2005 HOUSING NEEDS SURVEY UPDATE

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SUMMARY

Introduction

This report has been produced for East Devon District Council as an update to the 2001 housing needs survey. The main purpose of the update is to revise estimates of the need for affordable housing as new information has become available. The main changes made are:

1. To take account of changes in the housing market (i.e. changes in prices/rents)
2. Changes in local incomes
3. To take account of changes in the supply of affordable housing
4. A re-basing of household figures to take account of information from the 2001 Census and also H.I.P. data

In addition the opportunity was taken to consider in greater detail the wider housing market in terms of demands and affordability across all tenures in the District (rather than just affordable housing). This additional analysis is termed the 'Balancing Housing Markets' analysis and is included to recognise the greater prominence of the wider housing market in recent government advice.

Survey and initial data

The 2001 survey achieved a total 500 completed personal interviews and 1,388 returned postal questionnaires providing a total of 1,888 responses to enable accurate analysis of need across the District. Survey fieldwork was completed in early-2001.

The survey data was updated to a beginning of 2005 base using information from a number of sources including the 2004 H.I.P. return and 2001 Census. As of 2005 it was estimated that around 78% of households are owner-occupiers with around 11% living in the social rented sector.

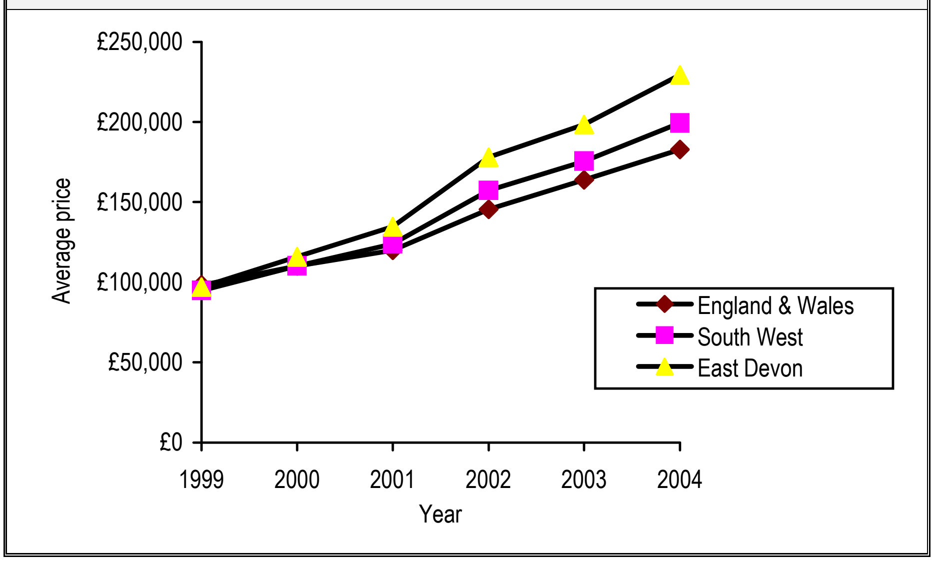
Number of households in each tenure group				
Tenure	Total number of households	% of households	Number of returns	% of returns
Owner-occupied (no mortgage)	25,893	46.0%	950	50.3%
Owner-occupied (with mortgage)	18,142	32.2%	591	31.3%
Council	4,287	7.6%	169	9.0%
RSL	1,823	3.2%	47	2.5%
Private rented	6,114	10.9%	131	6.9%
TOTAL	56,260	100.0%	1,888	100.0%

A study of the local housing market was undertaken to establish minimum (entry level) prices of housing in East Devon (both to buy and to rent). Information was collected from two sources to inform this analysis:

- Land registry
- Survey of local estate and letting agents

Land Registry data suggested that property prices in the District are high when compared with both national and regional figures and that price rises have been significantly above national and regional equivalents over the past five years. Between the 4th quarter of 1999 and the 4th quarter of 2004 average property prices in England and Wales rose by 86.3%; for the South West the increase was 110.2% whilst for East Devon the figure was 136.8%.

Land Registry price changes 1999 –2004 (4th quarters)



A survey of local estate and letting agents identified estimates of the entry-level costs of housing to both buy and rent in the District. There was considerable variation in prices in different parts of the District with broadly speaking Sidmouth and Budleigh Salterton being most expensive and Exmouth and Axminster the cheapest areas.

Overall, the survey suggested that entry-level prices range from £75,500 for a one bedroom home in Exmouth to £338,000 for a four bedroom home in Budleigh Salterton.

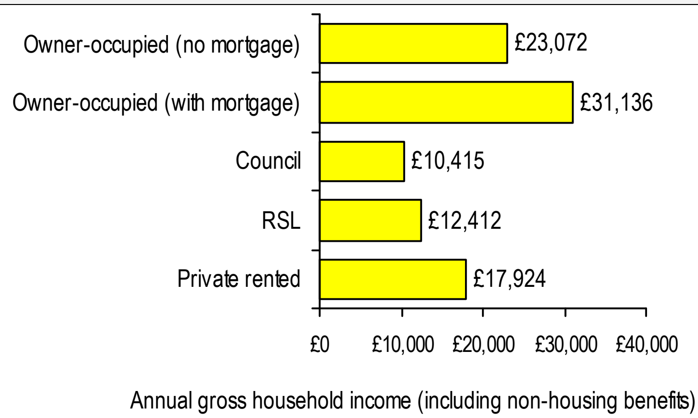
Minimum property prices/rent in East Devon		
Property size	Minimum price	Minimum rents (per week)
1 bedroom	£75,500-£122,000	£76
2 bedrooms	£107,500-£171,500	£102
3 bedrooms	£123,500-£223,000	£133
4 bedrooms	£207,500-£338,000	£177

Comparisons with information collected from estate agents in 2001 suggests that property prices have increased significantly whilst private rentals have increased by a much lesser amount.

The information about minimum prices and rents was used along with financial information collected in the survey to make estimates of households' ability to afford market housing (without the need for subsidy).

The survey estimated average gross annual household income (including non-housing benefits) to be £23,803 (this figure being 18% higher than in 2001). There were, however, wide variations by tenure; with households living in social rented housing having particularly low income levels.

Income and tenure



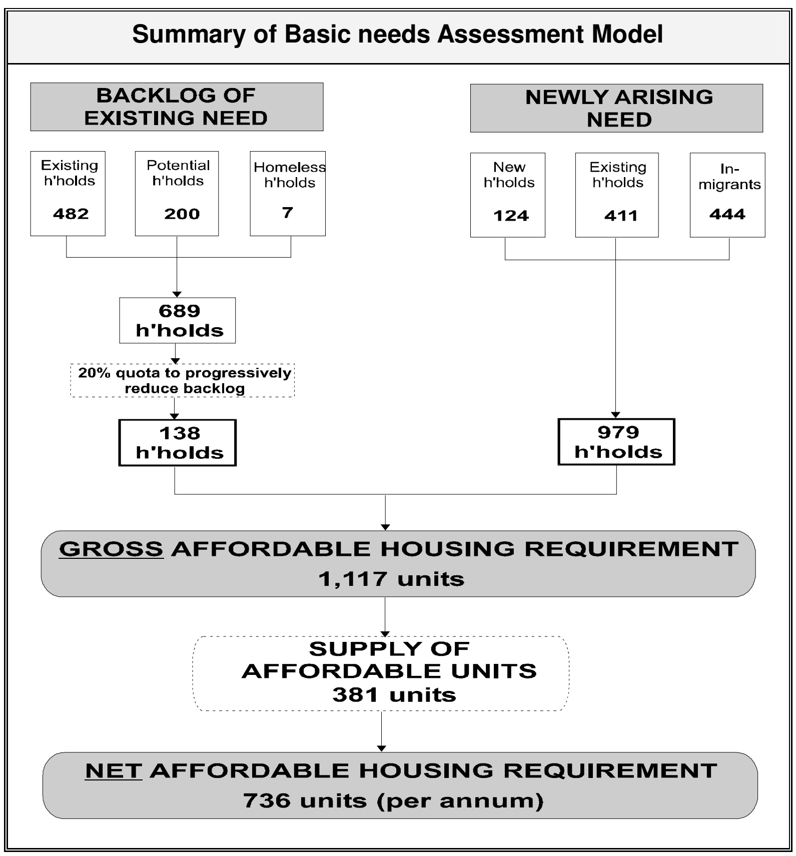
The assessment of affordability for households is carried out using a single test based on the cost of housing and the financial ability of each household to afford housing of a suitable size in the private sector housing market (taking into account income, savings and equity data). Adjustments are made to the test depending on income levels and household composition such that affordability tests realistically assess the ability of each individual household to afford suitable housing in the local housing market.

The Guide model

As part of the study, an estimate of the need for affordable housing was made based on the 'Basic Needs Assessment Model' (BNAM). The BNAM is the main method for calculating affordable housing requirements suggested in Government guidance *'Local Housing Needs Assessment: A Guide to Good Practice'* (ODPM 2000).

The BNAM sets out 18 stages of analysis to produce an estimate of the annual requirement for additional affordable housing. The model can be summarised as three main analytical stages with a fourth stage producing the final requirement figure. The stages are:

- Backlog of existing need
- Newly arising need
- Supply of affordable units
- Overall affordable housing requirement



Overall, using the BNAM it was estimated that there is currently a shortfall of affordable housing in the District of around 736 units per annum. The data suggested that this shortfall is most acute for smaller (one and two bedroom) properties. Additionally, data suggests shortfalls across the District.

The figure of 736 per annum is slightly lower than the figure of 861 per annum calculated in 2001. Analysis of house price and income changes over the period since the last survey suggests that although house prices have risen substantially, increases in rents have been far lower and in fact have been marginally lower than increases in income levels. This suggests that access to the market (in the form of the private rented sector) has become marginally more affordable. Furthermore the supply of affordable housing appears to have increased with the result that the overall requirement estimate is slightly lower than shown in 2001. The update does however indicate that there remains a significant shortage of affordable housing within the District.

The analysis suggests that any target of affordable housing would be perfectly justified (in terms of the needs) and that site size thresholds below the current Circular 6/98 level of 15 dwellings should be considered.

Further analysis suggests that up to two-fifths of this need could theoretically be met by 'intermediate' housing, available at outgoings between social rents and the minimum cost of (second hand) market housing. However, the majority of households able to afford 'intermediate' housing could only afford the cheapest 'intermediate' housing (i.e. prices close to social rents) and hence a more realistic target for social rented:intermediate housing might be 75:25.

Broader Housing Market & Future Changes

Having studied the need for affordable housing using the Basic Needs Assessment Model, the study moved on to looking at housing requirements across all tenures. A 'Balancing Housing Markets' (BHM) assessment looks at the whole local housing market, considering the extent to which supply and demand are 'balanced' across tenure and property size. The notion has been brought into prominence by the work of the Audit Commission in assessing councils' performance (Comprehensive Performance Assessment (CPA) of district authorities).

Whilst one of the outputs of the BHM model is an estimate of the shortfall of affordable housing, this should not be taken as an estimate of the absolute need for such housing. As the BHM is a demand and aspiration driven model (the BNAM being mainly based on past trends) there are inevitably some households who have a demand for affordable housing but under the BNAM would not be considered as needing such housing. Additionally, as the bulk of the supply in the BHM is based on expected future household moves, it is often the case that this model shows a lower supply level than the trend data of the BNAM (typically drawn from H.I.P. data).

It is therefore common to find that the BHM shows a slightly higher estimate of the affordable requirement than the BNAM but this should not be taken as the survey's base estimate of the absolute requirement for affordable housing (which is measured using the ODPM's Basic Needs Assessment Model). The BHM is however particularly useful at ascertaining what shortages exist in the private sector market and can help to guide councils in securing an appropriate mix of market housing on new housing developments.

The inherent idea behind the BHM method is that it seeks to meet the requirements of the current population first with the amount of in-migration used to 'balance' figures to the estimated household growth of an area.

The table below shows the overall results of the BHM analysis.

Total shortfall or (surplus)					
Tenure	Size requirement				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	50	101	(25)	(88)	37
Affordable housing	433	310	167	84	994
Private rented	(43)	(249)	(195)	(43)	(531)
TOTAL	439	162	(53)	(48)	500

A number of conclusions can be drawn from this analysis:

i) In terms of the demand for affordable housing in the District it is clear that this is on-going. The BHM methodology suggests a significant shortfall of affordable housing of all sizes of accommodation.

ii) Overall, the data shows a small shortfall of owner-occupied housing and a surplus of private rented accommodation. In terms of size requirements, the information suggests that in the owner-occupied sector there are shortfalls of one and two bedroom homes and a surplus of larger three and four bedroom homes. In the private rented sector surpluses exist for all dwelling sizes.

Therefore both the BHM and BNAM analyses suggest that there will be a shortage of affordable housing in the future.

The information regarding size requirements in the affordable sector can be compared with those calculated using the BNAM to provide some indications of shortfall taking into account both household's needs and their preferences. The table below summarises the position from both methods and provides an average figure.

Net need for affordable housing by size (BNAM and BHM) () indicates a surplus			
Size required	BNAM	BHM	AVERAGE
1 bedroom	59.4%	43.6%	51.5%
2 bedroom	30.3%	31.2%	30.7%
3 bedroom	2.5%	16.8%	9.6%
4+ bedroom	7.9%	8.5%	8.2%
TOTAL	100.0%	100.0%	100.0%

The figures in the 'average' column represent our suggested size mix for additional affordable housing. This shows shortages of all sizes of accommodation with the main shortage being for one bedroom homes.

Conclusions

The housing needs survey update in East Devon provides a detailed analysis of housing requirement issues across the whole housing market in the District. The study began by following the Basic Needs Assessment Model, which estimated a requirement to provide an additional 736 affordable dwellings per annum if all housing needs are to be met (for the next five years).

The study continued by looking at requirements in the housing market overall using a 'Balancing Housing Markets' methodology. This again suggested a significant requirement for additional affordable housing to be provided.

Overall, the need for additional affordable housing represents over 100% of the estimated newbuild in the District (500 units per annum). It would be sensible to suggest that in the light of the affordable housing requirement shown, the Council will need to maximise the availability of affordable housing from all available sources (including newbuild, acquisitions, conversions etc). Attention should also be paid to the cost (to occupants) of any additional housing to make sure that it can actually meet the needs identified in the survey.

1. INTRODUCTION

1.1 Nature of this report

During 2001 *Fordham Research* carried out a Housing Needs Survey for East Devon District Council. The report included detailed assessments of the levels of housing need and the need for additional affordable housing, together with commentary on the affordable housing options to meet identified need. This report is intended to review the Housing Needs Survey (HNS) and provide an updated estimate in the context of changes that have occurred since the time of the first survey.

The main changes are:

1. Changes in market prices/rents and income levels which have occurred since the original Housing Needs Survey
2. Changes in the supply of affordable housing (relets excluding transfers within the social rented sector)
3. A rebasing of household figures to take account of information from the 2001 Census and also H.I.P. data
4. Improvements to the methodology used to assess housing need

The survey reported here addresses the question of housing need at District level. Since, both for Housing Investment purposes and Local Plan reasons, the need has only to be established at the District level, there is no general requirement to achieve a high level of geographical detail. This report does however provide a breakdown of the overall affordable requirement for eight distinct sub-areas.

1.2 Key points from the housing needs assessment guide

The basis for carrying out housing needs assessment has been standardised by the publication of the Guide (formally: *Local Housing Needs Assessment: A Guide to Good Practice – ODPM Housing, July 2000).* Since the Guide now provides the test of a good Housing Needs Survey, it is important to summarise its key features. This section is devoted to that purpose.

(i) Introduction

The Guide, published in July 2000, has gone a long way to filling the gap which has been apparent ever since, in Circular 7/91, the Government told councils they could seek affordable housing provided that there was evidence of housing need (without ever explaining what 'need' meant). There are still a number of detailed difficulties with the advice, but they are minor compared with the gaps that have been filled. The following summary focuses upon the key issues, and in particular those which affect affordable housing.

(ii) Definition of housing need

The definition of housing need controls which households are defined as being in need, and indirectly affects what constitutes affordable housing. Affordable housing is, in principle, designed to address the identified housing need. The Guide defines a household in housing need as one which is living in housing that is not suitable for its requirements and who cannot afford to resolve this unsuitability within the private sector housing market.

ODPM Guide	*'Housing need refers to households lacking their own housing or living in housing which is inadequate or unsuitable, who are unlikely to be able to meet their needs in the housing market without some assistance.'* Appendix 2 (page 116)]

'Unsuitable housing' is used throughout the Guide to refer to households who are potentially in need. The second part of the test is an evaluation of whether a household in unsuitable housing can afford market prices to buy or rent.

(iii) Procedure

An 18 staged procedure is set out in the Guide. This is aimed at producing an estimate of the net need for new affordable housing. Thus the Guide is very much geared to the requirements of planning for clear indications of the affordable housing requirement. The following table reproduces the stages from the key table of the Guide.

Table 1.1 Basic Needs Assessment Model: (from Table 2.1 of *the Guide*)
Element and Stage in Calculation
B: BACKLOG OF EXISTING NEED
1. Households living in unsuitable housing
2. *minus* cases where in-situ solution most appropriate
3. *times* proportion unable to afford to buy or rent in market
4. *plus* Backlog (non-households)
5. *equals* total Backlog need
6. *times* quota to progressively reduce backlog
7. *equals* annual need to reduce Backlog
N: NEWLY ARISING NEED
8. New household formation (gross, p.a.)
9. *times* proportion unable to buy or rent in market
10. *plus* ex-institutional population moving into community
11. *plus* existing households falling into need
12. *plus* in-migrant households unable to afford market housing
13. *equals* Newly arising need
S: SUPPLY OF AFFORDABLE UNITS
14. Supply of social relets p.a.
15. *minus* increased vacancies & units taken out of management
16. *plus* committed units of new affordable supply p.a.
17. *equals* affordable supply
18. Overall shortfall/surplus

Source: Local Housing Needs Assessment: A Guide to Good Practice ODPM 2000

(iv) Conclusions

The Guide provides a coherent definition of housing need, and a great deal of advice on how to implement it. Throughout this report key methodological quotes from the guide are highlighted in boxes to help understand and reinforce the reasoning behind some of the analysis carried out.

