



GL Hearn

Eastern Dorset Strategic Housing Market Assessment

Interim Findings for Purbeck District

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1 INTRODUCTION

1.1 This report has been prepared by GL Hearn to set out **interim** findings arising for Purbeck District from the on-going work which is being undertaken to prepare a new Strategic Housing Market Assessment (SHMA) for the Eastern Dorset Housing Market Area. The report has been prepared on an interim basis to support the Issues and Options Consultation being undertaken as part of the *Partial Review of the Purbeck Local Plan Part I*. It deals with the overall need for housing.

2 HOUSING MARKET AREA

2.1 The SHMA has reviewed the definition of the Housing Market Area (HMA). It takes account of previous research and includes a comparative analysis and mapping of housing costs, house price growth, as well as newly-release information on migration and commuting flows from the 2011 Census.

2.2 An Eastern Dorset HMA is identified based on the ‘best fit’ of local authorities to a Housing Market Area, principally as key data necessary to prepare an SHMA (including official demographic projections) are not published at lower geographical scales. The Eastern Dorset HMA thus comprises the local authorities of Purbeck, North Dorset, East Dorset, Poole, Bournemouth and Christchurch.

3 OVERALL HOUSING NEED

Overview of Approach

3.1 The National Planning Policy Framework (NPPF)¹ set out the Government’s planning policies for England. It outlines that in planning for housing, councils must work with neighbouring authorities to prepare a Strategic Housing Market Assessment (SHMA) which identifies the full need for both market and affordable housing in their Housing Market Area.

3.1 The Government has also issued Planning Practice Guidance² on how assessments should be undertaken. The Guidance sets out that household projections published by the Department of Communities and Local Government (CLG) should provide the starting point estimate of overall housing need. The latest official household projections currently available are the CLG 2011-based Interim Household Projections. It outlines that these may require adjustment to “reflect factors affecting local demography and household formation rates which are not captured in past trends” giving as an example a situation where household formation rates have been suppressed in the

¹ CLG (2012) *National Planning Policy Framework*

² CLG (2014) *Planning Practice Guidance – Assessment of Housing and Economic Development Needs*

past by undersupply and worsening affordability. It also sets out that the latest demographic data and projections should be considered.

3.2 The projections are however trend-based and the PPG outlines that the SHMA needs to consider whether it is sustainable to plan on the basis of past trends, or whether wider evidence suggests that level of housing provision (in the absence of development constraints) should be adjusted to take account of:

- Employment trends
- Market signals
- Need for affordable housing

3.3 It sets out that employment trends should be considered to assess whether an alternative level of distribution of housing provision is necessary to support economic growth; or whether housing provision should be adjusted upwards to improve the affordability of market housing or enhance the delivery of affordable housing. The SHMA seeks to follow this approach. We have summarised each of these steps, and how this is brought together to derive **interim conclusions** regarding housing need in Purbeck District.

3.4 The assessment of housing need “leaves aside” policy considerations, such as policy designations or factors which may restrict development, as well as land availability and infrastructure provision. Government is clear that factors are not relevant in defining housing need – but should be considered in the development of planning policies (and housing targets) through the Local Plan Review. There is however a strong emphasis within the NPPF on meeting the identified housing need, where it is sustainable to do so.

Trend-based Demographic Projections

3.5 The latest official household projections are currently the 2011-based “Interim” Household Projections published by Communities and Local Government (CLG). These project an increase of 1,300 households in Purbeck District (an average of 130 per annum) between 2011-21.

3.6 The ONS published 2012-based Sub-National Population Projections (SNPP) in May 2014. These project an increase in Purbeck District’s population by 3,400 persons (7.5%) between 2013-33. This compares to projected population growth of 13.5% across the Eastern Dorset HMA and 13.2% across the South West region.

3.7 Household projections linked to the 2012-based SNPP are due to be released in February 2014 and will replace the 2011-based Household Projections at this point, providing a revised ‘starting point’ for assessing housing need.

- 3.8 An initial assessment has however been made of the potential household growth which may arise from the 2012-based Sub-National Population Projections by developing a number of scenarios for household formation.
- 3.9 The emerging SHMA has then considered potential trends in household formation and what market signals say about the balance between supply and demand between 2001-11 (the period from which the trends in household formation in the 2011-based Projections are based). This highlights that over this decade the ability of households to purchase a home deteriorated, linked to:
- Particular price growth between 2002-5 relative to earnings; and
 - The impacts of credit crunch & recession post 2008.
- 3.10 Household formation trends are expected to be more positive than those shown in the 2011-based Household Projections. Household formation rates are modelled to 'part return to trend' such that they will have reached 78% of the formation rates shown in the 2008-based Household Projections in Purbeck District by the end of the projection period in 2033. This in effect sees household formation trends more closely follow longer-term trends, than those seen over the shorter-term between 2001-11. Household formation rates are modelled on a sex- and age-specific basis.
- 3.11 The initial SHMA analysis thus indicates that the 2012-based Sub-National Population Projections would lead to a growth in households of 2,350 in Purbeck District between 2013-33 (118 per annum). To convert this into a need for housing, an allowance is made for vacant and second homes (13.1% based on evidence from the 2011 Census). This results in a housing need for 133 homes per annum.
- 3.12 The initial assessment of housing need based on demographic projections will be reviewed once Government published official 2012-based Household Projections.

