



# **STRATEGIC HOUSING MARKET ASSESSMENT: MARKET REVIEW 2009**

## **FINAL REPORT**

August 2009







# STRATEGIC HOUSING MARKET ASSESSMENT: MARKET REVIEW 2009

## CONTENTS

<b>1</b>	<b>EXECUTIVE SUMMARY</b>	<b>5</b>
	1.1 Background	5
	1.2 Cost of housing	5
	1.3 Affordability	6
	1.4 Future housing market	6
	1.5 Housing needs in Stratford-on-Avon	8
<b>2</b>	<b>BACKGROUND</b>	<b>9</b>
	2.1 Purpose and objectives of the review	9
	2.2 Report structure	9
<b>3</b>	<b>STRATEGIC CONTEXT</b>	<b>10</b>
	3.1 Introduction	10
	3.2 Planning Policy Statement 3 (PPS3): Housing	10
	3.3 Strategic Housing Market Assessments	11
	3.4 The residential offer and quality of place	14
	3.5 Regional Housing Strategy	16
	3.6 Regional Spatial Strategy	18
	3.7 West Midlands Economic Strategy	19
	3.8 Core Strategy	20
<b>4</b>	<b>HOUSING MARKET ACTIVITY</b>	<b>23</b>
	4.1 Introduction	23
	4.2 The cost of housing for sale	23
	4.3 The cost of private rented housing	28

4.4	The cost of social rented housing	29
4.5	Entry-level housing	30
4.6	Affordability of housing for sale	31
4.7	Affordability of private rented housing	34
<b>5</b>	<b>FUTURE HOUSING MARKET</b>	<b>35</b>
5.1	Introduction	35
5.2	Changes in the national housing market	36
5.3	The investment market	37
5.4	Regional market forecast	38
5.5	Household projections	39
5.6	Future household structure	43
5.7	Future affordability	45
<b>6</b>	<b>CURRENT HOUSING NEED</b>	<b>48</b>
6.1	Assessing the need for affordable housing	48
6.2	Critical concepts in determining housing need	48
6.3	Homeless households and those in temporary accommodation	53
6.4	Over-crowding, concealed households and other groups	54
6.5	Total current housing need (gross per year)	55
<b>7</b>	<b>FUTURE HOUSING NEED</b>	<b>56</b>
7.1	New household formation	56
7.2	Newly forming households unable to buy or rent in the market	56
7.3	Existing households falling into need	57
7.4	Total newly arising housing need	57
<b>8</b>	<b>AFFORDABLE HOUSING SUPPLY</b>	<b>58</b>
8.1	Affordable dwellings occupied by households in need (step 3.1)	58
8.2	Surplus stock (step 3.2)	58
8.3	Committed supply of new affordable units (step 3.3)	59
8.4	Units to be taken out of management (step 3.4)	59
8.5	Total affordable housing stock available	59
8.6	Future annual supply of social re-lets (net)	60
8.7	Future annual supply of intermediate affordable housing	61
8.8	Future annual supply of affordable housing units	61
<b>9</b>	<b>BRINGING THE EVIDENCE TOGETHER</b>	<b>62</b>
9.1	The requirement for affordable housing	62
9.2	The requirement for intermediate housing	64
9.3	Targets for affordable housing	66

# TABLES

Table 1: Core Outputs.....	13
Table 2: Process Checklist .....	13
Table 3: West Midlands Housing Market Areas.....	17
Table 4: Housing Land Supply Assessment for Stratford District (as at 31.03.08) .....	22
Table 5: Mean house prices April 2009 .....	23
Table 6: Stratford-on-Avon house sales by type 2007 to 2008 .....	24
Table 7: Mean monthly private sector rent (£) .....	29
Table 8: Change in RSL rents 1997-2007 .....	29
Table 9: Lower quartile house prices 2006 to 2008.....	30
Table 10: Required gross income for entry-level mortgage (£) .....	32
Table 11: Households unable to afford entry-level dwelling .....	32
Table 12: Ratio of lower quartile house prices to lower quartile incomes 2006 to 2008 .....	33
Table 13: Required gross income for private sector rent (£) .....	34
Table 14: Price change forecast 2008-2017 (%) .....	39
Table 15: Cumulative change forecast 2008-2017 (%) .....	39
Table 16: Household projections by region and England .....	40
Table 17: Household projections 2006-31 (thousands).....	41
Table 18: West Midlands household projections by type 2006-31 (%) .....	41
Table 19: One-person households by age – England (%).....	42
Table 20: Household projections by household type 2006.....	43
Table 21: Household projections by household type 2011 .....	44
Table 22: Household projections by household type 2016.....	44
Table 23: Household projections by household type 2021 .....	44
Table 24: Household projections by household type 2026.....	45
Table 25: Household projections by household type 2031 .....	45
Table 26: Household change 2006-2031.....	45
Table 27: Lower quartile price, income and affordability 2008-17 .....	47
Table 28: Summary of data required for current housing need .....	48
Table 29: Housing needs assessment model.....	50
Table 30: Unsuitable housing .....	51
Table 31: Households accepted as homeless and in priority need .....	53
Table 32: Homeless households in temporary accommodation (+homeless at home) .....	54
Table 33: Dwellings let to homeless households.....	54
Table 34: Households in unsuitable accommodation .....	55
Table 35: Annual current housing need.....	55
Table 36: Summary of data required for future housing need .....	56
Table 37: Future Housing Need.....	57
Table 38: Summary of data required for affordable housing supply.....	58
Table 39: Surplus stock .....	59
Table 40: Affordable housing supply estimates 2009-2014.....	59
Table 41: Total affordable housing stock available (Step 3.5).....	60
Table 42: Annual supply of social re-lets .....	60
Table 43: Future annual supply of affordable housing units.....	61

Table 44: Summary of net annual affordable housing need 2009.....	63
Table 45: Estimate of scope for intermediate housing (social rents).....	65
Table 46: Estimate of scope for intermediate housing (private rents) .....	65
Table 47: Affordable and social housing requirements by HMA 2001-21 .....	67
Table 48: Stratford-on-Avon – implied affordable housing targets .....	67

## FIGURES

Figure 1: The role of residential offer in place making.....	14
Figure 2: West Midlands Housing Market Areas .....	17
Figure 3: Number of house sales 2007 to 2009.....	25
Figure 4: Mean, median and lower quartile house prices 2007 to 2009.....	25
Figure 5: Number of house sales by type 2007 to 2009 .....	26
Figure 6: Lower quartile house prices by type 2007 to 2009.....	26
Figure 7: Median house prices by house type 2007 to 2009.....	27
Figure 8: Mean house prices by house type 2007 to 2009.....	27
Figure 9: Mean Monthly Rent of Private Tenancies (£) .....	28
Figure 10: RSL weekly rents 1997-2007(£) .....	30
Figure 11: Households unable to afford entry-level dwelling.....	32
Figure 12: Ratio of lower quartile house prices to lower quartile incomes from 1997 .....	33
Figure 13: Household projections by region, 2006 and 2031, thousands .....	40

# 1 EXECUTIVE SUMMARY

## 1.1 Background

1.1.1 **Outside Consultants** were appointed in March 2009 to undertake a Strategic Housing Market Assessment Market Review to update the Local Housing Assessment conducted in Stratford-on-Avon in 2005-6. The aim of the study was both to refresh local housing needs indicators and to review broader housing market conditions across all tenures.

1.1.2 *PPS3: Housing* refers to the use of sub-regional housing market assessments and housing land availability assessments to be carried out by local authorities to develop consistent evidence bases to underpin spatial strategies. Strategic housing market assessments should help determine whether affordable housing is needed and guide the size, type and location of affordable housing provision.

1.1.3 Guidance on Strategic Housing Market Assessments states that:

*...strategic housing market assessments will not provide definitive estimates of housing need, demand and market conditions...They should provide a fit for purpose basis upon which to develop planning and housing policies.<sup>1</sup>*

1.1.4 The Council is preparing a Core Strategy for Stratford-on-Avon District that will have a major bearing on how and where development takes place over the next twenty years. The Preferred Option for the future distribution of development in the District is the dispersal of development across the whole District, with the prospect of some development in most towns and villages.

1.1.5 As things stand the requirement for Stratford District is to provide 5,600 dwellings (net) over the period 2006-2026, which equates to an annual average requirement of 280 dwellings per annum. This is a substantial reduction in the rates that were previously required (550 dwellings) and is significantly lower than the actual completion rates that have been achieved in recent years (545 dwellings per annum since 2001).

## 1.2 Cost of housing

1.2.1 The mean house price for Stratford-on-Avon at the end of 2008 was £285,506, and by the end of the first quarter of 2009 was down to £235,754. Overall between 2007 and 2009 the picture was one of falling house prices for all property types (between 6% and 23%) except

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<sup>1</sup> *ibid*, p9

flats/apartments, which appear to have bucked the trend, and significantly reduced sales volumes (overall down 62%).

- 1.2.2 A snapshot survey of private rented properties in Stratford-on-Avon in April 2009, shows the average monthly rent to be far higher than that for the region: £727.79 compared to £440.00 per month. The mean monthly rent for a room in a shared property is £366 and for a one bed or bedsit property is £502.
- 1.2.3 Housing association rents in Stratford-on-Avon have increased by 76.4% since 1997 and are now £67.75 per week or £294 per month.

### **1.3 Affordability**

- 1.3.1 The concept of affordability is critical in the needs assessment process. The degree to which households can afford market housing is based upon the ratio between household incomes and housing costs.
- 1.3.2 The latest CLG guidance recommends that the lower quartile house price should be taken as a proxy for indicating entry-level housing costs. The lower quartile house price for Stratford-on-Avon is £158,500 (December 2008). This is 7.6% lower than in 2006 (at the time of the last Local Housing Assessment).
- 1.3.3 In Stratford-on-Avon a household with two incomes would require a gross household income of £49,190 per annum and a household with one income would require £40,757 per annum to afford an entry-level property.<sup>2</sup> For the purposes of determining need for affordable housing, these house prices and incomes mean that 63.5% of households are unable to afford an entry-level dwelling.
- 1.3.4 Based on 2009 private rent levels, households in Stratford-on-Avon would require a gross annual income of £24,096 for a one bed property and £30,192 for a two-bed property. This makes private renting far more affordable than owner occupation. 32.0% of all households have income below the level for a one-bed property and 44.9% have income below the level for a two-bed property.

### **1.4 Future housing market**

- 1.4.1 Prices in the UK housing market have fallen steeply since the peak in Autumn 2007, with most indices suggesting a fall of 20%. The change in transaction levels has been even more marked, with sales volumes in many areas over 50% lower than the 10-year average.

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<sup>2</sup> Assumes a 10% deposit and a multiplier of 3.5 times salary for single income households, and 2.9 times salary for two income households. Although there is evidence that in the current climate lenders are seeking deposits greater than 10%, this percentage has been chosen as a conservative scenario that does not inflate the level of housing need.

- 1.4.2 Price forecasts suggest that the East and West Midlands will recover from the downturn around the same time as the UK as a whole; it will be 2015 when prices return to 2007 levels.
- 1.4.3 During the period 2006-31 the **number of households** in Stratford-on-Avon is projected to grow by 34.0% from 50,000 households to 67,000; this equates to 680 new households per annum.
- 1.4.4 The **types of households** will change too:
- Although married couple households decline as a proportion of all households to 2031, the actual number will increase by 1,091
  - Cohabiting couple households will increase by 3,969 households
  - One-person households will increase by 10,334 or 71.8% over the period
- 1.4.5 Nationally, in terms of single person households, it is not the younger age groups (16-34) that will see the most growth, but the households consisting of 45-64 year olds and older single person households (65+). There is no evidence to suggest that this trend will not be replicated in Stratford-on-Avon District
- 1.4.6 The growth in numbers and the age of these one-person households will present specific challenges to future residential development. Older people will be looking for safe and secure housing close to health services, shops and public transport to enable them to relinquish under-occupied, larger family properties. The growth of one person households in the 45-64 age brackets will create increased demand for smaller properties, but not so small that they cannot accommodate overnight guests (e.g. children) or space to work at home. Consequently, the focus for these emerging one-person households **should be two bedroom dwellings** as far as possible.
- 1.4.7 In terms of **future affordability**, open market housing is at its most affordable in 2010 (as measured by the ratio of lower quartile house price to lower quartile income). In terms of the proportion of households that cannot afford lower quartile house prices this bottoms out at the end of 2010 and then by 2012 exceeds the current rate in the Housing Needs Model 2009.
- 1.4.8 Although a falling market is potentially good news for new entrants to the housing market, the fall has not reduced the cost of housing to such an extent that issues of affordability have been erased. With predictions that the housing market will show signs of recovery in 2009-10, the price fall will come to be seen as more of a pause in the growth of housing costs rather than a significant readjustment to some level of more widespread affordability. Furthermore, the reduced availability of mortgage lending could counteract

any price adjustment, such that housing may be cheaper, but credit may be scarcer and consequently the number of entrants to the housing market does not change.

## 1.5 Housing needs in Stratford-on-Avon

- 1.5.1 The modelling of need for affordable housing conducted for this Assessment concludes that Stratford-on-Avon has an estimated **annual shortfall of 532 affordable dwellings**. This is a significant decrease on the annual figure found in 2006 (954 p.a.), due to:
- changed government guidance since the Local Housing Assessment 2006, including an alternative method of calculating the number of new forming households
  - a reduction in the level of newly arising need resulting from improved affordability
- 1.5.2 The housing needs model assumes that five years is allowed to address the backlog of housing need. Therefore the annual shortfall translates to a **shortfall of 2,660** between 2009 and 2014.
- 1.5.3 As house prices start to rise again so will the numbers of households in need. Consequently the number of households in need is likely to rise yet further over the next five years (i.e. beyond the identified 2,660) if not addressed through significant addition to the supply of affordable dwellings through re-lets of existing dwellings, increased provision of new dwellings or innovative use of housing in the private sector.
- 1.5.4 If the Preferred Option is adopted Stratford-on-Avon will be expected to provide on average 280 units per annum to meet the RSS requirements, whilst household numbers are expected to increase by 680 per annum. The housing needs model (which is unconstrained) implies a requirement for affordable housing targets between 78% and 100%.
- 1.5.5 As the figures suggested by the model are greater than the District's total dwelling requirements and targets, there is clearly a need to look very carefully at the sites coming forward in the future and their suitability for mixed, sustainable developments as the Council may need to seek a considerably higher proportion of affordable housing than has been the target in the past.
- 1.5.6 The Council will need to take account of these findings to set a suitable planning target for future development that takes into account the need for affordable housing as well as the long-term requirement to maintain a sustainable housing market. This should also take into account the economics and viability of development.

## 2 BACKGROUND

### 2.1 Purpose and objectives of the review

2.1.1 **Outside Consultants** were appointed in March 2009 to undertake a Strategic Housing Market Assessment Market Review to update the Local Housing Assessment conducted in Stratford-on-Avon in 2005-6.

2.1.2 The key objectives were:

- (i) to update the Housing Needs Model 2006 to take account of changing incomes, house prices and means of delivery
- (ii) to update the Needs Model to comply with current CLG guidance on Strategic Housing Market Assessments<sup>3</sup>
- (iii) to assess changes in local affordability by analysis of current key housing market indicators on house price, mortgage availability, income, private rented housing and social rented housing

### 2.2 Report structure

2.2.1 This Housing Market Review follows the structure of the latest Government Guidance published by the DCLG. It is divided into seven distinct sections:

- Strategic context
- Housing market activity
- Future housing market
- Current housing need
- Future housing need
- Affordable housing supply
- Bringing the evidence together

2.2.2 The final section brings the evidence together from the preceding six sections to present conclusions to inform policy-making on future housing development in the District.

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<sup>3</sup> *Strategic Housing Market Assessments: Practice Guidance: Version 2*, CLG, August 2007

# 3 STRATEGIC CONTEXT

## 3.1 Introduction

3.1.1 The following chapter briefly sets out the strategic backdrop to the Stratford-on-Avon housing market area including Planning Policy Statement 3, the evolution and role of Strategic Housing Market Assessments, regional strategy and a consideration of the role of the right housing in the right location.

## 3.2 Planning Policy Statement 3 (PPS3): Housing

3.2.1 Planning Policy Statement 3: Housing (PPS3), published in November 2006, provides a national policy framework for planning for housing and sets out what is required at regional and local levels to deliver housing within sustainable communities.

3.2.2 The objectives of PPS3 are:

- (i) to achieve a wide choice of high quality homes, both affordable and market housing, to address the requirements of the community
- (ii) to widen opportunities for home ownership and ensure high quality housing for those who cannot afford market housing, in particular those who are vulnerable or in need
- (iii) to improve affordability across the housing market, including by increasing the supply of housing
- (iv) to create sustainable, inclusive, mixed communities in all areas, both urban and rural

3.2.3 PPS3 refers to the use of **sub-regional housing market assessments** and **housing land availability assessments** to be carried out by local authorities to develop consistent evidence bases to underpin the spatial strategies.

3.2.4 Sub-regional housing market assessments should help determine whether affordable housing is needed and **guide the size, type and location of affordable housing provision**. Based on the findings of Strategic Housing Market Assessments and other local evidence, Local Planning Authorities (LPA) should set out in Local Development Documents:

- The likely overall proportions of households that require market or affordable housing, for example, X% market housing and y% affordable housing

- The likely profile of households requiring market housing e.g. multi-person, including families and children (x%), single persons (y%) and, couples (z%)
- The size and type of affordable housing required.

3.2.5 PPS3 also confirms that low-cost market housing is not considered 'affordable' housing.

3.2.6 In planning at site level, LPAs should ensure that the proposed mix of housing on large strategic sites reflects the proportions of households that require market or affordable housing and achieves a mix of households as well as a mix of tenure and price. For smaller sites, the mix of housing should contribute to the creation of mixed communities having regard to the proportions of households that require market or affordable housing and the existing mix of housing in the locality.