1.3 Methodological changes

The approach used to assess need in the current report is very similar to that used in the original survey. One development since the previous survey is the standardisation of the affordability assessment, which is now based on affordability ratios that compare housing costs as a proportion of net household income. The thresholds for affordability range from 25% to 35% of net income (including benefits) depending upon the total amount of household income. This provides a more lenient assessment of mortgage affordability than the previous approach based on income multiples and therefore ensures that affordability estimates are not overstated.

The other change is the use of past move information to assess newly arising need from household formation. It is recognised that this approach is likely to understate the true level of need arising from this element (as those households forming in the past will be biased towards those that are able to afford), however it does mean that the estimate can be defended as a minimum estimate of the overall requirement in the District.

1.4 Summary

Housing Needs Surveys have become, over the past decade, a standard requirement for local authorities across Britain. The publication of *Local Housing Needs Assessment: A Guide to Good Practice* by ODPM in July 2000 has now standardised the form of such assessments. They are designed to underpin housing and planning strategies by providing relevant data for them.

In addition to focussing on the need for affordable housing, this study addresses housing requirements across all housing tenures. This is with a view to producing information, which will assist policy making in relation to both housing and planning policy, as well as the Comprehensive Performance Review.

Changes since 2001

This report is designed to update the results of the 2001 survey by taking account of changes in household numbers, house prices and incomes. It also uses information now available from the Census together with recent H.I.P. information to adjust for changes in tenure. The stages of the approach remain largely unchanged from the previous survey, although some modifications have been undertaken to ensure overall requirement estimates are not overstated.

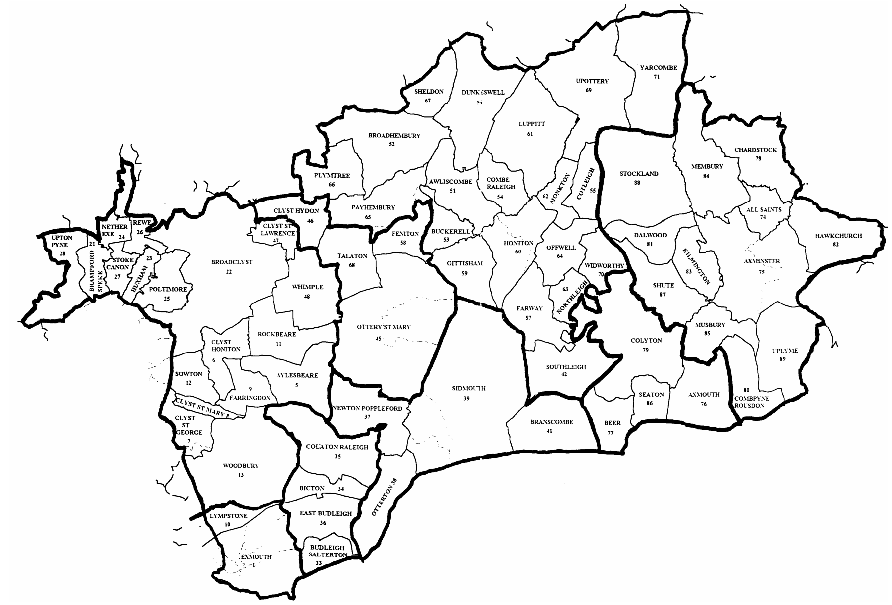
2. SURVEY WORK AND VALIDATION

2.1 Introduction

The 2001 survey employed a hybrid approach including both personal interviews and a postal survey. The samples for the survey were drawn, at random, from the Council Tax Register covering all areas and tenure groups in the District.

The survey achieved a total 500 completed personal interviews and 1,388 returned postal questionnaires providing a total of 1,888 responses to enable accurate analysis of need across the District. Survey fieldwork was completed in early-2001. For the purpose of this update report the original survey data has been re-weighted for measurable bias taking account of more recently available information sources. This Chapter provides information on that process and compares results with other data sources.

Figure 2.1 Housing needs survey study area



2.2 Base household figures

To update the household estimate, information from the 2001 Census and previous housing needs survey, together with household projection information contained in the Council's H.I.P. return (2004), were used. The Census estimated a total of 55,011 households and the previous survey estimated 54,694. An average of the two suggests around 54,855 households at 2001 and projected household growth is estimated at around 375 additional households per annum. Using this information the following base for analysis is estimated:

Total number of households = 56,260

2.3 Household profile and weighting procedures

An important aspect of preparing data for analysis is 'weighting' it. This is important because social survey responses never exactly match the estimated population it is set to represent. As a result it is necessary to 'rebalance' the data to correctly represent the population being analysed. This approach is recommended in the Guide.

ODPM Guide	*'If inconsistencies are found between survey results and benchmark sources, there may be a case for re-weighting the data in-line with the distribution indicated by the benchmark source.'* [Section 4.2 (page 54)]

There are diminishing returns to weighting survey data. Thus weighting by 6 variables is not twice as good as weighting by three: indeed it may add no further accuracy at all provided that the first factors are suitably chosen. This survey was weighted by the following variables:

Tenure (from 2001 Census and H.I.P. data)
Eight sub-areas (from 2001 Survey)
Accommodation type (Table KS16 of 2001 Census)
Household type (Table KS20 of 2001 Census)
Household size (Census Area Statistics 2001)

The proportion of households of various types in the survey were weighted so as to be in line with the proportion shown in each of these groups. The table below shows an estimate of the current tenure split in East Devon. Information for this came from Council H.I.P. forms and the 2001 Census.

Table 2.1 Number of households in each tenure group				
Tenure	Total number of households	% of households	Number of returns	% of returns
Owner-occupied (no mortgage)	25,893	46.0%	950	50.3%
Owner-occupied (with mortgage) ①	18,142	32.2%	591	31.3%
Council	4,287	7.6%	169	9.0%
RSL	1,823	3.2%	47	2.5%
Private rented ②	6,114	10.9%	131	6.9%
TOTAL	56,260	100.0%	1,888	100.0%

NOTES *① - Includes shared ownership*
② - Includes 'tied' accommodation and other rented accommodation

The estimated number of households and number of responses for each of the other weighting groups is shown in Appendix A3.

2.4 Comparisons with secondary data sources

This section shows how the current tenure estimates in East Devon compare with regional and national figures drawn from a number of secondary data sources.

The table below shows current housing tenure in the District. This information is compared with that from the Census and also the S.E.H. The table shows that owner-occupation levels (especially without a mortgage) are above both regional and national levels, whilst the proportion of households in the social rented sector is lower than both the national average (19%) and the regional average (13.5%). The table also indicates that the private rented sector in East Devon is also below both the regional and national averages from the Census although is marginally higher than the S.E.H. estimate. It is also interesting to note the difference in figures for private renting between the S.E.H. and the Census.

Table 2.2 Housing tenure in East Devon, South West region and England				
Tenure	East Devon (survey)	South West region (2001 Census)	England (2001 Census)	England (S.E.H. 2001/02)
Owner-occupied (no mortgage)	46.0%	34.1%	29.2%	29%
Owner-occupied (with mortgage)	32.2%	39.0%	39.5%	42%
Council	7.6%	7.7%	13.2%	14%
RSL	3.2%	5.8%	6.1%	6%
Private rented	10.9%	13.4%	12.0%	10%
TOTAL	100.0%	100.0%	100.0%	100.0%

The table below shows household type groups in East Devon, the South West region and England. The data suggests that households in East Devon are more likely than both regional and national figures to be comprised of pensioner households (both single and two or more). The data also indicates lower levels of single non-pensioner households when compared with regional and national figures. The Census data for the last four categories has been merged into one as slightly different definitions are used between *Fordham Research* and the Census.

Table 2.3 Housing tenure in East Devon, South West region and England

Household type	East Devon (survey)	South West region (2001 Census)	England (2001 Census)
Single pensioner	19.8%	15.5%	14.4%
2 or more pensioners	17.4%	11.6%	9.3%
Single non-pensioner	9.9%	14.2%	15.7%
2 or more adults, no children	32.3%	58.7%	60.6%
Lone parent	3.5%		
2+ adults, 1 child	6.2%		
2+ adults, 2+ children	10.8%		
TOTAL	100.0%	100.0%	100.0%

2.5 Summary

A full housing needs survey was carried out in 2001. This used a hybrid approach which involved a combination of personal interviews and postal questionnaires. The total number of responses achieved was 1,888 (500 personal interviews and 1,388 completed postal questionnaires), providing sufficient data to enable reliable analysis of housing need in accordance with ODPM Guidance. For the purpose of the update report the original survey data has been re-weighted to be representative of a current profile of households in the District. In total it is estimated that there are 56,260 resident households at the beginning of 2005.

Comparison with existing secondary data sources suggests that East Devon has levels of owner-occupation above both regional and national averages and social and private rented sectors that are below these averages.

Changes since 2001

Adjustments have been made to the data to take account of the changes in the number of households and also changes in the make up of households (e.g. to take account of tenure changes). As of the beginning of 2005, the total number of households in the District has been estimated at 56,260. The survey indicates rises in levels of private renting and a decline in Council renting since the last survey.

3. LOCAL HOUSING MARKET STUDY

3.1 Introduction

This chapter sets out the results of an analysis of housing market prices and rents in East Devon. Information was collected from two sources:

- Land Registry
- Survey of local estate and letting agents

The analysis provides a context for the property price situation in East Devon and then a sequence of analysis based on information collected from estate/letting agents. This leads to figures that show the minimum price/rent of housing for a range of dwelling sizes.

3.2 National, regional and local picture

The Land Registry compiles information on all residential land transactions. Analysis of this data is made available for recent quarterly periods, for geographical areas including Council areas and more highly disaggregated postcode districts, and by four main dwelling types.

This data is therefore very versatile, and can potentially provide a valuable picture of the housing market, both in comparing East Devon with other parts of the country, and in showing what is occurring at a very local level, i.e. within the District.

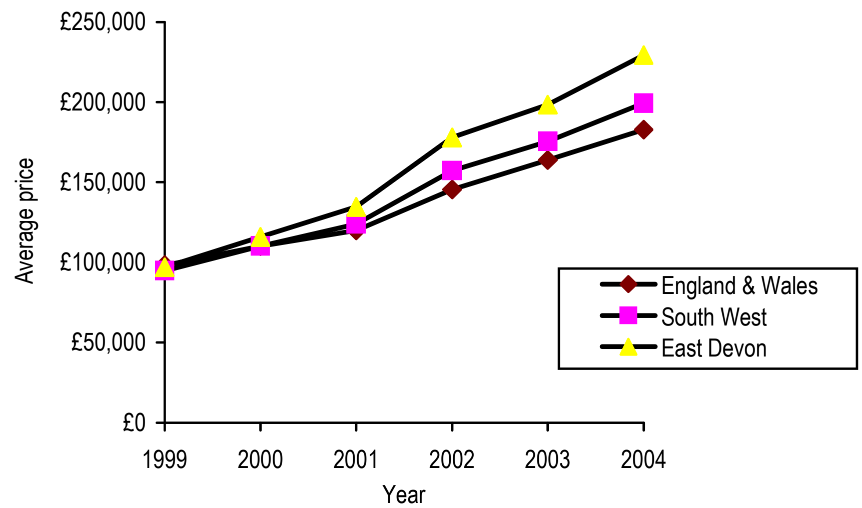
Information from Land Registry shows that nationally between 1999 and 2004 (4th quarters) average property prices in England and Wales rose by 86.3% whilst in East Devon the figure was 136.8% and in the South West region it was 110.2%. The table below shows average prices in the 4th quarter of 2004 for England & Wales, the South West and East Devon and indicates that average prices in East Devon are 25% above average prices for England & Wales.

Table 3.1 Land Registry average prices (4th quarter 2004)

Area	Average price	As % of E & W
England & Wales	£182,920	100.0%
South West	£199,340	109.0%
East Devon	£229,459	125.4%

The figure below shows that average prices in East Devon were virtually the same as national and regional averages in 1999. Since then prices have accelerated by a greater margin with a noticeable gap by 2004.

Figure 3.1 Land Registry price changes 1999 –2004 (4th quarters)



The table below shows average property prices for East Devon for each dwelling type (from Land Registry data). This data is compared with regional price information. The volume of sales is also included for both areas.

Table 3.2 Land Registry average prices and sales (4th quarter 2004)

Dwelling type	East Devon		South West	
	Average price	% of sales	Average price	% of sales
Detached	£329,279	34.4%	£296,576	27.4%
Semi-detached	£199,941	17.4%	£182,458	23.4%
Terraced	£181,622	29.5%	£159,190	30.2%
Flat/maisonette	£148,388	18.6%	£143,437	19.0%
All dwellings	£229,459	100.0%	£199,340	100.0%

The largest volume of sales in East Devon was for detached dwellings (34.4%) with an average price of £329,279. The volume of detached dwellings sold is much higher than for the whole of the South West whilst the proportion of semi-detached sales is noticeably lower.

3.3 Estate Agents' information

(i) General

To assess changes in house prices since the time of the previous survey a further survey of estate agents within the East Devon District was undertaken. The methodology and approach used to carry out this survey are discussed in more detail in Appendix A1. In February 2005 a total of 13 estate and letting agencies were contacted in order to obtain detailed information about the local housing market. Agents contacted covered all parts of the District and they provided a number of comments about the current housing market. The general views of agents can be summarised as:

Summary of views from agents
There are very few houses to sell in Honiton, prices have risen dramatically but have levelled off more recently (Honiton)
There is less purchasing and more renting at the present time (Honiton)
Over the last three years price rises have been significant, currently prices are levelling off but remain high (Exmouth)
The demand for property in Exmouth is greater than supply, especially for those under £200,000 (Exmouth)
Prices have been levelling off recently (Axminster and Sidmouth)
Price rises have been slower recently but have not dropped (Budleigh)

(ii) Purchase prices

The function of this primary survey work is to identify suitable estimates of housing costs to determine levels of affordability within the District. In determining the appropriate estimates to use, two factors are taken account of:

- The appropriate measure of price (e.g. minimum or average prices/costs); and
- How to deal with a situation where significant price variations have been identified within the Council area.

On the first point, we use the minimum prices collected in the estate agents survey, since these have been designed to represent the 'entry level' into the housing market. For consistency we will also use minimum private rental costs as part of the affordability test.

ODPM Guide	*'The most commonly used affordability test involves comparing estimated incomes of unsuitably housed households against 'entry level' house prices'* Section 4.3 (page 57]

ODPM Guide	*'approaches which compare maximum prices payable against average house prices are certainly questionable'* Section 4.3 (page 57]

On the second point, it is clear from both the survey of estate agents and Land Registry data that there are significant variations in prices in different parts of the District with broadly speaking Sidmouth and Budleigh Salterton being most expensive and Exmouth and Axminster the cheapest areas. We have therefore set out our prices to cover eight broad sub-areas. The results of this are shown below.

Table 3.3 Minimum property prices in East Devon (by sub-area)

Property size	Axminster	Seaton	Sidmouth	Budleigh Salterton
1 bedroom	£86,500	£86,500	£114,500	£122,000
2 bedrooms	£107,500	£115,500	£141,500	£171,500
3 bedrooms	£123,500	£176,000	£223,000	£215,500
4 bedrooms	£207,500	£224,500	£275,500	£338,000
Property size	Exmouth	Woodbury & Broadclyst	Ottery St. Mary	Honiton
1 bedroom	£75,500	£98,500	£107,500	£100,500
2 bedrooms	£110,500	£141,000	£135,500	£129,000
3 bedrooms	£165,000	£190,000	£197,000	£171,500
4 bedrooms	£209,500	£273,500	£253,500	£231,000

The table above shows our estimates of minimum prices in each of the eight broad sub-areas. Prices range from £75,500 for a one bedroom home in Exmouth to £338,000 for a four bedroom home in Budleigh Salterton. Generally agents stated that average prices were around 20% greater than these.

(iii) Private rent levels

The estate agent survey also collected information on the private rental market. Unlike purchase prices there was relatively little variation shown in different parts of the District. Hence the figures below are the averages of rent levels given by different agents across the whole of the District.

Table 3.4 Minimum and average private rents in East Devon

Property size	Minimum rent (weekly)	Average rent (weekly)
1 bedroom	£76	£88
2 bedrooms	£102	£119
3 bedrooms	£133	£149
4 bedrooms	£177	£196

The table indicates that minimum market rents in the District vary from £76 per week for a one bedroom property up to £177 per week for a four bedroom property. Average rents are around 15% higher than minimum rents.

3.4 Changes in prices and rent levels since 2001

The table below compares average property prices between the last survey (undertaken in January 2001) and the update survey (undertaken in February 2005). The average prices shown are the average for all agents contacted regardless of their location.

Table 3.5 Average prices in East Devon 2001 and 2005

Property size	January 2001	February 2005	% change
1 bedroom	£58,500	£110,500	88.9%
2 bedrooms	£94,500	£164,000	73.5%
3 bedrooms	£139,500	£208,000	49.1%
4 bedrooms	£221,500	£276,000	24.6%

The table above indicates that average prices have increased, overall, by around 59%, with the greatest price rises occurring for one bedroom properties. Land Registry data for the period 1st quarter 2001 to 4th quarter 2004 suggests a rise of 99% although the two figures are not directly comparable (the Land Registry data being based on type of property not size). The results do however confirm the rapid rise in prices in the District.

In addition to looking at how property prices have changed it is also worth considering changes in the costs of private rented housing. The results are presented in the table below and show that average rents have remained unchanged for smaller, one bed, properties and increased for all other property sizes. The largest rise in the private rented sector occurred for three bedroom properties. Overall, average rental prices have increased by around 10% since the previous survey.