Potential Implications of Economic Growth

- 3.13 Future migration and population growth to Purbeck District may be influenced by economic performance, as well as changes in the population's age structure and workforce.
- 3.14 Purbeck has seen the lowest population growth over the last decade (2003-13) of the Eastern Dorset authorities; it's population growing by 2%. It's population structure is focused towards older age groups, with 40% of the population aged over 55 compared to 35% across Eastern Dorset and 33% across the South West Region.
- 3.15 Work is being undertaken as part of the SHMA to assess whether economic growth might lead to higher levels of migration into the area than seen in the recent past.

- 3.16 Baseline econometric projections from Cambridge Econometrics have been considered. For Purbeck District, the projections indicate that employment in the District will grow by 0.6% per annum over the 2013-33 period. This results in an increase in 3,000 jobs.
- 3.17 This scenario has been run through the demographic model to assess the level of housing provision which might be necessary to support this scale of growth in employment. The growth in the number of people working in the District is expected to be slightly lower (by 2%) than the growth in jobs, as a small number of people will have more than one job. Commuting patterns are expected to remain consistent to those which exist currently, whereby the number of people resident in the District (and in work) is 6% higher than those working in it (based on 2011 Census information)³. The SHMA modelling assumes that employment rates will increase over time, taking account of past trends and the impacts of changes to pensionable age enshrined in current legislation.
- 3.18 The resultant modelling indicates that 218 homes per year over the 2013-33 period would be needed to support growth in employment in line with the Cambridge Econometrics projections. This suggests (through comparison with the demographic-led projections) that migration to Purbeck District could be higher than has been the case in the recent past.
- 3.19 These Cambridge Econometrics projections take account of the economic (industrial) structure in the District, how different economic sectors are expected to perform in the future, and relative past performance of sectors locally compared to the region and UK. The projections assume that 'historical relationships hold true' so that if a sector has outperformed these wider areas in the past, it is assumed that it will continue to do so. At a local authority level the projections need to be treated with a degree of caution given the range of influenced on economic performance – both in the past and looking forwards.
- 3.20 Further work is being undertaken as part of the SHMA to interrogate the Cambridge Economics figures, considering how well they reflect what might happen in the future; and local factors not captured within the modelling which may influence future economic performance.

Affordable Housing Need

- 3.21 The SHMA includes an assessment of affordable housing need, in accordance with the Planning Practice Guidance, to identify whether there is a shortfall or surplus of affordable housing in Purbeck District. The assessment is based on secondary data sources including recording of social lettings from CoRe, analysis of data from the 2011 Census and English Housing Survey and modelling of household growth and the distribution of household incomes.

³ This commuting ratio of 1.06 is held constant through the projections

- 3.22 This has estimated current housing need in 2013 from 304 households in Purbeck District, excluding existing social housing tenants where they would release a home for another household in need. The housing needs model then looked at the balance between needs arising and the supply of affordable housing. Each year an estimated 207 households are expected to fall into housing need but just 63 properties are expected to come up for re-let.
- 3.23 Drawing this together a net need from 159 households per year is identified. There is thus clear evidence of a need for deliver additional affordable housing.

Table 1: Estimated level of Housing Need (Per Annum)

Purbeck District (2013-33)	
Current Need	15
Newly-Forming Households	167
Existing Households falling into Need	40
Total Need	222
Supply (excl. Pipeline)	63
Net Need	159

- 3.24 The affordable housing needs model considers the need for affordable housing in isolation from other segments of the housing market. Existing households are counted within the model, who if they moved to an affordable home might release a home for another household. The need net need identified in the table above is therefore not directly comparable with the figures derived from the demographic projections for overall housing need.
- 3.25 What the SHMA analysis indicates is that this shortfall of affordable housing is currently being met through lettings in the Private Rented Sector (PRS), with households supplementing their income with Local Housing Allowance. The SHMA estimates annual PRS lettings to 146 households who would be considered as having an affordable housing need. Private Rented Housing is not however affordable housing; and Government policy is clear that Councils should seek – where there is a shortfall of affordable housing – to consider enhancing housing supply to meet this need.

Market Signals

- 3.26 There has been a fundamental shift in housing market conditions nationally since 2007, particularly in relation to credit availability. Housing market conditions have been relatively stable over the past few years, with relatively stable house prices. Sales volumes have improved over the last 18 months, but remain below pre-recession levels.
- 3.27 Median house prices stand at £240,000 in Purbeck which is modestly above the HMA average. The same is true of median rental costs. House prices have remained relatively stable over the last five years.