3.2.7 LPAs should set:

- an overall target for the amount of affordable housing to be provided
- separate targets for social-rented and intermediate affordable housing where appropriate
- the size and type of affordable housing that is likely to be needed in particular locations and, where appropriate, on specific sites
- set out the range of circumstances in which affordable housing will be required

3.2.8 The presumption is that affordable housing should be provided on-site, but LPAs should set out the approach to seeking developer contributions where it can be robustly justified.

### 3.3 Strategic Housing Market Assessments

3.3.1 Strategic Housing Market Assessments are crucial to decision-making and resource-allocation processes for local authorities. From a land-use planning perspective, housing needs assessments are legally necessary to support affordable housing policies in Local Development Documents, particularly to secure developer contributions to affordable housing via s106 agreements.

3.3.2 Other reasons for undertaking Strategic Housing Market Assessments include:

- informing local and regional spatial planning and housing strategies
- assisting authorities with decisions on social housing allocation priorities, private sector renewal options and the valuation of new-build low cost home ownership units
- informing the development of housing policies on stock conversion, demolition and transfer

3.3.3 The role of housing assessments can be summarised thus:

*“Assessments are...key to investment decisions; helping authorities to look at local housing markets when new settlements are planned, particularly where catchments cover several local authority areas. In these situations, understanding the housing market will help authorities to assess housing demand and need in relation to new settlements. It will also help authorities to justify a certain level of affordable housing whilst ensuring that the dwelling mix reflects the profile of local housing demand and need; and in relation to planning policies for affordable housing, aiding an appreciation of how housing need translates into different sizes and types of affordable housing (i.e. intermediate market, social rented) so that they can negotiate appropriate mixes on new sites.”<sup>4</sup>*

3.3.4 In terms of both housing markets and housing need analysis, our approach has always been grounded in current government guidance. This includes:

- Bramley, G. et al, *Local Housing Needs Assessment: A Guide to Good Practice*, DETR, July 2000
- DTZ Pineda, *Housing Market Assessment Manual*, ODPM, February 2004
- *Local Housing Systems Analysis Best Practice Guide*, Communities Scotland, 2004
- *Local Housing Market Assessment Guide*, Welsh Assembly Government, 2006
- *Strategic Housing Market Assessments: Practice Guidance Version 1 and Version 2*, Communities and Local Government, March 2007 and August 2007

3.3.5 It is significant that the Guidance provides greater defence to challenge by defining the terms that ensure a robust set of outputs:

*...a strategic housing market assessment should be considered robust and credible if, as a minimum, it provides all of the core outputs and meets the requirements of all of the process criteria in figures 1.1 and 1.2 (see Table 1 and Table 2 below). In such circumstances there is no need for the approach used to be considered at the independent examination<sup>5</sup>*

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<sup>4</sup> *Local Housing Assessment, A Practice Guide (Discussion Draft)*, March 2005, p8

<sup>5</sup> *Strategic Housing Market Assessments: Practice Guidance Version 2*, CLG, August 2007, p9

Table 1: Core Outputs	
1	Estimates of current dwellings in terms of size, type, condition, tenure
2	Analysis of past and current housing market trends, including balance between supply and demand in different housing sectors and price/affordability. Description of key drivers underpinning the housing market
3	Estimate of total future number of households, broken down by age and type where possible
4	Estimate of current number of households in housing need
5	Estimate of future households that will require affordable housing
6	Estimate of future households requiring market housing
7	Estimate of the quantity of affordable housing required
8	Estimate of household groups who have particular housing requirements e.g. families, older people, key workers, black and minority ethnic groups, disabled people, young people, etc.

3.3.6 Furthermore the Guidance states that:

*...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 upon 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.*<sup>6</sup>

Table 2: Process Checklist	
1	Approach to identifying housing market area(s) is consistent with other approaches to identifying housing market areas within the region
2	Housing market conditions are assessed within the context of the housing market area
3	Involves key stakeholders, including house builders
4	Contains a full technical explanation of the methods employed, with any limitations noted
5	Assumptions, judgements and findings are fully justified and presented in an open and transparent manner
6	Uses and reports upon effective quality control mechanisms
7	Explains how the assessment findings have been monitored and updated (where appropriate) since it was originally undertaken

<sup>6</sup> *ibid*, p9

3.3.7 It is these Core Outputs and the Process Checklist that a Strategic Housing Market Assessment will be judged against and it is evident that where developers are challenging Strategic Housing Market Assessments as a basis for planning policy they are focusing on elements within these tables.

### 3.4 The residential offer and quality of place

3.4.1 The 'residential offer' has been defined by Llewelyn Davies Yeang as:

*"a composite of housing factors - including range, quality and value for money - which together inform an individual's or household's local and regional locational choices".*

3.4.2 'Quality of place' has been defined as:

*"the sum of those factors - culture, local, environment, public realm, housing, community safety, access, health - which together make somewhere - whether a town, city or region - an attractive place to live".<sup>7</sup>*

3.4.3 Figure 1 below illustrates the role of residential offer within the context of 'quality of place', highlighting the relationship between 'quality of place' and economic competitiveness.

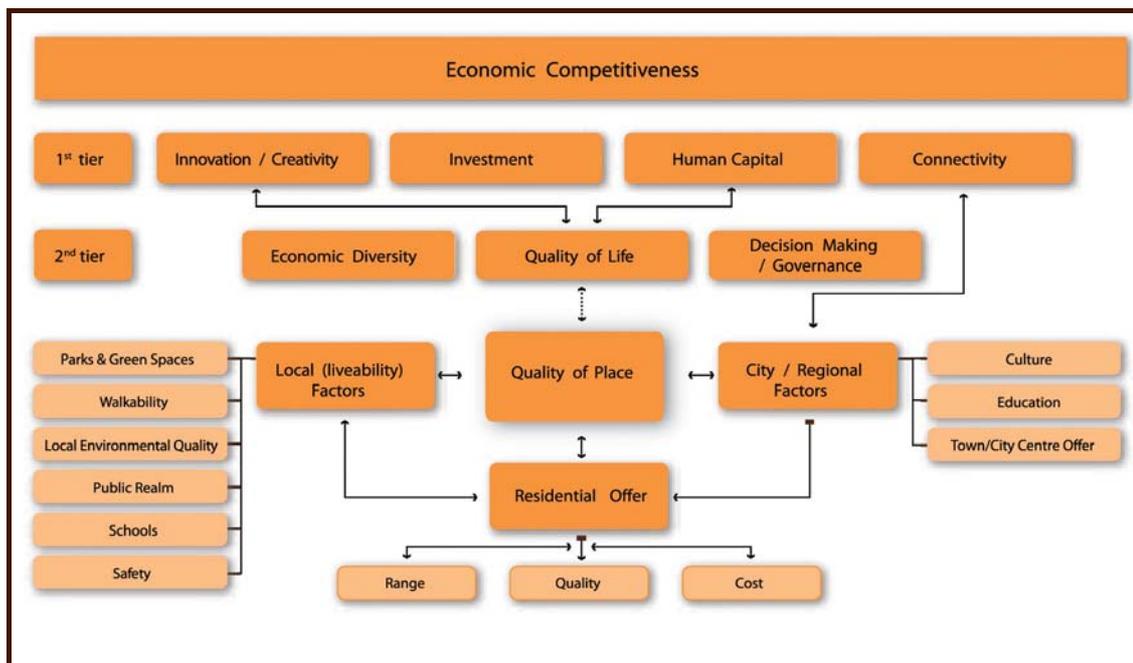


Figure 1: The role of residential offer in place making

Source: Llewelyn Davis Yeang, 2006

3.4.4 The right combination of liveability and attraction building factors, contributing to the creation of 'quality of place', help to entice the right people and businesses to an area, supporting economic development and competitiveness. The potential of certain groups to

<sup>7</sup> Llewelyn Davies Yeang, 'Quality of Place: The North's Residential Offer, Phase IIa Report', 2006.

contribute disproportionately to the long-term competitiveness of an area include recent graduates, family builders and knowledge economy workers (Llewelyn Davies Yeang, 2006, 2007). These groups support economic growth, are relatively mobile and quality of place and the residential offer matter most to them.

- 3.4.5 The concept of 'quality of place' can be an overlooked issue in the speculative-led development model of UK towns and cities; whilst the 'residential offer' as an integral part of the overall 'quality of place' and a driver in the residential choices made by particular groups, is inextricably linked to the growth of the local economy and sustainable place-shaping.
- 3.4.6 The perceived 'quality of place' incorporates a number of inextricably linked concepts including local level liveability factors such as environmental quality, access to services such as schools, healthcare, shops, parks and open spaces, and on a regional level incorporates factors such as city centre lifestyle offer, cultural offer and the presence of higher education institutions. The local factors have implications within an area, whereas the regional factors are regarded as contributing to locational choices of the more mobile economic workforce.
- 3.4.7 The current housing supply is a legacy of an earlier pattern of economic structure and development that does not meet current nor expected future needs and aspirations. Allied to this are the emerging affordability constraints in the areas of choice within the desirable suburbs. Both these factors will impact upon the key economic groups and potentially restrict growth due to a lack of range of housing types.

#### [Recent graduates](#)

- 3.4.8 Once attracted to a university town/city, it is preferable to retain as many graduates as possible. Recent graduates are likely to be in the early stages of their careers and price sensitive, therefore providing an accessible, healthy private rented sector and competitive access to the housing market will facilitate retention. In light of increasing affordability constraints in areas of choice, potential purchasers in the form of recent graduates will defer purchase and rent in the locations of choice until owner occupancy becomes a realistic option.
- 3.4.9 Given the right employment opportunities and range of residential offer, graduates may wish to remain in areas that they are familiar with during University. The importance of the availability of high-skilled jobs and an improved residential offer within areas of choice will facilitate an improved rate of retention.

### Family builders and knowledge economy workers

- 3.4.10 Once families become established the propensity to move decreases significantly. Family builders are defined as being under 35 and childless or with very young children and do not yet have vested interests within a given location and whose choices can therefore be influenced. Providing starter homes for the family builder group within areas of choice with access to facilities and amenities will further facilitate graduate retention and retain economically independent households in the authority.
- 3.4.11 The most common housing type for this group is the three bedroom semi-detached within popular suburban areas in close proximity to good schools.<sup>8</sup> Family builders are fundamental to the vision of creating long-term sustainable communities. The connection in terms of sustainable development and how it relates to the quality of the residential offer translating to economic competitiveness in an area is the retention of graduates as long-term residents.

## **3.5 Regional Housing Strategy**

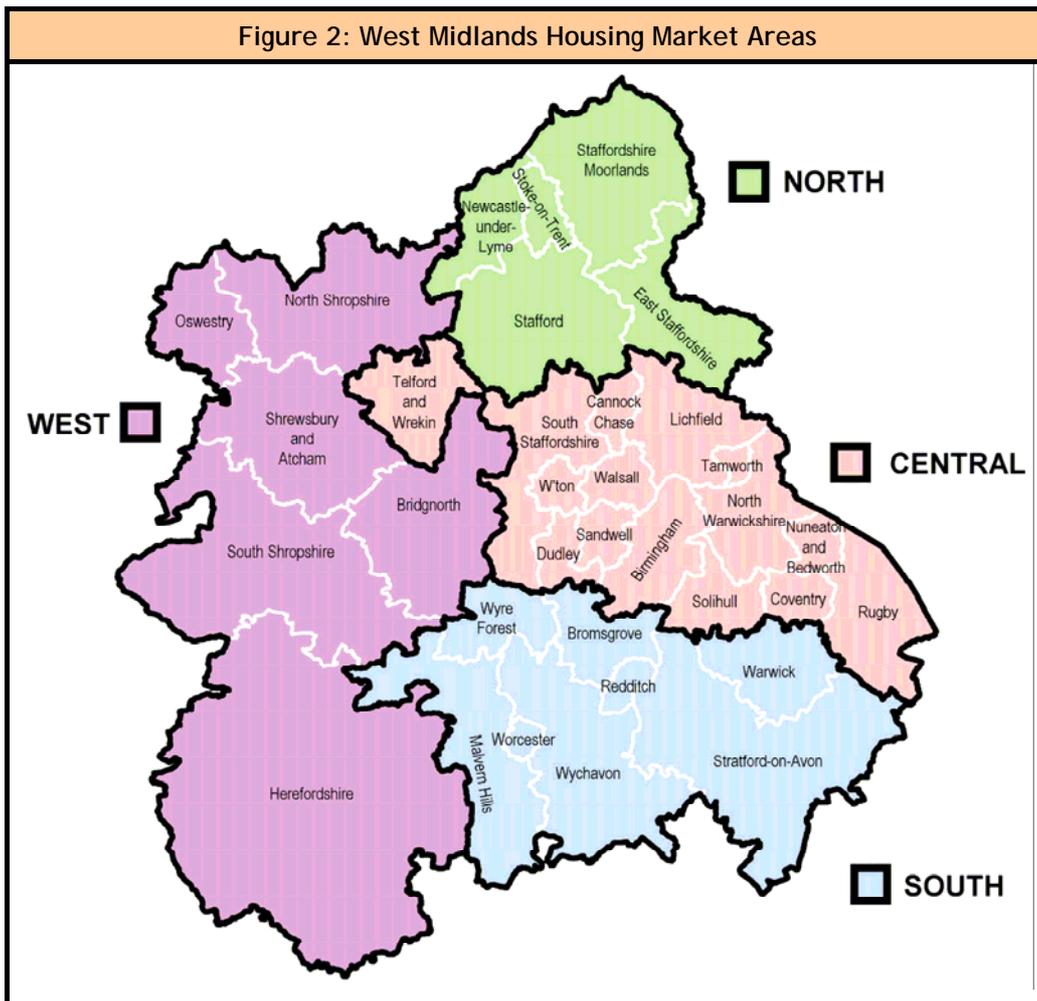
- 3.5.1 The West Midlands Regional Housing Strategy (RHS) identifies four sub-regional Housing Market Areas (HMAs) in the West Midlands Region: North, South, Central and West. The Central HMA has been divided into three areas: C1, C2 and C3 (see Table 3).
- 3.5.2 The analysis that developed this construct identified areas where similar dwellings command similar prices and where there is sufficient evidence of a functional connection as demonstrated through travel to work and other interactions.<sup>9</sup> The statistical work repeatedly exposed similar patterns of sub-regional variation, showing considerable stability in the way house prices are formed across the Region and, despite expectations to the contrary, a remarkably good fit with the administrative boundaries of the Region and travel to work patterns.

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<sup>8</sup> Samuels I. 'What Homebuyers want. Attitudes and decision making among consumers'. London, Commission for Architecture & the Built Environment CABE, 2006.

<sup>9</sup> West Midlands Regional Housing Strategy 2005, June 2005, p29

Table 3: West Midlands Housing Market Areas			
Central	North	South	West
<u>C1</u> Birmingham Lichfield District Solihull Tamworth	East Staffordshire Newcastle-under-Lyme Stafford Staffordshire Moorlands Stoke-on-Trent	Bromsgrove Malvern Hills Redditch Stratford-on-Avon Warwick Worcester Wychavon Wyre Forest	Bridgnorth Herefordshire North Shropshire Oswestry Shrewsbury South Shropshire
<u>C2</u> Coventry North Warwickshire Nuneaton & Bedworth Rugby			
<u>C3</u> Cannock Dudley Sandwell South Staffordshire Telford & Wrekin Walsall Wolverhampton			



3.5.3 In particular, the analysis identified:

- a dominant Central HMA centred on the conurbation
- a second HMA centred on North Staffordshire
- the rural West, although not strongly centred, clearly separated from the conurbation
- a South HMA with separate house prices in Stratford, Warwick and Wychavon, aligning them more clearly with Oxfordshire and Gloucestershire

3.5.4 Other key findings included:

- The distinctiveness of the west of the Region stands in sharp relief to other areas in housing market terms and in levels of workplace attachment
- Highly different housing market conditions characterise the north and south of the Region, but aspects of both are found in the interface with the central area where the conurbation is located
- Workplace attachment in and around the conurbation provides a distinctive focus for this area, servicing both the conurbation and a wider ring of settlements around it
- Specific workplace attachments are weaker elsewhere in the Region, and in rural areas are virtually non-existent by comparison

3.5.5 It should be noted that none of the HMA boundaries intersect local authority boundaries. For pragmatic reasons and for the development of policy, the consultation process suggested the importance of maintaining the integrity of local authority boundaries whilst acknowledging that the strategic housing market issues do not stop at these boundaries. The issues presented across local authorities in adjacent HMAs are most significant in the following areas:

- The similarity of housing market conditions between south Solihull and the South HMA
- The relationship between the conurbation (Central HMA) and Bromsgrove/Redditch (South HMA)
- Bridgnorth and its interface with the Central HMA (Telford and South Staffordshire)
- The western part of Malvern Hills (Tenbury Wells) and the West HMA and
- Telford's interface with the West HMA

## **3.6 Regional Spatial Strategy**

3.6.1 The current planning policy framework for Stratford-on-Avon is Regional Planning Guidance for the West Midlands (RPG11), which was adopted in June 2004 and became Regional Spatial Strategy (RSS) with the commencement of the Planning and Compulsory Purchase Act 2004.