Table 3.6 Average rents in East Devon 2001 and 2005

Property size	January 2001	February 2005	% change
1 bedroom	£88	£88	0.0%
2 bedrooms	£110	£119	8.2%
3 bedrooms	£125	£149	19.2%
4 bedrooms	£175	£196	12.0%

3.5 Summary

An analysis of the local housing market is a crucial step in any housing study. In this report information was drawn from both the Land Registry and local estate/letting agents to provide the context for local property prices/rents. Some of the main findings of the analysis were:

- Average prices in East Devon rose by 137% in the period 1999 to 2004. This is above the rate of increase observed nationally and regionally
- The average property price in East Devon in the 4th quarter 2004 was around 25% higher than the average for England & Wales.
- Sales of properties in East Devon are predominantly houses with only 19% of sales in the 4th quarter of 2004 being flats/maisonettes.
- The estate agent survey suggested that minimum prices range from £75,500 to £338,000 depending on size and location.
- Minimum rents ranged from £76 to £177 per week depending on property size.
- Property prices have increased significantly since the 2001 survey although rental prices have increased by a much lesser amount

Changes since 2001

The data shows that average purchase prices have risen overall since the 2001 survey by an average of around 59%. Minimum rents have also increased but by a much lesser amount (by an average of 10% since the last survey). Given the lower increase in rental costs it is likely that this sector will be the entry point for access to the housing market.

4. FINANCIAL INFORMATION AND AFFORDABILITY

4.1 Introduction

This chapter considers the current financial situation of households in the District and sets out the methods used to determine affordability. The financial information is required along with that in the previous chapter to feed into a detailed assessment of affordability. The main income measures used were annual gross income (excluding benefits), weekly net income (including non-housing benefits), savings and equity levels available to owner-occupiers.

ODPM Guide	*'An accurate estimate of household income is one of the most important pieces of information that has to be obtained from a housing needs survey'* Section 3.6 (page 39]

The issue of affordability is crucial in assessing both backlog and newly arising needs in the District. The latter sections of this chapter concentrate on the assessment of affordability for existing households and also considers the different method used when assessing the needs of potential households.

To update financial information, data from the *New Earnings Survey* (2001 to 2003) was used which suggests an average increase in incomes in Devon of around 8.9% over the two year period. This is equivalent to an increase of around 1.1% per quarter (compound). This estimate has therefore been used to update all financial information on a household-by-household basis. The exception to this was equity where values were increased by around 99% - this figure being in line with Land Registry estimates for the same period.

4.2 Household income

Survey results for average household income for East Devon are shown below. Household income is taken to include income of the head of household and their partner (if applicable) but not other members of the household such as a son or daughter.

Table 4.1 Average household income

Type	Average household income
Annual gross (inc non housing benefits)	£23,803
Weekly net (inc non housing benefits)	£374

Survey results suggest that the average gross household income (including all non-housing benefits) is around £23,803. Additionally, households have an average of just under £6,000 in savings whilst owner-occupiers are estimated to have an average of just over £200,000 in equity. The table below shows that there are significant differences by tenure for each of these measures.

Table 4.2 Household income, savings and equity by tenure

Tenure	Average gross annual h'hold income (including benefits)	Average amount of savings	Average amount of equity
Owner-occupied (no mortgage)	£23,072	£9,547	£245,758
Owner-occupied (with mortgage)	£31,136	£3,771	£164,528
Council	£10,415	£1,301	-
RSL	£12,412	-£198	-
Private rented	£17,924	£762	-
ALL HOUSEHOLDS	£23,803	£5,786	£212,292

4.3 Assessing affordability – existing households

The assessment of affordability for households is carried out using a single test based on the cost of housing and the financial ability of each household to afford housing of a suitable size in the private sector housing market. Adjustments are made to the test depending on income levels and household composition such that affordability tests realistically assess the ability of each individual household to afford suitable housing in the local housing market.

The first step in the procedure is to estimate how much housing will cost for each individual household. This is done for both owner-occupied and private rented housing and is based on the costs shown in the housing market chapter. The table below shows estimated outgoings for each of owner-occupation and private renting. In the case of owner-occupation the costs are based on an interest-only mortgage over 25 years at an interest rate of 5.99% (using the current base rate of the Nationwide Building Society).

Table 4.3 Cost of housing in East Devon (per week)

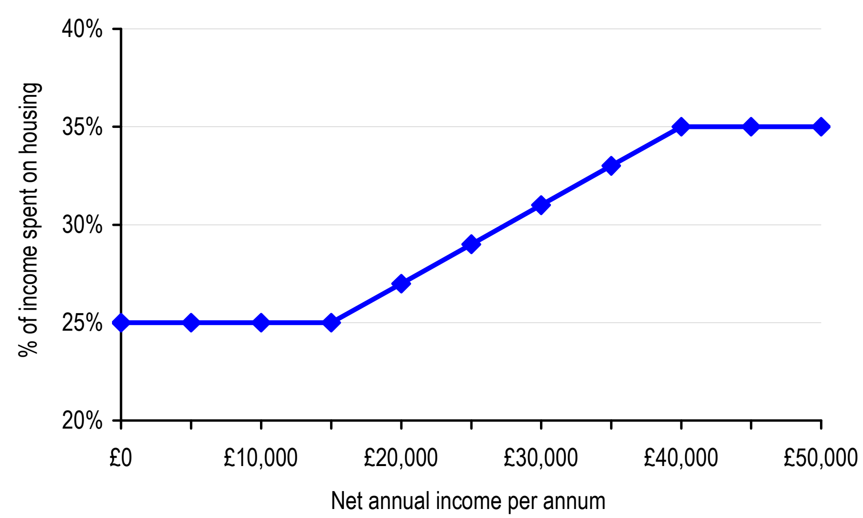
Property size	Owner-occupation	Private rent
1 bedroom	£87-£141	£76
2 bedroom	£124-£198	£102
3 bedroom	£142-£257	£133
4 bedroom	£239-£389	£177

It can be seen from the table that the estimated costs for private renting are lower for all sizes of accommodation (regardless of sub-area).

Additionally, in the case of owner-occupation adjustments are made to take account of any savings or equity that a household may have to put towards the purchase of a different home. For example, if a household requires a property costing £100,000 then the estimated weekly outgoing is £115 per week. If the household has £20,000 in savings then the purchase price is reduced to £80,000 and hence the outgoings are reduced to £92 per week. In such a case the household would only need to have sufficient income to cover the £92 and not the full purchase of the property. In many cases, owner-occupiers will have sufficient equity to buy a suitably sized property without the need for any additional outgoings. In the case of private renting no adjustments are made for savings levels.

Having established weekly outgoings required, a threshold for affordability is established. For this purpose the threshold for affordability has been determined on the basis of the household's net income (inclusive of all non-housing benefits). The figure below indicates the scale used.

Figure 4.1 Affordability ratios – thresholds for affordability



The figure above indicates that the threshold for affordability varies according to the income of the household. A household earning up to £15,000 (net) per annum is assumed to be able to afford up to 25% spent on housing costs. A household earning £40,000 per annum or more is assumed to be able to afford 35% of their net income to be spent on housing. For those on incomes between £15,000 and £40,000 the threshold for affordability increases by around 2% per £5,000. The 25% of net income starting point is consistent with government guidance.

ODPM Guide	*'These rent:income ratios are normally calculated comparing rent with net income…..A threshold level of 25-30 per cent of net income may be adopted…..Where the appropriate entry level [property] price equates to a higher proportion of a household's income, the household is deemed to be in need of subsidised housing'.* Section 4.3 (page 58]

Overall levels of affordability are then assessed by comparing whether the cheapest housing cost (whether it be rental or mortgage cost) for the property size required is greater than the affordability threshold determined by the level of net disposable income available to the household.

In summary the measure of affordability used in the survey is defined below:

Overall affordability:

A household is unable to afford private sector housing if:

The cost of housing (either to rent or to buy – whichever is the cheaper) exceeds 25-35% of net household income.

It is worth briefly noting the affordability of local households. The table below shows affordability by tenure. The table shows that of all households in East Devon just over a fifth are unable to afford market housing. The differences by tenure are however large. In total nearly all Council and RSL tenants are unable to afford along with 75.2% of households living in the private rented sector. These figures compare with just 3.5% of all owner-occupiers.

Table 4.4 Affordability and tenure

Tenure	Affordability		
	Unable to afford market housing	Number of h'holds	% of h'holds unable to afford
Owner-occupied (no mortgage)	155	25,893	0.6%
Owner-occupied (with mortgage)	1,386	18,142	7.6%
RSL	3,853	4,287	89.9%
Private rented	1,613	1,823	88.5%
Other rented	4,599	6,114	75.2%
TOTAL	11,605	56,260	20.6%

4.4 Potential household affordability

The Housing Needs Survey ascertained whether or not potential households (namely persons who currently live as part of another household and commented on further in the following chapter) would be able to access the private sector housing market by asking the following question to the survey respondent.

> *'Will they be able to afford suitable private sector housing in the East Devon District Council area (this can either be rented or bought) excluding the use of housing benefit?'*

This would appear to be broadly in line with ODPM guidance which says:

ODPM Guide	*'It is difficult to estimate the incomes of future newly forming households. Unless potential household members are interviewed specifically, it is not practical to collect complete income data relating to this group through a housing needs survey. Even where the fieldwork includes concealed household interviews, there are doubts as to the value and reliability of any income data which might be collected.'* Section 4.4 (page 62]

This would appear to be broadly in line with ODPM guidance which says:

ODPM Guide	*'It is difficult to estimate the incomes of future newly forming households. Unless potential household members are interviewed specifically, it is not practical to collect complete income data relating to this group through a housing needs survey. Even where the fieldwork includes concealed household interviews, there are doubts as to the value and reliability of any income data which might be collected.'* [Section 4.4 (page 62)] *'One way around this problem is to substitute a subjective judgement about future housing prospects in place of a formal affordability test.'* [Section 4.4 (page 60)]

It should be noted that this approach is only used on the backlog element of housing need. Future estimates of the needs from households formation are based on past trend information – an approach in line with the ODPM guide.

4.5 Summary

The collection of financial information is a fundamental part of any Housing Needs Survey. The survey estimates that average annual gross household income (including benefits) in the District is £23,803. The average conceals wide variations among different household groups.

Having collected detailed information on the local housing market and the financial situation of households it is important to use appropriate affordability measures to assess their ability to afford market priced housing in East Devon. A single affordability test is used to assess whether they can afford to either buy or rent a property of a suitable size. The affordability of potential households (backlog) is assessed using the judgements of respondents; an approach in line with ODPM Guidance.

Changes since 2001

The 2001 housing needs survey estimated average gross earned household income (including non housing benefits) to be £20,137. The equivalent figure for 2005 is estimated to be £23,803, an increase of roughly 18%. This can be largely put down to general wage inflation and also demographic changes. The affordability test has changed to one based on the ability to afford the costs of housing. This approach enables the cost of owner-occupation to be sensitive to interest rate changes and is marginally more lenient than a mortgage affordability assessment using income multiples. Although the approach is different to that used in 2001, the impact on the requirement estimate is small.

5. BACKLOG OF EXISTING NEED

5.1 Introduction

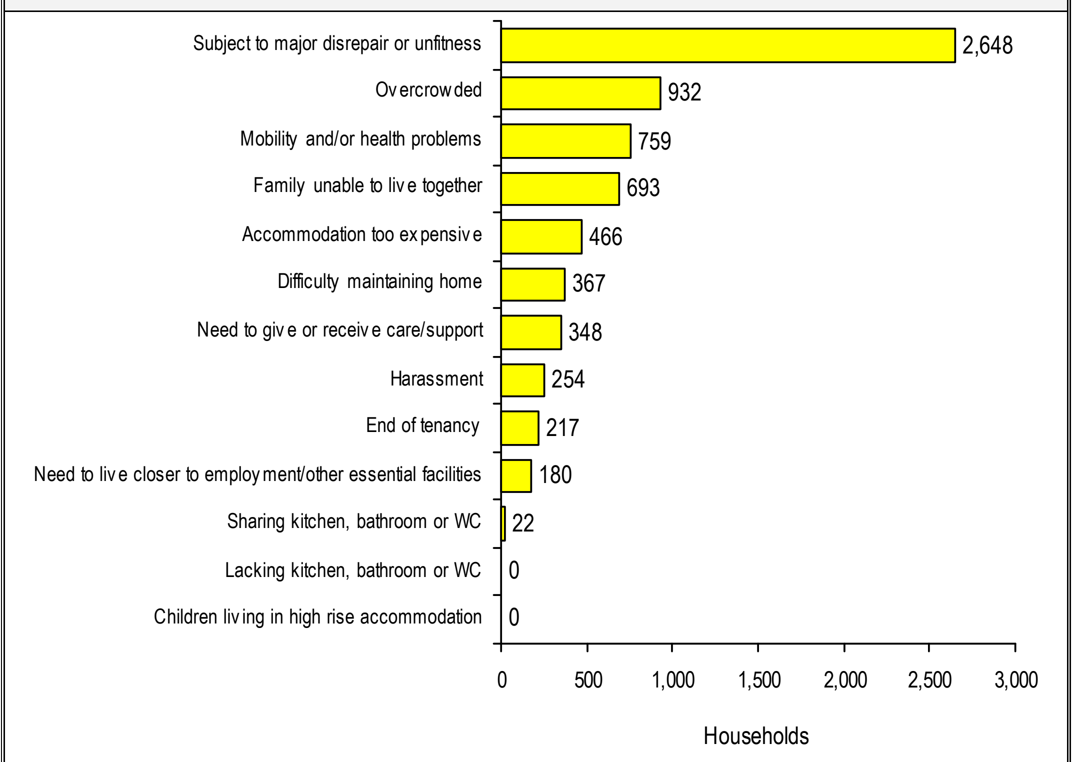
This chapter of the report assesses the first part of the 'Basic Needs Assessment Model' – Backlog of Existing Need. This begins with an assessment of housing suitability and affordability and also considers backlog non-households (potential and homeless households) before arriving at a total backlog need estimate.

5.2 Unsuitable housing

This section looks at households whose current accommodation is in some way unsuitable for their requirements. It is estimated that a total of 5,543 households are living in unsuitable housing. This represents 9.9% of all households in the District.

The figure below shows a summary of the numbers of households living in unsuitable housing (ordered by the number of households in each category). The main reason for unsuitable housing is *major disrepair*.

Figure 5.1 Summary of unsuitable housing categories



The table below shows unsuitable housing by various household characteristics. Patterns emerging show that households who rent accommodation are most likely to be in unsuitable housing (notably those in the RSL rented sector). The table also indicates that lone parent households and other households containing children all show unsuitable housing levels above the District average, as do households containing someone with a special need.

Table 5.1 Unsuitable housing and household characteristics

Characteristic	Unsuitable housing				
	In unsuitable housing	Not in unsuitable housing	Number of h'holds in District	% of total h'holds in unsuitable housing	% of those in unsuitable housing
Tenure					
Owner-occupied (no mortgage)	1,108	24,785	25,893	4.3%	20.0%
Owner-occupied (with mortgage)	1,312	16,830	18,142	7.2%	23.7%
Council	1,005	3,282	4,287	23.4%	18.1%
RSL	695	1,128	1,823	38.1%	12.5%
Private rented	1,423	4,692	6,114	23.3%	25.7%
Household type					
Single pensioners	928	10,223	11,150	8.3%	16.7%
2 or more pensioners	389	9,409	9,798	4.0%	7.0%
Single non-pensioners	510	5,062	5,572	9.2%	9.2%
2 or more adults - no children	1,735	16,451	18,186	9.5%	31.3%
Lone parent	508	1,486	1,994	25.5%	9.2%
2+ adults 1 child	355	3,136	3,491	10.2%	6.4%
2+ adults 2+ children	1,118	4,951	6,069	18.4%	20.2%
Special needs					
Special needs	1,697	5,045	6,742	25.2%	30.6%
No special needs	3,846	45,672	49,518	7.8%	69.4%
TOTAL	5,543	50,717	56,260	9.9%	100.0%

5.3 Migration and 'in-situ' solutions

The survey has highlighted that 5,543 households are in unsuitable housing. However it is most probable that some of the unsuitability can be resolved in the household's current accommodation and also that some households would prefer to move from the District in order to resolve their housing problems.

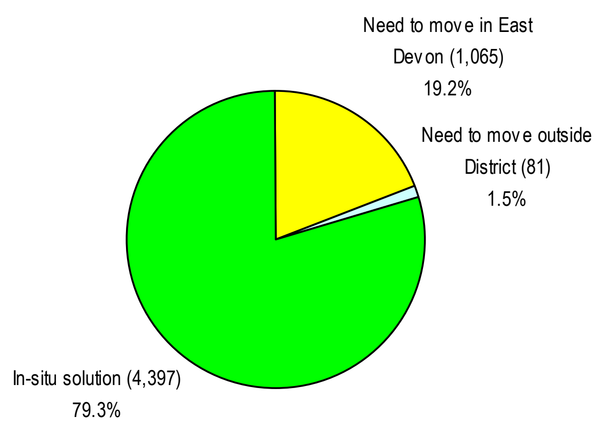
The extent to which 'in-situ' solutions might be appropriate are assessed by looking at the moving intentions of the unsuitably housed household. The Housing Needs Survey asked households whether they need or are likely to move to a different home within the next five years. Any household in unsuitable housing who stated that they need/are likely to move now is considered not to have an appropriate 'in-situ' solution. Any household that replied that it did not need to move now was assumed to have an in situ solution.

ODPM Guide	*'The extent to which in situ solutions could be feasible can be examined by a survey…[using]…a judgement on whether the unsuitably housed main household intends to move. Where this is the case, it may be taken to indicate that an in situ solution is not appropriate'.* Section 4.3 (page 56)

The survey data estimates that of the 5,543 households in unsuitable housing 1,146 (or 20.7%) would need to move now to resolve their housing problems. This means an estimated 4,397 (79.3%) may be best helped with an 'in-situ' solution.

Of the 1,146 households who need/are likely to move a further question was asked about where they would be looking to live. Households who would be looking to move from the District are then excluded from further analysis. In total 92.9% would be looking to remain in the District (1,065 households) and 7.1% would be looking to move out of the District.

