



# Strategic Housing Market Assessments

Practice Guidance  
Version 2

# planning



# *Strategic Housing Market Assessments*

*Practice Guidance*

*Version 2*

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# CHAPTER 1

## Introduction

This practice guidance sets out a framework that local authorities and regional bodies can follow to develop a good understanding of how housing markets operate. It promotes an approach to assessing housing need and demand which can inform the development of local development document and regional spatial strategy planning for housing policies, as set out in *Planning Policy Statement 3: Housing*<sup>1</sup> (PPS3).

This chapter sets out the rationale behind strategic housing market assessments, including the background to this guidance and its aims and objectives. It goes on to explain how, from a planning policy perspective, local authorities and regions should ensure that assessments are robust and credible.

This guidance will help local authorities and regional bodies to develop a shared evidence base to inform the development of spatial housing policies. In addition, it will help to inform decisions about the policies required in housing strategies. Housing delivery and strategy needs to be responsive to changes in the levels of housing need and demand whilst having regard to the public resources available for housing and other competing areas for investment.

The value of strategic housing market assessments is in assisting policy development, decision-making and resource-allocation processes by:

- enabling regional bodies to develop long-term strategic views of housing need and demand to inform regional spatial strategies and regional housing strategies;
- enabling local authorities to think spatially about the nature and influence of the housing markets in respect to their local area;
- providing robust evidence to inform policies aimed at providing the right mix of housing across the whole housing market – both market and affordable housing;
- providing evidence to inform policies about the level of affordable housing required, including the need for different sizes of affordable housing;
- supporting authorities to develop a strategic approach to housing through consideration of housing need and demand in all housing sectors – owner occupied, private rented and affordable – and assessment of the key drivers and relationships within the housing market;
- drawing together the bulk of the evidence required for local authorities to appraise strategic housing options including social housing allocation priorities, the role of intermediate housing products, stock renewal, conversion, demolition and transfer; and
- ensuring the most appropriate and cost-effective use of public funds.

<sup>1</sup> *PPS3: Housing* (Communities and Local Government, 2006).

Following the definitions set out in PPS3, housing need is defined as ‘the quantity of housing required for households who are unable to access suitable housing without financial assistance’<sup>2</sup> and housing demand as ‘the quantity of housing that households are willing and able to buy or rent’. Housing market areas are ‘geographical areas defined by household demand and preferences for housing. They reflect the key functional linkages between places where people live and work’.

## Background

This practice guidance brings together and builds upon the key elements of existing guidance on housing market and housing needs assessment. Key recent guides include:

- *Local Housing Needs Assessment: A Guide to Good Practice*, DETR, 2000;
- *Housing Market Assessment Manual*, ODPM, 2004;
- *Local Housing Systems Analysis Best Practice Guide*, Communities Scotland, 2004; and
- *Local Housing Market Assessment Guide*, Welsh Assembly Government, 2006.

This guidance replaces the DETR and ODPM good practice guide and manual published in 2000 and 2004 respectively. It should be read in conjunction with the *Identifying Sub-Regional Housing Market Areas Advice Note*<sup>3</sup>. A full list of the documents and reports referred to in this guide are set out in Annex F<sup>4</sup>.

## Aims and objectives

The key objectives of this practice guidance are:

- to provide clear and concise advice for practitioners on how to assess housing need and demand in their areas; and
- to enable local authorities and regions to gain a good appreciation of the characteristics of housing market areas and how they function.

To this end it:

- encourages local authorities to assess housing need and demand in terms of housing market areas. This could involve working with other local authorities in a sub-regional housing market area, through a housing market partnership (see Chapter 2 for more details);
- sets out a framework for assessment that is relevant at the regional, sub-regional and local levels;
- provides a step by step approach to assessing the housing market, housing demand and need;

<sup>2</sup> To ensure clarity for technical assessment, the definition of housing need is expanded upon in Chapter 5: Housing Need.

<sup>3</sup> *Identifying Sub-Regional Housing Market Areas Advice Note*, Communities and Local Government, 2007.

<sup>4</sup> Annexes can be found on the Communities and Local Government website together with this *Strategic Housing Market Assessment Practice Guidance*.

- focuses upon what to do as a minimum to produce a robust and credible assessment, and explains how local authorities can develop their approach where expertise and resources allow;
- sets out an approach which promotes the use of secondary data where appropriate and feasible, and identifies key data sources at each step of the assessment; and
- considers how local authorities can understand the requirements of specific groups such as families, older and disabled people. Separate guidance is available regarding identifying the accommodation requirements of Gypsy and Traveller communities<sup>5</sup>. The requirements of Gypsies and Travellers should be considered alongside the other household groups identified here.

## Robust and credible assessments

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

Strategic housing market assessments are a crucial aspect of the evidence base in terms of preparing regional spatial strategies, local development documents, regional housing strategies and local housing strategies. From a planning perspective, *Planning Policy Statement 12*<sup>6</sup> and related guidance<sup>7</sup> emphasise the importance of policies being founded on a thorough understanding of the needs of areas, particularly the opportunities and constraints that exist. They explain that at the earliest stage of preparing local development documents, local planning authorities should gather evidence about their areas, including an understanding of the housing required in their communities. However, as PPS3 explains, strategic housing market assessments are only one of several factors that should be taken into account when determining housing provision figures or the right mix of housing. This point is revisited in detail in Chapter 7.

A robust and credible evidence base is identified by PPS12<sup>8</sup> as being necessary for a plan to be sound. In line with PPS12, for the purposes of the independent examination into the soundness of a Development Plan Document<sup>9</sup>, **a strategic housing market assessment should be considered robust and credible if, as a minimum, it provides all of the core outputs and meets the requirements of all of the process criteria in figures 1.1 and 1.2.** In such circumstances, there is no need for the approach used to be considered at the independent examination. Any discussion at independent examination should focus upon the assessment's findings and its relationship with the proposed spatial policies for housing set out in the draft submission development plan document.

<sup>5</sup> *Gypsy and Traveller Accommodation Assessments: draft practice guidance*, ODPM, 2006.

<sup>6</sup> *Planning Policy Statement 12: Local Development Frameworks*, paragraphs 4.8-4.11(p32-33).

<sup>7</sup> *Creating Local Development Frameworks*, sections 2.9 (p11) and 5.2 ( p34-35).

<sup>8</sup> PPS12 paragraphs 4.23-4.25 (p39-40).

<sup>9</sup> *PPS12: Local Development Frameworks* sets out further details regarding the preparation of development plan documents- see Chapter 4.



**Figure 1.1: Strategic Housing Market Assessment core outputs**

(further details are set out in Table 2.1, Chapter 2)

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

NB. Estimates of household numbers (3, 4, 5 and 6) may be expressed as a number or a range.

**Figure 1.2: Strategic Housing Market Assessment process checklist**

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

One of the key aims of the new planning system is to involve local communities and stakeholders from the earliest stages of plan preparation, which includes evidence base work like strategic housing market assessments. This will help to minimise any potential objections to policies proposed, as stakeholders will have had the opportunity to express their concerns during the preparation of the strategic housing market assessment. Any concerns or technical matters that stakeholders or others may have regarding the approach or findings should be raised with housing market partnerships during the assessment process, preferably at an early stage.

Partnerships should seek to address any concerns raised as part of the process of agreeing the methods to be used, the interpretation of the findings and signing off the assessment report. They may wish to consider using independent mediators/third parties should any issues prove particularly contentious. Where partnerships are unable to resolve any issues within a reasonable period of time, any outstanding issues should be presented with the findings of the assessment to the independent examination. In such circumstances, there should be no need to discuss the approach used or any outstanding issues at

the examination unless the Inspector considers it necessary as part of considering the assessments findings and proposed spatial policies for housing.

Should local planning authorities, when preparing spatial policies for housing, have any concerns as to whether the findings of the assessment meet the checklists in figures 1.1 and 1.2, they should consider requesting the views of the relevant regional planning body or county councils with relevant expertise. This should be undertaken during the early stages of development plan document preparation. Any advice provided should set out clearly what steps may be required to ensure the assessment is credible and robust linked to the checklists. Authorities should then ensure that any further work required is undertaken before proceeding to develop preferred policy options.

Whether a strategic housing market assessment is based upon secondary or survey data should not be a factor in determining whether an assessment is robust and credible. No one methodological approach or use of a particular dataset(s) will result in a definitive assessment of housing need and demand. The quality of the data used is the important consideration in determining whether an assessment is robust and credible rather than its nature. These issues are discussed in further detail in Chapter 2.

## Content and structure of guidance

This guide consists of a further six chapters.

- **Chapter 2** explains how to set up the housing market partnership and the assessment project plan.
- **Chapter 3** explains how to assess current housing markets, including existing housing demand.
- **Chapter 4** describes how to estimate changes in household numbers to assess total future housing demand.
- **Chapter 5** outlines how to assess current and future levels of housing need.
- **Chapter 6** sets out how to consider the requirements of particular household groups and the requirement for intermediate affordable housing.
- **Chapter 7** explains the need to monitor and update assessment findings and how these can inform the development of planning for housing policies.

## CHAPTER 2

### Getting started

#### Introduction

This chapter sets out the key tasks required to get started including setting up the housing market partnership, identifying research questions and establishing the methods and data requirements to be used. The extent of the housing market area should have been identified by local authorities working in partnership with regional bodies (see the *Identifying Sub-Regional Housing Market Areas Advice Note*).

#### Housing market partnerships

On the basis of identified housing market areas, constituent local authorities are encouraged to undertake the strategic housing market assessment together and set up a housing market partnership. The expectation is that once housing market areas have been identified, regions may wish to co-ordinate a programme of strategic housing market assessments, working with local authorities. Under the leadership of either the local authorities, regional body, or other appropriate bodies, the housing market partnership should be a multi-disciplinary team including housing, planning, economic development and regeneration expertise. Where appropriate, partnerships should build upon existing arrangements for joint working. Figure 2.1 suggests possible membership organisations.

**Figure 2.1: Housing market partnerships**

Core members could include:

- local authorities – housing, planning, economic development, corporate strategy etc;
- county councils;
- the Housing Corporation;
- regional housing and planning bodies;
- house builders;
- estate agents;
- registered social landlords; and
- research and intelligence experts.

Other organisations with relevant expertise include:

- government offices;
- English Partnerships;
- regional development agencies;
- local strategic partnerships; and
- other local authority teams such as the Supporting People and Gypsy and Traveller teams.

Other members could include private sector partners, planning and housing consultants, lenders, education and health authority representatives and transport and regeneration agencies.

The responsibilities of partnerships could include:

- sharing and pooling information and intelligence, including relevant contextual intelligence and policy information;
- assisting with the development of a project plan for undertaking the housing market assessment and ensuring its findings are regularly reviewed;
- supporting core members in the analysis and interpretation of housing market intelligence; and
- considering the implications of the assessment, including signing off the assessment report, the core outputs and agreeing follow-up actions.

The aim should be that housing market partnerships have sufficient research experience and expertise to take full ownership of the assessment and undertake as much of the assessment as is possible themselves. This will help to develop partners' understanding of housing markets as well as building commitment to tackling any problems that are subsequently identified through the assessment.

In some circumstances, it may be necessary to commission consultants to increase the analytical resource or undertake particular specialist aspects (eg forecasting and modelling work). Partnerships will wish to ensure that contractors have sufficient understanding and skills (or assistance from other partners) so that the key objectives of the assessment and requirements set out in this guide can be met successfully. Further information about procuring and working with consultants is set out in Annex A<sup>10</sup>.

The government has announced the merger of regional housing board responsibilities with those of regional planning bodies. The merger will improve integration of the approach to housing and planning at the regional level. In terms of working relationships, regional representatives may form part of housing market partnerships (as suggested above) to provide methodological advice or authorities could regularly report progress to regional bodies. In addition, county councils may be able to offer some of the research skills or resources that partnerships require to undertake assessments.

It will be important to incorporate local knowledge into the assessment process as purely statistical approaches may fail to reflect particular local issues. Housing market partnerships should draw upon representative bodies of local communities, including local strategic partnerships, where appropriate. Stakeholder days can be a useful way of obtaining broader buy-in to the assessment. Such days can be used to identify representatives of different sectors who may wish to join the housing market partnership and discuss and disseminate the assessment findings.

## Setting the research questions

This guide sets out an assessment framework that can be used to obtain the key evidence required for planning and housing policy development. The key research questions for each stage that can be used are set out in Table 2.1. They are designed to assess a range of issues including:

<sup>10</sup> Annexes can be found on the Communities and Local Government website together with this *Strategic Housing Market Assessment Practice Guidance*.

- the balance between housing supply and demand/need;
- the scale of need and demand for affordable and market housing;
- the extent to which affordability is an issue; and
- the extent to which low demand is an issue.