- 3.6.2 Following the publication of the Phase One Revision in respect of the Black Country sub-region by CLG a revised West Midlands RSS was issued in January 2008. Further aspects of the RSS are being reviewed and the second phase of that review - housing, employment, transport and waste - is now under way. This does not change the vision and objectives, but it does affect decisions about where new development should occur, in what form and on what scale.
- 3.6.3 A considerable degree of background technical work has already been completed and a Spatial Options paper was published on 8<sup>th</sup> January 2006. On 22<sup>nd</sup> October 2007, the Regional Planning Partnership approved the Preferred Option for the RSS Phase Two Revision, which was submitted to the Secretary of State in December 2007. Further consultation on the Preferred Option took place in 2008 and the Examination in Public and Panel Report should complete in Autumn 2009, leading to Adoption in 2010.
- 3.6.4 The Review has to reflect the Government's aim for a one third increase in the level of house building by 2016. This is in response to the then current 2003-based household projections (2006-based projections are used in Section 5.5 below), which give higher increases in the West Midlands than in many other parts of the country. It also needs to reflect the monitoring evidence of the extent to which the key aims and objectives of the RSS are being met so far:
- There is early evidence that the rate of migration from the conurbation has slowed down, and that the required changes to the patterns and levels of housing development are beginning to take place
  - Provision of affordable housing has failed to show any progress towards the doubling that would be required to meet the RSS target of 6,000 to 6,500 p.a.
- 3.6.5 Following the submission of the preferred options to the Government in December 2007, the West Midlands Regional Assembly received a letter from Baroness Andrews expressing concern over the amount of additional housing proposed in light of the Government's agenda to increase house building. In response to this letter the Government Office commissioned a study to present options with higher house building targets to the Examination In Public in 2009.

### **3.7 West Midlands Economic Strategy**

- 3.7.1 *Delivering Advantage*, the West Midlands Economic Strategy for 2004-2010<sup>10</sup>, sets out a Vision for transforming the West Midlands into a world-class region by 2010. An updated West Midlands Economic Strategy was published in 2007, which will look forward to 2020

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<sup>10</sup> *Delivering Advantage: The West Midlands Economic Strategy and Action Plan 2004-10*, WMRA/Advantage West Midlands

and establish what more the region needs to do to continue to improve its economic performance.

3.7.2 The key challenges facing the Region that relate to housing include:

- (i) to link housing availability and quality to employment opportunities to support the creation of conditions for growth
- (ii) to regenerate communities through economic inclusion, particularly in areas of the region experiencing social exclusion and underperforming economies, such as North Staffordshire and the Black Country

3.7.3 Regenerating Communities is a key pillar in the strategy, driving actions to counter unemployment, poor skills, low income, poor housing, high crime rates, poor quality environment and all areas of economic inclusion. To facilitate this, partners will link opportunity to need, and develop capacity and sustainability for communities.

### 3.8 Core Strategy

3.8.1 The Council is preparing a Core Strategy for Stratford-on-Avon District that will have a major bearing on how and where development takes place over the next twenty years. This is the first and most critical part of the Local Development Framework, which will eventually replace the District Local Plan. A Draft Core Strategy was published for public consultation in November 2008.

3.8.2 The Draft Core Strategy seeks to maintain and build upon the distinct functions of the different parts of the District:

- **Stratford-upon-Avon** - The RSS Phase Two Draft Revision shows the town as a 'large settlement' but not one for significant development. It envisages some new housing development within and adjacent to the urban area, together with opportunities for employment in a balanced manner.
- **Larger rural settlements** - The RSS Draft Revision stresses the key role that market towns have in helping to regenerate rural areas through sustainable economic and housing development and by providing local services. It goes on to emphasise the importance of retaining and enhancing the distinctive character of each individual settlement.
- **Countryside including smaller settlements** - The greatest part of Stratford District is open countryside with a wide range of villages and hamlets set within it.

3.8.3 The **Preferred Option** for the future distribution of development in the District is the dispersal of development across the whole District, with the prospect of some development in most towns and villages.

- 3.8.4 The Regional Spatial Strategy Revision will determine the scale of housing and employment development that should be provided in Stratford District between 2006 and 2026. At present, there are some uncertainties about the eventual outcome of this revision process:
- The Government has requested that the housing requirement for the region be reassessed in the light of higher household projections and its objective of providing more homes across the country.
  - There is a specific issue about the expansion of Redditch and the possibility that land adjacent to Redditch, but within Stratford and/or Bromsgrove Districts, will be required to meet the future housing and employment needs of the town.
  - A bid for an eco-town on the former Ministry of Defence depot at Long Marston has been made in response to a Government invitation. The proposal, known as Middle Quinton, comprises around 6,000 dwellings.
- 3.8.5 The current Regional Spatial Strategy looks to concentrate new housing development in the main conurbations in order to help their regeneration and to reduce the level of out-migration into rural areas. This approach has been carried forward into the RSS Phase Two Draft Revision whereby future housing development in Stratford District is to meet the needs of the area in a sustainable manner.
- 3.8.6 The emerging Revision, unlike the existing RSS, includes district level housing requirements. As things stand the requirement for Stratford District is to provide 5,600 dwellings (net) over the period 2006-2026, which equates to an annual average requirement of 280 dwellings per annum. This is a substantial reduction in the rates that were previously required through the Structure Plan (550 dwellings) and is significantly lower than the actual completion rates that have been achieved in recent years (545 dwellings per annum since 2001).
- 3.8.7 Table 4 illustrates the various sources of housing that contribute to meeting the dwelling requirement set in the Draft RSS Phase Two Revision.

Table 4: Housing Land Supply Assessment for Stratford District (as at 31.03.08)		
		Net dwellings
1	Housing target 2006-2026 in RSS Phase Two Revision Preferred Option (excluding the needs of Redditch)	5,600
2	Dwellings completed by 31.03.08	848
3	Dwellings under construction at 31.03.08 <sup>11</sup>	371
4	Dwellings permitted but not started at 31.03.08	782
5	Windfall allowance (for period 2021-2026 only)	750
6	Proposed Development Locations identified in Draft Core Strategy	2,550
7	Sites identified in SHLAA (not otherwise included above) <sup>12</sup>	455
8	<b>Total provision</b>	<b>5,756</b>

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<sup>11</sup> Includes only those sites where implementation is likely by 2026

<sup>12</sup> 15% discount applied to take account of non-implementation

# 4 HOUSING MARKET ACTIVITY

## 4.1 Introduction

4.1.1 This section looks at some of the housing market indicators that reveal changes in the Stratford-on-Avon Housing Market since the 2006 Housing Assessment. It draws mainly on data from the Land Registry detailing sales for the two-year period 2007 to 2009 and CACI modelled income data for 2009.

4.1.2 The section covers:

- Housing for sale
- Entry-level housing
- Income and affordability of housing for sale
- Private rent and affordability of renting
- Social renting

## 4.2 The cost of housing for sale

4.2.1 The latest House Price Index bulletin released by the Land Registry (April 2009) shows the mean house price for Warwickshire to be £152,288, an annual change of -16.9%.<sup>13</sup> The Warwickshire mean house price is very close to the England and Wales mean house price of £152,898 (annual change of -16.2%) and above the West Midlands mean house price of £129,382 (annual change of -15.0%).

	Mean house price	Annual change
England and Wales	£152,898	-16.2%
West Midlands	£129,382	-15.0%
Warwickshire	£152,288	-16.9%

Source: Land Registry standardised seasonally adjusted house price data as at June 2009

4.2.2 The Land Registry House Price Index is a repeat sales regression (RSR) index, measuring average price changes in repeat sales on the same properties, ensuring a like for like

<sup>13</sup> These mean house prices are standardised seasonally adjusted prices and do not compare with the mean prices derived from all sales in the period as shown Table 6.

comparison. This means that price changes on a flat in Mayfair are not compared to those on a flat in the Old Kent Road.<sup>14</sup>

4.2.3 Previous reports published by the Land Registry showed average property prices and the quarterly changes with no weighting or adjustment applied to reflect changes in the sample of properties observed from one quarter to the next. The new monthly index is calculated using proven statistical techniques and seasonal adjustment procedures, ensuring a more reliable indicator of movements in house prices.

4.2.4 An analysis of sales of private housing in Stratford-on-Avon District from February 2007 to February 2009 is summarised in Table 6 and Figure 3 to Figure 8.

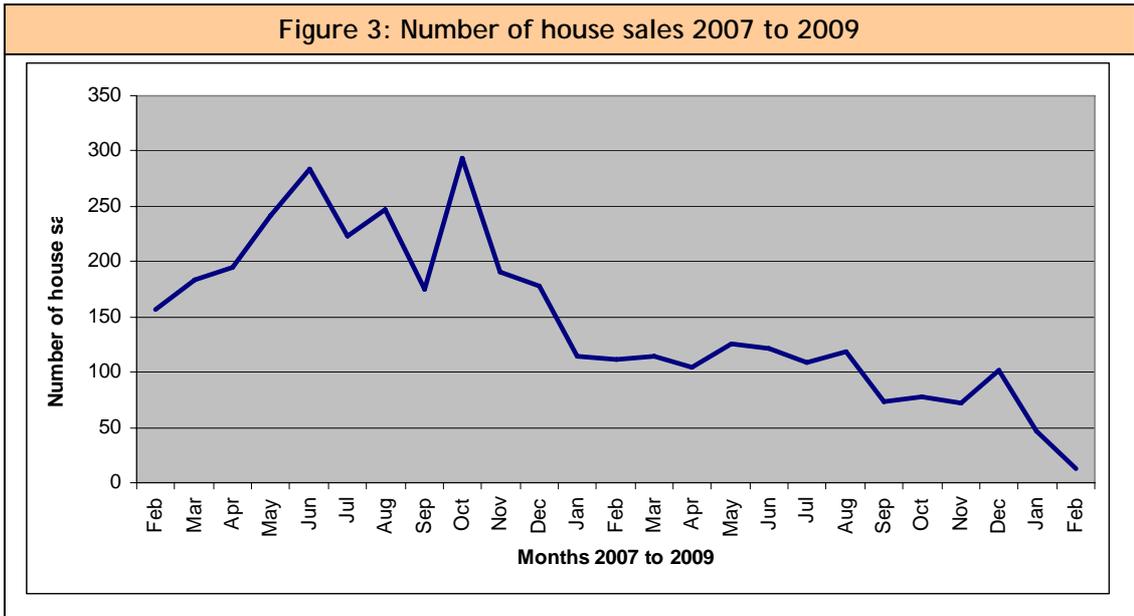
Table 6: Stratford-on-Avon house sales by type 2007 to 2008									
	Mean price (£)			Lower quartile price (£)			Number of sales (all properties)		
	Oct-Dec 07	Oct-Dec 08	Annual change	Oct-Dec 07	Oct-Dec 08	Annual change	Oct-Dec 07	Oct-Dec 08	Annual change
Detached	446,478	395,553	-11.4%	272,500	249,950	-8.3%	196	109	-44.4%
Semi-detached	193,824	150,288	-22.5%	149,950	114,975	-23.3%	195	44	-77.4%
Terraced	242,266	227,955	-5.9%	178,500	158,500	-11.2%	153	65	-57.5%
Flat/Maisonette	192,597	217,716	13.0%	145,000	158,500	9.3%	118	34	-71.2%
Overall	279,605	285,506	2.1%	177,500	161,000	-9.3%	662	252	-61.9%

Source: Land Registry price paid data for Stratford-on-Avon Feb 07 to Feb 09

4.2.5 The data here has not been modelled in the same way and is from a slightly different date range than the CLG data presented in Table 9 on page 30 and subsequently in the housing needs model (summarised in Table 44 on page 63). Consequently the lower quartile house price in Table 6 differs from the figure in Table 9. The purpose of the analysis in Table 6 is to show the trends in different housing types, whereas the purpose of the data in Table 9 is to provide a transparent, auditable and readily updateable source for the subsequent housing needs modelling.

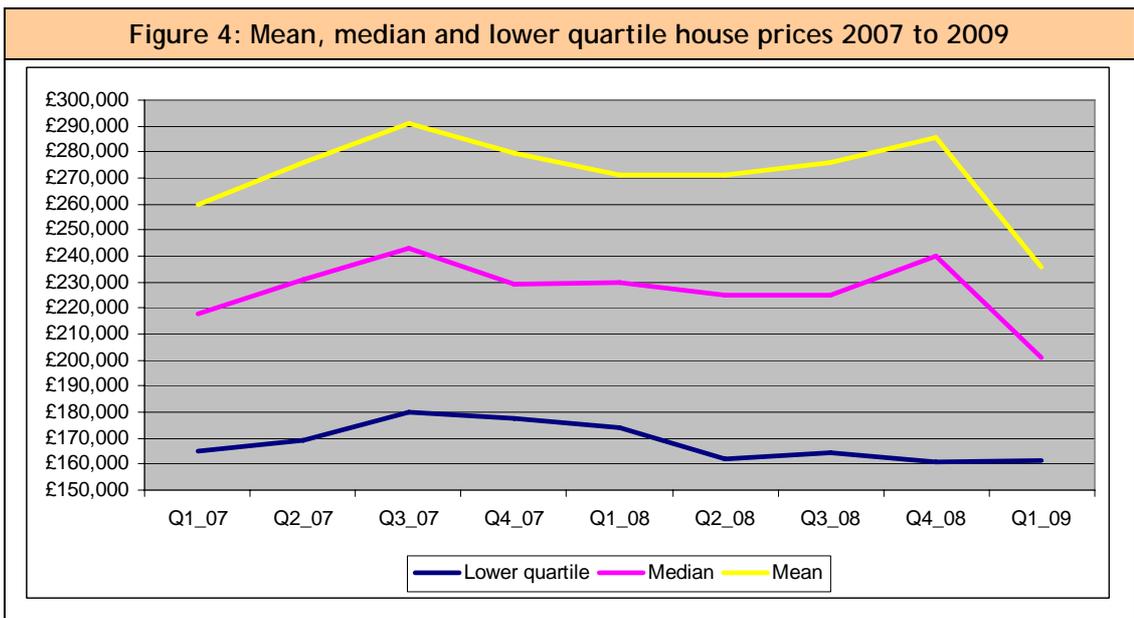
4.2.6 The trend in the volume of house sales by calendar month from February 2007 to February 2009 is shown below in Figure 3.

<sup>14</sup> The statistical computation of the HPI is performed by Calnea Analytics Limited. Full details of methodology, a discussion of technical questions and a comparison with other index creation methods can be found by visiting [www.calnea.com](http://www.calnea.com)



Source: Land Registry completed sales for Stratford-on-Avon Feb 2007 to Feb 2009

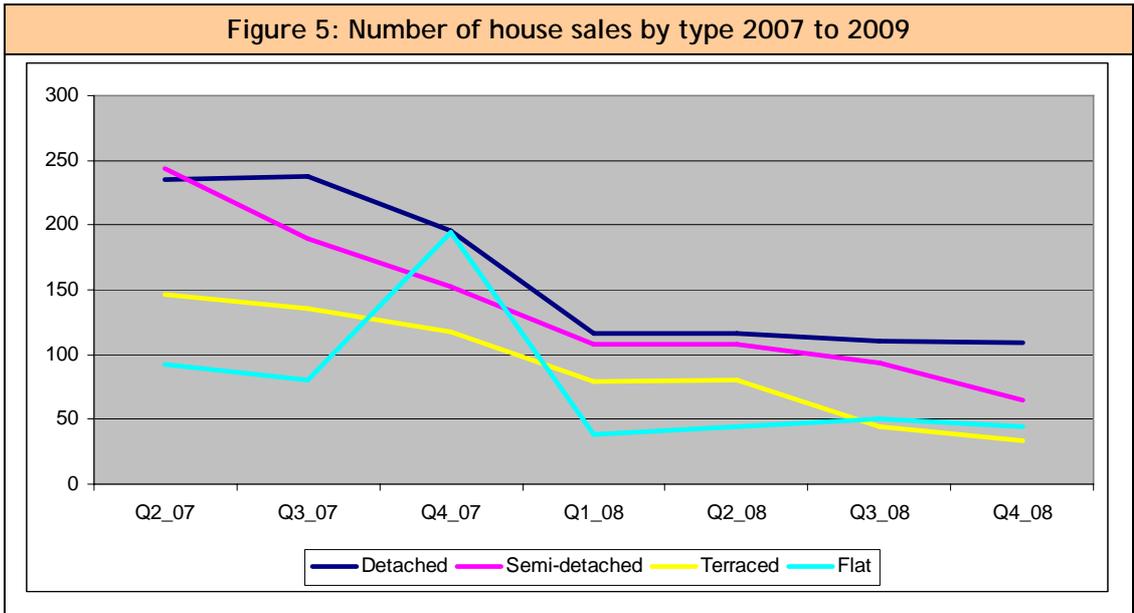
4.2.7 The trend in the mean, median and lower quartile house prices for Stratford-on-Avon district by quarter from February 2007 to February 2009 is shown below in Figure 4.



