



GL Hearn
Part of Capita Real Estate

Purbeck OAN Update 2017

Purbeck District Council

October 2017

Prepared by

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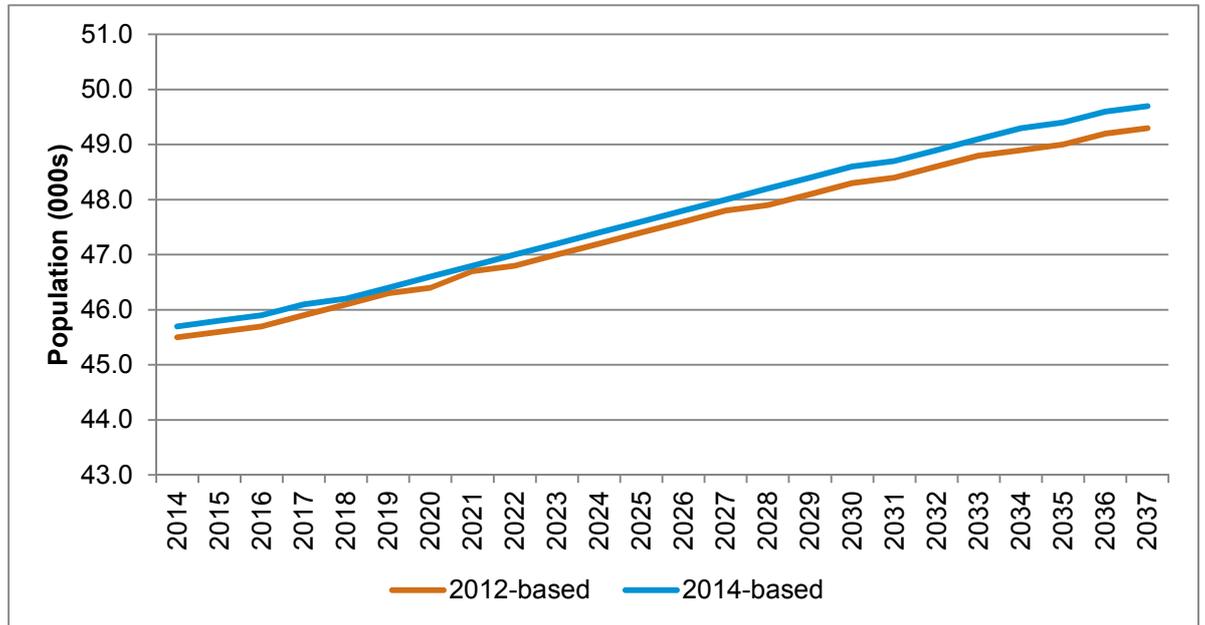
1 INTRODUCTION

- 1.1 This document provides an interim view of the objectively assessed housing need (OAN) in Purbeck for the 2013-33 period.
- 1.2 National planning policies require the study to define the *'full, objectively assessed need for market and affordable housing in the housing market area'* (National Planning Policy Framework (NPPF), paragraph 47). This provides a starting point for considering policies for housing provision. The assessment must 'leave aside' constraint factors (such as land availability) however these are relevant in drawing together evidence and testing options in the development of local plans. The SHMA does not set targets for housing provision.
- 1.3 Government's Planning Practice Guidance (PPG) sets out how the objectively assessed need for housing should be defined. It sets out that the starting point should be the latest official household projections (from the Department for Communities and Local Government (CLG)) – any changes to these projections *'need to be clearly explained and justified on the basis of established sources of robust evidence'* (2a-017). Consideration then needs to be given to economic growth, market signals and affordable housing need. This report follows this approach to identifying OAN.
- 1.4 The Housing White Paper of February 2017, and subsequent Government announcements make reference to standardising methodologies for assessing housing need, although at the time of writing no proposals had been published. The Council should therefore be mindful of the possibility of some change in guidance in the near future. Any standardised methodology could impact on some of the analysis to follow in this report.

2 TREND-BASED DEMOGRAPHIC PROJECTIONS

- 2.1 The start-point for assessing housing need in line with the PPG is the most recent official household projections; these are the 2014-based CLG projections.
- 2.2 In Purbeck, the 2014-based projections show a population growth of 3,400 persons over the period from 2014-33. This is slightly higher than the 2012-based projections which showed a growth of 3,300 persons.

