

BOURNEMOUTH/ POOLE HOUSING MARKET AREA

2011 Strategic Housing Market Assessment Update

Final Report

January 2012



in association with



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Summary

Background

1. This report provides an update to the 2007 Strategic Housing Market Assessment (SHMA) for the Bournemouth/Poole Housing Market Area (HMA); covering the six local authorities of Bournemouth, Christchurch, East Dorset, North Dorset, Poole and Purbeck. It has been written in compliance with the 2007 CLG practice guidance regarding SHMAs and also Planning Policy Statement 3 (Housing) PPS3. The report updates estimates of housing need and demand and has been produced in consultation with relevant stakeholders.
2. A key part of the process was to update household survey data collected and used in the 2007 SHMA. The update reflects a number of changes recorded both locally and nationally which will impact on local housing requirements. These include a large increase in the size of the private rented sector, a decrease in the propensity for owner-occupiers to move and the decreases in house purchase prices. The latter issues are a direct consequence of the credit crunch which has affected both the supply and demand side of the housing market. These have all been factored in to the updating of survey data and the key outputs derived from the information base. The table below shows the estimated tenure split in the HMA in 2011.

| Estimated tenure split in Bournemouth/Poole HMA (2011) | | |
|--|----------------|-----------------|
| Tenure | Households | % of households |
| Owner-occupied (no mortgage) | 97,576 | 38.3% |
| Owner-occupied (with mortgage) | 86,519 | 34.0% |
| Social rented | 27,536 | 10.8% |
| Private rented | 42,833 | 16.8% |
| TOTAL | 254,463 | 100.0% |

Source: Household Survey Data

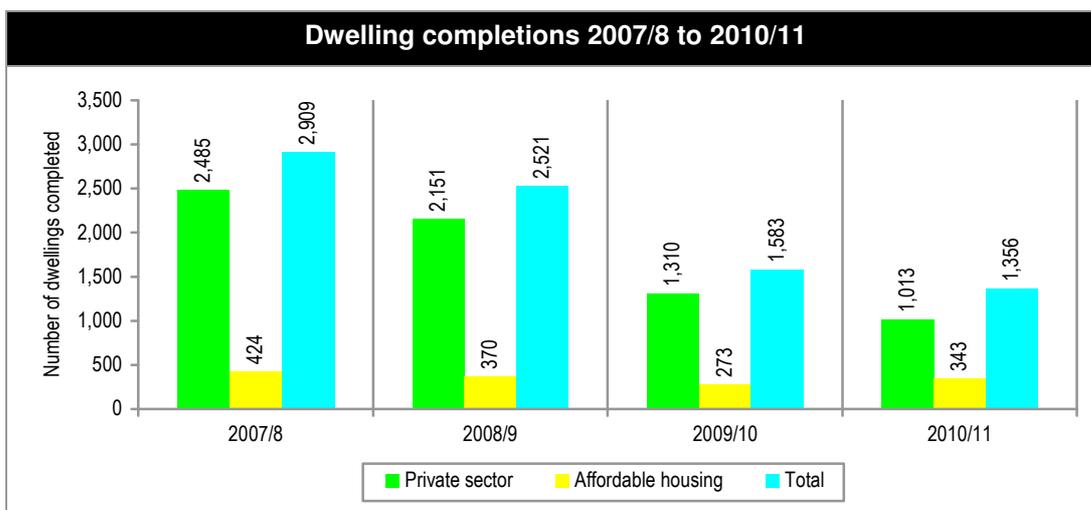
Stakeholder consultation

3. CLG practice guidance highlights the importance of the involvement of stakeholders in the SHMA process.
4. The first stage of stakeholder consultation centred upon individual stakeholders involved in servicing or regulating the local housing markets. They were interviewed to gather information on current housing market conditions. They were also asked to describe trajectories and trends they believed were affecting the market.

5. The second strand of stakeholder work involved contacting over 150 stakeholders by e-mail to explain the rationale for the study and to ask for any initial thoughts on the current housing market. Where possible, these initial stakeholder comments were then fed through into the analysis.
6. Following the production of the draft report stakeholders were given the opportunity to comment on the findings and attend a workshop where the findings and potential policy implications were discussed. Consultants presented a summary of findings and participated in a question and answer session. A fuller account of the workshop is provided towards the end of Section 2.

Demography and Housing Stock

7. It is estimated that in 2011 there were 587,019 people resident in the HMA. The age profile of the population is heavily focussed towards older age groups with an estimated 11.5% of the population of the HMA being aged 75 and over (compared with 8% nationally) and 17.7% aged between 60 and 74 (compared with 14.6% nationally). Bournemouth (and to a lesser extent Poole) show a younger age structure than the HMA generally whilst Christchurch and East Dorset stand out as having a particularly large older person population. This information is based upon estimates provided by the County Council and is based upon an estimate of population given the number of occupied homes in the area.
8. The housing stock in the HMA has increased since the 2007 SHMA was carried out with data provided by the local authorities showing that around 8,400 additional homes have been built over the past four years. Around 17% of additional dwellings are classified as affordable and this proportion increased slightly over time although a general decrease in overall housebuilding has meant that the number of affordable homes delivered has decreased since 2007. This data is shown on the figure below.

