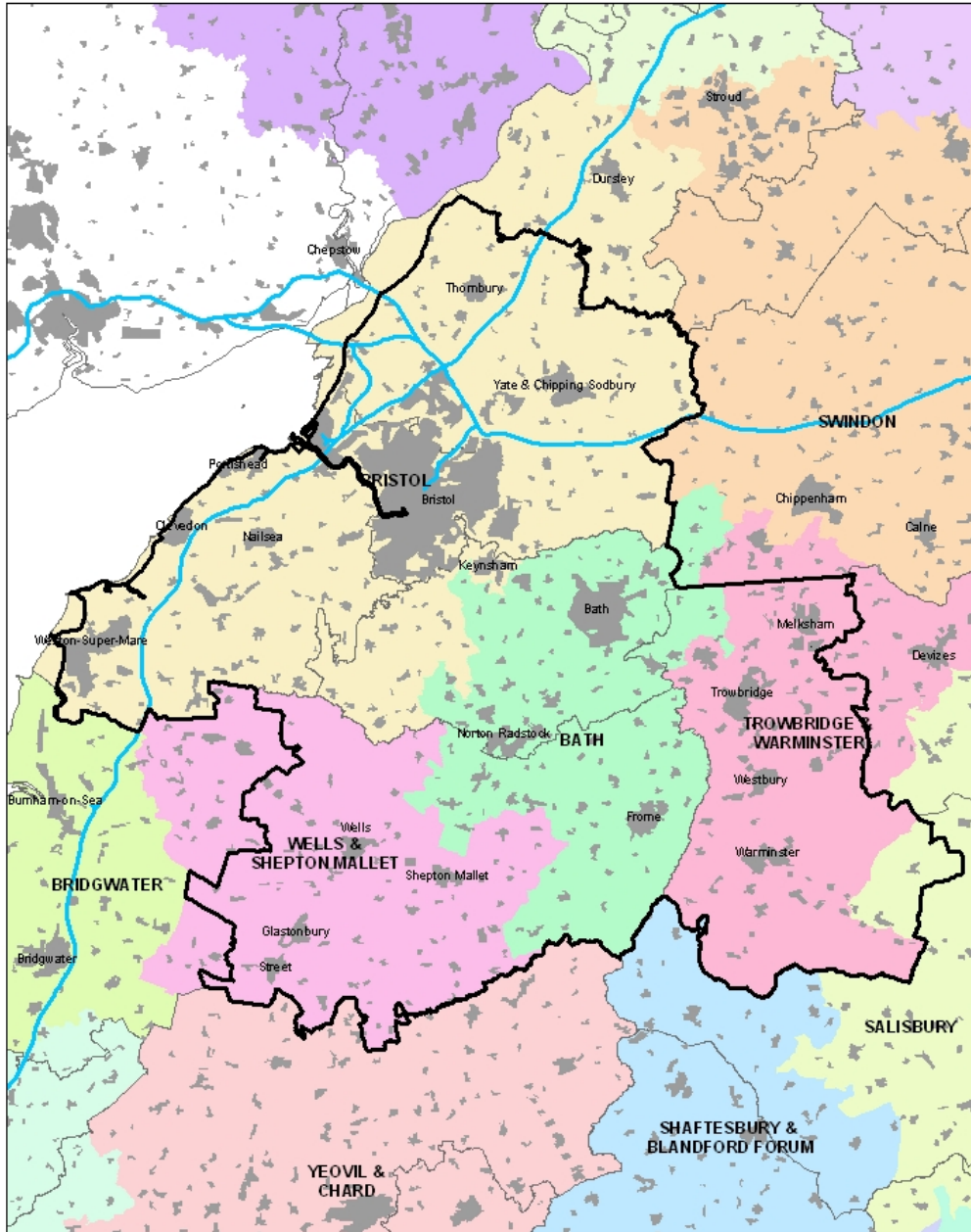
2.1.5 The two other TTWA are more compact and suggest housing sub markets focussed on a set of smaller towns providing more localised employment opportunities, with a diminishing influence of Bristol and Bath. The Trowbridge and Warminster TTWA covers most of West Wiltshire including the towns of Trowbridge, Westbury and Warminster and provides around 8% of HMA jobs. The Wells and Shepton Mallet TTWA covers much of the Mendip District and parts of Sedgemoor with employment focussing on such more rural towns as Shepton Mallet, Street and Wells; it contains nearly 5% of HMA jobs.

⁵TTWAs 2001 based: Bristol, Bath, Trowbridge and Warminster, Wells and Shepton Mallet.

⁶ Figures are approximate, derived from Cambridge Econometrics forecasts and use 1991 based TTWAs.

⁷ ‘North Fringe of Bristol within South Gloucestershire’ is foreshortened to ‘the North Fringe’ in this report.

Figure 1: 2001 Travel to Work Areas



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2.1.6 Housing Market Areas therefore have no hard boundaries. Despite the high degree of self containment within the WoE people travel from far and wide particularly to jobs in the major employment centres of Bristol and the North Fringe of Bristol. The significance of these centres extends beyond the HMA with significant commuting flows from residential areas in South East Wales, North Wiltshire, Stroud, Sedgemoor and North Wilshire Districts. As long distance commuting has increased and as the main urban areas have grown in terms of job provision TTWAs based on the these areas have extended, dominating the commuting patterns around smaller centres.

2.2 The demographic and economic context

What is the current demographic profile of the area?

Population Changes

2.2.1 The West of England HMA population was estimated at 1,275,000 at April 2006, 32% was concentrated in the Bristol City boundaries, 50% in the three WoE authorities surrounding Bristol, and 18% in Mendip and West Wiltshire. The population grew by nearly 5% between 2001 - 06 adding an estimated 58,500 people to the HMA, averaging 11,700 per year (p.a.). This increase resulted from natural change (i.e. births minus deaths) of +10,700 and net migration of +47,900. In the South West as a whole natural change was negative and population decline was only prevented by migration.

2.2.2 In the WoE HMA the majority (65%) of net migration was due to international migration accounting for 54% of 2001-06 population growth, the remainder arising from movements into the area from other parts of the UK. Nearly two thirds of this international migration was to Bristol City. In the cities the broader range of economic activities and cultural bases, and institutions such as universities will have attracted people from further a field to work or study; this is also reflected in the important contribution of migration to population change in Bath and North East Somerset . There is a significant student population of almost 60,000 students, most of whom come from outside the area.

2.2.3 In South Gloucestershire natural change was a slightly more important component of population change than migration, whilst in North Somerset, Mendip, and West Wiltshire internal migration from within UK made up the bulk of migration. There is some movement of younger people away from the more rural areas into urban areas, but this is balanced by movement back to rural areas of households in their thirties and forties. This reflects the pull of the additional housing provided in these Districts, compensating in part for the more restricted variety of new accommodation, particularly family houses, provided in the cities.

Figure 2: 2006 Mid- Year Population Estimates 2001-2006 By Local Authority Area.

	West of England	B&NES	Bristol	N.Som	S.Glos	Mendip	West Wiltshire
2001	1,216,500	169,200	390,000	188,800	246,000	104,000	118,500
2002	1,224,600	170,200	391,000	190,400	247,500	104,900	120,600
2003	1,234,800	171,400	393,500	192,900	249,000	105,800	122,200
2004	1,247,100	172,500	397,500	195,500	251,000	106,800	123,800
2005	1,264,300	174,900	405,600	198,600	253,100	107,600	124,500
2006	1,275,000	175,600	410,500	201,400	254,400	108,300	124,800
2001-2006 change	58,500	6,400	20,500	12,600	8,400	4,300	6,300
2001-2006 % change	4.8	3.8	5.3	6.7	3.4	4.1	5.3

Source: 2006 Mid year Population estimates ONS. Crown copyright 2007 (Table 3.7 in report covers this area but is drawn from a different data source in order to provide zone level breakdown)

Figure 3: 2006 Mid- Year Population Estimates 2001-2006 Components of change

	West of England	B&NES	Bristol	N.Som	S.Glos	Mendip	West Wiltshire
Natural Change 2001-2006 (Net)	10,710	-60	6,730	-1180	4,450	-80	760
Migration and other changes 2001-2006 (Net)	47,860	6,550	13,730	13,740	3,860	4,380	5,600
Population Growth 2001-2006	58,540	6,470	20,440	12,560	8,410	4,310	6,350

Source: 2006 Mid year Population estimates ONS. Crown copyright 2007 (Table 3.8 in report gives a zone level breakdown of information for the period 2001 - 2005)

Age Structures

2.2.4 This pattern of natural change and migration has a major influence on the age profile of the populations and the amount and type of housing likely to be needed. The WoE generally has a younger age profile than the South West as a whole, for example at 2006 16.0% of its population was estimated to be in the 65 years and over age group compared to 20.8% in the South West; 17.8% were 14 years and under and 13.1% were in the 15-24 age group compared to 16.7% and 12.4% in the South West as a whole.