<b>Table 2.1: Research questions for each stage of the strategic housing market assessment</b>		
<b>Chapter</b>	<b>Stage</b>	<b>Research questions</b>
3. The current housing market	1. The demographic and economic context	<ul style="list-style-type: none"> <li>• What is the current demographic profile of the area?</li> <li>• What is the current economic profile?</li> <li>• How have these profiles changed over the last 10 years?</li> </ul>
	2. The housing stock	<ul style="list-style-type: none"> <li>• What is the current housing stock profile?</li> <li>• How has the stock changed over the last ten years?</li> </ul>
	3. The active market	<ul style="list-style-type: none"> <li>• What do the active market indicators tell us about current demand, particularly house prices/affordability?</li> <li>• How has demand changed?</li> </ul>
	4. Bringing the evidence together	<ul style="list-style-type: none"> <li>• How are market characteristics related to each other geographically?</li> <li>• What do the trends in market characteristics tell us about the key drivers in the market area?</li> <li>• What are the implications in terms of the balance between supply and demand and access to housing?</li> <li>• What are the key issues for future policy/strategy?</li> </ul>
4. Future housing market	1. Indicators of future demand	<ul style="list-style-type: none"> <li>• How might the total number of households change in the future? How are household types changing, eg is there an aging population?</li> <li>• How might economic factors influence total future demand?</li> <li>• Is affordability likely to worsen or improve?</li> </ul>
	2. Bringing the evidence together	<ul style="list-style-type: none"> <li>• What are the key issues for future policy/strategy?</li> </ul>

**Table 2.1: Research questions for each stage of the strategic housing market assessment**  
(continued)

Chapter	Stage	Research questions
5. Housing need	1. Current housing need	<ul style="list-style-type: none"> <li>What is the total number of households in housing need currently (gross estimate)?</li> </ul>
	2. Future need	<ul style="list-style-type: none"> <li>How many newly arising households are likely to be in housing need (gross annual estimate)?</li> </ul>
	3. Affordable housing supply	<ul style="list-style-type: none"> <li>What is the level of existing affordable housing stock?</li> <li>What is the likely level of future annual supply?</li> </ul>
	4. Housing requirements of households in need	<ul style="list-style-type: none"> <li>What is the current requirement for affordable housing from households in need?</li> <li>What are the requirements for different sized properties?</li> <li>How is the private rented sector used to accommodate need?</li> </ul>
	5. Bringing the evidence together	<ul style="list-style-type: none"> <li>What is the total number of households in need (net annual estimate)?</li> <li>What are the key issues for future policy/strategy?</li> <li>How do the key messages fit with the findings from Chapters 3 and 4?</li> </ul>
6. Housing requirements of specific household groups	Families, Older People, Minority and hard to reach households and households with specific needs	<ul style="list-style-type: none"> <li>What are the housing requirements of specific groups of local interest/importance?</li> </ul>
	Low Cost Market Housing	<ul style="list-style-type: none"> <li>What is the scope for addressing demand through the provision of low cost market housing?</li> </ul>
	Intermediate Affordable Housing	<ul style="list-style-type: none"> <li>What is the scope for addressing need through the provision of intermediate affordable housing?</li> </ul>

Partnerships should consider whether they need to supplement this framework with research questions that address particular local or housing market area issues. In so doing, it is important to recognise that the assessment is primarily an analytical examination of current and future housing market conditions rather than a policy appraisal. Policy development and options appraisal are separate activities to strategic housing market assessments.

Examples of supplementary questions could include considering the gender implications of possible household growth, examining particular tenures such as the private rented sector, demographic changes such as an increase in older person households, regeneration,

economic growth, affordability and understanding rural housing need and demand. Throughout the guide, there are pointers to where and how these types of questions can be addressed.

As part of this process, it may be useful to review existing local and regional policies to determine the key issues, policy aspirations for the area and the role of housing in delivering the spatial vision for the community. Relevant policy documents are set out in Figure 2.2. A policy review can help to prioritise research questions and highlight any issues of local interest that may not have been identified.

**Figure 2.2: Key policy documents**

- regional and sub-regional economic strategies;
- regional housing statements and sub-regional housing strategies;
- regional spatial strategies and sub-regional strategies;
- regional transport statements and specific sub-regional studies;
- local housing strategies;
- local development frameworks;
- sustainable community strategies;
- neighbourhood renewal strategies;
- economic development strategies;
- local transport plans;
- area based regeneration strategies and initiatives; and
- miscellaneous policy documents and research including local authority corporate plans, best value reports, house condition surveys, social care and health strategies, fuel poverty strategies, crime and disorder strategies and energy efficiency strategies.

## Use of different methods and data sources

No one methodological approach or use of a particular dataset(s) will provide a definitive assessment of housing need and demand and market conditions. This guidance sets out an assessment framework which highlights the importance of good quality data from various sources. Throughout the guide, there is an assumption that secondary data (ie data from local administrative or national data collection exercises rather than specially commissioned surveys or interviews) should be used where appropriate and feasible. This means that partnerships may not need to undertake large-scale primary data collection exercises such as household surveys to achieve the requirements of this assessment, provided that they have sufficient information from other sources to estimate housing need and demand.

The advantages of using secondary data are that they:

- encourage consistency of approach between different authorities and housing market areas;
- reflect actual behaviour and events rather than aspirations;
- are often cheaper to obtain than primary data;
- allow the monitoring of trends, usually on an annual basis;

- can provide a picture of market conditions based upon small areas, which identifies locational differences within housing market areas; and
- are less affected by methodological problems of bias than surveys.

However, there are occasions where primary data could be used. Examples include:

- for key indicators that are not available from secondary sources (eg interviews with letting agents are required to obtain information about private rent levels);
- where local administrative systems are not fit for purpose and authorities need to undertake an assessment sooner than they can improve or amend those systems; and
- to assess the requirements of specific household groups of local interest or importance relating to particular affordable housing products.

In addition, survey data can provide evidence about housing aspirations and preferences. Further advice on undertaking household surveys is set out in Annex C<sup>11</sup>. These are issues that local authorities or regions will wish to consider when setting the spatial vision for their areas and developing planning for housing policies. The framework set out in this guidance focuses upon assessing household behaviour.

Housing market partnerships are responsible for agreeing the methods and data sources to be used. Partnerships will need to consider which data sources and methods will enable them to derive robust assessments of housing need and demand. There are several issues that partnerships will want to consider when making these decisions:

- methods should be discussed and agreed within the partnership so stakeholders who have a key interest can express their views (eg regional bodies, local authorities, house builders, and registered social landlords);
- neither secondary nor primary data are of themselves more or less robust. Some indicators, such as house prices, are only available from secondary sources and others, such as private rents, are only available from primary data collection. Other indicators such as household incomes can be obtained from secondary sources or local surveys. Whilst robust surveys can provide more detail than modelled data in terms of incomes, they may not achieve high response rates as people can be reluctant to answer questions about income;
- a key technique for addressing data limitations is 'triangulation'. This involves bringing together and contrasting available evidence from different data sources for aspects of the assessment where there is no one definitive source; and
- the method should provide value for money and the resource used should be proportionate to the advantage that better understanding brings. It may be more cost effective to use or improve secondary data sources, or add selected questions to a corporate survey, rather than commission a specialist survey.

<sup>11</sup> Annexes can be found on the Communities and Local Government website together with this *Strategic Housing Market Assessment Practice Guidance*.



## CHAPTER 3:

# The current housing market

## Introduction

This chapter explains how to assess the current situation in housing market areas. The aim is to improve understanding about the drivers underpinning the housing market, the balance between supply and demand in different tenures, and the interaction between demand for market housing and the need for affordable housing.

The assessment of past trends (over a period of ten years or more) and the relationship between different trends should improve understanding of the drivers underpinning housing markets and the reasons for the current position. This requires interpreting a wide range of quantitative data including house prices, demographic factors, labour force structure and the characteristics of the housing stock.

For each of the four stages listed below, this chapter describes the steps that should be undertaken and recommends data sources/indicators.

Stage 1	The demographic and economic context
Stage 2	The housing stock
Stage 3	The active market
Stage 4	Bringing the evidence together

The framework sets out the minimum needed to have a good understanding of current housing markets. Much of the data required are held by local authorities and may have been analysed as part of the identification of housing market areas.

Partnerships may wish to undertake more in-depth analysis including the use of commercial information and housing market models to understand key drivers and the interaction between market indicators at different geographical levels down to neighbourhoods. Examples of such models include that developed by Bramley (2006) for Communities Scotland. The Cambridge Centre for Housing Planning and Research's Dataspring website provides a basic model which aims to assist housing association investment programmes. Partnerships could apply one of these approaches or commission one to address their local situation specifically.

## Stage 1: The demographic and economic context

Demographic and economic changes are key drivers that underpin every housing market, influencing both demand and supply. For example, demographic trends such as ageing can rapidly change the nature of housing markets. The relationships between the economy, household composition and housing are interactive and complex. As well as economic and demographic changes influencing demand, the housing market can influence household formation rates and the economy (eg reduced non-household spending, spending of household equity and new housing investment).

The research questions for this stage of the assessment are.

- What is the current demographic profile of the area?
- What is the current economic profile of the area?
- How have these profiles changed over the last 10 years?

Partnerships may wish to set more specific questions about particular household groups (eg older people, families) or employment sectors (eg retail, finance) due to their current or changing impact in the housing market area.

Table 3.1 below sets out examples of data sources that partnerships can draw upon to analyse the economic and demographic context of housing market areas.

<b>Table 3.1: Summary of demographic and economic data for each step</b>		
<b>Step</b>	<b>Principal data sources</b>	<b>Data items</b>
1.1 Demography and household types	Census data, ONS mid-year estimates, NHS registration data, ONS social trends	Population by ethnicity, age and numbers of households by type (eg families, couples, lone parents, etc.), tenure and household representative rates, migration estimates
1.2 National and regional economic policy	Local authority economic development teams, regional development agencies/ regional observatories	Interest rate trends, levels of housing benefit, Government funding for regeneration, economic growth rates
1.3 Employment levels and structure	Labour Force Survey, Annual Business Inquiry, Business Register and Employment Survey, Census	Employees in each industrial sector (SIC) and by occupational classification, commuting patterns
1.4 Incomes and earnings	Inland Revenue personal incomes, CACI Paycheck, Experian, CORE, Annual Survey of Hours and Earnings, local surveys	Individuals and households by income band, distributions of income by age

## Step 1.1: Demography and household types

### RATIONALE

Changes in population and household profiles are key to understanding housing need and demand. Migration is an important factor driving demographic change. The age structure of the population influences migration trends, household formation and housing need. There are important age ‘cohort’ effects in relation to household representative rates, tenure preference and housing demand as well as vulnerability and the likelihood of housing need. Gender and ethnicity also have a strong influence on the mix and location of housing need and demand. Different ethnic groups have different age structures, household formation rates, fertility rates, tenure and locational preferences. Female-headed households tend to have lower rates of home ownership rates and are over represented in older age cohorts.

## **DATA ISSUES**

The Census provides the most comprehensive picture of the size of the population in terms of age, gender, ethnicity, marital status and tenure. At the neighbourhood level, Census demographic information can date, particularly where there is a high turnover in the population, major housing development or demolition activity. The Registrar General is the main source of inter-Censal population estimates and mid-year estimates are published annually. They contain information about the total population and its composition in terms of age, gender and marital status, but at higher spatial scales than the Census. Communities and Local Government publishes annual estimates of household numbers for each local authority and on request, these figures can be broken down for household types.

Migration data are available from the Census in terms of the proportion of the population that have moved in the year before the Census. Updates on migration at local level comes from Health Service data. Whilst useful, this can understate certain groups, particularly young single people who are often very mobile and do not register with a GP when they move. This information may have already been collected and analysed as part of the identification of housing market areas.

## **ANALYSIS**

Partnerships should examine the proportion of the population of different gender, age cohorts and ethnic groups. Age cohorts typically used are young adults (16-24 years), those in their mid 20s to mid 40s, mature householders in their late 40s and 50s and older people. Ethnic groupings are given in the Census.

Household composition is of primary interest. In addition to identifying different types of households, partnerships should consider composition in terms of age relationships with the head of household and ethnicity, gender and economic status. Trends should be plotted over time to identify which household types have grown or declined in each tenure. Where Census data are used, partnerships will be able to look at the geographical distribution of different household types. Partnerships can opt to buy established geo-demographic classifications such as ACORN (CACI classification of residential neighbourhoods using Census data) or MOSAIC (a system that uses electoral roll, housing, financial and Census data to classify lifestyles into 12 lifestyle groups) where resources allow.

The key trends in migration should be recorded. In addition, partnerships should consider social trends analyses, many of which can be obtained from the Office of National Statistics. These include living trends and lifestyle choices (eg the increasing numbers of divorcees and people wanting to live alone). Partnerships should assess the degree to which local changes reflect national trends.

### **Step 1.2: National and regional economic policy**

## **RATIONALE**

Macroeconomic factors such as interest rates, inflation and national economic growth impact on house building and investment on the supply side and household finances on the demand side. For example, higher interest rates makes it more expensive to borrow, thereby reducing demand for housing and affecting employment levels by increasing the

cost of investment. Government subsidies, grants and policies can also influence housing markets. Whilst nationally, new housing is only a small proportion of total stock (less than 2 per cent per year), local areas may have incentives that increase supply more markedly.

