Tees Valley Local Housing Assessment Update and Strategic Housing Market Assessment Report

Executive Summary

January 2009

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Policy Context

1. This Strategic Housing Market Assessment (SHMA) has been prepared to help guide the development of Housing and Planning policy for the Tees Valley sub-region. The structure, content and methodology of the main document follows the CLG guidance and it has been developed by a Steering Group comprising representatives from the local authorities, RSL's, private developers and the sub-regional co-ordinating body. There has also been extensive stakeholder consultation and research with estate and lettings agents. The report relates specifically to the five local authority areas in Tees Valley, but sets this in the context of the wider City Region including adjacent areas of North Yorkshire and County Durham.

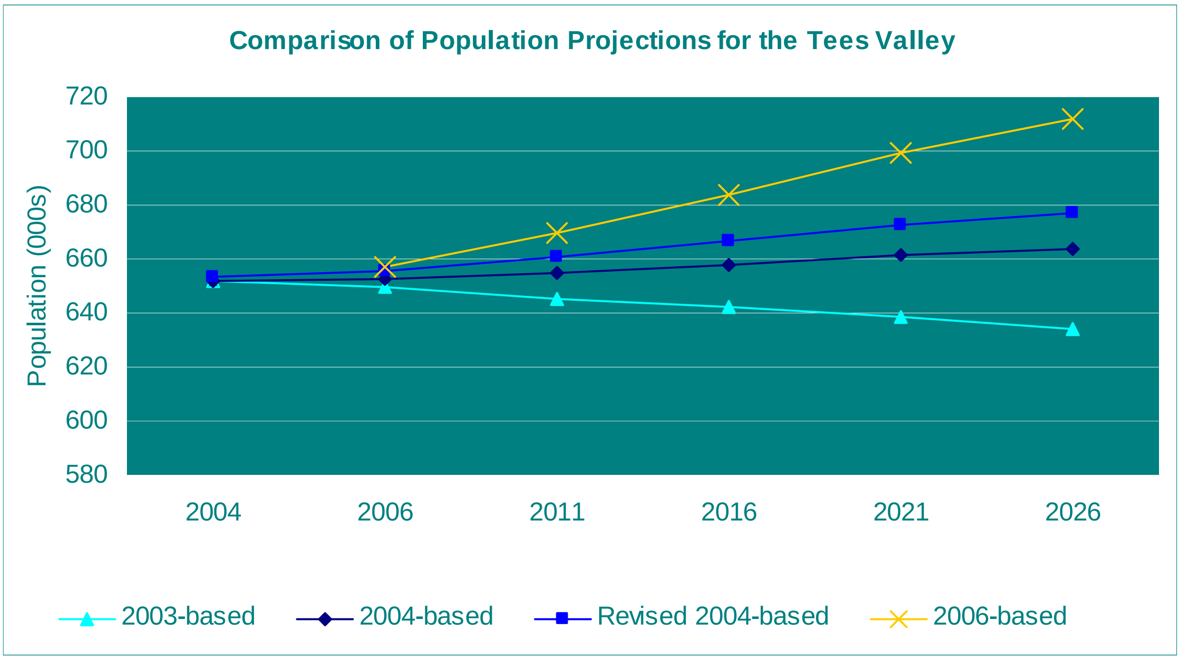
2. The SHMA has been prepared in a national and regional policy context that is now placing an emphasis on delivering growth in housing supply, provision of sufficient affordable housing and aligning housing investment with the priorities for economic growth. These policy drivers are all reflected in Tees Valley, but at the same time it is important that the SHMA tests how well these policies relate to the local market needs and social requirements. There remains a strong local priority, reflected in City Region Development Programme and the sub-regional housing strategy, to improve the urban competitiveness and liveability of the Tees Valley by neighbourhood regeneration and the provision of an attractive mix of new and improved housing in the urban centres.

3. There is a strong base for sub-regional action, building on the agreed policy frameworks and the established sub-regional structures including Tees Valley Regeneration, Tees Valley Living and the recently established over-arching structure of Tees Valley Unlimited. The ambitions for Tees Valley have recently been demonstrated by a Growth Point bid.