Source: Land Registry completed sales for Stratford-on-Avon Feb 2007 to Feb 2009

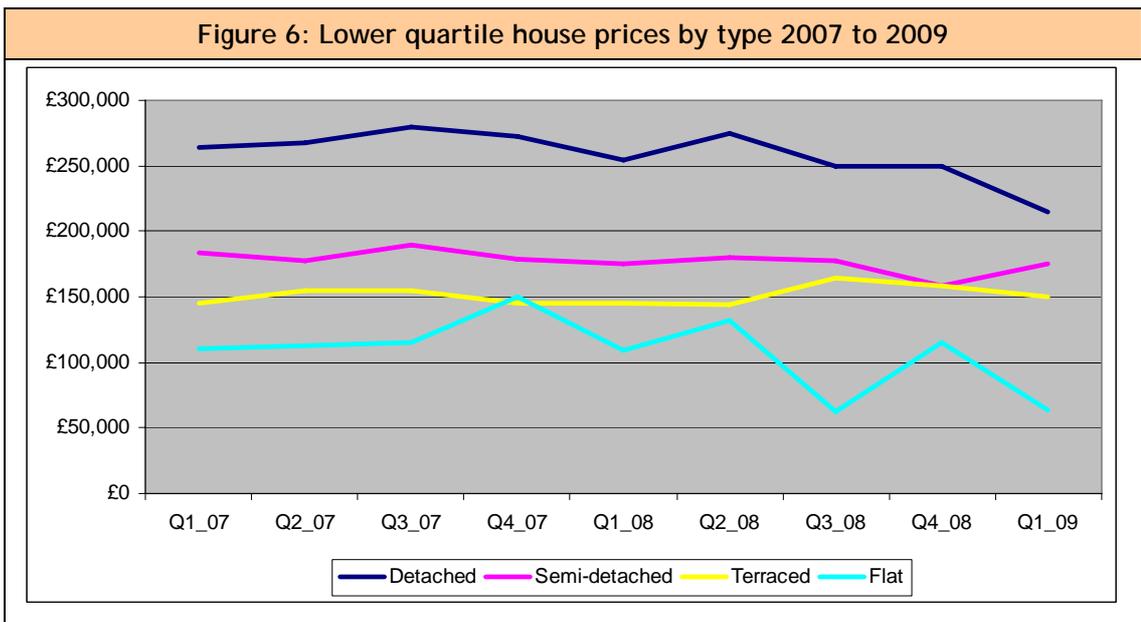
4.2.8 The trend in the volume of house sales by house type from April 2007 to December 2008 is shown below in Figure 5.<sup>15</sup>

<sup>15</sup> Quarter 1 2007 and Quarter 1 2009 are incomplete quarters and have been excluded from the volume of sales charts



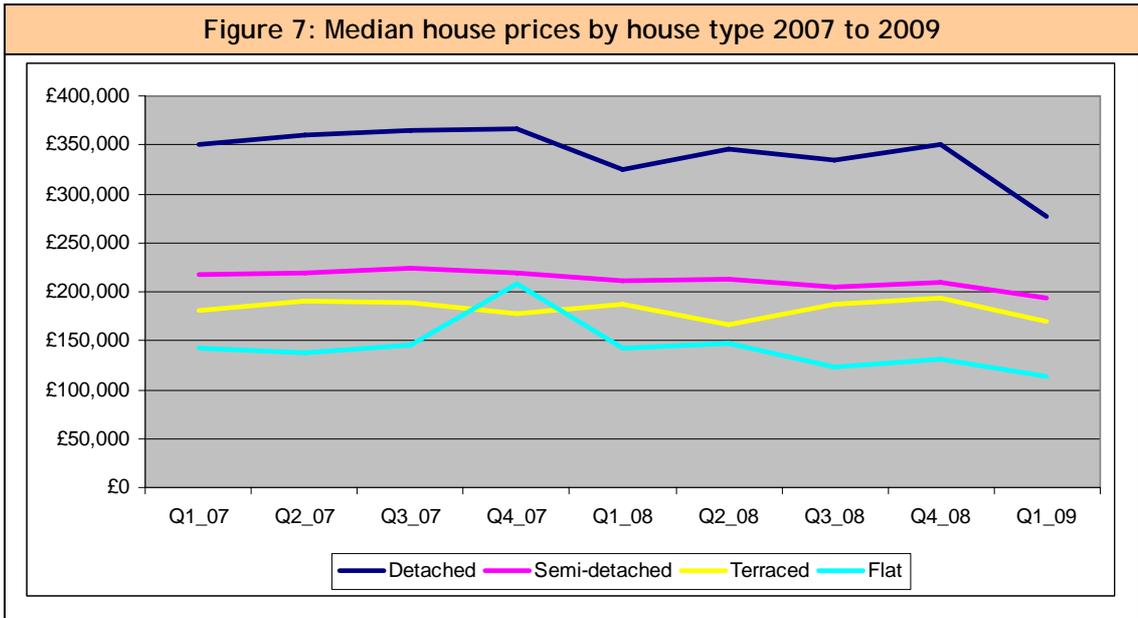
Source: Land Registry completed sales for Stratford-on-Avon Feb 2007 to Feb 2009

4.2.9 The trend in the lower quartile house prices by house type for Stratford-on-Avon district by quarter from February 2007 to February 2009 is shown below in Figure 6.



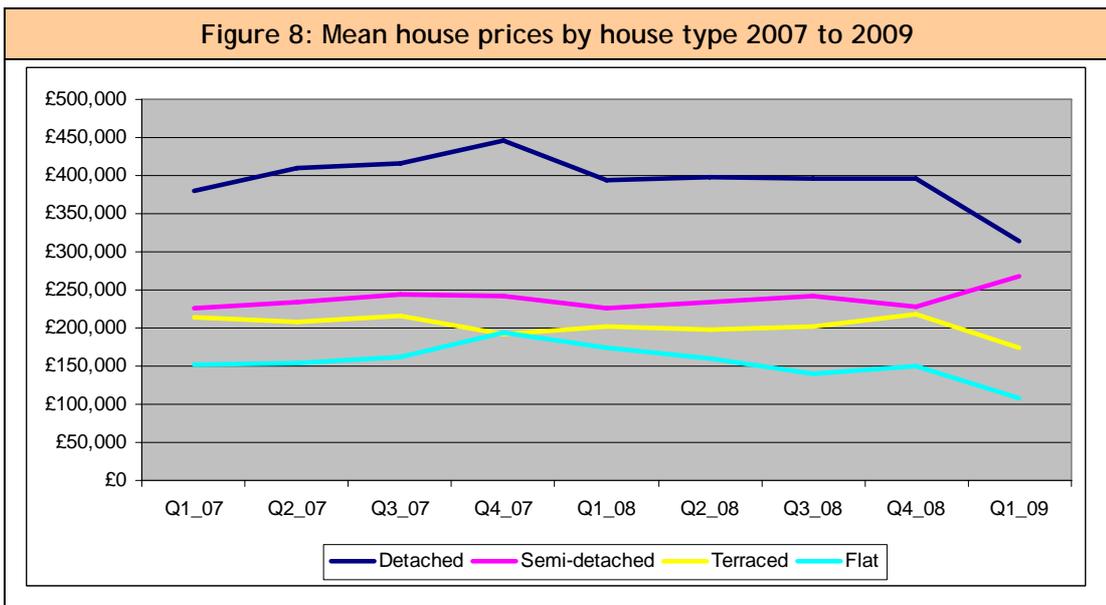
Source: Land Registry completed sales for Stratford-on-Avon Feb 2007 to Feb 2009

4.2.10 The trend in the median house prices by house type for Stratford-on-Avon district by quarter from February 2007 to February 2009 is shown below in Figure 7.



Source: Land Registry completed sales for Stratford-on-Avon Feb 2007 to Feb 2009

4.2.11 The trend in mean house prices by house type for Stratford-on-Avon district by quarter from February 2007 to February 2009 is shown below in Figure 8.



Source: Land Registry completed sales for Stratford-on-Avon Feb 2007 to Feb 2009

4.2.12 Overall the picture is one of

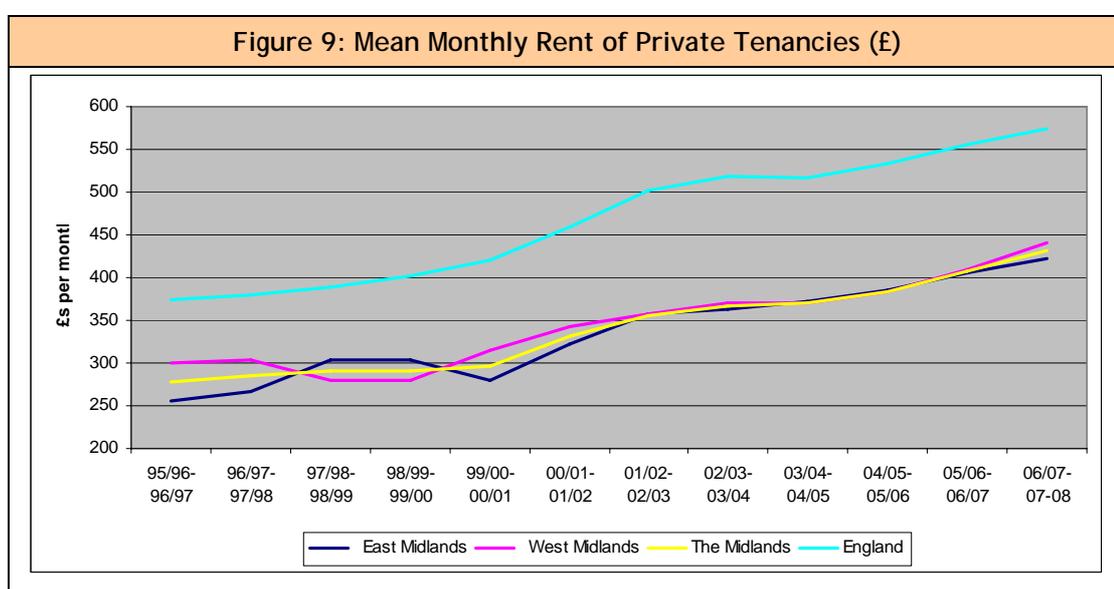
- falling house prices for all property types except flats/apartments, which appear to have bucked the trend between 6% and 23%
- significantly reduced sales volumes - overall down 62% between 2007 and 2008

### 4.3 The cost of private rented housing

4.3.1 Private rents are a function of the price of market housing i.e. landlords charge higher rents when the price to buy a given property is higher and demand is stronger.

4.3.2 Figure 9 shows the trend in mean monthly rents for private tenancies in the West and East Midlands regions of the country and England over an eleven-year period. The rents have been calculated over 2 year periods (e.g. from April 2004 to March 2006) and clearly show rents in the Midlands to be well below the national average.

4.3.3 Following a period of relative stability from the mid 1990's, Figure 9 shows private rents to have increased from the late 1990's both regionally and nationally, which is a reflection of house price inflation during this period and the growth in the buy-to-let market.



Source: CLG Live Table 734<sup>16</sup>

4.3.4 A snapshot survey of properties available for private rent in the Stratford-on-Avon District in April 2009,<sup>17</sup> shows the level of monthly rent to be far higher than that indicated for the region in the chart at Figure 9 above, £727.79 in 2009 compared with £440.00 for the West Midlands in 2007/08. The mean monthly rent for a room in a shared property is £366 and for a one bed or bedsit property is £502.

<sup>16</sup> Table 734: Rents, lettings and tenancies: mean rent (1) of "free market"(2) private tenancies: by region - Note: Sampling variability is too great for the figures to give a reliable indication of change between years at regional level. (1) Before deduction of Housing Benefit where applicable. (2) Assured and Assured Shorthold tenancies accessible to the public without special conditions.

<sup>17</sup> Housing Strategy 2009: Snapshot Survey of Advertised Private Rents in Stratford-on-Avon District April 2009, 308 private rented properties advertised at the beginning of April 2009 - excluding luxury properties, Sources: Herald, www.nestoria.co.uk, Rightmove, sparerroom.co.uk

Table 7: Mean monthly private sector rent (£)		
Type of property	Mean monthly rent	Proportion of properties available
Room in shared property	£366.00	11.4%
1 bed/bedsit	£502.00	13.0%
2 bed	£629.00	27.6%
3 bed	£800.00	27.3%
4 bed	£1,035.00	15.9%
5+ bed	£1,344.00	4.9%
<b>All properties</b>	<b>£727.79</b>	<b>100.0%</b>

Source: Snapshot Survey of Advertised Private Rents in Stratford-on-Avon, April 2009

#### 4.4 The cost of social rented housing

4.4.1 In economic terms the role of the social housing sector is to provide subsidised, affordable housing to those households unable to afford housing in the private sector. Rents are therefore significantly lower than in the private sector, and indeed should remain so in order to fulfil this role.

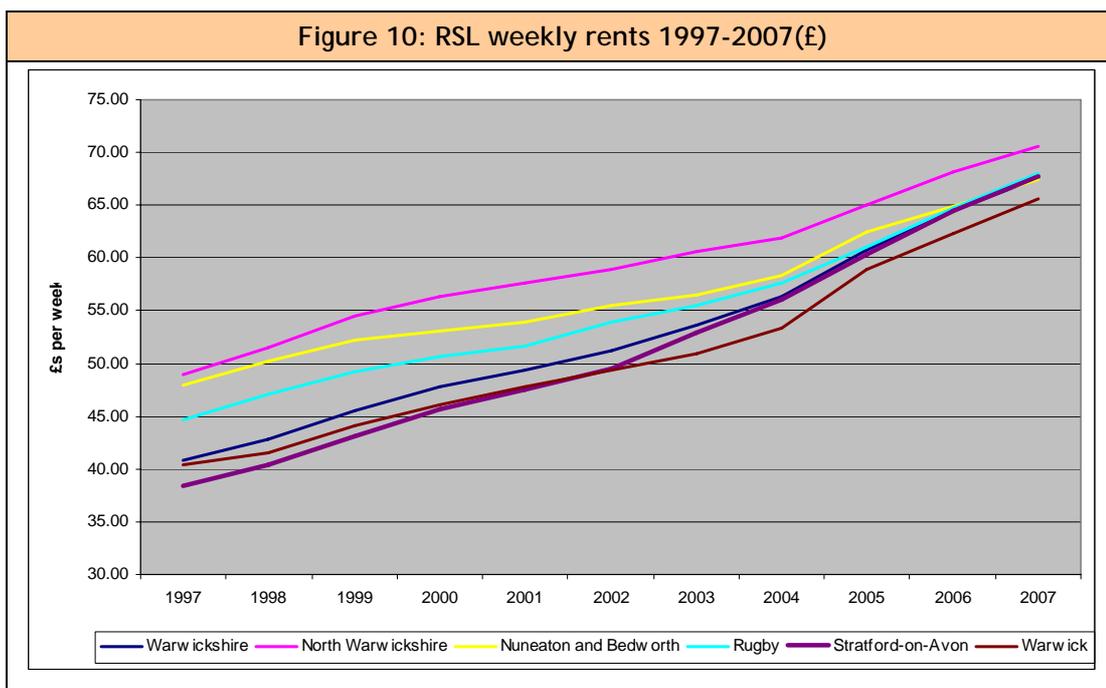
4.4.2 Places are allocated through an administrative system rather than through market mechanisms, with the result that imbalances between supply and demand are evident in a rising waiting list rather than higher prices. The introduction of Choice-Based Lettings, as has happened recently in Stratford-on-Avon, often leads to increasing numbers on the waiting list.<sup>18</sup>

4.4.3 RSL rents in Stratford-on-Avon, which were the lowest in Warwickshire in 1997, have increased by 76.4% to sit close to the County average.

Table 8: Change in RSL rents 1997-2007			
Local authority	1997	2007	% change
North Warwickshire	£48.91	£70.62	44.4%
Nuneaton and Bedworth	£47.99	£67.43	40.5%
Rugby	£44.65	£68.06	52.4%
Stratford-on-Avon	£38.40	£67.75	76.4%
Warwick	£40.36	£65.57	62.5%
Warwickshire	£40.76	£67.60	65.8%
England	£46.81	£66.58	42.2%

Source: CLG Live Table 704

<sup>18</sup> There may be other contributory factors to a rising waiting list, such as changes to marketing of social housing or eligibility rules



Source: CLG Live Table 704

## 4.5 Entry-level housing

- 4.5.1 The latest CLG guidance recommends that the lower quartile house price should be taken as a proxy for indicating entry-level property prices. Table 9 shows the lower quartile house price for Stratford-on-Avon compared with the rest of Warwickshire and the West Midlands Region for the period 2006 to 2008. One advantage of using this indicator is the ability to apply a consistent measure across all areas and allow meaningful comparison between areas. The entry-level property price is important for determining affordability for an assessment of housing need.

	Oct-Dec 2006	Oct-Dec 2007	Oct-Dec 2008
England and Wales	£124,950	£127,950	£115,000
West Midlands	£113,000	£116,000	£102,675
Warwickshire	£129,000	£132,500	£115,000
North Warwickshire	£120,000	£113,500	£98,000
Nuneaton and Bedworth	£104,500	£110,000	£92,625
Rugby	£124,950	£132,002	£110,750
Stratford-on-Avon	£171,500	£177,500	£158,500
Warwick	£161,495	£160,000	£132,000

Source: CLG Live Table 583

4.5.2 This is a different approach to determining entry-level house prices than used in the Stratford-on-Avon HNA 2006. The falling housing market has resulted in a lower entry-level price than three years ago (set at £167,335 in 2006).<sup>19</sup> Because of the different approach it is not appropriate to compare the two figures. The important point in trying to understand what has changed in the period from 2006 to 2009 is to apply a consistent measure. So that although, the lower quartile house price was not used in the 2006 HMA, it is clear from Table 9 that there has been a fall in the lower quartile house price in Stratford-on-Avon from £171,500 in 2006 to £158,500 in 2008, a decline of 7.6%.

## 4.6 Affordability of housing for sale

4.6.1 The concept of affordability is critical in the needs assessment process. The degree to which households can afford market housing is based upon the ratio between household incomes and housing costs. The needs assessment uses gross household incomes and entry-level house prices to estimate housing need for affordable housing. This involves assessing whether or not current households who are in unsuitable housing can afford suitable market housing and also applying affordability analysis to newly forming and concealed households to establish numbers of actual and potential households who are likely to be in need of affordable housing.

4.6.2 A household is considered unlikely to be able to afford to buy a home that costs more than 3.5 times the gross household income for a single income household or 2.9 times the gross household income for two income household. If possible, any allowance for existing equity that could be used towards the cost of home-ownership should be taken into account.

4.6.3 A household is taken as being able to afford a shared equity property where the rent and mortgage costs are no more than 25% of gross income.

4.6.4 The yearly and monthly earnings that would be required for a mortgage on an entry-level property, as priced in Table 9 are shown below in Table 10. Earnings refer to gross income and assume a 10% deposit and a multiplier of 3.5 times salary for single income households, and 2.9 times salary for two income households, as per the latest CLG guidance. Although there is evidence that in the current climate lenders are seeking deposits greater than 10% (see paragraph 5.7.6 below), this percentage has been chosen as a conservative scenario that does not inflate the level of housing need.