## **ANALYSIS**

Housing market partnerships will need to plot how interest rates, government funding for housing/regeneration and housing benefits have changed over the last ten to twenty years. It is likely that local authorities and/or regional bodies will be monitoring these issues already as part of their consideration of economic performance.

### **Step 1.3: Employment levels and structure**

#### **RATIONALE**

The level and type of employment available in an area determine the levels of wages that will be paid and will influence the tenure, size and location of housing. The types of employment available may also influence households preferences for different housing locations; people with highly-skilled jobs tend to travel further to work than those with lower skilled jobs.

#### **DATA ISSUES**

Data on employment structure and occupational structure from the Annual Business Inquiry (ABI) can be obtained from NOMIS (the national on-line information system). This also provides information on economic activity rates (the proportion of the working age population that is either in work or actively seeking work) and unemployment. Again, it is likely that local authorities and/or regional bodies will be monitoring these issues as part of their consideration of economic performance.

#### **ANALYSIS**

Housing market partnerships will need to consider the proportions of lower and higher paid jobs. This can be assessed by employment sector (eg banking and finance, hotels and catering, public administration) and occupational structure (eg managerial and professional, skilled manual, unskilled manual). Partnerships should consider the extent to which the economy reflects growing or declining economic sectors and the relative affluence of the working population.

The relationship between the skills of those working in the area (employer based information from the ABI) and the population (resident based information from the Census) can be assessed to understand the linkages between housing and employment in the housing market area. This can be drawn together with information used to identify the housing market area (e.g. travel to work areas and commuting).

## Step 1.4: Incomes and earnings

### RATIONALE

Incomes and earnings are key drivers of demand. The evidence shows that households spend more on housing as incomes increase, although typically they do so at a rate less than their growth in income. Studies suggest that as incomes rise, demand for neighbourhood quality increases together with house size.

### DATA ISSUES

The Inland Revenue provides data on personal incomes. Data on household incomes are more relevant but are difficult to estimate with certainty. Estimates of household income can be modelled using existing data sources as a starting point (eg Inland Revenue personal incomes or individual earnings from the Annual Survey of Hours and Earnings). However, these sources do not include information about people who are not in work or self-employed, meaning assumptions have to be made in terms of their likely incomes and relative proportion of overall incomes. Modelled ward-level household income data for 2001 can be downloaded from the Neighbourhood Statistic Service (NeSS) website and the Index of Multiple Deprivation (also available from NeSS) has an income deprivation component. Where resources allow, income distributions can be purchased from a number of sources including CACI, Paycheck and Experian. Where possible, information about household incomes should be estimated by age and household type.

Household incomes can also be estimated from local survey data where it is available. To ensure information is robust, findings should be checked against regional and national distributions published by the Office of National Statistics. Historical data may not be available at the local level.

### ANALYSIS

The important factor to consider is the distribution of incomes in the housing market area and how they have changed over time relative to the national picture. It is also useful to understand the source of income, including the extent of benefit dependence. As with employment levels, partnerships may wish to consider the difference between the incomes of those living and working in the area. Employee incomes are available from the Annual Business Inquiry. Where possible, partnerships may wish to obtain more detailed information about young adults and potential first time buyers to better understand access to market housing.

## Stage 2: The housing stock

The stock of housing is a snapshot of what types of housing are available within an area at a specific date and how that housing is being used. It is important to assess the overall adequacy of stock and identify key issues that need to be addressed.

The research questions for this stage of the assessment are:

- what is the current housing stock profile?
- how has the housing stock changed over the last ten years?

Housing market partnerships may set additional research questions to investigate issues of local importance, for example, the need for neighbourhood renewal.

Table 3.2 sets out examples of data sources that partnerships can draw upon to analyse the housing stock.

<b>Table 3.2 : Housing stock datasets</b>		
<b>Step</b>	<b>Principal data sources</b>	<b>Data items</b>
2.1 Dwelling profile	National Register of Social Housing (NROSH), Housing Strategy Statistical Appendix (HSSA), Business Plan Statistical Appendix (BPSA), Regulatory Statistical Return (RSR), Census, Dwelling Stock by Council Tax Band NeSS Dataset, Council tax register	Number of dwellings in the area by size, type, location and tenure
2.2 Stock condition	NROSH, HSSA, BPSA, RSR, Stock condition surveys, Decent Homes Modelled Data and Census	Condition of stock (unfit, in need of major/minor repairs) by tenure and location
2.3 Shared housing and communal establishments	Census, Student accommodation services, Voluntary sector and key informants, LA Registers of Licensed Houses in Multiple Occupation, NeSS Licensed HMO dataset, Local surveys	Estimated numbers of households living in shared houses and communal establishments

## STEP 2.1: Dwelling profile

### RATIONALE

Changes in the number of residential properties can occur due to demolition, conversion, new build, sales and transfers. The cumulative impact of these changes can impact upon the operation of the market, for example, over five years new supply could add five per cent to the stock of housing available, possibly attracting different household types to an area. Changes at the neighbourhood level can occur rapidly.

### DATA ISSUES

Counts of current stock and vacancies by tenure and condition are available at local authority level only from the Housing Strategy Statistical Appendix (HSSA) in England, which is updated annually. Figures on tenure, house size and type can be obtained at lower spatial levels from the Census but this is only updated every ten years. Selected HSSA data can be obtained from the Neighbourhood Statistics website (See Annex B<sup>12</sup>) The National Register of Social Housing (NROSH) provides standardised stock profile and condition data for social housing for individual dwellings and a range of geographies. These data are frequently updated by landlords which are participating but are not yet complete. They are most easily obtained through NROSH-Online ([www.NROSH-Online](http://www.NROSH-Online)).

<sup>12</sup> Annexes can be found on the Communities and Local Government website together with this *Strategic Housing Market Assessment Practice Guidance*.

net). Local authorities and regional bodies should ensure that all social housing providers in their area are providing data to NROSH. In future, additional information about private rented dwellings will be available through information systems related to licensing of Houses in Multiple Occupation (HMOs) and the Tenancy Deposit scheme (TEDS). See Annex B for further information.

The number of dwellings has to be adjusted to take into account dwellings that are abandoned, uninhabitable, long-term vacant or used primarily as a second residence. For social housing the best source of these data is NROSH, where it is complete, failing that the HSSA-based data in NeSS is the best source. NeSS also provides ward-level data on vacant, long-term vacant and second homes derived from local authorities' council tax systems. It is difficult to obtain accurate data for empty houses in the private sector and partnerships will have to make an informed estimate using the data available and possibly incorporating views from estate and letting agents.

For the social sector, construction and demolition figures are available at local authority level from the HSSA and will become available from NROSH at local level. House building figures are published on the Communities and Local Government website.

## **ANALYSIS**

Partnerships should plot the changes in the stock profile over the past ten years and identify the locations that have experienced high levels of change. When assessing the changes (particularly in tenure) it is useful to consider the extent to which they are the result of construction, demolition or conversion of existing dwellings.

### **Step 2.2: Stock condition**

## **RATIONALE**

As well as the number of properties, overall supply is influenced by general wear and tear and investment in maintenance. A residential property only fulfils its purpose if it addresses the requirements of those that live in it by meeting minimum quality standards.

## **DATA ISSUES**

The Communities and Local Government Housing Health and Safety Rating System (2005) sets standards for acceptable accommodation. A home should be above the current statutory minimum standard for housing, in a reasonable state of repair, have reasonably modern facilities and provide a reasonable degree of thermal comfort. The HSSA has evidence about the numbers of homes that comply with standards in England. NROSH provides a standardised template for such information and makes it available at the level of the dwelling.

Local authorities can undertake stock condition surveys drawing upon guidance<sup>13</sup>. Where survey results from across more than one local authority area are combined, partnerships will need to ensure that the findings are comparable. The English House Condition Survey provides accurate information but only at the regional level. The Census only provides information on the provision of bathroom and toilet amenities. Modelled ward-level

<sup>13</sup> *Collecting, Managing and Using Housing Stock Information*, (ODPM, 2004).

data using the Decent Homes Standard as an indicator based on the EHCS may become available from NeSS.

## ANALYSIS

Trends should be assessed by tenure, size, type and location where data are available. Detailed historical data may not be available.

### Step 2.3: Shared housing and communal establishments

## RATIONALE

Shared housing and communal establishments are important types of accommodation for several household groups. Partnerships are likely to have an interest in housing issues for these groups either because of their vulnerability (eg homeless households or the elderly), or because of the economic impact of having such groups in the area (eg students or workers with tied accommodation).

## DATA ISSUES

The Census records information on the number of people living in communal lodging establishments, and shared dwellings. Regularly updated and comprehensive data sources are not available so partnerships may find it useful to consult with social services, the voluntary sector and student accommodation services. The new legal requirement for larger Houses in Multiple Occupation to be licensed means that local authorities now have accurate and up to date information on these and the data will also be available from NeSS from Autumn 2007.

## ANALYSIS

As well as recording the numbers of different household groups in shared accommodation, partnerships may wish to gather information about the suitability, condition, vacancy rate and location of such establishments.

### Core output 1

Based on Stage 2 of this chapter, partnerships should be able to produce:

- Estimates of current dwellings in terms of size, type, condition and tenure.

### Stage 3: The active market

This section requires housing market partnerships to analyse indicators of housing market activity to improve their understanding about changes in demand over time and identify pressure points within the area. The key aim is to identify evidence of failing markets such as volatile or unresponsive markets.



The research questions for this stage of the assessment are:

- what do the indicators tell us about current demand, particularly house price/affordability?
- how has demand changed?

It is not possible to precisely quantify the extent of current demand and partnerships will need to examine and interpret a range of indicators. Historical data may not be available at the local level. Available indicators can be supplemented with knowledge from relevant stakeholders such as estate agents and developers. Where analysis suggests that there are issues of low demand within housing market areas (and therefore little market activity), partnerships may wish to undertake additional research (eg neighbourhood renewal assessments).

The data used to understand housing demand for market housing differs from that used to assess need for affordable housing, since the needs of those who cannot afford market housing are not reflected in house prices. Choices in the social sector can be assessed by looking at turnover, vacancies and waiting lists. Whilst some of these indicators are included here, a more complete assessment of housing need is set out in Chapter 5.

Examples of the indicators that partnerships should use to assess the active market and the steps to be undertaken are set out in Table 3.3.

<b>Table 3.3: Active market datasets</b>		
<b>Step</b>	<b>Principal data sources</b>	<b>Data items</b>
3.1 The cost of buying or renting a property	Land Registry, Estate & Letting Agents, Rent Service, HSSA	Average and lower quartile prices and rents by tenure, sizes, types and location
3.2 Affordability of housing	Outputs of Step 3.1 and Step 1.4	Mapping of which areas and property types are most and least affordable
3.3 Overcrowding and under-occupation	Census, Local surveys	Dwelling and household size, overcrowding, under-occupancy
3.4 Vacancies, turnover rates and available supply by tenure	Outputs from Step 2.1, NROSH, HSSA returns, Council tax register, LA/HA records, Land Registry transactions, Estate and letting agents, Survey of Mortgage Lenders	Vacancy rates by tenure, size, type and location, transactions data, turnover, and an indication of available supply by tenure, type, size and location

### Step 3.1: The cost of buying or renting a property

#### **RATIONALE**

Understanding house price change is key to understanding the housing market. In a market system, resources are allocated by the price mechanism and prices adjust to equate supply and demand. Where demand is lower than supply, the price will fall; where demand is higher than supply, the price will rise.

## DATA ISSUES

House prices by type and location are available from the Land Registry for postcode sectors and from the Neighbourhood Statistics Service. They are based on actual transactions but do not provide an indication of dwelling size. House price data may have been used to identify housing market areas, and have been adjusted to account for key dwelling attributes. In addition, there are private providers (eg Hometrack) who can provide detailed price data.

Entry-level prices should be approximated by lower-quartile house prices. The cheapest available property prices should not be used since these often reflect sub-standard quality or environmental factors. Where low demand is an issue, partnerships should attempt to estimate change of the 15th percentile. As well as looking at entry-level prices, partnerships should obtain information about average and higher level house prices so that they can understand performance across the whole housing market.

There is no definitive source of information on market rents. However, estimates of rents by house size can be obtained from local estate agents (see Annex D<sup>14</sup>). As with house prices, lower-quartile rents should be used to estimate the entry level. The Rent Service local reference rents are available from the Neighbourhood Statistics Service website and at local authority level from the Joseph Rowntree Trust. Other data may be available from the Rent Service or the Royal Institute of Chartered Surveyors although there are confidentiality issues at a local level.

## ANALYSIS

House prices can be converted into weekly housing costs through assumptions about mortgage re-payments using current interest rates. The costs of different tenures can then be compared. Partnerships should use the median house price as well as the average since median prices are less volatile. Because house price change is cyclical, it is important to assess the medium to long term trajectory of change.

