A Local Housing Needs Report

For

The 3 South Worcestershire Districts:

Malvern Hills District

Wychavon District

Worcester City

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Executive Summary – September 2007

An Executive Summary of the Local Housing Needs Report for the 3 South Worcestershire Districts – Malvern Hills District, Wychavon District, and Worcester City.

1. Aims

This Report was commissioned to enable the 3 districts to develop a co-ordinated and consistent approach to housing policy, through their Joint Core Strategy and their individual LDF documents.

It is based on the data collected for the Strategic Sub-Regional Housing Market Assessment for the South Housing Market Area (the whole of Worcestershire plus South Warwickshire) which facilitated an informed and co-ordinated sub-regional engagement with the Regional Spatial Strategy review process, and potentially a review of the Regional Housing Strategy. This sub-regional assessment identified and examined 5 local housing markets within South Worcestershire – based on the 4 main towns of Malvern, Droitwich, Evesham and Pershore, and the city of Worcester. It also identified the most northerly part of Malvern Hills District, around Tenbury and adjacent to Stourport, as being effectively a separate market area.

This more local assessment of the housing market and housing needs is therefore consistent with the sub-regional assessment, but provides a more detailed study by collating data, where possible, for each of 34 separate sub-areas (7 within Malvern Hills District, 21 within Wychavon District, and 6 within Worcester City, grouped into these 6 local housing markets.

2. Approach

Both the Sub-Regional and South Worcestershire studies have been achieved through a collaborative effort with housing and planning officers from each local authority, and with considerable assistance from Worcestershire County Council Research and Intelligence Unit. It has drawn on a comprehensive range of national, regional and local data sources, routinely updated in order to ensure that the studies 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 areas.

3. Key Features of the Housing Market

The whole of the sub-region is subject to increased in-migration pressures from both the South (London and the South East) as well as from the North (the West Midlands conurbations), and while this had previously been most acutely felt in South Warwickshire, the effect on house prices and longer distance commuting by higher paid employees is continuing to spread across South Worcestershire 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, as the combination of lifestyle choices and economic growth seems likely to counteract, if not undermine, those Strategies:

In-migration into Wychavon and Malvern Hills Districts is proportionately at twice the rate for the county as a whole, and twice as many households are moving into the area as are moving out.

Out-commuting is increasing, with a tendency for the higher paid to travel the longest distances to work and for the number of out-commuters being twice the number of in-commuters. This results in residence based earnings being higher than the regional average, while workplace based earnings are just below it – in other words, people who earn their living within the area are competing for housing with people earning higher incomes from outside the area. Competition for housing is exacerbated by the rapid growth in migrant workers, particularly from Eastern Europe.

Demographic changes are also leading to a faster rate of growth in household numbers, with older people both living longer and outliving their spouses for longer – thus effectively reducing the supply of accommodation from household dissolution.

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

Housing demand, and house price growth, are both stronger in South Worcestershire than in the rest of the sub-region, which offers little prospect of any improvement in affordability.

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 – particularly in Wyre Forest, Bromsgrove and Stratford - is intended to be sufficient to meet local needs, 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 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 so in Worcester where the long delays in bringing forward any large scale development will lead to a substantial increase in the current shortfall, quite apart from failing to fulfil its role as a focus for sub-regional growth. Instead of Worcester City delivering 472

dwellings p.a. under Option 2, (let alone 672 under Option 3), there is no prospect of more than about 270 p.a. for the period up to 2015, and no certainty of any level of supply for some time after that date,
The problem of housing supply has been exacerbated by the increased proportion that are smaller units of accommodation, especially high density schemes of flats in regeneration areas, as these not only house fewer people per dwelling, but also 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.

5. Existing and Newly Forming Households Excluded from the Market

73% of new households which include children are unable to access the housing market, in that they are unable to either buy or rent a property that is at the lower quartile – that is, the price at which one quarter of the supply is cheaper and three quarters is more expensive.

For new households with two adults only, the proportion is 45%, while for single person households it is 63%.

Only one quarter of newly forming households are single persons, and a further quarter already include a child, which increases the pressure for 2 bedroom properties.

For existing families, 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.

The total amount of additional affordable housing required each year is calculated as a combination of:

> 10% of existing households registered with the local authority, or with the RSL acting on their behalf, who have been awarded a certain level of points, or categorised in some other way, that excludes those applicants not currently in housing need. Plus:
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> 100% of the estimated number of new households forming each year whose incomes are insufficient for them to either rent or buy a suitable property – that is, a one bedroom property for a single person, a 2 bedroom flat for a couple, or a 2 bed house for a family with one or more children.

