

South Housing Market Assessment Monitoring 2008/09

**Produced on behalf of the
South Housing Market Area Partnership**

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1. Introduction

1.1 Approach of Assessment Monitoring

The South Housing Market Assessment Monitoring 2008/09 is an annual update to the sub-regional Strategic Housing Market Assessment 2005/06 for the South Housing Market Area (April 2007) and last year's 2007/08 Monitoring Report. The approach used for the monitoring builds on that from the previous monitoring document and is fully in accordance with the Government's Strategic Housing Market Assessments Practice Guidance Version 2 (August 2007) and Planning Policy Statement 3: Housing (PPS3) (November 2006). The monitoring report focuses on data from 2008/09, although as a lot of this data is not available until a considerable time after April 2009, references have been made to more recent information.

The monitoring has used the resources of Worcestershire County Council's Research and Intelligence Unit, in addition to the eight District and Borough Councils within the South Housing Market Area and a number of Registered Social Landlords (RSLs). The commissioned Project Management Team will continue to refine the methodology and identify additional information sources for future revisions.

A dedicated South Housing Market Area website was designed and created by Worcestershire County Council's Research and Intelligence Unit, and acts as an information and data resource for all partners. All published documents and related material can be downloaded from the website, but furthermore, it includes various data related to housing and in particular housing affordability, which is designed to inform Local Authorities and RSLs. The website will be continually updated with new information when it becomes available and also developed and improved alongside the monitoring process.

1.2 Monitoring Aims

The aims of the monitoring process are to:

- Ensure data is updated on an annual basis to enable the projections to be monitored and adjusted as necessary.
- Compare the findings and conclusions of previous housing market assessments using new data and information sources, identifying areas where projections need to be adjusted.
- Continue informed and co-ordinated sub-regional engagement by the South Housing Market Area Partnership with the Regional Spatial Strategy (RSS) review process, and a potential review of the Regional Housing Strategy (RHS).
- Provide annually updated technical and policy advice for Local Housing Strategies and Local Development Documents for all eight-member authorities of the South Housing Market Area Partnership.

1.3 Monitoring Objectives

- Analysis of latest trends and survey data to produce a detailed update to the South Housing Market Assessment, including the main changes over the past year and directions of change.
- Enable regional bodies to develop long-term strategic views of housing need and demand to inform the RSS and RHS.
- Enable local authorities to think spatially about the nature and influence of housing market areas in respect to their local area.
- Provide a robust evidence to support policies in Local Development Frameworks about the level of affordable housing required, including the need for different sizes of affordable housing to enable the development of balanced communities.
- Support authorities to develop a strategic approach to housing through consideration of housing need and demand in all housing sectors and assessment of key drivers and relationships within local housing markets.
- Draw together most of the evidence required for local authorities to appraise strategic housing options and social housing allocation priorities, the role of intermediate housing, stock renewal, conversion, demolition and transfer.
- Provide information and data in a format that enables it to be shared between all interest parties, including the creation of dedicated website resource.

2. The Study Area and Its Context – Local Housing Markets

2.1 Background

The main characteristics that define local housing markets are price comparability, commuting trends and leisure activities. However, the relationship of these characteristics is not reflected by local administrative boundaries. The West Midlands Regional Housing Strategy (RHS) and Regional Spatial Strategy (RSS) defined four sub-regional housing markets, the Central, North, South and West Housing Market Areas.

The South Housing Market Area comprises of all six districts within Worcestershire and the two districts of South Warwickshire (Stratford-on-Avon and Warwick). Within this defined area, Worcestershire County Council's Research and Intelligence Unit proposed ten Local Housing Market Areas (LHMAs), which form the framework of the Assessment and any future monitoring. These areas are listed in the table below.

Table 1: Local Housing Market Areas

Local Housing Market Area	Description
Bromsgrove	Bromsgrove town and immediate surroundings only
Droitwich	Droitwich town, Cutnall Green, Wychbold and Hanbury
Evesham	Evesham town, the Littletons and Lenches, plus Harvington, Honeybourne and Elmley Castle
Malvern	Malvern town and southern parts of the district only
Pershore	Pershore, and a small area mainly to the south west
Redditch	Redditch town and rural areas to the south west only
Stratford-on-Avon	Stratford-on-Avon District, excluding the north eastern part and Henley-in-Arden/Earlswood
Warwick and Leamington	Warwick District excluding Kenilworth and Stoneleigh, plus north eastern part of Stratford District
Worcester	Worcester city, plus surroundings to the edges of Pershore, Malvern, Bromyard, Tenbury & Droitwich
Wyre Forest	Kidderminster, Stourport, Bewdley, Cleobury Mortimer and Hartlebury

The ten Local Housing Market Areas exclude some parts of the eight districts that make up the South Housing Market Area. In particular, northern areas of Bromsgrove and Wyre Forest Districts which are closely related to Dudley and Birmingham and those parts of Stratford-on-Avon and Warwick Districts which are on the edge of Solihull and Coventry. They also exclude the outlying settlements of Tenbury and Broadway, neither of which exhibits strong connections with the main towns in the South Housing Market Area which local housing market areas are centred, or with main towns in adjacent sub-regions.

Conversely, three of these areas extend into parts of Herefordshire and Shropshire, but are limited in terms of coverage and population. These small areas have not been included within the South Housing Market Assessment and therefore will not be included in the monitoring. A map of the LHMA's can be found in Appendix 1.

The total estimated population of the South Housing Market Area is 812,199¹ across the eight District and Borough Councils. This is an increase of 4.1% on the population in 2001, higher than the increase for the West Midlands overall of 2.5%. Warwick District has seen the largest increase (7.6%), whereas Worcester City has seen the smallest increase (0.8%).

The monitoring presents information by both Local Housing Market Area and District, where possible. It should also be noted that this will result in two different totals, as the sum of the 10 Local Housing Market Areas will not equal the sum of the 8 Districts because they cover different geographical areas.

2.2 Changes within the South Housing Market Area

2.2.1 Earnings and Household Income

Median gross annual earnings² (residence based) of full-time employees for 2009 increased in some districts and decreased in others compared with 2008 figures. Bromsgrove has the highest median income of £30,544 and Wyre Forest has the lowest at £21,390.

Table 2: Annual Median Earnings for Full-time Employees by District

District	Residence based Earnings	Change from 2008	Workplace based Earnings	Change from 2008
Bromsgrove	£30,544	5.4	£22,244	2.5
Malvern Hills	£29,522	-4.0	£26,305	-2.1
Redditch	£22,691	11.7	£24,909	18.1
Stratford-on-Avon	£27,951	-6.8	£25,163	-3.6
Warwick	£28,655	5.3	£27,383	4.0
Worcester City	£23,819	-4.3	£23,214	5.2
Wychavon	£25,342	8.9	£22,636	11.4
Wyre Forest	£21,390	-1.8	£19,745	-12.1

Source: Annual Surveys of Hours and Earnings 2009, ONS.

Note: The quality of an estimate is measured by its coefficient of variation (CV), which is the ratio of the standard error of an estimate to the estimate. The CV for the figures above is typically between 5% and 20%.

Workplace earnings are lower in general than residence-based earnings, with the exception of only Redditch (Table 2). This imbalance suggests people who are employed within the county are earning less than those commuting outside the county to work.

¹ Mid-2008 Population Estimates, ONS, 2009

² Annual Survey of Hours and Earnings (ASHE), ONS, 2009

The biggest differential can be seen in Bromsgrove where residential based earnings are over £8,000 per annum higher than workplace based earnings, due to the fact that many residents of Bromsgrove commute to jobs in Birmingham.

Household income³ increased in 2009 from the previous year (1.1%), but not at the same rate as the two previous years (2.6% and 4.5% respectively). This rate of increase is marginally below the increase seen regionally (1.4%) and nationally (1.8%). Bromsgrove has the highest mean household income across the South Housing Market Areas at £39,642, whereas Wyre Forest has the lowest at £33,754. The two South Warwickshire districts were the only areas to see a fall in average household income in 2009, Stratford-on-Avon down 1.2% and Warwick 0.6%. Malvern Hills had the largest annual increase in household income of 3.3% to £35,891.

2.2.2 Economy and Employment

Growth prospects for the sub-region's economy are still uncertain since the 'Credit Crunch' began in the autumn of 2007 and the UK officially entered recession at the end of 2008 after two quarters of economic contraction. As of Q3 2009, the UK still remains in recession.

Employment levels in Worcestershire are projected to decrease by 1.5% per annum during the period 2008-2010 and remain unchanged between 2010 and 2012. Employment levels are expected to increase beyond 2012.

In the West Midlands region, major new development will be focused in and adjacent to towns which are most capable of balanced and sustainable growth to complement the role of the Major Urban Areas. For this purpose, nine areas have been identified as Settlements of Significant Development (SSD), which include Warwick/Leamington and Worcester.

2.2.3 Housing Market

Since the autumn of 2007, the housing market has experienced a marked change in direction from steady growth to a rapid decline and predictions of significant house price falls. Two of the major house price indices, coordinated by Nationwide and Halifax respectively, have seen property prices fall since the end of 2007. With many households taking out large mortgages towards the end of the housing boom, many will now be in negative equity.

There are several reasons for this shift:

- **House prices are unaffordable for first-time buyers** – after a sustained period of house price growth, house prices have become increasingly out of reach of first-time buyers. Without a supply of new buyers looking to buy housing, the market has stagnated.

³ PayCheck 2009, CACI

- **Collapse of the sub-prime market** – high-risk borrowers, lent money by opportunistic financial institutions with loosened lending criteria, could not keep up mortgage payments, leading to large numbers of repossessions, particularly in the United States (with knock-on effects on global economic conditions), but also in the UK.
- **Reduced availability of credit** - banks are less willing to lend to each other due to concerns about exposure to bad loans. The “Credit Crunch” has led to fewer mortgages being available and tighter lending criteria being imposed, causing problems for first-time buyers and those looking to re-mortgage. Events such as the nationalisation of Northern Rock have also created uncertainty about economic conditions and damaged consumer confidence.
- **Rising cost of living** – particularly in terms of fuel and food costs, consequently households have less residual income.

The recent changes seen in the housing market have primarily affected the private sector, but there are likely to be some implications for affordable housing. House builders have started to cut back or stop on certain development projects and therefore this has resulted in fewer housing completions. As many affordable homes are provided as part of agreements between developers and local authorities, if less development is taking place it may become increasingly difficult to negotiate the inclusion of large numbers of affordable properties in new developments.

Conversely, the downturn in the housing market has also provides opportunities to increase the affordable housing stock with unsold private dwellings on large developments being converted to affordable housing.

As private housing completions fall, the number of properties available for private rent in the long-term may also decrease. As the need for housing remains high, we may start to see an increase in the number of people registered on housing waiting lists.

In the second half of 2009 house prices have begun to rise again after a period of falling prices. The main reason for this rise has been attributed to the lack of supply within the market. The supply of new houses coming onto the market has been unable to keep up with levels of demand. Lending has also been increasing steadily throughout 2009, but remortgaging is still very subdued due to low interest rates and many people benefitting from tracker or standard variable rates (SVRs).

The approach used in Defining Local Housing Market Areas in Worcestershire can be found in the Technical Appendices accompanying the Assessment.

Appendix 1 of the Monitoring Technical Appendices contains a map of the Local Housing Market Areas within the South Housing Market Area.

Appendix 2 presents household incomes over the past five years.

3. Overview of Methodology

3.1 Housing Needs Assessment Model

The Government's practice guidance⁴ does not make any significant alterations to the needs assessment model outline in the draft practice guidance, where the model is based upon the Basic Needs Assessment Table developed for the 'Local Housing Needs Assessment: A Guide to Good Practice' by Bramley et al (DETR, 2000). There are small differences in the wording but the overall calculation remains the same.

Backlog Reduction (Gross Current Housing Need) <i>Plus</i>	The total number of households in need at the date of the assessment monitoring divided by the number of years over which this backlog should be eliminated – normally, and certainly not less than, 5 years.
Newly Arising Need <i>Plus</i>	The number of new households that will form each year and have an income that is insufficient to enable them to access the housing market without assistance.
Households Falling into Need <i>Equals</i>	The number of existing households each year who will experience a change of circumstances that makes them no longer able to remain in open market housing.
Gross Annual Need <i>Less</i>	The total number of households requiring some form of affordable housing in any one year.
Annual Supply from Existing Stock <i>Equals</i>	The number of affordable dwellings becoming available for re-let or re-sale to households not already in any form of affordable housing
Net Annual Shortfall	The number of additional affordable dwellings required each year to meet that part of the Gross Annual Need that is not met from within the existing housing stock.

⁴ Strategic Housing Market Assessments Practice Guidance Version 2 (Department for Communities and Local Government, August 2007)

The practice guidance also states that committed supply of new affordable housing should be added to the Annual Supply figure, before arriving at a net additional shortfall. However, this would make the monitoring process more complicated, as the level of committed supply may not equal the actual out-turn and therefore it is more straightforward to express the Net Annual Shortfall as above.

3.2 Key Aspects to the Monitoring Process

The approach to planning for housing set out in Planning Policy Statement: Housing 3 (PPS3) requires local planning authorities and regional planning bodies to have regard to housing market areas and market information when developing policies in local development frameworks and regional spatial strategies. Therefore, trends and changes in housing market area conditions need to be monitored regularly using the 'plan, monitor, manage' approach to planning for housing. Monitoring will need to be undertaken on a continuous and pro-active basis.

The monitoring process should provide an update to the main tables included within the housing market assessment and subsequent monitoring; however, it must also provide a commentary of any significant directional changes and the factors influencing those changes. The data is updated on an annual basis and will enable projections to be monitored and adjusted as necessary. Furthermore, the monitoring should follow the government guidance and incorporate any changes made to this guidance.

3.2.1 Building on Knowledge and Findings from the Assessment

Possibly the most important aspect of the monitoring process is to compare the trends and changes in the housing market area in order to inform the direction of change with regards to housing affordability. Utilising up to date information and data allows any patterns of changes to be identified and then it is important to understand their impact on local housing markets.

Where relevant, reference has been to the Assessment and previous annual monitoring reports with findings compared with past data and information that was presented. It is important to identify any changes that will have a significant effect on housing demand, supply and affordability.

3.2.2 Developing Planning for Housing Policies

The findings of the strategic housing market assessment and monitoring help local planning authorities and regional planning bodies to develop a robust evidence base to inform the development of spatial housing policies. Current and future housing demand figures can be considered against future affordable housing supply figures derived from strategic housing land availability assessments.

3.2.3 Regional Spatial Strategies

Regional spatial strategies will benefit from the findings of the strategic housing market assessment and subsequent monitoring. The annual monitoring work will provide an indication of the current and future household change within the South Housing Market Area and its effect in terms of housing need and demand. This information will help to set out the regional level of housing provision and the regional approach to delivery a good mix of housing and affordable housing targets as required by PPS3.

3.2.4 Local Development Frameworks

At a local level, the evidence and findings contained with current and future monitoring will provide local authorities with an understanding of both the local housing market area and sub-regional housing market area in which they are located. This will help in the creation of local development frameworks, including spatial objectives and housing strategies.

The assessment and monitoring presents the level of housing provision required based on a number of complex assumptions. It will help to inform Local Development Framework's approach to achieving a balanced mix of housing and developing affordable housing targets, including both social rented and intermediate housing. In addition, local authorities will have evidence to identify the type and size of affordable housing required.

4. Regional and Sub-Regional Strategy

4.1 The Current Regional Spatial Strategy

The current planning policy framework for the South Housing Market Area is Regional Planning Guidance for the West Midlands – RPG11, which was adopted in June 2004 and became the Regional Spatial Strategy (RSS). The principles of the strategy are supported; however, several aspects have required further development and review. A revision process is currently under way and it is expected to be complete in 2011.

4.2 Regional Spatial Strategy Revision

The Regional Spatial Strategy, published in June 2004, is being revised in three phases. **Phase One** concentrates on the Black Country Study, where the aim was to identify and ‘fast-track’ urban renaissance proposals through to implementation. Following the publication of the Phase One Revision in respect of the Black Country sub-region by CLG a revised WMRSS was issued in January 2008.

Phase Two, launched in November 2005 considers housing figures, centres, employment land, transport and waste. The West Midlands Regional Assembly presented a Draft Revision to the Secretary of State in December 2007. An Examination in Public (EiP) into the Draft Revision took place in Wolverhampton between April and June 2009, with the Panel report published in September 2009.

Phase Three of the RSS Revision, launched in November 2007, will look at critical rural services, culture/recreational provision, various regionally significant environmental issues and the provision of a framework for Gypsy and Traveller sites. Consultation on the RSS Phase Three Options Document commenced on 29th June 2009 and closed on 14th August 2009. Again a significant amount of background and assessment work has been carried out as part of the Phase Three Revision.

4.2.1 Phase Two Preferred Option

The Regional Planning Partnership endorsed the Phase Two Preferred Option in October 2007. The Preferred Option was submitted to the Secretary of State in December 2007 as the draft Revision to the RSS. Following the submission of the Preferred Option, a formal consultation exercise was undertaken in 2008. A considerable amount of technical work, discussions and consultation has taken place in developing the preferred option.

Table 3: Housing Proposals 2006-2026 (Phase Two Preferred Option)

District	Proposed Total (Net) 2006-2026	Indicative Annual Average 2006-2026
Bromsgrove	2,100	105
Malvern Hills	4,900	245
Redditch ¹	6,600	330
Stratford-on-Avon	5,600	280
Warwick	10,800	540
Worcester City ²	10,500	525
Wychavon	9,100	455
Wyre Forest	3,400	170
South HMA	53,000	2,650
West Midlands Region	365,600	18,280

¹ Redditch figure of 6,600 includes 3,300 in Redditch and 3,300 adjacent to Redditch town in Bromsgrove and/or Stratford-on-Avon Districts

² Of the figure of 10,500 for Worcester; 3,200 will be within Worcester City and 7,300 will be adjacent to the City within the surrounding districts of Malvern Hills and Wychavon

Source: Regional Spatial Strategy Phase 2 - Final Preferred Option, Table 1.

The Phase Two Preferred Option proposes a total of 53,000 houses to be built in the South Housing Market Area between 2006 and 2026, an average of 2,650 per annum. The figures suggest that the majority of new development is to take place in and around the two most urban districts, Worcester City and Warwick. Bromsgrove has a much lower proposed total because there is currently a moratorium on residential development in the District as Structure Plan targets have already been exceeded. If any new residential development is permitted then an element of affordable housing is required.

4.2.2 Development of Preferred Option for the West Midlands

The consultation period on the West Midlands Regional Spatial Strategy (WMRSS) Phase Two Revision Draft finished in December 2008, following an independent study, commissioned by Government Office for the West Midlands (GOWM), into options for delivering higher housing numbers. Planning consultants, Nathaniel Lichfield and Partners (NLP), carried out the study, and a final report was published on 7th October 2008⁵.

The report concludes that it is possible to deliver higher levels of housing without undermining the urban renaissance strategy for the region. In the report NLP have identified three potential spatial scenarios that could deliver additional housing. These scenarios are not definitive proposals or alternative strategies for the region, merely an independent assessment of where additional housing could be accommodated. Scenarios are not site specific rather they assess the potential for additional growth to be accommodated in Local Authority areas.

Following the formal consultation period on the RSS Phase Two Preferred Option, the chairman of the Regional Assembly wrote to the Minister of State for Housing and Planning regarding the RSS Revision Phase Two Revision, outlining concerns regarding the potential scenarios published in the NLP study.

⁵ <http://www.gowm.gov.uk/gowm/Planning/515750/744615/?a=42496>

All three potential scenarios place increased growth in the South Housing Market Area as well as other areas in the West Midlands Region.

- **Scenario 1: South East Focus**

Additional growth focused in the south east of the region and in the rural west, comprising of an additional 51,500 units. Requires a new settlement in the Solihull District and links housing growth to economic growth. Provision focused on parts of the Region with some of the greatest level of unmet housing need and affordability.

- **Scenario 2: Spreading Growth**

Focused growth in the south east but also capitalises on capacity for additional growth and regeneration in Staffordshire, with potential scope for 54,000 additional units.

- **Scenario 3: Maximising Growth**

Makes higher levels of provision across range of authorities in the region of 80,000 additional units. Focuses growth in areas of economic growth, affordability, capacity and regeneration, across a range of housing market areas.