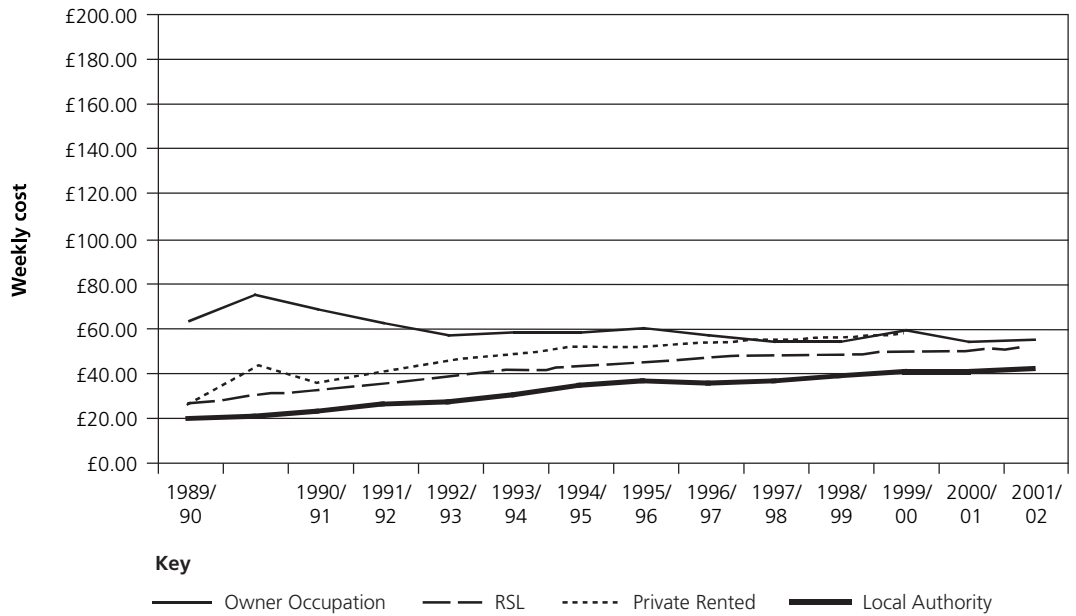
Figure 3.1 presents an example of monitoring housing cost trends by tenure for the North East and South East regions. In the North East, the weekly costs of private renting and owner occupation are similar whilst social renting is not significantly cheaper than market housing. In contrast, in the South East, there is a clear price gap between the social-rented sector, private renting and owner-occupation.

Partnerships should compare price level and change for different types of dwellings in a local area with those for the wider housing market area and region to assess whether there are demand pressures specific to the locality. In addition, change in lower-quartile house prices should be compared with change in the mean and median prices. Comparatively high rises in lower-quartile prices can signal affordability issues and problems for first time buyers. An example analysis is presented in Table 3.4.

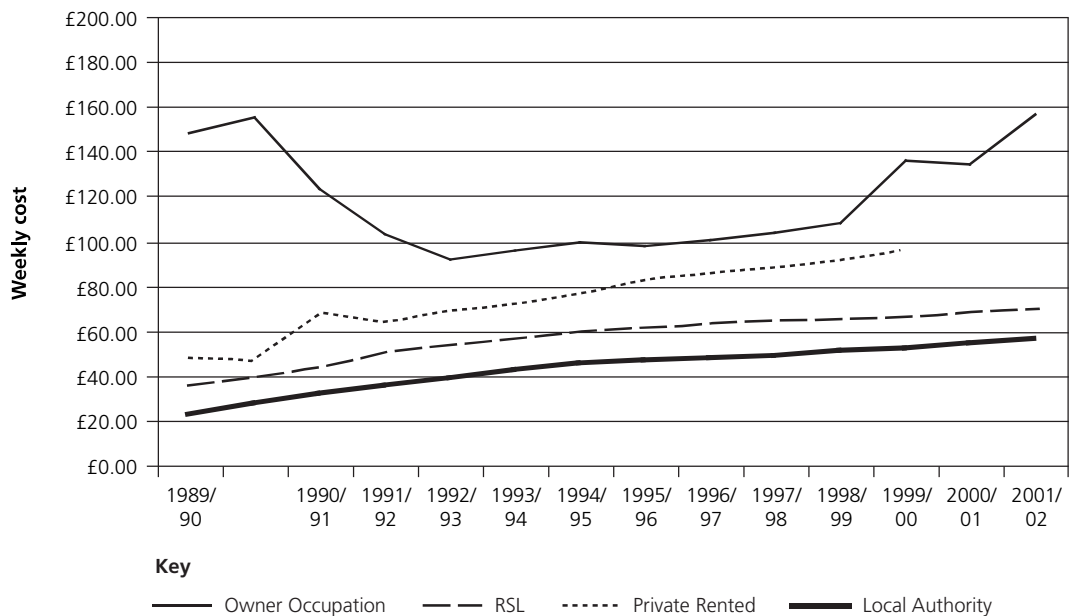
<sup>14</sup> Annexes can be found on the Communities and Local Government website together with this *Strategic Housing Market Assessment Practice Guidance*.

**Figure 3.1: Comparison of weekly housing costs of buying and renting (by tenure) in the North East and South East between 1989/90 to 2001/02**

### North East



### South East



## Step 3.2: Affordability

### **RATIONALE**

Affordability analyses provide information about which locations and types of properties are accessible to local people and which are the most difficult to afford. Poor affordability can lead to excess commuting and unsustainable travel patterns, a loss of workers in the area, high dependence on social housing or housing benefit, health problems, poverty and homelessness. All neighbourhoods will vary in their affordability and the concept is most meaningful at the regional and sub-regional housing market area levels.

### **DATA ISSUES**

Assessing affordability involves comparing house costs against the ability to pay. The ratio between the income or earnings distributions identified in step 1.4 and housing costs identified in step 3.1 can be used to assess the relative affordability of housing.

### **ANALYSIS**

Partnerships should compare the lower-quartile income distribution to lower quartile house prices. This ratio should be compared with the mean and the median ratios to assess the extent to which the income distribution is skewed. For example, where there are large numbers of households on relatively low incomes, the few on high incomes will push up the average, giving a misleading picture of affordability. This analysis can be done by housing type for owner-occupied stock using data from the Land Registry. Partnerships may wish to explore other ways of looking at affordability such as the number of 30 year olds able to afford owner-occupation.

Housing market partnerships should compare income to price ratios to the regional and national pictures as set out in the example in Table 3.4.

<b>Table 3.4: analysis of relative prices and affordability</b>			
<b>House prices in Basildon, 2000 to 2004</b>			
<b>Year</b>	<b>Mean (£)</b>	<b>Median (£)</b>	<b>Lower Quartile (£)</b>
1999	90,574	71,117	55,000
2000	109,314	85,000	60,000
2001	115,322	95,873	68,500
2002	137,977	119,995	85,921
2003	162,861	140,000	108,000
2004	178,129	154,000	124,000
Average annual growth rate 2000-2004	14.7	16.8	17.8
<b>House prices in the Eastern region, 2000 to 2004</b>			
<b>Year</b>	<b>Mean (£)</b>	<b>Median (£)</b>	<b>Lower Quartile (£)</b>
1999	95,700	76,000	54,500
2000	110,372	86,950	60,000
2001	124,616	99,950	71,500
2002	149,299	125,000	88,000
2003	172,257	145,995	109,000
2004	190,218	163,500	125,000
Average annual growth rate 2000-2004	14.8	16.6	18.2
<b>House prices to mean income ratio, 2002/03</b>			
	<b>Basildon</b>	<b>Eastern region</b>	<b>England</b>
Mean house price/mean income	6.46	6.68	6.60
Median house price/mean income	5.59	5.58	5.38
Lower quartile house price/mean income	4.07	4.01	3.36

Source: Land Registry and Inland Revenue

Table 3.4 shows that house price to income ratios in Basildon are similar to those in the Eastern region. Whilst mean house prices are relatively affordable compared to the Eastern Region and England, lower-quartile house prices are less affordable. There has also been a larger annual growth in lower-quartile house prices.

### Step 3.3: Over-crowding and under-occupation by tenure

#### RATIONALE

The degree of over-crowding and under-occupancy provides an insight into possible future household flows and potential levels of concealed households.

## DATA ISSUES

The Census provides a measure of over-crowding and under-occupation by looking at households with greater numbers of members (compared to rooms) by tenure. If Census data are out of date and where there are issues regarding occupancy levels, partnerships should consider alternative data sources. National surveys provide evidence of over-crowding or under-occupation, using the Bedroom Standard (rather than the number of rooms shown by the Census).

## ANALYSIS

Partnerships should plot trends in over-crowding and under-occupation with a view to identifying the tenures, household types and locations most affected.

### Step 3.4: Vacancies, available supply and turnover by tenure

## RATIONALE

The indicators described in this section are measures of the 'flow' supply in the area. Turnover rates, difficult-to-let properties, and void levels can reveal potential imbalances for different types of housing. Turnover, particularly the time period during which housing remains unsold in the market housing sector, will indicate the degree to which supply is available.

## DATA ISSUES

Vacancy data will have been collated at step 2.1. For available supply and turnover in the private rented sector, partnerships will have to gather information from estate and letting agents until information from HMO licensing and Rent Deposit Schemes are available. The available supply of market housing is that currently advertised for sale or for rent. Turnover within the owner-occupied sector can be obtained from the Land Registry. The current availability of social housing is indicated by the number of re-lets and the most detailed information on this for both housing associations and local authorities comes from CORE. Local authority totals can be obtained from the HSSA and RSR. Turnover rates can be derived by combining re-let data with stock data from NROSH, the HSSA or RSR.

## ANALYSIS

Since housing markets are dynamic, a certain level of vacancy is inevitable and may be desirable. Partnerships should identify areas with unusually high levels of long-term vacancies. Where high rates are found and the reasons are unknown, partnerships may wish to explore reasons through interviews with stakeholders. Although high rates over the long-term may indicate low demand, vacancies can be high in high demand areas due to investor and absentee demand.

Available supply encompasses any new dwellings coming onto the market along with existing stock. Partnerships should plot the current levels of available supply and assess historical trends where data are available.

Turnover rates should be calculated (in percentage terms) as sales compared to total owner-occupied stock. They require careful interpretation. Turnover rates vary by tenure. In the private rented sector, the average length of stay is 6-12 months reflecting the leasehold structure. Homeowners move on average every 3 to 7 years. In the social-rented sector, high turnover can be created in part by the allocations system; social-rented properties can have high turnover rates where vulnerable households are placed in housing not suited to long term tenancies. High turnover can be good if households are being moved to housing more appropriate to their needs. Conversely, it can mean that certain housing or areas are unpopular and partnerships should consider the size and type of re-lets. In addition, low turnover can indicate issues around housing availability – this can be common in rural areas.

To help unpack these factors, partnerships should consider turnover rates alongside vacancy rates. In addition, the relationship between changes in the rate of turnover and house prices may be of interest, particularly for low demand areas where changes in demand are more crucial than the overall level. Prices and transactions generally move together but may occasionally diverge, yielding insights into housing demand.

## **Stage 4: Bringing the evidence together**

The evidence gathered in stages 1-3 will provide an insight into the current housing market and past trends in terms of the demographic and economic context, housing stock and housing demand. Partnerships will need to consider how the evidence gathered through the different steps in this chapter relates to each other.

The research questions for this stage of the assessment are:

- How are market characteristics related to each other geographically?
- What do the trends in market characteristics tell us about the key drivers in the market area?
- What are the implications of the trends in terms of the balance between supply and demand and access to housing?
- What are the key issues for future policy/strategy?

This stage of the assessment will require partnerships to interpret the collected data, presenting any assumptions clearly. In many cases, there is likely to be a wider body of research that provides analytical support for the relationships being considered, for example, the increase in house prices with lower interest rates and the move into owner-occupation. There is no one simple way of analysing relationships between market indicators. However, there are three key steps that should be undertaken.

### **Step 4.1: Mapping market characteristics**

#### **RATIONALE**

Partnerships should understand how economic, demographic and stock characteristics relate to each other geographically. In addition, partnerships will want to examine housing demand across the housing market area where data are available.

## ANALYSIS

Where possible, partnerships should use Geographic Information Systems (GIS) software to map the market characteristics and identify how characteristics cluster together and the level of similarity between locations. Where GIS software is not available, partnerships can assess these relationships using tabulated data.

Partnerships should aim to identify areas where access to housing is difficult and those where there is evidence of low demand. It will be useful to look at stock characteristics, households and commuting patterns to assess why particular locations have high or low demand. Other information such as school performance data and social tenant surveys could provide further insight into these issues.

Where resources and data allow, partnerships can consider applying statistical analysis to identify the clusters and understand the key determinants of demand. Such analyses may have already been undertaken to identify housing market areas.

When looking within housing market areas, it is important to distinguish between urban and rural areas as they may exhibit different characteristics. For example, many rural locations have experienced lower rates of turnover and new supply.