2.2.5 However, there is significant variation within the West of England. North Somerset and Mendip in particular have relatively large proportions of the older 65 years+ age groups (19.4% and 17.8 % respectively) with relatively low proportions in the 15-24 age groups as younger people move away to study or find jobs. Conversely with their universities Bristol and Bath & North East Somerset have higher proportions of the 15-24 age group (17.7% and 16.4% respectively). Bristol in particular also has noticeably lower proportions of older people over 65 years (13.6%). South Gloucestershire has the greatest proportion in the middle 25-64 age group, 54.5%, of any WoE district.

2.2.6 These different age structures translate into different patterns of household formation which will in turn influence the type of housing that needs to be provided although where internal migration is a major factor the availability of housing itself may attract particular household types.

Households

2.2.7 There were an estimated 539,000 households in the WoE in 2006 an increase of 30,500 since the 2001 Census, an average of 6,100 a year; around one third of these households were in the greater Bristol urban area.

2.2.8 The average household size in the West of England is 2.4 persons, it varies only by +/- 0.1 across Districts. Average household size has gradually fallen over time as the population ages, families fragment through separation and divorce, and family size generally declines aided by younger people gaining independence at an earlier age. With this decline an unchanging housing stock will therefore house fewer people, contributing to the pressures for more dwellings, in addition to those needed for a growing population. The sub division of existing dwellings through the planning process can help offset this by providing additional units of accommodation.

2.2.9 Married couple /cohabiting households are estimated to make up 54.8% of total West of England HMA households ; households, with single persons have a 31.2% share, and lone parents, and other multi person households make up the remainder (Figure 5, 2006 estimate).

2.2.10 There are differences in the types of households between districts. Bristol has a very different make-up with 47% married couple/cohabiting households, 34% one person and higher proportions of other household groups. In contrast four other districts have higher shares of couple/cohabiting households than the WoE norm, 62% in South Gloucestershire; Bath and North East Somerset being close to the WoE norm.

What is the current economic profile?

2.2.11 The economy of the West of England HMA represents the largest concentration of business activity and employment in the South West region. It supports over 700,000 jobs, accounting for almost 30% of the regional total in just over 10% of the area. Two thirds of these jobs are in the wider Bristol urban area. As a result Bristol, and to a lesser extent Bath, attract commuters from across the West of England with the sub-region as a whole functioning as a city region in terms of economic linkages, housing markets and shopping patterns.

2.2.12 Economic activity and employment rates for the West of England as a whole are above regional and national averages, while unemployment is below. The relative buoyancy of the sub-region as a whole does mask some particular localities which experience higher unemployment. There are concentrations of high unemployment in some of the eastern inner areas of Bristol, on the outlying estates of social rented housing, and in the Twerton area of Bath. Elsewhere higher levels of unemployment are more localised, occurring for example close to the town centre of Weston Super Mare and in some of the urban wards of the Mendip towns.

2.2.13 The more urban of these areas also tend to be associated with high levels of multiple deprivation but rather than simply being a housing issue the areas are often associated with educational underachievement, low skills as well as a decline in traditional industries.

2.2.14 Nevertheless overall average weekly pay of the resident population in all districts in the HMA is higher than the regional average, although only marginally so in Mendip and Bristol.

2.2.15 The travel to work patterns detailed above confirm that it is the dominance of the major employment areas which draws the different parts of the HMA together.

2.2.16 The broad industrial make-up of the economy is similar to the regional and national economy but with business and financial services slightly more important and manufacturing less so. Extra jobs in the office and service sector have more than matched falling manufacturing employment. Industrial and office jobs account for about 40% of employment. Retailing, personal services and leisure related activities, and education and health, account for much of the remainder.

2.2.17 There are variations within the sub region; in Bristol financial and business services form a much larger share of employment , manufacturing is more important in South Gloucestershire, along with financial and business services, and in West Wiltshire;- distribution and other services forms a key component in Mendip and North Somerset ; public services are especially important in Bath and North East Somerset.

How have these profiles changed over the last 10 years?

2.2.18 Over much of the post-war period the sub-region has seen employment levels rising at rates above national averages although this does appear to have slowed in more recent years.

2.2.19 The generally favourable economic position reflects the make up of the local economy and the growth in employment. Between 1991-2001 employment levels rose by an average of some 7,200 p.a., although this had slowed to around 3,800 jobs p.a. between 2001-2006.

2.2.20 Overall between 1998-2006 the sectors that have seen the biggest growth are public administration, education and health (+24%), other services (+20%), banking insurance and finance (+18%) transport and communications (+18%), and construction (+19%).

2.2.21 The success and growth of the sub-regional economy has not been evenly distributed between all localities. South Gloucestershire attracted around 50% of the growth of employment across the sub-region in the 1990's, with the rapid expansion of out of town retail and business park development at the North Fringe of Bristol. North Somerset attracted 20% of sub-regional growth in the same period, largely as a result of increased demand for local services from a growing population. Bath and North East Somerset attracted 12%, mainly due to extra jobs in Bath itself.

2.3 The housing stock

What is the current housing stock profile?

2.3.1 The West of England dwelling stock totaled around 543,400 in April 2006, 51% of this stock was in Bristol and South Gloucestershire, most in the greater Bristol urban area. Dwellings exceeded households by an estimated 11,500 as a result of vacancies, second homes (numbers of which are relatively low), and households sharing accommodation. This is despite the fact that household growth outstripped recorded growth in the housing stock in the period since 1991.

2.3.2 Vacancy rates are relatively low across most of the area, averaging 2.8% of the stock in 2006, but with 3.9% in Bristol and above 5% in its two inner zones. Overall the low rate reflects pressure on the stock and its relatively good condition.

2.3.3 Nearly 16% of the stock was built before 1900, compared to 12% in England. As a result of continued investment the stock is generally not in poor condition, the worse conditions being in the private rented sector in inner areas of towns and cities. A relatively high number of these properties do not meet the Decent Homes Standard (DHS). Main reasons for failing the DHS are the age of internal fittings, and thermal standards. The majority of properties are wind and water tight.

2.3.4 The West of England housing stock is predominantly owner occupied –in 2006 72% of all households were owner occupiers, and nearly 14% rented privately, both higher proportions than the national shares. By contrast the proportion of social rented stock was relatively low by national standards. 15% of WoE households were social renters. Bristol with 21% was the only exception to this pattern; North Somerset and South Gloucestershire with 9%-10% had the lowest shares. Overall the low levels of social stock have an important impact on housing need since they in turn generate lower levels of re-lets, the prime housing source for meeting need.

2.3.5 In 2006/07 when new completions added around 5,250 net dwellings to the sub regional housing stock, new affordable dwellings provided by Registered Social Landlords formed 14%-15% of the total (nearly 800 net dwellings); the changes included continuing losses from the local authority stock averaging around 150 dwellings p.a. arising mainly from demolitions of poorer stock.

2.3.6 The mix of stock at sub regional level is 15% flats, 30% terraces and 24% detached dwellings. Bristol stands apart with 24% flats, 40% terraces, and only 7% detached housing. Mendip, South Gloucestershire, and West Wiltshire have 8% or less flats but 30% plus detached dwellings. North Somerset also has a high number of detached houses but also 17% terraced houses and 16% flats. Bath and North East Somerset has a lower number of detached houses, almost 30% terraced houses and 18% flats.

2.3.7 At local level the type of mix has implications for housing choice and the flexibility of the existing stock in meeting different demands placed on it. Some inner zones of Bristol and Bath have 40%-60% flats, whilst more rural zones have less than 5%, only Bristol East has a majority of terraces.

2.3.8 Higher housing densities tend to reflect the share of flats and terraces in an area.

How has the stock changed over the last ten years?

2.3.9 The WoE housing stock showed a net growth of around 64,400 dwellings between 1991-2006, an average of 4,270 p.a.⁸ In the period, between 2001/07, more detailed data shows growth has increased to an average of 5,329 new homes p.a. (Figure 4) The very active housing market during this later period meant that net completions gradually increased up to 2007/08 with particularly high numbers in Bristol City, averaging around 1850 p.a. ,and North Somerset , c.1200 pa.

Figure 4: West of England SHMA: Dwelling Completions 2001/02-2007/08

	2001/02 Total	2002/03 Total	2003/04 Total	2004/05 Total	2005/06 Total	2006/07 Total	2007/08 Total	2001- 2008 average
B&NES	195	339	367	224	245	332	515	317
Bristol	1,204	1,189	2,283	2,082	1,712	2,052	2,411	1,848
North Somerset	1,066	1,206	1,265	1,058	1,253	1,132	1,474	1,208
South Glos	826	942	748	546	636	689	1,003	770
Mendip	407	306	492	369	584	546	603	472
West Wilts	773	669	987	695	596	513	771	715
West of England SHMA	4,471	4,651	6,142	4,974	5,026	5,264	6,777	5,329

Source: Local Authority Data (Table 2.2 in main report)

⁸ Censuses and Herriot Watt modelling work

2.3.10 This dwelling growth over the 1991-2006 period was exceeded by a more rapid increase in household numbers, adding some 77,900 net households (and averaging 5190 pa), so tightening housing availability.