Figure 5.2 Households in unsuitable housing and in-situ requirements



5.4 Affordability

Using the affordability methodology set out in Chapter 4 it is estimated that there are 775 existing households that cannot afford market housing and are living in unsuitable housing (and require a move to different accommodation within the District). This represents around 1.4% of all existing households in the District. The results reveal that 72.8% of households living in unsuitable housing (and needing to move within the District) cannot afford market housing (775/1,065).

The table below focuses on characteristics of the 775 households currently estimated to be in housing need. The results show that private renting tenants are most likely to be in housing need. Of all households in need, 58.3% currently live in private rented accommodation. The table also shows that nearly two-thirds (64.7%) of all households in need contain children and that households containing someone with a special need are more likely to be in need than non-special need households.

Table 5.2 Housing need and household characteristics

Characteristic	Housing need				
	In need	Not in need	Number of h'holds in District	% of total h'holds in need	% of those in need
Tenure					
Owner-occupied (no mortgage)	0	25,893	25,893	0.0%	0.0%
Owner-occupied (with mortgage)	30	18,112	18,142	0.2%	3.9%
Council	196	4,091	4,287	4.6%	25.4%
RSL	96	1,727	1,823	5.3%	12.4%
Private rented	452	5,663	6,114	7.4%	58.3%
Household type					
Single pensioners	26	11,124	11,150	0.2%	3.3%
2 or more pensioners	0	9,798	9,798	0.0%	0.0%
Single non-pensioners	127	5,446	5,572	2.3%	16.3%
2 or more adults - no children	121	18,065	18,186	0.7%	15.6%
Lone parent	202	1,792	1,994	10.1%	26.1%
2+ adults 1 child	35	3,456	3,491	1.0%	4.5%
2+ adults 2+ children	264	5,805	6,069	4.4%	34.1%
Special needs					
Special needs	214	6,528	6,742	3.2%	27.6%
No special needs	561	48,958	49,518	1.1%	72.4%
TOTAL	775	55,485	56,260	1.4%	100.0%

5.5 Housing need and the need for affordable housing

There is a further issue relating to existing households in need. For households in social rented accommodation it is likely that a move will release a social rented home for re-letting and therefore there will be no requirement for additional affordable housing to be provided. It has been decided to remove all households in need currently living in social rented accommodation from the estimates of additional requirement. This reduces the backlog figure by 292 households to 482.

5.6 Potential and homeless households (backlog (non-households))

The final elements of backlog need are potential and homeless households. Potential households in need are persons who currently live as part of another household (typically with parents) but state that they need to move to independent accommodation and are unable to afford to do so. The homeless households in need are those that would not have already been accounted for in the main sample survey or the methodology so far employed.

(i) Potential households

In the case of potential households we are wishing to separate any backlog of needs from future (newly arising) needs. In this chapter we define the backlog as potential households who need or are likely to move <u>now</u> and are unable to afford suitable market housing. Such households will also need to have stated that they would be looking to remain living in the District. Projecting the need from potential households can be found in Chapter 6.

ODPM Guide	*'Determining… potential households can be achieved by asking the main household respondent for their opinion as to whether the people concerned need separate accommodation…'.* Section 4.4 (page 60)

In terms of assessing the backlog need from potential households we only analyse data from those who need/are likely to move home <u>now</u>. We have also taken account of the fact that some of these households will join up with other person(s) when setting up home independently.

ODPM Guide	*'Many single person potential households may decide to set up their new home with a partner or friend(s). Since most potential households are single people, there is a danger that the volume of new household formation will be overstated if this is not taken into account, and that the projected composition of newly forming households will be skewed unrealistically towards single, childless units'.* Section 4.4 (page 60)

The table below summarises the number of potential households within the District and those that are considered within the backlog element of the needs assessment. Also shown is the estimate of the number unable to afford market housing (using the methodology shown in the previous chapter).

Table 5.3 Derivation of the number of potential households in need (backlog)

Aspect of calculation	Number	Sub-total
Number of potential households in District	9,105	
Minus those not needing to move now	-8,608	497
Minus those joining up with other persons	-60	437
Minus those moving out of the District	-141	296
TOTAL POTENTIAL HOUSEHOLDS	296	
Times proportion unable to afford	67.5%	
POTENTIAL HOUSEHOLDS IN NEED	200	

The survey estimates that there are 9,105 potential households in the District, of which 497 need to move now. When taking account of those joining up with other persons this figure is reduced to 437, of which 296 want to remain in the District. Not all of these potential households will necessarily be in need. Some may be able to afford suitable private sector accommodation. The potential households were then asked whether or not they could afford to access the private sector housing market without resorting to housing benefit. It is estimated that of the 296 potential households who need to move now (within the District), 67.5% cannot afford local private sector housing (200 households).

(ii) Additional homeless households in need

The Housing Needs Survey is a 'snapshot' survey that assesses housing need at a particular point in time. There will, in addition to the existing and potential households in need, be some homeless households who were in need at the time of the survey and should also be included within any assessment of backlog need. To assess these numbers we have used information contained in the Councils P1(E) Homeless returns.

The main source of information used is Section E6: *Homeless households accommodated by your authority at the end of the quarter.* The important point about this information is the note underneath '*This should be a "snapshot" of the numbers in accommodation on <date>, not the numbers taking up accommodation during the quarter.*' This is important given the snapshot nature of the survey. Data compiled from the P1(E) form for the quarter ending March 2004 (and presented on the ODPM website) is shown in the table below.

Table 5.4 Homeless households contributing to backlog need	
Category	Number at 31/3/04
Bed and breakfast hotels	5
Hostels (including women's refuge)	2
LA/RSL stock	6
Private sector accommodation leased or managed by LA or RSLs	0
Other types (including private landlord)	0
Homeless at home	1
TOTAL	14

Not all of the households in the above table are added to our assessment of existing and potential households in need. This is because, in theory, they will be part of the sample for the Housing Needs Survey. Households housed in private sector accommodation should already be included as part of the housing need – such household addresses should appear on the Council Tax Register from which the sample was drawn. Also households housed in the Council and RSL stock should also already be included and therefore it seems sensible to exclude this element from the backlog of housing need section.

After considering the various categories, we have decided there are two which should be included as part of the homeless element. These have been underlined in the table above. Therefore, of 14 total homeless households, 7 will be counted as homeless for the purpose of the update survey.

5.7 Total backlog need

Having been through a number of detailed stages in order to assess the backlog of need in East Devon we shall now bring together all pieces of data to complete the 'B: BACKLOG OF EXISTING NEED' element of the Basic Needs Assessment model encouraged by the ODPM. This is shown in the following section.

The table below summarises the first stage of the overall assessment of housing need as set out by the ODPM. The data shows that there is an estimated backlog of 689 households in need (see stage 5). The final stage is to include a quota to progressively reduce this backlog. A reduction in the backlog of need of 20% per year has been assumed in East Devon. The table therefore shows that the annual need to reduce backlog is 138 dwellings per annum.

ODPM Guide	*'It is also unrealistic to expect to meet all of any backlog in the planning period. It is recommended that all authorities apply a standard factor of 20% here for comparability (this implies eliminating the backlog over a 5 year strategy period). LA's may then make policy judgements to determine the practical rate at which this backlog can be reduced'* Section 2.4 (page 25).

Table 5.5 Basic Needs Assessment Model – Stages 1 to 7		
B: BACKLOG OF EXISTING NEED		
Element	*Notes*	*Final number*
1. Backlog need existing households	Number of households currently living in unsuitable housing	5,543
2. *minus* cases where in-situ solution most appropriate	In-situ (or outside the District) solution most appropriate for 4,478 households	Leaves 1,065
3. *times* proportion unable to afford to buy or rent in market	72.8% = 775 – also remove 292 social renting tenants	482
4. *plus* Backlog (non-households)	Potential = 200 Homeless = 7	207
5. *equals* total Backlog need		689
6. *times* quota to progressively reduce backlog	Suggest 20% as in ODPM report	20%
7. *equals* annual need to reduce Backlog		138

NB Elimination of the backlog over a five-year period is recommended in the Guide. However, the Council can make a policy decision to do so over a longer period.

5.8 Summary

This chapter reported on the components contributing to the backlog need element of the needs assessment model. In total it is estimated that 775 existing households are in housing need. When looking further forward to the additional affordable housing requirements of these households we remove households currently living in social rented housing to produce a final figure of 482.

The final element of backlog need considered the needs arising from potential and homeless households. These two elements together make for 207 additional households in need.

Bringing together all the factors of the backlog of housing need (as defined by the ODPM and followed by *Fordham Research*) it is estimated that there is an overall backlog of need of 689 affordable homes. Annualised, assuming a 20% reduction per year suggests an annual need to reduce the backlog of 138 dwellings.

Changes since 2001

Comparing estimates of backlog need with the 2001 survey suggest that there has been a slight decrease from 167 dwellings per annum to 138 per annum. This decrease is the result of a methodological change in the assessment of in-situ need (based on those stating a need to move now rather than within the next five years as was used in the 2001 survey).

6. NEWLY ARISING NEED

6.1 Introduction

In addition to the backlog of existing needs discussed so far in this report there will be newly arising need. This is split, as per ODPM guidance into four categories. These are as follows:

1. New households formation (× proportion unable to buy or rent in market)
2. Ex-institutional population moving into the community
3. Existing households falling into need
4. In-migrant households unable to afford market housing

The guidance also suggests that each of these should be calculated on an annual basis. The following sections deal with each of these points in detail.

6.2 New household formation

The 2001 Survey based this element of the assessment on potential households stating a need to move within the next three years and indicated a significant amount of need arising from new household formation. It is however also possible to assess this element of the survey on the basis of households that have formed over the past three years. Although this approach is likely to understate need arising from households forming in the future because newly forming households from the recent past are more likely to be biased towards those that can afford, the use of this approach ensures that the overall requirement figure can be defended as a minimum estimate. This approach is also consistent with comments in ODPM Guidance:

ODPM Guide	*'A… reliable approach to this issue is to base the profile of new households on the characteristics of identified newly forming households in the recent past'.* *'Stage 9 in the basic needs assessment model… involves estimating the proportion of newly forming households who will be unable to afford to access housing in the private market'.* *It is recommended that the primary basis for assessing the income and household type profile of new households is the profile of actual new households formed over the period preceding the survey'.* [Section 4.4 (pages 61 & 62)]

The table below shows details of the derivation of new household formation. The table begins by establishing the number of newly forming households over the past three years (from within the District). The data excludes households moving to owner-occupation because these households at the time of the move (which is when we are interested in) could afford market housing.

Table 6.1 Derivation of newly arising need from new household formation		
Aspect of calculation	Number	Sub-total
Number of households moving in past three years	15,372	
Minus moves from outside District	-7,012	8,360
Minus households NOT forming in previous move	-7,070	1,290
Minus households moving to owner-occupation	-746	544
TOTAL APPLICABLE MOVES	544	
TOTAL APPLICABLE MOVES (per annum)	181	
Times proportion unable to afford	68.6%	
ANNUAL ESTIMATE OF NEWLY ARISING NEED	124	

The table above shows that an estimated 1,290 households newly formed within the District over the past three years (430 per annum). Of these it is estimated that 28.9% are unable to afford market housing without some form of subsidy. The annual estimate of the number of newly forming households falling into need is therefore 124 per annum.

The low proportion of newly forming households in the recent past unable to afford (just under 30%) suggests that this estimate is biased towards those that can afford and should therefore be treated as a minimum estimate of the need likely to arise from new household formation in the future.

6.3 Ex-institutional population moving into the community

This is quite a difficult group to analyse. The ODPM guidance suggests information from Community Care Plans could be used for this element of newly arising need. However, all of this element would be picked up in each of the next two stages of the projection. Therefore to avoid any possible double-counting, it has been decided in the case of East Devon to give this element of newly arising need a value of zero.

6.4 Existing households falling into need

This is an estimate of the number of existing households currently living in East Devon who will fall into housing need over the next three years (and then annualised). The basic information for this is households who have moved home within the District in the last three years and affordability. A household will fall into need if it has to move home and is unable to afford to do this within the private sector (examples of such a move will be because of the end of a tenancy agreement). A household unable to afford market rent prices but moving to private rented accommodation may have to either claim housing benefit or spend more of their income on housing than is considered affordable (or indeed a combination of both).

ODPM Guide	*'The basic needs model also identifies two other ways [the second is the next section] in which new needs may arise in a locality. The first of these refers to existing households, previously satisfactorily housed, who fall into need during the period (per year, conventionally)'.* Section 4.4 (page 63)

Households previously living with parents, relatives or friends are excluded as these will double-count with the potential households already studied. The data also excludes moves between social rented properties. Households falling into need in the social rented sector have their needs met through transfer to another social rented property, hence releasing a social rented property for someone else in need. The number of households falling into need in the social rented sector should therefore, over a period of time, roughly equal the supply of 'transfers' and so the additional needs arising from within the social rented stock will be net zero. Finally, the data excludes households moving to owner-occupation because these households at the time of the move could afford market housing.

Table 6.2 Derivation of newly arising need from households currently living in the District

Aspect of calculation	Number	Sub-total
Number of households moving in past three years	15,372	
Minus moves from outside District	-7,012	8,360
Minus households forming in previous move	-1,290	7,070
Minus households transferring within affordable housing	-849	6,221
Minus households moving to owner-occupation	-4,612	1,609
TOTAL APPLICABLE MOVES	1,609	
Times proportion unable to afford	76.6%	
TOTAL IN NEED (3 years)	1,233	
ANNUAL ESTIMATE OF NEWLY ARISING NEED	411	

The table above shows that a total of 1,609 household moves are considered as potentially in need. Using the standard affordability test for existing households it is estimated that 76.6% of these households cannot afford market housing (as with the main analysis of existing households in need, the affordability test is based on the size requirements and financial situation of those households having made a 'potentially in need' move over the past three years). Therefore our estimate of the number of households falling into need within the District excluding transfers is 1,233 households (1,609 × 0.766) over the three year period. Annualised this is 411 households per annum.

6.5 In-migrant households unable to afford market housing

This is the final element of newly arising need. Households falling into need in this group are households currently living outside East Devon who are expected to move into the District but cannot afford suitable private sector housing. The basic information for this is similar to the above section except that it deals with households who are expected to move home to the District in the next three years (based on past move information) and these households' affordability.

This data does not exclude transfers as none of these households could have transferred within East Devon's stock at the time of the move. Household formation is not an issue as none of these households could be double-counted because they do not currently live within the District. Households moving to owner-occupation are again excluded from the analysis.

ODPM Guide	*'Households moving into the District and requiring affordable housing can be identified by HN surveys, again using data on recent movers'.* Section 4.4 (page 63)

The table below shows the derivation of the in-migrant element of newly arising need.

Table 6.3 Derivation of newly arising need from households currently living outside the District

Aspect of calculation	Number	Sub-total
Number of households moving in past three years	15,372	
Minus moves from within District	-8,360	7,012
Minus households moving to owner-occupation	-4,980	2,032
TOTAL APPLICABLE MOVES	2,032	
Times proportion unable to afford	65.5%	
TOTAL IN NEED (3 years)	1,332	
ANNUAL ESTIMATE OF NEWLY ARISING NEED	444	

In total the table above shows that 2,032 'potentially in need' moves took place in the past three years from outside the District. The survey data also shows us that 65.5% of these households cannot afford market housing (as with the main analysis of existing households in need, the affordability test is based on the size requirements and financial situation of those households having made a 'potentially in need' move over the past three years). Therefore our estimate of the number of households falling into need from outside the District is 1,332 households (2,032 × 0.655) over the three-year period. Annualised this is 444 households per annum.

6.6 Income levels of those in projected need

Having estimated the number of households likely to fall into need per annum it is of interest to look briefly at these households income levels. The income figures have been banded and are based on figures for gross annual income (including all non-housing benefits). The table shows that lower income households are far more likely to have a need in the future than other households. Although around half of all households have an income of over £20,000 per annum, this group is expected to make up only 8.0% of the future need. It is important to remember that this information refers to households in newly arising need per annum and not all households in housing need.

Table 6.4 Future housing need and income band

Income band	Future need				
	Future need	Not future need	Number of h'holds in group	% of group in need	% of those in need
up to £5,000	246	6,428	6,675	3.7%	25.1%
£5,000-£10,000	270	7,610	7,880	3.4%	27.6%
£10,000-£15,000	283	6,821	7,103	4.0%	28.9%
£15,000-£20,000	102	7,490	7,592	1.3%	10.4%
£20,000-£25,000	64	7,845	7,909	0.8%	6.6%
£25,000-£30,000	14	4,702	4,716	0.3%	1.4%
£30,000+	0	14,385	14,385	0.0%	0.0%
TOTAL	979	55,281	56,260	1.7%	100.0%

6.7 Summary

The data from each of the above sources can now be put into the Basic Needs Assessment Model as is shown in the table below. It indicates that additional need will arise from a total of 979 households per annum.

Table 6.5 Basic Needs Assessment Model – Stages 8 to 13		
N: NEWLY ARISING NEED		
Element	*Notes*	*Final number*
8. New household formation (gross, p.a.)		430
9. *Times* proportion unable to buy or rent in market	28.9% cannot afford market housing	Leaves 124
10. *plus* ex-institutional population moving into community		0
11. *plus* existing households falling into need		411
12. *plus* in-migrant households unable to afford market housing		444
13. *equals* Newly arising need	9+10+11+12	979

Changes since 2001

Both the 2001 HNS and this update cover three main areas when looking at newly arising needs (newly forming households, existing households falling into need and in-migrant households). In 2001 it was estimated that newly arising need came to 998 households per annum. In this update a figure of 979 households per annum is estimated. Although the current survey uses an alternative approach to estimate newly arising need from household formation which is likely or understate need, increases in the other two components reflecting revised estimates of the number of households moving in the private rented sector result in little change overall.