### Step 4.2: Trends and drivers

## RATIONALE

Demand trends, particularly housing costs, should be analysed alongside trends in key demographic and economic factors to better understand the key drivers in the housing market. This integrated analysis of the demand and supply characteristics will provide evidence about the balance between housing demand and supply in the housing market area.

## ANALYSIS

First, partnerships should assess how the economic and demographic profile of households changes over time. Partnerships should note the key changes in profile by tenure. Migration will be a key driver and partnerships should use available migration information from the Census and National Health Service Central Register (NHSCR) records to better understand historical changes.

Second, partnerships should consider how the demand indicators have changed with the economic and demographic changes noted above. Partnerships should assess the relative timing of changes to trends to identify relationships between factors. When analysing the data, partnerships should be aware of the cyclical nature of house prices and investigate the drivers behind periods of change and stability.

Third, partnerships should consider changes in demand and supply together to better understand the responsiveness of the market in the area (elasticities) by tenure.

The housing market partnership may wish to collect additional qualitative information to help provide insight about housing market drivers and trends. For example, latent demand can be better understood by looking at the nature and pattern of failed search activity.



Partnerships may also consider interviewing estate and letting agents or facilitating focus groups with recent movers to better understand aspirations and what are considered reasonable substitutes for failed searches.

### **Step 4.3: Issues for future policy/strategy**

The above analysis should provide a good understanding of the balance between supply and demand for different tenures and locations. Partnerships should look across this evidence to identify the key issues that need to be considered in terms of likely future trends.

The relationships between key indicators should be explained in full, particularly where they signal a possible need for intervention such as unresponsive supply. In addition, indicators that have changed rapidly and suggest volatility in the market should be highlighted.

Partnerships will want to consider the implications of affordability for housing need and demand. This could involve considering how affordability pressures are constraining the local economy, for example, by restricting non-household spending or influencing decisions to move jobs.

The evidence assembled here can be used to inform wider policy issues. For example, information about the proportion of different household types by tenure in different areas (eg older people, lone parents) can provide evidence about requirements for specific housing or additional services in particular locations.

#### **Core output 2**

Based upon the steps outlined in this chapter, partnerships should be able to produce:

- An analysis of past and current housing market trends, including the balance between supply and demand in different housing sectors and prices/affordability. Description of the key drivers underpinning the housing market.

## CHAPTER 4:

# The future housing market

## Introduction

This chapter enables housing market partnerships to derive estimates of the scale of future housing demand across the whole housing market. It requires partnerships to build upon their understanding of the current housing market derived in Chapter 3 and consider how the current drivers of housing markets could shape future changes in housing demand.

The research questions for this chapter are:

- How might the total number of households and household structure change in the future? How are household types changing, eg is there an aging population?
- How might economic factors influence total future demand?
- Is affordability likely to worsen or improve?
- What are the key issues for future policy/strategy?

This chapter sets out the analysis in four stages:

Stage 1	Projecting changes in future number of households
Stage 2	Future economic performance
Stage 3	Future affordability
Stage 4	Bringing the evidence together

The framework sets out the minimum requirements for understanding the future housing market. Whilst partnerships may wish to work with consultants to bring the information together there is no expectation that additional commissioned projects will be necessary to meet these requirements. Partnerships may wish to undertake further detailed analysis and more sophisticated approaches that use forecasting techniques to assess the potential impact of economic factors on the housing market are described at the end of this chapter.

## Stage 1: Projecting changes in future numbers of households

### RATIONALE

This stage will enable partnerships to estimate the total number of new households that are likely to arise in the future across the whole housing market. In many areas, household numbers are likely to increase and this estimate of change will provide evidence to inform policy decisions regarding the amount of additional housing required.

## DATA ISSUES

Housing market partnerships should obtain and assess the most recent official government population and household projections. The Office of National Statistics publish population projections and Communities and Local Government publish household projections. Both datasets project past trends forward into the future. They assume that the trends in underlying economic factors (eg labour market participation rates, unemployment, early or late retirement) and demographic factors (eg ageing, tendency to get married or live together or to get divorced or separated) will continue unchanged in the future. Some of these assumptions are explored further in the following stages.

Household projections by household type are published for London boroughs, metropolitan boroughs, unitary authorities and counties. These will enable partnerships to derive estimates of future change in terms of the housing market area as well as individual local authorities. For individual local districts, county figures should be allocated in proportion to the distribution of the population, or figures can be supplied on request by Communities and Local Government.

## ANALYSIS

Partnerships should record population and household projections annually over a period of at least 20 years and estimate future change in population according to gender, age and household numbers by type (eg single person, multi-person, lone parents, etc) where possible.

### Core output 3

Based upon this stage, partnerships should be able to produce:

- an estimate of the total future number of households, broken down by age and type where possible.

## Stage 2: Future economic performance

### RATIONALE

Future housing demand will be affected not just by the number of households but by their ability and willingness to pay for housing. The economic performance of an area can influence both the number of households (eg through migration) and the willingness and ability to pay for housing (eg through income and investment potential).

### DATA ISSUES

Partnerships should draw on future economic and employment forecasts produced by local authorities' economic development teams, learning and skills councils, regional observatories and regional development agencies. In addition, partnerships can consult local major employers or draw upon related local surveys to assess potentially significant changes in future economic performance. Forecasts of likely future inflation and interest rates, and projected growth or decline in the national economy, are available from the Bank of England, the Treasury, and independent forecasters.

## ANALYSIS

Partnerships should have a good understanding of the relationship between historical economic performance and housing demand from the analysis undertaken in Chapter 3. This stage requires partnerships to identify the long-term stability of the local economy along with key strengths and weaknesses, and explore the implications for future housing demand. For example, continuing over-dependence on an industrial sector that is in decline is a weakness that could imply incomes are unlikely to grow and present trends will continue. On the other hand, recent growth in professional and managerial occupations associated with new firm formation and employment growth is a strength that may result in high levels of in-migration, particularly skilled professionals.

Where evidence is available, partnerships should compare economic forecasts between housing market areas and the region. Where there are large disparities between the two, it is reasonable to expect that migration patterns can be affected since households are often attracted to areas where there is better economic performance. The assessment should also have regard to national economic factors.

### Stage 3: Future affordability

## RATIONALE

Affordability is a key issue that faces many housing markets in the UK. The aim of this stage is to estimate whether the affordability of housing is likely to improve or worsen, and to understand the implications of changes in house price for affordability.

## DATA ISSUES

Future house prices cannot be simply projected on the basis of past trends. Predicting future house prices is an inherently uncertain process since changes in house prices are cyclical and periods of fast growth can be followed by slower growth or even decline. Partnerships can obtain estimates of future house price change from mortgage lenders and other market speculators.

## ANALYSIS

Partnerships should examine the national evidence together with their own knowledge of how the housing market area differs from the national picture in terms of key factors that affect affordability such as future economic performance and committed supply rates.

It is useful to consider the sensitivity of affordability rates to price changes. Holding incomes constant, it is possible to re-calculate the affordability analyses in Chapter 3 with different house price scenarios. Partnerships can identify the potential effect of a 5 per cent, 10 per cent and 20 per cent increase or decrease in house prices on affordability. It is possible to further develop a range of scenarios for house price growth (or decline) based upon different housing demand and supply scenarios.

## Stage 4: Bringing the evidence together

As discussed in Chapter 3, current housing demand is difficult to quantify. Total future housing demand is even more difficult to quantify. Rather than aiming to pin down numerous details, partnerships should ensure that the evidence brought together within this section enables the identification of high-level messages about the key trends and drivers to which future policies will need to respond.

The key messages will include an estimate of the scale of requirement for future housing based on net household projections, an estimate of whether housing affordability is likely to worsen or improve based on current trends, and the evidence that explains why (eg migration or changes in employment structure).

## More sophisticated methods of assessing future housing demand

### Why use different methods to estimate future numbers of households?

The trend-based household projections described in stage 1 have various technical limitations that constrain their accuracy in particular areas (see Table 4.1 below). Where one of these limitations reflects an issue of particular relevance to a housing market area, partnerships may want to consider alternative methods.

**Table 4.1: Technical limitations of household projection techniques**

**Populations of ethnic background:** There can be marked differences in household formation, fertility and life expectancy amongst different ethnic communities.

**Migration assumptions:** NHS patient registers are the best proxy for internal migration within England and Wales but are known to underestimate migration. In particular, young men are less likely to register with a GP when or after they move.

**Variation amongst younger households:** Although the housing choices of those over 34 years are largely stable, household formation amongst younger adults (especially those under 24) is more variable reflecting a range of factors including housing, employment etc. Research by Ermisch and Di Salvo (1997) shows that high house prices can encourage younger people to remain at home and delay forming separate households.

**Length of time elapsed since the Census used to derive projections:** The process of change is cumulative so the reliability of projections decreases over time.

**Private households:** Household projections largely disregard concealed households and tend to be based on out of date information regarding the size of the institutional population.

In addition, the degree of stability in the housing market will influence whether more sophisticated techniques should be used. Where the economy and employment are relatively stable and there are no significant changes expected in the structure and performance of the housing market, partnerships may consider trend-based household projections to be fit for purpose. However, where changes are expected to occur (eg in a growth area, an area with significant incentives for regeneration or rapid population change) it may be useful to consider the techniques outlined below.

## Estimating future housing change using forecasting techniques

The methods of forecasting described below will allow partnerships to undertake sensitivity testing of likely future household growth by varying the assumptions underpinning change,

particularly socio-economic factors (eg likely levels of migration and economic growth). County council demographers and economists should be able to provide advice about which methods to use.

## **MIGRATION-LED FORECASTING**

Conventional forecasting methods are ‘migration-led’ and allow different assumptions to be tested, including:

- a. trend-based migration – these can be varied according to the data sets available and the length of time over which a trend is averaged before projection;
- b. zero-net migration – total inward flows are equal to total outward flows (although the population structure may change);
- c. natural change – assumes no migration is taking place and that changes in the population come about through natural causes only (births and deaths);
- d. static population – total population remains the same over the projection period (the rate of migration required to achieve this will be calculated); and
- e. policy-led – this could involve a mixture of approaches, for example, assuming a projected trend will decline after a number of years.

## **HOUSING-LED FORECASTING**

Housing-led forecasts consider future housing change in terms of the housing capacity of an area to accommodate households. This is calculated from base numbers of dwellings and building /demolition rates. As well as using completion rates to forecast population and household change, it is possible to use the average number of housing permissions granted to examine how recent trends in permissions could be extrapolated into the future.

While this may sound complex, in practice it is straightforward but time-consuming. Many County Council Research and Information Units already undertake this kind of work, broken down to district level.

## **ACCESSING FORECASTING MODELS**

There are some ‘off-the-peg’ models that can be used to forecast population and household growth that can be found via a search of the web. Some of these show how to calculate the relevant data for different migration assumptions (eg age-specific birth and death rates for natural change calculations). One example is the ‘Housegroup’ model run by the Centre for Census and Survey Research, University of Manchester.

Some authorities already commission models which are variants of the official government projection methodology. One example is the ‘Chelmer model’ run by the Population and Housing Research Group at Anglia Polytechnic University. This provides household growth estimates down to district level that can be tested by varying inputs eg trend migration may be compared with zero net migration. Using the Government projections as a starting point, it is possible to model the effects of actual economic performance on headship rates and household formation.

## CHAPTER 5:

### Housing need

#### Introduction

The first part of this chapter explains how to estimate the number of current and future households in housing need. It then looks at the available stock and requirements of existing affordable housing tenants for different sizes of properties. In so doing, the approach outlines how to develop an evidence base that can inform decisions about a range of policy responses to housing need, including: setting targets for affordable housing, changing allocations policies and using the private rented sector.

As set out in Chapter 2, this approach assumes that secondary data will be used where appropriate and feasible. Housing market partnerships will want to assess the quality of the data available to them and where information is unreliable, efforts should be made to either improve the secondary data or obtain information through other sources. Advice about the quality of secondary data and using information from local household surveys to help estimate housing need is provided in Annexes B and C<sup>15</sup> respectively. Where there is no one authoritative source of data, the justification for estimated figures should be set out in a clear and transparent manner. Partnerships may wish to consider a range of outputs based upon different estimates<sup>16</sup>.

For each of the stages listed below, this chapter describes the steps that should be undertaken and recommends data sources/indicators.

Stage 1	Current housing need (gross backlog)
Stage 2	Future housing need (gross annual estimate)
Stage 3	Affordable housing supply
Stage 4	Housing requirements of households in need
Stage 5	Bringing the evidence together

The framework outlines the minimum required to develop a robust understanding of housing need. Further information about how to assess the requirements of specific household groups and the potential role of intermediate affordable housing is provided in Chapter 6.

<sup>15</sup> Annexes can be found on the Communities and Local Government website together with this *Strategic Housing Market Assessment Practice Guidance*.

<sup>16</sup> Several recent studies provide examples of this type of 'sensitivity testing' eg Communities Scotland (2006)

## Definitions

This section considers key concepts including: housing need, affordability, income, affordable housing and the location of suitable housing.