Table 4: Housing Proposals 2006-2026 under each NLP Scenario

District	RSS Revision Phase 2 Preferred Option (Net) 2006-2026	Scenario 1 Potential Increase	Scenario 2 Potential Increase	Scenario 3 Potential Increase
Bromsgrove	2,100	5,000	5,000	7,500
Malvern Hills	4,900	5,500 ¹	3,000 ¹	5,500 ¹
Redditch	6,600	0	0	0
Stratford-on-Avon	5,600	4,500	4,500	4,500
Warwick	10,800	5,000	5,000	10,000
Worcester City	10,500	5,500 ¹	3,000 ¹	5,500 ¹
Wychavon	9,100			
Wyre Forest	3,400	400	400	400
South HMA	53,000	20,400	17,900	27,900
West Midlands Region	365,600	51,500	54,000	80,000

¹ Malvern Hills, Worcester City and Wychavon have been grouped together to give a South Worcestershire figure of 5,500 under scenarios 1 and 3 and 3,000 under scenario 2.

Each of the three potential scenarios impact on the South Housing Market Area with an increase of units ranging from 17,900 to 27,900, or equivalently, a 34% to 53% increase in the RSS Revision Phase Two Revision Preferred Option figures. The potential increases represent accommodating between 895 and 1,395 extra housing units per annum. Therefore this represents a total of between 3,545 and 4,045 per annum within the South Housing Market Area.

4.2.3 Examination in Public

The Examination in Public (EiP) was conducted between 28th April 2009 and 24th June 2009, which included seven sitting weeks. The EiP Panel issued Guidance Notes which gave all participants and non-participants essential information on the procedures to be followed at the examination.⁶

The Panel Report on the WMRSS Revision Phase Two EiP⁷ was published by Government Office for West Midlands on 28th September 2009. An updated addendum to the Panel Report was released on the 25th November 2009 which addressed some minor inaccuracies.

The Secretary of State will consider the Report, together with representations made on the draft RSS, with the aim of publishing Proposed Changes by the end of 2009, which has subsequently slipped and will now be summer 2010. There will then be a period of public consultation on the Proposed Changes, likely to last 12 weeks. Following consideration of responses to the consultation on the Proposed Changes, the Secretary of State is expected to publish the final West Midlands Regional Spatial Strategy Phase 2 Revision towards the end of 2010.

Table 5: Housing Proposals 2006-2026 from EiP Panel Report

District	RSS Revision Phase Two Preferred Option (Net) 2006-2026	EiP Panel (Net) 2006-2026	As % of Region	Increase	% Increase
Bromsgrove ¹	2,100	4,000	1.0	1,900	90.5
Malvern Hills	4,900	5,000	1.3	100	2.0
Redditch ²	6,600	7,000	1.8	400	6.1
Stratford-on-Avon ³	5,600	7,500	1.9	1,900	33.9
Warwick	10,800	11,000	2.8	200	1.9
Worcester City ⁴	10,500	11,000	2.8	500	4.8
Wychavon	9,100	9,500	2.4	400	4.4
Wyre Forest	3,400	4,000	1.0	600	17.6
South HMA	53,000	59,000	14.8	6,000	11.3
West Midlands Region	365,600	397,900	100.0	32,300	8.8

¹ Further study should be undertaken in the context of a Core Strategy Review on the potential for sustainable provision of a further 2,000-3,000 dwellings for the 2021-26 period.

² Around 4,000 within the Borough and around 3,000 in Bromsgrove District adjacent to the Redditch boundary.

³ Further study should be undertaken in the context of a Core Strategy Review on the potential for sustainable provision of a further 2,500-3,000 dwellings for the 2021-26 period.

³ At least 3,500 will be in Worcester City, at least 3,500 in Malvern Hills adjacent the West boundary of the City and the remainder split between the City, Malvern Hills and Wychavon Districts adjacent to or in the vicinity of the City as determined in the joint Core Strategy.

The increase of 6,000 dwellings for the South HMA over the RSS Revision Phase 2 Preferred Option is lower than all three scenarios developed by NLP.

⁶ www.planning-inspectorate.gov.uk/pins/rss/west_midlands_phase_two/documents/wmrss_notes_for_guidance_feb_09.pdf

⁷ <http://www.gos.gov.uk/gowm/Planning/515750/panelreport09/?a=42496>

4.2.4 Phase Three

Issues being considered in the Phase Three Revision are:

- **Rural Services:** Identification and provision of services that are critical to the sustainability of rural communities
- **Housing:** Provision of pitches and plots for Gypsies, Travellers and Travelling Showpeople
- **Culture, Sport and Tourism:** Strengthen RSS policies to support cultural, sport and tourism needs of the Region
- **Environment:** Update existing Quality of Environment policies in the RSS and consider the need for new policies related to flood risk, renewable energy and Green Belt
- **Minerals:** Safeguarding minerals and examining future supply of aggregates

Work for Phase Three is underway and a Project Plan⁸ was published in May 2009. An Options document⁹ was issued for consultation on 29th June 2009 to identify those choices and the consequences of adopting them, as there are likely to be a number of choices as to the nature and content of new or revised policies. At the Options stage, policies are not fixed and everybody had a chance to comment before a Preferred Option was developed. The RSS Revision Phase Three Options consultation closed on Friday 14th August 2009.

In September 2009 officers from the Assembly, Government Office West Midlands (GOWM) and Advantage West Midlands considered how the WMRSS Phase Three¹⁰ workstreams could be taken forward in the most effective way. It was agreed at that meeting that the Phase Three issues be taken forward in one of two ways:

- Policy Statements
- Policy Recommendations

4.3 Affordable Housing

4.3.1 Regional Requirements

In the RSS Revision Phase Two Panel Report the delivery of affordable housing has been amended to increase the overall indicative target for affordable housing to 7,000 gross per annum as a minimum, with both social rent and low cost market housing should contribute to meeting the need for affordable housing. This is an increase from the RSS Revision Phase Two Preferred Option of 6,000 per annum.

⁸ http://www.wmra.gov.uk/documents/Project_Plan.pdf

⁹ http://www.wmra.gov.uk/documents/Draft_Options.pdf

¹⁰ http://www.wmra.gov.uk/Planning_and_Regional_Spatial_Strategy/RSS_Revision/RSS_Revision_Phase_3.aspx

The Regional Housing Strategy (June 2005) estimates affordable housing needs¹¹ of 6,700 per annum up to 2011, of which 4,200 should be social rented housing. The estimate changes beyond 2011 and up to 2021, with a target of 2,500 per annum, of which 1,500 should be provided through social housing. These targets are now relatively old and don't align with revised targets presented in the RSS Revision Phase Two Panel Report.

4.3.2 Regional Performance Update

Affordable housing provision has been averaging approximately 3,350 per annum between 2001/02 and 2008/09¹². This is around half of the required minimum target for affordable housing as specified in the RSS Revision Phase 2 EiP Panel Report.

The total number of gross completions across the Region between 2001/02 and 2008/09 is 144,018, which equates to an annual gross build rate of 18,002. During this time period, 18.5% of all housing completions have been affordable. If the required number of affordable houses as specified within the RSS had been built (6,000pa), this would have meant a requirement of 33.3% of completions being affordable.

4.3.3 South Housing Market Area Requirements

The indicative minima gross target for the South Housing Market Area is 1,180 dwellings per annum, within an overall Region target of 7,000 dwellings per annum¹³. This target includes both social rented and intermediate tenure housing provision.

The Regional Housing Strategy provides a breakdown of the total regional requirements by sub-regional housing market area. The South Housing Market Area has an estimated requirement of 1,123 affordable houses per annum from 2006 to 2011, of which 566 per annum should be social rented. Beyond 2011 the estimated requirement more than halves to 515 per annum, of which 262 is social housing.

¹¹ Table 3.12, West Midlands Regional Housing Strategy (June 2005)

¹² Housing Strategy Statistical Appendix (HSSA) and Regional Housing Land Availability Survey 2001-2007

¹³ Regional Spatial Strategy Phase Two Panel Report Housing Options

4.3.4 South Housing Market Area Performance Update

The following table gives the proportion of affordable housing completions, both subsidised and unsubsidised, by District as informed from the Housing Strategy Statistical Appendix (HSSA) and Regional Housing Land Availability Surveys 2001/02 – 2008/09.

Table 6: Affordable Housing Completions by District (2001/02 to 2008/09)

District	Affordable Completions ¹	Total Completions ¹	Affordable Proportion
Bromsgrove	419	3,056	13.7%
Malvern Hills	328	1,910	17.2%
Redditch	458	2,298	19.9%
Stratford-on-Avon	871	4,509	19.3%
Warwick	750	5,698	13.2%
Worcester City	725	2,524	28.7%
Wychavon	488	2,868	17.0%
Wyre Forest	469	2,699	17.4%
South HMA	4,508	25,562	17.6%

¹Both present total gross completions

Source: Housing Strategy Statistical Appendix (HSSA), CLG, 2009. West Midlands Residential Housing Land Availability Survey, 2001/02 to 2008/09.

Worcester City has the highest proportion of affordable housing completions between 2001/02 and 2008/09 (28.7%) and Warwick has the lowest (13.2%). In 2008/09, there were slightly less affordable completions than in the previous year, but more than years before this.

The annual average of affordable housing completions between 2001/02 and 2008/09 is 564 across the South Housing Market Area. This level of affordable housing supply is slightly below the regional average, 17.6% compared with 18.5%. Future affordable housing supply is examined in Chapter 9, along with an estimate of the amount of affordable housing required.

4.4 Regional Housing Strategy

The West Midlands Regional Housing Strategy (RHS) along with the RSS is based on household projections, which have subsequently increased quite substantially. Therefore the figures will need to be updated inline with the RSS Revision Phase Two EiP Panel Report.

The West Midlands Regional Housing Allocation Strategy 2008-2011 builds upon the evidence base that was assembled to inform the development of the Regional Housing Strategy 2005. Regional housing issues have been identified and prioritised for capital investment between 2008 and 2011. Investments will continue to be implemented through the RHS. A number of strategic sites were identified across the Region including one site in Malvern Hills consisting of 70 rural affordable housing units.

4.5 Middle Quinton Eco-town

The “Middle Quinton” Eco-town was proposed by private developers in response to the Government’s Eco-towns Prospectus which was launched in July 2007. The suggested site for Middle Quinton was located largely in Stratford-on-Avon District and partly in Wychavon District. The vision of the proposed town was to deliver 6,000 homes including 2,000 affordable homes and a number of new services and infrastructure.

The six local authorities affected by the Middle Quinton proposal agreed a response to the Government’s draft eco-towns PPS together with a detailed critique of the Sustainability Appraisal of the Middle Quinton proposal. The authorities raised a number of concerns about the suitability of this location for such a form and scale of development. These concerns included the incompatibility of the eco-town concept with the need to meet housing needs where they arise, the eco-town’s potential to divert investment away from areas in need of regeneration, and significant issues concerning the provision of infrastructure to service the development.

Subsequently the “Middle Quinton” scheme was not included in the Government’s list of proposed eco-town locations shown in the eco-towns supplement to PPS1. The latter also set out minimum standards to be applied to eco-town proposals to foster the sustainability of these schemes. Furthermore, Middle Quinton was not included in the list of eco-town proposals announced by the Housing Minister in December 2009.

At the regional level the Middle Quinton eco-town proposal was considered by the Panel that held the Examination in Public into the RSS Phase Two Revision. It concluded that the Middle Quinton proposal was of very doubtful sustainability. A key issue for the Panel was the proposed guided busway or rail link to Stratford-upon-Avon and it doubted whether this would be viable. The Panel also expressed concern that the assessment necessary to determine whether the proposal would require major highway works in Stratford-upon-Avon had not yet been carried out.

The Government has recently announced that a statement on the outcome of its consideration of the Middle Quinton eco-town proposal is likely to be made in July 2010 at the same time as it hopes to publish the Secretary of State’s Proposed Changes to the RSS Phase Two Revision.

The developers have made submissions to both the South Worcestershire Joint Core Strategy and the Stratford-on-Avon Core Strategy for a new settlement at Middle Quinton.

5. The Current Housing Market

Local housing markets can exhibit a range of very different characteristics to one another due to demographic and geographical factors. These factors are identified within this section and can be compared in a number of different ways.

Towards the end of 2007 and into 2008 we have seen the housing market experience a significant downturn, but begin to pick up again during 2009, as explained earlier in Chapter 2. The following looks at the change in house prices over the past year and the impact on affordability.

5.1 Average Property Prices – Sales Completed in 2008/09

Land Registry data gives the price, type and location of sold properties within a given timescale but not its size (number of bedrooms). Therefore, it is only possible to make comparisons over time of how property prices have increased in certain areas and by type of accommodation.

Land Registry data was obtained for both new-build and re-sale properties sold in 2008/09, broken down by price, property type and location. This allows the number of properties within any given price band to be determined, as well as the average and lower quartile prices for any geographical level (e.g. District, Local Housing Market Area).

Table 7: Average Sale Prices and Number of Sales by Local Housing Market – 2008/09

Local Housing Market Area	Average Sale Price	Number of Sales	Change from 2007/08
Bromsgrove	£204,885	512	-4.8%
Droitwich	£204,707	229	-1.8%
Evesham	£202,690	339	-8.5%
Malvern	£218,732	415	-12.6%
Pershore	£250,386	118	-3.1%
Redditch	£170,408	813	-6.2%
Stratford-on-Avon	£264,015	792	-5.4%
Warwick & Leamington	£227,732	1,542	-2.8%
Worcester	£191,540	1,508	-11.0%
Wyre Forest	£179,364	832	-5.0%
Total	£208,125	7,100	-6.2%

Source: Land Registry Bespoke Report

Table 7 shows house prices have decreased by 6.2% from 2007/08 to 2008/09 across all Local Housing Market Areas. Prices fell across all ten Local Housing Market Areas, with the greatest falls seen in Malvern (-12.6%) and Worcester (-11.0%). Worcester's average sale price decrease meant it makes three Local Housing Market Areas have an average property price under £200,000. The highest house prices can still be seen in Stratford-on-Avon (£264,015).

In 2008/09, there were 6,891 fewer sales than in the previous year. This is equivalent to 49.9% decrease in completed sales compared to 2007/08. These figures show that the slowdown in the housing market was very apparent during 2008/09 after the 'Credit Crunch' seen towards the end of 2007.

Table 8: Average Sale Prices and Number of Sales by District – 2008/09

District	Average Sale Price	Number of Sales	Change from 2007/08
Bromsgrove	£238,324	807	-1.1%
Malvern Hills	£238,349	655	-10.7%
Redditch	£161,311	718	-5.0%
Stratford-on-Avon	£269,976	1,146	-3.2%
Warwick	£227,555	1,580	-5.2%
Worcester City	£169,799	1,213	-9.5%
Wychavon	£244,052	975	-3.8%
Wyre Forest	£176,106	797	-3.7%
South HMA	£217,649	7,891	-5.2%

Source: Land Registry Bespoke Report

The South Housing Market Area has seen house prices decrease by 5.2% over the past year to an average of £217,649, which cancels out an increase of 5.2% seen between 2006/07 and 2007/08. The largest decrease can be seen in Malvern Hills at -10.7% and the smallest in Bromsgrove, -1.1%. In 2008/09, there were 48.3% fewer sales than in 2007/08.

Additional to the data presented in Table 7 for LHMA's, the Land Registry price paid data has been tabled to show the proportion of all properties sold in 2008/09 by price band for each property type. This analysis provides a means of comparing different areas, for house types that could meet the needs of a first time buyer, although not necessarily representative of the overall housing stock. This is presented in Appendix 4, however conclusions from those data tables is highlighted below:

- Redditch and Wyre Forest LHMA's typically have the greatest supply of entry-level housing, with 24.2% and 25.7% of properties sold in 2008/09 for under £120,000. Supply in the lower price brackets is generally limited in all LHMA's across the South Housing Market Area. In Pershore just 5.1% of properties sold were under £120,000.
- 94.2% of detached properties sold in 2008/09 were over £160,000, a slight decrease from 97.4% in 2007/08.
- There are more semi-detached properties available at under £120,000 than the previous year, 8.9% compared to 4.9%.
- There is still a large difference in the supply by different price bands in the LHMA's:
 - Around two-thirds of semi-detached properties sold in Redditch and Wyre Forest were below £160,000.

- In other areas the level of supply is much smaller, with over 50% of semi-detached properties being in the highest price band for all other LHMA's.
- Similarly to the previous year, there is a good supply of terraced properties below £120,000 in Droitwich, Redditch and Wyre Forest, and through the different price ranges. Supply in Stratford-on-Avon and Warwick & Leamington is the most limited but in Bromsgrove, Evesham, Malvern, Pershore and Worcester there is a good spread of supply, particularly in the £120,000 to £160,000 price bracket.
- The supply of affordable flats has increased somewhat with Bromsgrove, Evesham, Redditch, Worcester and Wyre Forest having around half of their sales below £120,000. Wyre Forest has the largest supply below £120,000 at 63.5% whereas Stratford-on-Avon has the smallest supply at just 31.8%

5.2 Lower Quartile Property Prices – 2008/09

Lower quartile price is standard indicator for the approximate cost of 'entry-level' prices¹⁴. This price is the figure a quarter of the way along the price spectrum, such that three quarters of prices are higher than this reference point and a quarter of the prices are lower than this. As it represents the lower end of the housing market, it is a useful figure to use when examining affordability.

Using the lower quartile price avoids taking the very bottom end market price, which could reflect properties in poor condition or intermittent and poorly distributed. Levels of supply are important to consider also because a small number of properties available at this price will in theory limit the number of people able to afford to access the housing market.

Lower quartile prices for all properties and the number of sales, for each district and local housing market are an important indicator in projecting the tenure requirement of future housing supply. They can also be used to identify the income required (and monthly cost) of house purchase at this level, therefore establishing a level of affordability.

The costs in the following tables are based on a 95% repayment mortgage over 25 years at an average mortgage rate of 5.46%¹⁵, the average interest rate over 2008/09. Income multipliers of 3.5 for a single income and 2.9 for a joint income are assumed¹⁶ in line with government practice guidance. This formula produces a good estimate of the income required and monthly costs, but doesn't factor in sensitivities such as interest rate changes and different mortgage terms (e.g. interest only, part capital and interest etc).

¹⁴ Recommended in the Government's Practice Guidance Version 2 – August 2007

¹⁵ Source: Council for Mortgage Lenders - BankSearch Regulated Mortgage Survey

¹⁶ A household is considered able to afford to buy a home if it costs 3.5 times the gross household income for a single earner household or 2.9 times the gross household income for dual-income households (Practice Guidance Version 2 - August 2007)

Table 9: Lower Quartile Prices and Number of Sales by Local Housing Market Area – 2008/09

Local Housing Market Area	Lower Quartile Price	Change from 2007/08	Number of Sales at LQ	95% of LQ Price	Single Income Required	Joint Income Required	Monthly Mortgage Cost
Bromsgrove	£136,250	-6.0%	128	£129,438	£38,929	£46,983	£801
Droitwich	£134,000	-3.1%	59	£127,300	£38,286	£46,207	£788
Evesham	£139,000	-7.3%	86	£132,050	£39,714	£47,931	£817
Malvern	£140,000	-15.1%	105	£133,000	£40,000	£48,276	£823
Pershore	£157,375	-1.6%	29	£149,506	£44,964	£54,267	£925
Redditch	£120,000	-3.2%	218	£114,000	£34,286	£41,379	£705
Stratford-on-Avon	£157,500	-12.0%	200	£149,625	£45,000	£54,310	£926
Warwick & Leamington	£147,500	-7.8%	389	£140,125	£42,143	£50,862	£867
Worcester	£134,621	-10.2%	377	£127,890	£38,463	£46,421	£791
Wyre Forest	£118,000	-5.6%	210	£112,100	£33,714	£40,690	£694
Total	£132,963	-11.3%	1,775	£126,315	£37,989	£45,849	£782

Source: Land Registry Bespoke Report

The lower quartile price across all ten Local Housing Market Areas decreased by 11.3% over the last year to £132,963. This equates to a monthly payment of £782 for a 95% repayment mortgage over 25 years. The lower quartile price is highest in Pershore and Stratford-on-Avon, £157,375 and £157,000 respectively, which means that it is very difficult for first time buyers to enter this market. Wyre Forest has the lowest lower quartile price at £118,000.

All areas saw a decrease in price compared to 2007/08, with Malvern experiencing the largest fall of -15.1% and Pershore the smallest fall at just -1.6%. However, it should be noted that Pershore also had by far the smallest number of sales at or below this level making the value less robust. A total of 1,755 sales took place at or below the lower quartile price for all ten local housing market areas, representing a decrease of 50.3% on the previous year.