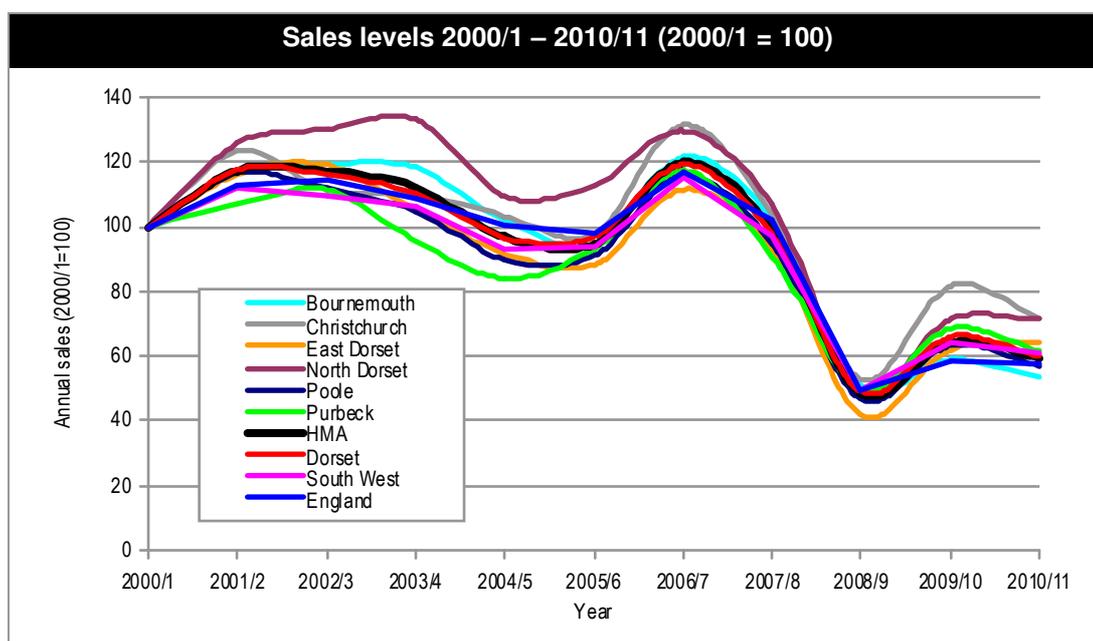


Source: Dorset County Council

9. Vacancy rates in the HMA are generally low with particularly low rates in public sector stock. The number of vacant homes in the HMA in both public and private sectors appears to have dropped since 2007 which reflects the national trend. In general the low level of vacancies in Council and RP stock suggest relatively little opportunity for homes to be brought back in to use to increase the supply of affordable homes overall.
10. The nature of the housing stock also varies considerably by location with Bournemouth and Poole having the highest proportion of flats whilst around a third of the housing stock in North Dorset is detached houses. Around 39% of all dwellings in East Dorset are classified as bungalows with a figure of around a quarter in each of Christchurch and Purbeck.

The Current Housing Market

11. Since the 2007 SHMA was carried out there has been a significant downturn in national and local housing market prices. There has been a decline in both house prices and the number of sales made. There is however evidence that the market is picking up with the volume of housing sales increasing slightly since 2008/9 although dropping back a bit in 2010/11. The figure below shows changes in the volume of sales since 2000/1 (with 2000/1 set at a base of 100).



12. The evidence of lower quartile prices was clear from our housing market survey of July 2011 with all sizes of housing in all locations showing a drop in price – this is shown in the table below. In addition, Land Registry data suggests that the prices of homes in the Bournemouth/Poole HMA have declined by between 5% and 13% depending on location since 2007.

| Entry-level (lower quartile) price change 2007 to 2011 | | | | | |
|--|----------|-----------|------------|------------|------------|
| Local authority | | 1 bedroom | 2 bedrooms | 3 bedrooms | 4 bedrooms |
| Bournemouth | 2007 | £110k | £159k | £218k | £290k |
| | 2011 | £96k | £144k | £202k | £269k |
| | % change | -13% | -9% | -7% | -7% |
| Christchurch | 2007 | £124k | £180k | £251k | £323k |
| | 2011 | £110k | £149k | £233k | £321k |
| | % change | -11% | -17% | -7% | -1% |
| East Dorset | 2007 | £142k | £190k | £243k | £318k |
| | 2011 | £92k | £150k | £225k | £308k |
| | % change | -35% | -21% | -7% | -3% |
| North Dorset | 2007 | £82k | £135k | £170k | £247k |
| | 2011 | £75k | £112k | £152k | £218k |
| | % change | -8% | -17% | -11% | -12% |
| Poole | 2007 | £110k | £176k | £220k | £285k |
| | 2011 | £95k | £152k | £200k | £271k |
| | % change | -14% | -14% | -9% | -5% |
| Purbeck | 2007 | £132k | £178k | £229k | £309k |
| | 2011 | £107k | £163k | £207k | £264k |
| | % change | -19% | -9% | -10% | -14% |

Source: Online Estate and Letting Agents Survey 2007 and 2011

13. When looking at the cost of private rented accommodation, the market survey suggested that rents have increased significantly since 2007, particularly for larger properties. Although prices have decreased the increases in private sector rent levels are likely to mean that affordability pressures have not eased to any degree due to the market downturn as PPS3 definitions, which are the basis for the study, regard market housing as both owner occupied and private rented tenures.