### Housing need

As set out in PPS3, housing need is defined as ‘the quantity of housing required for households who are unable to access suitable housing without financial assistance’. **For the purposes of assessment, this means partnerships need to estimate the number of households who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market.** The types of housing that should be considered unsuitable are listed in Table 5.1 below.

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

### How to assess affordability

The relationship between household incomes and housing costs was considered in Chapters 3 and 4 to identify the extent to which affordability is, and will continue to be, an issue for housing market areas. The needs assessment uses household incomes and entry level house prices to estimate need for affordable housing. This involves:

- assessing whether current households who are in unsuitable housing can afford suitable market housing; and
- applying affordability tests to the incomes of newly forming households to establish the numbers who are likely to be in need of affordable housing.



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

## **Income**

Gross household incomes should be used to assess affordability. Benefits should be excluded from this as housing benefit is only paid to households who would otherwise be unable to afford their housing and other benefits are often intended to meet specific needs rather than housing costs (eg disability living allowances). If the data are available, working tax credits can be included as they are received by substantial numbers of low and middle-income households who may be on the margins of affordability.

## **Assessing whether a household can afford home ownership**

A household can be 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. Housing market partnerships will need to consider that what is affordable may vary (e.g. a higher proportion may be affordable for someone on a higher income). Local circumstances could justify using different proportional figures (other than those stated above). If known, the incomes earned by adults (other than the household reference person and their partner) should not be included as these household members are likely to move out within the timescale of a mortgage. Where possible, allowance should be made for access to capital that could be used towards the cost of home ownership.

## **Assessing whether a household can afford market renting**

A household can be considered able to afford market house renting in cases where the rent payable was up to 25 per cent of their gross household income. The 'Rent Payable' figure is defined as the entire rent due, even if it is partially or entirely met by housing benefit. Other housing-related costs, such as council tax and utility bills should not be included. As in the case of assessing home ownership, housing market partnerships will need to consider that what is affordable may vary (e.g. a higher percentage may be affordable for someone on a higher income). Local circumstances could justify a figure other than 25 per cent of gross household income being used.

## **Affordable housing**

Affordable housing includes social-rented and intermediate affordable housing, but not low cost market housing. Full definitions are set out in Annex B of PPS3.

## **The location of suitable housing**

Since house prices vary between different locations, decisions about where a household should be able to live will affect estimates of housing costs. Issues that affect judgments about where a household should be able to live may vary between housing market areas. In some areas, it may be reasonable to assume that households should be able to buy or rent in an adjoining housing market area. In other areas, this may not be reasonable and property prices should be averaged for separate areas. There may be reasons why it is

preferable to look below the district level (eg to examine urban and rural areas separately), however, household income data is rarely robust at this level. Judgements about suitable locations should be informed by evidence, and authorities that assume households can live in neighbouring areas should work with these authorities to ensure they and other key stakeholders agree and are able to take account of this assumption.

## Stage 1: Current housing need (gross)

Partnerships need a good understanding of the scale of current housing need, including any backlog, at the local authority level. However, it can be difficult to obtain a complete and robust estimate of backlog due to data limitations. Traditionally, local surveys have been used although these can be costly to administer and difficult to interpret. Housing registers (when well maintained and shared amongst providers) are informative but unlikely to be comprehensive since some households in need may not register and some on the register may not be classified as in need.

Robust information is available in respect to the components of backlog and key priority groups. Local authorities should hold reliable data about the number of homeless families, those in temporary accommodation and the extent of overcrowding. Partnerships should calculate a range of estimates for backlog, with the data sources that are most robust providing a minimum level estimate. Where backlog is a particular issue, partnerships may wish to use additional methods and sources to develop these estimates. Partnerships, working with regional bodies, should aim to ensure that the definition of component categories is applied consistently across the region as far as is possible.

The research question for this stage of the assessment is:

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

Table 5.2 below sets out examples of data sources that can be used to estimate the number of different groups of households in housing need.

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

### Step 1.1: Homeless households and those in temporary accommodation

#### DATA ISSUES

Local authorities will hold up-to-date information about the number of homeless households and those in priority need who are currently housed in temporary accommodation.

## **ANALYSIS**

Partnerships should record current estimates and past trends where available.

### **Step 1.2: Over-crowding and concealed households**

#### **DATA ISSUES**

The Census provides figures on over-crowding (see Chapter 3) and concealed households. Concealed households include couples, people with children and single adults over 25 sharing a kitchen, bathroom or WC with another household. Where the Census is out-of-date, its data can be compared to trends in data from the Survey of English Housing (SEH) at regional level. Local authorities should also have local information on trends from local housing registers.

#### **ANALYSIS**

Partnerships should record an estimate of the number of households in over-crowded housing and the number of concealed households. Where possible, it is useful to create separate estimates for the social-rented sector and the private sector. Partnerships should consider levels of double counting between these two groups.

The SEH has information about the income levels of households in over-crowded accommodation at the regional level. Partnerships can make assumptions about how this relates to housing market areas based upon information regarding the differences in incomes for all households at the regional and local level. Using this information, partnerships can analyse the proportion of over-crowded households likely to be able to afford market housing. To do so, partnerships will have to use market information and intelligence from estate agents to estimate lower quartile prices for appropriate properties.

### **Step 1.3: Other groups**

#### **DATA ISSUES**

Housing registers or local surveys can be used to provide information about:

- the number of existing affordable housing tenants in need (ie households currently housed in unsuitable dwellings); and
- the number of households from other tenures in need.

When using registers, care should be taken to avoid double-counting households registered on more than one transfer list. Additional information about rent and mortgage arrears from local authority/RSL transfer lists can be used to verify information from housing registers.

#### **ANALYSIS**

Care should be taken to avoid double-counting with households identified in previous steps, and to include only those households who cannot afford to access suitable housing in the market.

## Step 1.4: Total current housing need (gross)

### ANALYSIS

This is the sum of the numbers of households identified in steps 1.1-1.3.

## Stage 2: Future need

Partnerships need to estimate the scale of newly arising need in the housing market area. Whilst it may be desirable to undertake more localised assessments, there are limits to the accuracy and robustness of essential data at smaller scales (eg income data).

The key research question is:

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

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

## Step 2.1: New household formation (gross per year)

### DATA ISSUES

Population and household headship rates are available from the Census and for post-Census periods, mid-year population estimates are available from ONS. Household numbers or headship rates are available from the Communities and Local Government household projections and estimates. This information should have been gathered for the analyses in Chapters 3 and 4.

### ANALYSIS

Partnerships should estimate gross household formation on an annual basis over a period of at least 20 years. This is the number of households at the end of the year which did not exist as separate households at the beginning. There are two methods for calculating this figure from secondary data: further analysis of the Communities and Local Government household projections or analysis of information about the current population and propensity to form new households. These two methods are set out in further detail in Annex B<sup>17</sup>.

<sup>17</sup> Annexes can be found on the Communities and Local Government website together with the *Strategic Housing Market Assessment Guidance*.

Where forecasting has been used to consider total future demand as set out in Chapter 4, estimates of household formation can be created based upon a range of assumptions about migration and household formation.

## **Step 2.2: Proportion of newly forming households unable to buy or rent in the market**

### **DATA ISSUES**

This step uses information collected about housing costs, as set out in Chapter 3. The SEH can provide a guide as to the difference in income between all households (see Chapter 3) and newly arising households. Additional useful sources include data from mortgage lenders for first time buyers and social housing databases for those in the social rented sector.

### **ANALYSIS**

Partnerships will need to identify the minimum household income required to access entry level (lower quartile) market housing using the definitions set out in Stage 1. Partnerships should use current costs, and may also wish to calculate a range of scenarios based on for example, a 10 per cent and 20 per cent increase in house prices. To assess what proportion of newly-forming households will be unable to access market housing, these minimum incomes need to be compared against the distribution incomes for newly-arising households. In areas where significant demographic or economic change is anticipated, partnerships will also want to consider additional factors such as the income profiles of international migrants and asylum seekers.

Partnerships should also consider households' access to capital, although information about current access to capital is often not readily available. Possible data sources include local surveys, relevant national or regional research, or information from mortgage lenders about the levels of deposits offered by households buying at the lower quartile.

## **Step 2.3: Existing households falling into need**

### **ANALYSIS**

Partnerships should estimate the number of existing households falling into need each year by looking at recent trends. This should include households who have entered the housing register and been housed within the year as well as households housed outside of the register (such as priority homeless households applicants). Where the housing register is not considered a robust reflection of these issues, partnerships should consider other sources such as social tenant's applicant surveys.

## **Step 2.4: Total newly arising housing need (gross per year)**

### **ANALYSIS**

This involves multiplying step 2.1 (newly forming households) by step 2.2 (the proportion unable to afford market housing). The output should then be added to step 2.3 (existing households falling into need) to give an annual gross figure for future households in need.

### Stage 3: Affordable housing supply

There will be current housing stock that can be used to accommodate households in need as well as future supply. The research questions for this stage of the assessment are:

- What is the level of existing available stock?
- What is the level of future annual supply?

Table 5.4 outlines the data required.

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

#### Step 3.1: Affordable dwellings occupied by households in need

##### ANALYSIS

Partnerships should assess the figures identified in step 1 to estimate the number of dwellings vacated by current occupiers that are fit for use by other households in need. This is an important consideration in establishing the *net* levels of housing need (see Stage 5) as the movement of these households within affordable housing will have a nil effect in terms of housing need.

#### Step 3.2: Surplus stock

##### DATA ISSUES

Partnerships should use the information about vacancies as set out in Chapter 3.

## **ANALYSIS**

A certain level of voids is normal and allows for transfers and works on properties. However, if the rate is in excess of approximately 3 per cent and properties are vacant for considerable periods of time, these should be counted as surplus stock.

### **Step 3.3: Committed supply of new affordable units**

## **DATA ISSUES**

Local authorities will have information about new (ie new build and conversions) social rented and intermediate affordable dwellings which are committed at the point of the assessment.

## **ANALYSIS**

Partnerships should record the number of committed affordable housing units with size information if possible.

### **Step 3.4: Units to be taken out of management**

## **DATA ISSUES**

Local authorities, RSLs and market renewal teams should have information about planned demolitions or redevelopment schemes that will lead to net losses of stock (and households in need of re-housing). Any empty properties that are due for demolition will have been counted as surplus housing in step 3.2, however, they must be taken out of the overall calculation of stock as they will not be available to meet need.

## **ANALYSIS**

Partnerships should estimate the numbers of social-rented or intermediate affordable housing units that will be taken out of management. It should not include right-to-buy sales as authorities are not required to re-house these households.

### **Step 3.5: Total affordable housing stock available**

## **ANALYSIS**

This is the sum of steps 3.1 (dwellings currently occupied by households in need), 3.2 (surplus stock) and 3.3 (committed additional housing stock); minus 3.4 (units to be taken out of management).

### **Step 3.6: Future annual supply of social re-lets (net)**

## **ANALYSIS**

Partnerships can calculate this on the basis of past trends. Generally, the average number of re-lets over the previous three years should be taken as the predicted annual level. This

should not include transfers of tenancies to other household members – only properties that come up for re-let to a new household should be counted. In areas where the stock base of affordable housing is changing substantially (eg due to high levels of Right to Buy, substantial new stock being built, private landlords becoming less willing to let to social tenants), it may be appropriate to take into account the changing stock base when predicting the levels of future voids.

### Step 3.7: Future annual supply of intermediate affordable housing

#### ANALYSIS

The number of units that come up for re-let or re-sale should be available from local operators of intermediate housing schemes. Partnerships should identify only those properties within the definition of intermediate affordable housing as set out in PPS3. They should not include properties that are no longer affordable eg social rented homes bought under the Right to Buy, shared equity homes where the purchaser has entirely bought out the landlord's share ('staircasing out'). Homes may however be 'bought back' as affordable housing by a RSL, or the money received by the landlord can be used to fund future shared equity schemes through the recycling of capital grant (ODPM, 2002<sup>18</sup>). These units will be counted under (step 3.3) the supply of new affordable housing.

### Step 3.8: Future annual supply of affordable housing units

This is the sum of 3.6 (social rented units) and 3.7 (intermediate affordable units).

### Stage 4: The housing requirements of households in need

In those areas where there is an excess supply of social housing, it is the requirement for such housing which is of interest in terms of determining the future of the stock. Furthermore, some households in need may choose to live in the private rented sector (possibly with the use of housing benefit) or housing that would be classified as unsuitable, even though they are eligible for affordable housing. Information about requirements is therefore an important component of the evidence base, particularly in terms of developing policy responses.

Partnerships should focus on gathering information about actual household behaviour and choices made. Subsequently, planning and housing policy leads may also want to take into account households' aspirations with regard to housing, but these are not explored here.

The research questions for this part of the assessment are:

- what choices do households have within the existing affordable housing stock?
- what are the requirements for different sized properties?
- how is the private rented sector used to accommodate housing need?

The data and steps for this part of the assessment are set out in Table 5.5.