2.3.11 A large number of these dwellings have been on brownfield sites, many within the older urban areas. For the four WoE authorities (former Avon area) this is estimated at 17,294 (72%) between 2000/01-2005/06. Whilst some of these represent large scale regeneration schemes in city centres and at places such as Portishead , North Somerset, many others have been small scale city inner area infill usually consisting of flats. Again in the WoE (former Avon area) completions of flats has increased from 32% of all completions in 2002/03 to 59% in 2005/06. In general these brownfield flat developments have underpinned much of the stock increase in Bristol.

2.3.12 This type of development has been a major factor in the growth of the private rented sector over the period, its share growing by 50% since 1991 to 13.7% in 2006, 17.4% in Bristol. In part this may be fuelled by the growth in buy to let mortgages but it is also a response to demand - a significant number of migrant households go into the private rented sector, as do student households. It is a sector where immediate needs can be met albeit with limited security of tenure, an important requirement for vulnerable households. In North Somerset, South Gloucestershire, and Mendip, more households were estimated to live in the private rented sector than the social rented sector at 2006.

2.3.13 In all Districts social rented housing stock levels have fallen as a percentage of all stock, in the HMA from 15.5% in 1991 to 12.5% of all stock in 2006, absolute numbers have also declined. This is due to the continuing growth in the private stock compared to the more limited numbers of affordable dwellings built and the continuing impact of the Right to Buy in depleting the affordable stock. However, there is some evidence that between 2001-2006 the social rented stock has begun to increase again in Bristol as a result of policies to increase supply.

2.3.14 Between 2001/02 to 2006/07 only 12% of net new sub regional housing provision was counted as affordable. This may appear low, given that the authorities now generally seek approximately 30 – 35% of affordable dwellings in new developments. There are a number of reasons for this:

- a number of schemes completed recently may have been given planning permission when targets were significantly lower; that is, there is a time lag in delivering revised policies
- the number of smaller sites which are not required to provide affordable housing, falling outside of local authority site threshold policies

- smaller numbers of affordable dwellings might be sought on some sites due to economic viability issues.

2.3.15 It is, however, likely that delivery of affordable housing will increase as sites with more recent planning permissions are built out, but this alone is unlikely to be sufficient to meet the level of housing need identified in this report or to meet the RSS's target that 35% of **all** new housing should be affordable.

2.3.16 Whilst newer planning policies to increase the supply will become embedded the nature of housing land supply particularly in the urban parts of the HMA may continue to contribute to the slow growth of the affordable housing stock. Many sites, particularly brownfield ones, have fallen below the site size threshold where existing policies require such housing to be provided. PPS3 national guidelines point to requiring provision on with a site threshold of a 15 dwellings or more, but invites local authorities to set lower thresholds where viable and practicable; some local authorities, for example, have set a threshold of 5 dwellings or more in rural areas.

2.3.17 By way of example in the WoE 29% of dwellings provided in 2005/6 were on sites with a capacity of 10 dwellings and below, the majority in urban areas.

2.3.18 Recent developments have also contributed to a gradual increase in net housing densities across the area. The increases are likely to reflect a range of factors including the setting of a national indicative minimum density of 30 dwellings per hectare and subsequent higher targets in regional and local policies; a national target of 60% of new housing on brownfield land, much of which is in urban areas where densities are generally higher and where infrastructure demands may be less; and the regeneration of town and city centres with mixed schemes which include housing, much for the buy to let flat market. On the edges of urban areas in new urban extensions the driving force for higher densities will also include the minimisation of greenfield land take.

2.3.19 However, whatever the factors density policies set in isolation can have a significant effect on the type and mix of dwellings provided and may restrict the provision of a broad range of housing to meet a wide range of needs.

2.4 The active market

What do the active market indicators tell us about current demand, particularly house prices and affordability?⁹

2.4.1 Average house prices in the West of England HMA were generally similar to those in the rest of the South West in 2006 at £187,751, and these in turn were generally higher than average national prices. There is little major variation between WoE districts apart from Bath and North East Somerset where average prices were significantly higher at £239,570.

2.4.2 In the period 1995 to 2006 house prices rose by more than the national average for England in 4 out of the 6 authorities.

2.4.3 Generally urban areas outside of the two cities tend to have the lowest prices, reflected in overall price levels for South Gloucestershire, North Somerset, and West Wiltshire; these areas have seen significant amounts of new house building in areas where the price premiums of large city access are less. The highest prices are in the most rural wards and some of the biggest increases occurred here; Mendip having the highest percentage price increase between 1996-2006, a feature perhaps of a shift from urban areas and/or supply constraints.

2.4.4 City centres also had some of the highest prices but recent increases here were some of the lowest reflecting the major increase in supply and perhaps the saturation of markets.

2.4.5 There is also some indication of significantly higher price increases in the worst areas of deprivation as more people access such areas due to the growing unaffordability of adjacent areas.

2.4.6 A large part of the SHMA is rural in character but with high levels of demand for housing, and for affordable housing in particular. House prices rose faster in rural areas between 2001-06 than they did in urban areas. In terms of numbers housing need is comparatively low, although the intensity is high in areas such as Wells and the rural area although lower in Frome, and Shepton Mallet and surrounding areas, reflecting relative affordability. Some of those wanting housing may simply move to urban areas reducing the growth of need and posing a policy challenge on the appropriate scale of local village provision.

⁹ The terms 'affordability' and 'affordable housing' have different meanings. 'Affordability' is a measure of whether housing may be afforded by certain groups of households. 'Affordable housing' refers to particular products outside the main housing market, see footnote 4.

2.4.7 Other active market indicators include affordable housing relets, and vacancy and turnover rates in the private sector. Affordable housing relets are important both as the main source of supply of affordable housing and as a good inverse measure of the demand for/popularity of affordable housing: the lower the rates the greater the pressure on the affordable sector. In 2006/07 WoE relet rates were lower than in the main comparator areas, other than London. Rates fell in WoE from 2002 to 2007 whilst they rose in the wider South, and fell less in England as a whole. This suggests that WoE is an area of relatively greater pressure and limited supply and that this situation has intensified.

2.4.8 Vacancy rates in WoE areas are also below the national average, another indicator of housing market pressure. Second hand homes are not however a significant pressure on the housing market forming 0.6% of the stock at 2005, below the 1% England average. Higher increasing shares occur in higher status central city areas and the more attractive rural small towns.

2.4.9 Private sector rents are close to the England averages and to the rest of the region. In three of the local authority areas it is cheaper to rent than to buy, although in two of these the difference is marginal. The impact of the major expansion of buy to let lending before the credit crunch is difficult to determine. National research indicates that it has made a small contribution to house price inflation, although such factors as household growth, stable interest rates and limited supply are more important. It is however an additional inflationary pressure. Conversely it has significantly increased the size of the private rented market, may have helped to keep rents lower than they would otherwise be, and has helped to provide accommodation for those who do not want or cannot afford to be owner occupiers¹⁰. However, the real impact of buy to let is likely to be more localised, for example as a focus in city centre regeneration schemes and in areas of the market where it is competing with first time buyers.

Affordability

2.4.10 All these factors ultimately affect “threshold prices”, that is the lowest entry level price at which it is assumed people are able to afford to enter the owner occupied or private rented markets and acquire decent housing. The average WoE HMA threshold price for all dwellings was estimated at £134,550 dwellings in 2006; for a two bedroom property it was £116,584 and for renting a two bed flat it was £135 a week. These threshold prices and rents are close to the national average.¹¹ Threshold prices are

¹⁰ Buy to Let Mortgage Lending and the impact on UK house prices-NHPAU research Findings No.1 February 2008.

¹¹ The published SHMA guidance suggests taking lower quartile house prices as a proxy for threshold prices but in the WoE which has a generally well maintained stock due to the pressures on it it was agreed to take a midpoint between the lower quartile and lower decile.

however significantly higher in Bath and North East Somerset as are market rents, other areas being close to the national average.

2.4.11 Given these threshold prices the affordability of home ownership is a major issue for the area. However, the affordability of housing in the West of England is affected not only by the level of house prices and rents but by incomes and the general availability and cost of borrowing. People cannot and do not spend all their money on housing. So, in judging the ability to buy, the study made assumptions on amounts borrowed, or paid in rent, in relation to income, and minimum residual income levels. Amounts borrowed were assumed to be around 15% higher than national SHMA guidance reflecting a greater local prosperity and evidence from mortgage lenders¹².