Figure 1: Projected Population Growth, 2012-based and 2014-based CLG Projections



2.3 Using consistent modelling assumptions with the 2015 SHMA, the 2014-based projections show a need for around 132 dwellings per annum (dpa) to be provided in Purbeck (2013-33) – including an allowance for vacant homes drawn from Council Tax data. For Purbeck, a vacant home allowance of 13.1% has been used which includes an allowance for second homes¹. These projections were underpinned by the most recent ONS subnational population projections (SNPP – also 2014-based). This is slightly higher than the need arising from the 2012-based SNPP which showed a need for 121 dpa.

2.4 The 2014-based SNPP has a base date of 2014. However, since this time ONS has published its mid-year population estimates (MYE) which provides more reliable data for each year to 2016. Incorporating MYE data shows a need for 147 dpa, indicating that there has been a slightly higher level of population growth in recent years compared to that forecast in the 2014-based SNPP.

Table 1: Purbeck Annual housing need (2013-33) – CLG household projections (2014-based)

	Dwellings Per Annum
2014-based SNPP	132
SNPP + MYE	147

2.5 The SNPP is based on short-term trends (migration trends over the previous 5/6 years); analysis of the components of population change suggested that migration has been slightly weaker in the short term. Therefore, alternative projections based on 10- and 15-year migration trends were

¹ Eastern Dorset SHMA 2015, para 4.36-4.37.

developed (and this includes more up-to-date information from ONS mid-year population estimates to 2016). These projections suggest a higher level of future population growth and a need for up to 166 dwellings per annum to be provided.

2.6 A further sensitivity was developed taking account of Unattributable Population Change (UPC) – this is an adjustment made by ONS to reflect population growth as informed by the Census and may be related to the misrecording of migration. The UPC adjusted projection showed the same level of need as the equivalent scenario excluding UPC. The highest of the projections showed a need for 166 dwellings per annum, although it is more common in drawing conclusions to look at 10-year trends (this was a figure of 165 dpa).

Table 2: Annual housing need (2013-33) – alternative scenarios (dwellings per annum)

	SNPP (+MYE)	10-year trends	15-year trends	15-year trends (+UPC)
Purbeck	147	165	166	166

2.7 When looking at the data about household representative rates (HRRs) underpinning the 2014-based CLG household projections it was observed that the 25-34 age group had reduced slightly in the 2001-11 period, although this trend was not projected to continue into the future. Overall, there was limited evidence of suppression of household formation although two sensitivities have been run to consider this issue. These are:

- Part-return to 2008-based – modelling a situation where the HRRs of the population aged 25-44 partially return to the levels projected in the 2008-based CLG household projections²
- 25-34 return to 2001 levels – modelling a situation where the HRRs of the population aged 25-34 return to the level seen in 2001

2.8 The latter approach was applied as a market signals uplift in the 2015 SHMA.

2.9 The table below shows the outputs of these sensitivities (in terms of dwelling per annum need). All figures are slightly higher than when using on the 2014-based CLG household projections and overall the analysis identifies a demographic based need for up to 175 dwellings per annum.

² This models the Household Representation Rates returning to a mid-point between the 2008-based and the 2014-based projections.

Table 3: Annual housing need (2013-33) – alternative scenarios for household representative rates (dwellings per annum)

	SNPP	SNPP (+MYE)	10-year trends	15-year trends	15-year trends (+UPC)
Part-return to 2008-based	138	154	172	172	173
25-34 return to 2001 levels	140	155	173	174	175

2.10 The sensitivity analysis suggests that it may be more reasonable to consider an OAN based on the longer term migration trend as this provides a more stable forecasting period. This suggests a demographic based housing need of 173 dpa per annum would be reasonable – based on the 10-year trend with household adjustment to return the household formation rate of 25-34 year olds back to the 2001 levels. This figure is some 33% above the start point projections (a figure of 132 dpa from the published official projections).

3 FUTURE EMPLOYMENT AND THE LINK TO HOUSING

3.1 Analysis has sought to estimate the likely level of housing needed to be delivered if the resident workforce is to increase sufficiently to meet job-growth forecasts and an analysis of past trends. The forecast suggested growth of 3,150 jobs in the 2013-33 period, whereas the trend analysis put the figure at 1,690 additional jobs. The analysis took account of both commuting patterns and ‘double jobbing’. Both forecasts show a lower level of jobs growth than was considered in the 2015 SHMA – a total growth of 3,872 jobs (Dorset County Council Local Knowledge Scenario).