7. SUPPLY OF AFFORDABLE HOUSING

7.1 Introduction

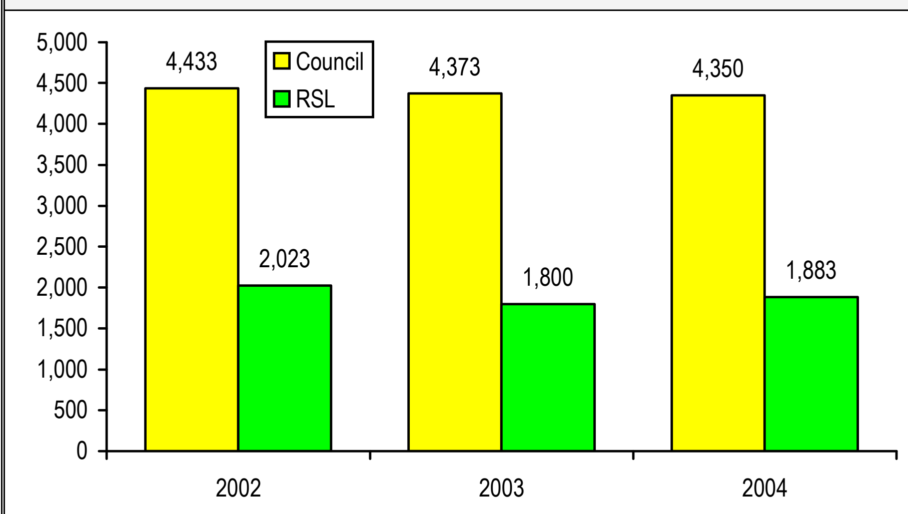
This chapter looks at current supply of affordable housing from RSLs in the District. We shall begin by highlighting the general patterns of supply in the social rented stock over the past three years before making a judgement about which supply figures should feature as part of the needs assessment model.

ODPM Guide	*'The most important source of supply is typically relets of existing social housing. A basic projection should assume continuance of the same rate of net relets as in the last year or an average over the last 3 years'*. Section 2.4 (page 26)

7.2 The Social Rented stock

We have studied information from the Councils Housing Investment Programme (HIP) for three years (from 2002 to 2004 inclusive). The figure below shows the changing levels of RSL stock within the District.

Figure 7.1 Council and RSL stock numbers (2002-2004)



The figure shows that over the last three years, the social rented stock has progressively decreased in size. Overall the stock changes have resulted in a net loss of 223 properties from the social rented sector over the period 2002 – 2004. This equates to a loss of 112 properties per year.

7.3 The supply of affordable housing

(i) Council stock

The table below shows an estimate of the supply of lettings from Council owned stock over the past three years. The data shows that the number of lettings has varied over time. In 2001/02 there were 93 lettings to new tenants, by 2002/03 this had risen to 187 before falling to 162 in 2003/04. The average number of lettings over the three-year period was 147 per annum.

Table 7.1 Analysis of past housing supply (council rented sector)				
Source of supply	2001/02	2002/03	2003/04	Average
Local Authority				
LA lettings through mobility arrangements	3	1	0	1
LA lettings to new secure tenants	90	125	47	87
LA lettings to new tenants on an introductory tenancy	0	0	0	0
LA lettings to new tenants on other tenancies	0	64	117	60
(Exclude transfers from RSL)	(0)	(3)	(2)	2
LA Sub-total excluding transfers	93	187	162	147

(ii) RSL stock

For the RSL stock we can again look at H.I.P. information. Additionally, CORE data provides an indication of the number of lettings in the RSL sector. The table below shows the number of lettings from each of these sources over the past three years.

Table 7.2 Analysis of past housing supply – (RSL sector)				
	2001/02	2002/03	2003/04	Average
H.I.P. data	231	259	306	265
CORE data	90	56	61	69
AVERAGE	161	158	184	167

The data in this table suggests a significant difference between the two data sources, with an increasing relet trend from H.I.P. data and a generally decreasing trend from CORE. The average for the three-year period using both data sources is 167 per annum. For the H.I.P. data alone it is 265 per annum.

It should be noted that for the period 2002/03 and 2003/04 the H.I.P. data also shows that an average of 13 households transferred from Council to RSL dwellings within the District.

(iii) Estimate of lettings

The relet figures for the Council sector show variations over time as do RSL relet figures. In terms of estimating future supply of affordable housing within the District, we have used figures for the past three years from the HIP returns to make an informed judgement. Particularly with the RSL estimates, this ensures that the supply estimate is not understated. Therefore our estimated future supply of lettings from both the Council and RSL is 399 (147+265-13).

7.4 New dwellings

From the estimated supply of affordable housing we also need to deduct lettings made to new dwellings. As one of the main purposes of the survey is to estimate any surplus or shortfall of affordable housing, it is important to avoid double-counting by not including likely future supply through additions to the stock from RSLs (although these new properties will themselves in time produce some relets). This is also a view taken in ODPM guidance.

ODPM Guide	*'…it may be more helpful to combine committed and shortfall figures [shortfall including committed new provision] to obtain an overall affordable need estimate, which can then be related to overall planned housing requirements and provision'* Section 2.4 (page 26)

Table 7.3 Analysis of past provision of new affordable housing – Average for three years

New affordable housing	2001/02 outturn	2002/03 outturn	2003/04 outturn	Average 2001-04
Additional LA dwellings (HIP)	0	0	0	0
Additional RSL dwellings (HIP)	20	15	22	19
Additional RSL dwellings (CORE)	12	5	7	8

The table above summarises information contained in the H.I.P. return for 2004 (Section N) and CORE data for the same period. The results indicate the average number of new affordable dwellings completed over the period is 19 per annum (H.I.P.) and 8 per annum (CORE). To be consistent with earlier analysis we have used the H.I.P. figure to inform our analysis. Therefore our estimated supply of affordable housing is 380 per year (399-19).

7.5 Shared ownership supply

In most local authorities the amount of shared ownership available in the stock is fairly limited (as is the case in East Devon). However, it is still important to consider to what extent the current supply may be able to help those in need of affordable housing. In many parts of the country, shared ownership housing is as expensive as the cheapest housing available on the open market. Hence in this sense it cannot be deemed as affordable housing. Unfortunately we do not have any information about the exact affordability of the current stock of shared ownership housing in the District and hence for the purposes of analysis we have assumed that such housing (second-hand) will be available at prices below those for entry-level market housing.

Therefore we also include an estimate of the number of shared ownership units that become available each year. Housing Corporation data (2003) estimates that there were 128 households living in shared ownership accommodation. For the purposes of this analysis it is assumed that the turnover of shared ownership accommodation is roughly the same as found in the social rented sector. This is estimated at 6.1% (based on the number of relets and the number of social rented dwellings in 2004 - 380/6,233). Hence we estimate that each year an average of 8 units of shared ownership will become available to meet housing need (6.1% × 128). Therefore, the estimate of supply becomes 388 per annum (380+8).

7.6 Vacant dwellings

As of April 2004, there were 73 vacant dwellings in the social rented stock representing around 1.2% of all social rented stock in the District. This is considered to be an average vacancy rate and hence no adjustment needs to be made to the figures to take account of this.

ODPM Guide	*'The change in vacancies is a key factor in the net stock approach. The general principle is that there should be a target vacancy rate to allow normal movement in the housing stock. Typical recommended allowances would be 4 per cent for the private sector with 2 per cent being more appropriate for the social sector'.* Section 2.5 (page 28)]

7.7 Changes in the supply of affordable housing

This covers stages 15 and 16 of the *'Basic Needs Assessment Model'*. Stage 15 is 'minus *increased vacancies & units taken out of management'*, Stage 16 is 'plus *committed units of new affordable supply'*.

In the case of Stage 15, it would not be sensible to remove from the supply equation the number of properties taken out of management. It is much more sensible to estimate the likely reduction in relets as a result of such losses.

In the case of Stage 16 it seems more logical to exclude committed units as the purpose of the analysis is to show a surplus or shortfall of affordable housing. Including committed units might in some cases show a surplus of affordable housing where in fact the new housing is required to prevent a shortfall. However, we must remember that new affordable housing will in time produce additional relets (in the same way as relet opportunities are lost when dwellings are 'taken out of management').

Data contained in H.I.P. returns suggests that from April 2002 to April 2004 there was a net loss of 223 dwellings in the social rented stock, or 112 per annum. Given an average turnover of around 6.1% (based on the number of lettings and the number of social rented dwellings) this would equate to a loss of around 7 letting opportunities per annum. Hence, on the basis of this information it is estimated that average future supply of affordable housing will be 381 units per annum (388-7).

7.8 Summary

The table below details the stages in arriving at an estimate of the 381 relets from the current stock of affordable housing per annum. Analysis of H.I.P. data (excluding transfers within the social rented stock) for the last three years indicates an average supply of lettings of 399 per year. Taking account of lettings made to new dwellings the supply estimate is reduced by 19 units per annum. It is assumed that there would be no additional lettings in the vacant stock, whilst units taken out of management and committed units of new affordable supply will lead to a net loss of 7 dwellings per annum. Finally, 8 'relets' from shared ownership dwellings have been included, which increases supply to a total of 381. The second table shows how this fits into the Basic Needs Assessment model.

Table 7.4 Estimated future supply of affordable housing (per annum)

Element of supply	Number of units
Average lettings per annum (excluding transfers)	399
Lettings in new housing	-19
'Relets' of shared ownership	+8
Additional lettings in vacant stock	+0
Letting opportunities lost through units taken out of management (Stage 15) Letting opportunities gained through additional stock (Stage 16)	-7
ESTIMATED SUPPLY OF AFFORDABLE HOUSING (PER ANNUM)	381

Table 7.5 Basic Needs Assessment Model – Stages 14 to 17		
S: SUPPLY OF AFFORDABLE UNITS		
Element	*Notes*	*Final number*
14. Supply of social relets p.a.	Excludes transfers within social rented stock and includes 'relets' of shared ownership	388
15. *minus* increased vacancies & units taken out of management	Letting opportunities lost	-7
16. *plus* committed units of new affordable supply p.a.	Letting opportunities gained	
17. *equals* affordable supply	14-15+16	381

Changes since 2001

Comparing the supply data in this chapter with similar information from the 2001 survey suggests that over time there has been an increase in the availability of social housing for re-letting. The 2001 survey estimated a total of 304 relets (excluding transfers) and the current estimate is 381. The current estimate also includes relets from shared ownership although at 8 additional relets per annum makes little difference to the overall estimate.

8. BASIC NEEDS ASSESSMENT MODEL

8.1 Introduction

The table on the following page shows the final figures in the *'Basic Needs Assessment Model'*. This brings together the three key elements that have been calculated in the preceding chapters, namely; the Backlog of Existing Need, Newly Arising Need and the Supply of Affordable Units. The overall output from these three analytical stages represent the estimated net affordable housing requirement across the East Devon District.

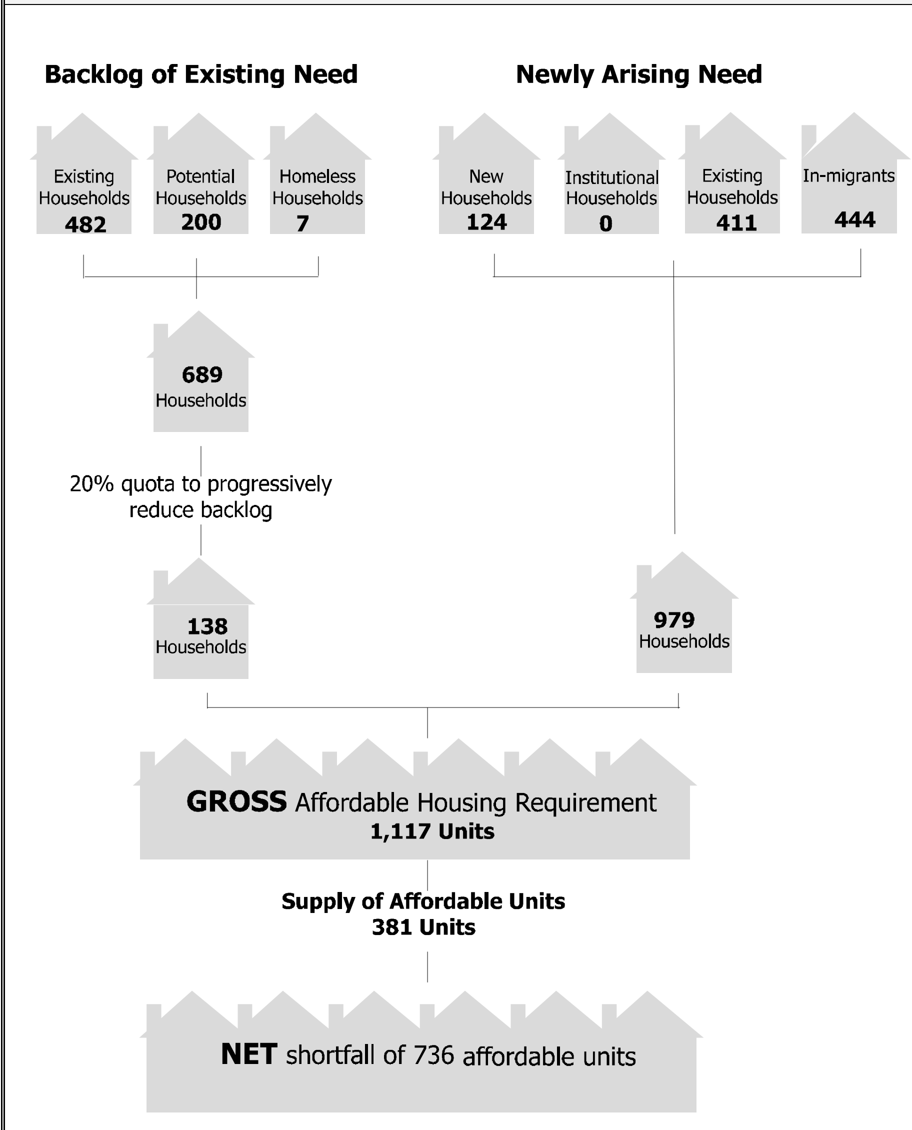
8.2 Total housing need

The backlog of existing need suggests a requirement for 138 units per year and the newly arising need a requirement for 979 units per annum. These two figures together total 1,117 units per annum. The total estimated supply to meet this need is 381 units per year. This therefore leaves a shortfall of 736 units per year if the Council were able to meet all of the current and projected need over the next five years. The figure of 736 represents 1.3% of the total number of households in the District (56,260).

Table 8.1 Basic Needs Assessment Model		
B: BACKLOG OF EXISTING NEED		
Element	*Notes*	*Final number*
1. Backlog need existing households	Number of households currently living in unsuitable housing	5,543
2. *minus* cases where in-situ solution most appropriate	In-situ (or outside the District) solution most appropriate for 4,478 households	Leaves 1,065
3. *times* proportion unable to afford to buy or rent in market	72.8% = 775 – also remove 292 social renting tenants	482
4. *plus* Backlog (non-households)	Potential = 200 Homeless = 7	207
5. *equals* total Backlog need		689
6. *times* quota to progressively reduce backlog	Suggest 20% as in ODPM report	20%
7. *equals* annual need to reduce Backlog		138
N: NEWLY ARISING NEED		
8. New household formation (gross, p.a.)		430
9. *times* proportion unable to buy or rent in market	28.9% cannot afford market housing	Leaves 124
10. *plus* ex-institutional population moving into community		0
11. *plus* existing households falling into need		411
12. *plus* in-migrant households unable to afford market housing		444
13. *equals* Newly arising need	9+10+11+12	979
S: SUPPLY OF AFFORDABLE UNITS		
14. Supply of social relets p.a.	Excludes transfers within social rented stock and includes 'relets' of shared ownership	388
15. *minus* increased vacancies & units taken out of management	Letting opportunities lost	-7
16. *plus* committed units of new affordable supply p.a.	Letting opportunities gained	
17. *equals* affordable supply	14-15+16	381
18. Overall shortfall/surplus	***7+13-17 (per annum)***	***736***

NB Elimination of the backlog over a five-year period is recommended in the Guide. However, the Council can make a policy decision to do so over a longer period.

Figure 8.1 Basic Needs Assessment Model – summary



8.3 Overall affordable housing requirement and size requirement

(i) All households

Having estimated the net need for affordable housing in the District, it is useful to make suggestions about required property sizes. The number of bedrooms required by households in need is balanced against the number of bedrooms secured by those who have recently moved into affordable accommodation. The number of bedrooms required is based on the number of people in a household, taking account of co-habiting couples and children who could reasonably share.

This is shown in the table below which indicates the largest shortfalls are for smaller one and two bedroom units. However the table also indicates that none of the gross requirement for larger four bedroom units can be met by the existing supply.

Table 8.2 Net need for affordable housing by size () indicates a surplus			
Size required	Need	Supply	TOTAL
1 bedroom	502	64	437
2 bedroom	431	209	223
3 bedroom	126	108	18
4+ bedroom	58	0	58
TOTAL	1,117	381	736

(ii) Priority groups

In addition to the above analysis which looks at the need of all households we can look at the size requirements of households likely to be given priority for housing by the local authority. For the purposes of this analysis such groups are taken to be: pensioner households, households containing someone with a disability and households with children. The table below shows the results of this analysis.

Table 8.3 Net need for affordable housing by size () indicates a surplus – priority groups only			
Size required	Need	Supply	TOTAL
1 bedroom	170	64	106
2 bedroom	340	209	131
3 bedroom	109	108	1
4+ bedroom	17	0	17
TOTAL	637	381	256

The data still shows mainly a shortfall of smaller (one and two bedroom) accommodation. However, this has moved from more one bedroom to more two bedroom homes. It should be remembered that this data is based on a strict bedroom standard and takes no account of household preferences. Size preferences are dealt with in Chapter 10.

8.4 Sub-area analysis

The table below provides the same style of analysis as above (by sub-area). The table again shows the need, supply and overall requirement for affordable housing. The table indicates that each area has an overall shortage of affordable housing. The shortfall figures range from 259 in Exmouth to 29 in Budleigh Salterton.