2.4.12 During 2007 it was estimated that only 41.4% of households under 35 years were able to buy or rent in the market at threshold entry levels, even after adjusting for additional wealth some of these households might have access to (eg parent contributions towards a deposit). This had gradually fallen from 51.0% since 2002 and reflects the escalation of house prices over that period. This proportion sets the threshold above which people are likely to need some form of assistance in entering the housing market and is a key factor in estimating the need for affordable housing.

2.4.13 The ability to access other financial support help is important. In 2006 reliance on income alone was estimated to reduce the proportion of households who could afford to buy or rent in the HMA by around 6 percentage points.

2.4.14 Generally WoE affordability was worse than in England as a whole and worse than the rest of the south outside London.

2.4.15 Within the WoE affordability was worse in Bristol due to lower average income levels and best in North Somerset and to a lesser extent West Wiltshire, due to a combination of more moderate house prices and above average resident household incomes.

2.4.16 Within local authorities the variations in affordability are even greater. Poor affordability is driven by low incomes (for example Bristol Inner area, and Bristol North, South and East) or very high house prices (Bristol Inner West, Bath North) or by a combination of above average prices and below average incomes (Wells and parts of rural Mendip and Bradford on Avon).

¹² The study assumed that single earners could obtain a multiplier of 4.0 times their gross household income and two earners 3.4 times their combined income, the SHMA guidance being 3.5 and 2.9 respectively. But it was also assumed that they retained sufficient residual income to keep themselves above a defined poverty line. Households were assumed to be able to afford private renting if the rent was less than 30.0% net income after tax and NI, equivalent to about 25% gross income.

2.4.17 Better affordability is achieved in smaller towns where prices are relatively low but incomes around average (Yate-Sodbury, Norton Radstock, Westbury, Warminster) Here supply has increased whilst the price pressures of the big cities lessen.

2.4.18 Data does however need to be interpreted carefully. Good affordability can also be a result of relatively affluent areas where house prices are not exceptionally high (Chew Valley, South Gloucestershire Rural and West Wiltshire Rural). Generally the higher prices in some of rural areas will severely limit the scale of take up of intermediate affordable housing, making the “owner” share too expensive to buy thereby increasing the need for social renting.

2.5 How has demand changed?

2.5.1 The rapid increase in house prices between 2001 and 2007 fuelled by the availability of relatively cheap credit, the continuing economic prosperity of the area, and its attractiveness to migrants from the UK and abroad has therefore increased the numbers of new households estimated to be unable to buy or rent adequate accommodation in the private sector. Affordability is a major issue. The more recent fall in house prices has, on paper, led to an improvement in the affordability of housing, but with the supply of mortgage finance now affected and current fears over unemployment, the impact of this improvement on the market has been minimal. However, it does provide the basis for better access to new housing in the short to medium term once financial restrictions are eased and economic confidence returns.

2.5.2 Affordable housing numbers have increased too slowly to significantly affect this situation and the relatively small affordable stock has limited relet numbers.

Bringing the evidence together

2.6 How are market characteristics related to each other geographically and what are the key drivers in the area?

2.6.1 Prices are the most important single market indicator. They are driven by national market and sub regional factors on the one hand and neighbourhood factors on the other. The core of the sub region is dominated by a housing market covering the wider Bristol urban area and is the focus of major transport links, employment, higher and further education activities, and diverse cultural activities. Bath plays a similar role in the east of the area although on a lesser scale and there is a degree of separation between the two sub markets, with Bath drawing commuters from the Mendip area in the south and Wiltshire in the east.

2.6.2 These economic and employment factors have a slightly above national average effect on prices in the WoE, the lowest impact being away from the big centres, for example in Mendip. The variety implicit in the range of city/big town house types and in urban areas has a particularly positive effect on prices in Bristol, Bath and North East Somerset. The relative absence of poverty and adverse social factors normally associated with metropolitan areas is another positive factor on prices both in the sub region and region as a whole although varying between districts.

2.6.3 The limits on new housing provision in the cities, particularly the economic model that produces multi story flat developments on major brownfield sites, the lack of new family housing and its cost, and sometimes its setting, appears to have led to an out migration of younger adult households from Bristol in particular to areas around where new housing in smaller towns is seen to offer better value and a better environment whilst remaining reasonable accessible to main city activities and jobs by the main transport routes.

2.6.4 Significant quantities of new housing supply in these towns also tend to dampen prices, for example in North Somerset, thereby reinforcing this pattern. Around Bath, Midsomer Norton and the Mendip towns appear to perform this role. Areas such as Mendip with a more restricted supply of new housing but in attractive settings, appear to be then more strongly influenced by regional house price cycles, offsetting some of the negative consequences of poorer geographical access.

2.7 What are the implications in terms of the balance between supply and demand and access to housing?

2.7.1 Currently the number of dwellings is greater than the number of households, but this gap is diminishing and all the market indicators suggest that demand for housing will continue to increase as new young and older households either form from within the existing population or move into the area.

2.7.2 The sub region is an interlinked housing market with different degrees of integration within its component parts. However, without a significant supply of new housing and a better mix of types at a range of locations to cater for the multiple variations of demand and need, increased pressure on the existing housing stock is likely to lead to unacceptable levels of overcrowding and sharing for those without the financial clout to seek alternatives.

2.7.3 Restrictions on the supply of general market housing will influence levels of affordability, although not determine them. Equally importantly under current methods of provision restriction on the supply of private housing will automatically limit the supply of affordable housing through planning agreements for those who cannot access the housing market without assistance.

2.8 What are the key issues for future policy/strategy?

2.8.1 The WoE HMA is a relatively prosperous area with a diverse economic base. It needs to retain its population to contribute to the wider local economy and to ensure that lack of housing does not begin to cause labour shortages potentially threatening the competitiveness of the area. The growth of longer distance car commuting is ultimately unsustainable in its impact on the local environment and its contribution towards congestion. Future housing supply strategies need to recognise these wider impacts and seek to maximise completions within the existing stock and on new sites within the sub region close to economic centres.

2.8.2 The different contributions each part of the HMA makes towards housing supply, particularly given the spread of incomes and house prices should also be acknowledged together with the fact that no area can be self contained. This suggests a need to co-ordinate developments across the sub region to ensure that there is continuous supply at levels to be set out in adopted regional strategies.

2.8.3 A major issue is the small numbers of affordable stock, its slow growth, and the impact this has in not being able to meet either current need or to reduce need backlogs. New policy initiatives are urgently required to boost the level of this stock. This might include expediting the granting of planning permissions where affordable housing is likely to be a key component in planning agreements; seeking public finance to bolster the affordable element in schemes and contributing land to schemes possibly via the establishment of local housing companies. In rural areas consideration might be given to developing planning policies to enable more land to be made available where a significant amount of affordable housing can be gained to meet local need.

2.8.4 The proposed 35% target for affordable housing, as a proportion of all housing, set down in the RSS presents major issues where existing site size thresholds rule out many sites. Consideration needs to be given to a number of key policy areas;

- (a) examining the impact of lowering thresholds, and seeking off site contributions on smaller developments, to help provide affordable housing, whilst considering the potential effects of this on the economic viability of sites ;
- (b) increasing the proportions of affordable housing sought on sites within the site size threshold to figures significantly above 35% in order to meet targets;
- (c) Seeking affordable housing as part of mixed use commercial developments;
- (d) allocating and releasing sites solely for affordable housing, particularly in rural areas;
- (d) acquiring with public subsidy stock from the private sector.

2.8.5 In inner city areas a different model of housing provision needs to be sought as part of wider regeneration efforts, one that will provide a range of housing types, especially catering for families, and one that does not rely mainly on the buy to let landlord.

2.8.6 In rural areas whilst PPS3 commits to improving the affordability of housing in all communities, including rural areas, the RSS focuses development on strategically significant cities and towns and proposes a more restrictive approach to housing in villages dependent on proving housing needs within local communities or supporting local services and economic activities. The pressure to develop high volumes of housing at low cost may deter Registered Social Landlords (to be superseded by Registered Providers) from pursuing smaller rural schemes especially if costs are higher.

2.8.7 Many rural housing schemes rely on the exception site policy but such sites are almost impossible to bring forward without parish council support and a willingness of landowners to sell at agricultural prices. Recent reports into rural housing have recommended that more emphasis is put on maintaining the wider sustainability of the community in looking at new developments.

3 Future housing market

3.1 Indicators of future demand

How might the total number of households change in the future? How are household types changing, eg is there an ageing population?