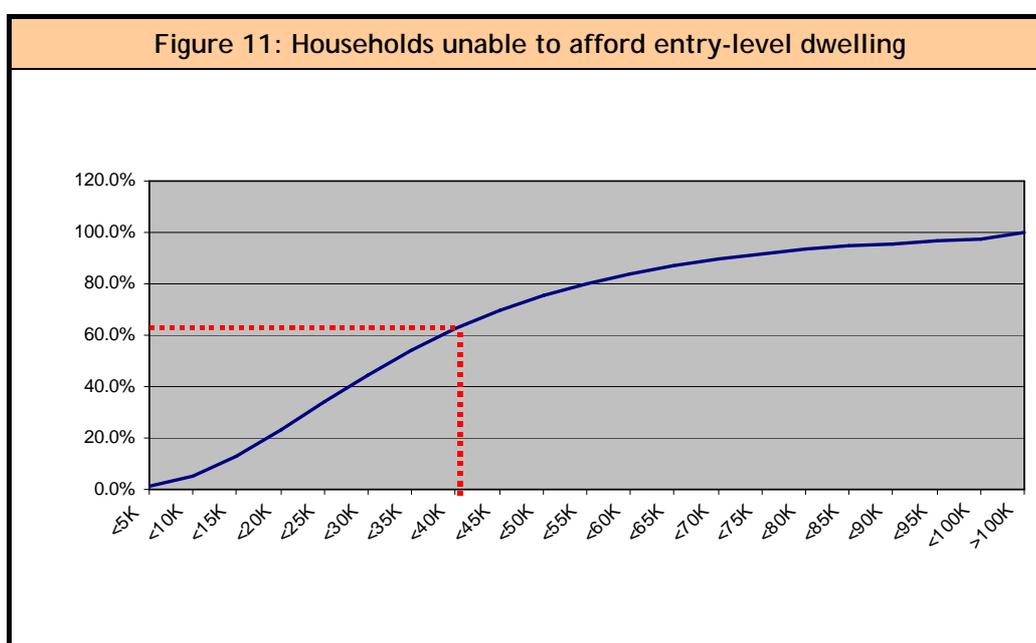
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<sup>19</sup> In order to assess affordability in the 2006 housing need assessment, the price of an entry-level property is determined based upon the most recent quarter's data from the Land Registry. At the time of commission this was July - September 05. The entry-level property price is that which a household entering the market can be expected to pay on average. However, it is neither the overall mean house price for the district, nor is it the lowest available or the lower quartile (25th percentile) house price. The calculation is  $\frac{(\text{Average terrace price} \times \text{volume of sales}) + (\text{Average flats price} \times \text{volume of sales})}{(\text{Volume of terrace sales} + \text{Volume of flats sales})}$

Table 10: Required gross income for entry-level mortgage (£)				
Local Authority	Two income		Single income	
	Annual	Per calendar month	Annual	Per calendar month
Stratford-on-Avon	£49,190	£4,099	£40,757	£3,396
Warwickshire	£35,690	£2,974	£29,571	£2,464
England and Wales	£35,690	£2,974	£29,571	£2,464

Source: Calculated using lower quartile house prices from Land Registry

4.6.5 Figure 11 shows the income distribution for Stratford-on-Avon based on CACI modelled household incomes. The dotted line plots the proportion of households unable to afford the housing costs associated with the entry-level housing in their district.



Source: CACI 2009

4.6.6 Using the CACI income distribution for Stratford-on-Avon and an assumed entry-level property price as stated in Table 9, an estimate of the proportion of households that have incomes below that required to afford to enter the market (mortgage at 3.5 times income) can be calculated. The resulting estimated proportion of households deemed unable to afford an entry-level dwelling is shown in Table 11.

Table 11: Households unable to afford entry-level dwelling	
Entry-level property price	£158,500
Income required to afford	£40,757
Estimated proportion of households with income below required threshold	63.5%

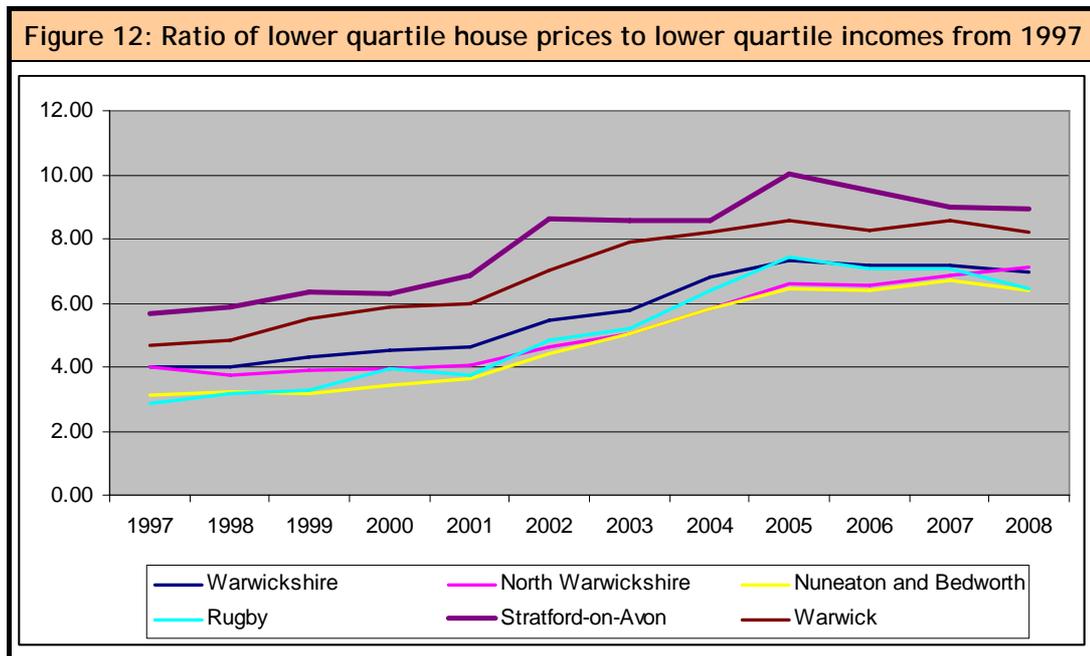
Source: CACI 2009

4.6.7 The ratio of lower quartile incomes to lower quartile house prices is a good proxy for affordability issues. What Table 12 shows is that the ratio in Warwickshire is currently highest in Stratford-on-Avon (1:8.92) and Warwick (1:8.23); above the England average (1:6.98). All areas in Warwickshire with the exception of North Warwickshire and Nuneaton & Bedworth have seen a fall in the ratio between 2006 and 2008, with the ratio in Stratford-on-Avon district showing a fall of 6.4% over this period.

Table 12: Ratio of lower quartile house prices to lower quartile incomes 2006 to 2008			
Local Authority	2006	2008	% Change
North Warwickshire	6.52	7.11	9.0%
Nuneaton and Bedworth	6.38	6.39	0.2%
Rugby	7.05	6.44	-8.7%
Stratford-on-Avon	9.53	8.92	-6.4%
Warwick	8.26	8.23	-0.4%
Warwickshire	7.17	6.96	-2.9%
England	7.12	6.98	-2.0%

Source: DCLG Live Table 576

4.6.8 The trend described in Table 12 above is further illustrated in Figure 12 below.



Source: DCLG Live Table 576

## 4.7 Affordability of private rented housing

4.7.1 In terms of measuring affordability for private rented housing, a household is considered able to afford market renting where the rent payable is no more than 25 per cent of their gross household income.<sup>20</sup>

4.7.2 Based on 2009 private rent levels<sup>21</sup>, households in Stratford-on-Avon would require a gross annual income of £24,096 for a one bed property and £30,192 for a two-bed property. This makes private renting far more affordable than owner occupation. CACI data indicates that approximately 32.0% of all households have income below that level for a one-bed property and 44.9% have income below the level for a two-bed property.

Type of property	Annual rent	Required income
Room in shared property	£4,392.00	£17,568.00
1 bed/bedsit	£6,024.00	£24,096.00
2 bed	£7,548.00	£30,192.00
3 bed	£9,600.00	£38,400.00
4 bed	£12,420.00	£49,680.00
5+ bed	£16,128.00	£64,512.00
All properties	£8,733.48	£34,933.92

Source: Housing Strategy 2009: Snapshot Survey of Advertised Private Rents in Stratford-on-Avon District April 2009

4.7.3 Along with private rents in Stratford-on-Avon being some of the highest in the region, it is also important to consider the level of supply, particularly of larger properties. In terms of the backlog of current housing need, the majority of households that are currently unsuitably housed are currently living in properties that are too small for their needs and being able to afford a one or two bedroom private rented property is unlikely to meet their need.

<sup>20</sup> 'Rent payable' is the entire rent due, even if it is partially or entirely met by HB. Other housing-related costs, such as council tax and utility bills should not be included.

<sup>21</sup> Housing Strategy 2009: Snapshot Survey of Advertised Private Rents in Stratford-on-Avon District April 2009, 308 private rented properties advertised at the beginning of April 2009 - excluding luxury properties, Sources: Herald, www.nestoria.co.uk, Rightmove, sparerroom.co.uk

# 5 FUTURE HOUSING MARKET

## 5.1 Introduction

5.1.1 The UK housing market is showing no signs of an imminent recovery. Mortgage approvals are down, with 71% fewer loans in July 2008 compared to the same month in 2007, whilst sales volumes have fallen to their lowest level for thirty years. Whilst the current climate initially appears similar to the last housing crash in the early 1990s, there are some marked differences:

- Unemployment, although increasing, is relatively low by historic standards
- Inflation is low, and despite climbing sharply last year is now close to or below zero depending on the measure
- Interest rates have come down significantly since September 2008, and the Bank of England base rate is at its lowest ever level
- Although properties prices are down, as yet there are relatively few forced sellers, and the main impact has been felt in lower transaction volumes

5.1.2 Recent Government action to underpin the banking sector along with the significant interest rate cuts by the Bank of England and measures to exempt properties under £175,000 from stamp duty are designed to encourage buyers to re-enter the market. In addition, the new, shared equity scheme, which offers 10,000 first time buyers interest-free loans of up to 30% of purchase price as a deposit on a new-build properties over the next two years, may prove valuable for some buyers as well as for house builders.

5.1.3 Gross Domestic Product (GDP) contracted by 1.9% in the first quarter of 2009, compared with a decrease of 1.6 per cent in the fourth quarter of 2008. The HM Treasury Monthly Survey of Independent Forecasts (April 2009) now suggests the economy will contract by 3.7% this year followed by modest growth of 0.3% in 2010. The predicted negative growth for 2009 is driving the country into recession, which is already pushing unemployment and repossessions up and will contribute further to falling house prices.

5.1.4 Annual inflation, as measured by the Government's target measure of the Consumer Prices Index (CPI) was 2.3 per cent in April, down from 2.9 per cent in March 2009; this is above the European Union rate of 1.7%. Annual average annual earnings growth (including bonuses) rose by 0.1 per cent in the year to February 2009, down from the January rate of 1.7 per cent.

5.1.5 These recent and continued price falls have not necessarily improved issues of affordability for two reasons. First the growth in house prices over the last ten years has put house purchase so far beyond the reach of many households that even the significant price corrections that are being predicted will not necessarily on their own be sufficient to alleviate the situation. Second, mortgage lenders have become far more selective and risk-averse, demanding higher deposits, offering lower income multiples and withdrawing most of their more immoderate products (such as 125% loans and re-payment periods of over 30 years).

## 5.2 Changes in the national housing market

5.2.1 The UK housing market is undergoing a severe correction. Prices have fallen steeply, with most indices pointing to a fall of 20% since the peak in Autumn 2007. The change in transaction levels has been even more marked, with sales volumes in many areas over 50% lower than the 10-year average. This represents a dramatic change after over ten years of rising house prices, and has been driven by the sudden withdrawal of many mortgage products and the introduction of far more rigorous criteria for lending. Increasing pessimism over the UK's economic prospects has aggravated these falls.

5.2.2 Consequently, the number of active buyers has fallen as many wait for prices to drop further. Those who remain active are unable or unwilling to buy at the values expected by vendors. As a result, few properties are selling, although there are signs that a greater sense of realism is emerging as homeowners become more aware of the problems facing the market. Transactions will only recover when there is some evidence of a 'floor' being reached and the availability of mortgage finance increases.

5.2.3 According to the Bank of England, mortgage approval volumes are at the lowest level since records began in 1993, and the most recent figures (January 2009) suggest that current activity is more than 70% lower than expected for the time of year.

5.2.4 The numbers of repossessions, mortgages in arrears and forced sales are increasing, and rising unemployment levels suggest that prices still have some way to fall. Many of the leading forecasting organisations predict that prices will fall by 10% over 2009, although the risks of steeper declines are intensifying as GDP projections deteriorate. Recent base rate cuts had little immediate effect on the mortgage market, as some banks were initially unwilling to pass on any changes. They will, however, increase the likelihood of a more stable market emerging in 2010.

5.2.5 There are signs that new build sales activity has revived somewhat. Land Registry data shows that transactions were only 18% lower during the third quarter of 2008 than during

the same quarter in 2007, compared to falls of 26% and 24% recorded during Q1 and Q2. However, this may reflect more aggressive discounting and greater realism on behalf of developers rather than a market revival. Nevertheless for some properties, high rental yields are now beginning to attract investors.

- 5.2.6 The residential **investment market** on the whole has seen a slowdown in activity with the number of new buy to let mortgages down 20% in the year to Q4 2008. The proportion of such loans in arrears has increased to 1.1%, the highest since records began in 1998.
- 5.2.7 Although rents have come under pressure as a result of deteriorating employment prospects, yields have increased as rental declines are being outpaced by the fall in capital values. Consequently, cash-rich investors are starting to take an interest in rental property for returns alone. Yields of as high as 10% are possible for some new build and auction stock.
- 5.2.8 The **house building industry** is struggling and construction levels have now reached the lowest seen since the end of the Second World War, with around 100,000 private units built in 2008. It seems unlikely that this figure will dramatically increase in 2009. Consequently, this could exacerbate the gap between growing household numbers and housing supply identified in the 2004 Barker Report.
- 5.2.9 Other shifts in the market may prove significant, such as an increased appetite for renting and reported interest in land acquisition by long-term investors attracted by falling values.
- 5.2.10 Those developers with strong balance sheets that are able to put development and acquisition activities on hold are focussing on picking out opportunities that are currently emerging as values plummet. Strategic and so-called 'oven-ready' sites are looking much more appealing and better value in the current market. It is likely that developers will prefer greenfield sites, which by their nature are easier and cheaper to develop.
- 5.2.11 For the development of **planning strategy**, policy makers will need to be even clearer on expectations, viability and funding availability.

### **5.3 The investment market**

- 5.3.1 Growth in the residential investment sector has driven new build development over the last ten years, with buy-to-let mortgages at the highest recorded level at in excess of 1.1 million outstanding during Q4 2008 (Council Mortgage Lenders). The sector accounts for 9.7% of the total UK mortgage market.
- 5.3.2 However there is clear evidence that less committed and over-leveraged buy-to-let investors are leaving the market. The buy-to-let mortgage market is being impacted by the

wider economic slowdown with the limited availability of credit and fewer products available. A total 186,500 such mortgages taken during Q1-Q3 2008, represents just 71% of the total taken during the same period in 2007.

- 5.3.3 Given the likely difficulties many investors will have in re-mortgaging, problems will multiply. Highly leveraged recent investors will be amongst the most affected by the downturn. However those with relatively lower borrowing will be better placed, benefiting from the growth of the rental market in light of widespread affordability constraints to access the open market.
- 5.3.4 Historically new build developments in city centre markets, especially those made available off plan, have proven very popular with residential investors rather than owner-occupiers. As a result of the downturn, the new build sector has been the market most affected, with flats in the regional centres amongst the earliest and most high profile victims. Prices have now fallen by between 30%-60% in some centres and a large proportion of the growth early investors witnessed has disappeared.
- 5.3.5 Despite this there exist cash rich opportunistic buyers that will look to capitalise on property, land and developments where values have fallen as low as they are likely to. Investors tend to require smaller, more affordable properties, typically one-bedroom units and the cheaper two bedroom units. They usually go for standard, mass-market units assuming they offer broad tenant appeal. The best potential for good returns due to cost efficiencies, are thought likely to be available in bulk purchases which can deliver a considerable discount.
- 5.3.6 The impact of tightened lending criteria will see only the most established investors/institutional investors, with a longer-term view on capital growth, involved in the market. Buy-to-let restrictions and the absence of 100% mortgages will impact upon the presence of investors in the short term compared to historic levels.

## **5.4 Regional market forecast**

- 5.4.1 Residential market forecasts (Table 14) suggest that the bottom of the market will be reached during late 2009. Prices in the UK peaked in late 2007 and have fallen sharply since. Most commentators suggest that house prices are now more than halfway through the process of price falls.
- 5.4.2 Some markets are experiencing very difficult conditions and are more pronounced than the national or regional average. The regional new build sector has already recorded substantial price falls with examples of 30%-60% or more in several locations.

Table 14: Price change forecast 2008-2017 (%)										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
West Midlands	-12.1	-8.5	0.5	4.9	3.5	3.0	5.0	5.9	5.9	5.9
East Midlands	-12.9	-8.9	0.5	4.9	3.5	3.0	5.0	5.9	5.9	5.9
United Kingdom	-14.0	-11.0	1.1	7.0	5.1	3.6	6.1	6.2	6.2	6.2

5.4.3 Table 15 provides the price forecast in cumulative terms and suggests that the East and West Midlands will recover from the downturn around the same time as the UK as a whole; it will be 2015 when prices return to 2007 levels.