3.2 The analysis also made a series of assumptions about how economic activity rates (EAR) might change in the future; this is a key difficulty in matching job-growth to population growth. The approach used has been to set out a range of outputs based on two readily available sources of information. Firstly, economic activity rate projections provided by Experian and secondly a similar set published by the Office of Budget Responsibility (OBR). The figures from Experian are considered to be the most robust (not least because they actually relate to economic forecasts) but two sets of data are provided for context.

3.3 The analysis has also been mindful of comments made in the PAS Technical Advice Note with regard to integrating demographic projections and economic forecasts. The data available for this study did not allow for such integration to be undertaken; in any case, there is some doubt about the robustness of such an approach, particularly when considering which variables are inputs and outputs to such models. Overall, due to the assumptions made, all outputs should be treated as indicative.

- 3.4 In running the modelling, it is estimated that to meet the job growth forecasts there would need to be provision of between 138 and 206 dwellings per annum across the District (2013-33) depending on the forecasts used and the assumptions made with regard to EAR. The midpoint of this range is virtually identical to the highest of the demographic projections developed – a need for 175 dwellings per annum. The economic growth based on the trend analysis suggests a figure lower than this – with a midpoint of 155 dpa.

Table 4: Annual housing need (2013-33) – economic-led projections

	Forecast	Trend analysis
Experian EAR	171	138
OBR EAR	206	172

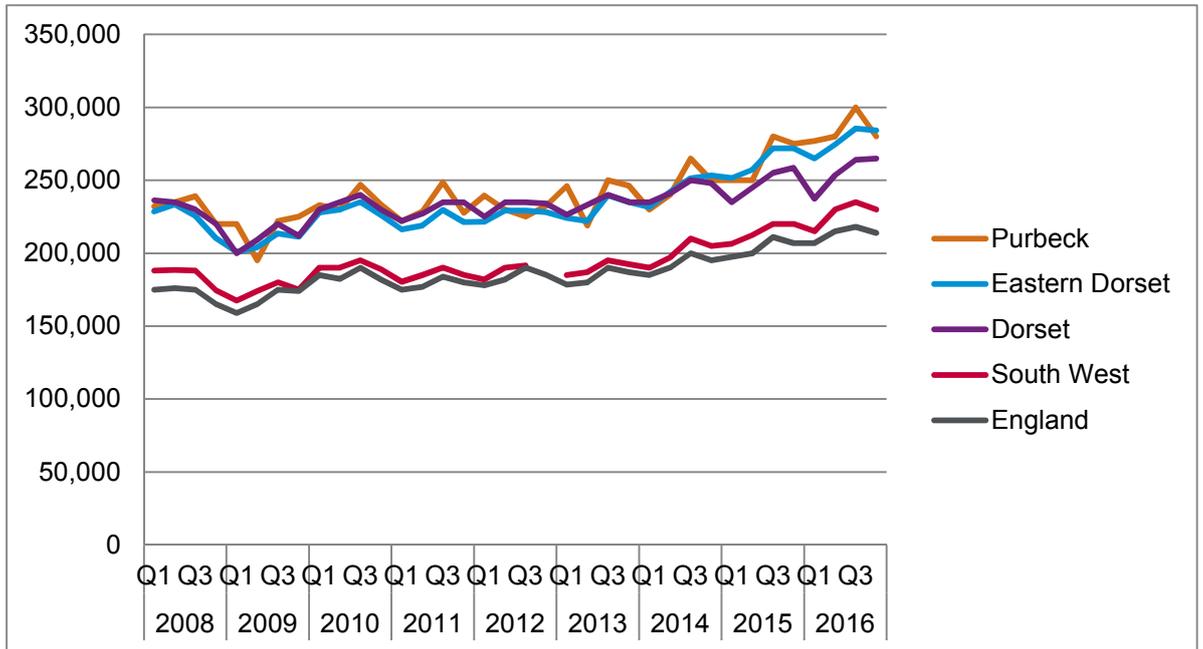
- 3.5 On balance, this suggests that there would potentially be a labour-force shortage in the area if planning against official population/household projections, but not when compared to the longer term migration trend scenarios.
- 3.6 This would suggest that the demographic based need figure of 173 dpa per annum (based on the 10-year trend with household adjustment to return the household formation rate of 25-34 year olds back to the 2001 levels) would be sufficient to support economic growth in Purbeck without the need for a further adjustment.