3.1.1 By 2026 the HMA is projected to have a population of 1,487,600 people, an additional 215,000 residents since 2006, an increase of just under 17%. At 10,750 per annum these are slightly lower average annual levels compared to 2001-06 estimates.¹³ The largest increases of 45,000-54,000 are expected to occur in Bristol City, North Somerset and South Gloucestershire. Whilst there is the potential for variations dependent on actual migration levels there is no suggestion that the HMA population will not substantially increase up to 2026; an earlier 2004 based projection with lower migration assumptions still foresaw a 162,200 population increase up to 2026, an average of 8,000 pa.

¹³ Office of National Statistics revised 2004 based sub national population projections. Projections of the future population of the HMA are very sensitive to assumptions about net migration, which in turn will be influenced by both the strength of the national economy and the expected continued growth of the local economy. The precise distribution within the HMA will in part be dependent on assumptions about the location of new house building

3.1.2 Within these changes the population will age significantly, 19.8 % of persons will be 65 and over, up from 16.0% in 2006. In the 15-24 group numbers will reduce from 14% in 2006 to 11.8% in 2026, with the 0-14s also forming a lower share. One very significant change is the anticipated 53% increase in those aged 75 years and over between 2006 - 26, an increase of 54,000 persons. The largest numerical increase in this age group will occur outside Bristol, and Bath (and North East Somerset), in areas such as North Somerset (+14,100) and South Gloucestershire (+13,900). All districts except Bristol and B&NES are projected to have increases in this age group of over 70%, but Bristol in particular already had numbers in this age group exceeding that of any other district in 2006.

Figure 5: West of England SHMA revised 2004-based Subnational Population Projections: selected age bands

	2006	2011	2016	2021	2026	2006-26	%
age 0-14	216,700	216,900	221,700	230,900	238,700	22,000	10.2
age 15-24	178,900	184,800	179,000	175,000	176,700	-2,200	-1.2
age 25-44	363,900	373,600	389,400	409,200	420,600	56,700	15.6
age 45-64	307,900	329,700	342,000	351,600	357,700	49,800	16.2
age 65-74	102,800	115,400	133,600	136,200	137,500	34,700	33.8
age 75+	102,200	107,500	116,600	133,500	156,400	54,200	53.0
All ages	1,272,600	1,327,800	1,382,400	1,436,600	1,487,600	215,000	16.9

Source: Revised 2004 Population Projections ONS Crown Copyright. (table 3.11 main report)

3.1.3 Household numbers are also projected to increase as a result of both the population increase and the continued fragmentation of households, with average household size expected to decline to average 2.09 persons in the West of England HMA by 2026. Depending on migration assumptions the increase in households in the HMA could be in the range of 123,000 -149,000 between 2006-26, averaging 6,150-7,450 per annum, a 23%-28% increase, and totalling 665,000- 688,000 households at 2026. ¹⁴ The largest absolute increase of 42,000 is projected for Bristol, with 32,000 South Gloucestershire and 29,000 in North Somerset; other Districts are projected to have increases of 11,000-18,000.

¹⁴ Upper levels based on revised 2004 based projections at average household size of 2.09 , lower level assumed impact of previous 2004 based lower projection.

3.1.4 Within these broad numbers the mix of household types will also continue to change. At the upper levels of household growth one person households are anticipated to show a 55% net increase of around 92,800 between 2006-26 and form 35%-40% of total households in all Districts by 2026, averaging 38% of all sub regional households. These increases in one person households are projected to take place in all Districts with the largest proportionate increases in North Somerset and South Gloucestershire possibly reflecting in part the ageing population. Conversely married couple/ cohabiting households might increase by around 13% to form 49% of total households, a declining share.

Figure 6: West of England SHMA: Household Population Projections by type

Household types:	2001e	2004p	2006e	2011p	2016p	2021p	2026p
married couple	244,035	240,180	238,313	235,128	234,803	236,186	237,188
cohabiting couple	46,534	53,381	59,780	73,232	84,260	92,743	99,833
lone parent	32,577	35,764	38,331	40,967	43,515	45,627	47,478
other multi-person	34,972	36,453	37,866	41,053	43,987	46,377	48,306
one person	150,491	161,131	170,077	191,019	215,389	240,010	262,921
All households	508,611	526,909	544,367	581,397	621,954	660,940	695,725
Private household population	1,189,277	1,219,923	1,247,300	1,299,702	1,353,837	1,407,027	1,456,529
Average household size	2.338	2.315	2.291	2.235	2.177	2.129	2.094
Concealed married couples	764	702	657	585	548	525	507
Concealed cohabiting couples	749	1,068	1,254	1,725	2,062	2,243	2,336
Concealed lone parents	1,066	1,011	939	797	682	600	549

Source: Revised 2004 based Household Population Projections ONS. Crown Copyright 2007.
Notes e-estimated, p-projected. (Table 3.14 main report)

3.2 How might economic factors influence total future demand?

3.2.1 The key variables which govern the state of the housing market, for example, migration, house price, house completions and the number of re-lets and re-sales in the affordable sector will be affected by a whole range of national and local economic and social factors as well as by the local land supply situation. In the modelling for the WoE SHMA the most important inputs were the economic assumptions about growth in income and jobs and associated unemployment rates on the demand side and assumptions about residential land availability on the supply side. Because household formation is likely to respond to house prices levels modelled household numbers may not always match official projections.

3.2.2 On the demand side economic growth is likely to continue but not at the levels that we have seen in the past particularly during the current economic recession. Past relationships suggest that growth in the economy of the West of England will approximate to national levels. This suggests a slowing down in output but with levels then rising to about 2.5% per annum between 2010 and 2012.

3.2.3 In the medium term, the sub-region should continue to benefit from economic growth. The Regional Economic Strategy (RES) and the South West Draft Regional Spatial Strategy had both assumed that recent growth rates would continue with regional growth at 3.2% per annum (GVA) producing about 122,000 jobs between 2006-26 in the HMA, averaging 6,100 p.a. approximately 75% of them in the Bristol urban area.¹⁵ This projected job growth is more in line with the workforce likely to result from the higher revised 2004 population projections but in turn would suggest additional dwellings over and above those originally proposed in the Draft RSS (see below) unless labour and housing shortages and affordability problems were to develop .

3.2.4 However, with the recent economic downturn doubt must now surround these figures with national output now falling and then expected to climb to an annual 2.5% in the longer term. Projecting similar growth levels for the South West suggests a growth of around 79,000 jobs between 2006 and 2026 in the WoE HMA, an average of nearly 4,000 p.a. The modeling undertaken for the SHMA has adopted this more cautious approach to job growth in the medium term with increases at around 2.8% in the sub region and national growth of 2.4%.

3.2.5 Meeting effective new demand for housing, including needs for affordable housing, will be largely dependent on the level of new supply, either from within the

¹⁵ Gross Value Added (GVA) is an important measure in the estimation of GDP. GVA measures the contribution to the economy of each individual producer, industry or sector in the United Kingdom.

existing stock or through new building. This supply will in turn be governed by the housing requirements set out for local authorities in the South West Regional Spatial Strategy. At the time of the Study this requirement for the HMA area ranged from 110,200 dwellings in the draft RSS to 137,950 proposed by the Secretary of State in July 2008, an annual average of 5,510 -6,898 dwellings a year.¹⁶

Figure7: Additional Housing Provision set out by the Draft RSS process for the West of England HMA 2006-2026.

Area	Draft RSS Allocation 2006-2026	Draft RSS Panel Modifications 2006-2026	Secretary of State Proposed changes 2006-2026	Draft RSS Allocation Annual average 2006-2026	Draft RSS Panel Modifications Annual average 2006-2026	Secretary of State Proposed changes Annual average 2006-2026
B&NES	15,500	18,800	21,300	775	940	1,065
Bristol	28,000	30,000	36,500	1,400	1,500	1,825
North Somerset	26,000	26,750	26,750	1,300	1,338	1,338
South Gloucestershire	23,000	30,800	32,800	1,150	1,540	1,640
Mendip	7,200	8,300	8,300	360	415	415
West Wilts	10,500	12,300	12,300	525	615	615
West of England SHMA	110,200	126,950	137,950	5,510	6,348	6,898

Source: Secretary of State Proposed Changes to the Draft RSS (Table 2.1 main report)

3.2.6 Even the upper dwellings total would not meet the additional 149,000 households projected in the ONS revised 2004 projections but the range would adequately match household totals from the earlier projections. This reinforces the crucial importance of

¹⁶ The Secretary of State's dwelling proposals were 11,000 more than those proposed by the RSS Panel Inquiry, (plus 550 p.a.). Local authorities in the HMA are not necessarily committed to the dwelling requirements proposed either by the Panel Inquiry or the Secretary of State.

economic assumptions, particularly as they might affect net in-migration, in the level of new housing required in the HMA.