This report identifies an annual requirement for 606 additional affordable dwellings across the 3 districts, which is just over half of the total number of additional dwellings of all tenures that is being proposed under Option 2 of the RSS partial review. Adjusting for the likely shortfall in Worcester City in the medium term, this requirement would be nearer to 60% than 50%).

The actual number of new affordable dwellings delivered each year in the period 2001/5 was an average of 113, of which 60 p.a., were in Worcester City, 44 in Wychavon, and 10 in Malvern Hills.

In order to meet the required number of affordable dwellings, 41% of the higher Option 3 numbers would be needed, assuming that the Worcester City shortfall was taken up by the other 2 districts.

Under Option 2, the required number of affordable dwellings would amount to 51% of the total.

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.

Lower Quartile figures for 2 bedroom properties 2005/6, across the 3 districts, range from £140,000 to £160,000 for properties for sale, and £525 to £530 per month for properties to rent. The cost of a 95% mortgage at Lower Quartile will be between £800 and £900 per month, so for many of those who have been judged to be able to access the market, renting will be the only option.

However, the supply of rented properties at £525 to £530 per month is well below the level that would be required to meet the needs of all those households who could afford to rent but not afford to buy. In reality, therefore, the numbers excluded from the market (on grounds of supply levels rather than cost) are even greater.

Any new housing that is supplied at a cost above the level of these Lower Quartile rents will not be available to the households assessed as being in need of affordable housing – which has major implications for the models of shared ownership and other intermediate market products which are offered as affordable housing: New housing above this level of cost is not available to those for whom they are intended – those excluded from the market - and PPS3 makes it clear that this should be treated as being 'low cost market housing' which has an important role in adding to housing supply but should be in addition to affordable housing.

In addition to the annual requirement for 606 additional affordable dwellings, a further 223 are required for households who could afford to buy at 75% of lower quartile – that is, between £100,000 and £120,000 for a 2 bedroom property.

The 606 are split almost equally between those who could afford to buy at 50% of lower quartile, and those who could not even afford to buy at that level, and for whom social renting is the only available option.

At present, the only current option for the former group is social rent, but there is clearly scope for forms of partial home ownership or sub-market (rather than social) rent for those who can afford significantly more than social rent levels but are unable to buy at more than 50% of lower quartile – that is, between £70,000 and £80,000.

7. The type and location of new housing supply

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.

Focusing purely on housing numbers misses the point that the type of accommodation provided, and the location it is provided in, can have a far greater impact on meeting local housing needs. Developments that enable, and even encourage, purchasers to move into the area, while continuing to travel to higher paid work in less desirable areas, can actually fuel price inflation. The same effect can be caused by attracting retired people and second home owners against whom local residents are unable to compete.

While it would be difficult to include a large proportion of family accommodation in urban re-development schemes, there is obvious scope for providing accommodation of all tenures for older people, which could in turn release family houses – but this is not happening. The only RSL schemes for 'extra care' or continuing care' for older people is through the re-modelling of outdated schemes – not through additions to their stock.

Similarly, rural 'exceptions' schemes are heavily focused on those with the lowest incomes (and on those not in work), when there is evidence in parish housing needs surveys of a much wider range of unmet local needs across the income and age spectrum.

The greatest challenge, however, is to remedy the shortage in provision of family houses for households on local incomes. In the absence of large green field sites on which it is easiest to provide these, there will be little opportunity to taking the indirect route of seeking to release suitable accommodation by providing the right alternatives for the present occupiers.

Among the main towns in South Worcestershire the greatest overall shortage of potential and existing supply of affordable housing for the foreseeable future is in Worcester City, followed closely by Droitwich and Evesham. Malvern and Pershore have no significant shortages - based on the present address of applicants and potential households – but they may well have the capacity, as well as the infrastructure and employment opportunities, to take some of the pressure from the other towns which will not be able to meet their own needs.

8. 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 South Worcestershire, and in the rest of 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.

At the local level, the main policy challenges are:

1. Compensating for Worcester City's inability to fulfil its role as a focus for growth – where will the shortfall in housing supply be located?

2. Ensuring that as high a proportion as possible of new housing supply is affordable (as defined in this report) by setting the right percentage targets and thresholds – should all new housing development make some form of contribution, in cash or in kind, with proportions set on the basis of individual site capacity rather than a lowest common denominator?

3. Ensuring that as far as possible the types of housing developed are appropriate to local needs – ideally for older people who are occupying family houses, but also for first time buyers and the present occupiers of 'starter homes' who need larger homes.