Table 10: Lower Quartile Prices and Number of Sales by District – 2008/09

District	Lower Quartile Price	Change from 2007/08	Number of Sales at LQ	95% of LQ Price	Single Income Required	Joint Income Required	Monthly Mortgage Cost
Bromsgrove	£148,000	-4.5%	205	£140,600	£42,286	£51,034	£870
Malvern Hills	£149,950	-14.3%	164	£142,453	£42,843	£51,707	£882
Redditch	£117,000	-4.1%	181	£111,150	£33,429	£40,345	£688
Stratford-on-Avon	£157,500	-10.0%	289	£149,625	£45,000	£54,310	£926
Warwick	£148,000	-8.6%	398	£140,600	£42,286	£51,034	£870
Worcester City	£125,000	-12.6%	307	£118,750	£35,714	£43,103	£735
Wychavon	£150,000	-5.1%	248	£142,500	£42,857	£51,724	£882
Wyre Forest	£116,000	-7.2%	200	£110,200	£33,143	£40,000	£682
South HMA	£135,000	-9.1%	1,981	£128,250	£38,571	£46,552	£794

Source: Land Registry Bespoke Report

The South Housing Market Area as a whole has seen a 9.1% decrease in the lower quartile price to £135,000 in 2008/09. To afford to buy at this level it requires a single income of £38,571 or a joint income of £46,552.

Many districts within the South Housing Market Area have high entry-level property prices of £148,000 and greater, which is above the threshold for where stamp duty applies once the stamp duty holiday ends on 1st January 2010. This lower quartile price is not far below the average house price across the UK and reinforces how difficult it is for first-time buyers to access the market in these areas.

The number of sales at lower quartile as presented in the previous two tables is used to project the annual supply of market housing that is available to meet the needs of newly forming households (Chapters 12 and 13).

The incomes required to access the housing market at the lower quartile level and monthly mortgage costs involved, can be used to identify the implications of providing accommodation for households able to afford 75% and 50% of lower quartile prices.

Income requirements and monthly costs for 1 and 2 bedroom properties in each District, and on the same basis as Table 10, are included in Appendix 3.

5.3 Current Prices and Availability – April 2009

The analysis of Land Registry data for all sales in a full year gives a comparison of the property type, relative numbers and price bands by location, but does not differentiate between bedroom numbers, which is crucial in order to identify the market entry cost for properties required by different sizes and household compositions. This of particular importance so that a 'matching exercise' can be performed between the size of property and household composition of newly forming households. For example, a one bedroom property would, under a strict application of the statutory overcrowding rules, be sufficient for a single person or couple household, but not for a household with children.

The analysis of a property sales and rental website focuses on one bedroom properties, two bedroom flats, two bedroom houses and three bedroom properties. The sample contains properties advertised on the property website in April 2009 for all postcode sectors with the South Housing Market Area.

The property website used covers around 90% of all properties for sale at any time, which gives a comprehensive representation of the level of supply availability and respective asking prices. The sale figures have been adjusted to reflect the difference between sale and asking prices over the three-month period of the sample data. This figure varies across the postcode districts in the South Housing Market Area.

Table 11: Lower Quartile Prices of House Sizes by District – April 2009

District	1 Bed Sale	1 Bed Rent	2 Bed Sale	2 Bed Rent	3 Bed Sale	3 Bed Rent
Bromsgrove	£78,804	£395	£109,292	£495	£137,443	£550
Malvern Hills	£84,871	£395	£129,116	£495	£178,734	£650
Redditch	£68,744	£415	£100,825	£525	£114,574	£550
Stratford-on-Avon	£100,802	£450	£133,641	£595	£176,444	£725
Warwick	£83,871	£450	£124,378	£575	£161,286	£695
Worcester City	£83,603	£425	£119,880	£525	£142,987	£600
Wychavon	£78,413	£395	£118,979	£525	£154,970	£643
Wyre Forest	£82,599	£364	£106,474	£450	£128,512	£520
South HMA	£82,479	£400	£118,584	£525	£144,888	£600

Source: Property Website, April 2009

The 'entry-level' sale prices have decreased over the last year by between 5 and 10%, which complements the Land Registry data, where there has been a 5.2% decrease across the South Housing Market Area. Land Registry data typically has a time lag due to the nature of how property prices are recorded. The lower quartile price across the South Housing Market Area for one bedroom properties is around 10% lower than a year ago, compared to a 5% decrease for two and three bedroom properties.

Over the second half of 2009 prices have begun to rise again and consequently the gap between asking and selling prices has reduced. Last year this differential was much larger as buyers were able to negotiate large discounts on asking prices due to tough market conditions. A lack of supply of properties on the open market has been the main factor in price rises and mortgage finance is becoming more freely available.

Redditch and Wyre Forest typically have the lowest market-entry prices for most property sizes and unsurprisingly Malvern Hills and Stratford-on-Avon have the highest.

The availability of properties at this entry-level, particularly one bedroom properties is limited and therefore this is slightly misleading as a measure because many people would not be able to access the open market at this level even if they wanted to. This is a bigger problem in more rural areas where availability is almost none existent. There is a greater amount of two bedroom properties available but prices are still out of the reach of many first-time buyers. In the South Housing Market Area, two bedroom properties command a premium of between 30% and 40% over one bedroom properties.

Rental prices decreased in 2009 as many sellers decided to rent their properties instead resulting in an increased supply of properties and therefore more competition. The cost of renting is highest in Stratford-on-Avon and lowest in Wyre Forest. As market conditions improve further, fewer properties will be available on the rental market and prices could increase.

- Over the past three years, the most densely populated districts within the South Housing Market Area, Warwick and Worcester City have the highest availability of one, two and three bedroom properties for sale.

- However, Worcester City has seen fluctuations in its one and two bedroom lower quartile sale prices due to many new properties of this type being built in the city centre.
- The supply of one bedroom properties for sale is around a quarter of two bedroom properties across all districts in the South Housing Market Area.
- Three bedroom properties, where the supply is 60% greater than two bedroom properties. On average across the South Housing Market Area a three bedroom properties commands a 32% premium over a two bedroom property (two bedroom properties command a 50% premium over one bedroom properties).
- Warwick still contains the highest number of rental properties across the, which accounts for almost a quarter of all private rented properties available within the South Housing Market Area.
- Stratford-on-Avon and Worcester City also have a large selection of rental properties available and along with Warwick, are the highest priced districts.
- Malvern Hills and Redditch have a very limited supply of rental properties. Malvern Hills also has the smallest supply of properties available for sale.

5.4 Price Increases

Property prices have continued to rise over the last decade and some years have seen very high annual increases, but also some small decreases have occurred. Price increases are driven to a significant extent by demand outstripping supply and changes in interest rates. Interest rates have been fairly steady between 2002 and 2007, ranging between 4% and 6%. Rates rose towards the end of 2006 and then further in 2007 to 5.75%. Towards the end of 2008 when the UK went into recession, interest rates were cut sharply from 5% down to 0.5% in March 2009.

Interest rate cuts have been needed to kick-start the economy and have helped the housing market and in particular improved mortgage lending, although the number of mortgages being approved is still significantly less than in 2007. Many first-time buyers don't have a large deposit and therefore are offered worse rates than those with larger deposits. The level of deposit is the main factor in determining the mortgage rate offered.

Many analysts forecasted house prices to remain flat throughout 2008; however we have seen prices falling in most areas of the UK. A similar prediction was made for 2009 as the housing market struggles to recover from an economic crisis and major shortage of credit. However, prices have increased in the second half of 2009 causing annual change to begin to become positive again.

The following table analyses annual property prices over the last eight years by District, as historical evidence is only available at this level.

Table 12: Average Prices for All Properties 2001-2008 by District

District	2001	2002	2003	2004	2005	2006	2007	2008	Last 3 Years Increase
Bromsgrove	£142,053	£163,800	£189,478	£210,241	£216,000	£228,448	£236,946	£243,830	12.9%
Malvern Hills	£141,517	£181,374	£199,861	£224,832	£232,167	£250,517	£266,421	£242,258	4.3%
Redditch	£98,912	£112,221	£134,013	£153,770	£152,298	£160,329	£169,045	£163,397	7.3%
Stratford-on-Avon	£168,008	£194,396	£222,173	£241,682	£250,907	£262,016	£276,532	£273,179	8.9%
Warwick	£139,761	£171,027	£193,575	£212,014	£219,459	£230,351	£238,842	£231,986	5.7%
Worcester City	£98,612	£119,738	£141,017	£159,811	£165,389	£176,654	£189,208	£176,372	6.6%
Wychavon	£140,130	£155,343	£186,518	£213,952	£223,621	£230,829	£248,716	£248,859	11.3%
Wyre Forest	£99,818	£114,208	£140,011	£158,431	£166,746	£171,127	£182,076	£177,657	6.5%
South HMA	£130,249	£153,235	£177,767	£199,280	£205,027	£214,607	£227,154	£221,575	8.1%
West Midlands Region	£94,596	£111,449	£131,398	£151,149	£158,622	£171,329	£174,656	£171,623	8.2%

Source: Land Registry Bespoke Reports

Across the West Midlands Region, prices have increase by 8.2% over the past 3 years, which is much lower than last year as house prices have dropped in 2008. The highest increases can be seen in Bromsgrove (12.9%) and Wychavon (11.3%). The average property price in the South Housing Market Area is approximately £50,000 greater than the regional average. The difference between average property prices is extremely varied between Districts with a range of almost £100,000.

The lowest price increases have occurred in Malvern Hills and Warwick where prices are some of the highest across the South Housing Market Area. In the last three years, Redditch has had an average price slightly below that of the regional average. With house prices decreasing throughout 2008, there has been a fall in average house prices across most districts, the South Housing Market Area and region. In some districts these falls have been greater than others, specifically Malvern Hills.

Appendix 4 contains a breakdown of price increases by property type for each District.

5.5 Housing Affordability

A good indicator in measuring affordability within a specific area is the ratio of lower quartile house prices to lower quartile earnings. The data presented here is lower quartile earnings as specified within the Housing Market Information: Advice Note¹⁷ and relates to an individual rather than a household. Household incomes have also been considered later. Analysing affordability provides information about the accessibility of certain types and locations of housing to local people. The lower the affordability ratio, the more affordable the housing is to local people.

Table 13: Housing Affordability Ratio by District, 2001-2008 (Lower Quartile Earnings^{1,2})

District	2001	2002	2003	2004	2005	2006	2007	2008
Bromsgrove	6.14	8.02	8.24	9.20	9.44	9.15	9.70	9.00
Malvern Hills	6.31	8.08	9.33	9.54	9.98	10.25	11.01	10.20
Redditch	4.77	5.15	6.07	6.44	6.62	7.61	7.64	7.49
Stratford-on-Avon	6.84	8.62	8.57	8.58	10.05	9.53	9.01	8.92
Warwick	5.99	7.02	7.89	8.19	8.56	8.26	8.59	8.23
Worcester City	5.10	5.74	6.63	7.65	8.29	8.09	8.64	8.61
Wychavon	6.13	6.99	8.00	8.51	9.23	9.37	9.38	8.88
Wyre Forest	5.15	5.84	6.28	7.93	8.33	7.52	7.75	7.84

¹ Lower quartile earnings is workplace based annual incomes of full-time employees

² Lower quartile house prices from Land Registry are for the first half of the year only, so it is comparable to the ASHE data which is as at April

Source: Land Registry Bespoke Reports, Annual Survey of Hours and Earnings 2001-2007 (ONS) and CLG Live Tables.

The affordability ratio is highest in Malvern Hills and Bromsgrove, where lower quartile house prices are high relative to the South Housing Market Area. Affordability ratios have generally decreased in 2008 with the exception of Wyre Forest, which has seen a small increase.

Redditch and Wyre Forest have the lowest ratios and this is where house prices are lowest relative to the South Housing Market Area, 7.49 and 7.84 respectively, however this lower quartile multiplier implies even at this level, many people will be excluded from purchasing even lower quartile market housing. Guidance suggests a single earner can be considered to afford to buy a home if it costs 3.5 times their gross income.

The emphasis of this ratio is on assessing the affordability for those on lower quartile incomes, which will include young households and first-time buyers. However, this applies to single households looking to buy on their own or with financial assistance. It does not account for joint incomes of couple households or those looking to buy with friends, which has become ever more popular over recent years.

¹⁷ Housing market core indicator 1, Housing Market Information: Advice Note (Communities and Local Government: London, May 2007). See <http://www.communities.gov.uk/documents/planningandbuilding/pdf/322999>

The affordability ratio of all districts has worsened (i.e. increased) over the last ten years, which implies lower quartile house prices have been rising faster than lower quartile earnings and that there is also a housing market imbalance, with the demand for housing significantly higher than supply.

Affordability ratios for both median house prices and earnings and lower quartile house prices and earnings, from 1997, can be found in Appendix 4. The following table presents the ratio of lower quartile household incomes to lower quartile house prices.

Table 14: Housing Affordability Ratio by District, 2008 (Lower Quartile Household Incomes)

District	Lower Quartile House Price ¹	Lower Quartile Household Income	Affordability Ratio
Bromsgrove	£148,000	£20,973	7.06
Malvern Hills	£149,950	£19,063	7.87
Redditch	£117,000	£18,943	6.18
Stratford-on-Avon	£157,500	£20,555	7.66
Warwick	£148,000	£20,622	7.18
Worcester City	£125,000	£18,259	6.85
Wychavon	£150,000	£19,624	7.64
Wyre Forest	£116,000	£17,691	6.56

¹ Lower quartile house prices from Land Registry are for the whole year
Source: Land Registry Bespoke Reports and PayCheck 2009, CACI.

Again, as with Table 13, Malvern Hills and Stratford-on-Avon have the highest affordability ratios. Therefore the cost of market entry in Malvern Hills for households with incomes in the lower quartile is at least 7.87 times their household income, but this is a smaller ratio than last year. Again, as with lower quartile earnings, Redditch and Wyre Forest have the lowest affordability ratios, where house prices and household incomes are generally lowest. However, in Redditch lower quartile incomes are comparable to other districts, but when coupled with the lowest lower quartile house price gives a low affordability ratio.

In conclusion, the previous two tables show that Redditch and Wyre Forest are the 'most affordable' districts and conversely, in comparison, Malvern Hills and Stratford-on-Avon are the 'least affordable'.

6. Influences on Housing Supply and Demand

This chapter looks at what changes, if any, have occurred over the past year and the implications of the previous two chapters on housing supply and demand. In particular, information informing the 2008 RSS Annual Monitoring Report, which was published in February 2009.

6.1 Population and Household Growth

The population within the West Midlands Region has risen by 2.5% between 2001 and 2008¹⁸. Over the same period, the South Housing Market Area has seen population growth of 4.1%. There has been little population growth in Worcester City (0.8%) due to decreasing household sizes, whereas the highest rate of growth can be seen in Warwick, 7.6%. Furthermore, there is a historic pattern of outward migration to surrounding rural areas within Malvern Hills and Wychavon.

The 2006-based long-term Sub-national Population Projections (SNPP) was published in June 2008. Between 2006 and 2031, the population within the West Midlands Region is expected to increase by 29,900 per annum. This is a significant increase from the 2004-based projections, which predicted an increase of 16,200 per annum.

The largest changes can be seen in the 0-14 age range, which is projected to grow by almost 115,000 in the 2006-based projections but had previously been allocated a 6,000 decrease in the 2004-based figures. The 25-44 age group also has a substantial change; a decrease of 40,000 in the 2004 figures has been revised to become a 65,000 increase. This is significant as there will be increased demand for housing from new households.

The 2006-based Household Projections were published in March 2009 and take account of the new 2006-based population projections (published in June 2008). In the South Housing Market Area, households are projected to increase by 110,000, which is an increase of a third on 2006 levels of 331,000. The population over the same time period is projected to increase by 150,800. Therefore the average household size of the growth is just 1.37, a long way below the current household size in the South Housing Market Area.

One-person households make up the majority of the growth, accounting for 64% of all household growth at the sub-regional level. It is also projected that the number of married couples will remain constant but the number of cohabiting couples will increase, the second highest contributor to overall household growth (26%).

¹⁸ 2001 and 2008-mid year Population Estimates, Office for National Statistics.

6.2 Migration

6.2.1 International Migration from Overseas

Average annual net migration into the West Midlands from overseas over the period 2003-2008 is around 11,900. Levels of international migration into the Region have varied greatly year-on-year reflecting government policy and partly world events (e.g. EU expansion). ONS have recently revised the way in which international migrants are counted and distributed around the country.

The revised figures suggest that EU Accession in May 2004 has had a negligible effect in terms of gross numbers moving into the West Midlands, at least at the Regional level. Overseas migration into the Region has been fairly constant since 2001, with very little noticeable increase since 2004. This situation is in contrast to the national pattern, as the UK has seen an increase in the amount of immigration, by about 80,000 since the expansion of the EU.

Almost all of the net inflow of overseas migrants coming into the West Midlands prefer the Metropolitan Area as a destination, in particular Birmingham, which receives an average net flow of around 6,600 per annum. The South Housing Market Area has a smaller gain due to net international migration, with Worcestershire gaining on average 300 people per annum. It should be noted that the level of in-migration has changed considerably over this time period, with a net outflow from Worcestershire of around -800 in 2003/04 changing to a net inflow into Worcestershire of +1,200 in 2007-08.

Historically the region loses net migrants to England and Wales, the level of this migration has fluctuated over time, as changes in house prices and affordability have taken effect. Net migration out of the West Midlands to England and Wales over the last five years (2003-2008) averages over 5,600 per annum. The majority of the losses tend to be in the student and young adult (16-24) age group, although there is also evidence of a migration outflow in the 25-44 and to a lesser extent the pre-retirement (45-64) age ranges.

Conversely, analysis of migration into the South Housing Market Area shows significant inflows into Stratford-on-Avon and Warwick, as well as Bromsgrove, Malvern Hills and Wychavon, particularly from the East and South East of England.

6.2.2 Migration within the West Midlands

There is an established pattern of net migration within the region – of the conurbation consistently losing migrants to the rest of the West Midlands Region. Between 2003 and 2008 net outward migration has averaged 10,100 per annum with families accounting for the majority of losses. Net migration from the West Midlands into Worcestershire in 2007/08 was 1,420, but has been declining since 2002/03. Similarly, Warwickshire saw a net inflow of 2,740 in 2007/08, which has also decreased over the past five years.

The rural shires gain substantially from intra-regional moves. Warwickshire gains most significantly from student migration into Warwick from Coventry, while a large part of Worcestershire's gain is due to the migration of families into Bromsgrove from neighbouring Birmingham. Redditch and Worcester City both saw a net loss to the West Midlands region in 2007/08. The South Housing Market Area experiences a significant inward migration from other areas of the region, as well as from the East and South East of England.

6.3 New Housing Supply within the West Midlands Region

Housing supply in the West Midlands Region continues to be above levels suggested within the current RSS. The RSS Revision Phase Two EiP Panel Report recommends a net annual requirement (i.e. including demolitions) for 19,895 new homes across the Region between 2006 and 2026. This equates to a 36% increase from the current RSS target level of housing provision (2011-2021) of 14,650 per annum.

6.4 New Housing Supply for the South Housing Market Area

In the South Housing Market Area, there has been a significant over-supply of new housing against current RSS requirements. Between 2001/02 and 2008/09, 17% more dwellings have been built than the RSS requirement - the highest variance across all four sub-regions. Moratoriums on new planning permissions are still in place in Bromsgrove, Stratford-on-Avon and Warwick to slowdown the rate of new supply. This applies to all applications except affordable or 'local choice' schemes.

The total number of new dwellings completed in 2008/09 in the South Housing Market Area was 1,857; a decline from 2,701 in 2007/08, while the current RSS target level of completions for 2007/11 is 1,982 per annum, dropping to 1,703 per annum for 2011-2021. However, the RSS Phase 2 Preferred Option gives a revised requirement of 2,650 per annum, significantly above current RSS target levels, but slightly below historic completion rates.

At RSS planned annual average rates of housing provision, there is 4.8 years committed land supply in the South Housing Market Area. When comparing against the RSS Revision Phase Two Preferred Option, this reduces to 3.2 years committed land supply. In comparison, the West Midlands has 6.0 years committed land supply – split 7.4 years within the Major Urban Areas (MUAs) and 4.9 years in Other Areas. If the South HMA continued to build at past levels, it would significantly exceed RSS housing requirement targets. These land supply figures within the South Housing Market Area are relatively limited; they do not include more speculative commitments¹⁹. Furthermore, the RSS housing requirement targets are 'minima' in the MUAs, whereas they are 'maximum' targets outside the MUAs. This is the reason that some Local Authorities have had to introduce moratoria type policies.

