Strategic Housing Market Assessment

1. Background

1.1 Strategic Housing Market Assessments (SHMAs) provide a much broader picture of an area’s housing requirements than earlier Housing Needs Assessments which focussed on the need for affordable housing. SHMAs should comply with the government’s guidance (Strategic Housing Market Assessments: Practice Guidance, Version 2, CLG 2007) and use the CLG’s model for assessing the need for affordable housing in the area.

1.2 The identification and assessment of housing need can be complex, requiring consideration of a number of diverse factors; the most obvious are those who are in acute housing need, such as homeless but also extends to those who lack basic amenities, can no longer afford their home, or can no longer remain in their home due to illness or disability. Matching this demand against supply to establish the extent of any shortfall in housing provision is difficult, projecting how this will determine future demand, considering demographic, economic and a range of local factors is necessary but requires an understanding of all of the composite evidence, including how variable they may be and the consequences of these changes, for example house prices, local income levels and the level of inward migration.

1.3 Housing need is generally categorised under two headings; ‘backlog’ and which is the level of households currently in need of housing and ‘newly arising housing need’ which are those households who are predicted to be in housing need in the future. Bramley, Hawson et al (Estimating Housing Need, Bramley, Pawson, et al, DCLG 2010.) refer to the often used ‘homely analogy of a bathtub’, in which the backlog, those who are homeless or inadequately housed, is the current level of water in the bath, the newly arising need in the future is the flow from the taps, and the supply of homes is the flow through the plug-hole.

1.4 This is referred to as a ‘stock and flow’ approach, recognising that the supply of homes (stock) may not always match the requirements (flow) of those in housing need in the present or future, which in turn can add to a growing backlog. Conversely, where steps are taken to improve the flow, such as reducing homelessness and making better use of empty properties, the backlog can be reduced possibly to a point where all the water is flowing and not becoming stagnant.

1.5 A SHMA is intended to illustrate the stocks and flows of housing locally. It will indicate the current backlog, together with the flow of future need and supply. Where requirements are identified, it is fundamentally important to appreciate how these
may arise and can also be addressed through a ‘stocks and flows’ approach. For example, a backlog of 500 households in housing need should not be read as requiring 500 new homes to be built, better policies and practices could generate additional supply within the existing stock reducing the net requirement for additional homes to a much lower figure. Conversely, an additional supply of 500 new homes may only compound the number in need if for example they are supplied to other households some of whom may already contain concealed households which may also be in housing need.

2. **Strategic Housing Market Assessment Update for Maldon District 2012**

2.1 The Council’s SHMA was first produced in 2008 and included a needs survey of more than 1,800 households. It has been updated several times, the new version takes into account recent releases of data from the 2011 Census and the reports commissioned by Essex Planning Officers’ Association with Edge Analytics into the demographic trends for the area.

2.2 The 2012/13 SHMA also takes into account recent changes in the open housing market and the outcomes from the needs survey have also been re-weighted to reflect changes to local incomes.

2.3 The government’s (CLG) approved methodology has been used to assess the need for affordable housing, also using up to date information on housing need and the supply of affordable homes.

2.4 Where appropriate, DCA have provided comments and suggestions as to how supply could be improved, complying with guidance that “The role of the needs model is to provide evidence to support assessment of policy options, rather than to determine the best options” – *Estimating Housing Need, Bramley, Pawson, et al, DCLG 2010*.

3. **Summary of 2012/13 SHMA**

3.1 **The Active Market**

- The highest turnover of sales was for larger, detached properties, which also saw the greatest reduction in sales price over the last year. This reflects a national trend of an adjustment to prices. Comparing with the Heart of Essex, Braintree, Colchester and Rochford, house prices in the District are mid-way for smaller properties, cheaper than Brentwood and Chelmsford but more expensive than Braintree and Colchester. Detached properties however are cheaper in the District on average than any of the other five areas, reducing the overall average house price.
- Rural North has the highest average house prices in the District and Rural South the lowest. The cost of private rents is less variable across the three sub-areas in the District.
3.2 Housing Costs and Income
- A single person requires an annual income of £31,000 to purchase a one-bedroom flat in Maldon and £43,400 for a two-bedroom flat, based on lower-quartile house prices. For a dual income household, the income threshold is £37,500 for a one-bedroom flat and £52,400 for a two-bedroom flat. The Rural South area is significantly cheaper.
- 65% of concealed households (families in housing need) can not afford to buy or privately rent a home in the District.

3.3 Demographic and Economic Context
- The population of the District is predicted to grow by 10,800 between 2011 and 2035, 10,700 of which will be aged 65+. This is a net increase of 17% and an increase of 85% of the population age 65+.
- The greatest number and highest proportion of increase is predicted to be in those aged 85+, rising from 1,500 to 5,200, an increase of 247%.
- There is net outward migration to Braintree and Colchester, usually younger households. Chelmsford is the area that provides both the greatest number of inward migrants and is also the most popular location for outward migration.
- Inward migration from London is the same level as Chelmsford.
- South Essex (Basildon, Southend, Thurrock) are areas of net inward migration to the Maldon District.
- ‘Needing more space’ was the most common reason for moving to the District – 23%, wanting own home and relationship break up were also popular reasons – both 14%.. Usually the most common reason is due to employment but this accounted for only 7% of inward migrants to the District
- Access to work was the most common reason (33%) for moving out of the District, for concealed households this accounted for 72% of those leaving the area.
- The District has a lower level of unemployment but a high level of retirement compared with neighbouring areas and the national average.