5.4.4 The picture assumes that mortgage providers will adopt a far more conservative lending approach in future years. However it is also worth noting the UK does not have the oversupply problems such that a shortage of housing will become more apparent with time as delivery is further reduced against projected targets.

Table 15: Cumulative change forecast 2008-2017 (%)										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
West Midlands	-12.1	-22.3	-21.5	-14.9	-10.4	-6.9	-1.3	4.9	10.8	16.2
East Midlands	-12.9	-23.5	-22.7	-16.1	-11.6	-8.1	-2.5	3.7	9.6	15.0
United Kingdom	-14.0	-23.3	-22.5	-17.2	-13.1	-10.0	-4.5	1.4	7.6	14.3

## 5.5 Household projections

5.5.1 In March 2009, Communities and Local Government published updated household projections to 2031 to take account of revisions to the Office for National Statistics 2006-based population projections, published by the Office for National Statistics in June 2008.

5.5.2 Given the projected growth in the population, the number of households in England is projected to grow to 27.8 million or 252,000 households per year to 2031.

5.5.3 One-person households account for nearly two-thirds (65%) of this increase: they are projected to rise by 4 million from 2006 to 2031, or 163,000 per year on average. This drives a decrease in the average size of households from 2.32 persons per household in 2006 to 2.13 persons per household in 2031. By 2031, 18 per cent of the total population in England is projected to live alone compared with 13 per cent in 2006.

5.5.4 The household projections are **trend-based** and indicate what would happen if past demographic changes continue; they **do not** take account of policy.

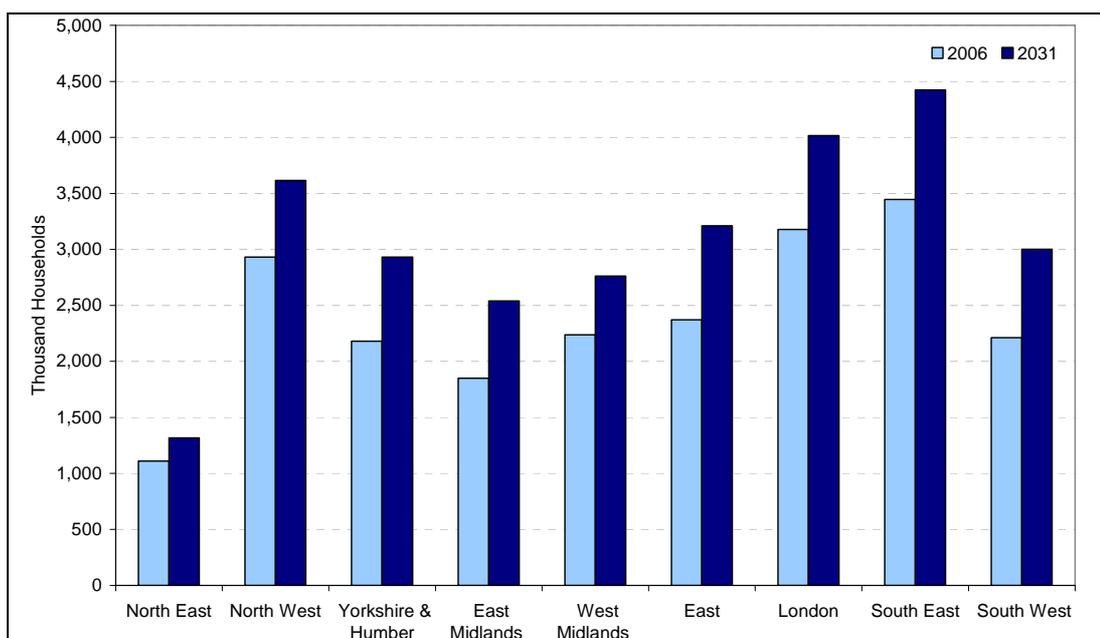


Figure 13: Household projections by region, 2006 and 2031, thousands

Source: CLG, Household projections to 2031, 11 March 2009

Table 16: Household projections by region and England						
	Number of households (thousands)				Change 2006-31	
	2006	2016	2026	2031	p.a. ('000)	%
North East	1,110	1,201	1,281	1,316	8	18.6%
North West	2,931	3,221	3,497	3,617	27	23.4%
Yorkshire & The Humber	2,181	2,494	2,792	2,932	30	34.4%
East Midlands	1,849	2,138	2,413	2,539	28	37.3%
West Midlands	2,237	2,454	2,668	2,762	21	23.5%
East	2,371	2,715	3,056	3,211	34	35.4%
London	3,178	3,516	3,867	4,016	34	26.4%
South East	3,447	3,838	4,244	4,425	39	28.4%
South West	2,211	2,529	2,854	3,001	32	35.7%
England	21,515	24,107	26,674	27,818	252	29.3%

Source: CLG, Household projections to 2031, 11 March 2009

- 5.5.5 The East Midlands, South West, East and Yorkshire and The Humber regions are all projected to grow by at least 30 per cent from 2006 to 2031. All regions, except the North East, are projected to grow by at least 20,000 households per year on average (Table 4). The relative number of households in each region remains similar between 2006 and 2031.
- 5.5.6 Table 17 sets out the household projections for the twenty-five year period 2006-31 for West Midlands. During this period the number of households in Stratford-on-Avon is projected to grow by 34.0% from 50,000 households to 67,000. This rate of growth is above that for the County (31.5%) and the Region (23.5%) and second only to Warwick (39.7%).

Likewise the actual number of new households (17,000) is above North Warwickshire, Rugby and Nuneaton & Bedworth.

Table 17: Household projections 2006-31 (thousands)						
	2006	2011	2016	2021	2026	2031
North Warwickshire	26	27	28	30	31	32
Nuneaton & Bedworth	50	53	55	58	60	62
Rugby	38	40	42	45	47	49
Stratford-on-Avon	50	53	57	61	64	67
Warwick	58	63	68	73	77	81
Warwickshire (County)	222	236	251	266	280	292
WEST MIDLANDS	2,237	2,340	2,454	2,566	2,668	2,762
England	21,515	22,748	24,107	25,439	26,674	27,818

Source: CLG 2006 based household projections

5.5.7 17,000 new households between 2006 and 2031 equates to 680 new households in Stratford-on-Avon per annum.

5.5.8 Table 18 shows the changing profile of household types in the West Midlands to 2031.

Table 18: West Midlands household projections by type 2006-31 (%)						
Household type	2006	2011	2016	2021	2026	2031
Married couple	1,021	993	977	970	963	959
Cohabiting couple	215	258	291	316	338	359
Lone parent	181	193	202	210	216	220
Other multi-person	138	144	150	155	160	167
One person	682	753	833	914	991	1,057
All households	2,237	2,340	2,454	2,566	2,668	2,762

Source: CLG 2006 based household projections

5.5.9 The predominant pattern is a proportionate reduction in married couple households from 45.6% in 2006 to 34.7% in 2029, which represents a decrease of 62,000 households overall. At the same time, cohabiting couple households increase from 9.6% to 13.0% of all households, which is 144,000 more households. Although the proportion of lone parents households barely changes (8.1% to 8.0%), the number increases by 39,000. The significant change is the number of single person households; up by 375,000 rising from 30.5% of all households to 38.3% of all households. This change accounts for 71.4% of the 525,000 extra households in the Region. In England, single person households will account for 64.7% of the extra households.

5.5.10 Local or regional figures for the age structure of one-person households are not available, but Table 19 shows how the age structure of these households will change nationally

between 2004 and 2026<sup>22</sup>. Overall, one-person households are projected to grow by 52.2%, but this differs considerably between age bands. It is not the younger age groups (under 25 or even 25-34) that will see the most change, but the households consisting of 55-64 year olds (growth of 80.2%) and 45-54 (up 66.1%). Also older single person households (65+) will also grow by more than younger households. In addition it is worth noting that in terms of actual numbers, it is the 45-54 age band that will grow the most (35,727 households per annum) followed by the 75+ age band (32,136 households per annum).

Table 19: One-person households by age - England (%)			
	2004	2026	% change 2004-26
Under 25	3.5%	2.6%	12.6%
25-34	12.1%	10.8%	36.1%
35-44	14.6%	15.1%	58.5%
45-54	13.1%	14.3%	66.1%
55-64	15.0%	17.8%	80.2%
65-74	16.2%	15.5%	45.7%
75 and over	25.5%	23.9%	42.4%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>52.2%</b>

Source: CLG 2006 based household projections

- 5.5.11 The significant growth in one person households and the age of these new one person households will present specific challenges to future residential development since it suggests an increased requirement for smaller properties.
- 5.5.12 For older people, they will be looking for safe and secure housing close to health services, shops and public transport. If the housing offer is right it will facilitate some of these older people to relinquish under-occupied, larger properties that would better serve local families. The under-occupation of housing tends to be more of an issue in rural areas (due to the tendency towards higher proportions of larger dwellings in the stock).
- 5.5.13 The growth of one person households in the 45-54 and 55-64 age brackets are emerging as a result of social, economic and cultural factors that are leading to marital breakdown at one point in the age spectrum at the same time as a growth in couples "living apart together" or "LAT".<sup>23</sup> This will create increased demand for smaller properties, but not so small that they cannot accommodate overnight guests (e.g. children) or space to work at home (an increasing phenomenon as transport infrastructures become more and more clogged); in other words **at least two bedrooms**.

<sup>22</sup> New figures based upon the 2006-based population projections have not yet been published

<sup>23</sup> The common definition of a LAT relationship is a couple, that does not share household, each of the two lives in his or her own household, in which other persons also might live, but they define themselves as a couple

5.5.14 It is highly likely therefore that these new households in middle age and beyond, looking for smaller properties, will not be attracted by one bedroom dwellings and **the focus** for these emerging one person households **should be two bedroom dwellings** as far as possible.

## 5.6 Future household structure

5.6.1 Household projections broken down by household type are only available at regional level<sup>24</sup> although current household composition numbers are available at local authority level.<sup>25</sup> The following analysis (Table 20 to Table 25 and summarised in Table 26) has taken these two data sources to provide an indication of the changes in household types in Stratford-on-Avon to 2031.<sup>26</sup>

5.6.2 In Stratford-on-Avon married couple households decline as a proportion of all households from 52.6% in 2006 (Table 20) to 40.9% in 2031 (Table 25); although due to the overall growth this still represents 1,091 more households by 2031. Cohabiting couple households grow from 4,662 to 8,631 (9.3% to 12.9%); adding a further 3,969 households.

5.6.3 At the same time, one-person households grow from 14,384 (28.8%) to 24,718 (36.9%). This represents an increase of 10,334 or 71.8% growth in this group over the period (Table 26).

5.6.4 Proportionally, overall household growth in Stratford-on-Avon is significantly above the West Midlands over the period (34.0% compared to 23.5%).

Table 20: Household projections by household type 2006				
Household types	Stratford-on-Avon (no.)	West Midlands (no.)	Stratford-on-Avon (%)	West Midlands (%)
Married couple	26,297	1,021,000	52.6%	45.6%
Cohabiting couple	4,662	215,000	9.3%	9.6%
Lone parent	2,329	181,000	4.7%	8.1%
Other multi-person	2,329	138,000	4.7%	6.2%
One person	14,384	682,000	28.8%	30.5%
All households	50,000	2,237,000	100.0%	100.0%

<sup>24</sup> Household estimates and projections by type, 1981-2031, Table 404, CLG

<sup>25</sup> Census 2001, Table KS20

<sup>26</sup> There may well be some rounding errors that will mean that the final numbers do not precisely match household numbers quoted elsewhere in this report

Table 21: Household projections by household type 2011				
Household types	Stratford-on-Avon (no.)	West Midlands (no.)	Stratford-on-Avon (%)	West Midlands (%)
Married couple	26,085	992,576	49.2%	42.4%
Cohabiting couple	5,706	257,890	10.8%	11.0%
Lone parent	2,533	192,918	4.8%	8.2%
Other multi-person	2,479	143,938	4.7%	6.2%
One person	16,198	752,678	30.6%	32.2%
All households	53,000	2,340,000	100.0%	100.0%

Table 22: Household projections by household type 2016				
Household types	Stratford-on-Avon (no.)	West Midlands (no.)	Stratford-on-Avon (%)	West Midlands (%)
Married couple	26,477	977,398	46.5%	39.8%
Cohabiting couple	6,639	291,119	11.6%	11.9%
Lone parent	2,735	202,082	4.8%	8.2%
Other multi-person	2,664	150,061	4.7%	6.1%
One person	18,486	833,340	32.4%	34.0%
All households	57,000	2,454,000	100.0%	100.0%

Table 23: Household projections by household type 2021				
Household types	Stratford-on-Avon (no.)	West Midlands (no.)	Stratford-on-Avon (%)	West Midlands (%)
Married couple	27,007	970,378	44.3%	37.8%
Cohabiting couple	7,407	316,123	12.1%	12.3%
Lone parent	2,921	210,082	4.8%	8.2%
Other multi-person	2,828	155,060	4.6%	6.0%
One person	20,838	914,356	34.2%	35.6%
All households	61,000	2,566,000	100.0%	100.0%

Table 24: Household projections by household type 2026				
Household types	Stratford-on-Avon (no.)	West Midlands (no.)	Stratford-on-Avon (%)	West Midlands (%)
Married couple	27,129	963,000	42.4%	36.1%
Cohabiting couple	8,016	338,000	12.5%	12.7%
Lone parent	3,040	216,000	4.7%	8.1%
Other multi-person	2,953	160,000	4.6%	6.0%
One person	22,861	991,000	35.7%	37.1%
All households	64,000	2,668,000	100.0%	100.0%

Table 25: Household projections by household type 2031				
Household types	Stratford-on-Avon (no.)	West Midlands (no.)	Stratford-on-Avon (%)	West Midlands (%)
Married couple	27,387	959,000	40.9%	34.7%
Cohabiting couple	8,631	359,000	12.9%	13.0%
Lone parent	3,138	220,000	4.7%	8.0%
Other multi-person	3,125	167,000	4.7%	6.0%
One person	24,718	1,057,000	36.9%	38.3%
All households	67,000	2,762,000	100.0%	100.0%

5.6.5 Table 26 summarises the changes in household types 2006-31. The number of married couple households in Stratford-on-Avon increases by just over 1,000 (4.1%) in contrast to the decline in numbers in the West Midlands. Cohabiting couple households increase by almost 4,000, which represents 85.1% growth in this group. One person households increase by more than 10,000 and at a rate above the West Midlands (71.8% compared to 55.0%).

Table 26: Household change 2006-2031				
Household types	Stratford-on-Avon (no.)	West Midlands (no.)	Stratford-on-Avon (%)	West Midlands (%)
Married couple	1,091	-62,000	4.1%	-6.1%
Cohabiting couple	3,969	144,000	85.1%	67.0%
Lone parent	810	39,000	34.8%	21.5%
Other multi-person	796	29,000	34.2%	21.0%
One person	10,334	375,000	71.8%	55.0%
All households	17,000	525,000	34.0%	23.5%

## 5.7 Future affordability

5.7.1 In order to assess the impact of changes in the housing market upon future affordability of housing, three steps are required:

- (i) Adjust the distribution of house prices for a rise/fall in house prices
- (ii) Adjust household incomes for an assumption of income inflation
- (iii) Calculate affordability ratios based upon these adjusted income and house price scenarios

5.7.2 The first step is to adjust lower quartile house prices for an assumption of change in the housing market. Currently the UK housing market is experiencing a price readjustment that is causing house prices to fall. Some commentators are predicting that overall house prices by the end of 2009 could be as much 25-30% lower than their high point of the summer of 2007. Using the house price forecast for the West Midlands presented at *Table 14: Price change forecast 2008-2017 (%)* above, we have applied this to the latest lower quartile house price for Stratford-on-Avon (CLG Live Table 587) (see Table 27, column 2).

5.7.3 For the second step, we have assumed that earnings in Stratford-on-Avon 2008-17 will rise on average at the same rate as median earnings in the period 2007-08 (according to ASHE 2008 data). Stratford-on-Avon's ASHE data does not state a median earnings change so in this case we have applied the rate for Warwickshire of 1.5%. As the data source is insufficient for lower quartile earnings we have assumed that lower quartile earnings increase at the same rate as median earnings. We then applied these inflation rates to the ASHE earnings data and adjusted for income to arrive at household incomes 2008-17 (see Table 27, column 3).<sup>27</sup>

5.7.4 The final step is then to apply these adjusted lower quartile house prices to the adjusted income distributions to calculate the lower quartile house price to lower quartile income ratio (see Table 27, column 4) and the proportion of households with incomes below that required to purchase an entry-level (lower quartile) property (see Table 27, column 5).