¹⁹ Includes committed sites under construction, with planning permission or in an adopted local plan

Furthermore, in 2008/09, 75% of all new supply in South Housing Market Area is from windfalls. The equivalent figure is higher at 77%. Hence the potential land supply is much more than 4.8 years, which will continue to have implications for the proportion of affordable housing that can be secured in the future.

The latest population and household projections together with net in-migration into the South Housing Market Area continue to show an increasing demand for housing, which looks set to continue into the future. Increased housing demand coupled with limited future land supply would suggest housing affordability will continue to worsen in the longer term as demand will always outstrip supply. However, economic factors can change this as has been seen recently with a UK recession causing a severe drop in house prices.

The RSS seeks to concentrate longer-term strategic housing development in five specific locations, known as sub-regional foci. Worcester and Warwick/Leamington are listed as sub-regional foci within the South Housing Market Area²⁰ and are both considered capable of providing balanced and sustainable growth. This will inevitably help to meet local needs in the short-term but infrastructure constraints apply, particularly to Worcester, which will inhibit significant growth in the near future.

6.5 Affordable Housing Supply for the South Housing Market Area

The latest HSSA returns (2008/09) show that there was an average of 621 affordable completions per annum over the past 4 years, which equates to only 55% of the RHS sub-regional target of 1,123 affordable completions per annum (2006-2011). For 2009/10 the figure is projected to increase marginally to 627, 56% of the current RHS target. Furthermore, this figure is below the minima target within the RSS Phase 2 Preferred Option of 1,000 affordable completions per annum.

The HSSA also forecasts proposed affordable completions in 2010/11. These projected figures are very much a cautionary approach aimed at giving a realistic representation of future affordable completions. Across all districts there are many other schemes that are contained within the district planning systems, of which many are speculative and are unlikely to go ahead, hence why a more moderated view has been taken.

These projections show that supply will average 431 per annum over the next two years, a decrease on last year's three-year projection of 538 per annum. This equates to 43.1% of the RSS Preferred Option target and 38.4% of the RHS target.

²⁰ Rugby, Shrewsbury and Telford are the other sub-regional foci within the West Midlands outside the Major Urban Areas

Table 15: Affordable Completions by District – 2001/09 and 2009/11

District	2001/09 average per annum	2005/09 average per annum	2009/10 Planned	2009/11 average per annum
Bromsgrove ¹	52	84	94	84
Malvern Hills	41	35	105	76
Redditch ¹	57	54	48	61
Stratford-on-Avon	109	111	69	35
Warwick	94	89	55	31
Worcester City	91	118	86	43
Wychavon	61	59	36	41
Wyre Forest	59	71	72	60
South HMA	564	621	565	431

¹ Bromsgrove and Redditch figures have been revised downwards from HSSA figures

Source: HSSA Returns

Affordable completions per annum have averaged 564 over the past 8 years across the South Housing Market Area. Affordable completions are expected to increase slightly in 2009/10 with Bromsgrove, Malvern Hills and Redditch expected to have a significantly greater number of affordable completions in 2009/10 compared to past completions. It is very difficult to obtain a longer-term projection of affordable housing provision beyond 2009/10 because new schemes will be entering the planning process and the delivery of larger allocated sites will vary due to timing issues and affordable housing threshold policies.

Table 16: Affordable Completions by Type and District – 2008/09 and 2009/11

District	2008/09 Completions		2009/11 average per annum	
	Social Rented	Intermediate	Social Rented	Intermediate
Bromsgrove	68	75	63	21
Malvern Hills	33	39	33	43
Redditch	9	4	46	15
Stratford-on-Avon	33	18	16	19
Warwick	77	36	27	4
Worcester City	108	39	32	11
Wychavon	46	18	37	4
Wyre Forest	51	48	45	15
South HMA	425	277	299	132

Source: HSSA Returns

Table 16 gives a breakdown of social rented and intermediate affordable completions in 2008/09 and a projection for the next two years. Social rented accommodation is still the preferred tenure over intermediate, which includes shared ownership, shared equity and intermediate rent products. The table shows that completions are likely to fall over 2009/11 but this projection is low due to the reasons discussed earlier.

It is worth considering the RSS Revision Phase Two EiP Panel Report because this proposes new housing supply up to 2026 and therefore beyond the timescales of all local development plans. Over the past seven years, 17.6% of all completions have been affordable (Table 6).

A large proportion of completions in the South Housing Market Area are on small windfall sites that are below affordable housing thresholds and larger sites that have completed in recent years were negotiated with lower affordable housing thresholds. Threshold policies have changed recently and therefore these factors will not apply to future allocations and hence completions in the coming years.

Table 17: Potential Affordable Housing Supply Post 2011 by District (Based on RSS Phase Two Revision EiP Panel Report)

District	Indicative Annual Average 2006-2026	Affordable Proportion			2009/11 average per annum (Table 15)
		30%	40%	50%	
Bromsgrove	200	60	80	100	84
Malvern Hills	250	75	100	125	76
Redditch	350	105	140	175	61
Stratford-on-Avon	375	113	150	188	35
Warwick	550	165	220	275	31
Worcester City	550	165	220	275	43
Wychavon	475	143	190	238	41
Wyre Forest	200	60	80	100	60
South HMA	2,950	885	1,180	1,475	431

Source: RSS Phase Two EiP Panel Report and District Projections (2009/11)

If the proportion of new affordable housing increased from its present level of 17.6% to 40% (districts now have affordable housing thresholds at this level for larger sites), all districts except Bromsgrove would see significant increases in affordable housing provision. Furthermore, the RSS Phase Two Revision EiP Panel Report recommends an affordable completions target in the South Housing Market Area of 1,200 per annum, which would also be slightly above the RHS target of 1,123 per annum.

The current level of affordable housing provision seems likely to increase slightly up to 2011 (18.3% of the indicative annual average) as the pressure increases for more affordable housing. House building has slowed during the economic downturn, which on one hand has restricted affordable housing completions, but also provided opportunities for RSLs to convert private stock. Beyond 2011, increases in some districts will be strongly dependent on increasing affordable housing proportions above their current levels.

6.6 Housing Mix

In 2008/09, 54.6% 37.6% of all completions in the South Housing Market Area were at densities of 50+ per hectare, a large decrease on the previous year (37.6%) and subsequent previous years. 23.9% of dwellings were built at a density of 30-50 per hectare and 21.6% at less than 30 per hectare²¹.

Completions in the South Housing Market Area in 2008/09 of 1 and 2 bedroom flats as a proportion of total completions has increased to 51% after dropping to 41% last years (50% in 2006/07). Worcester City had the highest proportion of flat completions with 55.51%, slightly up on the previous year. High proportions of flat building has been common over the past few years as a number of large scale inner city developments have taken place, but with a downturn in the housing market and economic worries this number has been scaled back as flats have typically struggled to sell. Many flats have remained unoccupied once completed and make a smaller relative contribution than the figures suggest.

6.7 Aspirations

The Survey of English Housing (SEH) 2007/08²² found that 24% of social renters said that they expected to become homeowners eventually – compared to 56% of private renters. Both a small decrease on the previous year's results of 27% and 57% respectively. Of these people who expect to buy, just 12% of social renters were expecting to buy in the next 2 years, compared with 28% of private renters.

Nearly half of those social renters (44%) who expect to become homeowners said they expected that the home they bought would be the home they are currently renting. This compares with only 14% of the private renters who expect to buy their current accommodation.

62% of social renters said that they would never be able to afford to buy their own home, which is the same proportion of private renters. Other reasons why renters said they didn't expect to buy their own home included that they preferred it where they were now and that they didn't want to get into debt.

6.8 First-Time Buyers

The Council for Mortgage Lenders publish a number of statistics regarding first-time buyers including lending and affordability figures. A report was also produced in May 2007 entitled, "Affordability – Are parents helping?"²³, which discussed how parents are helping first-time buyers get onto the property ladder.

With interest rates falling sharply it should be a good time for first-time buyers to enter the market but with mortgage rates and deposit requirements very high this is having a negative impact, as banks look to eliminate their lending risk and rebuild the capital lost as recession hit.

²¹ Regional Housing Land Availability Survey 2006

²² Communities and Local Government, www.communities.gov.uk/seh

²³ <http://www.cml.org.uk/cml/filegrab/032007Affordability.pdf?ref=5390>

The following table shows the number of loans to first-time buyers along with other interesting information about first-time buyers.

Table 18: First-time Buyers – Lending and Affordability, West Midlands, 2008/09

Month	Number of Loans	% of Total for House Purchase	Value of Loans (£m)	Age of Borrower	Advance (£)	Income (£)	Advance (%)	Income Multiple	Interest Payments as % of Income
				Median	Median	Median	Median	Median	Median
Apr 08	1,600	41	170	28	104,299	31,600	89	3.29	19.3
May 08	1,700	41	182	28	106,285	31,820	89	3.27	19.1
Jun 08	1,500	41	166	28	103,000	31,655	88	3.26	19.1
Jul 08	1,500	39	157	29	102,499	31,750	87	3.23	19.8
Aug 08	1,200	39	126	28	99,000	31,600	85	3.15	19.4
Sep 08	1,100	41	112	28	94,049	30,240	83	3.09	19.3
Oct 08	1,300	41	128	28	96,444	30,720	85	3.13	19.4
Nov 08	1,000	40	97	28	91,800	30,000	84	3.06	17.8
Dec 08	1,000	39	96	28	90,675	29,761	80	3.03	16.9
Jan 09	800	40	70	28	86,727	28,865	77	2.94	16.4
Feb 09	800	40	69	29	85,500	29,466	76	2.95	15.0
Mar 09	1,000	41	91	28	84,600	29,957	77	2.93	15.0

Source: Council for Mortgage Lenders, Table ML2. CML/BankSearch Regulated Mortgage Survey.

Table 18 presents a number of trends, which indicates a slowdown in the housing market with less first-time buyers entering the housing market. The number of loans has been decreasing since August 2007, with February 2009 seeing the smallest number of loans approved. First-time buyers account for around 40% of all house purchases, which indicates that first-time buyers are integral to the housing market mechanism.

The median advance has decreased by 13 percentage points since the middle of 2007. Over recent months the table shows first-time buyers have required a much larger deposit as the advance percentage (loan to value ratio) has decreased, with the average deposit being around 23%. Taking this average deposit, the average sale price for a first-time buyer in the West Midlands in March 2009 was £110,000.

Income multiples have also decreased as have interest payments as a percentage of income, which suggests affordability is generally improving but this is very much reliant on the mortgage products being available to first-time buyers.

Many house builders have been offering special deals to first-time buyers to help sell properties on their new developments and ultimately stimulate the housing market. These offers include deposits being paid, interest free loan on certain percentage of property value, contributions towards mortgage payments and stamp duty and legal fees being paid to name a few.

7. Supply and Demand in the Social Sector

As has been seen, there are data sources that can be monitored to identify different levels of supply and demand pressure in the market sector. Similarly, evidence of RSL and LA stock turnover through social housing re-lets can also be monitored to identify the types and locations of properties that become available over a year. By comparing this with the number of waiting list applicants for each category of property, it is possible to gauge levels of either shortage or surplus.

This chapter looks at each Local Housing Market Area and District to compare social housing stock, stock turnover and demand in relation to supply. The following tables provide an update of the supply and demand position within the social sector.

7.1 Social Housing Stock

Table 19: Social Housing Stock by Local Housing Market Area, 2008/09

Local Housing Market Area	1 bed		2 bed flats		2 bed other		3 bed		4+ bed		Total
	No.	%	No.	%	No.	%	No.	%	No.	%	No.
Bromsgrove	1,072	35.7	495	16.5	361	12.0	1,041	34.6	37	1.2	3,006
Droitwich	516	26.3	235	12.0	346	17.6	760	38.7	105	5.4	1,962
Evesham	857	30.3	180	6.4	766	27.1	1,003	35.5	21	0.7	2,827
Malvern	731	25.8	501	17.7	583	20.6	959	33.8	62	2.2	2,836
Pershore	313	33.4	51	5.4	253	27.0	309	33.0	11	1.2	937
Redditch	2,970	37.0	802	10.0	1,532	19.1	2,491	31.1	225	2.8	8,020
Stratford	977	22.3	567	13.0	1,272	29.1	1,445	33.1	111	2.5	4,372
Warwick and Leamington	2,396	27.5	1,840	21.1	1,632	18.7	2,753	31.6	144	1.7	8,705
Worcester	2,262	29.5	1,167	15.2	1,208	15.8	2,865	37.4	160	2.1	7,662
Wyre Forest	754	16.0	589	12.5	1,015	21.5	2,253	47.8	104	2.2	4,715
Total	12,848	28.5	6,427	14.2	8,968	19.9	15,879	35.2	980	2.2	45,102

Note: Totals include general needs and sheltered stock, but is likely to be under-estimate as not all RSLs provided their full stock profiles.

Source: Schedules provided by LA and RSL stockholders

The proportions of property types in Table 19 vary by property size and between HMAs, particularly two bedroom properties.

Just over a quarter of the social housing stock is made up of one bedroom properties of which the majority are flats. Two in five of one bedroom properties are sheltered housing, of which a large number are bedsits. Redditch has a particularly high proportion of one bedroom properties (37.0%), whereas Wyre Forest's (16.0%) is by far the lowest.

Just over a third is two bedroom properties, split between flats (14.2%) and houses and bungalows (19.9%). Three bedroom houses account for over a third of the ten LHMA's social housing stock, almost all of which are houses. Nearly half of Wyre Forest's social housing stock is made up of 3 bedroom properties.

Four bedroom and larger houses make up just 2.2% of the overall stock. Bromsgrove, Evesham and Pershore have well below the average number of larger properties, whereas Droitwich has a particularly large proportion of 4+ bedroom houses, at 5.4%, over twice the average.

Table 20: Social Housing Stock by District, 2008/09

District	1 bed		2 bed flats		2 bed other		3 bed		4+ bed		Total
	No.	%	No.	%	No.	%	No.	%	No.	%	No.
Bromsgrove	1,364	36.0	583	15.4	491	13.0	1,307	34.5	46	1.2	3,791
Malvern Hills	929	24.1	603	15.7	880	22.9	1,369	35.6	68	1.8	3,849
Redditch	2,868	38.4	754	10.1	1,349	18.0	2,282	30.5	225	3.0	7,478
Stratford-on-Avon	1,263	19.4	938	14.4	1,962	30.1	2,200	33.8	148	2.3	6,511
Warwick	2,390	30.7	1,639	21.1	1,234	15.8	2,405	30.9	118	1.5	7,786
Worcester City	2,036	30.7	1,020	15.4	936	14.1	2,479	37.4	151	2.3	6,622
Wychavon	1,927	27.6	695	9.9	1,709	24.5	2,512	36.0	143	2.0	6,986
Wyre Forest	719	16.0	552	12.3	943	21.0	2,175	48.4	104	2.3	4,493
South HMA	13,496	28.4	6,784	14.3	9,504	20.0	16,729	35.2	1,003	2.1	47,516

Note: Totals include general needs and sheltered stock, but is likely to be under-estimate as not all RSLs provided their full stock profiles.

Source: Schedules provided by LA and RSL stockholders

Some variation can be seen between the eight Districts social housing stock within the South Housing Market Area. However the total sub-regional proportions are almost identical to those for local housing market areas.

7.2 Stock Turnover – Social Housing Re-Lets

Table 21/22 presents stock turnover, which is used to project the level of social housing supply and estimate the shortfall in affordable housing supply. Turnover rate is calculated by the number of re-lets as a proportion of the total stock.

Table 21: Social Housing Re-Lets by Local Housing Market Area – 2008/09
(Number of re-lets, and re-lets as % of total stock number, i.e. turnover rate)

Local Housing Market Area	1 bed		2 bed flats		2 bed other		3 bed		4+ bed		Total
	No.	%	No.	%	No.	%	No.	%	No.	%	No.
Bromsgrove	105	9.8	62	12.5	14	3.9	34	3.3	3	8.1	218
Droitwich	53	10.3	19	8.1	21	6.1	16	2.1	2	1.9	111
Evesham	90	10.5	29	16.1	32	4.2	46	4.6	1	4.8	198
Malvern	76	10.4	69	13.8	37	6.3	35	3.6	2	3.2	219
Pershore	32	10.2	9	17.6	18	7.1	10	3.2	0	0.0	69
Redditch	336	11.3	75	9.4	92	6.0	118	4.7	11	4.9	632
Stratford-on-Avon	114	11.7	63	11.1	67	5.3	39	2.7	6	5.4	289
Warwick and Leamington	255	10.6	195	10.6	90	5.5	115	4.2	13	9.0	668
Worcester	279	12.3	150	12.9	64	5.3	106	3.7	10	6.3	609
Wyre Forest	90	11.9	82	13.9	45	4.4	73	3.2	1	1.0	291
Total	1,430	11.1	753	11.7	480	5.4	592	3.7	49	5.0	3,304

Source: Local Authority and RSL stock and lettings records, re-aggregated to Local Housing Market Areas

On average, 11.1% of all one bedroom properties became available in 2008/09, which equates to an average length of tenancy of 9 years. The same is almost the case for two bedroom flats.

Flats in general have a shorter average length of tenancy when compared to houses or bungalows. For example, one bedroom properties, which the majority of are flats, make up 28.5% of the social housing stock (Table 19), but account for 43.3% of the total re-lets.

The turnover rate for family houses is much different. Taking two bed other, three bed and 4+ bed properties together have a turnover rate of just 4.3%; or alternatively and average length of tenancy of around 23 years. The turnover rate for one and two bedroom flats is 11.3%, equivalent to an average length of tenancy of 8.8 years.

This means that flats cater for over two and half times as many households as the same number of houses. This is a slight decrease on last year when flats catered for almost three times as many households than houses. This is an important factor when considering the types of properties required to meet backlog and newly arising need.

Table 22: Social Housing Re-Lets by District – 2008/09
(Number of re-lets, and re-lets as % of total stock number, i.e. turnover rate)

District	1 bed		2 bed flats		2 bed other		3 bed		4+ bed		Total No.
	No.	%	No.	%	No.	%	No.	%	No.	%	
Bromsgrove	131	9.6	76	13.0	22	4.5	40	3.1	4	8.7	273
Malvern Hills	91	9.8	77	12.8	56	6.4	44	3.2	2	2.9	270
Redditch	315	11.0	70	9.3	82	6.1	109	4.8	11	4.9	587
Stratford-on-Avon	148	11.7	79	8.4	103	5.2	68	3.1	6	4.1	404
Warwick	261	10.9	187	11.4	73	5.9	99	4.1	13	11.0	633
Worcester City	257	12.6	136	13.3	51	5.4	96	3.9	10	6.6	550
Wychavon	203	10.5	78	11.2	81	4.7	85	3.4	3	2.1	450
Wyre Forest	87	12.1	80	14.5	39	4.1	71	3.3	1	1.0	278
South HMA	1,493	11.1	783	11.5	507	5.3	612	3.7	50	5.0	3,445

Source: Local Authority and RSL stock and lettings records

The number of social re-lets across all eight districts is marginally higher than that for the ten LHMA's, due to the larger geographical area. However, the turnover rates are very similar to those presented in Table 21, with three and 4+ bedroom properties having the lowest turnover rates. One bedroom and 2 bedroom flats have the highest turnover although average lengths of tenancies are still around 9 years.

7.3 The Ratio of Current Need to Supply from Social Housing Re-Lets

The ratio of the number of waiting list applicants to the number of social housing re-lets in a year gives a nominal waiting time. This is the second year since the introduction of a sub-regional Choice Based Lettings (CBL) scheme, resulting in a more comprehensive dataset than last year's monitoring.

7.3.1 CBL Background

The new sub-regional CBL scheme is called Home Choice Plus²⁴ and it is a common allocations scheme that operates across 6 of the 8 sub-regional Local Authorities, which include Bromsgrove, Malvern Hills, Stratford-on-Avon, Worcester City, Wychavon and Wyre Forest. Redditch and Warwick also operate their own similar CBL schemes and are also the only authorities that own their own housing stock.

The scheme gives applicants a single access point, as they only need to be registered once and this will then allow them to 'bid' on any of the vacancies advertised across any of the participating Local Authority areas. This system is interactive and involves registered households actively bidding for up to three properties through a weekly bidding cycle. Bids can be removed and replaced at any time throughout the cycle.

7.3.2 Advantages of using CBL data

The main advantages of using a sub-regional CBL scheme are:

- Consistent data across all authorities as one single database
- Same policies apply for all authorities and therefore comparable
- Data is easier to extract as it can be done once rather than six times
- Data can be easily reported
- Allows local connection to be analysed and therefore more accurately determine where housing need is located
- Offers choice from a range of housing options

As CBL has now been functioning successfully for a couple of years and this has allowed the system to be publicised and residents to become familiar with it. Therefore this has produced a more realistic reflection of those households in housing need. However, there is still likely to be many people in housing need that are still not registered on the CBL scheme.