Population and Economic Growth

4. Population change and local economic performance are the fundamental factors driving the housing market. The trends in both over recent years have been positive for Tees Valley, as they have nationally, and have strengthened the local housing markets. For this market assessment, the key issue is to consider how this experience will shape the likely future trends.

5. Population projections by the Office for National Statistics (ONS) for Tees Valley have shifted over the past few years from forecasting population decline to forecasting growth for the sub-region as a whole. Growth is now forecast for all the local authorities other than a slight decline in Middlesbrough. The latest population projections published in June 2008 are the 2006-based sub-national population projections are shown below together with previous lower growth predictions. Based on the earlier September 2007 population projections, the CLG released revised household projections in February 2008 that show a growth of 36,000 households over the period 2004-2021



6. The increase in projections results predominantly from changes in migration, which has shifted from overall out-migration to net inward migration for all areas other than Middlesbrough. International in-migration is also a significant factor in the latest projections although our research on this (and recent national findings) suggests we should be cautious about this flow continuing. Future population and household numbers will depend heavily on migration trends. These will depend upon the ability of Tees Valley to attract people through economic growth, quality of place and house price advantage.

7. The Regional Economic Strategy (RES) sets an ambitious 3.4% growth target for the North East and the City Region Development Plan aims to deliver this in Tees Valley by building on its key economic assets. Recent trends are positive, with increasing activity rates, falling unemployment and an overall small increase in VAT registrations. Local economic projections identify that, even on relatively cautious assumptions, there will be a shortage of skilled workers and a continued in-flow will be needed, due largely to a decline in the working age population after 2010.

8. The Regional Spatial Strategy (RSS), published in July 2008, sets a requirement for 35,700 net additional dwellings for 2004-21, based on a 2.5% economic growth rate. This housing requirement is very close to the latest projection for a 36,000 household increase for the same period. Given that the household projections do not factor-in the full economic growth plans, this could be seen as a relatively cautious planning figure. The “Growth Point” bid would increase the additional homes target to at least 39,500. The strong strategic context for Tees Valley and positive recent trends suggest this higher figure may be desirable although this will depend fundamentally on economic conditions and performance.

9. This review confirms that it seems appropriate to plan for new housing based on the published RSS targets, or the Growth Point target if that is approved. Housing plans will need resilience, however, as the underlying economic conditions are inherently uncertain (as recent events show) and the vulnerability of parts of the housing market should be a priority concern for contingency planning.

Population structure

10. The population projections also highlight that across the Tees Valley there will be important changes in the age structure. The dominant feature is a decline in the proportion of working age population and a significant increase in the retired/elderly population. Only Stockton and Darlington are predicted to experience a growth in working age population. This is a significant challenge for the Tees Valley and links closely with the economic aspirations for the North East, for significant economic growth driven by knowledge sector industries. This demographic change may well create a requirement, in order to fill the jobs, for net in-migration to the sub-region as well as retention of the current population. Ensuring the right housing is on offer in the right locations is a critical factor that will contribute to achieving economic aspirations.

Housing Supply

11. The actual recent rate of additional provision, averaging 1800 p.a. (2004-7) is slightly below the revised RSS requirement of 2280 pa (2004-11). It has been strongest in Stockton and Darlington with annual rates of 502 and 412 p.a. respectively. Middlesbrough and Redcar & Cleveland had low build rates, but these were increasing by 2006/7 partly due to the impact of Housing Market Renewal.

12. There is substantial identified capacity to meet the revised RSS targets, especially in Stockton and Hartlepool, less so in Middlesbrough. However, there is a doubt as to whether the currently planned supply will meet fully the aspirations of the likely market. A main concern is the proportion of flats in the pipeline: completions were 37% flats in 2006/7 and there are large commitments of flats, especially in the larger regeneration schemes. We recognise that high quality apartments, as a fundamental element in major regeneration projects, can play an important role in creating an appropriate sense of place, but there will need to be caution. There is also a high pipeline proportion of smaller (2 and 3 bedroom) types, especially in Middlesbrough and Redcar and Cleveland, which may not fully match market aspirations especially for the executive and middle/upper tiers of the housing market.