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<sup>27</sup> The methodology assumes that a gross household income can be calculated by applying the coefficient 1.26 to that for a full time earner (Wilcox S 'Affordability and the intermediate housing market, Local measures for all local authority areas in Great Britain', York, Joseph Rowntree Foundation, 2005)

Table 27: Lower quartile price, income and affordability 2008-17				
	Lower quartile house price	Lower quartile income	Ratio of LQ house price to LQ income	% Cannot afford
2008	£158,500	£17,769	8.92	63.5%
2009	£145,028	£18,036	8.04	58.8%
2010	£145,753	£18,306	7.96	59.1%
2011	£152,895	£18,581	8.23	62.2%
2012	£158,246	£18,859	8.39	64.3%
2013	£162,993	£19,142	8.51	66.1%
2014	£171,143	£19,429	8.81	69.1%
2015	£181,240	£19,721	9.19	72.4%
2016	£191,933	£20,017	9.59	75.7%
2017	£203,258	£20,317	10.00	78.7%

Source: CLG Live Table 587/ASHE 2008

- 5.7.5 In this model, the affordability of open market housing reaches its lowest point in terms of the ratio of lower quartile house price to lower quartile income in 2010 (1:7.96). In terms of the proportion of households than cannot afford lower quartile house prices this bottoms out at the end of 2010 and then exceeds the rate in the Housing Needs Model 2009 in 2012.
- 5.7.6 Although a falling market is potentially good news for new entrants to the housing market, the fall has not reduced the cost of housing to such an extent that issues of affordability have been erased. With predictions that the housing market will show signs of recovery in 2009-10, the price fall will come to be seen as more of a pause in the growth of housing costs rather than a significant readjustment to some level of more widespread affordability. In addition, the reduced availability of mortgage lending could counteract any price adjustment, such that housing may be cheaper, but credit may be scarcer and consequently the number of entrants to the housing market does not change. The fact that lenders are also looking for increased deposits of 10%-20% will limit new entrants to the market. Recent cuts in interest rates along with the government's intervention in the banking sector are designed to maintain the flow of mortgage products, but as yet there is little sign of an immediate recovery in the volume of sales.

# 6 CURRENT HOUSING NEED

Table 28: Summary of data required for current housing need <sup>28</sup>	
Step	Data items
1.1 Homeless households and those in temporary accommodation	Homeless agencies data, Priority homeless households in temporary accommodation
1.2 Overcrowding and concealed households	Census, Survey of English Housing, Local Housing Registers
1.3 Other groups	Housing Register, Local Authority and RSL transfer lists, Hostel move-on needs
1.4 Total current housing need (gross)	1.1 + 1.2 (+ 1.3)

## 6.1 Assessing the need for affordable housing

- 6.1.1 Following the latest CLG guidance<sup>29</sup>, the following chapters, 6, 7 and 8, provide an update for the Stratford-on-Avon 2006 Local Housing Assessment model, based on revised affordability information and the most recent supply data.
- 6.1.2 This, the first of these chapters, looks at current housing need and presents evidence for the first three steps of the model. Chapter 7 presents evidence for estimating the level of future housing need and Chapter 8 considers the supply of affordable housing.
- 6.1.3 Throughout, the text and tables follow the convention of referring to the CLG guidance stepped approach:
- Current housing need - steps 1.1, 1.2, 1.3 and 1.4
  - Future housing need - steps 2.1, 2.2, 2.3 and 2.4
  - Affordable housing supply - steps 3.1 to 3.8

## 6.2 Critical concepts in determining housing need

### Housing need

- 6.2.1 Overall, one can talk of the housing requirements of a district and these requirements are made up of both demand and need. Households that can enter the general market without intervention of any sort are defined as demand. This is the same as the economic definition of demand in that demand will become apparent in the general housing market and has a cost relationship with supply. On the other hand, households that are unable to

<sup>28</sup> *Strategic Housing Market Assessments: Practice Guidance*, Communities and Local Government, March 2007, p43

<sup>29</sup> Ibid

enter the general market without some form of intervention by public service providers are defined as need.

6.2.2 PPS3 defines housing need as:

*The quantity of housing required for households who are unable to access suitable housing without financial assistance<sup>30</sup>*

6.2.3 Consequently the guidance states that:

*For the purposes of assessment, this means partnerships need to estimate the number of households who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market.<sup>31</sup>*

6.2.4 From the point of view of social housing providers, need is more significant. From the point of land use planning, both demand and need are relevant.

6.2.5 Need in this case, may also necessitate an understanding of aspirations. Much of recent government policy, not only in housing, seeks to empower citizens by taking into account the needs they identify for themselves, as opposed to those identified by “experts”. It is legitimate that these aspirations inform policy-making and should be taken into account, if possible, when assessing the housing requirements of an area. However, this can only realistically be achieved through the use of primary data collection methods such as bespoke household surveys.

6.2.6 **Outside Consultants** takes a pragmatic approach towards identifying housing need and demand that focuses on transparency and a clear audit trail to provide defensible data. This accords with the latest guidance, which states that:

*No one methodological approach or use of a particular dataset(s) will result in a definitive assessment of housing need and demand. The quality of the data used is the important consideration in determining whether an assessment is robust and credible rather than its nature.<sup>32</sup>*

6.2.7 The Housing Needs Model is a dynamic tool that both measures progress towards achieving policy aims and balancing housing markets and facilitates “what-if” scenarios to measure impacts of market change or market intervention.

6.2.8 The Model calculates the current housing need, future housing need and affordable housing supply as annual flows to arrive at a net figure for the number of additional affordable dwellings required in a District. This model is based upon the latest CLG guidance. Table 29 outlines the key stages in the model.

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<sup>30</sup> *Planning Policy Statement 3 (PPS3): Housing, Communities and Local Government, November 2006, p27*

<sup>31</sup> *Strategic Housing Market Assessments: Practice Guidance, Communities and Local Government, August 2007, p41*

<sup>32</sup> *Strategic Housing Market Assessments: Practice Guidance, Communities and Local Government, August 2007, p11*

Table 29: Housing needs assessment model
<p>CURRENT HOUSING NEED (gross backlog) (times a yearly quota)</p> <p><i>Plus</i></p> <p>FUTURE HOUSING NEED (gross annual estimate)</p> <p><i>Minus</i></p> <p>AFFORDABLE HOUSING SUPPLY</p> <p><i>Equals</i></p> <p>ESTIMATE OF NET ANNUAL HOUSING NEED</p>

- 6.2.9 Each line in the model is explained in detail with supporting information. Modelling housing needs is as much an art as a science and is very sensitive to the assumptions and interpretations made in the analysis. Our practice is to ensure that these assumptions are transparent in order that they are understood and agreed with the client before being finalised.
- 6.2.10 Having identified the scale of housing need, we can determine the range of appropriate responses to the need including the breakdown of social housing and intermediate tenures such as shared ownership and shared equity products.

Unsuitable housing

- 6.2.11 Those in unsuitable housing are defined in the guidance through a series of criteria, presented in Table 30. Households who are not in housing need but would like affordable housing are excluded from this modelling section of the Housing Market Assessment.

Table 30: Unsuitable housing <sup>33</sup>	
Main category	Sub-divisions
Homeless households or insecure tenure	Homeless households
	Households with tenure under notice, real threat of notice or lease coming to an end; housing that is too expensive for households in receipt of housing benefit or in arrears due to expense
Mismatch of housing need and dwellings	Overcrowded according to the bedroom standard
	Too difficult to maintain (e.g. too large) even with equity release
	Couples, people with children and single adults over 25 sharing a kitchen, bathroom or WC with another household
	Households containing people with mobility impairment or other specific needs living in unsuitable dwelling (e.g. accessed via steps) which cannot be made suitable in-situ
Dwelling amenities and condition	Lacks a bathroom, kitchen or inside WC and household does not have the resources to make fit (e.g. through equity release or grants)
	Subject to major disrepair or unfitness, and household does not have the resources to make fit (e.g. through equity release or grants)
Social needs	Harassment from others living in the vicinity which cannot be resolved except through a move

6.2.12 It is not necessary to use the affordability measures to test whether households can afford their existing accommodation. Only households in arrears or in receipt of housing benefit should be regarded as being in housing need, on the grounds that their accommodation is too expensive. Otherwise, households should be assumed to be managing to afford their current housing.

6.2.13 The size of mortgage required should be compared to the entry-level price of a property of an appropriate size for the household (this is based on the size of the household whereby the bedroom standard can be applied and also the degree to which 'ideal' sized properties are available).

### Affordability

6.2.14 The concept of affordability is critical in the needs assessment process. The degree to which households can afford market housing is based upon the ratio between household incomes and housing costs. The needs assessment uses gross household incomes and entry-level house prices to estimate housing need for affordable housing. This involves assessing whether or not current households who are in unsuitable housing can afford suitable market housing and also applying affordability analysis to newly forming and concealed households

<sup>33</sup> *Strategic Housing Market Assessments: Practice Guidance*, Communities and Local Government, August 2007, p41

to establish numbers of actual and potential households who are likely to be in need of affordable housing.

- 6.2.15 A household is considered unlikely to be able to afford to buy a home that costs more than 3.5 times the gross household income for a single income household or 2.9 times the gross household income for two income household. If possible, any allowance for existing equity that could be used towards the cost of home-ownership should be taken into account.<sup>34</sup>
- 6.2.16 A household is considered able to afford market renting where the rent payable is no more than 25 per cent of their gross household income.<sup>35</sup>
- 6.2.17 A household is taken as being able to afford a shared equity property where the rent and mortgage costs are no more than 25% of gross income.
- 6.2.18 Households who cannot afford any of the above therefore need social rented accommodation.

### Affordable housing

- 6.2.19 Affordable housing is that housing which is provided to meet the *needs* of the local population. It includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. PPS3 states that affordable housing should:

- (i) *Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices.*
- (ii) *Include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision<sup>36</sup>*

- 6.2.20 PPS3 goes on to define social rented housing as:

*Rented housing owned and managed by local authorities and registered social landlords, for which guideline target rents are determined through the national rent regime. It may also include rented housing owned or managed by other persons and provided under equivalent rental arrangements...as agreed with the local authority or with the Housing Corporation as a condition of grant*

- 6.2.21 And defines intermediate affordable housing as:

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<sup>34</sup> The secondary data approach used in this review precludes effective account of existing equity

<sup>35</sup> 'Rent payable' is the entire rent due, even if it is partially or entirely met by HB. Other housing-related costs, such as council tax and utility bills should not be included.

<sup>36</sup> *Planning Policy Statement 3 (PPS3): Housing, Communities and Local Government, November 2006, p25*

*'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 (e.g. HomeBuy), other low cost homes for sale and intermediate rent.*

6.2.22 The definition does not exclude homes provided by private sector bodies or provided without grant funding. Where such homes meet the definition above, they may be considered, for planning purposes, as affordable housing. Whereas, those homes that do not meet the definition, for example, 'low cost market' housing, may not be considered, for planning purposes, as affordable housing.

### 6.3 Homeless households and those in temporary accommodation

6.3.1 Data on the number of homeless households and those in priority need is presented below in Table 31, Table 32 and Table 33.

6.3.2 There has been a marked fall in recorded households accepted as homeless and in priority need across Warwickshire from 2005, although it appears that Stratford-on-Avon district accepted a high number of households as priority homeless in 2005/06 against the trend in the other Warwickshire districts, followed by a sharp drop in acceptances in 2006/07 only to rise again in 2007/08. The CLG Statutory Homelessness Statistical Releases show no reported figures for Stratford-on-Avon for the two years 2006/07 and 2007/08. The figures shown in Table 31 below reflect estimated numbers based on grossed calculations.

Table 31: Households accepted as homeless and in priority need				
Local authority	2004/05	2005/06	2006/07	2007/08
North Warwickshire	50	35	31	15
Nuneaton and Bedworth	173	98	92	82
Rugby	92	*77	*77	77
Stratford-on-Avon	103	153	*73	**130
Warwick	205	*135	*122	122

Source: CLG Live Table 627 and *\*estimates presented in CLG Statutory Homelessness Statistical Releases (Quarterly releases); \*\*Stratford-on-Avon DC*

6.3.3 Use of temporary accommodation (Table 32) in Warwickshire as a whole has been more erratic with no clear patterns emerging. There does appear to be a steady decline in Stratford-on-Avon in the number of households in temporary accommodation at 31<sup>st</sup> March each year from 2005 to 2008.

6.3.4 Step 1.1 of the Housing Needs Model looks at households accepted as homeless and in priority need and in temporary accommodation at 31<sup>st</sup> March.

Table 32: Homeless households in temporary accommodation (+homeless at home)				
At 31 <sup>st</sup> March	2005	2006	2007	2008
North Warwickshire	1 (0)	5 (0)	6 (0)	0 (0)
Nuneaton and Bedworth	15 (36)	13 (4)	10 (3)	13 (7)
Rugby	18 (0)	22 (0)	*2 (0)	9 (0)
Stratford-on-Avon	48 (0)	37 (0)	*31 (0)	25 (0)
Warwick	16 (34)	*16 (43)	*13 (0)	18 (24)

Source: CLG Live table 627 and \*estimates presented in CLG Statutory Homelessness Statistical Releases (Quarterly releases)

- 6.3.5 In Stratford-on-Avon district the pattern of lettings to homeless households shown below in Table 33 reflects the pattern of priority homeless acceptances seen above in Table 31.

Table 33: Dwellings let to homeless households			
	2005/6	2006/7	2007/08
North Warwickshire	23	27	13
Nuneaton and Bedworth	85	70	56
Rugby	69	44	52
Stratford-on-Avon	134	80	102
Warwick	187	83	127

Source: HSSA 2007, LA and RSL combined

## 6.4 Over-crowding, concealed households and other groups

- 6.4.1 Steps 1.2 and 1.3 of the model are about defining the level of current housing need based on households that are currently unsuitably housed. For the purposes of this update the best source of data remains the household survey undertaken as part of the Local Housing Assessment in 2006. In the survey a total of 4,415<sup>37</sup> households were found to be in need of alternative accommodation to better suit their needs.
- 6.4.2 It is likely that a proportion of households living in unsuitable accommodation will be able to move to more appropriate accommodation through their own resources (these households contribute therefore to housing demand). An assumption has been made that households with incomes above the affordability threshold should be discounted from the estimate of households in current need. Because of changes to local incomes and to house prices over the last two years, described above in Chapter 4, the proportion of households estimated to be unable to afford to affect their own solution has been updated from that

<sup>37</sup> Step 1 of 2006 model, described in paragraph 7.7 of Chapter 7 (page 116), Stratford-on-Avon Local Housing Assessment 2006

used in the 2006 model. The revised affordability rates are taken from the CACI analysis presented at Table 11 above.

Table 34: Households in unsuitable accommodation	
	Stratford-on-Avon households
Households in unsuitable housing	4,415
Households who can afford to move	1,612
<b>Unsuitably housed &amp; unable to afford own solution</b>	<b>2,803</b>

Source: 2006 LHA household survey data, CACI household income data applied to Land Registry lower quartile house prices

## 6.5 Total current housing need (gross per year)

6.5.1 Table 35 shows the estimated level of current housing need, based on the number of households in temporary accommodation at 31<sup>st</sup> March 2008 (in Table 32), and the number of households in unsuitable housing unable to afford to move to more suitable accommodation (Step 1.2 and step 1.3 in Table 34).

6.5.2 The estimated level of current housing need as a proportion of the total households<sup>38</sup> in the district is 5.5%. This is a higher level of current need than evident in the 2006 model, however because of changes to the methodology in order to better fit the most recent Government Guidance the models are not directly comparable.

Table 35: Annual current housing need	
	Stratford-on-Avon
Step 1.1	25
Step 1.2	2,803
Step 1.3	
<b>Step 1.4</b>	<b>2,828</b>
Proportion of total households	5.5%

Source: HSSA (step 1.1), LHA 2006 household survey & CACI & Land Registry (step 1.2 and 1.3)

6.5.3 There are two alternative methods for estimating the level of current need based on secondary data as suggested in recent guidance and detailed in Table 28 above, either through a combination of Census and local housing statistics or through the housing register. Neither of these approaches is felt to be more reliable than the existing household survey data. Details of the calculations involved can be referenced in the Stratford-on-Avon Local Housing Assessment 2006 final report.

<sup>38</sup> HSSA 2008

# 7 FUTURE HOUSING NEED

Table 36: Summary of data required for future housing need <sup>39</sup>	
Step	Data items
2.1 New household formation (gross per year)	Census, SEH (from Chapters 3 and 4)
2.2 Proportion of new households unable to buy or rent in the market	Entry level rents/property prices identified in Chapter 3, SEH, Mortgage lenders, LA/RSL databases
2.3 Existing households falling into need	Housing register, LA/RSL data, tenants surveys
2.4 Total newly arising housing need (gross per year)	$(2.1 \times 2.2) + 2.3$

## 7.1 New household formation

7.1.1 As with the assessment of current housing need, there are different methods for estimating the annual rate of newly arising need. The method used in the Local Housing Assessment 2006 household survey data, which stated the gross new household formation as 1,330 per annum, was based on evidence from the household survey of the number of new households that formed in the previous year as first homes or new homes resulting from previous household splits.<sup>40</sup>

7.1.2 However, we have adopted the method used more widely in the West Midlands Strategic Housing Market Assessments (which were conducted in the last two years), namely the latest CLG household projections. This gives a figure of 680 new households per annum (see Section 5.5 above). This has a significant impact upon the Housing Needs Model (as summarised in Table 44 below).

## 7.2 Newly forming households unable to buy or rent in the market

7.2.1 In the previous housing need model, 68.2% of new forming households were found to be unable to buy or rent in the market. Evidence of the closing of the gap between lower quartile incomes and lower quartile house prices discussed above in Chapter 4, suggest that there is likely to have been a decrease in the proportion unable to afford to buy or rent in the market. Between 2006 and 2008, the ratio of lower quartile house prices to lower quartile incomes decreased by 6.4%. If this proportional decrease were applied to the threshold of 68.2%, the revised threshold would decrease to 63.8% which is very close to

<sup>39</sup> *Strategic Housing Market Assessments: Practice Guidance*, Communities and Local Government, March 2007, p45

<sup>40</sup> Stratford-on-Avon Local Housing Assessment 2006, paragraph 7.9, Chapter 7 (page 118)

the affordability threshold figure (63.5%) generated by an analysis of 2009 CACI income data with 2008 Land registry house prices quoted above in Table 11.

### 7.3 Existing households falling into need

7.3.1 This is taken as the number of households accepted as homeless and in priority need during the year as shown in Table 31 above, the most recent figure available for the year 2007/08 for Stratford-on-Avon district is 130.

### 7.4 Total newly arising housing need

7.4.1 Taking steps 2.1 to 2.3 an estimate of newly arising need is shown in Table 37. The number of new households falling into need as a proportion of total households is 1.1%.