3.2.7 The pattern of dwelling supply will be severely affected in the short term by the economic recession¹⁷. It is projected to hit a low in 2009/10 before recovering in 2011, beginning to increase quite strongly thereafter so that by 2016 annual numbers might average the Secretary of State's proposals. To meet the SoS's proposals over the whole 2006-26 period average output would need to be around 7,000 a year by 2021, and over 8,000 a year by 2026. The increase in economic activity in general and house completions in particular is assumed to generate pressure for further increased supply. However, there must be some doubt as to whether such high numbers are achievable, even if they were agreed to be desirable.

3.2.8 House prices are projected to fall 25% from their 2007 high point making a slow recovery after that but not reaching their 2006 levels in real terms until about 2016 and rising moderately after that, but still by an average 3.3% in real terms between 2009-26.

3.2.9 The continuing strong position of the West of England economy is likely to mean migration rates considerably above the national average leading to considerable demographic growth in housing demand, based on past experience.

3.3 Is affordability likely to worsen or improve?

3.3.1 Whilst affordability (the ability to buy or rent in the market) deteriorated sharply up to 2006/07 it is expected to improve noticeably by 2011 due to falling house prices, up by 10% points on the 2006 position. By this time it is projected that there will be increased access to mortgages on more "normal" terms and more households will be able to afford home ownership. In the interim the credit crunch, restricting mortgage availability, and general economic uncertainty, has meant that lower house prices have not been reflected in increased demand. However by 2016 affordability is likely to deteriorate and by 2026 be virtually the same as in 2006 i.e. very unaffordable. The house price income ratio indicator is projected to follow a similar pattern.

3.3.2 The supply of affordable housing through re-lets and re-sales is likely to be affected by this wider pattern of affordability. Re-lets are likely to rise to around 7% of stock as access to the private housing market improves but then are likely to fall to around 5% by 2026 as prices again increase. This is likely to intensify housing need as

¹⁷ For the purposes of the modeling and testing the impact of additional dwellings the supply was assumed to lie between the RSS Panel's and Secretary of State's proposals, although local authorities in the HMA are not necessarily committed to the dwelling requirements proposed either by the Panel Inquiry or the Secretary of State.

the supply of affordable housing from this source declines, relative net need climbing to reach 2006 levels by 2026. Highest need is seen in Districts without a sizeable affordable stock.

3.3.3 Modeling has been undertaken of the impact of changes in two key variables: economic growth and new housing supply.

3.3.4 The impact of changes in economic growth on affordability is relatively small. Higher economic growth approximating to the RES is projected to increase average house prices by about an additional 4% by 2016 and 10-13% by 2026 but it would also increase average incomes, by around 11% by 2026, minimising the impact on the house price income ratio. Lower growth generally mirrors this impact, with lower incomes and lower prices, again with a marginal impact on affordability.

3.3.5 Whilst it is acknowledged that there are several important influences on house prices for example availability and cost of mortgage finance, higher housing supply is shown to reduce house prices and improve general affordability. The impact is significant if the strategy is applied nationally, the effect is much less if applied to a single region; similarly lower supply will have an upward impact on prices.

3.3.6 However, higher housing supply has a much more concentrated impact on the net need for affordable housing reducing it by an estimated 27%-31% between 2011 – 2021. This translates into 17,000 fewer households in need over the ten year period. The reason for this is that greater general affordability reduces housing registers as more households find market solutions in the private sector, relets are increased as existing tenants leave, greater overall supply generates a larger number of new affordable dwellings, waiting list backlogs are reduced rather than simply growing, and more migrants find housing in the market. The overall effect is to ultimately reduce affordable housing need targets.

3.3.7 The effect of economic growth on household numbers is very small because higher income per head increases house prices and this will suppress household formation, although a higher supply of housing would counteract this. Economic growth associated with a higher population will tend to lead to more households.

3.4 Bringing the evidence together

What are the key issues for future policy/strategy?

3.4.1 This economic make-up of the area has a significant influence on the local housing market, in particular the strength of market demand for housing, levels of housing need and affordability issues. High levels of economic growth can accelerate in-migration and the scale of the requirement for additional housing. In addition, high

levels of growth together with inequalities in the labour market, may exacerbate levels of housing need and problems of affordability. At the same time, growth and rising prosperity provides opportunities for securing the resources required to address housing shortages, improve the supply of affordable dwellings and reduce housing need.

3.4.2 A major issue is ensuring adequate housing land is readily available as affordability improves in the short term and with it the demand for new housing and house building rates.

3.4.3 If the economy does continue to grow at the predicted rate, but house supply does not keep pace with this, then the required workforce is more likely to have to commute longer distances to work in the shorter term.

3.4.4 In releasing residential land care will need to be taken not to over restrict releases by pursuing high density policies without reference to other policies. This is because such actions ultimately make it difficult to provide the full range of suitable housing types and may especially squeeze the provision of adequate family accommodation.

3.4.5 Whilst projections of household type particularly show a growth of single person households these net changes hide complex gross changes. The focus should be on active demand and real need on the ground in providing for market and affordable housing, bearing in mind the composition of the existing stock in local areas; for example it may be families who have the greatest housing need whilst recent provision has been predominantly flats.

3.4.6 In addition the existing stock will continue to provide the main housing opportunities and this should also influence future provision. Much of that stock was built for larger households and policies need to acknowledge that some of it could now be better utilised, for example through conversions into smaller units, with appropriate safeguards to respect the character and amenities of local areas.

3.4.7 The changing age structure will also demand new policies to cope with the housing of an elderly population. As well as greater levels of personal care, policies will need to address the provision of specialised housing, particularly the balance between smaller schemes and more 'village' type communities. Provision in this area could have important knock-on effects in releasing larger units of accommodation into the supply chain and these potential benefits need to be taken into account.

4 Housing need

4.1 Current housing need

What is the total number of households in housing need currently (gross estimate)?

4.1.1 The total number of households in housing need as at 2007 is shown in the table below.

Figure 8: Total number of households in housing need at 2007.

Current need As at 2007	B&NES	Bristol	N Som	South Gos	Mendip	W Wilts	WoE total
1) Backlog of need for social rented housing	2,608	7,430	3,286	2,635	1,363	2,238	19,560
2) Backlog of need for intermediate housing	179	935	333	287	115	92	1,941
3) Total Backlog need	2,787	8,365	3,619	2,922	1,478	2,330	21,501

Source: Table 4.1, Main Report

4.1.2 The backlog need for affordable housing, as measured by housing registers alone, has increased over the period 2002 to 2007 by an average of 50%, with individual authorities seeing increases of up to 150%. There is also a need for intermediate affordable housing, with almost 2,000 households in need on the zone agent waiting list. Those on the zone agent waiting list have incomes, on average, of just over £20,600.

4.2 Future housing need

How many newly arising households are likely to be in housing need (gross annual estimate)?

4.2.1 The table below shows the number of newly arising households likely to be in housing need, because they are unable to buy or rent in the open market, divided into those who need social rented housing and those who can afford an intermediate housing solution.

Figure 9: Newly arising households in need (annual gross average)

Annual Gross Average 2009-2021	B&NES	Bristol	N Som	South Glos	Mendip	W Wilts	WoE total
5) Gross households in need of social rented housing	717	1,680	555	839	252	358	4,400
4) Gross households able to afford Intermediate Housing	57	320	162	161	63	65	826

Source: Table 4.2, Main Report. Note: this is the gross number before need from other sources is added and likely supply from affordable dwellings is subtracted, so will be different totals to those found in other tables.

4.2.2 The number of newly arising households in housing need is calculated according to the Guidance. The total number of newly arising households is projected by the model, the modelled number is slightly lower than other forecasts reflecting cautious assumptions made on rates of household headship and reflecting the ageing population. Affordability to buy or rent in the market is the next factor. A household is presumed to be able to afford to buy in the market based on income multipliers of 4.0 for single earners and 3.4 for two earners, with a secondary residual income test. These multipliers are somewhat higher than the Guidance figures, reflecting the higher house prices in WoE and analysis of what is happening on the ground. The higher multiplier was agreed by the Partnership as a key assumption feeding in to the model.

4.2.3 Affordability to rent in the market is based on rent being less than 30% of net income (which equates to the 25% gross income criterion in the Guidance) with the residual income test also being applied.

4.3 Affordable housing supply

What is the level of existing affordable housing stock?

4.3.1 The table below shows the level of existing affordable stock by authority.

Figure 10: Affordable housing stock at 2006

Affordable housing stock 2006	B&NES	Bristol	N Som	South Glos	Mendip	W Wilts	WoE total
Social rented dwellings (modelled data)	11,109	39,314	7,602	12,265	5,386	6,743	82,419
Intermediate dwellings (RSRs Returns)	214	691	296	175	267	189	1,832

Source: Table 5.1 Main report.