4 HOUSING MARKET SIGNALS AND AFFORDABILITY

Housing Market Signals

- 4.1 This section provides a brief update of the housing market signals using the latest data compared to the data considered in the 2015 SHMA.
- 4.2 Median house prices have continued to grow and as of Q4 2016 the median house price in Purbeck was £280,000. This compares to £275,000 a year previous and £250,000 in Q4 2014. This represents a growth of 12% over a two year period. This is in line with growth across Eastern Dorset and the South West, and slightly higher than the national growth of 10%.

Figure 2: Median House Prices, 2008-2016



4.3 Compared to the other authorities in Eastern Dorset the median house prices in Purbeck are very close to the HMA average. East Dorset and Christchurch have higher median values for all dwelling types as well as overall, while Poole, Bournemouth, and North Dorset have lower median values than Purbeck for the majority of dwelling types. All of the Eastern Dorset authorities have median house prices above the regional (£225,000) and national medians (£212,950).

Figure 3: Median House Prices by Type, 2016



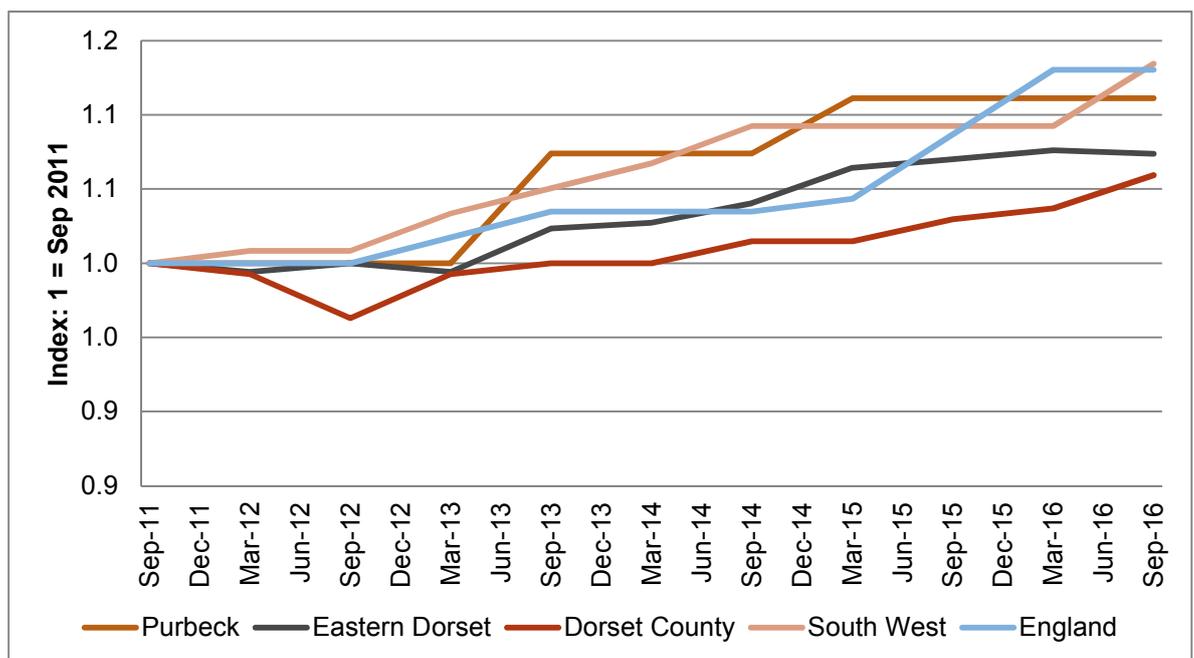
4.4 Since the publication of the 2015 SHMA, new data on affordability ratios have been published. This shows the median house price in Purbeck is, as of 2016, just over 11 times the value of median annual earnings. This is a 6% increase from 2013 which is a relatively small increase – regionally and nationally there has been an increase of 13%, and across the HMA there has been a 16% increase. However, Purbeck’s affordability ratio is still very high, especially when compared to regional (8.40) and national (7.58) levels.