Table 37: Future Housing Need	
	Stratford-on-Avon
Step 2.1 - new household formation	680
Step 2.2 - % unable to buy or rent in the market	63.5%
Step 2.3 - existing households falling into need	130
<b>Step 2.4 - total newly arising need</b>	<b>562</b>
% of total households	1.1%

Source: 2006 LHA, CACI affordability analysis, Statutory Homelessness Statistical Release

# 8 AFFORDABLE HOUSING SUPPLY

Table 38: Summary of data required for affordable housing supply <sup>41</sup>	
Step	Data items
3.1 Affordable dwellings occupied by households in need	Housing Register, Local Authority and RSL transfer lists, Over-crowding data
3.2 Surplus stock	Local Authority and RSL records
3.3 Committed supply of new affordable housing	Development programmes of affordable housing providers (RSLs, developers, LAs), Regeneration\ Pathfinder Schemes, including conversions and intermediate housing products
3.4 Units to be taken out of management	Demolition and conversions programmes of LAs, RSLs, Regeneration\Pathfinder Schemes
3.5 Total affordable housing stock available	3.1 + 3.2 + 3.3 - 3.4
3.6 Annual supply of social re-lets (net)	Lettings/voids system for providers, LA and RSLs, CORE data for RSLs, HSSA data
3.7 Annual supply of intermediate affordable housing available for re-let or resale at sub market levels	LA, RSL and other providers' lettings/voids system and data on re-sales of sub-market LCHO or shared equity schemes
3.8 Annual supply of affordable housing	3.6 + 3.7

## 8.1 Affordable dwellings occupied by households in need (step 3.1)

- 8.1.1 It is first necessary to estimate the number of dwellings vacated by current occupiers that are fit for use by other households in need. This is an important consideration in establishing the *net* levels of housing need, as the movement of these households within affordable housing will have a nil effect in terms of housing need.
- 8.1.2 The best method is to again refer to the previous housing need model in 2006, where 948 households that were in unsuitable housing were already living in social housing.

## 8.2 Surplus stock (step 3.2)

- 8.2.1 If there is surplus social housing stock this needs to be accounted for in the assessment. A certain level of voids is normal and allows for transfers and works on properties. However, where the rate is in excess of 3 per cent and properties are vacant for considerable periods of time, these should be counted as surplus stock.

<sup>41</sup> *Strategic Housing Market Assessments: Practice Guidance*, Communities and Local Government, March 2007, p47

8.2.2 Table 39 sets out the total social housing stock and the number of vacant dwellings in Stratford-on-Avon in 2007/08.

Table 39: Surplus stock	
	Stratford-on-Avon
Housing stock	7,147
Vacant dwellings	118
% Vacant dwellings	1.7%
Proportion > 3%	0.0%
Total surplus	0

Source: HSSA 2007/08

### 8.3 Committed supply of new affordable units (step 3.3)

8.3.1 It is important to take account of the new (i.e. new build and conversions) social rented and intermediate affordable dwellings that are committed at the point of the assessment. Where possible this number should be recorded with information on size also.

8.3.2 Table 40 shows the estimates for the affordable housing supply over the next five years in Stratford-on-Avon. The mean annual supply of 66 is used in the Housing Needs Model.

Table 40: Affordable housing supply estimates 2009-2014			
	Stratford-upon-Avon	Rural	Whole District
2009-10	42	27	69
2010-11	0	33	33
2011-12	0	34	34
2012-13	57	67	124
2013-14	31	38	69
Total 2009-14	130	199	329
Mean per annum	26	40	66

Source: Stratford-on-Avon DC

### 8.4 Units to be taken out of management (step 3.4)

8.4.1 Potential supply would be affected by any stock reductions resulting from planned demolitions programmes. At present there is no data available on plans for stock reduction in the Stratford-on-Avon.

### 8.5 Total affordable housing stock available

8.5.1 This is the sum of:

- Dwellings currently occupied by households in need
- Surplus stock
- and committed additional housing stock
- minus units to be taken out of management

Table 41: Total affordable housing stock available (Step 3.5)	
	Stratford-on-Avon
Dwellings currently occupied by households in need	948
Surplus stock	0
Committed additional housing stock	66
Units to be taken out of management	N/A
<b>Total at Step 3.5</b>	<b>1,014</b>

8.5.2 In the housing need model (see summary Table 44), the total affordable housing stock available at step 3.5 is taken off the backlog of current housing need at step 1.4, which is then reduced over a five year period.

## 8.6 Future annual supply of social re-lets (net)

8.6.1 In order to provide a figure for social re-lets that avoids one-off changes that can distort the number, it is advisable to calculate this on the basis of past trends; usually the average number of re-lets over the previous three years is taken as the predicted annual level. This excludes internal transfers and transfers of tenancies to other household members; only properties that come up for re-let to a new household are counted.

8.6.2 The numbers in Table 42 are housing association lettings as the Council does not own housing stock.

Table 42: Annual supply of social re-lets	
	Stratford-on-Avon
2005/06	404
2006/07	390
2007/08	300
Mean 2005-08	365
Mean turnover	5.1%

Source: Stratford-on-Avon DC

8.6.3 There are two points to note about the annual supply of social re-lets in Stratford-on-Avon. The first is the fall in the number of re-lets recorded in the year 2007/08 which results in a lower measure of annual supply than that recorded in the 2006 housing need model, where

the net supply of social re-lets was 436. This difference has a greater impact on the overall shortfall of affordable housing than any changes in house prices and incomes over the last two years. The second point is that the level of social re-lets implies a very low turnover of social housing stock of just 5.1%.

## 8.7 Future annual supply of intermediate affordable housing

- 8.7.1 The number of intermediate affordable housing units that come up for re-let or re-sale will increasingly play a role in the overall supply of affordable housing. Where operators of intermediate housing schemes monitor this, it is useful to include it in the supply figures. However, it should only include those properties that meet the definition of intermediate affordable housing as set out in PPS3. It should not include properties that are no longer affordable, such as social rented homes bought under the Right-to-Buy or shared equity homes where the purchaser has entirely bought out the landlord's share.
- 8.7.2 Where homes may be bought back as affordable housing by a RSL, or the money received by the landlord is used to fund future shared equity schemes through the recycling of capital grant, these units should be counted under the supply of new affordable housing (step 3.3).
- 8.7.3 At this point in time, evidence from CORE 2008-09<sup>42</sup> suggests that there are 27 intermediate affordable housing units that have come up for re-let or re-sale that will result in net reductions in supply.

## 8.8 Future annual supply of affordable housing units

- 8.8.1 This is the sum of:
- Social rented units, and
  - Intermediate affordable units
- 8.8.2 Steps 3.6 and 3.7 are brought together in Table 43.

<b>Table 43: Future annual supply of affordable housing units</b>	
	<b>Stratford-on-Avon</b>
Social rented units	365
Intermediate units	27
<b>Total (Step 3.8)</b>	<b>392</b>
% of total households	0.8%

<sup>42</sup> Data provided by Stratford-on-Avon DC

# 9 BRINGING THE EVIDENCE TOGETHER

## 9.1 The requirement for affordable housing

9.1.1 Affordable housing is that housing which is provided to meet the *needs* of the local population. It includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. PPS3 states that affordable housing should:

- (i) *Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices.*
- (ii) *Include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision<sup>43</sup>*

9.1.2 PPS3 goes on to define social rented housing as:

*Rented housing owned and managed by local authorities and registered social landlords, for which guideline target rents are determined through the national rent regime. It may also include rented housing owned or managed by other persons and provided under equivalent rental arrangements...as agreed with the local authority or with the Housing Corporation as a condition of grant*

9.1.3 And defines intermediate affordable housing as:

*'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 (e.g. HomeBuy), other low cost homes for sale and intermediate rent.*

9.1.4 The definition does not exclude homes provided by private sector bodies or provided without grant funding. Where such homes meet the definition above, they may be considered, for planning purposes, as affordable housing. Whereas, those homes that do not meet the definition, for example, 'low cost market' housing, may not be considered, for planning purposes, as affordable housing.

9.1.5 The summary of net annual housing need shown below indicates that Stratford-on-Avon district has an estimated annual shortfall of 532 units. This is a significant decrease on the

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<sup>43</sup> *Planning Policy Statement 3 (PPS3): Housing, Communities and Local Government, November 2006, p25*

annual figure found in 2006 (954 p.a.). Due to the changed guidance since the Local Housing Assessment 2006, the model outputs here are not directly comparable with the model outputs in 2006. That said, the major reasons for the change in the bottom line are:

- the alternative method of calculating the number of new forming households (see section 7.1 above)
- a reduction in the level of newly arising need resulting from improved affordability
- a fall in the annual supply of social re-lets

<b>Table 44: Summary of net annual affordable housing need 2009</b>	
	<b>Stratford-on-Avon</b>
<b>STAGE 1 CURRENT HOUSING NEED</b>	
1.1 Homeless households in temporary accommodation	25
1.2 Overcrowding and concealed households	2803
1.3 Other groups	
<b>1.4 Total current housing need (gross) 1.1 + 1.2 (+ 1.3)*</b>	<b>2828</b>
<b>STAGE 2 FUTURE HOUSING NEED</b>	
2.1 New household formation	680
2.2 Proportion of new households unable to buy or rent in the market	63.5%
2.3 Existing households falling into need	130
<b>2.4 Total newly arising housing need (2.1 x 2.2) + 2.3</b>	<b>562</b>
<b>STAGE 3 AFFORDABLE HOUSING SUPPLY</b>	
3.1 Affordable dwellings occupied by households in need	948
3.2 Surplus stock	0
3.3 Committed supply of new affordable housing	66
3.4 Units to be taken out of management	N/A
<b>3.5 Total affordable housing stock available (3.1+3.2+3.3-3.4)</b>	<b>1,014</b>
3.6 Annual supply of social re-lets (net)	365
3.7 Annual supply of intermediate housing available at sub-market levels	27
<b>3.8 Annual supply of affordable housing (3.6 + 3.7)</b>	<b>392</b>
<b>ESTIMATE OF NET ANNUAL HOUSING NEED</b>	
<b>((Step 1.4* - Step 3.5) x 20%) + Step 2.4 - Step 3.8</b>	<b>532</b>
<b>Net annual housing need as a proportion of total households</b>	<b>1.0%</b>

*\*5 years has been allowed (as per government guidance) to address the backlog identified at Line 1. 4*

9.1.6 The bottom line in the summary table shows the overall shortfall as a proportion of the total household in the District. By this indicator, the net annual housing need is 1.0%, which is within the range of expected results based on previous housing need surveys undertaken by Outside Consultants over the last ten years.

- 9.1.7 The housing needs model assumes that five years is allowed to address the backlog of housing need. Therefore the shortfall of 532 homes translates to a shortfall of 2,660 up to 2014.
- 9.1.8 As house prices change in the medium term (as discussed at sub-section 5.7 on page 45) so will the numbers of households in need. Consequently the number of households in need in Stratford-on-Avon is likely to continue to rise over the next five years (i.e. beyond the identified 2,660) if not addressed through significant addition to the supply of affordable dwellings through re-lets of existing dwellings, increased provision of new dwellings or innovative use of housing in the private sector.

## 9.2 The requirement for intermediate housing

- 9.2.1 Affordable housing is that housing which is provided to meet the *needs* of the local population. It includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. PPS3 states that affordable housing should:

- (i) *Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices.*
- (ii) *Include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision<sup>44</sup>*

- 9.2.2 PPS3 goes on to define social rented housing as:

*Rented housing owned and managed by local authorities and registered social landlords, for which guideline target rents are determined through the national rent regime. It may also include rented housing owned or managed by other persons and provided under equivalent rental arrangements...as agreed with the local authority or with the Housing Corporation as a condition of grant*

- 9.2.3 And defines intermediate affordable housing as:

*'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 (e.g. HomeBuy), other low cost homes for sale and intermediate rent.*

- 9.2.4 The definition does not exclude homes provided by private sector bodies or provided without grant funding. Where such homes meet the definition above, they may be considered, for planning purposes, as affordable housing. Whereas, those homes that do

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<sup>44</sup> *Planning Policy Statement 3 (PPS3): Housing, Communities and Local Government, November 2006, p25*

not meet the definition, for example, 'low cost market' housing, may not be considered, for planning purposes, as affordable housing.

9.2.5 One way (suggested by CLG guidance) to assess the scope for intermediate tenures in an area is to calculate the ratio of entry-level market house prices to social rents; where the former is more than fourteen times annual social rents, there is likely to be scope for intermediate affordable housing. Also where there is a significant gap between social housing rents and private sector rents there may be scope for intermediate tenures, such as sub-market rents or shared equity.

9.2.6 Table 45 demonstrates this rule that the equivalent mortgage accessible for those on social housing rents is significantly below the lower quartile entry-level house price.

Table 45: Estimate of scope for intermediate housing (social rents)				
	Average social housing rent per week	Cost per annum	Income (assuming 25% affordability)	Mortgage accessible
Stratford-on-Avon	£67.75	£3,523	£14,092	£49,321

Source: CLG Live Table 704

9.2.7 Table 46 shows that there is a significant difference between social housing rents and private sector rents, with private rents being more than twice (214.3%) social housing rents.

Table 46: Estimate of scope for intermediate housing (private rents)			
	Mean private sector rent per calendar month	Cost per annum	Difference to social housing costs
Stratford-on-Avon	£629	£7,548	214.3%

Source: Snapshot Survey of Advertised Private Rents in Stratford-on-Avon (April 2009)

9.2.8 Clearly in some parts of the country, some forms of tenure are more appropriate than others and are better suited to the local housing market and the local political situation.

9.2.9 In the Local Housing Assessment 2006, the proportion of new and existing households that expressed an interest in shared ownership was 16.5%. This would suggest that at least 88 of the new affordable homes per annum could be provided as shared ownership instead of traditional social housing. That said, in the current economic climate there is evidence from housing associations that it is difficult for buyers to obtain mortgages for shared ownership properties. As such, many shared ownership properties are being let on a Rent to Homebuy basis.

### 9.3 Targets for affordable housing

- 9.3.1 In terms of developing affordable housing targets in local development documents, the Strategic Housing Market Assessment can provide indications of suitable targets. It is important that the statistical modelling used to derive the evidence is set alongside other evidence (for example affordable housing viability assessments) to arrive at final policy decisions; “estimates of affordable need must be treated with caution and applied with judgement.”<sup>45</sup>
- 9.3.2 This point is further explained in PPS3; authorities need to consider other factors when determining affordable housing targets including:
- the policy definition of affordable housing
  - an assessment of economic viability within the area
  - the likely levels of finance available for affordable housing
- 9.3.3 In the West Midlands Region social/affordable housing completions continue to remain well below the estimated 6,000-6,500 affordable dwellings that RSS suggests are needed each year for the period 2001-2011. The work on Regional Spatial Strategy (see Section 3.6 above) is proposing that 8,150 dwellings are required between 2006 and 2026: 3,000 intermediate tenures and 5,150 social rented dwellings.
- 9.3.4 The Regional Housing Strategy<sup>46</sup> breaks down the total regional requirements between the four Housing Market Areas between 2006 and 2021. In the South HMA, an indicative figure of 10,762 affordable dwellings is proposed of which 5,452 (50.7%), should be social rented housing (see Table 47).

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<sup>45</sup> *Delivery of regional strategic housing market assessments for the North West*, August 2008, NLA et al, 4NW, p175

<sup>46</sup> West Midlands Regional Housing Strategy 2005, June 2005, p47

Table 47: Affordable and social housing requirements by HMA 2001-21					
	2006/08	2006-11	2011-21	2001-21	2001-21 % share
<b>Affordable (including social rented housing)</b>					
Central	8874	22184	15163	45584	58.5
North	812	2031	131	3053	3.9
South	2246	5617	5145	16686	21.4
West	1530	3826	4698	12598	16.2
<b>Totals</b>	<b>13464</b>	<b>33659</b>	<b>25137</b>	<b>77921</b>	<b>100.0</b>
<b>Of which social housing</b>					
Central	6020	15048	10330	30711	66.0
North	612	1528	78	2196	4.7
South	1132	2830	2622	8434	18.1
West	634	1583	1933	5206	11.2
<b>Totals</b>	<b>8396</b>	<b>20989</b>	<b>14963</b>	<b>46547</b>	<b>100.0</b>

Source: West Midlands Regional Housing Strategy 2005

- 9.3.5 Table 48 compares the target number of total annual completions for Stratford-on-Avon in the RSS Preferred Option and projected household growth with the estimate of annual housing need in Table 44 above.

Table 48: Stratford-on-Avon - implied affordable housing targets			
	New households p.a.	Estimate of housing need p.a.	Need as % of target
Annual completion target (Preferred Option)	280	532	100%
Household growth	680	532	78%

- 9.3.6 If the Preferred Option is adopted Stratford-on-Avon will be expected to provide on average 280 units per annum to meet the RSS requirements; households are expected to increase at a rate of 680 per annum. The housing needs model (which is unconstrained) implies a requirement for affordable housing targets between 78% and 100%.
- 9.3.7 As the figures suggested by the model are greater than the District's total dwelling requirements and targets, there is clearly a need to look very carefully at the sites coming forward in the future and their suitability for mixed, sustainable developments as the Council may need to seek a considerably higher proportion of affordable housing than has been the target in the past.

- 9.3.8 By maintaining the model and updating annually, it will be possible to see whether an increase in the delivery of affordable housing through firmer and higher targets than have been achieved previously has the desired effect of reducing the shortfall across the District.
- 9.3.9 The Council will need to take account of these findings to set a suitable planning target for future development that takes into account the need for affordable housing as well as the long-term requirement to maintain a sustainable housing market. This should also take into account the economics and viability of development.





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