<sup>18</sup> *Evaluation of the Low Cost Home Ownership Programme*, ODPM 2002.



**Table 5.5: Summary of data required for each step of Stage 5**

4.1 Choices within the existing affordable housing stock	Choice Based Lettings, Tenants surveys, Turnover rates from Chapter 3, CORE
4.2 Requirements for affordable housing of different sizes	Housing Register, Vacancy and Turnover rates from Chapter 3, Household projections
4.3 Private rented sector	Housing benefit records, HMO

## Step 4.1 Choices within the existing affordable housing stock

### DATA ISSUES

Choice-based systems are an important means of revealing the criteria which affect household choices. For example, some households may be willing to accept housing that is some distance from where they currently live in return for more space. Housing turnover information (see Chapter 3) relating to different property types, sizes and locations is a good indicator of need. However, in some cases the data may reflect the allocations systems.

Information about existing affordable housing tenants is available from landlords, HomeBuy Agents, the Existing Tenants Survey (which is not reliable at local authority level), the Census, or local surveys. CORE provides detailed information for housing association tenants in relation to new tenancies and this is being extended to the local authority sector. Some authorities use management organisations to update information on tenant characteristics.

### ANALYSIS

Partnerships should consider all households in need, including those currently outside the affordable housing sector. Partnerships can supplement this information with the insight and expertise of key stakeholders who have a clear understanding of recent trends eg neighbourhood housing managers. In market renewal areas, partnerships will need to examine requirements for different sizes and location of affordable housing in more detail. Partnerships may consider qualitative methods such as focus group discussions to understand the issues and choices being made in an area.

## Step 4.2 Requirement for affordable dwellings of different sizes

### DATA ISSUES

It is possible to obtain an estimate of the relative pressure on different property sizes based upon housing register data. Factors to consider include:

- the number of households waiting for each property size relative to the turnover rates of each size;
- the severity of need of households being offered each size of property. A points system is often used, which will allow comparison;
- the length of time households are waiting for each property size;

- the annual rates of households of different sizes joining the register; and
- vacancy levels and turnover rates of different property sizes.

## **ANALYSIS**

From the above information, partnerships should identify the sizes of affordable housing properties that are under most pressure. In addition, partnerships may wish to consider the implications of national and regional research about changing demographic and household profiles.

### **Step 4.3: The private rented sector**

## **DATA ISSUES**

Data about the private rented sector is particularly difficult to obtain. To better understand how this sector is used to accommodate need, partnerships will have to bring together information from various sources. Local authorities will hold information about the use of housing benefit within the private rented sector. In the future, further information should be available about the prevalence of households in multiple occupation from HMO licensing. Partnerships can undertake focus groups or surveys with key tenant groups in the sector (eg young professionals) to understand what they see as their housing options.

## **ANALYSIS**

Partnerships should bring together the information they have to summarise the key findings. Gaps in the data should be clearly acknowledged.

### **Stage 5: Bringing the evidence together**

The evidence gathered in stages 1-5 will provide an insight into housing need, available affordable housing stock and the requirement for affordable housing. Partnerships will need to consider how the evidence gathered through the different steps in this chapter relates to each other. In addition, there is a need to consider this in relation to the evidence drawn together regarding the whole housing market in Chapter 4.

The research questions for this stage of the assessment are:

- what is the total number of households in need (net annual estimate)?
- what are the key issues for future policy/strategy?
- how do the key messages fit with the findings from Chapters 3 and 4?

This stage of the assessment will require partnerships to interpret the collected data. Any assumptions should be presented clearly and discussed openly. Whilst there is no one simple way of analysing the relationships between the various indicators, the section below sets out three key steps that should be undertaken as a minimum.

## Step 5.1: Estimate of net annual housing need

### RATIONALE

If information about housing need and housing supply is converted into annual flows (ie the number of households per year) over a prescribed period, it can be used to establish an aggregate estimate of net housing need. These calculations are undertaken on the assumption that there is a one-to-one relationship between households and dwellings.

### ANALYSIS

The first step is to calculate the total net current need by subtracting total available stock (step 3.5) from total current gross housing need (step 1.4), assuming a one-to-one relationship between households and dwellings.

Second, the net figure derived should be converted into an annual flow using assumptions about the number of years that will be taken to address the backlog. Levels of unmet need are unlikely to ever fall to nil given that peoples' housing circumstances change and there will always be households falling in and out of housing need. The quota should be based upon meeting need over a period of five years, although longer timescales can be used. In particular, there may be merit in linking quotas to the remaining time period of adopted housing policies in plans. For the component of need derived from existing affordable housing tenants, partnerships could estimate the proportion that are expected to be re-housed based on previous allocations. Whilst the decision is the responsibility of individual local authorities, partnerships should bear in mind the need for comparability. Partnerships should avoid using a period of less than five years in which to meet unmet current need. If a five-year period is used, this means that 20 per cent of current unmet need should be addressed each year. The output of this should be an annual quota of households who should have their needs addressed.

Finally, the net annual housing need is calculated by first, summing the annual quota to the annual arising housing need figure (calculated at step 2.4) and second, subtracting the future annual supply of affordable housing (step 3.8) from this total. A negative figure implies a net surplus of affordable housing.

## Step 5.2: Key issues for future policy/strategy

### RATIONALE

The estimate of net annual housing need from step 5.1 assumes a one-to-one relationship between households in need and dwellings. In reality, however, this relationship is much more complex. For example, households in need may choose to share dwellings or choose market options that would be classified as 'unsuitable'. In addition, if overcrowding is an issue, building one new larger property could help to resolve the needs of several households as households "move up" through the system into larger properties. The information about net need should therefore be presented with evidence from the other stages of the needs assessment to inform decisions about appropriate policy interventions.

## ANALYSES

As a minimum, partnerships should ensure that available information is presented on the following issues:

- the proportion of current households in need experiencing different types of problems (ie homelessness, overcrowding, other);
- current requirement for different sized affordable dwellings; and
- current use of the private rented sector by households who are in housing need.

### Step 5.3: Joining up across the assessment

## RATIONALE

Partnerships should have a good understanding of how different housing tenures relate to each other and any issues regarding the market, based upon the analysis as set out in Chapter 3. The evidence gathered through this part of the assessment should be considered in light of that understanding.

## ANALYSES

The key questions for partnerships to consider are:

- How does the net annual need figure compare to the estimate of total future annual change in total numbers of households derived from Chapter 4? What are the implications of this in terms of estimating the number of households requiring market housing?
- From previous chapters, are there additional factors that should be considered when deciding what proportion of future housing supply should be affordable (eg over heated private rented sector, poor market supply, poor access to home ownership, changing economic performance)?
- Where information is available about the extent of need across the housing market area, how does the patterns of need relate to the geographical patterns of other market characteristics?

### Core Outputs 4, 5, 6 and 7

From the final stage of this Chapter, partnerships will be able to produce:

- estimate of current number of households in housing need;
- estimate of future households requiring affordable housing;
- estimate of future households requiring market housing; and
- estimate of the size of affordable housing required.

## CHAPTER 6:

# Housing Requirements of specific household groups

## Introduction

There are several reasons why housing market partnerships should consider gathering information about the housing requirements of specific household groups, and why doing so will improve planning and housing policy, including:

- The Race and Equality Act requires Government and local authorities to assess the impact of their policies on different ethnic and minority groups, and the 2005 Disabilities legislation requires Government and local authorities to assess the impact of their policies on people with disabilities. Partnerships should ensure that no one group is systematically excluded from the assessment;
- Particular groups and gender types may exert considerable influences within the housing market area that need to be better understood and planned for (eg families, older people, key workers, first time buyers);
- Particular groups and gender types may be ill-suited to their dwelling type over the longer term (eg families with children and older people living in the private rented sector with insecurity of tenure); and
- Partnerships may wish to obtain evidence about the number of households eligible for intermediate affordable housing.

If there are concerns about the housing requirements of specific groups (and their constituent gender types) or good reason to believe that their needs significantly differ to the general population, partnerships should ensure that they have appropriate evidence, and undertake additional analysis where they do not. Linked to Chapter 2, these issues may be identified as specific research questions for the assessment to address. Unlike previous chapters, this chapter does not set out a step by step approach since partnerships will need to select the analyses most suited to their research questions. Instead, this chapter outlines some of the issues and approaches that they may wish to consider with respect to families, older people, minority and hard to reach groups, households with specific requirements, low-cost market housing and the intermediate affordable housing market.

## Families

PPS3 recognises the importance of providing housing for families, especially those with children, in the context of creating mixed communities. Chapter 3 of this guidance explains how partnerships can identify current numbers of families, including those with children, by analysing census data. The census is the most comprehensive source of data in terms of families although it can become out-of-date at the very local level.

The approach to assessing the future housing market in Chapter 4 does not consider families with children given that it uses household projections, which do not include families as a household type. However, it does include projected growth rates of cohabiting couples, married couples and lone parents (with or without children). From census

information, partnerships can apply the proportions of these groups with dependents to the projected growth rates to give an indicative estimate of likely future numbers of families with children in the housing market area.

In addition to the census, there are various other data sources that can be used to understand the profile of families in housing market areas, including:

- Labour Force Survey;
- General Household Survey; and
- Child Benefit information.

Chapter 5 explains how to assess current and future household need, which includes identifying the needs of family households.

## Older People

PPS3 also recognises the need to provide housing for older people as part of achieving a good mix of housing, in the context of an ageing society. By 2031, there will be 85 per cent more people aged 85 or older (ONS Focus on Older People, 2005), which may lead to acute pressures on the housing market in some regions. Chapter 3 of this guidance explains how partnerships can identify current numbers of older people by analysing census data. The Census also captures data on the health status of older people. Despite being the most comprehensive source of data in terms of population, Census findings can quickly become out of date at the very local level. Chapter 4 of this guidance provides advice about how to predict likely future changes in the population, including changes in the age structure.

Communities and Local Government have commissioned the University of York to look at current and future trends in the supply and demand of housing for older people. The aim is to publish this in summer 2007 together with a National Strategy for Housing in an Ageing Society, which will also contain relevant analytical information. In addition to these sources of information, other existing relevant data include:

- English Longitudinal Study of Aging;
- English Housing Condition Survey;
- British Household Panel Survey;
- Labour Force Survey; and
- General Household Survey.

The Department of Health's Housing Learning and Improvement Network (LIN) have published an Extra Care Housing tool kit for carrying out local studies which can inform strategies for accommodation and care for older people, set within a whole system of health, housing and social care. This assessment includes establishing the population size of older people, trends and indicators of potential need for services. The housing LIN are also working with the Royal Town Planning Institute to publish a good practice note on housing for an ageing population. This will feed into the National Strategy for Housing in an Ageing Society.

## Minority and hard to reach households

Households from particular social or ethnic groups can differ in terms of their housing or accommodation requirements, particularly from a gender perspective. Working on a housing market area basis will mean that partnerships are likely to include a larger number of households from ethnic minority backgrounds in their assessments, which will strengthen their ability to understand the housing requirements of specific groups. However, ‘gaps’ in knowledge may still emerge.

Households are considered hard-to-reach if they are less likely than others to complete surveys or questionnaires, including national surveys such as the census. This is likely to be the case for homeless households, private renters and households in shared accommodation such as students’ halls of residence and army barracks. Other hard to reach households include those in non-brick and mortar accommodation such as caravans or barges, and households who do not read well in English.

Qualitative assessments of minority group requirements can include holding focus groups or interviews with representatives from the groups concerned. If the populations are very small, this may be the only feasible way of gaining information. Background research may be required to establish which languages are spoken. Cultural issues can affect participation rates so partnerships should ensure that representatives from minority groups are involved in the assessment process.

Local surveys can be undertaken, although partnerships should be aware that some sampling frames (eg the Council Tax register) can systematically exclude certain groups. Any findings should be treated as qualitative rather than necessarily statistically valid.

Further information about the use of qualitative research techniques is set out in Annex E<sup>19</sup> whilst additional advice on assessing housing requirements of black and minority ethnic groups is contained in Atkins et al. (1998). In addition, several research projects from the ‘Understanding Housing Markets’ work stream for the Joseph Rowntree Foundation address issues around ethnic diversity in housing markets using housing pathway and case study methodologies. Advice about assessing the accommodation requirements of Gypsies and Travellers is set out in separate Communities and Local Government assessment guidance.

## Households with specific needs

Housing may need to be purpose built or adapted for households with specific needs. Partnerships should be able to identify available and likely future housing stock using housing registers, strategic housing land availability assessments and other relevant management or administrative sources.

All providers of social housing are required under the Disability Discrimination Act to identify the specific needs for their services of people with disabilities, to assess the extent to which their services meet those needs and to set out in their Disability Equality Scheme (DES) how any gaps in provision will be filled. Communities and Local Government has adopted the target in its own DES for the accessibility of all social housing to have been fully assessed and reported to the department in the form of National Register of Social Housing (NROSH) data. Partnerships should be able to identify future improvements in accessibility through the DES of social housing providers.