Table 8.4 Net need for affordable housing by sub-area () indicates a surplus			
Sub-area	Need	Supply	TOTAL
Axminster	196	108	88
Seaton	147	62	85
Sidmouth	106	53	53
Budleigh Salterton	67	38	29
Exmouth	292	33	259
Woodbury & Broadclyst	44	0	44
Ottery St. Mary	52	0	52
Honiton	213	87	126
TOTAL	1,117	381	736

8.5 Implications for affordable housing policy

Appendix A2 details the key features of current ODPM Affordable Housing policy. This is likely to be changed only slightly if the draft affordable housing sections of PPG3 (published in January 2005) are adopted.

The first implications for affordable housing policy are the choice of an appropriate percentage target and of the site size threshold at which the eventual affordable housing policy will apply.

(i) Percentage target

The Guide to Housing Needs Surveys has its own proposals on how targets should be calculated (contained within Table 8.1 of the Guide). It is therefore worth pursuing the suggested ODPM method to show the expected result. The table below shows an estimate of the likely suggested percentage target from following the ODPM method.

Table 8.5 Calculation of affordable housing target: following ODPM methodology	
Element	Dwellings (per annum)
Affordable housing requirement	736
Minus affordable supply from non S106 sites (estd)*	-0
EQUALS	736
Projected building rate (estimated)	500
Minus sites below threshold (assumed)	-0
Minus affordable supply from non S106 sites (estd)*	-0
EQUALS	500
Therefore Target is	736/500
EQUALS	147%

NOTE: * Estimate of supply from non S106 comes from Section N of the 2003 HIP return for the 2002-03 year

Given the results of this table it is clear that at the general level, any target would be justified. In our view there is no real point in varying the target from site to site or from locality to locality; the target is only likely to be varied downwards as a result of this practice.

Custom and practice is in fact the only guide to choosing a target, assuming that there is a substantial housing need. Clearly this is the case in East Devon. The evidence suggests that a target up to 40% (current custom and practice) can be justified. Such targets have been used by a number of local planning authorities. There have been no justifiable problems with financial viability as a consequence, though this site specific matter may require investigation in some cases (e.g. severely damaged brownfield sites).

We would advise the use of a District-wide percentage target. This is the most easily understood form of target. It applies to allocated and windfall sites where viability permits. It is almost impossible to justify any variation of targets, since the Council's housing needs problem is one for the Local Planning Authority and the Local Housing Authority as a whole. The question of how and where to meet the housing needs problem is a strategic one for the Council. On the evidence, a 40% target can be justified, although the Council is free to take a view on the particular level it wishes to set.

(ii) Threshold site size

There is more certain guidance on the issue of site thresholds. The Government advice contained in Circular 6/98 and PPG3 (2000) provides a threshold standard of 25 dwellings/ha. However, it recognises that, in special circumstances, lower thresholds of 15+ dwellings/0.5 ha may be proposed on allocated and windfall sites and of 2+ dwellings in areas with a population of 3,000 or less.

Given the amount of additional housing required, it would seem reasonable to assume that the Council would want to secure affordable housing on all sites regardless of size. Therefore, the lower government guidance thresholds would certainly be reasonable. Furthermore, given the large need for affordable housing, a lower site threshold could be seriously considered.

The draft PPG3 (published in January 2005) sets a standard threshold of 15 units (0.5 hectares) and recognises that lower thresholds may be set where there are *'high levels of need which cannot be met on larger sites alone'*. This is clearly the case in East Devon.

8.6 Summary

The Housing Needs Survey in East Devon followed closely guidance from the ODPM in *'Local Housing Needs Assessment: A Guide to Good Practice'*. This involved estimates of the 'Backlog of existing need', 'Newly arising need' and future supply to estimate the current surplus or shortfall of affordable housing in East Devon. Updating this model it is estimated that for the next five years there is a shortfall of affordable housing in the District of around 736 affordable homes per year. The immediate implications for affordable housing are that a target up to 40% (current custom and practice) would be justified on all suitable sites, and that the minimum site threshold possible should be applied.

Changes since 2001

This review of the housing needs situation suggests that around 736 additional affordable units would be required per year if all affordable needs are to be met. This compares with an estimate from the 2001 survey of around 861 per annum. Analysis of house price and income changes over the intervening period since the last survey suggests that although house prices have risen substantially, increases in rents have been far lower and in fact have been marginally lower than increases in income levels. This suggests that access to the market (in the form of the private rented sector) has become marginally more affordable. Furthermore the supply of affordable housing appears to have increased with the result that the overall requirement estimate is slightly lower than shown in 2001. The update indicates that there remains a significant shortage of affordable housing within the District.

9. NATURE OF AFFORDABLE HOUSING

9.1 Introduction

Having considered the level of housing need in the District this chapter studies what types of affordable housing might be most appropriate to meet this need. In principle there are two main types of housing which can be considered (intermediate housing and social rented). Intermediate housing could include a series of different housing options such as low-cost market, shared ownership or discount market rent. The two main types of affordable housing are considered in relation to the size requirement for additional affordable housing.

9.2 Defining intermediate housing

'Intermediate housing' is a term which has come to be used to describe a housing demand for which the supply is neither conventional social rented housing, nor market housing. The term was originally given currency in the 'Homes for a World City' report and continues through the London Plan. The term 'intermediate' housing is now seen as relevant across the Country. It has not been very closely defined hitherto and therefore it is important to begin this chapter by doing so, since such a definition is a necessary starting point. There are two broad reasons for doing this:

(i) Intermediate housing should be clearly distinguished from social rented housing

(ii) It should also be distinguished from general market housing, and with that the various unclearly labelled variants of (newbuild) 'low cost market' housing which have confused the debate about housing affordability since the publication of Circular 13/96 (the Circular which suggested that low cost market would be one form of affordable housing)

A clear definition of the term is required because, without that, there is little prospect of this particular need being adequately addressed. The Major's London Plan defines intermediate housing as:

> 'S*ub-market housing which is above target rents, but is substantially below open market levels. This category can include shared ownership, sub-market rent provision and key worker housing which meets this criterion. It may also include some low-cost market housing where its price is equivalent to other forms of intermediate housing*'

The lower boundary of intermediate housing is, therefore, formed by new social rent levels for different dwelling sizes. Some households in housing need will be able to afford somewhat more than social rents. For affordability purposes, these households fall into the intermediate housing category. The upper boundary in the London Plan is less distinct and levels a gap between intermediate housing and market cost housing. For the purposes of analysis, the upper threshold is formed by the minimum entry level price of housing to buy or to rent in the market.

The typical expectation would be various forms of shared ownership, where the incoming household rents part of the equity value from (typically) a Registered Social Landlord, and buys the rest. Shared ownership costs somewhere between 90% and 110% of entry level housing, depending on area. Thus it is only marginally cheaper than outright purchase, in many cases. Other housing variants exist or are being developed, which may more directly meet intermediate housing demand.

9.3 Background

The survey estimates the costs of housing for each type of affordable housing and in each size group (by number of bedrooms) - in terms of estimated outgoings per week. The starting point is the cost of minimum priced market housing. It is obvious that any housing which costs more than the minimum cost of market housing cannot be considered as affordable in the local context, any housing available at a cost below this level will be affordable to some households in need although it is important to estimate the proportions able to afford at any particular level of outgoings.

The table below shows our estimates of the minimum cost of market housing in the District and estimated new social rent levels. Where the outgoings for owner-occupied housing are cheapest these figures are used and vice versa for private rented accommodation.

Table 9.1 Cost of housing in East Devon (per week)

Property size	Minimum priced market housing	Social rent (RSL)
1 bedroom	£76	£45
2 bedroom	£102	£57
3 bedroom	£133	£66
4 bedroom	£177	£78

It can be seen from the table above that for all dwelling sizes, the cost of social rented housing is notably below that of market housing. Therefore it is clear that intermediate housing will be able to meet some housing need.

The table below shows the estimated breakdown of additional affordable housing requirements by size and type of housing per annum.

Table 9.2 Amount of annual requirement for each type of affordable housing

Dwelling size	Type of housing		
	Social rented	Intermediate housing	TOTAL
1 bedroom	283	219	502
2 bedrooms	375	56	431
3 bedrooms	94	33	127
4+ bedrooms	58	0	58
TOTAL	809	308	1,117

The table shows that in total 27.6% of the gross requirement could be intermediate housing, the remainder should be social rented housing. However, from these figures it is important to deduct the supply of affordable housing. As with the previous analysis this has been split by social rented and intermediate housing.

Table 9.3 Annual supply for each type of affordable housing

Dwelling size	Type of housing		
	Social rented	Intermediate housing	TOTAL
1 bedroom	64	0	64
2 bedrooms	204	5	209
3 bedrooms	105	3	108
4+ bedrooms	0	0	0
TOTAL	373	8	381

The following table therefore estimates the net requirements for each type of affordable housing by size. Although the table shows that 40.8% of the net requirement is for intermediate housing, in reality this figure is much lower because of the affordability of such housing. This is discussed in the following section.

Table 9.4 Net annual need for affordable housing for each type of affordable housing			
Dwelling size	Type of housing		
	Social rented	Intermediate housing	TOTAL
1 bedroom	219	219	438
2 bedrooms	171	51	222
3 bedrooms	(11)	30	19
4+ bedrooms	58	0	58
TOTAL	436	300	736

9.4 Affordability within the intermediate category

Although the survey suggests that around two-fifths of all additional affordable housing could be categorised as 'intermediate' this does not imply any particular type of housing. We have therefore sought to provide some more information by looking at three categories of 'intermediate' housing based on price. The table below shows the bands of intermediate housing used for analysis.

Table 9.5 Approximate outgoings for different types of intermediate housing			
Size requirement	Approximate outgoings (£/week)		
	Cheapest intermediate housing	2nd	Most expensive
1 bedroom	£45-£55	£56-£66	£67-£76
2 bedrooms	£57-£72	£73-£87	£88-£102
3 bedrooms	£66-£89	£90-£111	£112-£133
4+ bedrooms	£78-£111	£112-£144	£145-£177

As per the previous analysis we can estimate the number of households in need who fall into each of these categories. This is shown in the table below. The majority of those in the 'intermediate' category have income/affordability levels at the bottom of the scale; the data suggests that 71.7% of those who could theoretically afford intermediate housing could afford nothing costing more than two-thirds of the difference between market and social rented prices. However 28.3% of households could afford housing within the 'most expensive' intermediate category.

Table 9.6 Number of households able to afford at different 'intermediate' housing prices					
	Approximate outgoings (£/week)				
Size requirement	Social rented housing	Cheapest intermediate housing	2nd	Most expensive	TOTAL
1 bedroom	283	100	63	55	501
2 bedrooms	376	24	16	16	431
3 bedrooms	94	0	17	16	127
4+ bedrooms	58	0	0	0	58
TOTAL	810	124	96	87	1,117

If we were to assume that only households in the two most expensive bands of intermediate housing were likely to have their needs met through forms of housing other than social rent then the results would broadly suggest that overall the split between social rented and intermediate housing should be roughly 75:25.

9.5 Affordability within the intermediate affordability category

The results set out above make it clear that there is a potential 'market' for intermediate housing, as it has been defined for the purpose of this study, among households in need in East Devon. The results indicate that around 40% of the net need could be provided in the form of 'intermediate' housing.

Whether such households' need could be addressed in practice will depend upon the characteristics of the housing that is provided; in particular, the outgoings at which it is made available, and how attractive it is as a housing/tenure 'package' to prospective occupiers.

The implication is that in order to maximise the accessibility of an intermediate housing product, either it must be pitched at costs only a little higher than social rents, or else a series of separate products is needed covering the fullest possible range of affordability.

9.6 Summary

Using information calculated from the survey, we have carried out further analysis to show how much of this need could be met by 'intermediate' housing, available at outgoings between social rents and the minimum cost of (second hand) market housing. The analysis shows that around two-fifths (40.8%) of the additional affordable housing requirement could meet needs by such housing.

These findings cannot be translated directly into operational targets in practice. To begin with, the 40.8% figure is a maximum, and could only be reached if all the 'intermediate' housing was priced at social rents, which would be pointless, or if an extremely wide range of homes was available to cover the full spectrum of affordability from social rent to market. The data suggests that there are relatively few households in need whose financial situation place them close to being able to afford market housing.

There is also the issue of priority. Fundamentally, our analysis has focussed on the totality of need facing East Devon. It does not differentiate between needs with different degrees of urgency or priority. If the supply of both social rented and intermediate housing continues to be severely constrained, and it is only made available to those with the greatest need, the proportion who could afford 'intermediate' housing might well be significantly different.

Changes since 2001

Similar analysis was not undertaken in the previous survey. The present report indicates that around two-fifths of the need could be met by some form of intermediate housing, although at a cost significantly below the market. Of the total (gross) need, only 7.8% could afford intermediate housing just below the market (the price at which typical intermediate housing options such as shared ownership are available).

10. BALANCING HOUSING MARKETS

10.1 Introduction

A traditional housing needs survey (HNS) can be criticised for not paying enough attention to the broader housing requirements of a local authority area. Generally this implies studying the requirements for additional private sector housing. This suggestion, indeed, appears in the ODPM guidance on HNS (under the heading of 'Gross Flows').

ODPM Guide	*'A further development of the approach (the Basic Needs Assessment Model) together with demographic components is to try to build a model showing the gross annual flows of households between each of the main tenures within the district. Such a model would also show the flows of new and migrant households into the system and of dissolving and out-migrating households out of the system'. [*Appendix A7.4 (page 157)]

10.2 ODPM Guide's View

The general aim of the approach is to build a picture of how households move within and between different tenures and also how new households join the system and others leave (e.g. new household formation or dissolution through death). By including demographic estimates it is expected that such a model could help to estimate the tenures and sizes of dwellings required/demanded in the future.

The ODPM guidance does however note that *'It has so far been more difficult to apply this approach at the local level than at the national and regional level'*. The Guide says:

ODPM Guide	*'The gross flows approach may be thought of as a matrix of housing 'origins and destinations'. The value of this approach is that it makes the connections between what is happening in the private sector and the social sector explicit. It keeps track of households, who can't just disappear without trace, and draws particular attention to the roles of migration and private renting. It's greatest value is likely to be in drawing attention to tenure imbalances, and especially in highlighting the role of the private rented sector.' [*Appendix A7.4 (page 157)]

It would appear from this that the authors of the Guide envisaged the gross flows approach as a means of projecting future tenure.

10.3 Why gross flows cannot predict tenure

There are a number of reasons why the gross flows model should not be used as a predictor of anything (and certainly not of the need for affordable housing). The main reason for this was noted by *Fordham Research* as long ago as 1993:

> *'future variation in proportions of owner-occupiers, private renters etc should be considered as variables on which policy is to operate in seeking to meet housing need. In this sense it is not appropriate to use them as fixed variables'* (Wycombe HNS, Fordham Research 1993)

In other words actual past (or even projected future) changes in the proportions of dwellings in each of various tenure groups should not be considered as indicative of what should happen in order to best meet the housing needs (both affordable and market) of households in the future. In the jargon, such data has no 'normative' value: it contains no element of judgement.

Examples of why gross flows is not a satisfactory predictor are easy to cite:

(i) If in a local authority area over a period of time (say a year) nothing but four bedroom owner-occupied dwellings are built then the gross flows methodology would show that nothing but four bedroom owner-occupied homes are required in the future (even if there is a significant need for additional affordable housing).

(ii) On the other hand another local authority may have needed (and been able) to build a significant number of additional affordable units, the gross flows approach would indicate that the LA still required large numbers of affordable housing units (which might not be the case).

In other words, a gross flows approach as a forecasting method simply repeats what has happened and is, therefore, highly unlikely to be an accurate prediction of what either may or should happen. Thus a Gross Flows approach is not a useful part of any forecasting of the future of housing in an area.

10.4 Adaptation of Gross Flows

Gross flows is, therefore, ineffective as a predictor. However the 'balance' idea inherent in Gross Flows can be adapted to be of practical use. In order to enable the approach to make a useful contribution, it is necessary to develop it somewhat. This discussion sets out to do that.

In our revised approach, some figures are derived from past trends in the HNS. We also use information about households future preferences and expectations along with affordability information. This distinguishes it from conventional Gross Flows, and also permits the approach to cast some new light on the future.

Whilst we would still expect households stated behaviour to be constrained by market realities, this revised approach has the advantage of not simply mirroring the past. Apart from the fact that a traditional Gross Flows approach presents the future as merely a mirror of the past, this approach has the advantage of helping to avoid any 'unbalancing' actions which may have been at work.

10.5 Illustrative analysis

The sources of future housing demand can, with reasonable certainty, be limited to the following general categories:

1. Household formation
2. Household moving within an area
3. In-migrant households

In a similar way, there are three broad sources of supply of housing:

4. Households moving within an area
5. Households out-migrating
6. Household dissolution through death

The derivation of each of these is shown below:

Table 10.1 Source and method of demand/supply information	
Element	Description of analysis
Total dwelling/ household growth	Estimated from East Devon Local Plan (Revised Deposit)
DEMAND	
Household formation	Number of households forming over the next five years who will be looking to remain living in the District (from survey results)
In-migrant households	Number is based on the net difference between household growth, household formation, out-migration and household dissolution. The profile of these households is based on actual housing secured by in migrating households over the past five years
Existing households moving within the District	Total figure and profile of these households based on existing households stating a need to move over the next five years and who would be looking to remain in the District.
SUPPLY	
Supply from household dissolution	Based on applying age specific national mortality statistics (2000) to the local population to estimate the proportion of households who are likely to wholly dissolve.
Existing households moving within the District	Total figure and profile of these households based on existing households stating a need to move over the next five years and who would be looking to remain in the District.
Out-migrant households	Total figure and profile based on households expecting to out-migrate over the next five years.

In terms of ascertaining exactly what type of housing would be demanded by households, we have looked at both what type of housing they would 'like' and also what they would 'expect' to move into as well as taking into account such households affordability profile.

The allocation has to be varied depending on the tenures which are aspired to or expected along with the affordability of various options. Below are some of the key features of the analysis:

1. households with a preference for owner-occupation or private renting and who can afford such housing are placed in their preferred tenure group
2. households who would like affordable housing but who can afford market housing are placed in their expected tenure, if such a household would both like and expect affordable housing then they are placed into their current tenure group
3. In-migrant households are placed in affordable housing if they cannot afford market housing. If such households are able to afford market housing then they are placed in the tenure which they secured. Households securing social rented housing but who are actually able to afford market housing are placed in owner-occupation.