The system has become more familiar with Local Authorities, allowing the quality of data to improve and better and more thorough analysis. The main benefit of a joint sub-regional scheme is that the data is consistent across all authorities allowing for comparative analysis.

²⁴ www.homechoiceplus.org.uk

7.3.3 Social Housing Need

Table 23 shows the number of applicants who are in housing need, for each property type in each LHMA, then divides them by the number of social housing re-lets as presented in Table 21. For example, the total of 5,048 applicants in need shown in Table 23 as requiring a 1 bedroom property is divided by the 1,430 re-lets for 1 bedroom properties in Table 21. The result is 3.5, or in other words, all those applicants in theory could be accommodated in 3.5 years.

Table 23: Social Need: Re-lets and Waiting Time by Local Housing Market Area

(Number of applicants in housing need and number of year's nominal waiting time)

Local Housing Market Area	1 bed		2 bed flats		2 bed other		3 bed		4+ bed		Total
	No.	Years	No.	Years	No.	Years	No.	Years	No.	Years	No.
Bromsgrove	320	3.0	176	2.8	78	5.6	56	1.6	23	7.7	653
Droitwich	340	6.4	152	8.0	111	5.3	69	4.3	31	15.5	703
Evesham	525	5.8	275	9.5	181	5.7	94	2.0	38	38.0	1,113
Malvern	194	2.6	90	1.3	69	1.9	36	1.0	21	10.5	410
Pershore	160	5.0	72	8.0	53	2.9	14	1.4	8	N/A	307
Redditch	812	2.4	272	3.6	277	3.0	143	1.2	79	7.2	1,583
Stratford-on-Avon	527	4.6	294	4.7	180	2.7	86	2.2	23	3.8	1,110
Warwick and Leamington	817	3.2	239	1.2	174	1.9	83	0.7	43	3.3	1,356
Worcester	749	2.7	361	2.4	369	5.8	184	1.7	107	10.7	1,770
Wyre Forest	604	6.7	461	5.6	249	5.5	161	2.2	71	71.0	1,546
Total	5,048	3.5	2,392	3.2	1,741	3.6	926	1.6	444	9.1	10,551

Source: Local Authority waiting lists, excluding applicants not in current housing need, and Table 21

The 'Years' column signifies the length of time on average it takes to accommodate the need – therefore the higher the number, the greater length of time it takes for that property type to become available (i.e. higher demand).

The LHMA's table relates to new applicants only and does not account for the needs of existing social rented tenants who have a need to transfer, just as they do not take account of lettings to existing tenants. However, the District tables can take account of transfer needs, and the figures have been adjusted to reflect the net requirement for property types on the assumption that all transfer needs are met.

The total number of applicants in need has increased by around 15%, reflecting the developing nature of new CBL systems. The number of applicants requiring all sizes of property has increased since the previous year. Waiting times are largely unchanged from the previous year because although social need has risen, so has the number of social housing re-lets. Waiting times for 2-bedroom houses has decreased from 4.1 to 3.6 years, but conversely the waiting time for 3-bedroom properties has increased from 1.4 to 1.6 years.

The highest ratios of need to supply are consistently for 4 bedroom properties, with an average waiting time of 9.1 years. However, there are big differences between LHMA's. High ratios for 4 bedroom properties are a consistent trend over time, which is a result of a very low number of re-lets for this type of property.

In the District tables, where transfer needs have been accounted for, the need for larger properties generally increases. This is because existing tenants would generally like a larger property than the one they currently occupy.

Table 24: Social Need: Re-lets and Waiting Time by District (Net of Transfer Needs)
(Number of applicants in housing need and number of year's nominal waiting time)

District	1 bed		2 bed flats		2 bed other		3 bed		4+ bed		Total
	No.	Years	No.	Years	No.	Years	No.	Years	No.	Years	No.
Bromsgrove	526	4.0	312	4.1	160	7.3	77	1.9	76	19.0	1,151
Malvern Hills	280	3.1	138	1.8	96	1.7	73	1.7	95	47.5	682
Redditch	691	2.2	233	3.3	288	3.5	128	1.2	166	15.1	1,506
Stratford-on-Avon	782	5.3	379	4.8	163	1.6	159	2.3	122	20.3	1,605
Warwick	950	3.6	41	0.2	91	1.2	71	0.7	122	9.4	1,275
Worcester City	697	2.7	182	1.3	349	6.8	123	1.3	164	16.4	1,515
Wychavon	1,304	6.4	711	9.1	405	5.0	246	2.9	162	54.0	2,828
Wyre Forest	670	7.7	482	6.0	246	6.3	112	1.6	132	132.0	1,642
South HMA	5,900	4.0	2,478	3.2	1,798	3.5	989	1.6	1,039	20.8	12,204

Source: Local Authority waiting lists, excluding applicants not in current housing need, and Table 22

Table 23, social housing need by LHMA, only takes account of the property requirements of waiting list applicants, as there is no means of apportioning the needs of existing tenants who have applied for a transfer. It excludes all applicants from outside any LHMA, even if they are within any of the 8 districts.

Conversely, Table 24 is district-based and therefore is able to take account of these applicants, showing the net property requirement based on the assumption that all transfer needs are met. This will increase the demand for some property types (e.g. single adults living with friends or relatives requiring a one bedroom property) and reduce it for others, but have no overall net effect on the total need figure. Table 19 also includes all applicants, regardless of their present location, which partly explains the higher figures. They include parts of the districts that are outside the LHMA boundaries.

The waiting times for the whole South Housing Market Area are comparable to the total of all 10 LHMA's, but are higher for the 1-bed as well as 4+ bedroom properties. This is the result of taking transfers into account, which tends to increase the need for both smaller and larger properties, i.e. applicants either under occupying or overcrowding. 3-bedroom properties have the shortest waiting times on average of 1.6 years.

The main change can be seen in Warwick, where total need has increased by almost 40%, and negates the large decrease seen in the previous year. The total number of applicants has fluctuated in recent years; 3,100 in 2008/09, 2,532 in 2007/08 and 4,557 in 2006/07.

An important issue to note is that social housing re-lets are cyclical and therefore comparing year-on-year data does not always provide an accurate and reliable comparison. Therefore it is better to look at past trends to understand how the number of social re-lets might be changing and this will improve as further monitoring work is completed.

Social re-lets taken from the annual HSSA are looked at in more detail in 10.2.2.

8. Current Unmet Housing Need (Backlog)

8.1 Principle of Backlog Reduction

The two main elements of housing need are:

- Existing households with unmet needs (Backlog Need) and;
- Housing need that will arise in the future (Newly Arising Need)

The monitoring compares the increase or reduction of Backlog Need and Newly Arising Need, as well as considering a realistic rate for reducing the Backlog Need.

8.2 Appropriate Rate of Reduction

The recommended minimum period is 5 years, which equates to an annual reduction of 20% from the starting figure. The original assessment used a 10% annual backlog reduction or a period of 10 years. For the annual monitoring, it has been decided that a rate of backlog reduction is more realistic over a 5-year period, i.e. an annual reduction of 20%. The reasons for this decision are listed below:

- Complies with the minimum time period that should be considered according to the government guidance.
- Other sub-regional housing market areas are using the assumption of a 20% annual backlog reduction and therefore allows for comparison.
- Since the introduction of choice-based lettings and a complete dataset, analysis of the waiting list has shown that a larger proportion of applicants would be releasing properties than previously suggested, based on less reliable Local Authority housing waiting list data.

8.3 Rates of Backlog Reduction

Tables 25 and 26 show the number of housing register applicants currently in housing need. By taking these figures and apply reduction rates of 10% and 20%, the annual requirement for affordable housing to meet this backlog can be established for both Local Housing Market Areas and Districts.

Table 25: Rates of Backlog Reduction by Local Housing Market Area

Local Housing Market Area	Total in Need (Table 22)	20% Reduction Per Annum	10% Reduction Per Annum
Bromsgrove ¹	653	131	65
Droitwich	703	141	70
Evesham	1,113	223	111
Malvern	410	82	41
Pershore	307	66	31
Redditch	1,583	317	158
Stratford-on-Avon	1,110	222	111
Warwick and Leamington	1,356	271	136
Worcester	1,770	354	177
Wyre Forest ¹	1,546	309	155
Total	10,551	2,116	1,055

¹ Excludes applicants within Bromsgrove and Wyre Forest Districts that are outside the LHMA (and within the Dudley and Birmingham LHMA)

Most Local Housing Market Areas have seen an increase in the total number of waiting list applicants in housing need. There has been an increase in applications across the South Housing Market Area as the relatively new choice-based lettings scheme has developed. Warwick and Leamington has seen an increase (36%) in housing need, resulting in an increase in need across all 10 LHMA's of 14.1%. The total need at a 20% reduction per annum has seen an increase of 260 from 2,850 to 2,110 per annum.

Table 26: Rates of Backlog Reduction by District

District	Total in Need (Table 23)	20% Reduction Per Annum	10% Reduction Per Annum
Bromsgrove	1,151	230	115
Malvern Hills	682	136	68
Redditch	1,506	301	151
Stratford	1,605	321	161
Warwick	1,275	255	128
Worcester City	1,515	303	152
Wychavon	2,828	565	283
Wyre Forest	1,642	328	164
South HMA	12,204	2,439	1,222

The total need for the South Housing Market Area has increased by just under 1,500 (13.6%) since last year due to an increase in housing need across nearly all districts, as waiting lists have become have developed.

8.4 Waiting List Analysis

Analysis of the waiting list information shows that approximately a third of all applicants in housing need are either living with parents/relatives, sharing or in an institution. Many of these applicants are single people, typically around half, but this is more prominent in Redditch and Warwick, where over 60% of those living with parents/relatives, sharing/lodging or in an institution are single. The majority of other applicants have one or more children.

12% of total applicants are owner-occupiers, who are nearly all single people and couples with no children, of which these are generally elderly. The highest proportions of owner-occupiers can be found in Bromsgrove (32%) and Wyre Forest (29%).

Finally of those households in housing need, private renting accounts for 28% of applicants, an increase of 2 percentage points from last year. The proportion of applicants privately renting is highest in Stratford-on-Avon (46%), which is a result of high house prices and low affordability. Only 13% of applicants in Warwick currently occupy privately rented accommodation.

Wychavon's waiting list data has a number of applicants where the current tenure is unknown and therefore not allowing for a comparison to other Districts.

9. Future (Newly Arising) Housing Need

9.1 The Principle of Projecting Newly Arising Need

The methodology for projecting the number of households who will be in housing need in the future remains the same as previously stated in the initial Assessment and monitoring update.

The two main aspects of future (newly arising) housing need are:

- **Newly forming households (gross per year)** - the proportion of these households unable to buy or rent in the market.
- **Existing households falling into need** - whose personal circumstances change and they can no longer meet their minimum reasonable housing requirements.

Within the two main aspects, there are two key characteristics of households that will be in future housing need:

- **Household composition** – understanding the size and therefore the property requirements of the household.
- **Income** – determining the tenure that these households are able to afford.

Newly arising need is considered in the same way as backlog need – by location, property size and type, and tenure. Therefore this provides consistency with previous assessments of housing need.

9.2 Methodology

In order to make comparisons with the figures produced in the previous year no alterations have been made to the methodology²⁵, which is based on the housing needs assessment model outlined in the government's latest practice guidance. All projections are based on assumptions and recent past information to provide a reliable forward-looking indicator. This update will allow figures to be compared and differences to be understood and adjusted if necessary to provide a reliable basis for formulating or modifying policies and strategies.

It should be noted that migration has not been considered in projecting future arising housing need for the same reasons they weren't included in the Assessment. It is very difficult to make assumptions about the income profile of those moving out of the South Housing Market Area, as well as in-migrants. It is not as straight forward as just including the in-migrants who are unable to afford, as this would create an unbalanced view. Further updating may allow a better judgment to be made on the income profiles of migrants.

²⁵ Estimating Future (Newly Arising) Housing Need, Research and Intelligence Unit, Worcestershire County Council

9.3 Forward Projections

The model only assesses demand for a particular year, in this case 2009, using an established methodology. In order to assess future housing need, it is necessary to project household formation going forward, alongside other demographic trends. The main objective of the monitoring is to update not only the tables and data within this report but also apply new sub-regional, regional and national projections to the future housing needs model.

Tables for future years, namely 2011, 2016, 2021 and 2026 can be found in Appendix 6, while figures for just 2009 are presented here. There is a marginal decrease in the total number of new households up to 2016, but the increase becomes much larger after that year, especially from 2021 onwards.

Table 27: Annual Newly Arising Need by Local Housing Market Area - 2009

LHMA	Total New Households	Unable to Buy	Unable to Buy or Rent	Able to Buy at 75% LQ or Rent	Either	Rent Only	Able to Buy at 50% LQ	Unable to Buy at 50% LQ
Bromsgrove	525	230	168	62	43	19	39	129
Droitwich	204	106	71	35	21	14	15	56
Evesham	348	182	122	60	36	24	25	97
Malvern	348	206	126	80	33	47	19	107
Pershore	89	47	31	16	9	7	6	25
Redditch	761	350	272	78	65	13	76	196
Stratford-on-Avon	573	337	217	120	54	66	41	175
Warwick and Leamington	1,131	568	403	165	102	63	93	310
Worcester	1,003	543	362	181	94	87	78	284
Wyre Forest	893	482	299	183	109	74	49	250
Total	5,875	3,051	2,071	980	566	414	442	1,629

Source: Worcestershire County Council Future Housing Needs Model

The key figures from Table 27 are those **unable to buy or rent** and those **unable to buy at 50% lower quartile**, or in other words, those who can only afford social rented housing. The methodology and future housing needs model used is the same as within the original Assessment and more detail of this can be found in Appendix 7 of the Technical Appendices that accompanied the Assessment²⁶.

The number of households projected to be unable to buy or rent within the local housing market areas in 2009 is 2,071 per annum, which represents 35% of all newly forming households across all local housing market areas. This represents a decrease of five percentage points on the previous year, and 10 in total over the past three years.

²⁶ Estimating Future (Newly Arising) Housing Need, Research and Intelligence Unit, Worcestershire County Council

Those households unable to buy at 50% of the lower quartile price are those who can only afford social rented housing, even if more affordable types of intermediate housing were available. This figure is 1,629 per annum, which equates to 28% of all newly forming households across all local housing market areas, a decrease of 3 percentage point on last year and 7 percentage points over the past three years.

Both key figures above show an improvement in affordability over the past three years, especially since last year. This is largely the result of property price inflation declining and prices in fact beginning to decline in early 2008. Gross household formation from the latest ONS projections is higher than last year as has household incomes.

The level of housing supply is also an important factor to consider alongside cost. The difference between the numbers unable to buy (3,051) and those unable to buy or rent (2,071) has closed year on year until this year – now stands at 980 (up from 883 in 2007/08). These households cannot afford to buy, but can afford to privately rent subject to the supply being sufficient. If the supply does not meet this requirement then this group would be excluded by availability and not cost. However, due to the slowdown and stagnation in the housing market, more rented properties have come onto the market and increased supply and competition significantly.

From Table 27, 2,824 newly forming households can afford to buy (48%), again this assumption is reliant on the supply of market housing being sufficient to meet this demand if it exists. Obviously, not all households that can afford to buy market housing will do because they may have different preferences, i.e. prefer to privately rent. In the current climate with housing prices rising slowly after a sharp fall, many of these buyers will be waiting to access the market when they feel the time is right. Buyers still have the upper hand and are able to negotiate discounts especially on properties that have been on the market for a considerable period of time.

One of the main reasons for the housing market being stagnant is the lack of first-time buyers due to lack of mortgage finance and especially affordable mortgages. Households that are at an advantage are those looking to trade up to a larger and more expensive property because the gap has become smaller in actual price terms.

As has been the case in the previous three years the model has been run, the affordability calculations do not account for housing benefit, which would enable more households to afford private rented accommodation. These findings are discussed in more detail in Chapter 12, in terms of the types of affordable housing required.

Table 28 presents the same projections as in Table 25 but now for districts instead of local housing market areas.

Table 28: Annual Newly Arising Need by District - 2009

District	Total New Households	Unable to Buy	Unable to Buy or Rent	Able to Buy at 75% LQ or Rent	Either	Rent Only	Able to Buy at 50% LQ	Unable to Buy at 50% LQ
Bromsgrove	857	374	273	101	70	31	63	210
Malvern Hills	565	334	205	129	53	76	31	174
Redditch	662	294	236	58	56	2	69	167
Stratford-on-Avon	927	546	351	195	87	108	67	284
Warwick	1,093	524	383	141	98	43	93	290
Worcester City	744	398	270	128	69	59	62	208
Wychavon	873	456	305	151	90	61	63	242
Wyre Forest	867	467	289	178	107	71	47	242
South HMA	6,587	3,393	2,312	1,081	630	451	495	1,817

Source: Worcestershire County Council Future Housing Needs Model

Note: Figures may not sum due to rounding

The figures presented in Table 28 follow the same trends as those in Table 27 and are marginally greater because the eight districts cover a larger area than the ten local housing market areas. The projected annual newly arising need is lower than last year's equivalent projection (6,587 compared to 6,314). These two tables provide the projected level of need from newly forming households that is then used to calculate the annual shortfall in affordable housing supply (Chapters 11-13).

The new figures now use the ONS official 2006-based Household Projections, which are based on official 2006-based Population Projections produced by ONS. The result of this is the new household projections have slightly higher figures going forward up to 2026. The Survey of English Housing (SEH)²⁷ has been used to calculate the proportion of all households that are newly forming, which has increased from 1.81 to 1.87 for 2008/09. Therefore, both these increases have resulted in the estimated annual gross household formation being higher than the previous estimate – 6,587 in 2009 compared to 6,314 in 2008.

Furthermore, the latest SEH data shows that newly forming households have a mean household income that is 72.3% of all households (up from 67.8% in 2007/08, 67.2% in 2006/07 and 65.4% in 2005/06). Similarly the household incomes for different household types of newly forming households, e.g. lone parent, couple family with children, have changed. The latest data analysed by the model shows a lower proportion of one-person and couple households (with children) unable to buy or rent, but a higher proportion of couple households without children unable to afford to buy or rent. Lone parent households remain largely unchanged with nearly all unable to afford to buy or rent.

²⁷ The 2005/06 Assessment used 2002/03 and 2003/04 data, the 2006/07 monitoring used 2004/05 and 2005/06 data, the 2007/08 monitoring used 2005/06 and 2006/07 data, and the 2008/09 monitoring uses 2006/07 and 2007/08 data.

When looking at intermediate housing prices, 50% and 75% lower quartile, affordability has improved for all household types at the both the 50% and 75% lower quartile level. The combined result of these changes in proportion has meant a decrease in the number of newly forming households across all districts being unable to afford to buy or rent, as well as unable to buy at 50% lower quartile. In simple terms this means there is a small reduction in newly arising need, which contributes a similar proportion to that of the backlog need in terms of the annual gross housing need.

9.4 Households Falling Into Need

The second component of newly arising need is existing households falling into need. There are several ways in which these households might be identified as is discussed in the Assessment. The monitoring uses the same method as described in the Worcestershire County Council Report, “Estimating Future (Newly Arising) Housing Need”, which simplified takes all eligible homeless households and subtracts those households who are no longer accommodated by parents, relatives or friends, or have left an institution. Although this method may not catch all households falling into need – not all households will be recorded as homeless as they may be given assistance to prevent this. But it is the most reliable basis for establishing need and can be easily monitored.

Table 29: Households Falling into Need by Local Housing Market Area – 2008/09

Local Housing Market Area	Total Households ¹	Number of Households Falling into Need ²	% of Total Households
Bromsgrove	21,373	29	0.14
Droitwich	11,163	20	0.18
Evesham	18,326	34	0.19
Malvern	18,835	20	0.11
Pershore	5,975	11	0.18
Redditch	39,350	100	0.25
Stratford-on-Avon	32,908	81	0.25
Warwick and Leamington	60,059	147	0.24
Worcester	56,262	238	0.42
Wyre Forest	44,515	157	0.35
Total	308,766	837	0.27

¹ Calculated by apportioning Total Households in Table 28 by the pattern of households recorded in the 2001 Census

² Calculated by apportioning Number of Households Falling into Need in Table 28 by pattern of households recorded in 2001 Census

Source: ONS and Interform, 2009

In 2008/09, there has again been a relatively large decrease in the number of existing households falling into need than the previous year – 837 compared to 1,026 or an 18.4% reduction. Overall, an estimated 0.27% of all existing households have fallen into housing need (0.34% in 2007/08 and 0.42% in 2006/07).