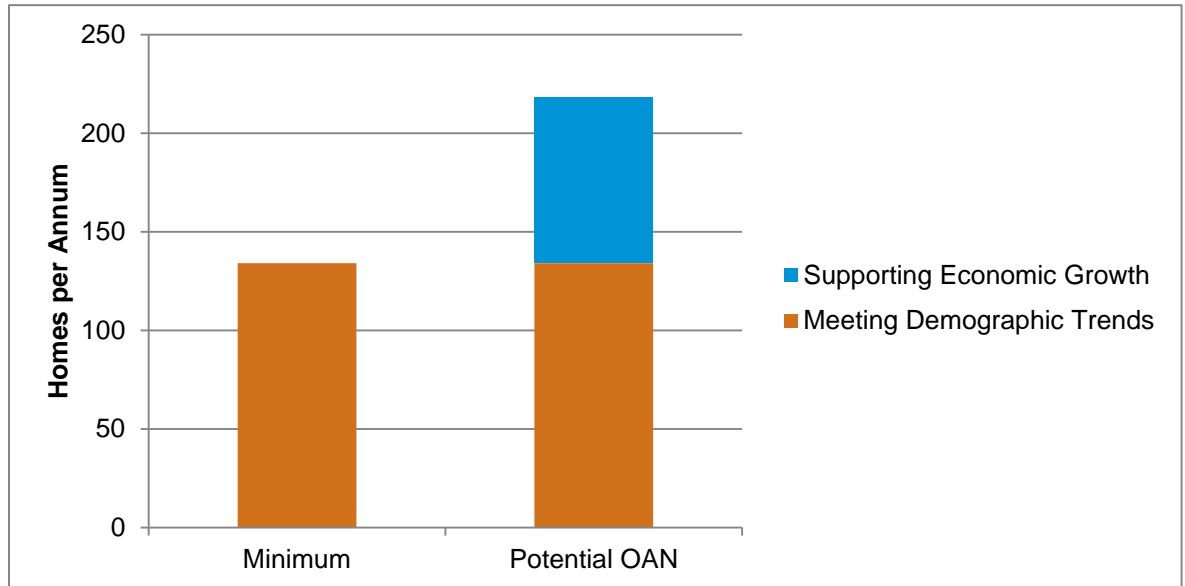
- 3.28 Affordability pressures are however significant. Lower quartile house prices are around 9.9 times incomes of younger people⁴ compared to 9.4 across the South West Region and 6.5 nationally. Looking at the 2001-11 decade, the SHMA highlights a correlation between increasing housing costs and declining housing affordability; and levels of home ownership and numbers of non-dependent children (adults) living with parents.
- 3.29 Between 2001-11 the evidence indicates that the owner occupation in Purbeck District fell (from 73.4% to 69.5% of households), private renting increased (from 12.0% to 15.3%) and the number of people living in overcrowded accommodation and in Houses in Multiple Occupation also both increased.
- 3.30 This evidence of affordability pressures has informed the approach to modelling household formation rates within the emerging SHMA analysis, in line with the recommended approach in the Planning Practice Guidance which sets out that the assessed housing need should be adjusted to improve affordability.

Initial Conclusions on Housing Need

- 3.31 At this stage initial findings regarding housing need have been drawn pending:
- The release of 2012-based Household Projections by Government;
 - On-going work to consider local economic growth drivers and potential.
- 3.32 The assessment of need does not take account of land supply or policy constraints; not unmet needs from other areas (although we are not currently aware of current evidence of unmet need which may influence Purbeck District).
- 3.33 The evidence suggests that a **minimum level of housing need for 134 homes per annum**, based on the demographic-led projections. Household formation rates have been adjusted to improve affordability.
- 3.34 However the evidence suggests that **higher housing provision will likely be needed to support economic growth, with the initial analysis suggesting a need for 218 homes per annum would be needed based on the economic projections considered**. GL Hearn considers that this is likely to be nearer to the 'full objectively assessed need' for housing which the NPPF expected to be identified.

⁴ CLG Lower Quartile House Price to Income Ratio, CLG Housing Statistics

Figure 1: Emerging Findings regarding Housing Need - Purbeck District, 2013-33



4 NEXT STEPS

- 4.1 The findings should be considered “draft” and is likely that the further work around household formation, second home ownership and economic growth potential may result in some adjustment to the figures. The figures set out represent a need for C3 dwellings, and does not include C2 accommodation such as in nursing or care homes.

- 4.2 A full SHMA Report for the Housing Market Area will be set out in due course. This will provide a full description of methodology and justification of assumptions; together with findings relating to the need for different types of housing (both market and affordable), and the needs of specific groups within the population, including older people.