13. The Core Strategies of each local authority all identify the need to ensure a mix of housing is available in terms of type, size and affordability. However, given the priority given to flagship regeneration schemes and the predominance of flats and smaller dwellings in these schemes, there will need to be careful attention to how far these schemes are completed and to the mix in other developments. Specific local issues are that:

    - Stockton and Hartlepool, with already high commitments, should consider the scope to set housing requirements in excess of RSS figures;
    - Middlesbrough has a particular challenge to sustain recent progress and ensure that a quantity and mix of housing supply is brought forward that can compete with adjacent markets and attract/retain migrant households.

Current Housing Market

14. There have been big changes in the Housing Market in Tees Valley over recent years. There has been a sharp reduction in social housing from 26.2% (1997) to 20.7% (2006); the diversity of stock has improved with less terraced and more detached housing. The private rented sector has grown and vacancies reduced to 3.8%, although still higher than the national figure (3.0%).

15. Most strikingly, of course, house prices have rocketed, although this has been later and proportionately less than the national trend. Price increases were least and slowest to happen in Middlesbrough and Hartlepool, suggesting that these boroughs are the weakest part of the housing market. Consequent on the 225% increase in prices from 2001-7, a substantial affordability problem has emerged with lone parents, older people and single people being the most severely affected household types.

16. The most active parts of the housing market in terms of property turnover are the private rented sector and, linked closely to this, older housing areas in central Middlesbrough, the inner core of Stockton, central Darlington, and central Hartlepool. Ingleby Barwick also shows a high turnover. Overall, it is estimated that about a third of all moves are into the private rented sector underlining its pivotal role, particularly in the inner urban areas. This sector has a key role in meeting immediate housing needs and those of newly-forming households. It is also predominantly occupied by low income households with 66% on full or partial housing benefit. Its interaction with the social rented sector is very significant with 42% of tenants hoping to move into social renting.

Housing Market Areas

17. The pattern of housing markets in Tees Valley is complex. Our conclusion is that best way to look at it is to identify several layers of the market overlaying each other. The main factors distinguishing the markets are different household incomes operating across varying housing market areas. The overall pattern comprises three layers of market, shown in the map below:

18. These three layers of market comprise: -

- Very localised markets in Billingham and Redcar;
- Largely self-contained local markets for all of Redcar and Cleveland, all of Middlesbrough, the main urban area of Stockton and Thornaby, the urban area of Hartlepool and most of Darlington town;
- A Tees Valley City Regional Market comprising all the sub-region plus adjacent areas of North Yorkshire and County Durham, including part of Scarborough, Hambleton, Richmondshire, Teesdale, Wear Valley and Sedgefield. Certain localities within the sub-region operate substantially in this City Regional market – rural areas of Stockton, Hartlepool and Darlington, Ingelby Barwick, Yarm and central Darlington. This overall market influences other localities.

19. Households operating in the wider City Region market are predominantly owner-occupiers, higher income and seeking larger detached and semi-detached houses. The local markets are dominated by lower income households in the rented sectors or lower priced part of the owner-occupied market. The main impact of the wider Tees Valley market is probably for house prices in excess of approximately £140,000. The greatest significance of this market is that most new build housing will, simply as a consequence of price, be competing across this wide market area. The same is probably applicable to the higher priced part of the private rented sector (approx £650 pcm. and over) but there is only qualitative evidence from agents to support this.

20. The linkages to adjacent areas of North Yorkshire and County Durham are strong for both housing moves and journeys to work. The concentration of employment in Tees Valley is, of course, the main driver for this and it is shaped by transport links, the quality of the "housing offer" and relative house prices.

