

How the Housing Market Changes

Chapter Outline

Social, demographic and economic trends have brought about a variety of changes within the housing market in Charnwood. As such, it is of utmost importance that the Council has a good understanding of what is driving these market changes and then uses this information to manage, anticipate and influence housing markets in the future. This understanding of housing markets in the Borough will shape the Council's priorities, help assess options and determine future plans and actions.

A Housing Needs Survey update has been commissioned within the last year to develop a greater understanding of the housing market. The Housing Needs Survey Desktop Update (2005) and the Housing Market Assessment (2005) can be found at www.charnwood.gov.uk

This chapter will:

- describe the main features of Charnwood's housing markets
- highlight key information about communities and their housing circumstances
- explain that understanding the housing market is a continuous process.



Context

Charnwood is situated within the centre of the 'Three Cities' sub-region with good transport links to the cities of Nottingham, Leicester and Derby. The M1 passes through the west of the Borough providing links to a number of large cities including London to the South and Sheffield and Leeds to the North. There are rail links to London, Sheffield, Nottingham, Leicester, Derby and Birmingham.

Loughborough is a thriving commercial centre with strong associations, not only with higher education, but also engineering, pharmaceuticals and a growing reputation in advanced technologies. This has helped to strengthen the local economy, however, general affluence within the Borough conceals pockets of deprivation in some wards.

The Dynamic Housing Market

To take a strategic approach to the housing needs of the Borough the Council needs to have a clear understanding of both the supply of and demand for housing within the region. Much market activity, such as house price inflation, is beyond the Council's control. However, with an understanding of issues such as, housing supply, stock condition, cost and demand, the Council can set priorities for RSL partners when identifying potential development sites.

Charnwood Housing Market

Evidence of housing need is required to shape the development of the Housing Strategy objectives. Having an up to date assessment of local needs and problems is essential in developing a strategy that must effectively target limited resources. To provide the Council with up to date information, a Borough-wide Survey was commissioned during 2003 to examine the housing requirements in both the private and social sectors. A further Desktop Update Survey has also been undertaken to re-analyse these requirements during 2005. Both surveys looked at the housing needs for existing and 'hidden' or concealed households in the Borough. The results of the surveys, which were carried out by David Couttie and Associates (DCA), shape both the Housing Strategy and the Local Plan and also inform the Council's target for the provision of affordable homes.

The Council will be undertaking a further comprehensive review of housing needs during 2008. However, it will continue to update aspects of the research using data from other sources, including the Office of National Statistics (ONS), the Land Registry, 2001 Census, the Housing Register, homelessness and housing advice enquiries and the emerging Leicestershire Housing Market Assessment to review local housing requirements on an annual basis.

A summary of the key findings from the 2005 Desktop Update Survey are shown below:

- There is a backlog shortage of 781 affordable homes in the Borough
- There is a need for a further 279 affordable homes each year in the borough to meet demand and remove the backlog of need
- An income of £27,400 is required to purchase an entry level 2 bedroom property in Loughborough, this rises £34 800 in rural areas
- An income of £18,000 is required to privately rent a two bedroom property in Loughborough rising to £21, 600 in rural villages
- Between 2001 and 2016 Leicestershire County Council predicts the population of Charnwood will increase by 6,300 people or 4.1%
- Over the same period the number of households in the borough is expected to increase by 6,700 due to changes in household size

Factors Influencing Demand

Needs Assessment

Housing activity in Charnwood is directly influenced by what is happening at a national level in relation to house prices. House price inflation in the fourth quarter of 2004 slowed in most regions with an overall increase of 0.1%, well below the 2.7% gain in the third quarter of 2004². The overall sound UK economic background and the lowest mortgage rates since the 1950s have boosted housing demand in recent months which is predicted to continue throughout the rest of 2005.

HNS Update 2005

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The Halifax Index recorded UK house price inflation for the year ending 31st December 2004 at 15.1% and the Land Registry at 11.7%. The annual rate of house price inflation in Leicestershire rose by 11.8% as calculated by the Land Registry over the same period. However, within Charnwood this rose considerably by 14.7%.

Terraced houses are assessed to be the main entry-level property for first time buyers within the Borough. The increase in the price of entry level stock, terraced houses (48.5%) and flats/maisonettes (64.2%) is in excess of wage inflation in the two year period 2003/05. Incomes in the Borough are assessed independently to have increased by 10.1% over this period resulting in increased difficulties for first time buyers.