In addition households were asked about their size requirement, this is based on questions about households perceived requirements except in the case of in-migrant households where the size of accommodation secured is taken as the size preference.

10.6 Analysis of East Devon data and summary of results

At the most general level:

- Demands minus the supply should give a net change (increase usually) in number of dwellings/households

For the purpose of this test we have set the overall net increase in dwellings to 500. This is based on information in the East Devon Local Plan (Revised Deposit). Full details of the analysis are presented in Appendix A4. Set out below is a summary of the results.

Demand

New households forming within the District – 978
In-migration – 781
Households moving within the District – 2,115

Total demand = 3,874

Supply

Household dissolution (through death) – 778
Out-migrant – 481
Households moving within the District – 2,115

Total supply = 3,374

Table 10.2 Total shortfall or (surplus)

Tenure	Size requirement				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	50	101	(25)	(88)	37
Affordable housing	433	310	167	84	994
Private rented	(43)	(249)	(195)	(43)	(531)
TOTAL	439	162	(53)	(48)	500

A number of conclusions can be drawn from this analysis:

i) In terms of the demand for affordable housing in the District it is clear that this is on-going. The BHM methodology suggests a significant shortfall of affordable housing of all sizes of accommodation.

ii) Overall, the data shows a small shortfall of owner-occupied housing and a surplus of private rented accommodation. In terms of size requirements, the information suggests that in the owner-occupied sector there are shortfalls for one and two bedroom homes and a surplus of larger three and four bedroom homes. In the private rented sector surpluses exist for all dwelling sizes.

10.7 Affordable housing shortfall by size

The information regarding size requirements in the affordable sector can be compared with those calculated using the Basic Needs Assessment Model to provide some indications of shortfall taking into account both household's needs and their preferences. The table below summarises the position from both methods and provides an average figure.

Table 10.3 Net need for affordable housing by size (BNAM and BHM) () indicates a surplus

Size required	BNAM	BHM	AVERAGE
1 bedroom	59.4%	43.6%	51.5%
2 bedroom	30.3%	31.2%	30.7%
3 bedroom	2.5%	16.8%	9.6%
4+ bedroom	7.9%	8.5%	8.2%
TOTAL	100.0%	100.0%	100.0%

The figures in the 'average' column represent our suggested size mix for additional affordable housing. This shows shortages of all sizes of accommodation with the main shortage being for one bedroom homes.

10.8 Implications of analysis

Analysis using the ODPM 'Basic Needs Assessment Model' found that there is a shortage of affordable housing in East Devon. The BHM assessment, which constrains growth according to planned development and then balances demand across all tenures, also produces this conclusion.

The Guide Model and the BHM analysis both find that an affordable housing target is justified in East Devon. The more robust methodology of the Guide Model means that this provides a more accurate estimate of the total shortfall.

10.9 Summary

In addition to looking at the needs of households by closely following the ODPM's 'Basic Needs Assessment model' the survey used a 'demand' based methodology to estimate the future demand for housing across all tenures.

Like the HNS, the 'demand' based methodology suggested that there is a requirement for additional affordable housing in East Devon and also for smaller size properties in the owner-occupied sector.

Changes since 2001

The 2001 survey did not contain analysis on this topic. Hence this Chapter provides information on the balancing of housing markets additional to the information provided in 2001. It confirms the results of the Basic Needs Assessment Model, indicating a significant shortfall of affordable housing and also indicates a small shortage of owner-occupied dwellings (particularly one and two bedroom units). The analysis also shows a surplus of private rented accommodation for all property sizes, suggesting that this is not the tenure of choice for many households needing to move.

GLOSSARY

Affordability

A measure of whether households can access and sustain the costs of private sector housing. In this survey a single measure of affordability has been used based on the cost of suitably sized housing for each individual household (whether to buy or rent privately). Each household was assessed on the basis of their current financial situation (taking income, savings and equity levels into account) as well as household composition (i.e. larger households would be expected to be able to spend a smaller proportion of their income on housing). Households were assumed to not reasonably be expected to spend more than 25% to 35% of their income on housing depending on their current income level.

Affordable housing

Housing of an adequate standard which is cheaper than that which is generally available in the local housing market. In theory this can comprise a combination of subsidised rented housing, subsidised low-cost home ownership (LCHO) including shared ownership, and discount market rented housing.

Annual need

The combination of new needs arising per year plus an allowance to deal progressively with part of the backlog of need.

Average

The term 'average' when used in this report is taken to be a mean value unless otherwise stated.

Backlog of need

Those actual and potential households whose current housing circumstances at a point in time fall below accepted minimum standards. This would include households living in overcrowded conditions, in unfit or seriously defective housing, families sharing, and homeless people living in temporary accommodation or sharing with others.

Bedroom Standard

The bedroom standard is that used by the General Household Survey, and is calculated as follows: a separate bedroom is allocated to each co-habiting couple, any other person aged 21 or over, each pair of young persons aged 10-20 of the same sex, and each pair of children under 10 (regardless of sex). Unpaired young persons aged 10-20 are paired with a child under 10 of the same sex or, if possible, allocated a separate bedroom. Any remaining unpaired children under 10 are also allocated a separate bedroom. The calculated standard for the household is then compared with the actual number of bedrooms available for its sole use to indicate deficiencies or excesses. Bedrooms include bed-sitters, boxrooms and bedrooms which are identified as such by respondents even though they may not be in use as such.

Disaggregation

Breaking a numerical assessment of housing need and supply down, either in terms of size and/or type of housing unit, or in terms of geographical sub-areas within the District/Borough.

Grossing-up

Converting the numbers of actual responses in a social survey to an estimate of the number for the whole population. This normally involves dividing the expected number in a group by the number of responses in the survey.

Household

One person living alone or a group of people who have the address as their only or main residence and who either share one meal a day or share a living room.

Household formation

The process whereby individuals in the population form separate households. 'Gross' or 'new' household formation refers to households which form over a period of time, conventionally one year. This is equal to the number of households existing at the end of the year which did not exist as separate households at the beginning of the year (not counting 'successor' households, when the former head of household dies or departs).

Housing Market Area

The geographical area in which a substantial majority of the employed population both live and work, and where most of those changing home without changing employment choose to stay.

Housing need

Households lacking their own housing or living in housing which is inadequate or unsuitable, who are unlikely to be able to meet their needs in the housing market without some assistance.

Housing Register

A database of all individuals or households who have applied to a LA or RSL for a social tenancy or access to some other form of affordable housing. Housing Registers, often called Waiting Lists, may include not only people with general needs but people with special needs or requiring access because of special circumstances, including homelessness.

Lending multiplier

The number of times a household's gross annual income a mortgage lender will normally be willing to lend. The most common multipliers quoted are three time a first income and one times a second income.

Migration

The movement of people between geographical areas, primarily defined in this context as local authority districts. The rate of migration is usually measured as an annual number of households, living in the district at a point in time, who are not resident in that district one year earlier.

Net annual need

The difference between annual need and the expected annual supply of available affordable housing units (e.g. from the re-letting of existing social rented dwellings).

Newly arising need

New households which are expected to form over a period of time and are likely to require some form of assistance to gain suitable housing, together with other existing households whose circumstances change over the period so as to place them in a situation of need (e.g. households losing accommodation because of loss of income, relationship breakdown, eviction, or some other emergency).

Overcrowding

An overcrowded dwelling is one which is below the bedroom standard. (See 'Bedroom Standard' above).

Potential households

Adult individuals, couples or lone parent families living as part of other households of which they are neither the head nor the partner of the head and who need to live in their own separate accommodation, and/or are intending to move to separate accommodation, rather than continuing to live with their 'host' household.

Random sample

A sample in which each member of the population has an equal chance of selection.

Relets

Social rented housing units which are vacated during a period and become potentially available for letting to new tenants.

Sample survey

Collects information from a known proportion of a population, normally selected at random, in order to estimate the characteristics of the population as a whole.

Sampling frame

The complete list of addresses or other population units within the survey area which are the subject of the survey.

Social rented housing

Housing of an adequate standard which is provided to rent at below market cost for households in need by Local Authorities or Registered Social Landlords (RSLs).

Stratified sample

A sample where the population or area is divided into a number of separate sub-sectors ('strata') according to know characteristics, based for example on sub-areas and applying a different sampling fraction to each sub-sector.

Under-occupation

An under-occupied dwelling is one which exceeds the bedroom standard by two or more bedrooms.

Unsuitably housed households

All circumstances where households are living in housing which is in some way unsuitable, whether because of its size, type, design, location, condition or cost.

APPENDIX A1 FURTHER PROPERTY PRICE INFORMATION

A1.1 Introduction

This Chapter provides further detail in support of the housing market analysis set out in Chapter three. It contains information on prices obtained from the analysis of Land Registry property price data, and explains the methodology and approach used in our survey of local estate agents.

The estate agent survey is a key step in assessing minimum and average property prices in East Devon but only provides limited information concerning price difference within the District, and doesn't shed light on the prices relative to other Local Authorities in the region.

We can look at the wider context of prices in the surrounding areas using information available from the Land Registry. This data is valuable in giving further background to the local housing market, although it does not displace the need for the estate agent information.

A1.2 The need for primary data

There are four main reasons why Land Registry data cannot be used to calculate prices for use in the affordability model. These are:

i) The information can only usefully give a guide to average prices. For a Housing Needs Survey we take the view that it is necessary to estimate the minimum price for which dwellings in satisfactory condition are available.

ii) No information is available about the condition of the dwellings whose price is being obtained. Clearly a property which needs major repairs is unlikely to be suitable for a first-time buyer with a limited budget, even if the initial price is relatively low.

iii) A more serious limitation of this source is that records are kept by property type (i.e. detached, semi-detached, terraced, flat) and not in terms of the numbers of bedrooms. This information is, in our view, essential to provide an accurate assessment of need.

iv) The Land Registry data cannot produce information about rental levels, which again ought really to be considered in carrying out a satisfactory analysis of affordability. There may be a small, but significant, number of households who cannot afford to buy market housing but who could afford suitable private rented housing. The affordability of such households cannot be adequately considered using only sale price information.

Despite these drawbacks the information available is certainly of interest to give some feel to the local context of property prices, and more specifically to provide comparison between prices in different areas.

A1.3 Estate agents survey: Methodology

The methodology employed to find purchase and rental prices takes the following steps:

i) We establish the names and telephone numbers of local estate agents. This includes well known national estate agents as well as those operating specifically in the local area (allowing for good comparative measures of smaller and larger agencies). The estate agents selected are intended to be those dealing primarily with housing at the lower end of the market (e.g. not specialist agencies dealing with up-market properties)

ii) These are then contacted by telephone and asked to give a brief overview of the housing market in the District- including highlighting areas of more and less expensive housing

iii) The questioning takes a very simple form (this tends to improve efficiency without jeopardising results - people often lose interest when asked a series of detailed questions and quality of response is diminished). All agents are asked 'in their opinion'

'What is the minimum and average price for a one bedroom dwelling in good condition (i.e. not needing any major repair) and with a reasonable supply (not one off properties occasionally coming onto the market)?'

iv) This process is repeated for 2,3 & 4 bedroom dwellings

v) The same questions are then asked about private rented accommodation

vi) Once several estate and letting agencies have been contacted, the results are tabulated and averages calculated to give an accurate estimation of minimum and average purchase and rental prices in the District. Any outlying values are removed from calculations.

vii) The estimated purchase and rental prices are then inserted into the analysis to estimate the numbers able to afford a dwelling depending on the minimum number of bedrooms that the household requires.

A1.4 Land Registry data

The Land Registry compiles information on all residential land transactions. Analysis of this data is made available for recent quarterly periods, for geographical areas including Council areas, and more highly disaggregated data postcode areas, and by four main dwelling types.

This data is thus very versatile, and can potentially provide a valuable picture of housing market behaviour in quite specific detail. However, an eye needs to be kept on the size of sample when using disaggregated data for smaller areas and/or periods.

We used the data to provide several useful views of the housing market in and around the East Devon District. These are considered below.

A1.5 Comparing prices in neighbouring areas

The Land Registry data can be used to show how prices in East Devon compared to those in adjoining local authority areas. The table below shows average sale prices for the Local Authorities neighbouring East Devon (from the most recent quarter available from the Land Registry).

Table A1.1 Average property prices by Local Authority (4th quarter 2004)
(number of sales in brackets)

Property type	East Devon	Torbay	Teignbridge	Exeter	Mid Devon	Taunton Deane	South Somerset	West Dorset	England & Wales
Detached	£329,279 (233)	£272,262 (150)	£279,035 (211)	£317,850 (52)	£255,333 (102)	£282,473 (137)	£294,745 (220)	£328,338 (170)	£282,157 (48,393)
Semi–detached	£199,941 (118)	£172,987 (186)	£188,864 (130)	£202,774 (76)	£171,665 (55)	£170,952 (100)	£172,764 (198)	£219,133 (94)	£169,074 (62,453)
Terraced	£181,662 (200)	£145,604 (207)	£151,642 (181)	£182,930 (220)	£146,688 (92)	£155,104 (153)	£149,958 (201)	£196,795 (110)	£139,122 (75,784)
Flat/maisonette	£148,388 (126)	£132,566 (168)	£124,347 (73)	£131,795 (89)	£113,849 (14)	£121,817 (49)	£89,923 (63)	£144,513 (77)	£168,571 (43,094)
Overall average	£229,459 (677)	£176,407 (711)	£201,602 (595)	£192,021 (437)	£192,299 (263)	£194,747 (439)	£197,738 (682)	£242,108 (451)	£182,920 (229,724)

The table indicates there is considerable variation within this sub-region. Overall average house prices vary between £242,108 in West Dorset to £176,407 in Torbay. East Devon shows the second highest overall average price at £229,459. However it should be noted that these figures are in no way standardised to reflect the different mix of properties in each area. For example, East Devon shows a very high proportion of detached house both compared to neighbouring authorities and England & Wales as a whole.

When house prices are considered by property type, the effect of standardisation is to re-order the areas slightly, with areas such as Torbay and Exeter becoming relatively more expensive and Mid Devon becoming relatively less expensive. However the two most expensive areas of West Dorset and East Devon remain the most expensive areas even after standardisation of prices.

A1.6 Price trends in East Devon

We will now examine in more detail information from the Land Registry for East Devon. The table below shows data for sales over the last five years. The data for each case is the 4th quarter of the year.

Table A1.2 Average property prices in East Devon – 1999 to 2004 (4th quarters)
(Number of sales in brackets)

Property type	1999	2000	2001	2002	2003	2004
Detached	£135,983 (375)	£167,973 (329)	£189,571 (377)	£256,898 (356)	£283,340 (412)	£329,279 (233)
Semi-detached	£83,646 (245)	£94,385 (187)	£111,034 (183)	£152,252 (215)	£164,839 (230)	£199,941 (118)
Terraced	£69,020 (260)	£77,098 (201)	£96,884 (265)	£127,697 (268)	£146,322 (323)	£181,662 (200)
Flat/maisonette	£69,134 (149)	£74,925 (130)	£97,688 (173)	£134,061 (209)	£142,924 (188)	£148,388 (126)
OVERALL	£96,922 (1,029)	£115,879 (847)	£134,631 (998)	£177,892 (1,048)	£198,422 (1,153)	£229,459 (677)

Over the five year period prices have risen by an average of £132,537 or 137%. The number of sales has also varied over the period from a low of 677 in 2004 to a high of 1,153 in 2003.

A1.7 Differences within East Devon

(i) General methodology

The general methodology is quite straightforward. We have drawn up a list of the main postcode sectors within the District, and mapped where these postcodes are. The table below gives a brief description of which postcodes apply to which areas of East Devon.

It should be noted that the local authority boundaries are not always coterminous with postcodes. Therefore some properties in a postcode may be outside the area; in addition it is possible that some parts of the District are in a postcode zone that is predominantly located outside the Local Authority area, and are therefore excluded from analysis.

This means that the data by sub-area is only a guide to actual variations within the District.

Table A1.3 Approximate sub-areas and postcodes

Area description	Postcode(s)
Axminster	DT7 3, EX13 5, EX13 7
Seaton	EX12 2, EX12 3, EX24 6
Sidmouth	EX10 0, EX10 8, EX10 9
Budleigh Salterton	EX9 6, EX9 7
Exmouth	EX8 1, EX8 2, EX8 3, EX8 4, EX8 5
Woodbury & Broadclyst	EX5 1, EX5 2, EX5 3, EX5 4, EX5 5
Ottery St. Mary	EX11 1
Honiton	EX14 1, EX14 2, EX14 3, EX14 4, EX14 5, EX15 2

The table above shows 28 different postcode sectors in eight different sub-areas. This gives us the opportunity to compare prices across the East Devon area.

(ii) Results by sub-area

In the table below, average property prices are shown for each sub-area. It is necessary to bear in mind that the number of sales in some cells of the table are quite small and the average price shown may be less reliable as a consequence. It should also be noted that the figures have not been standardised in any way to reflect the different pattern of sales in different locations

Table A1.4 Average property prices by sub-area (4th quarter 2004)	
Sub-area	Average price
Axminster	£239,614
Seaton	£212,238
Sidmouth	£282,702
Budleigh Salterton	£334,095
Exmouth	£184,827
Woodbury & Broadclyst	£305,885
Ottery St. Mary	£281,305
Honiton	£230,313

The table confirms the results from the estate agents survey (i.e. that there are significant variations in prices between different parts of the District). The Land Registry data suggests that prices are generally lower in Exmouth and Seaton and highest in Budleigh Salterton and Woodbury & Broadclyst.

A1.8 Summary

An additional analysis of Land Registry data was carried out to help put property price information obtained from estate agents into local context. The Land Registry data suggests that actual average prices in East Devon are generally higher than found in adjoining local authority areas (with the exception of West Dorset) and that overall prices have risen by around 16% over the last year.