Table 30: Households Falling into Need by District – 2008/09

District	Total Households ¹	Number of Households Falling into Need	% of Total Households
Bromsgrove	37,990	53	0.14
Malvern Hills	31,976	35	0.11
Redditch	33,735	87	0.26
Stratford-on-Avon	51,067	128	0.25
Warwick	59,473	150	0.25
Worcester City	40,665	214	0.53
Wychavon	50,357	94	0.19
Wyre Forest	42,855	174	0.41
South HMA	348,118	935	0.27

¹ Official ONS 2006-based Household Projections for 2008

Source: ONS and Interform, 2009

Similarly, a decrease can be seen in existing households falling into need in 2008/09 in the South Housing Market Area compared to the previous year, 935 compared to 1,125 in 2007/08 and 1,448 in 2006/07.

9.5 Total Annual Newly Arising Housing Need

To establish the total annual newly arising housing need, the figures in Tables 27 and 29 (for Local Housing Market Areas) and Tables 28 and 30 (for Districts) are combined.

Further elements of housing need have not been included and there is no reliable way of calculating them – those leaving institutions (care homes, prison, hospital) and in-migrant households. As previously discussed²⁸, this group is identified within the guidance but out-migrants are not and therefore both have been excluded.

9.6 Gross Annual Affordable Need

The gross annual need for affordable housing is calculated by taking the current unmet housing need (backlog) in addition to the newly arising housing need.

Backlog Reduction	Tables 25 and 26	End column gives a 10% annual reduction figure
Newly Forming Households	Tables 27 and 28	Number of households unable to buy or rent in the market
Households Falling Into Need	Tables 29 and 30	Existing households falling into housing need

The combination of the three inputs of need is presented in Table 31 (LHMAs) and Table 32 (Districts).

²⁸ Chapter 14 of Estimating Future (Newly Arising) Housing Need, Research and Intelligence Unit, Worcestershire County Council

**Table 31: Gross Annual Housing Need by Local Housing Market Area
(Excluding applicants from outside the local housing market areas)**

Local Housing Market Area	Backlog Reduction at 20% (Table 25)	Newly Forming Households Unable to Buy or Rent (Table 27)	Households Falling Into Need (Table 29)	Gross Annual Housing Need
Bromsgrove	131	168	29	328
Droitwich	141	71	20	232
Evesham	223	122	34	379
Malvern	82	126	20	228
Pershore	66	31	11	108
Redditch	317	272	100	689
Stratford-on-Avon	222	217	81	520
Warwick and Leamington	271	403	147	821
Worcester	354	362	238	954
Wyre Forest	309	299	157	765
Total	2,116	2,071	837	5,024

Note: Excludes applicants from outside the local housing market areas

**Table 32: Gross Annual Housing Need by District
(Including applicants from outside the districts)**

District	Backlog Reduction at 20% (Table 26)	Newly Forming Households Unable to Buy or Rent (Table 28)	Households Falling Into Need (Table 30)	Gross Annual Housing Need
Bromsgrove	230	273	53	556
Malvern Hills	136	205	35	376
Redditch	301	236	87	624
Stratford-on-Avon	321	351	128	800
Warwick	255	383	150	788
Worcester City	303	270	214	787
Wychavon	565	305	94	964
Wyre Forest	328	289	174	791
South HMA	2,439	2,312	935	5,686

Note: Includes applicants from outside the districts

Tables 31 and 32 establish the gross annual affordable housing need, but this needs to be reconciled against the annual level of affordable housing supply in order to achieve a net requirement. The gross annual housing need has decreased marginally from the previous year (1.9% across the South Housing Market Area), which is a result of a decrease in newly forming households unable to buy or rent in the market and households falling into need. In fact the backlog reduction has increased (i.e. number of households in housing need from the housing waiting lists).

10. Future Housing Supply – Market and Affordable

10.1 Predicting Future Housing Supply

The previous chapter has established the gross annual need for affordable housing and therefore we must also consider the supply of future housing. Revised predictions on past trends are made about the extent of future housing supply based on evidence and information previously considered and the views of stakeholders. The monitoring is required to update projections of both the supply of market and affordable housing in the near future, and compare this to the gross annual housing need (Chapter 9).

It is extremely difficult to predict future house supply, especially as the housing market has recently seen a severe downturn. As house builders have begun to struggle in the economic climate, many developments have been mothballed. When the economy has picked up sufficiently house builders will begin work again on these sites.

10.2 Turnover of Existing Housing Stock

10.2.1 Market Housing

The number of property sales in 2008/09 has decreased by 48.3% from the previous year. The number of sales generally peaks in the summer months with lower demand seen at the end and beginning of the year. Sales began to decrease as prices started to fall and mortgage finance dried up during the UK recession.

Tables 9 and 10 show the number of sales at the lower quartile in 2008/09, which have decreased by 50% for local housing market areas and 48% for districts. These new figures have been used to revise the projected number for future years.

Sales of terraced properties decreased considerably in 2008/09 in line with a fall in total sales; down 51.2%. Similarly, sales of detached, semi-detached and flats/maisonettes decreased year-on-year by 49.1%, 49.8% and 45.2% respectively.

10.2.2 Affordable Housing

Intermediate housing still only comprises a very small proportion of the overall housing stock - less than 1%. Therefore the re-letting of social rented properties provides the level of affordable housing supply from existing stock.

Tables 21 and 22 in Chapter 7 show the number of social rented properties re-let to new tenants in 2008/09, from lettings information provided directly by individual stockholders.

The Housing Strategy Statistical Appendix (HSSA) is based on information collected by all Local Authorities and submitted to CLG. It allows comparisons to be made with previous years and in 2008/09, there were 0.8% more re-lets to new tenants. However, since 2002/03 there has been a general downward trend in re-lets until 2008/09 where there has been a significant rise.

Similarly to the Assessment, each district has been considered individually before projecting the annual level of social re-lets. Appendix 5 contains the results of this examination for each district and the methodology employed. An average of social re-lets over the past three years has been used to project the annual level.

Table 33: Projected Annual Level of Social Re-lets by District

District	Projected Annual Level of Social Re-lets	Increase/Decrease on 2007/08 Projection
Bromsgrove	279	+10
Malvern Hills	256	-24
Redditch	530	+19
Stratford-on-Avon	290	+3
Warwick	417	+11
Worcester City	318	+10
Wychavon	457	+25
Wyre Forest	431	-31
South HMA	2,978	+23

Source: Appendix 5 – taken from annual HSSA (HIP) returns, 2008/09.

The biggest differences from the 2007/08 projections can be seen in Wyre Forest (-31), Wychavon (+25) and Malvern Hills (-24). Overall, the total for the South Housing Market Area has seen a small increase of 23 re-lets, or 0.8%.

The Government's practice guidance²⁹ suggests that projected future annual supply of social re-lets should be based on past trends. Generally, the average number of re-lets over the previous three years should be taken as the predicted annual level and this should not include any transfers, just re-lets to new households.

As identified in Table 33, social re-lets follow a cyclical pattern and therefore it is difficult to obtain an accurate future projection. With social re-lets within the existing stock making up the majority of affordable housing supply, a moderated view needs to be taken.

²⁹ Strategic Housing Market Assessments Practice Guidance Version 2 (Department for Communities and Local Government, August 2007)

10.3 New Housing Supply

Worcestershire County Council conducts a Regional Housing Land Availability Survey every year, which gathers information of past and future net completions, affordable completions and future housing commitments. Using this information, together with land availability data provided directly by each local authority, shown in Tables 15 and 17, a district-based analysis of both market and affordable housing supply for the period 2007/11 is shown in Table 34.

Table 34: Predicted New Housing Supply – 2009/11 and Post 2011 by District

District	2001/11 Forecast ¹	2001/09 Comps	Predicted 2009/11 Comps	Annual Average for 2009/11			Annual Average for Post 2011 ³	
				Total	Market	Affordable ²	Total	Affordable
Bromsgrove	3,132	2,915	217	109	25	84	200	80
Malvern Hills	2,170	1,752	418	209	133	76	250	100
Redditch	2,520	2,266	254	127	66	61	350	140
Stratford-on-Avon	4,433	4,006	427	214	179	35	375	150
Warwick	5,833	5,389	444	222	191	31	550	220
Worcester City	3,174	2,480	694	347	304	43	550	220
Wychavon	3,104	2,704	400	200	159	41	475	190
Wyre Forest	3,019	2,549	470	235	175	60	200	80
South HMA	27,385	24,061	3,324	1,662	1,232	431	2,950	1,180

¹ 2001/09 Completions + Predicted 2009/11 Completions (Net)

² From Table 15

³ From Table 16 and assuming 40% of all housing completions are affordable (RSS Revision Phase 2 EiP Panel Report)

Source: Regional Housing Land Availability Survey 2009

10.3.1 Market Housing

The total amount of new housing supply for 2009/11 as shown in Table 32 will be lower than previously for 2001/09 (1,232 per annum compared with 3,007). Post 2011, on the basis of the RSS Phase 2 EiP Panel Report, it will be 2,950 per annum, comparable with the number of completions seen between 2001 and 2009 on an annual basis.

10.3.2 Affordable Housing

The level of affordable housing supply is unlikely to change dramatically up to 2011 although past affordable completions are below current housing strategies target levels of provision (RSS and RHS). An increase in supply is heavily dependent on policy changes, including affordable housing thresholds and contributions from small sites when Local Authorities adopt new Local Development Frameworks and Core Strategies. Furthermore, government funding for RSLs to develop their own sites will be an important factor, especially for rural exception sites.

In 2008/09, windfall sites made up 75% of total housing completions within the South Housing Market Area, the same as the previous year, and therefore little or no affordable housing is being secured on three quarters on new builds. To achieve the level of supply suggested in Table 34 beyond 2011, the current proportion of affordable housing provision (17.6%, Table 6) needs to be increased with the help of smaller sites providing an element of affordable housing where strategically needed and affordable housing thresholds will need to be at 40% for larger sites.

Table 35 apportions the future supply of affordable housing to Local Housing Market Area, based on detailed forecasts to 2011 and a need based assumption for post 2011.

Table 35: New Affordable Housing – 2009/11 and Post 2011 by Local Housing Market Area

Local Housing Market Area	Annual Average for 2009/11	Annual Average Post 2011
Bromsgrove	47	46
Droitwich	9	42
Evesham	15	69
Malvern	45	59
Pershore	5	23
Redditch	66	158
Stratford-on-Avon	22	97
Warwick and Leamington	33	213
Worcester	70	273
Wyre Forest	63	88
Total	375	1,068

Note: The apportionment of district forecasts to local housing markets has been made on the basis of household numbers from the 2001 Census. Site-by-site identification has been not been possible due to the nature of the data.

The predicted new affordable housing supply up to 2011 has decreased again from the previous year by 20%. Post 2011 an increase is visible as figures have been based on the RSS Revision Phase 2 EIP Panel Report and assuming 40% of all housing completions are affordable.

Therefore affordable housing supply in the short-term (next 2 years) is going to decrease slightly but should increase significantly in the longer-term if the relevant policies are put in place and the new RSS is adopted. Future monitoring will identify any changes to this current prediction. However, due to the current economic downturn and severe effect this has had on the house-building industry, it is difficult to predict the impact on new affordable housing completions.

In the longer term, post 2011, total housing supply is likely to stay fairly constant and affordable housing will depend on future policy decisions. Further factors that could have an affect on supply levels are land supply and government funding.

11. Amount of Affordable Housing Required

11.1 Calculating Affordable Housing Requirements

The gross annual need for affordable housing has been derived in Chapter 9 by combining the proportion of newly forming households unable to buy or rent in the market with existing households falling into housing need. The level of annual supply from both existing stock (re-lets) and new housing completions has been examined in Chapter 10. Therefore, combining the conclusions of both these chapters together allows a calculation to be made on whether there will be a shortfall or surplus of affordable housing to meet the identified housing need.

11.2 Local Housing Market Area Requirements

Table 36: Annual Affordable Housing Shortfall by Local Housing Market Area
(Excluding applicants from outside the local housing market areas)

Local Housing Market Area	Gross Annual Housing Need (Table 31)	Annual Supply from Re-lets (based on trend analysis) (Table 33) ¹	Annual New Supply (2009/11) (Table 35)	Annual Shortfall (Surplus) (2009/11)
Bromsgrove	328	223	47	58
Droitwich	232	113	9	110
Evesham	379	201	15	163
Malvern	228	208	45	(25)
Pershore	108	70	5	33
Redditch	689	571	66	52
Stratford-on-Avon	520	207	22	291
Warwick and Leamington	821	440	33	348
Worcester	954	352	70	532
Wyre Forest	765	451	63	251
Total	5,024	2,836	375	1,813

¹ The apportionment of district forecasts to local housing markets has been made on the basis of applying the ratio of Table 21 and Table 22 and applying it to the projected annual level of social re-lets by District (Table 33)

The housing need identified in Table 36 by Local Housing Market Area has been made on the basis of where the applicant is currently housed and it is assumed that they want to be housed in the same Local Housing Market Area, but this is certainly not always the case. Individuals will have a preference on location due to a number of reasons such as employment and family connections.

The introduction of a sub-regional choice-based lettings scheme has helped data to be gathered more consistently but has still not solved the problem of assessing need on a preferred location rather than assuming the need is present in their current location. A new application form has been developed to try and collect this data more effectively and allow this analysis to happen in the future. Applicants are now asked for their preferred area and what their local connection to the area is, which will be particularly useful for applicants outside the South Housing Market Area who would prefer to live in the area.

An annual affordable housing surplus does not necessarily indicate over-supply, but rather all the housing needs designated in that particular local housing market area are met by the supply. It may be more appropriate for this housing need to be met in an area where the applicant has employment of family connections. This indicates that there is continued scope to meet some of the housing needs of adjoining larger settlements, which can be seen to have substantial shortfalls, in particular Stratford, Warwick & Leamington and Worcester.

11.3 District Requirements

**Table 37: Annual Affordable Housing Shortfall by District
(Including applicants from outside the districts)**

District	Gross Annual Housing Need (Table 32)	Annual Supply from Re-lets (based on trend analysis) (Table 33)	Annual New Supply (2009/11) (Table 35)	Annual Shortfall (Surplus) (2009/11)
Bromsgrove	556	279	84	193
Malvern Hills	376	256	76	44
Redditch	624	530	61	33
Stratford-on-Avon	800	290	35	475
Warwick	788	417	31	340
Worcester City	787	318	43	426
Wychavon	964	457	41	466
Wyre Forest	791	431	60	300
South HMA	5,686	2,978	431	2,277

The annual shortfall is greater for all the districts because they include backlog of need that arises from both outside the districts and also from parts of the districts that are outside the Local Housing Market Area boundaries. The annual shortfall across the South Housing Market Area is estimated at 2,277, a 4.9% increase on last year's figure. The equivalent figures over the past three years have been 2,312 (2007/08), 2,170 (2006/07) and 2,162 (2005/06 Assessment).

Both gross annual housing need and annual new supply have decreased, contributing to this decrease in annual shortfall. Backlog reduction has increased as waiting lists have increased since the introduction of choice-based lettings across the South Housing Market Area, but both newly forming households unable to buy or rent and households falling into need have decreased.

Warwick and Wyre Forest have seen an increase in annual shortfall compared to 2007/08.

11.4 Longer term Change – Net Household Growth

Tables 36 and 37 provide a net annual need for the current year based on the assumptions used to derive this need. This is only a short-term view, accounting for projected supply; however, a longer term change needs to be considered. This is not as simple as multiplying the annual need by time period of interest because it wouldn't take account of dissolution, migration and changes in newly forming households.

Over a longer period, the market will inevitably adjust as households move up the property ladder and therefore release properties at the 'bottom' end of the market for first-time buyers. Hence, it is important to look at household projections going forward to examine what housing need may exist over the next 20 years. The table below shows the number of additional households (net change) that will form between 2006 and 2026.

Table 38: Net Household Change 2006-2026 by Household Type and District

District	Couple Household – No Children	Couple Household – With Children	Lone Parent	One Person Households	Multi-Person Households	Total
Bromsgrove	1,742	1,596	290	5,757	81	9,466
Malvern Hills	766	702	-74	5,523	384	7,301
Redditch	549	503	180	4,705	490	6,427
Stratford-on-Avon	2,826	2,590	8	8,301	666	14,392
Warwick	3,675	3,368	961	10,418	1,359	19,781
Worcester City	396	363	108	5,116	513	6,497
Wychavon	1,733	1,588	49	7,663	597	11,630
Wyre Forest	650	596	5	6,332	463	8,045
South HMA	12,337	11,307	1,527	53,815	4,553	83,538

Source: ONS Official 2006-based Household Projections

Almost two thirds (64%) of net household change over the next 20 years is expected to be a result of growth in one person households, which has a significant impact on housing. Both couple households with and without children are expected to account for roughly the same net household change, around 14%. Lone parents and multi-person households are by far the smallest household types and equally the net household change is small, 2% and 5% respectively.

The total projected net household change has decreased by just over 3,000, compared to an 8,000 decrease last year and a 20,000 increase the year before. The main reason for the decrease is the use of new ONS Official 2006-based household projections, which use ONS Official 2006-based population projections. Couple households and one-person households dominate the projected change over the next 20 years, with one-person households especially having a huge effect on the demand for housing. Warwick accounts for almost a quarter of the South Housing Market Area's projected net household increase up to 2026.

The RSS Revision Phase Two EiP Panel Report proposes a total of 59,000 net new houses for the South Housing Market area between 2006 and 2026, 70.6% of the projected net household change over the same period.

Table 37 outlines the annual shortfall of affordable housing provision. If this amount could be met annually, then the figures in the table below show the projected housing need that may arise over the 20-year period between 2006 and 2026.

These figures are calculated by applying the percentage of new households unable to afford to buy or rent in the open market in 2006 to the projected change in net households as detailed in Table 38.

Table 39: Net Affordable Housing Need 2006-2026 by Household Type and District

District	Couple Household – No Children	Couple Household – With Children	Lone Parent	One Person Households	Total ¹
Bromsgrove	275	757	269	3,069	4,370
Malvern Hills	142	391	-73	3,107	3,568
Redditch	112	264	174	2,719	3,268
Stratford-on-Avon	645	1,462	8	4,834	6,949
Warwick	756	1,853	942	5,998	9,549
Worcester City	86	204	107	3,056	3,453
Wychavon	331	839	47	4,211	5,427
Wyre Forest	114	298	5	3,521	3,938
South HMA	2,463	6,067	1,479	30,514	40,523

¹ Multi-person households have been excluded³⁰
Source: ONS Official 2006-based Household Projections

The total number of households projected to be in affordable housing need over the next 20 years is approximately 7,000 fewer than last year's projection and 13,000 less than two year's ago.

³⁰ The theoretical reasoning behind this exclusion is contained in Estimating Future (Newly Arising) Housing Need, Research and Intelligence Unit, Worcestershire County Council

Affordability is most prominent in lone parent households (92%-99% unable to buy or rent), followed by couple households with children and one-person households (47%-57% and 53%-60% respectively). Couple households with no children have the least affordability issues (15%-23% unable to buy or rent), which is to be expected, as these are likely to be joint income households with much lower outgoings than other household types. Furthermore, incomes are much higher and therefore the majority will be able to afford to buy on the open market.

The two districts within South Warwickshire have a considerably higher net affordable housing need over the next 20 years than other districts because the minimum income required to purchase or rent in these districts is the highest.

12. Type and Tenure of Affordable Housing Required

12.1 Summary of Requirements by Tenure

Tables 40 and 41 below provide a summary of overall housing need, supply and shortfalls that have been presented in Tables 36 and 37 above, by tenure.

The tables have been broken down into some key components:

- **Annual Gross Need** – Total number of properties in each tenure required each year to meet the housing need. **Backlog Reduction** and **Falling Into Need** assumes one third could afford to buy at 50% lower quartile if the supply was available, and the remaining two thirds could only afford social rent. The tenure split for **Newly Forming Households** assumes that each household will seek the most expensive tenure they could afford.
- **Total Supply** – the amount that is available to meet Gross Annual Need. The number of **Lower Quartile Sales** will be available to those who can **Buy at 100% LQ** price, and any properties released for sale by households moving from owner occupation to the social sector will be included in this figure. **Social Re-lets** of existing stock available to new tenants makes up the **Social Rent** supply.
- Although no figures are available for **Private Rent** supply, the number released by households who need to access the social sector will be part of that supply and can be related to the number of newly forming households who will need that tenure. **Supply at 75% LQ** is treated as nil – there maybe some re-sales of shared ownership properties at or below this well, but these will be negligible. **Supply at 50% LQ** across the South Housing Market Area nil.
- **Annual Shortfall or (Surplus)** – the difference between the **Annual Gross Need** and **Total Supply**
- **Annual Subsidised Affordable Housing Need** – the combination of the annual shortfall or surplus of those who can **Buy at 50% LQ** and those that can only afford **Social Rent**.