With interest rates at their lowest levels for over 45 years, people who cannot enter the market under these circumstances may never be able to do so. Further house price increases above wage inflation in 2005 would make access to market housing more difficult to achieve and would impact on households with marginal incomes more significantly, therefore, the need for affordable housing, particularly within the much higher priced areas is vital.

The HNS Update (2005) shows that 240 households plan to leave the Borough because of a lack of

affordable housing to rent or buy, 99 of which are concealed households. There are also 2,971 households, who said they wished to move but could not do so because they could not afford to move/buy a house, and 712 who said they were unable to move due to a lack of affordable rented housing.

Deprivation

England is separated into 32,482 Super Output Areas (SOAs) with Leicestershire separated into 396 for Indices of Deprivation. Although as a whole levels of deprivation within Leicestershire are low, with the county ranked 136th out of 149 nationally, a number of SOAs falling within Charnwood rate amongst the 20% most deprived in England. Each SOA has a nine-digit code and the table below shows which SOAs fall within the 10% and between 10 and 20% most deprived for each of the domains along with the SOA Code:

Domain	10% most deprived in England	20% most deprived in England
Indices of Multiple Deprivation		E01025699 (Loughborough Hastings) E01025725 (Loughborough Storer) E01025717 (Loughborough Shelthorpe)
Income	E01025717 (Loughborough Shelthorpe)	E01025699 (Loughborough Hastings) E01025700 (Loughborough Hastings) E01025725 (Loughborough Storer) E01025701 (Loughborough Hastings)
Employment	E01025699 (Loughborough Hastings)	E01025725 (Loughborough Storer) E01025706 (Loughborough Lemington) E01025717 (Loughborough Shelthorpe) E01025691 (Loughborough Dishley)
Health	E01025699 (Loughborough Hastings)	E01025718 (Loughborough Southfields)
Education	E01025717 (Loughborough Shelthorpe) E01025725 (Loughborough Storer)	E01025715 (Loughborough Shelthorpe) E01025690 (Loughborough Ashby) E01025747 (Shepshed West) E01025689 (Loughborough Ashby) E01025700 (Loughborough Hastings) E01025742 (Shepshed East)
Barriers	E01025760 (The Wolds)	E01025738 (Rothley & Thurcaston) E01025757 (System West)

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Domain	10% most deprived in England	20% most deprived in England
Living Environment	E01025705 (Loughborough Lemyngton)	E01025703 (Loughborough Lemyngton) E01025720 (Loughborough Southfields) E01025701 (Loughborough Hastings) E01025724 (Loughborough Storer)
Crime	E01025720 (Loughborough Southfields) E01025699 (Loughborough Hastings)	E01025718 (Loughborough Southfields) E01025723 (Loughborough Storer) E01025721 (Loughborough Southfields)
IDAC (Income Deprivation Affecting Children)	E01025717 (Loughborough Shelthorpe)	E01025725 (Loughborough Storer) E01025700 (Loughborough Hastings) E01025699 (Loughborough Hastings) E01025701 (Loughborough Hastings)
IDAOP (Income Deprivation Affecting Older People)	E01025723 (Loughborough Storer) E01025706 (Loughborough Lemyngton) E01025699 (Loughborough Hastings) E01025705 (Loughborough Lemyngton) E01025700 (Loughborough Hastings) E01025701 (Loughborough Hastings)	E01025697 (Loughborough Garendon) E01025703 (Loughborough Lemyngton) E01025725 (Loughborough Storer) E01025685 (East Goscote) E01025718 (Loughborough Southfields)

An explanation of the basis on which the Domains are calculated can be found in Appendix 5.

Factors Influencing Supply

Right to Buy

Over the last five years 614 Council owned homes were sold under the Right to Buy. However, levels of sales have not remained constant. Within the first three years of this period sales averaged nearly 150 a year, falling to 55 in the period 2004/05. Rising house prices and the introduction of the cap in the maximum discount available have effectively reduced benefit of the discount.

New Build Housing Completions in Charnwood

Since 1991 there have been 7,850 new properties developed. The level of completions has increased significantly in the last couple of years as sites allocated for development in the Local Plan have come forward for development and higher levels of brownfield site release have occurred. In 2003/4 there were 904 completions; while in 2004/5 completions totalled 912.