4.3.2 It has already been noted that the level of affordable housing stock is lower in the sub-region than nationally. Stock levels have fallen in the past, largely due to right to buy. A relatively low stock level means that relets and resales, the main source of affordable housing, are also relatively low.

What is the likely level of future annual supply?

4.3.3 The main source of future supply of affordable housing is relets and resales from the existing affordable stock. The table below shows the projected level of future annual supply arising from relets in both social rented and intermediate housing. Relets arising from tenants moving into intermediate housing are shown separately.

Figure 11: Projected Relets (Annual average 2009-2021)

Annual Average 2009 – 2021	B&NES	Bristol	N Som	South Glos	Mendip	W Wilts	Wo E
1)Supply of social relets	425	1,888	453	554	263	358	3,939
2)Additional relets arising from social rent tenants moving into intermediate	1	16	3	5	3	2	31
3)Total social rented relets 1) plus 2) above	426	1,904	456	559	266	360	3,970
4)Supply of relets – intermediate	6	16	11	4	10	3	50

Source: Table 4.8 main report

4.3.4 In calculating housing need, the model also took account of committed new supply; reasonable estimates were based on current pipeline supply indicated in HSSA¹⁸ returns forecast for the years 2007 – 2009. These were estimates as at April 2007. Clearly the market has slowed somewhat since and some of these schemes will not be delivered within this timescale, thus this represents a prudent position by not underestimating future supply. Relet figures are an annual recurring supply but new build figures are a one off addition to stock. In calculating net housing need committed new supply is deducted from the backlog housing need figure.

¹⁸ Housing Strategy Statistical Appendix.

Figure 12: Committed New Supply Social Rent/Intermediate at 2007

	B&NES	Bristol	N Som	South Glos	Mendip	W Wilts	Wo E
Committed new supply – social rent	133	525	254	322	160	332	1,726
Committed new supply – intermediate	82	465	149	97	105	16	914

Source: Table 4.7, Main report

4.4 Housing requirements of households in need

What is the current requirement for affordable housing from households in need?

4.4.1 The figures below are calculated in accordance with the Guidance. Committed new supply is deducted from existing backlog need to give a net backlog need. This is then profiled to be met over 10 years. The Guidance suggests meeting backlog needs over 5 years but it was considered that a 10 year timescale would be more realistic given the tightness of supply. There is evidence that the backlog has been increasing in recent years therefore planning to meet this need over a 10 year period if realised would be an improvement on the existing position.

Figure 13: Requirement for affordable housing from households in Need (Social Rented).

Current Social Rented Need	B&NES	Bristol	N Som	South Glos	Mendip	W Wilts	WoE
1)Total current backlog need	2,608	7,430	3,286	2,635	1,363	2,238	19,560
2)Less Committed new supply	133	525	254	322	160	332	1,726
3)Equals Net backlog need	2,475	6,905	3,032	2,313	1,203	1,906	17,834
4)Annual flow @ 10%	248	691	303	231	120	191	1,783

Source: Table 4.9 Main report

Figure 14: Requirement for affordable housing from households in Need (Intermediate).

Current Intermediate Need	B&NES	Bristol	N Som	South Glos	Mendip	W Wilts	WoE
1) Total current backlog need	179	935	333	287	115	92	1,941
2) Less Committed new supply	82	465	149	97	105	16	914
3) Equals Net backlog need	97	470	184	190	10	76	1027
4) Annual flow @ 10%	10	47	18	19	1	8	103

Source: Table 4.10 Main report

What are the requirements for different sized properties?

4.4.2 Tables below show the required size mix of new affordable housing, both rented and intermediate. Figure 15 shows size mix required for social rented accommodation.

Figure 15: Required size mix of new housing for social rent (percentages)

2009-2021	B&NES	Bristol	N Som	South Glos	Mendip	W Wilts	WoE
1 bed	37.9	48.0	37.9	23.6	40.6	53.9	41.5
2 bed flat	1.2	-	9.9	7.6	-	2.1	-
2 bed house	32.5	25.2	22.3	37.3	29.1	18.7	28.8
3 bed house	19.1	12.6	22.4	21.6	20.6	18.5	19.2
4 + bed house	9.3	14.2	7.4	9.9	9.7	6.8	10.5

Source: Table 4.13 Main report. Note: Some authorities have an oversupply of 2 bed flats, table shows positive need for dwelling types.

4.4.3 Figure 16 shows size mix for intermediate housing, based on modelled need.

Figure 16: Required size mix of intermediate housing (percentages)

2009-2021	B&NES	Bristol	N Som	South Glos	Mendip	W Wilts	WoE
1 bed flat	44.1	48.6	37	43.8	30.3	32.8	41.9
2 bed flat	18.5	13.4	18.1	16.7	20	17.5	16.5
2 bed house	13.9	19.1	20.9	18.9	24	23	19.6
3 bed house	21.7	16.9	22.5	19.4	23.9	25.2	20.3
4 bed house	1.8	2.0	1.6	1.2	1.8	1.4	1.7

Source: Table 4.14 Main report

4.4.4 Figure 17 shows size mix required for marginal and comfortable first time buyers.

Figure 17: Required size mix for marginal and comfortable first time buyers.

	%age requiring 1 bed	%age requiring 2 bed	%age requiring 3 bed	%age requiring 4 bed and larger
Marginal first time buyers (West of England)	25	45	17	16
Marginal first time buyers (RoSW)	15	48	33	4
Comfortable first time buyers (West of England)	8	33	50	8
Comfortable first time buyers (RoSW)	5	42	32	21

Source: Table 9.10 Main report

4.4.5 For market housing, other factors such as the aspiration of many households for additional space, comes into play. Existing owner occupied stock is heavily skewed towards larger dwellings, with 80% being three bedroom or larger and only 3.5% 1 bedroom. However, turnover is much higher among smaller one and two bedroom properties. Sales of new build properties indicate some differences to the existing stock, with significantly more 2 bedroom flats. In some more central areas recent sales have included a high percentage of one bedroom flats.

4.4.6 Demographic projections tend to emphasise the need for smaller properties. Marginal first time buyers need one or two bedroom accommodation while more “comfortable” first time buyers are likely to be seeking two or three bedroom accommodation. Older people trading down are likely to prefer two bedroom accommodation, a significant proportion of these properties will need to be fully accessible. There is also some evidence that providing larger properties can meet demand and increase affordability through a filtering down effect.

4.4.7 Each authority will need to consider the evidence and draw its own conclusions as to the appropriate size mix for the private sector, although generally a range of different size properties will be needed, including a significant proportion of family sized accommodation.

How is the private rented sector used to accommodate need?

4.4.8 The private rented sector has increased by 50% since 1991 and much of this growth will have been fuelled by buy to let, which is often aimed at working couples and young families looking for flexibility at an early stage in their careers. The private rented sector can provide an appropriate long-term housing solution for some households, but for many it is seen as a temporary tenure, until they can afford owner-occupation, intermediate housing or become eligible for a social rented tenancy. The lack of security of tenure is a significant barrier for many to consider the private rented sector to meet their long-term housing need. For others the high rent levels might be a barrier. However the Market Rented sector plays an important role in meeting housing demand for those who can afford it and is larger than the social rented sector.

4.4.9 The extreme pressure on social rented housing has, however, led local authorities to encourage more households to consider the private rented sector as a possible solution to their housing problems. Some local authorities offer assistance with deposits and rent in advance, for households with high levels of housing need. For many such households, rents are only affordable with housing benefit; where this is the case it is accepted that this is not a long term solution to housing need and those households remain in unaffordable housing need.

4.4.10 The private sector meets much of the need for student accommodation; even though there has been an expansion in the provision of dedicated student accommodation this still does not meet the need of the majority of students who will seek accommodation in the private rented sector. Migrant households are also likely to move to the private rented sector.

4.5 Bringing the evidence together

What is the total number of households in need (net annual estimate)?

4.5.1 The total number of households in need of social rented accommodation is set out in the table below. The figures show annual averages for the period 2009 - 2021:

Figure 18: Total households in need of social rented accommodation (net annual estimate 2009-2021).

2009-2021	B&NES	Bristol	N Som	South Glos	Mendip	W Wilts	WoE
1) Total current backlog need	2,608	7,430	3,286	2,635	1,363	2,238	19,560
2) Less Committed new supply	133	525	254	322	160	332	1,726
3) Equals Net backlog need	2,475	6,905	3,032	2,313	1,203	1,906	17,834
4) Annual flow @ 10%	248	691	303	231	120	191	1783
5) Annual average newly arising need	965	2,390	888	1,055	417	486	6,201
6) Plus annual flow	248	691	303	231	120	191	1,783
7) Equals Annual need	1,213	3,081	1,191	1,286	538	677	7,984
8) Annual relet supply	426	1,904	456	559	266	360	3,970
9) Total net annual need 2009-2021 ie annual need (7) minus annual supply (8)	786	1,176	735	727	271	317	4,014

Source: Table 4.9 Main report. Note: figures may not sum due to rounding

4.5.2 The total number of households in need of affordable intermediate housing is set out below. The figures show annual averages for the period 2009 – 2021.