<sup>19</sup> Annexes can be found on the Communities and Local Government website together with this *Strategic Housing Market Assessment Practice Guidance*.

There is no one source of information about people with disabilities who require adaptations in the home, either now or in the future. The Census provides information on the number of people with long-term limiting illness and local authorities can access information from the Department of Work and Pensions on the numbers of Disability Living Allowance/Attendance Allowance benefit claimants. Whilst these data can provide a good indication of the number of people with disabilities, not all of the people included within these counts will require adaptations in the home. Applications for Disabled Facilities Grant will provide an indication of levels of expressed need, although this could underestimate total need. Subsequently, partnerships may wish to consider undertaking interviews or focus groups with people with disabilities or group representatives to better understand their housing requirements.

### **Core Output 8**

This section should enable the partnership to produce:

- Estimate of groups who have particular housing requirements eg families, older people, black and minority ethnic groups, disabled people, young people, etc.

## **Low-cost market housing**

As set out in PPS3, low cost market housing may be an important form of housing, particularly in the context of creating mixed communities. Partnerships will want to assess whether there is demand for low-cost market housing in terms of the relationship between entry-level market house prices, market rents and incomes. Consideration should also be given as to how social rents might influence the number of households who may be able to afford such housing products.

## **Intermediate affordable housing**

The numbers of households whose needs could be met by intermediate affordable housing is likely to fluctuate, reflecting the changing relationship between market rents, social rents and incomes. Consideration should also be given to entry-level market house prices as illustrated by example 6.1, which shows that as these are more than fourteen times annual social rents, there is likely to be scope for intermediate affordable housing. Likewise, if private market rents are substantially higher than social rents, this could suggest a requirement for intermediate affordable housing.

### **Example 6.1: Assessing the scope for intermediate affordable housing**

Typical social rented housing is around £60 a week which equates to £3,120 a year.

This is affordable for those on incomes approx £12,480 (using 25 per cent of gross income as the indicator for what is affordable) who in turn would be able to obtain a £43,680 mortgage (based upon a 3.5 times multiplier).

If there are suitable properties available for £43,680 then there would be no role for intermediate affordable housing. However, given that lower quartile house prices in England for 2004 were £105,000, this indicates the potential for intermediate affordable housing in many areas.



## Eligibility

Intermediate affordable housing is for specific types of households in need who are judged eligible. For the HomeBuy scheme this includes current and prospective social rented housing tenants, key public sector workers in areas with serious recruitment and retention problems, and some first-time buyers and other groups who have been identified for assistance by the regional housing boards (please note, eligibility for other affordable housing products does not have to be identical to HomeBuy). For first time buyers and other groups, eligibility and priority will depend on the policy adopted by the regional housing board and local authority.

## Key workers

For intermediate affordable housing, partnerships may wish to consider the requirements of key workers and other first-time buyers prioritised by regional housing strategies, as well as considering other groups who play a key role in the housing market area, as identified in Chapter 3.

The definition of key workers includes those groups eligible for the Key Worker Living programme<sup>20</sup> and others employed within the public sector (ie outside of this programme) identified by regional housing boards as requiring assistance. To understand key workers' housing needs, partnerships should first examine employment data to assess recruitment or retention issues. Where evidence is found, and can be linked to housing affordability, partnerships should undertake surveys based upon local samples of key workers. It is not always possible to use resident-based housing surveys to investigate key worker issues given that the sample may consist of key workers that live rather than necessarily work in the housing market area.

Where surveys are undertaken, partnerships should ensure that they:

- identify key workers in line with government definitions, considering occupation and whether respondents are employed in the public or private sector;
- identify key workers of local interest. This might include those working in occupations where there is a skills shortage;
- identify where key workers work and live; and
- assess the interest in specific key worker products.

<sup>20</sup> Further details are provided in the Housing Corporations *Capital Funding Guide*. See [www.housingcorp.gov.uk](http://www.housingcorp.gov.uk)

## The requirement for intermediate affordable housing

The requirement for intermediate affordable housing products is affected by their nature. For example, there may be a good deal of interest among social sector tenants for shared equity schemes, but there may be less interest in sub-market rented accommodation. For these reasons, it is vital that any measure of the intermediate affordable housing market is related to specific products that either exist, or are being considered, and takes into account the requirements of prospective clients.

To estimate potential requirements for intermediate affordable housing, partnerships should assess whether households in housing need can afford the costs of existing or planned intermediate affordable housing products (for which they should normally be eligible). Some households currently in social-rented housing or waiting to access it may well be able to afford to buy a share of a home. If helped into intermediate affordable housing, this will free up social-rented homes for those in acute need and reduce waiting lists.

A household can be considered able to afford intermediate affordable housing when rental payments (on the landlord's share) and mortgage payments (on the part they own) constitute up to 25 per cent of gross household income. Housing market partnerships will need to consider that what is affordable may vary (e.g. a higher percentage may be affordable for someone on a higher income). Local circumstances could justify a figure other than 25 per cent of gross household income being used.

Mortgage outgoings can be calculated from the overall size of the mortgage and current mortgage interest rates. In England, CORE shared-ownership data should enable a general estimate of costs to be made. However, costs will vary according to market conditions and property size, so it is important to gather precise costings by scheme and area. An example of how to derive the income required to afford a shared equity property is set out in example 6.2 below.

### **Example 6.2: assessing whether a household can afford a shared equity property**

A shared ownership scheme requires occupiers to purchase 50 per cent\* of a property worth £120,000

The mortgage (for £60,000) has monthly outgoings of £350 (calculated from current mortgage lending practice)

The rent payable on the landlord's share is £150 a month

Total monthly outgoings are therefore £500 a month

A household could therefore be considered able to afford this property if their monthly gross income was over £2000 (or £24,000 a year)

\*There is an option of purchasing smaller shares (eg 25 per cent) to assist people on lower incomes although this will depend on individual schemes, particularly whether it is grant funded.

The needs estimates derived from Chapter 5 can be used to establish the proportion of those in housing need (both current and future) who cannot afford intermediate affordable housing and are therefore in need of social rented housing. Where detailed and robust income data are not available, partnerships should assume that households on housing registers who have expressed an interest in intermediate affordable housing are able to afford it whilst those registered only for social rented housing are not able to afford it.

Partnerships can investigate how this information relates to the requirement for intermediate affordable housing by using the figures on supply collected in Chapter 5 and applying a one-to-one relationship between the number of dwellings and the number of households. Example 6.3 demonstrates how this would work.

**Example 6.3: assessing whether households in need can access intermediate affordable housing**

Annual household need who cannot afford intermediate affordable housing		= 1500
Annual household need who are eligible for and can afford intermediate affordable housing		= 500
Annual social rented unit re-lets		= 1200
Annual intermediate affordable housing supply		= 100
Shortfall of social rented units	(= 1500–1200)	= 300
Potential shortfall of intermediate affordable housing	(= 500–100)	= 400

The proportion of intermediate affordable housing could be increased if there is evidence that some will be used to accommodate existing social sector tenants who, although not in housing need, would release a social rented unit by moving into such housing. Further discussion is set out in *A Home of My Own* (Government Low Cost Home Ownership Task Force, November 2003), the *Evaluation of the Low Cost Home Ownership Programme*, (ODPM, 2002) and the *Shared Equity Task Force Report* (HMT, 2006).

Local surveys could be used to assess the requirements of eligible households. However, assessing future requirements for intermediate affordable housing products may prove problematic given that many households are unaware of what is available or unsure which of the products apply to them. Any surveys or qualitative work (eg focus groups with potential clients) undertaken should ensure that products are clearly explained to participants.

## CHAPTER 7

# Monitoring and developing planning for housing policies

## Introduction

This chapter outlines how the findings of strategic housing market assessments should be monitored and updated on a regular basis. It then considers how the findings of assessments can be used to inform planning for housing policies.

## Monitoring and updating strategic housing market assessments

The new approach to planning for housing set out in 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 framework and regional spatial strategies. To this end, they will need to regularly monitor trends and activities in housing market areas reflecting the ‘plan, monitor, manage’ approach to planning for housing. Monitoring should be undertaken on a continuous, pro-active basis as set out in PPS11 and PPS12 and related good practice monitoring guidance<sup>21</sup>.

Working with regions, housing market partnerships will want to consider developing comprehensive strategies for monitoring housing market areas and updating housing market assessments. These monitoring activities should be linked to the existing requirement for monitoring, whereby local planning authorities and regions are required to submit annual monitoring reports to the Secretary of State. These should contain information on the extent to which the policies set out in local development documents and regional spatial strategies are been achieved. Based upon these reports, regions and authorities are required to consider the need to revise their spatial policies.

A coordinated approach to monitoring between housing market partnerships and regions will help to ensure the most efficient use of resources and expertise. Linked to this, county councils could be encouraged to play a key role in monitoring housing markets given their resource and expertise in such matters.

Strategic housing market assessments provide a robust basis for developing housing and planning policies by considering current and future housing need and demand over a period of at least 20 years. This suggests that partnerships should not need to undertake comprehensive assessment exercises more frequently than every five years although they should be updated regularly. Particular aspects which may require frequent revision include the numbers of households that have need and demand for housing and movements between tenures, including through the right to buy.

<sup>21</sup> See *Local Development Framework and Regional Spatial Strategy Monitoring Good Practice Guides* (ODPM, 2005).

It is important that partnerships recognise the difference between monitoring and updating strategic housing market assessments. As the local development framework monitoring guidance explains, monitoring is concerned with establishing what is happening now and what may happen in future. It then compares these trends against existing policies and targets to determine what needs to be done. Updating is a continual process of tracking short-term changes in housing market conditions. Partnerships should select a few key housing market indicators for regular updating.

## **Developing planning for housing policies**

As explained in Chapter 1, the findings of the strategic housing market assessment will help local planning authorities and regional planning bodies to develop robust evidence bases to inform the development of their spatial housing policies. As set out in paragraph 33 of PPS3, authorities and regions should take into account assessments as one of a number of factors that should be considered when determining housing provision figures and the right mix of housing. As such, they are an important part of the evidence base and a useful starting point for developing policy.

For the purposes of developing planning for housing policies, local planning authorities and regional planning bodies may prefer to use the gross estimates of current and future housing need rather than the net estimates of need derived from Chapter 5 (step 5.1). These net figures can then be considered against any estimates of future affordable housing supply which are derived from strategic housing land availability assessments<sup>22</sup>.

## **Regional spatial strategies**

As part of preparing regional spatial strategies, regional planning bodies will want to bring together the findings of strategic housing market assessments within their region to provide an up-to-date overview of the constituent housing market areas, particularly in terms of characteristics, structure and linkages between housing market areas. These assessments will also provide an indication of current and future household change within the region in terms of housing demand and need. This information will help regional spatial strategies to set out the regional level of housing provision (distributed amongst constituent housing market areas and local planning authorities) and the regional approach to delivering a good mix of housing and affordable housing targets (both for regions and housing market areas) as required by PPS3.

## **Local development frameworks**

At the local level, the findings of the strategic housing market assessment will provide local planning authorities with an appreciation of the wider housing market area that they are located within. This will help authorities to develop the spatial vision for their area as set out in the sustainable community strategy and local development framework, including their spatial objectives and strategy in respect to planning for housing.

As the level of housing provision required will have been set out in the relevant regional spatial strategy, local planning authorities will want to use the findings of assessments to inform their approach to achieving a mix of housing and developing affordable housing targets. As set out in paragraph 22 of PPS3, local development documents should include

<sup>22</sup> *Strategic Housing Land Availability Assessments Practice Guidance*, Communities and Local Government, July 2007

policies for delivering a mix of housing on the basis of the different types of household that are likely to require housing over the plan period. This will require local planning authorities to consider how the overall number of household types (both existing and future) translates into demand for market housing and need for affordable housing across the plan area and over the plan period. For example, the overall split may be 60 per cent of households requiring market housing and 40 per cent requiring affordable housing. Authorities should set these overall proportions out in local development documents to guide the mix of housing required.

In addition, drawing upon the assessment, authorities should be able to identify the profile of households types requiring market housing (eg single persons, families with children) which should be set out in local development documents. Again, drawing upon the assessments findings, authorities should be able to set out the size of affordable housing required.

As part of the approach to achieving a mix of housing, local planning authorities should have regard to the particular accommodation requirements of specific groups within their locality. Drawing upon the findings of assessments and other local evidence, authorities will want to consider the need for policies in local development documents for groups such as families, older people and disabled people.

In terms of developing affordable housing targets in local development documents, the framework will be provided by the regional (and housing market area) affordable housing targets and the level of housing provision required for the area as set out in the relevant regional spatial strategy. As already explained, these will have been informed by the strategic housing market assessments within the region. Local planning authorities will wish to use the findings of the assessments to inform the development of their affordable housing targets and any related targets for social rented and intermediate housing. As PPS3 explains, authorities will need to consider other factors when determining affordable housing targets including the policy definition of affordable housing, an assessment of economic viability within the area and the likely levels of finance available for affordable housing.