The largest single concentration of new build occurred in Loughborough with 3,000 new dwellings being provided since 1991. A range of dwelling types and sizes has been provided. In recent years the effect of policy changes introduced by PPG3 has been seen with the construction of a number of one and

two person flats at high densities on brownfield sites within the town.

Buy to Let

The Royal Institute of Chartered Surveyors (RICS) produces a quarterly Lettings Market Survey. In January 2004 this concluded that first time buyers are being squeezed out of the market by buy-to-let investors who become the landlords of those who would otherwise be buying properties themselves. By March 2005 the rate of new entrants to the market is slowing although existing landlords are holding onto their properties. There is anecdotal evidence to suggest that the situation in Charnwood reflects the national picture with local building societies confirming a strong buy to let market that has grown in recent years.

Student Population

A high concentration of students in private rented accommodation, mainly within a small geographic area of Loughborough has a significant impact on the property market and availability of traditional first time buyer properties within the location. Joint initiatives between the Council and Loughborough University are being considered to address this issue (Chapter 3).

Housing Costs and Income

Owner Occupation

The increase in average prices has a direct and significant impact on the income requirement to access owner occupation. An income of around £20,400 is needed to buy a one bedroom flat in Shepshed, the cheapest entry-level price within the Borough, rising to £23,950 in the Leicester Fringe. A two bedroom flat requires an income of £23,700 in Shepshed again the cheapest entry-level price, rising to £34,800 in the rural villages. On average, the income needed to access flats and terraced properties has increased by 64% and 49% respectively between 2002 and 2004.

Annual Survey of Hours and Earnings

Data from the Annual Survey of Hours and Earnings (ASHE) showed an average income at March 2005 of £27,688 for the Borough of Charnwood, a 10.1% increase on the 2003 figure of £25,148. The ASHE data on the spread of individual earnings, important in any area with diverse house prices and markets, shows that for the Borough at April 2004:

- 25% earned less than £15,897
- 50% earned less than £21,922
- 75% earned less than £27,353 and
- 90% of people earned less than £42,006.

The rise in house prices particularly at entry level and the profile of average earnings clearly demonstrates an increasing need for affordable housing provision within the Borough.

Incomes of Concealed Households

The implication of incomes having risen by 10.1% since 2003 directly impacts concealed households' ability to access the market through owner

occupation. Updating the incomes of concealed households from the 2003 Survey shows that 67.7% are unable to buy a 1 bedroom flat in Shepshed and 95.3% cannot afford a 2 bedroom flat in Loughborough. For 2 bedroom terraced properties, 87% cannot afford to buy in Shepshed/Leicester Fringe, this rises to 97% of concealed households being unable to afford to buy in rural villages.

A similar pattern is found when looking at concealed households' ability to access the market through private rented accommodation. 59.6% of concealed households in Loughborough cannot rent a 1 bedroom flat in Shepshed (lowest entry-level) and 76.8% cannot rent a 2 bedroom flat in Loughborough. In Loughborough 64% cannot afford to rent a 2 bedroom terraced property, rising to 72% in the rural villages:

Population Growth and Household Formation Projections

Population Change in Charnwood Borough 2001- 2016

Based on the 2001 census there are 153,462 people living within Charnwood, which is an 8.2% increase in population since 1991. The population is projected to increase by 6,200 people, 4% over the 15 years to 2016, with the main increase occurring between 2001 and 2006.

The 2001 Census showed that 9.7% of the population of the Borough were fulltime students aged 16+, compared with an average for England and Wales of 5.1%.

The following population estimates are based on Leicestershire County Council projections, March 2002, for the period 2001 to 2016.

Population Age Band Forecast, Charnwood Borough 2001 - 2016

	2001	2006	2011	2016	Change
0-19	38,800	37,300	34,900	33,600	-5,200
20-29	21,600	21,600	22,900	22,500	+900
30-44	32,900	32,000	28,900	26,300	-6,600
45-64	37,300	40,300	43,100	44,500	+7,200
65+	23,000	25,000	28,300	33,000	+10,000
Total	153,600	156,200	158,100	159,900	+6,300
% Change		+2.0	+1.0	+1.0	+4.1

Percentage change is measured between year bands, not the base population. This is a better representation of the incremental change.