Figure 19: Total households in need of affordable intermediate housing (net annual estimate 2009-2021).

2009-2021	B&NES	Bristol	N Som	South Glos	Mendip	W Wilts	WoE
1) Total current backlog need	179	935	333	287	115	92	1,941
2) Less Committed new supply	82	465	149	97	105	16	914
3) Equals Net backlog need	97	470	184	190	10	76	1,027
4) Annual flow @ 10%	10	47	18	19	1	8	103
5) Annual average newly arising need	57	320	162	161	63	65	826
6) Plus annual flow	10	47	18	19	1	8	103
7) Equals Annual need	67	367	180	180	64	72	929
8) Annual resales supply	6	16	11	4	10	3	50
9) Total net annual need 2009-2021 i.e. annual need (7) minus annual supply (8)	61	351	169	176	54	69	879

Source: Table 4.10 Main report. Note: figures may not sum due to rounding.

4.5.3 The tenure split between social Rent and Intermediate housing based on total need proportions is set out below.

Figure 20: Total net housing need by tenure (Annual average 2009-2021)

2009-2021	B&NES	Bristol	N Som	South Glos	Mendip	W Wilts	WoE
1) Total net need social rent	786	1,176	735	727	271	317	4,014
Total net need intermediate	61	351	169	176	54	69	879
Percentage split social rent / Intermediate	93 / 7	77/23	81/19	80/20	83/17	82/18	82/18
Total net housing need	847	1526	904	903	324	386	4,893

Source: Table 4.11 Main report. Note: figures may not sum due to rounding

4.5.4 Whilst Figure 20 identifies an average annual net need, need for affordable housing follows an inverse relationship with affordability and will vary over the period. For example, as market prices fall more households will buy or rent their own accommodation and there will also be an associated increase in relets/resales in the existing affordable housing stock. Thus relative net need will fall by 2011, rising again to 2016, then largely remaining static until 2026. All authorities do however have significant net needs for affordable housing throughout the period.

What are the key issues for future policy/strategy?

4.5.5 The overwhelming message is one of very high housing need, in relation both to household growth and in relation to likely total future supply. It is clear that continuing current policies will not be sufficient to meet even a significant proportion of the housing need identified in this SHMA. The table below shows the average annual supply of affordable housing which might be delivered between 2006 and 2026 on existing affordable housing policies within the draft RSS proposed dwelling requirements.

Figure 21: Potential Housing Supply 2006-2026 (based on existing policies)

LA	Total-			Annual Average		
	Affordable	Private	Total	Affordable	Private	Total
B&NES	4,561	10,079	14,640	228	504	732
Bristol	7,346	22,668	30,014	367	1,133	1,501
N Som	6,610	21,400	28,010	331	1,070	1,401
S.Glos	6,040	16,191	22,231	302	810	1,112
Mendip	739	6,411	7,150	37	321	358
West Wilts	2,220	7,662	9,882	111	383	494
W of E	27,516	84,411	111,927	1,376	4,221	5,596

Source: Table 2.4 Main report. Note: these are not committed supply figures

4.5.6 The projected affordable supply is insufficient to meet housing need – in some cases it equates to only around 10% of identified need. In no case does it reach 50% of identified need. The need for affordable housing is also very high relative to total supply. In some areas, 100% of all new housing would have to be affordable, in order to meet need. Clearly this is not economically viable, or even socially desirable, given the mix of private and public development, the wide range of different site types, and the need to develop mixed communities .

4.5.7 There is therefore an urgent requirement to review delivery mechanisms for affordable housing to ensure that the maximum amount of affordable housing is achieved.

This may entail:

- finding ways to meet needs through existing stock, such as OMHB, purchase of existing stock and solutions involving the private rented sector, (although it must be recognised that those households who require Housing Benefit support would still be classed as in housing need). There is a worked example of the affordability of one OMHB solution in appendix four to the main report
- reviewing affordable housing that is delivered through S106 agreements by examining size thresholds ie the size of site on which affordable housing

provision is required and percentage affordable to be delivered in private developments

- recognising that the planning system cannot be the only source of supply of new affordable housing. As has been painfully evident during this period of turbulence in the housing market, affordable housing delivery through the planning system can only work in a buoyant market. However, if the market does begin to show signs of recovery in 2009 it will be important to have land readily available as affordability should be easier for a period of time

4.5.8 There are also key issues within housing and planning policy that have been highlighted through the SHMA and need to be addressed:

- Increasing the supply of family suitable accommodation
- Determining the appropriate split between rented and intermediate accommodation, based on the analysis in the SHMA and other policy considerations authorities may wish to take into account.

4.5.9 Some assumptions made for modelling purposes could in themselves become targets, such as increasing the take-up of intermediate housing from existing social tenants.

4.5.10 Other key issues for future policy and strategy involve further exploration of the assumptions made in the modelling work. For example, assumptions have been made about the willingness of households to move to cheaper areas to rent or buy; in turn this internal migration will have an impact on the areas being moved to. Part of the monitoring of the SHMA should be identifying these areas and researching the extent to which the predictions are played out on the ground and what impact this has.

4.5.11 Monitoring should also involve a regular review of the backlog of housing need and the period over which the backlog is cleared.

4.5.12 Further information follows below on the housing requirements of specific groups. Future policy and strategy will need to have particular regard to the needs of older people and people with a disability.

How do the key messages fit with the findings from previous sections?

4.5.13 The key messages have been consistent throughout: there is a high level of need for affordable housing which is not being met through existing policies and levels of delivery.

5. Housing requirements of specific household groups

What are the housing requirements of specific groups of local interest/importance?

5.1.1 The report also examines housing needs of particular groups: families, older people, people with a disability, migrants, students and gypsies and travellers.

5.1.2 There is a high demand for family housing which is not matched by recent supply, which in some areas has emphasised flats and smaller units.

5.1.3 The HMA has an ageing population and the housing needs of older people will also need to be planned for. Many of these will be owner occupiers who may be able to buy more appropriate accommodation if there is a sufficient supply available. There is some demand across all authorities for 1 bed social rented housing for older people, and for all authorities except for West Wilts for 2 bed social rented housing for older people. There is also evidence of significant and increasing demand for extra-care or very sheltered housing.

5.1.4 There is likely to be a significant increase in the demand for wheelchair accessible accommodation across all tenures. There is a need for more wheelchair accessible accommodation in the social rented sector.

5.1.5 Migration is likely to continue at current levels but with fewer migrants coming from outside the UK. Households moving to the area from within the UK are likely to be economically active and be able to meet their own housing requirements in the market but if affordability worsens this could put additional pressure on social rented housing.

5.1.6 There are just under 60,000 students in the HMA, many of whom come from outside the area. Some are accommodated in dedicated student halls, but many will go into the private rented sector. The universities have expanded in recent years, and have increased the amount of student accommodation available, but future expansion plans are relatively modest.

5.1.7 There is a need for more Gypsy and Traveller plots within the HMA; this has already been recognised and all authorities are taking steps to address this need.

What is the scope for addressing demand through the provision of low cost market housing?

5.1.8 There is a role for low cost market housing as defined by PPS 3. This is suggested by the significant difference between the numbers on the unfiltered zone agent register and the number on the filtered register, who are in housing need. This difference of over 1,000 households captures people who could afford a market rent but

who have expressed an interest in home ownership initiatives offered by government policies. This would be a key potential audience for low cost market housing.

5.1.9 There may also be a role for low cost market housing in cheaper areas. The model assumes that people looking to buy will move to cheaper areas within the local authority area, but then this might start to price more local households out of the market. If the existing stock can be augmented with low cost market housing this may help to meet market demand without fuelling the increase in price.

5.1.10 Finally, it is noted that there is a significant demand from first time buyers, particularly more marginal first time buyers, for smaller accommodation. Low cost market housing may also contribute to meeting this need.

What is the scope for addressing need through the provision of intermediate affordable housing?

5.1.11 There is the potential for intermediate affordable housing to play a role in meeting need in some areas. The model presents a mixed picture: in some areas the high cost of intermediate affordable housing puts it out of the reach of those on lower incomes. There is an assumption that households looking for intermediate affordable housing will move to cheaper areas within each local authority, and in some cheaper areas the threshold price for buying in the market is such that there is no real need for intermediate.

5.1.12 Figure 20 above shows the extent to which intermediate affordable housing can meet need in each local authority area.

6. Audit

6.1. The SHMA has been audited against the key research questions in the SHMA Guidance produced by CLG, and the core process audit set out in the Guidance. The main report includes the assessment of compliance with the Guidance, which has been signed off by the Partnership.