Table 5: Median Affordability Ratio, 2013-2016

	2013	2016	Change
East Dorset	9.30	11.64	25%
Christchurch	9.51	12.47	31%
Purbeck	10.48	11.08	6%
Poole	7.91	9.40	19%
Bournemouth	7.26	8.37	15%
North Dorset	9.12	8.81	-3%
Eastern Dorset	8.88	10.27	16%
Dorset County	9.02	10.16	13%
South West	7.41	8.40	13%
England and Wales	6.73	7.58	13%

4.5 Rental prices have continued to rise across the HMA, however in Purbeck the median rental price has remained at £750 pcm since early 2015. Since 2011 there has been an annual growth rate of 1.1% per annum – slightly below the national growth rate of 1.2%.

Figure 4: Indexed Rental Growth, 2011-2016



Affordable Housing Need

- 4.6 The affordable housing need was considered in the 2015 SHMA and identified a net need in Purbeck of 149 affordable dwellings per annum. This analysis has not been updated as part of this update, and we do not anticipate the data will have changed in the two years since 2015. The affordable housing need represents a substantial need for affordable housing in Purbeck, equivalent to 86% of the demographic need figure. In terms of overall housing provision, this suggests that some younger households may be constrained from forming should an increase in housing supply not be achieved.

Table 6: Estimated level of Affordable Housing Need (per annum)

Area	Backlog need	Newly forming households	Existing households falling into need	Total Need	Supply	Net Need
Purbeck	15	157	40	212	63	149

Source: Eastern Dorset SHMA 2015, Table 36

Conclusions and Affordability Uplift

- 4.7 The assessment of affordable housing needs and the housing market signals shows that local market conditions in Purbeck show signs of considerable affordability pressures. Usually, one of the symptoms of this is constrained household formation, particularly for younger households. However, this is not particularly evident in Purbeck, as shown in the household formation rate analysis in section 2.
- 4.8 The Planning Practice Guidance recommends that in such circumstances it would be appropriate to consider an uplift be made to the demographic starting point in order to ease affordability pressures. The scale of uplift which may be suitable is not set out in the PPG but it has been established through a wide range of Inspector's decisions that an uplift of up to 30% might be appropriate.
- 4.9 However, as set out in Section 2, the longer-term migration trend based demographic scenarios already represent a level of housing delivery which is 33% above the demographic starting point (132 dpa). Accordingly, even applying an affordability uplift to the demographic starting point which is at the highest end of the established range (30%) would result in a housing need figure of 172 dpa – roughly in-line with the longer-term migration trend based demographic scenario.

5 OVERALL CONCLUSION ON OAN

- 5.1 The analysis in this report considers the need for Objectively Assessed Need (OAN) for housing in Purbeck over the period 2013-33. The demographic starting point, based on the official 2014-based projections suggests a need for 132 dpa.
- 5.2 The report has then considered whether there is justification to apply an uplift to this figure by considering a range of data:
- Demographic trends and household formation;
 - To support economic growth forecasts;
 - To address housing market signals and affordability.
- 5.3 The demographic analysis suggests that the longer-term trend may be a more appropriate demographic basis for calculating OAN as it draws upon a period which saw higher levels of growth in Purbeck, and as such is less likely to model forward any market constraints. The longer term trend suggests a need for around 173 dpa. This figure is based on considering a long-term trend based approach to demographic forecasting, and includes an uplift to support the formation of younger households.
- 5.4 The economic forecasts suggest that this level of housing delivery would likely be sufficient to support economic growth in the District.
- 5.5 Consideration of the market signals and affordable housing need suggests that an uplift to the demographic starting point would be justified in Purbeck. However, an OAN based on the longer-term demographic trend already provides an uplift of 33% above the demographic starting point.
- 5.6 Overall the analysis points towards an OAN for Purbeck of around 173 dwellings per annum.
- 5.7 This figure is lower than the OAN for Purbeck identified in the 2015 SHMA which showed a total annual need of 238 dwellings per annum. This was based on an uplift to support economic growth of 111 dpa, and an uplift to improve affordability of 6 pda, but did not include the uplift to account for longer term migration trends.