- The 0-19 age range shows a decrease overall (5,200; 13.4%). The largest fall occurs between 2006 and 2011 (2,400; 6.4%)
- The 20-29 age range comprises new households forming and will have implications for future affordable housing need both in the short and longer term. Overall, this age group shows a slight increase (900; 4.2%). A rise is seen between 2006 and 2011 (1,300; 6.0%) with figures falling at 2016
- The 30-44 age group, the main economically active group shows a decrease overall (6,600; 20.1%). The largest decrease occurs between 2011 and 2016 (2,600; 9.0%)
- There is a growth of the population in the 45-64 age group. Over the forecast period up to 2016, there is an increase of 7,200 people (19.3%), with the largest rise occurring between 2001 and 2006 (3,000; 8.0%)
- The most significant feature here is the growth of the population in the over 65 age group with an increase of 10,000 individuals (43.5%) over the forecast period. Numbers rise throughout the forecast period, with a large rise of 4,700 (16.6%) occurring between 2011 and 2016
- The 'older' retirement group, those aged 80 and over, grow by 45.8%, 2,700 more people by 2016. This group represents 8,600 people in the area by 2016, who are much more likely to have care and support needs
- Household formation is forecast to rise at almost three times the rate of population increase and this is due to a large increase in single person households through elderly people living longer, separation, divorce and young people forming single person households
- The household size ratios (people per household) reduce from 5.3 per household in 2001 to 2.44 in 2006 and 2.35 in 2011.

The ageing population is a key issue. This will have an inevitable impact on the need for specialist accommodation and on the demand for adaptations and other assistance for older people remaining in their own homes for the life of this housing strategy and beyond.

Housing Needs Assessment Model

Property Type and Tenure

In terms of the type of accommodation that is currently available within the Borough there is a greater proportion of houses and bungalows (75.3%) compared to the national average of 54.1%. The supply of terraced properties is 15.7%, below the national average of 25.4%, and flats/maisonettes at 8.5% are below the national average of 19.7%, limiting access to the housing market for new households. The Borough also has higher levels of owner occupation (78%) and lower levels of social housing (12%³) when compared to the sub-region as a whole

³ 2001 Census, ONS, Crown Copyright.

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Adequacy of The Existing Stock (All Tenures)

- The vast majority of households have access to all the basic amenities, including 94% with full or partial central heating, higher than the national average of 88%. The perception of most residents is that their homes are well maintained and not in need of improvement. ⁴
- Some 90% of households say that their accommodation is adequate for their needs. 10% (5,932 implied ⁵) say that it is inadequate.
- The largest single issues for those reporting an inadequacy, which could be resolved in-situ, were that the dwelling needed improvement /repairs, 75%. of those requiring a move 72% (2,765 implied) indicated that the dwelling was too small.
- Based on a calculation occupants to bedroom numbers, under-occupation affects approximately 14% of all households and over-occupation affects almost 2%.

Affordable Housing Needs Requirement

The following table produced by David Couttie Associates (DCA) as part of the HNS Update, seeks to quantify the current affordable housing needs in Charnwood.

Backlog of Existing Housing Need:	2005
• Households living in unsuitable housing in the Borough who need to move and who would not be able to have their need resolved in situ or release an affordable unit as a result of a move;	701
• Plus priority homeless in temporary accommodation;	80
• % of ODPM recommended quota to eliminate backlog over a five year period.	(20%)
• Total Net Annual Need	156
Newly Arising Need:	
• Concealed households forming in the next year not on the housing waiting list, but unable to buy or rent;	322
• Plus ex-institutional population moving into the community per annum;	28
• Plus Housing register new applications (2003-4); and	428
• In-migrant households.	79
• Total Newly Arising Need	857
Supply of Affordable Units:	
• Existing social relets (RSL & LA (Local Authority));	748
• Less increased vacancies and Right to Buy	14
Annual Need to Reduce Backlog	156
Newly Arising Need	857
Total Affordable Need Per Annum	1,013
Less Existing Affordable Supply	734
Overall Annual Shortfall	279

³ 2001 Census, ONS, Crown Copyright

⁴Housing Needs Survey 2003.

⁵The 'implied' numbers are the HNS (2003) assessment of the total numbers after applying a weighting factor at sub-area level, linking the total population of the ward to the responses received.