3.4 Housing Need of Specific Groups
The SHMA considers the needs of particular groups as required by CLG guidance. Particular consideration is given to the ageing population of the District. Conservative estimates indicate a need for nearly 150 units of supported accommodation (such as extra-care) by 2016, there is currently no such provision in the District. There is a large proportion of housing for older people within the existing stock of social housing but this in itself will be insufficient to meet future need if the Council wants to encourage a better flow of housing which would address current levels of under-occupation.
3.5 **Future Size of Affordable Housing**

- If no additional families were to fall into housing need it would take four and a half to seven years to resolve the existing backlog, based upon the turnover of stock and the size of property required. There are only a small number of families requiring four-bedroom homes but it would take more than 100 years for this need to be met through current turn-over.
- It is suggested that the supply should be 65% smaller affordable homes (1 and 2 bed) and 35% larger affordable homes (3 and 4 bed). This needs to be refined to take into account the transitional issues arising from welfare reform including the potential to release larger homes which are currently under-occupied.
- The number of households requiring a three-bedroom home is similar to the number of existing occupants whose Housing Benefit has been reduced due to under-occupation. It is recommended that the Council develops strategies and policies to improve the supply of homes especially those which are under-occupied:
  - “In effect up to three or four household moves could result from the delivery of one new older persons unit” – Para 7.3.6, Page 72.

4. **The CLG Needs Assessment Model**

Housing Need

4.1 This is the recognised methodology for assessing the number of households in housing need who are unable to access suitable alternate accommodation on the open market. It is therefore an indicator of the need for the supply of affordable homes. A summary of the approach is provided below:

4.2 Homeless households and those in temporary accommodation – the Council’s effectiveness in preventing homelessness is reflected by the very low number recorded for this group, i.e. 3 households.

4.3 Overcrowded and concealed households – this is the number of households who can claim to be overcrowded applying a bedroom standard, for example they may have more than two children to a bedroom, members of the household sleeping in places other than the bedrooms, etc. Some may be statutory overcrowded. Concealed households are those which have more than one household living in the home, for example parents with adult children who would be living separately if accommodation was available for them. Both these groups are moderated to allow for duplication between these two groups and a proportion which will be resolved through options such as moving out of the District and those who an reasonably be expected to afford to resolve their needs through access to the open market. It is likely that many of these will be registered with the Council for housing. The net figure for these two groups is 571 households.
4.4 The final component of identifying existing housing need is referred to as ‘other groups’ and includes those who have other housing problems such as finding the cost of housing too expensive, disrepair, or suffering harassment. The gross figure for this group is 731 which is reduced to 674 once duplication has been removed. As with the other groups, an assessment is then made of the number that can be expected to resolve their problems through accessing housing on the open market (61%) which leaves a net figure of 410 households who are in housing need for other reasons and require affordable housing. Combining these three sub-groups creates a gross need of 984 households.

4.5 So far the calculation has only identified existing need (what can be referred to as the backlog of need) and the CLG model also requires a calculation of future need based upon the information of newly forming households, their size (one or two person), the likelihood that they will remain within the District and their ability to buy or rent on the open market. The net figure for this is 356 however the calculation requires that this also includes those who are registered with the Council as being in high housing need. This is 90 households, some of which may be duplicated and the figure of 356 should be seen as a maximum which could be as low as 266 if all are also registered for housing.

Housing Supply

4.6 A number of households in housing need identified above, for example those who are overcrowded or living in homes that are not suitable for their needs, may already be in affordable housing and if they were to move, they would also create additional supply, therefore these households are considered as a potential source of supply as well as need. The number of households identified within this category is 324.

4.7 An annual figure for the supply of affordable homes varies and an average figure based upon the previous three years is used as an indicator of likely supply. This is 148 homes a year, i.e. an average number of properties which are available for re-letting.

4.8 In the same way that emerging need has to be recognised, the model also requires emerging supply to be considered as well. This is based upon the average number of new affordable homes provided over a three-year period adjusted to take into account the loss or disposal of affordable homes over the same period. This figure of ‘committed supply’ is 30 units.

Calculation of Affordable Need

4.9 The gross number (backlog) of households assessed as requiring affordable housing is 984. This is an increase of approximately 10% compared to the 2008 SHMA and is due to a growth in the number of concealed and overcrowded households which is an inevitable consequence of a housing market that is difficult for newly forming households and those on low incomes to access.
4.10 The future need (flow) of households requiring affordable housing is assessed as 356 per annum. This is only marginally higher than the annual requirement in 2008 and as indicated in paragraph 4.5 above, could be assessed as closer to 300 if some are already included under other categories.