The Future Housing Market

21. Future market dynamics are shaped partly by the economic and demographic trends considered earlier, and also by peoples' aspirations and preferences. An analysis of these preferences compared to the existing supply highlights where the pressures are likely to arise. The analysis is taken down to local authority and sub-area level where there are important variations, but these overall features will be important for the overall planning of new housing provision and regeneration:

- In terms of house types, there is a strong desire (25%) for detached houses, which considerably exceeds the proportion of the dwelling stock (15%);
- However, the preferences for terraced housing (19%) are considerably less than the stock (28%).

22. These overall imbalances indicate that, unless prices lead to a realignment of preference, there will need to be a change over time in the stock balance or a major shift in the image of parts of the stock. The data still shows a weaker terraced housing market in certain parts of the Tees Valley, which can be expected to be a continuing issue.

23. The position on demand for flats/apartments is complex. About 11% of households planning to move in the private market prefer a flat whilst this type of dwelling is 7% of the stock. There is therefore scope for more flats, but not at the very high proportions in the recent new build pipeline. The level of recent supply of flats has probably exceeded the relatively modest market potential. The mix of the development pipeline needs to be reviewed with this balance in mind.

24. Demand by property size seems to be better aligned with the mix of existing stock. If anything, there seems to be stronger demand for two rather than three bedroom homes

and a slight under-provision of 4 bedroom or larger. However, we have to be cautious as the notional third bedroom may be seen as a study/utility room for some households. The demand from the strategically important "in-migrant" household market is more strongly oriented to 3 or 4 bedroom homes (66% of total preferences) and this is an important message about the dwelling size mix required to attract new households.

25. The evidence on the ground shows that executive housing developments in the Tees Valley have been successful in attracting and retaining highly skilled and entrepreneurial people. The Wynyard development demonstrates the existence of demand for executive housing, which is supported by consultation with developers. Developers identified the certain areas as appropriate locations for executive housing developments in the Tees Valley. These are South Middlesbrough, Guisborough (small scale), pockets to the west of Hartlepool and around Darlington.

26. The private rented sector has been the most dynamic part of the overall housing market. It plays a major role in meeting housing need and the demand in the sector is expected to increase during the current economic downturn. A major housing policy issue for the partners is the quality of this stock, especially in the vulnerable older terraced areas. There is a clear need to maintain and enhance work with landlords, such as landlord accreditation schemes, to ensure that the quality and management of private rented stock is enhanced.

27. Over the past few years, international migration flows into Tees Valley have been driven by economic migrants from the EU A8 accession countries. This has increased pressure in the private rented sector, although there are signs that migrants are returning to their home countries and the impact on housing demand may have peaked.

Affordable Housing Requirements

28. The assessment of affordable housing requirements has been prepared in accordance with the recommended CLG methodology, taking account of the current guidance and using the latest available data. This shows a total net annual requirement for additional affordable housing of 2,244 homes per year across Tees Valley, although the level of requirements varies widely between LAs as illustrated in the following table:

	Darlington	Hartlepool	Middlesbrough	Redcar & Cleveland	Stockton	Total
1. Providing for current needs over 5 years.	324	142	366	244	369	1445
2. Newly arising housing needs.	635	663	794	604	986	3682
Total needs.	959	805	1160	848	1355	5127
Less – annual supply of social and intermediate housing.	333	612	654	795	489	2883
TOTAL REQUIREMENT (Net shortfall).	**626**	**193**	**506**	**53**	**866**	**2244**

29. The net requirement is reduced further to 2,070 if known demolition and new-build activity is factored in to calculations. As it is more difficult to be precise over when demolition/new-build takes place, it is suggested that the 2,244 figure is adopted as the measure of imbalance between affordable housing supply and requirement.

30. These are high figures resulting from an assessment carried out using 2007 affordability data, which is when the housing market was at a peak. It provides a measure of the relative extent of requirements, but the findings should be interpreted in the context of further analysis of the cyclical nature of the housing market.

31. We suggest that the findings of this SHMA about the level of needs should be taken as a baseline position. It will be appropriate for each LA to have policies specifically for their area as the market for lower income households operates mainly at the LA level, or for specific towns.

