A Strategic Housing Market Assessment

For

The South Housing Market Area

Of the West Midlands Region

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Executive Summary – April 2007

An Executive Summary of the Strategic Housing Market Assessment for the South Housing Market Area of the West Midlands Region

1. Aims

This Assessment was commissioned in the autumn of 2006 with the joint purpose of facilitating an informed and co-ordinated sub-regional engagement with the Regional Spatial Strategy review process, and potentially a review of the Regional Housing Strategy; and to provide technical and policy advice for Local Housing Strategies and Local Development Documents for all eight of the South Housing Market Partnership member authorities.

2. Approach

The Assessment has been achieved through a collaborative effort with housing and planning officers representing the 8 local authorities in the Partnership, and with considerable assistance from Worcestershire County Council Research and Intelligence Unit. It has drawn on a comprehensive range of data sources that are capable of being routinely updated in order to ensure that the Assessment can be monitored and maintained as a robust and transparent evidence base and set of projections that can be aggregated and compared with assessments in other sub-regions.

3. Key Features of the Housing Market

The sub-region is subject to increased in-migration pressures from both the South as well as from the North, and while this is most acutely felt in South Warwickshire, the effect on house prices and longer distance commuting by higher paid employees is spreading across South Worcestershire and Bromsgrove as well. The effect is much less marked in Redditch and Wyre Forest where house prices are rising more slowly from a lower base.

Despite the Regional Spatial and Housing Strategy being aimed at reversing this migration pressure from the conurbation, there seems little prospect of the overall migration pressures being relieved in the foreseeable future through the combination of lifestyle choices and demographic growth which is particularly increasing the size of the older population.

The result is that the lower paid and locally employed are being increasingly excluded from the market, with increasing numbers of households on waiting lists and in inadequate accommodation.

4. The Level of Housing Supply and the Regional Spatial Strategy Review

The rate of new house building in recent years has been well ahead of the rates set in the current Regional Spatial Strategy, and is set to reduce substantially across the sub-region in accordance with those rates. Even if the Regional Spatial Strategy review, and individual Local Development Documents were to set a substantial overall increase in these rates, they would not only take time to be effected, but they would still leave a level of new housing supply that is lower than currently being experienced.

Although the level of new supply in the areas of constraint – Wyre Forest, Bromsgrove and Stratford - is intended to be sufficient to meet local needs in overall numbers, the combination of total new supply plus existing turnover of lower priced housing will be far less than will be required to accommodate newly forming households, thus displacing many of them to adjoining areas.

However, even those areas that are proposed for a continuing or increasing rate of new supply will not be able to meet locally generated needs, let alone displaced ones. This is particularly the case in Worcester where the inevitable delay in bringing forward any large scale development will lead to a substantial increase in the current shortfall, quite apart from fulfilling its role as a focus for sub-regional growth.

The problem of housing supply has been exacerbated by the increased proportion that are smaller units of accommodation, as these not only house fewer people, but tend to have higher vacancy rates and create less activity within the rest of the market due to the high proportion that are bought by investors, second home owners and in-migrants.

This report identifies an annual requirement for 2,800 additional affordable dwellings across the whole 8 districts, which is exactly the same as the total number of additional dwellings of all tenures that is being proposed under Option 2 of the RSS partial review.

For the South Housing Market Area, which excludes some small parts of the districts on the edge of the conurbation, the requirement is for 2,200 additional affordable dwellings each year.

Even if 50% of the higher Option 3 numbers were delivered as affordable housing, this would amount to 1,742 dwellings p.a., which is almost exactly the level of affordable housing supply that the Regional Housing Strategy identified 2 years ago as being necessary, and 20% fewer than this report identifies as required for the South Housing Market Area.

5. Existing and Newly Forming Households Excluded from the Market

Only one third of households currently in housing need are in their own accommodation, and only one quarter are single persons, which suggests an overall shortage of housing that cannot be overcome to any significant extent by increased sharing by younger persons. The longest waiting times for social rented accommodation is for 2 bedroom houses for young families and 4 bedroom houses for established families that have outgrown their present accommodation.