12.2 Local Housing Market Area Summary

Table 40: Annual Housing Need & Supply by Tenure – Total of All 10 Local Housing Market Areas

Source	Buy at 100% LQ ⁴	Private Rent	Buy at 75% LQ	Buy at 50% LQ	Social Rent	Total
Backlog Reduction (Table 31) ¹	0	0	0	703	1,407	2,110
Newly Forming (Table 27)	2,824	413	567	442	1,629	5,875
Falling Into Need (Table 29) ¹	0	0	0	279	558	837
Annual Gross Need	2,824	413	567	1,424	3,594	8,822
Re-sales at LQ (Table 9)	1,775	0	0	0	0	1,775
Social Re-lets (Table 36)	0	0	0	0	2,836	2,836
From Falling Into Need (Table 29) ²	Included in re-sales	558	0	0	0	558
From Backlog Reduction (Total of 3,016 from waiting list x 20%)		603	0	0	0	603
Total Supply: Existing Stock	1,775	1,161	0	0	2,836	5,772
Annual Shortfall or (Surplus)	1,049	(748)	567³	1,424	758	3,050
Annual Need: Subsidised Affordable Housing				2,182		
Annual New Supply 2009/11 (Table 34/35)	1,144		375		1,519	
Annual New Supply Post 2011 (Table 34/35)	1,602		1,068 (at 40%)		2,670	

¹ Tenure split is based on the assumption that 2/3 can only afford social rent, and 1/3 could purchase at 50% LQ – this may well underestimate the need for social rent

² Tenure split is based on the assumption that 1/3 will come from owner occupation and 2/3 from private rent

³ Maybe an underestimate – makes no allowance for any of the backlog or falling into need

⁴ Total new households less the number unable to buy = number able to buy at 100% LQ

The ten Local Housing Market Areas didn't have a sufficient supply of open market sale housing in 2008/09 due to housing market conditions during the recession. This pattern can be seen across all Local Housing Market Areas. In previous years a significant over supply or surplus has been seen and this trend is likely to continue when the housing market has recovered.

There is a sufficient supply of private rented accommodation, unchanged from the previous year. Although technically it can't be quantified, the amount that would be released by meeting the needs of existing households (1,161) would be more than sufficient for those who can afford it (413). But as has been highlighted previously, the private rented sector acts as a repository for any unmet housing need and therefore additional pressures are placed on this tenure from households who cannot afford the full cost without the assistance of housing benefit.

The supply of social rented housing at 2,836 is a small decrease on the previous financial year but is also below the amount required for the 3,594 who can't afford to buy even at 50% lower quartile. Adding the number who can afford up to 50% lower quartile gives a total requirement for subsidised affordable housing to 5,018, and the total shortfall to 2,182 (down on last year's 2,267).

It is assumed that each district will deliver all its new housing supply – both market and affordable – within the boundaries of the combined Local Housing Market Areas. This is certainly not the case, as some of the housing supply within Bromsgrove, Wyre Forest and Stratford-on-Avon districts will be in parts of the district that lie within the adjacent Dudley and Birmingham LHMA, while a significant part of Stratford-on-Avon District lies within the Warwick and Leamington LHMA.

The amount of affordable housing required each year for social rent equates to 202% (up from 168%) of the total projected new affordable housing supply in the short-term. There is a greater need for those who can afford to buy up to 50% lower quartile, double that for social rent. But if this need cannot be met these households have no choice other than social rent.

In the longer-term, post 2011, the projected new supply, assuming a 40% proportion of affordable housing, will meet 49% of the total need, but will accommodate the annual need for social rent. There is potential to for a contribution to shortfall of households that are able to purchase up to 50% lower quartile through low cost home ownership schemes, but this is dependent on the correct models being employed.

12.3 District Summary

Table 41: Annual Housing Need & Supply by Tenure – Total of All 8 Districts

Source	Buy at 100% LQ ⁴	Private Rent	Buy at 75% LQ	Buy at 50% LQ	Social Rent	Total
Backlog Reduction (Table 32) ¹	0	0	0	813	1,626	2,439
Newly Forming (Table 28)	3,194	451	630	495	1,817	6,587
Falling Into Need (Table 30) ¹	0	0	0	312	623	935
Annual Gross Need	3,194	451	630	1,620	4,066	9,961
Re-sales at LQ (Table 10)	1,981	0	0	0	0	1,981
Social Re-lets (Table 33)	0	0	0	0	2,978	2,978
From Falling Into Need (Table 30) ²	Included in re-sales	623	0	0	0	623
From Backlog Reduction (Total of 3,173 from waiting list x 20%)		635	0	0	0	635
Total Supply: Existing Stock	1,981	1,258	0	0	2,978	6,217
Annual Shortfall or (Surplus)	1,213	(807)	630³	1,620	1,088	3,744
Annual Need: Subsidised Affordable Housing				2,708		
Annual New Supply 2009/11 (Table 34)	1,231		431			1,662
Annual New Supply Post 2011 (Table 34)	1,770		1,180 (at 40%)			2,950

¹ Tenure split is based on the assumption that 2/3 can only afford social rent, and 1/3 could purchase at 50% LQ – this may well underestimate the need for social rent

² Tenure split is based on the assumption that 1/3 will come from owner occupation and 2/3 from private rent

³ Maybe an underestimate – makes no allowance for any of the backlog or falling into need

⁴ Total new households less the number unable to buy = number able to buy at 100% LQ

In previous years, there has been a substantial amount of open market sale housing, provided from within the existing housing stock at or below the lower quartile figure. However, since the housing market crashed in early 2008, the number of re-sales at the lower quartile value has halved (1,981). This is just a blip and would not meet the needs of those households who can afford that cost (3,194). However this tenure is generally determined by market conditions rather than housing need.

There seems to be a more than adequate supply of private rented housing but this realistically is an over-estimate, particularly as the private rented sector is seen as a repository for unmet housing need in other tenures.

The supply of social rented housing at 2,978 is just under three quarters of the amount required for those who can afford nothing else (4,066). With the addition of 1,620 who could only afford to purchase at up to 50% lower quartile, the total requirement for subsidised affordable housing increases to 5,686, with an annual shortfall of 2,708 (down on last year's 2,843).

Up to 2011, the annual supply of new affordable housing is projected at 431, exactly 100 less than in 2007/08 and around one sixth of the total amount required. Looking beyond 2011, if affordable housing constitutes 40% of the total new supply of housing under the RSS Revision Phase Two EiP Panel Report, this would amount to 1,180, or 44% of the amount required to meet the shortfall in full. However, it is unlikely that delivery of affordable housing will in fact approach 40% of all new housing beyond 2011.

In the short-term, the amount of affordable housing required for social rent is more than double the level of supply. This level of supply is likely to remain constant up to 2011, but post 2011 this level will increase to over 1,000 affordable houses per annum, if the RSS Revision Phase Two EiP Panel Report recommendations are adopted.

The projected levels of new affordable housing supply continue to be much lower than projected annual levels of affordable housing need and therefore careful consideration of the split between social rented and low cost home ownership will be required to maximise the number of households that are catered for within this shortfall.

13. Affordable Housing Requirements by District

This chapter monitors the change in affordable housing requirements over the past year. It takes the previous chapter's sub-regional overview of the type of affordable housing required, and looks in more detail at each District. Appendix 7 contains the same comparable tables for Local Housing Market Areas.

13.1 Bromsgrove District

Table 42: Annual Housing Need and Supply by Tenure

Source	Buy at 100% LQ	Private Rent	Buy at 75% LQ	Buy at 50% LQ	Social Rent	Total
Backlog Reduction (Table 32) ¹	0	0	0	77	153	230
Newly Forming (Table 28)	483	31	70	63	210	857
Falling Into Need (Table 30) ¹	0	0	0	18	35	53
Annual Gross Need	483	31	70	158	398	1,140
Re-sales at LQ (Table 10)	205	0	0	0	0	205
Social Re-lets (Table 33)	0	0	0	0	279	279
From Falling Into Need (Table 30) ²	Included in re-sales	35	0	0	0	35
From Backlog Reduction (Total of 315 from waiting list x 20%)		63	0	0	0	63
Total Supply: Existing Stock	205	98	0	0	279	582
Annual Shortfall or (Surplus)	278	(67)	70³	158	119	558
Annual Need: Subsidised Affordable Housing				277		
Annual New Supply 2009/11 (Table 34)	25		84		109	
Annual New Supply Post 2011 (Table 34)	120		80 (at 40%)		200	

¹ Tenure split is based on the assumption that 2/3 can only afford social rent, and 1/3 could purchase at 50% LQ – this may well underestimate the need for social rent

² Tenure split is based on the assumption that 1/3 will come from owner occupation and 2/3 from private rent

³ Maybe an underestimate – makes no allowance for any of the backlog or falling into need

The annual shortfall in housing need (277) is more than the projected annual new supply up to 2011 (84). The small decrease in new housing supply post 2011 will increase this shortfall further. The shortfall has not changed significantly since last year.

The projected annual new supply has been decreased because of over supply within the district resulting in a moratorium being put in place on open market housing. Furthermore, it is difficult to project future supply, as it is not clear as to when the moratorium will be removed. The supply in the short-term is predicted to continue beyond 2011.

The level of need for any potential supply of new housing at not more than 75% of the lower quartile cost (70) is less than the total amount of market housing that is being proposed after 2011 (120). This is likely to be an underestimate and the need will not be met unless low cost market housing is developed, but this need is more likely going to be catered for by the social sector. Recently in Bromsgrove, a number of intermediate rent properties have been developed allowing for a tenure between market a typical social rented accommodation.

Table 10 shows that the lower quartile cost is £83,174 for a 1 bedroom, £124,738 for a 2 bedroom and £149,974 for a 3 bedroom property. Therefore 75% of these figures would be £62,381, £93,554 and £112,481 respectively as the target costs for low cost market housing.

Appendix 3 sets out income requirements, monthly costs and target prices for low cost market housing, to illustrate what is required from new supply to meet this need.

At projected levels of annual housing supply up to 2011, new supply will meet 30% of the shortfall predicted and therefore either some of the housing need will still be displaced or unmet. The shortfall for social rent is less than that for purchase at 50% lower, but both are above the affordable housing supply in the short-term. It is important to note that the unmet requirement for purchase at 50% lower quartile will add to the requirement for social rent. Hence, a balance in new supply between these two tenures is vital in meeting this overall need, by maximising the number of affordable dwellings and meeting the most acute needs, which the sub-regional lettings policy attempts to address.

13.2 Malvern Hills District

Table 43: Annual Housing Need and Supply by Tenure

Source	Buy at 100% LQ	Private Rent	Buy at 75% LQ	Buy at 50% LQ	Social Rent	Total
Backlog Reduction (Table 32) ¹	0	0	0	45	91	136
Newly Forming (Table 28)	231	76	53	31	174	565
Falling Into Need (Table 30) ¹	0	0	0	12	23	35
Annual Gross Need	231	76	53	88	288	736
Re-sales at LQ (Table 10)	164	0	0	0	0	164
Social Re-lets (Table 33)	0	0	0	0	256	256
From Falling Into Need (Table 30) ²	Included in re-sales	23	0	0	0	23
From Backlog Reduction (Total of 275 from waiting list x 20%)		55	0	0	0	55
Total Supply: Existing Stock	164	78	0	0	256	498
Annual Shortfall or (Surplus)	67	(2)	53³	88	32	238
Annual Need: Subsidised Affordable Housing				120		
Annual New Supply 2009/11 (Table 34)	133			76		209
Annual New Supply Post 2011 (Table 34)	150			100 (at 40%)		250

¹ Tenure split is based on the assumption that 2/3 can only afford social rent, and 1/3 could purchase at 50% LQ – this may well underestimate the need for social rent

² Tenure split is based on the assumption that 1/3 will come from owner occupation and 2/3 from private rent

³ Maybe an underestimate – makes no allowance for any of the backlog or falling into need

The supply of open market sale housing from within the existing housing stock, at or below the lower quartile price (164) is not sufficient to meet the needs of newly forming households who can afford that cost (231). This is a result of a lower number of sales due to the recession and subsequent dip in the housing market.

The total supply of private rented housing cannot be quantified, but the amount released by meeting the needs of existing households (78) meets the needs of those who can afford it (76). In previous years, the opposite has been the case and Bromsgrove had a shortfall, a result of a shortage in low cost private rented housing.

The supply of social rented housing is a small reduction from previous years but still doesn't meet the level required by those who can afford nothing else (288). The total requirement for subsidised affordable housing is 376, with a supply of 256 leaves a shortfall of 120 per annum, a decrease of 20% from last year. The short-term level of new supply equates to 63% of the annual shortfall.

There are a total of 53 households that can afford to purchase at no more than 75% lower quartile. The private sector may be capable of meeting this need but it is more likely to add to the subsidised affordable housing need, which would increase the shortfall further.

Table 10 shows that the lower quartile cost is £110,310 for a 1 bedroom, £132,413 for a 2 bedroom and £182,422 for a 3 bedroom property. Therefore 75% of these figures would be £82,733, £99,310 and £136,817 respectively as the target costs for low cost market housing.

Appendix 3 sets out income requirements, monthly costs and target prices for low cost market housing, to illustrate what is required from new supply to meet this need.

The amount of additional affordable housing required is still dominated by shared ownership or low cost home ownership products at 50% lower quartile, which is over twice the shortfall of social rent. However, as has been previously stated, an unmet need here will need to be met by social rented accommodation and therefore this shortfall will need to be met by a balanced combination of the two tenures.

13.3 Redditch Borough

Table 44: Annual Housing Need and Supply by Tenure

Source	Buy at 100% LQ	Private Rent	Buy at 75% LQ	Buy at 50% LQ	Social Rent	Total
Backlog Reduction (Table 32) ¹	0	0	0	100	201	301
Newly Forming (Table 28)	368	56	2	69	167	662
Falling Into Need (Table 30) ¹	0	0	0	29	58	87
Annual Gross Need	368	56	2	198	426	1,050
Re-sales at LQ (Table 10)	181	0	0	0	0	181
Social Re-lets (Table 33)	0	0	0	0	530	530
From Falling Into Need (Table 30) ²	Included in re-sales	58	0	0	0	58
From Backlog Reduction (Total of 519 from waiting list x 20%)		104	0	0	0	104
Total Supply: Existing Stock	181	162	0	0	530	973
Annual Shortfall or (Surplus)	185	(106)	2³	198	(104)	77
Annual Need: Subsidised Affordable Housing				94		
Annual New Supply 2009/11 (Table 34)	66		61		127	
Annual New Supply Post 2011 (Table 34)	210		140 (at 40%)		350	

¹ Tenure split is based on the assumption that 2/3 can only afford social rent, and 1/3 could purchase at 50% LQ – this may well underestimate the need for social rent

² Tenure split is based on the assumption that 1/3 will come from owner occupation and 2/3 from private rent

³ Maybe an underestimate – makes no allowance for any of the backlog or falling into need

The supply of open market sale housing from within the existing housing stock, at or below the lower quartile price (181), is well below the number of newly forming households that can afford that cost (368). The shortfall is a direct result of the changes seen in the housing market due to the economic climate seen worldwide.

Private rented properties likely to be released if all needs within the district are met are still substantially greater than required (106 surplus).

The supply of social rented housing at 530 is sufficient to accommodate those who can afford nothing else, but once those who cannot afford more than 50% lower quartile are included, this creates a shortfall of 94 per annum. Social re-lets fell sharply from 2004/05 to 2006/07, however in 2007/08 they increased considerably to the same level as in 2004/05. In 2008/09 they increased again.

The annual need for housing at less than 75% lower quartile amounts to a very small proportion of the total new housing supply proposed.

Table 10 shows that the lower quartile cost is £80,629 for a 1 bedroom, £104,535 for a 2 bedroom and £120,443 for a 3 bedroom property. Therefore 75% of these figures would be £60,472, £78,401 and £90,332 respectively as the target costs for low cost market housing.

Appendix 3 sets out income requirements, monthly costs and target prices for low cost market housing, to illustrate what is required from new supply to meet this need.

The number of social re-lets increased marginally since last year, which results in a surplus for social rent, but low cost home ownership products at 50% lower quartile dominate the overall housing need. These figures should be treated with caution as there have been higher than average social re-lets in Redditch than other districts. The amount of affordable housing planned up to 2011 would account for 65% of the total housing need. Beyond 2011, the annual new supply of affordable housing is expected to increase and would the current annual need of the total housing need.

13.4 Stratford-on-Avon District

Table 45: Annual Housing Need and Supply by Tenure

Source	Buy at 100% LQ	Private Rent	Buy at 75% LQ	Buy at 50% LQ	Social Rent	Total
Backlog Reduction (Table 32) ¹	0	0	0	107	214	321
Newly Forming (Table 28)	381	108	87	67	284	927
Falling Into Need (Table 30) ¹	0	0	0	43	85	128
Annual Gross Need	381	108	87	217	583	1,376
Re-sales at LQ (Table 10)	289	0	0	0	0	289
Social Re-lets (Table 33)	0	0	0	0	290	290
From Falling Into Need (Table 30) ²	Included in re-sales	85	0	0	0	85
From Backlog Reduction (Total of 730 from waiting list x 20%)		146	0	0	0	146
Total Supply: Existing Stock	289	231	0	0	290	810
Annual Shortfall or (Surplus)	92	(123)	87³	217	293	566
Annual Need: Subsidised Affordable Housing				510		
Annual New Supply 2009/11 (Table 34)	179			35		214
Annual New Supply Post 2011 (Table 34)	225			150 (at 40%)		375

¹ Tenure split is based on the assumption that 2/3 can only afford social rent, and 1/3 could purchase at 50% LQ – this may well underestimate the need for social rent

² Tenure split is based on the assumption that 1/3 will come from owner occupation and 2/3 from private rent

³ Maybe an underestimate – makes no allowance for any of the backlog or falling into need

The amount of open market sale housing from within the existing housing stock, at or below the lower quartile price has half during the housing downturn (289) and is above the amount required to meet the needs of newly forming households that can afford this cost (381). The total supply of housing from all tenures, 810 is less than the total need of 1,376, without any competition from existing and in-migrant households, creating an annual shortfall of 566. However, this is skewed as result of the lower number of re-sales at LQ described earlier.

There is a large surplus of private rented housing, but this sector tends to be a backup for unmet need from all forms of market and social housing, and hence availability is linked to the requirements of other tenures being met. This is likely not to be the case due to Stratford-on-Avon's extremely high house prices, amongst the highest in the South Housing Market Area.

The supply of social rented housing, from social re-lets is significantly lower than the annual gross need, resulting in a large shortfall of 293. The need is a small reduction on last year but still represents a significant amount. The supply from social re-lets has decreased slightly, as has the annual gross need but of a smaller magnitude resulting in the shortfall increasing. Adding in the further 217 who could afford to purchase at up to 50% lower quartile, gives a total annual shortfall of 510 (down 28 on 2007/08).

A 40% affordable housing proportion post 2011 (RSS Revision Phase Two EiP Panel Report) amounts to 150, just under a third of the amount required to meet the annual need. The projected level to 2011 (35) equates to just 7% of the amount required. The annual affordable housing need is fairly evenly split between those who can only afford social rent and those who can only afford up to 50% lower quartile. However, the requirement for social rented housing is well above the projected affordable housing supply and any unmet requirement for purchase at 50% lower quartile will add to the social rent requirement. Again a balance must be struck between supplying affordable housing for these tenures but to also ensure maximum supply to meeting the correct needs.

The level of need for housing at no more than 75% lower quartile cost (87) is around half of the level of market housing that is being proposed up to 2011 (179).

Table 10 shows that the lower quartile cost is £116,250 for a 1 bedroom, £141,810 for a 2 bedroom and £187,575 for a 3 bedroom property. Therefore 75% of these figures would be £87,188, £106,358 and £140,681 respectively as the target costs for low cost market housing.

Appendix 3 sets out income requirements, monthly costs and target prices for low cost market housing, to illustrate what is required from new supply to meet this need.