APPENDIX A2 AFFORDABLE HOUSING POLICY

A2.1 Introduction

This appendix addresses a topic which has grown rapidly in importance over the past decade, namely affordable housing. The appendix sets out the key statements in Government guidance, used as the basis for the analysis in the report.

The term is a construct of Government advice although even in its most recent form (PPG3 (2000)) it provides no coherent definition of what affordable housing is. As affordable housing, negotiated under the relevant planning guidance, has become in most parts of the country the main source of new housing to address housing need, this is a serious omission. It means that an analysis showing how affordable housing can meet housing need is a prerequisite to obtaining it.

A2.2 Surveys as basis for policy

Circular 6/98 makes it clear that affordable housing policies:

> *'should be based on a good understanding of the needs of the area over the period'* (para 5) and that *'Assessments will need to be rigorous, making clear the assumptions and definitions used, so that they can withstand detailed scrutiny'* (para 6)

The Guidance also stresses that HNS should be up to date, and defines what that normally means:

> *'Surveys become out of date and have to be repeated from time to time. As a general guide, a repeat once every five to seven years would be appropriate, although this should depend on local circumstances.'* (Guide to Housing Needs Assessment p 36)

A2.3 Basis for defining affordable housing

In the introduction the broad definition of affordable housing was quoted. The difficulty with it is that, using the definition of housing need in the Guide:

> 'Housing need *refers to households lacking their own housing or living in housing which is inadequate or unsuitable, who are unlikely to be able to meet their needs in the housing market without some assistance.' [Glossary: A2.2]*

This definition is consistent with the quotation from paragraph 4 of Circular 6/98 in the preceding section: that affordable housing should be below market entry level. The general approach of Circular 6/98 is 'evidential': that what is affordable depends on local evidence:

> *'The [affordable housing] policy should defined what the authority regards as affordable….'* (para 9(a))

This makes sense, but the following text is more difficult:

> *'…but this should include both low-cost market and subsidised housing, as both* ***will*** *have some role to play in providing for local needs'* (para 9(a)) (our emphasis)

This statement is odd for two reasons:

(i) It is grammatically incorrect: it states the results of an investigation, without there having been one ('will')

(ii) Low cost market housing does not pass the test set out in para 4 of Circular 6/98: that it should be cheaper than market entry. It is normally at least 130% of that price.

This has led to difficulties at Local Plan (or UDP) inquiries. The Inspector is bound to follow Government Guidance, and yet the official support for low-cost market housing is contradicted by its failure to be 'affordable'. In some 150 district wide HNS since the concept was introduced in 1996, none has shown low cost market housing to be affordable in the Circular sense. Very little has been accepted by councils as a result. It is popular with developers as it is much more profitable than other types of affordable housing.

Affordable housing is defined in the ODPM Guide in a subtly different way from Circular 6/98. The ODPM guide definition was described by the Poole Local Plan Inspector (March 2003) as conflicting with the circular. The Guide definition is similar to the Circular on social rented and shared ownership but different as regards low cost market. On this point it says that affordable housing will include:

> *'in some market situations cheap housing for sale'* (page 117)

This is a far more reserved judgement on the role of low cost market. It is also one which makes more sense of the Circular 6/98 one. In most market situations low cost market housing is much more expensive than market entry level, and is therefore not affordable in the Circular sense. The ODPM Guide version is therefore a more realistic one, in implying that low cost market housing will only in a minority of cases be affordable.

In most cases, therefore, the housing that will be affordable in the sense of Circular 6/98 and the ODPM Guide will be social rented and various forms of low cost home ownership (LCHO), mainly shared ownership.

A2.4 Linking survey evidence to policy

The Government has recently emphasised the link between local evidence (from HNS mainly) and affordable housing policy. The ODPM publication *'Delivering Affordable Housing Through Planning Policy'* (2002) criticised councils for 'slavishly' following the wording of Circular Guidance in a broad definition of affordable housing (para 2.4.6) rather than using the local evidence to define affordable housing. The ODPM calls for a tightening of the link between the HNS and the Affordable Housing policy:

> *'…..It is very evident that this tightening or better practice process must begin with a much more robust procedure for translating the findings of housing needs assessments into local plan definitions of housing need. The research shows, surprisingly, that housing needs assessments are not a stated first port of call when it comes to defining affordable housing…..'*
>
> (para 2.4.7)

Thus the definition of affordable housing in an area should draw upon the results of the HNS for that area.

A2.5 What level of subsidy is involved?

Government advice has been reticent on this point. It refers, as quoted from para 9(a) of Circular 13/96, to 'subsidised' housing, but does not explain what subsidy should be provided by the housebuilders/landowners who provide affordable housing via this circular's requirements. The Circular prefers an indirect route:

> *'…where there is evidence of need for affordable housing, local plans should include a policy for seeking an element of such housing, on suitable sites. Such policies will be a material consideration in determining an application for planning permission' (para 1 of Circular 6/98)*

The response of local authorities, since such policies were brought in (in 1991) has been quite variable. The level of subsidy has increased over the period, as the public subsidy (Social Housing Grant) has declined.

The subsidy is normally at least land at nil price, and sometimes also includes a subsidy on the build price, where this cannot be afforded by the local authority and Registered Social Landlord concerned. The issue is discussed in detail in *'Delivering affordable housing…..'* referred to in the above subsection.

A2.6 What target(s)

Circular 6/98 allows for numerical targets at district level, and for percentage or numerical targets at site level (para 9(b). The logical target is a percentage target at district level, since a numerical one can quickly be rendered obsolete if large windfall sites emerge. As the Inspector at the Merton UDP Inquiry said:

> *'The use of percentages is therefore not discouraged and, as most housing within the Borough comes from windfall sites, I accept that its use in the policy is an appropriate way forward. It would also provide a consistent yield and give a level of certainty to developers'* (LB Merton Inspector's report, 2001, para 3.29.11)

Such district wide percentages are, therefore, widespread, and constitute the most common means of setting what is a target for negotiation on particular sites, based on their particular characteristics.

In terms of the levels of percentage, the figure has risen considerably over the period of more than a decade of such policies. Originally figures of 5% and 10% were common. By the mid 1990's adopted plans contained policies with 25-30% as their affordable housing target. However the outturn percentages from these policies has normally been much lower than the headline percentage. A recent report suggested that 10% had been achieved in the 1990's. As a consequence, targets have continued to rise. The current custom and practice percentage target is 40%. This has been accepted by many Inspectors as a reasonable rate, and by many developers as practicable on given sites. However the trend is rising: the London Plan (not yet adopted) is seeking 50%.

A2.7 What site threshold?

Circular 6/98 sets a target of 15 dwellings as the site threshold for Inner London, and a site threshold of 25 for all other areas, except rural areas with settlements below 3,000 population, when the council can set its own threshold.

However the Circular allows that where there are 'exceptional constraints' the target can be lowered from 25 towards or to 15, in areas outside Inner London:

> *The Secretary of State considers that it may be appropriate for local planning authorities in those areas where the higher threshold (at (a) above [25]) would apply, and who are able to demonstrate exceptional local circumstances, to seek to adopt a lower threshold (between the levels at (a) [25] and (b) [15]) above. Such constraints must be demonstrated, and proposals to adopt a lower threshold must be justified through the local plan process. [to this may be added, also through Supplementary Planning Guidance: I was involved in justifying 15 rather than 25 in LB Croydon via SPG in a S78 appeal in August 2001]* Circular 6/98 para 10 (c)

Footnote 9 of the Circular then applies, and it says, in terms of justifying exceptional circumstances, that the justification

> *'should include factors such as: the number and types of households who are in need of affordable housing and the different types of affordable housing best suited to meeting their needs; the size and amount of suitable sites that are likely to be available for affordable housing (including an assessment of the densities of development likely to be achieved, and how these related to levels of need for affordable housing*'……[more minor points related to supply which are already factored into the ODPM Guide calculation)

Thus the key test is that the need for affordable housing should exceed (or considerably exceed) the likely yield of affordable housing. It should be noted that the test does <u>not</u> involve comparing the council in question with its neighbours or with Inner London etc. It is a common mistake to assume that exceptional circumstances does mean 'exceptional' in relation to other districts. This is not the case.

Given the general shortage of sites for affordable housing in relation to the overall need as shown by a Guide analysis, 'exceptional constraints' apply to most districts in the Southern half of England, and to many in the north also.

This review has covered the key features of affordable housing policies. There are several other features, such as 'commuting off' where the developer seeks to avoid providing the affordable housing onsite by a payment or by providing an alternative site elsewhere, where the affordable housing can be put.

A2.8 Affordable housing in rural areas

Apart from the fact that the Council can set the target in relation to evidence, in areas with settlements of less than 3,000 population, there is a further rule for 'exceptions' sites. These are ones where housing would not normally be permitted (for example ones which are outside a village 'envelope') but will be permitted if the purpose is to provide affordable housing.

PPG3 (2000) makes similar comments on affordable housing in rural areas, except for the longstanding emphasis on village appraisals to support particular schemes. These are not intended to be major technical exercises like HNS, but rather ones which are designed to establish whether local people want such a scheme. PPG3 (2000) also emphasises (Annex B para 2) that affordable housing on exceptions sites should not be subsidised by general market housing. That is to say the subsidy should come from a lower land price and not from extra market housing. This is designed to prevent landowners achieving the sort of land profit which could be achieved normally only on allocated development sites.

A2.9 Recent Government advice

Towards the end of the survey process, and after initial drafts of the report had been written and largely finalised, an additional Housing Planning Policy Guidance (PPG3) consultation was issued by ODPM: 'planning for mixed communities'. The consultation was issued in January 2005, building on the July 2003 consultation PPG 'Influencing the size, type and affordability of housing', and it will be superseded by finalised guidance that is expected in July 2005. Although the PPG focuses on "planning for mixed communities", and on sub-regional housing market assessments specifically, it has a few broader implications for affordable housing policy in general. Furthermore, it provides some insight into the tone of and ideas behind the forthcoming guide.

The proposed policy changes would replace paragraphs 9 to 17 of PPG3, Annex C would be updated with new definitions and Annex D would be updated with the details of new practice guidance. DETR Circular 6/98 (planning and affordable housing) would be cancelled.

The draft does not appear to substantially change guidance contained within PPG3 and Circular 6/98 although there are a few pointers about the direction in which policy is going which are of importance.

Key points for affordable housing from this consultation phase include the following:

i) There may be a move towards specifying at the very little least the size and type of affordable housing required, but possibly the floorspace and number of rooms required as well. Optionally, data could be included on the form of contribution ("land or cash") or the circumstances where the amount will differ, exemplifying city/rural and size thresholds

ii) It has been suggested that developers should collaborate in the production of future local needs assessments. However, the form that this collaboration might take remains unspecified and there has been little indication of how clashing commercial interests might be prevented from interfering with needs assessments. A new element to the guidance is that it asks applicants to justify that they have produced suitably mixed developments and states that if they have failed to do so, this may be a reason for refusal.

iii) There is a shift from emphasis from 'need' to 'demand', when compared to the 2000 PPG3. The number and scope of particular groups which the 2000 PPG3 focussed on, have been somewhat reduced (e.g. they have dropped barge dwellers).

iv) With regards to mixed communities, the draft guidance emphasises the need to promote social inclusion. It also re-emphasises the need for up to date assessments of the full range of demands across the plan area and for the plan period (i.e. not the market area).

v) Although the regional plan cannot specify District Councils' policies, it can indicate the balance of affordable and market housing, and policies for special groups like key workers.

vi) The consultation emphasises the need for updates. Given that the market situation can quickly change (much more so than the underlying housing needs situation) such updates will be useful snapshots of a changing affordable housing requirement.

vii) The draft also asks councils to balance the amount of affordable housing 'against the development potential of sites'. This should involve looking at alternative land use values and assumptions about grant, and conducting something along the lines of the viability analysis that Fordham Research use.

viii) Thresholds for site size may change, with the introduction of the possibility of setting maximum thresholds. Councils can set different thresholds in different areas, and can set the threshold lower than 15 where there are 'high levels of need that cannot be met on larger sites alone'. Again viability must be examined as well as effect on social inclusion. Furthermore the affordable housing policy can actually be used on sites smaller than the threshold (presumably in the adopted plan) if the site is above 'some appropriate threshold' and/or is part of a larger site. That gives a useful flexibility.

ix) The guidance is opposed to commuting off, even if this is what the private sector want. If any commuting off is done, it should be towards improving balance of communities, bringing housing back into use, and so on.

x) The local housing assessment is to be taken into account when granting permission. This is particularly the case if the assessment is more up to date than the development plan (as it will often be).

xi) The guidance stresses the need for a cascade mechanism if the production of the agreed affordable housing is not possible (due say to lack of grant).

xii) Finally, although the draft is against nominating RSLs, it does mention a 'specified period or perpetuity' which will, for example, prevent developers from claiming that no approval is given to perpetuity.

APPENDIX A3 SUPPORTING INFORMATION

A3.1 Non-response and missing data

Missing data is a feature of all housing surveys: mainly due to a respondent's refusal to answer a particular question (e.g. income). For all missing data in the survey imputation procedures were applied. In general, throughout the survey the level of missing data was minimal.

Non-response can cause a number of problems:

- The sample size is effectively reduced so that applying the calculated weight will not give estimates for the whole population

- Variables which are derived from the combination of a number of responses each of which may be affected by item non-response (e.g. collecting both respondent and their partners income separately) may exhibit high levels of non-response

- If the amount of non-response substantially varies across sub-groups of the population this may lead to a bias of the results

To overcome these problems missing data was 'imputed'. Imputation involves substituting for the missing value, a value given by a suitably defined 'similar' household, where the definition of similar varies depending on the actual item being imputed.

The specific method used was to divide the sample into sub-groups based on relevant characteristics and then 'Probability Match' where a value selected from those with a similar predicted value was imputed. The main sub-groups used were tenure, household size and age of respondent.

A3.2 Weighting data

The survey data was weighted to estimated profiles of households based on various secondary sources of information. The tables below show the final estimates of the number of households in each group (for four different variables) along with the number of actual survey responses (data for tenure can be found in Chapter 2). Although in some cases it is clear that the proportion of survey responses is close to the 'expected' situation there are others where it is clear that the weighting of data was necessary to ensure that the results as presented are reflective of the household population of East Devon.

Table A3.1 Sub-area profile				
Sub-areas	Estimated hhs	% of hhs	Number of returns	% of returns
Axminster	5,739	10.2%	165	8.7%
Seaton	5,602	10.0%	196	10.4%
Sidmouth	7,933	14.1%	263	13.9%
Budleigh Salterton	2,869	5.1%	104	5.5%
Exmouth	15,250	27.1%	513	27.2%
Woodbury & Broadclyst	5,948	10.6%	198	10.5%
Ottery St. Mary	4,496	8.0%	160	8.5%
Honiton	8,424	15.0%	289	15.3%
TOTAL	56,260	100.0%	1,888	100.0%

Table A3.2 Accommodation type profile				
Accommodation type	Estimated hhs	% of hhs	Number of returns	% of returns
Flat/maisonette	8,168	14.5%	220	11.7%
House/bungalow	48,092	85.5%	1,668	88.3%
TOTAL	56,260	100.0%	1,888	100.0%

Table A3.3 Household type profile				
Household type	Estimated hhs	% of hhs	Number of returns	% of returns
Single pensioners	11,150	19.8%	414	21.9%
Two or more pensioners	9,798	17.4%	407	21.6%
Single non-pensioners	5,572	9.9%	148	7.8%
Other households	29,740	52.9%	919	48.7%
TOTAL	56,260	100.0%	1,888	100.0%

Table A3.4 Household size profile				
Household size	Estimated hhs	% of hhs	Number of returns	% of returns
One	16,723	29.7%	562	29.8%
Two	23,562	41.9%	855	45.3%
Three	6,935	12.3%	200	10.6%
Four	6,018	10.7%	183	9.7%
Five	2,275	4.0%	70	3.7%
Six or more	747	1.3%	18	1.0%
TOTAL	56,260	100.0%	1,888	100.0%

APPENDIX A4 BALANCING HOUSING MARKET ANALYSIS

A4.1 Introduction

The following tables show the detailed analysis for the six components contributing to the Balancing Housing Market Analysis presented in Chapter 10 of this report.

A4.2 Analysis of East Devon data

Table A4.1 Demand I: Household formation by tenure and size required

Tenure	Size requirement				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	72	150	30	9	261
Affordable housing	388	211	7	0	605
Private rented	92	20	0	0	112
TOTAL	552	381	36	9	978

Table A4.2 Demand II: Demand from in-migrants by tenure and size required

Tenure	Size requirement				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	23	198	217	161	599
Affordable housing	16	60	27	14	117
Private rented	4	20	21	20	64
TOTAL	43	279	265	195	781

Table A4.3 Demand III: Demand from existing households by tenure and size required

Tenure	Size requirement				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	125	450	580	256	1,411
Affordable housing	124	222	228	75	649
Private rented	10	45	0	0	55
TOTAL	259	717	808	331	2,115

Table A4.4 Demand IV: Total demand by tenure and size required

Tenure	Size requirement				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	220	798	827	426	2,271
Affordable housing	528	493	261	89	1,371
Private rented	105	85	21	20	231
TOTAL	854	1,377	1,109	534	3,874

Table A4.5 Supply I: Supply from household dissolution

Tenure	Size released				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	81	280	170	56	586
Affordable housing	52	35	11	0	98
Private rented	46	30	18	0	94
TOTAL	179	345	199	56	778

Table A4.6 Supply II: Supply from out-migrant households

Tenure	Size released				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	24	107	162	105	399
Affordable housing	0	5	5	0	9
Private rented	11	41	8	13	73
TOTAL	35	153	175	118	481

Table A4.7 Supply III: Supply from existing households

Tenure	Size released				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	66	311	520	352	1,249
Affordable housing	43	143	79	5	270
Private rented	92	263	190	51	595
TOTAL	201	717	789	408	2,115

Table A4.8 Supply IV: Total supply

Tenure	Size released				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	171	698	852	514	2,234
Affordable housing	95	183	94	5	378
Private rented	149	334	216	63	762
TOTAL	415	1,214	1,162	582	3,374