Only one quarter of newly forming households are single persons, and a quarter already include a child, which increases the pressure for 2 bedroom properties. 40% are unable to purchase at the lower quartile price, and 35% could not afford even half that amount, but that leaves 25% who could afford something in between were it to be made available.

6. Levels of Affordability

There is an ever widening gap between the incomes of those households who are able to access social rented housing, and the incomes of those who are able to either buy or rent in the open market.

There is therefore an large proportion of households who could afford to purchase at a cost below the level that the market readily provides, which is taken as being the 'lower quartile' figure – the figure below which one quarter of properties are actually sold. Lower Quartile in 2005/6, by district, ranged from £110,000 to £160,000 across the sub-region and averaged £134,000.

One group could afford to purchase at 75% of lower quartile, and many of these could also afford to rent if there was sufficient supply (which is often not the case). This group, amounting to an estimated 730 households p.a. across all 8 districts, has been treated as **not** requiring subsidised affordable housing, as there is some prospect, however limited, of their being able to access some form of accommodation in the market place. However, much of the current provision of shared equity accommodation is actually at costs that are greater than the cost of outright purchase at 75% of lower quartile

A much larger group – 1,444 p.a. – would be able to purchase at 50% of the lower quartile cost, which is well below the cost of any type of shared equity housing that is currently available, so until or unless some new form of lower cost home ownership is established, this group have no alternative social rented housing.

However, the supply of social rented housing is well short of the level required for the much larger group for whom purchase at 50% of lower quartile would not be an option.

Of the annual requirement for 2,800 additional affordable dwellings, half are required by households for whom social rent is the only affordable option, while the other half is required for households who could afford to purchase at 50% of the lower quartile cost – i.e. at an average figure of £67,000 across the sub-region.

This requirement does not include the further 730 additional dwellings p.a. that are required for households who could afford to purchase at up to 75% of lower quartile cost – a cost that is generally below the cost of shared ownership schemes that are offered as affordable housing.

7. Types of property required from the private sector

The proportion of new private sector accommodation that is in the form of small apartments has increased and looks set to continue to increase. Much of this is well above the lower quartile cost, and therefore too expensive as well as too small to meet the needs of local families on average and below average incomes, as well as tending to have lower levels of occupancy.

The extent to which new private sector supply also meets in-migrant, rather than local, demand has an effect on the level of supply within the existing stock, as a purchaser from outside the area does not release accommodation for local households to occupy. With high levels of both unmet local needs and migration pressures, there is a major challenge for the planning system to seek to achieve a better balance through prioritising local needs in the way that sites are both identified and developed.

8. Older People

Despite the fact that the growth in the number of households is driven mainly by older people living longer, there has been very little new housing provision that is designed to meet the needs of the more frail and dependant within this group. This type of provision could have the effect of releasing family homes, both for rent for homeless households and for purchase by first time buyers and for growing families. It might also allow the re-designation of some small units of accommodation for single persons, particularly those who are vulnerable or disabled.

9. Rural Areas

A very large part of the sub-region is rural, with some of the highest house prices and the most limited level of supply, especially of lower priced property. Despite extensive efforts to deliver more rural affordable housing, there is widespread and substantial unmet need that requires a broader and more co-ordinated approach. This would have the double benefit of ensuring more balanced and sustainable rural communities while also taking some of the pressure off the urban areas that are unable to meet their own needs.

10. Conclusion

The Assessment shows that the policy approach developing through Barker and PPS3 is critical to meeting housing needs in the sub –region: without sufficient new dwellings of the right type and cost coming through at an evenly balanced annual delivery the situation will get worse, with associated impacts on homelessness, housing waiting lists, overcrowding and a negative impact upon social and economic prospects**.**

The current Regional Spatial Strategy review, and the preparation of new Local Development Documents in each local authority, provide the opportunity to seek to address the issues highlighted in the Assessment. This is not simply a local or sub-regional concern, as the problems in the South Housing Market Area are capable of being aggravated, or ameliorated, by the level and type of new housing supply that is provided in the rest of the region and in adjacent regions.