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DCA estimate the overall affordable housing shortfall at 279 units a year. Resources for new affordable housing are limited and, despite the Council's own financial commitment and its endeavours to maximise provision through the planning gain process and Housing Corporation grant, the number of affordable homes is unlikely to match the level of need. This is particularly true when the existing stock of affordable homes is being eroded as Council tenants exercise their 'Right to Buy'. The Council's current target is to 'enable' 140 new affordable homes in 2005/6 and 90 new affordable homes in each subsequent year. This leaves a shortfall of around 189 units per year based on the above model.

There is a vigorous local property market, with properties across all tenures generally being in high demand. Borough house prices are higher than average in both Leicestershire and the East Midlands. Loughborough University continues to be a popular choice for many students and, as such, there is a high demand for student housing across the town, which continues to keep prices high, affecting availability and choice in certain locations.

The two most important issues in terms of housing supply are the problem of affordability and the level of 'concealed' households living within an existing household, the vast majority of whom are not recorded on a register of housing need. The house price and income study shows that 60% of these 'concealed' households are not able to afford the cheapest available housing in the Borough⁴

Key Issues for the Housing Strategy in Charnwood

- The most significant feature in terms of population change is the growth in the population of the over 65-age group (Chapter 4)
- The 'older' retirement group, those aged 80 and over grows by 46% to 2016. This group represents 8,600 people in the area by 2016, who are much more likely to have care and support needs which should now be assessed (Chapter 4)
- There is an annual affordable housing shortfall of 279 units a year. These units will need to come from new sites, conversions and market purchase by RSLs to reduce the shortfall figure each year (Chapter 3)

- Essential planning should be provided for balanced communities which acknowledge the need for social compatibility (Chapter 3)
- Access to the housing market has become more difficult for new households than it was in 2002, increasing the need for subsidised housing (Chapter 3)
- The overall affordable housing target should be 30% with around a third of provision (10%), as low cost market housing, provided it is delivered at a cost below the cheapest entry level costs in the general market and would be available on a similar basis to subsequent purchasers (Chapter 3)
- Both the affordable housing target and the tenure balance within it may vary on a site-by-site basis (Chapter 3)
- An estimated 1000 houses are currently let to students, predominately within Loughborough (Chapter 3).

Developing an Understanding of the Housing Market

The Council has undertaken considerable work to develop an understanding of the local housing market. A more formalised process of assessing housing needs is undertaken on a five year rolling programme in accordance with ODPM guidance and definitions.

During 2003 a comprehensive Housing Needs Survey was undertaken using external consultants which involved extensive fieldwork and face-to-face interviews with hard-to-reach groups. More recently, a 'desktop' update survey (2005) and a HMA have also been undertaken. All of these documents are available on www.charnwood.gov.uk.

⁴ Housing Needs Survey 2003

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The Council recognises the limitations of using 'snapshot' surveys to produce local housing needs assessments as the scope of the data and methodology prevents the Council from manipulating and updating data on a more regular basis. To this end, the Council is seeking through its own research and through work with its neighbouring Councils to continue to improve its overall understanding of housing conditions through the possible use of Geographical Information Systems (GIS). An affordable housing needs assessment model is also available which allows the Council to update the housing needs assessment manually.

An ongoing evaluation of the market is essential and in order to make this happen the Council will:

- continue to work with Leicestershire County Council in the development and distribution of statistical information
- undertake annual assessments/reviews of local Housing Needs information and a further comprehensive review of housing needs during 2008
- continue to combine primary research, for example, through surveys with residents and local parish surveys with information which has been mined from secondary sources to analyse trends in housing markets, demographic, social, economic and quality of life indicators
- work closely with the Three Cities Sub-regional Group to undertake regular assessments/reviews of local/Sub-regional Housing Markets to enable it to build up a graphical picture of its local and cross-boundary housing issues
- use Leicester Shire Intelligence (www.lsint.info/) and Leicester Shire Online Research Atlas (www.lsora.org/) which have been set up as portal web sites to share reports and statistics across the whole county. These will include data on housing, deprivation indices, benefits and take-up. As a result the Council has started a process of producing data in an accessible format for communities at a neighbourhood level. This will be used as a basis for consultation with communities
- explore the benefits of using GIS through the development of a sub-regional Housing Market Assessment. This will assist in linking

up adjacent local housing strategies and local development frameworks to provide more accurate information to inform Regional Housing Strategy and Investment Plans and the Regional Spatial Strategy

- propose changes to the allocation policy and implement an annual lettings plan to reflect housing needs