4.11 The increase in both the backlog of need and the annual increase has been offset by the increased supply of affordable housing, a steady supply of new homes since 2008 has led to an increase in the annual number of new homes supplied through new build and re-lets. The annual supply of affordable homes is now 30% greater than it was in 2008, so despite an increase in need the overall annual shortfall has basically remained unchanged since 2008.

5. Policy Implications

5.1 There is little that the Council can do to affect the economy and its immediate impact on affordability for local households but there are actions that can be taken to improve the supply of affordable homes and thereby reduce the overall annual shortfall. Some of these are outlined in the revised SHMA.

5.2 A continued focus on the prevention of homelessness not only reduces the numbers of households in acute housing need, it can also help reduce and resolve the problems for others, for example tackling disrepair or helping resolve debt, thereby reducing the gross housing need, or at least containing it to existing levels.

5.3 Predicted population forecasts for the District indicate a stable population of those under 65 which by convention is the age range associated with households requiring general needs affordable housing. If so, containing demand whilst improving supply would create a continuous reduction of the annual shortfall of affordable housing (all other factors remaining constant).

5.4 The annual shortfall, in terms of ‘stocks and flows’ should be addressed through a combination of new homes and improvements to the turnover of the existing stock, it should not be read as requiring 308 additional new affordable homes each year. For example, if an annual supply of 80 new affordable homes could be achieved each year, of which 25 were for older people who want to downsize from larger affordable homes, the actual increase in supply could be 155 (55 general needs homes, 25 homes for older people and 75 relets assuming as suggested by the SHMA that three or four household moves become available as a result of one new unit for an older person, para 3.5 above). Added to the existing annual supply of 180 affordable homes, the overall annual shortfall could be reduced to 153.

5.5 Applying this example to a scenario where the need for affordable homes was addressed over a 15 year period as opposed to the recommended 5 years, the annual shortfall could be reduced to 65 homes a year.
6. **Future Housing Delivery Targets**

6.1 In compliance with the National Planning Policy Framework, the revised SHMA seeks to assist with the demand for market housing as well as the need for affordable homes. Unlike affordable homes, there is very little control over the allocation of open market homes and the SHMA identifies that net inward migration, especially from London and Chelmsford, is the cause for most of the net shortfall of 580 homes per annum. This shortfall should also be seen within the context of a significant decline in the number of new homes developed recently, reflecting the national trend for construction.

6.2 Anticipating future demand is linked to population forecasts and the revised SHMA takes account of both the CLG Household Forecasts and the more detailed work undertaken by Edge Analytics.

6.3 The revised SHMA makes it clear that local authorities are not supposed to “simply translate housing demand into actual housing targets that need to be met.” (para 9.1.17 page 83). On the other hand, it would be difficult to demonstrate that objectively assessed need is being addressed if plans for future supply are outside of the range of predicted population and identified demand.

6.4 The shortfall in market demand is indicated to be in the region of 580 homes per annum and the various scenarios presented by Edge Analytics provide a range of scenarios as set out in (Appendix Three) which are inevitably lower, bearing in mind general demand is greater than district demand and requirements. Applying a stocks and flows approach, a supply of 300 newly built homes per annum could be expected to create an additional net supply of 450 homes based on the findings of the SHMA that 50% of movement is within the District.

6.5 As with the need for affordable housing, this should also be seen within the context of an ageing population and the fact that growth will be within the 65+ age group. Provision of homes which meet both the need and aspirations of this group within the District could create additional supply in theory although as there is no control over the sale of homes on the open market, a three- or four-fold return would be too optimistic. Nevertheless, if this merely doubled the supply, i.e. one property bought by an older household down-sizing created a supply of two more within the District, providing 20% of homes to meet this demand could increase the overall supply from 450 to 540 homes per annum.

7. **Conclusion**

7.1 SHMAs are based upon the stocks and flows concept of understanding and responding to housing need and demand. Failing to appreciate this aspect can lead to unrealistic assumptions as to how the requirements in a SHMA should be met, for example assuming that the annual need for affordable housing equates to the number of new affordable homes that need to be built.
7.2 The current practice guidance explains the purpose of the SHMA as:
“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;” *(Strategic Housing Market Assessments: Practice Guidance, Version 2, CLG 2007)*

7.3 At worst a SHMA is seen merely as an indicator of the relationship between housing supply and demand. At best it can inform and support the development of policies and strategies, making best use of resources to address local requirements and should therefore be seen as a starting point, rather than a blunt statement of housing need.

7.4 Taking a strategic response to meeting housing requirements by developing homes that stimulate a better supply, can in itself be evidence that a local authority understands and is responding appropriately to its housing requirements. It does also have to be evidenced by accompanying policies, strategies and practice, not just an informed decision about the number of homes to be developed, with no consideration as to how this will be implemented or therefore certainty as to how effective this may be.

7.5 The growing demand for housing and limitations on resources necessitates a more strategic approach, in which new development encourages supply and the Revised SHMA supports this.