32. The report reviews existing or proposed affordable housing policies compared to the relative levels of affordable housing needs, across the five LAs. The assessment of level of affordable housing needs in this SHMA supports the existing or proposed policies in each LA, although it may be appropriate for Hartlepool to take account of this review in considering its options for affordable housing requirements, and whether its policy will be consistent with those of neighbours. In Redcar & Cleveland, a flexible policy may be most appropriate to respond to the varying needs of different sub-areas, and the possibility that market changes may produce a surplus position in parts of the Borough. Overall, the uncertainty in the current market leads us to be cautious about recommending other changes in the current or emerging policies.

33. In their detailed consideration of local policies appropriate to meet local future needs, each LA should consider the overall requirement and also:

   – The potential impact of changing affordability levels, such as the assessment of the impact of a projected 20% reduction in house price and the changes in the turnover of existing social housing stock; and

   – The role of the private rented sector, given the current major contribution of this sector to meeting housing needs, and how far the overall future package of lower-priced housing provision will include an element of well-managed, decent standard private rented housing.

   – The economic viability of affordable housing requirements within planning policies. The consultation carried out during the preparation of this SHMA has established that, in the context of relatively low land values, economic viability is an important practical consideration for housing delivery.

34. The assessment provides much detailed information about the sizes and tenures required for affordable housing and the main points are:

   – **Dwelling sizes**: the overall picture for Tees Valley is for larger general needs accommodation with 51% of the requirement for 3 bedroom or larger. Only for Darlington is the position reversed with a larger requirement for 1 or 2 bedrooms.

   – **Older Persons' housing**: the identified need for 1 or 2 bedroom housing for older people is relatively low at 5% of the total, and apparently nil in Stockton and Middlesbrough. However, this figure relates only to needs arising from existing residents because properties are difficult to maintain, in poor condition or unsuitable due to mobility problems or similar. It does not reflect problem of under-occupancy, or dwellings which don't meet the wider aspirations/social care needs of older people. Nor does it take account of the projected growth in the elderly population. The priorities for older persons housing requires a broader strategic approach to older persons' community and housing needs.

35. Intermediate tenure has a potentially important role to play across Tees Valley. The baseline provision would be 20% of affordable housing, but there are good reasons for increasing this proportion provided it can be successfully delivered. The case for an increase is partly about making best use of the available resources to maximise affordable housing provision; intermediate tenures also help to diversify housing provision and create mixed communities in areas where there is often already relatively high levels of social housing provision. This will involve a steep learning curve for all, requiring good marketing and clear affordability targets to ensure that the access prices are affordable to the client group.

The Housing Needs of Specific Groups

Older people

36. Addressing the housing requirements of older people is going to be a key strategic challenge facing local authorities in the future. ONS population data suggests that by 2031 older people are projected to represent 29.4% of the population. The vast majority of older people (around 80%) want to continue to live in their current home with support when needed. In terms of other housing options, a minority would consider other forms of housing such as sheltered accommodation (around 25%) and new forms of older persons' accommodation, for instance older persons' apartments and properties in a retirement/care village. There are strong preferences for two-bedroom flats and amongst older people. The need for a range of adaptations including bathroom adaptations, handrails/grab rails, stairlifts and community alarm services were particularly identified by older person households.

Black and Asian Minority Ethnic Households

37. Across Tees Valley, around 2.2% of all households are headed by a Black Asian Minority Ethnic (BAME) person. Within the sub-region, the highest proportion of BAME households are in the North, older housing and Grove Hill areas of Middlesbrough (14.2% of households), Inner Core Stockton (6.8%) and West Middlesbrough (4.8%). BAME households are more likely to rent privately and less likely to be owner occupiers. Compared with the general population, BAME households are more likely to be in housing need (12.2% are in need compared with 5.4% of all households), with overcrowding the most likely cause of housing need.

Supported accommodation

38. Given the demographic projections of Tees Valley, the need for supported accommodation is expected to increase in the future, most notably due to the ageing population structure. There is a range of existing provision to address the needs of a variety of client groups, in particular frail elderly, people with mental health problems and supported accommodation for single homeless people. There is a general lack of adapted accommodation for households with disabilities across the sub-region.