13.5 Warwick District

Table 46: Annual Housing Need and Supply by Tenure

Source	Buy at 100% LQ	Private Rent	Buy at 75% LQ	Buy at 50% LQ	Social Rent	Total
Backlog Reduction (Table 32) ¹	0	0	0	85	170	255
Newly Forming (Table 28)	569	43	98	93	290	1,093
Falling Into Need (Table 30) ¹	0	0	0	50	100	150
Annual Gross Need	569	43	98	228	560	1,498
Re-sales at LQ (Table 10)	398	0	0	0	0	398
Social Re-lets (Table 33)	0	0	0	0	417	417
From Falling Into Need (Table 30) ²	Included in re-sales	100	0	0	0	100
From Backlog Reduction (Total of 158 from waiting list x 20%)		32	0	0	0	32
Total Supply: Existing Stock	398	132	0	0	417	947
Annual Shortfall or (Surplus)	171	(89)	98³	228	143	551
Annual Need: Subsidised Affordable Housing				371		
Annual New Supply 2009/11 (Table 34)	191			31		222
Annual New Supply Post 2011 (Table 34)	330			220 (at 40%)		550

¹ Tenure split is based on the assumption that 2/3 can only afford social rent, and 1/3 could purchase at 50% LQ – this may well underestimate the need for social rent

² Tenure split is based on the assumption that 1/3 will come from owner occupation and 2/3 from private rent

³ Maybe an underestimate – makes no allowance for any of the backlog or falling into need

The amount of open market sale housing from within the existing stock, at or below the lower quartile price (398) has seen a large reduction from the previous year and is less than the amount required to meet the needs of newly forming households who can afford this cost (569). The next column within the table shows a private rent surplus, which is largely dependent on other tenure requirements being met, namely social rent and buy at 50% LQ, which historically is not the case.

The supply of social rented housing is unchanged from the previous three years, with the projected future level of re-lets being 417 per annum. This supply is not enough to cover all households who can afford nothing else but social rent, a shortfall of 143. Adding the number who can afford to purchase up to 50% lower quartile (228), increases the total shortfall of subsidised affordable housing to 371 per annum. This is a small increase on the previous years' figure.

A 40% proportion of affordable housing from new supply beyond 2011 amounts to 220 per annum, equivalent to 59% of the amount required. The 31 projected up to 2011 equates to just 8% of the annual shortfall.

Similarly to the previous year, the requirement for social rented is still more than the optimistic projection of new affordable supply. However, there still needs to be a balanced approach in order to meet the most acute housing needs from both those who have a requirement to purchase at 50% lower quartile and the requirement of social rent, although need is generally higher for those that can only afford social rent.

The level of need for housing at no more than 75% lower quartile cost (98) amounts to 30% of the total amount of market housing proposed post 2011 (330).

Table 10 shows that the lower quartile cost is £104,035 for a 1 bedroom, £135,077 for a 2 bedroom and £173,804 for a 3 bedroom property. Therefore 75% of these figures would be £78,026, £101,308 and £340,353 respectively as the target costs for low cost market housing.

Appendix 3 sets out income requirements, monthly costs and target prices for low cost market housing, to illustrate what is required from new supply to meet this need.

13.6 Worcester City District

Table 47: Annual Housing Need and Supply by Tenure

Source	Buy at 100% LQ	Private Rent	Buy at 75% LQ	Buy at 50% LQ	Social Rent	Total
Backlog Reduction (Table 32) ¹	0	0	0	101	202	303
Newly Forming (Table 28)	346	59	69	62	208	744
Falling Into Need (Table 30) ¹	0	0	0	71	143	214
Annual Gross Need	346	59	69	234	553	1,261
Re-sales at LQ (Table 10)	307	0	0	0	0	307
Social Re-lets (Table 33)	0	0	0	0	318	318
From Falling Into Need (Table 30) ²	Included in re-sales	143	0	0	0	143
From Backlog Reduction (Total of 608 from waiting list x 20%)		122	0	0	0	122
Total Supply: Existing Stock	307	265	0	0	318	890
Annual Shortfall or (Surplus)	39	(206)	69³	234	235	371
Annual Need: Subsidised Affordable Housing				469		
Annual New Supply 2009/11 (Table 34)	304			43		347
Annual New Supply Post 2011 (Table 34)	330			220 (at 40%)		550

¹ Tenure split is based on the assumption that 2/3 can only afford social rent, and 1/3 could purchase at 50% LQ – this may well underestimate the need for social rent

² Tenure split is based on the assumption that 1/3 will come from owner occupation and 2/3 from private rent

³ Maybe an underestimate – makes no allowance for any of the backlog or falling into need

Total annual housing need is greater than the supply, resulting in a total shortfall of housing (371), compared to last year's relatively small shortfall of 111. A large reduction in supply of market housing at the LQ value is the main driver for this increase as the number of sales reduced dramatically as a result of the recession and subsequent housing downturn. However, there is still a large surplus of private rented housing (206), although as previously stated this is likely to be an over-estimate because households that cannot afford market housing and haven't been able to secure some type of affordable housing will naturally fall into this category.

Total annual supply of social rented housing at 318 is over 200 less than the required for households that can afford nothing else. With the addition of those who cannot afford more than 50% of the lower quartile, there is a total shortfall of 469 per annum, over ten times greater than the level of projected new supply up to 2011. The projected new supply post 2011 equates to 47% of the annual affordable housing shortfall.

The level of need for housing at not more than 75% of the lower quartile (69) equates to just 21% of the total new market housing supply projected post 2011 (330).

Table 10 shows that the lower quartile cost is £83,919 for a 1 bedroom, £126,395 for a 2 bedroom and £148,114 for a 3 bedroom property. Therefore 75% of these figures would be £62,939, £94,796 and £111,086 respectively as the target costs for low cost market housing.

Appendix 3 sets out income requirements, monthly costs and target prices for low cost market housing, to illustrate what is required from new supply to meet this need.

Table 47 shows need for all forms of intermediate housing, as well as social rented housing. Since new supply is constrained in the short-term, much of the need will have to be found from within the existing housing stock. However, a number of current and future large-scale developments in Worcester will supply the majority of affordable housing in the short and medium-term, which is of mixed tenures and property sizes, e.g. social rented and shared ownership flats and houses.

13.7 Wychavon District

Table 48: Annual Housing Need and Supply by Tenure

Source	Buy at 100% LQ	Private Rent	Buy at 75% LQ	Buy at 50% LQ	Social Rent	Total
Backlog Reduction (Table 32) ¹	0	0	0	188	377	565
Newly Forming (Table 28)	417	61	90	63	242	873
Falling Into Need (Table 30) ¹	0	0	0	31	63	94
Annual Gross Need	417	61	90	282	682	1,532
Re-sales at LQ (Table 10)	248	0	0	0	0	248
Social Re-lets (Table 33)	0	0	0	0	457	457
From Falling Into Need (Table 30) ²	Included in re-sales	63	0	0	0	63
From Backlog Reduction (Total of 246 from waiting list x 20%)		49	0	0	0	49
Total Supply: Existing Stock	248	112	0	0	457	817
Annual Shortfall or (Surplus)	169	(51)	90³	282	225	715
Annual Need: Subsidised Affordable Housing				507		
Annual New Supply 2009/11 (Table 34)	159			41		200
Annual New Supply Post 2011 (Table 34)	285			190 (at 40%)		475

¹ Tenure split is based on the assumption that 2/3 can only afford social rent, and 1/3 could purchase at 50% LQ – this may well underestimate the need for social rent

² Tenure split is based on the assumption that 1/3 will come from owner occupation and 2/3 from private rent

³ Maybe an underestimate – makes no allowance for any of the backlog or falling into need

The surplus of open market sale housing seen in previous years has turned into a shortfall as the number of sales at LQ have halved in 2008/09 compared to previous years. Although the total supply of private rented housing cannot be quantified, the amount that would be released by meeting the needs of existing households creates a small surplus.

The annual gross need for social rented housing has decreased again since last year (by 56) social re-lets have increased slightly resulting in a shortfall of 225, down on last year's 306. Adding in the 282 who could afford up to 50% of lower quartile increases the shortfall of subsidised affordable housing to 507.

A 40% proportion of new affordable housing supply post 2011 under the RSS Phase Two EiP Report proposals amounts to 190, 37% of the shortfall. The level of affordable housing supply up to 2011, at 41 per annum, represents just 8% of the shortfall, which shows that there is significant pressure on social housing in Wychavon.

The annual level of need for housing at no more than 75% lower quartile cost (90) amounts to 32% of the open market housing proposed post 2011 (285).

The supply of social re-lets increased 25 from 2007/08 but looks likely to remain fairly stable in the near future. Therefore the supply of other forms of affordable housing needs to be increased to help with the need of those who cannot afford more than 50% lower quartile. The shortfall of those who cannot afford more than 50% lower quartile and social rented is very similar and is evidence to suggest a mixed supply of tenures is required.

Table 10 shows that the lower quartile cost is £93,029 for a 1 bedroom, £130,913 for a 2 bedroom and £166,634 for a 3 bedroom property. Therefore 75% of these figures would be £69,772, £98,185 and £124,976 respectively as the target costs for low cost market housing.

Appendix 3 sets out income requirements, monthly costs and target prices for low cost market housing, to illustrate what is required from new supply to meet this need.

13.8 Wyre Forest District

Table 49: Annual Housing Need and Supply by Tenure

Source	Buy at 100% LQ	Private Rent	Buy at 75% LQ	Buy at 50% LQ	Social Rent	Total
Backlog Reduction (Table 32) ¹	0	0	0	109	119	328
Newly Forming (Table 28)	400	71	107	47	242	867
Falling Into Need (Table 30) ¹	0	0	0	58	116	174
Annual Gross Need	400	71	107	214	477	1,369
Re-sales at LQ (Table 10)	200	0	0	0	0	200
Social Re-lets (Table 33)	0	0	0	0	431	431
From Falling Into Need (Table 30) ²	Included in re-sales	116	0	0	0	116
From Backlog Reduction (Total of 570 from waiting list x 20%)		114	0	0	0	114
Total Supply: Existing Stock	200	230	0	0	431	861
Annual Shortfall or (Surplus)	200	(159)	107³	214	46	508
Annual Need: Subsidised Affordable Housing				260		
Annual New Supply 2009/11 (Table 34)	175			60		235
Annual New Supply Post 2011 (Table 34)	120			80 (at 40%)		200

¹ Tenure split is based on the assumption that 2/3 can only afford social rent, and 1/3 could purchase at 50% LQ – this may well underestimate the need for social rent

² Tenure split is based on the assumption that 1/3 will come from owner occupation and 2/3 from private rent

³ Maybe an underestimate – makes no allowance for any of the backlog or falling into need

The supply of open market sale housing within the existing housing stock is at a much lower level than last year (200 compared to 436) and the annual need has increased slightly (400 compared to 385). Therefore a surplus has now turned into a shortfall of 200. A surplus can be seen for private rented accommodation but this sector picks up many households who can't access market and intermediate housing.

The supply of social rented housing (431) has decreased over the past 2 years from 475 in 2006/07 and 462 in 2007/08. A decreasing trend in social re-lets can be seen clearly over the past 5 years (Appendix 5). The need for social rented housing is greater than the supply and therefore there is a shortfall of 46 per annum. Adding those who can afford to buy only up to 50% lower quartile, gives a total shortfall of subsidised affordable housing of 260 per annum. This is about a quarter of the level of new supply projected in both the short-term (up to 2011) and a third of new supply projected beyond 2011.

The level of need for housing at not more than 75% lower quartile cost (107) has doubled since last year and equates to 89% of the total new open market housing proposed post 2011 (120).

Evidence of the last five years suggests social re-lets are likely to decrease meaning that extra pressure will be placed on increasing supply of all forms of affordable housing, but particularly social rented, as needs that can't be met at levels just above social rented add to this pressure.

Table 10 shows that the lower quartile cost is £81,944 for a 1 bedroom, £109,274 for a 2 bedroom and £122,962 for a 3 bedroom property. Therefore 75% of these figures would be £61,458, £81,956 and £92,222 respectively as the target costs for low cost market housing.

Appendix 3 sets out income requirements, monthly costs and target prices for low cost market housing, to illustrate what is required from new supply to meet this need.

13.9 Local Housing Market Areas Summary

Table 50: Affordable Shortfalls and Supply – All LHMA

Local Housing Market Area	Need: Buy at 50% LQ	Need: Social Rent	Annual Affordable Shortfall	Affordable Supply: 2009/11 (current policy)		Supply: Post 2011	
Bromsgrove	93	12	105	47	45%	46	44%
Droitwich	69	50	119	9	8%	42	35%
Evesham	110	68	178	15	8%	69	39%
Malvern	53	(33)	20	45	225%	59	295%
Pershore	32	6	38	5	13%	23	61%
Redditch	215	(97)	118	66	56%	158	134%
Stratford-on-Avon	142	170	312	22	7%	97	31%
Warwick and Leamington	232	149	381	33	9%	213	56%
Worcester	275	327	602	70	12%	273	45%
Wyre Forest	204	110	314	63	20%	88	28%
Total	1,425	762	2,187	375	17%	1,068	49%

13.10 South Housing Market Area Summary

Table 51: Affordable Shortfalls and Supply – All Districts

District	Need: Buy at 50% LQ	Need: Social Rent	Annual Affordable Shortfall	Affordable Supply: 2009/11 (current policy)		Affordable Supply: Post 2011	
Bromsgrove	158	119	277	84	30%	80	29%
Malvern Hills	88	32	120	76	63%	100	83%
Redditch	198	(104)	94	61	65%	140	149%
Stratford-on-Avon	217	293	510	35	7%	150	29%
Warwick	228	143	371	31	8%	220	59%
Worcester City	234	235	469	43	9%	220	47%
Wychavon	282	225	507	41	8%	190	37%
Wyre Forest	214	46	260	60	23%	80	31%
South HMA	1,619	989	2,608	431	17%	1,180	45%

The estimated annual shortfall of affordable housing is lower than the previous year (down from 2,843 to 2,608). Both the need of buying at 50% LQ and social rent have driven the reduction. The need of households that can only afford to buy at 50% lower quartile or less is still greater than the need of those who can only afford social rent. However, as referred to many times earlier in this chapter earlier, any unmet need of those households who can only afford to buy at 50% lower quartile will add to the social rent need.

Affordable housing supply under current policies is estimated to meet 17% of housing need up to 2011 and 45% post 2011 (in comparison to 19% and 37% respectively last year) across the South Housing Market Area.

14. Summary of Annual Changes

2008/09 has seen further developments in the economy and housing market, which have had a big impact on the figures presented within this monitoring report. Last year's monitoring picked up the start of this downturn but the impact has been much greater in 2008/09, with significant falls in house prices and the number of sales.

Average sales prices for properties within the South Housing Market Area have decreased by 5.2% cancelling out the rise over the previous year of the same amount. Furthermore, the number of sales has halved in 2008/09 compared to the year previous. The lower quartile price has also fallen £148,500 to £135,000 (-9.1%) for the whole South Housing Market Area, with again the number of sales at the lower quartile price being around half the amount of the previous year.

The projected number of affordable housing completions over the next two years, up to 2010/11 is significantly less than the average number of affordable housing completions over the past four years, 2005/09 (431 compared to 621). This figure a long way below both the RSS Phase 2 Preferred Option minima target of 1,000 per annum and the RHS target of 1,123 per annum.

It is extremely difficult to project affordable housing completions as some identified sites will not actually deliver and affordable housing policies will change over time, especially following the RSS Revision process. The monitoring has taken a cautionary and moderated approach to projecting future supply in order to obtain a realistic outlook. This has meant considering just the most likely developments to come forward in the next two years rather than the more speculative commitments.

The total social housing stock in the South Housing Market Areas stands at around 47,500. Social housing re-lets have increased compared to last year, up 14%. Only Wychavon saw a decrease in re-lets year-on-year, 170. Re-lets of all property sizes has increased, most prominently for 1 bedroom and 3 bedroom properties.

The total need for the South Housing Market Area has fallen by 132 (2%) since last year due to a reduction in newly forming households unable to buy or rent and households falling into need. The backlog reduction (need arising from the housing waiting list) has increased as the sub-regional Choice Based Lettings scheme has developed. This trend is likely to continue as the number of applicants increases.

The total number of waiting list applicants classified as having a housing need has increased (by 14%) over the past year, at an identical rate to the increase in the number of social re-lets. Again Wychavon is the only district to see a decrease in backlog need year-on-year, although this decrease is only 6%. Waiting times for all properties has remained fairly constant (3.4 years to 3.2 years for LHMA's and remained at 3.7 to 3.5 years for Districts).

Waiting times have reduced for 2 bedroom houses and 4 bedroom properties but increased for 1 and 3 bedroom properties and 2 bedroom flats. This is completely opposite to what was seen last year but changes are generally small. Further improvements in the data within Home Choice Plus is required to provide accurate assessments of housing need and corresponding property size and tenure.

The assumption of backlog need reducing by 20% per annum has now been used for the last three years but it is difficult to identify clear trends due to changes in data collection in other areas, such as choice-based lettings. Backlog reduction and newly forming households unable to buy or rent open market housing contribute similar amounts of need to overall gross annual housing need. Households falling into need contributes a smaller amount but by all means not insignificant. Both newly forming households unable to buy or rent and households falling into need have seen reductions, resulting in an overall reduction in gross annual housing need.

Both the number of households unable to buy at 50% lower quartile or unable to buy or rent has fallen slightly (-3.1% and -1.5% respectively). Tenures are split by 1/3 that can purchase at 50% lower quartile and 2/3 that can only afford social rent for both the backlog reduction and households falling into need.

The projected annual level of social re-lets, which are based on examination of the annual HIP returns, have increased marginally across the South Housing Market Area, but more noticeably within some districts than others. Malvern Hills (-24) and Wyre Forest (-31) are the only district to see a decrease in their social re-let projections. Wychavon (+25) and Redditch (+19) have experienced the largest projection increase. Combining this projection with the projected annual new supply of affordable housing and subtracting from the gross annual housing need gives the annual shortfall or surplus for affordable housing.

The annual affordable shortfall has changed as presented in the table below.

Table 52: Annual Affordable Housing Shortfall by District – 2005/06 to 2008/09

District	2005/06	2006/07	2007/08	2008/09
Bromsgrove	286	335	205	277
Malvern Hills	1	19	96	120
Redditch	61	140	100	94
Stratford-on-Avon	566	545	489	510
Warwick	550	675	286	371
Worcester City	340	313	376	469
Wychavon	223	662	579	507
Wyre Forest	135	320	181	260
South HMA	2,162	3,010	2,312	2,608

Changes have been equivalent across the ten local housing market areas similarly to districts presented above.

Looking at the total across the South Housing Market Area for all eight districts, the annual shortfall has increased from 2,162 in 2005/06 to 2,608 in 2008/09, but it must be noted that data collection methods have changed over the period. Some districts have seen large changes over the four year period due to significant changes in systems, data collection and methodology.

In summary, annual need for subsidised affordable housing across all ten LHMA's has increased slightly from the original assessment and increased since last year. Newly forming households is the highest contribution to gross annual housing need and is based on household projections. Backlog need relates to households waiting to be housed and has changed over time as local authority systems have developed and been improved. Households falling into need have been following a decreasing trend over the last four years. Affordable housing supply has remained fairly similar year-on-year and hence gross annual housing need has been the main driver in changes.

15. Future Monitoring

References have been throughout this report to data and information presented within the original housing market assessment and the previous annual monitoring compares to the updated annual data. The monitoring is not a complete repeat of the whole assessment process, but findings and conclusions have been compared to identify and trends or directions of change that may have occurred.

Projections have also been monitored and adjusted as necessary, although there haven't been any changes in methodology allowing for a direct comparison between years. However, changes in methodology may be required in future years to take account of the way data is collected and changing government guidance.

Future updating will build on the introduction of a sub-regional choice-based lettings scheme and new methods for collecting data. Specifically, information that is fed into the housing needs model will be collected at the correct period in time and improve the alignment of the monitoring report. The next monitoring report will look to improve on the three previous years and further research and data will help to improve the assessment of affordable housing need.

The next annual update will begin in April 2010, with an intended view to publish a final report in autumn 2010. This time frame is wholly dependent on data sources being available when anticipated, which requires collaboration from all local authorities to provide timely and consistent datasets. Additional data sets will be sought from the same sources as within this report, such as Land Registry, property and housing websites, CACI, the English Housing Survey (brings together Survey of English Housing (SEH) and English House Condition Survey (EHCS)), West Midlands Residential Land Availability Assessment, Office for National Statistics and information from the Regional Spatial Strategy Revision.

The monitoring report will look to incorporate more localised data to help better inform local authorities undertake their housing function. Furthermore, the geographical extent will change in the 2009/10 monitoring report and will solely focus on Worcestershire and the local housing market areas within the county. It is anticipated that a full assessment will be commissioned by April 2011.