The Economy, Incomes and Affordability

14. Data from the annual population survey suggests that the number of people in employment in the HMA has dropped slightly since 2007 with the employment rate (based on those aged 16 to 64 who are working) dropping from 75.0% to 73.3% from 2007 to 2010. Up-to-date information also shows that there has been a significant increase in unemployment in the area with the unemployment rate rising from 3.5% to 6.0% (although the unemployment rate in the HMA remains low when compared with national figures). Jobseekers Allowance claimants have also increased by a similar proportion.
15. Despite the increase in unemployment and decline in the number of people working, information from the Annual Survey of Hours and Earnings suggests that income levels for employed people living in the study area have increased in all local authorities other than Poole since 2007. When this factor is used to update the survey data it is estimated that household incomes have risen by 4% over the past four years.

16. It is estimated that around 26% of households across the HMA cannot afford housing at current market purchase prices or rents without the need for some form of subsidy such as the local housing allowance. Households in Bournemouth were least likely to be able to afford local housing as were certain household groups such as lone parents and other households with children.

Housing Need

17. As with the 2007 SHMA this report makes an estimate of housing need which follows the housing needs model set out in CLG practice guidance. The model has sixteen stages of data analysis which finishes with an estimate of the overall net need for additional affordable housing. The model combines both household survey data and secondary sources in making estimates of housing need and is also used to make estimates of the size and type of affordable housing needed.
18. On this basis it is estimated that across the HMA there is an annual need to provide 8,350 additional units of affordable housing per annum if all needs are to be met over the next five years. This figure is significantly higher than the estimate for 2007 (5,704 units per annum); this is mainly due to the increase in the size of the private rented sector (PRS). A disproportionate amount of housing need typically arises in this sector because it is often in some way unsuitable for the households but they cannot afford other market housing. The table below summarises the results from the CLG housing needs model as well as providing estimates for individual local authorities.

| Summary of housing needs estimates | | | | | | | |
|------------------------------------|--------------|---------------|-------------|--------------|--------------|------------|--------------|
| Element | Bourne-mouth | Christ-church | East Dorset | North Dorset | Poole | Purbeck | HMA |
| ① Backlog need (annual) | 1,081 | 83 | 166 | 139 | 472 | 125 | 2,066 |
| ② Backlog supply (annual) | 243 | 21 | 86 | 122 | 183 | 50 | 704 |
| ③ Net backlog need (annual) ① - ② | 839 | 62 | 79 | 17 | 289 | 75 | 1,362 |
| ④ Future need (annual) | 4,778 | 392 | 503 | 630 | 1,913 | 536 | 8,752 |
| ⑤ Future supply (annual) | 643 | 122 | 156 | 260 | 492 | 91 | 1,764 |
| ⑥ Net future need (annual) ④ - ⑤ | 4,135 | 270 | 347 | 370 | 1,421 | 445 | 6,988 |
| Total net annual need ③ + ⑥ | 4,974 | 332 | 426 | 387 | 1,710 | 520 | 8,350 |
| Total net annual need (2007) | 3,015 | 243 | 440 | 399 | 1,199 | 409 | 5,704 |

Source: Household Survey Data, CORE

19. The level of housing need is high and it is not realistic that this need can be met in the current investment climate. The wider operation of the market should be understood to put this finding into context. In particular, data analysis suggests that the private rented sector makes a significant contribution to meeting households' needs both through the Local Housing Allowance system which subsidises housing costs for them; the fact that some households choose to spending more than 25% of their income on housing and; that the part of the private rented sector also offers poor quality housing at sub-market rents.

20. Further analysis suggested that around 70% of the need is for smaller (1 and 2 bedroom) accommodation whilst around 14% of the need could be met through intermediate housing (the remainder through social rented and affordable rented housing). These figures are based on overall needs and do not take account of long-term changes or likely priorities (e.g. to provide housing for families as a priority over single people). In developing policies to meet housing need Councils will need to consider a range of factors such as the viability of providing affordable housing and also their policy priorities for the types of households whose needs they wish to meet.

The Future Housing Market

21. Macro-economic factors are expected to influence effective demand for the purchase of housing in the short-term. These include mortgage finance, market confidence, short-term weakness in employment growth, and pressures on household incomes. Market demand is expected to be subdued and can be expected to impact on new build housing completions for some time to come.
22. This in turn is demonstrably leading to increased demand for rented housing. Similarly supply based upon new build housing is unlikely to be able to meet demand in the short-term given the investment-led model for the private rented sector, the funding model based upon debt and constraints in public investment in the affordable housing sector. As a result the housing market is expected to be dysfunctional. However evidence from stakeholders suggests that investors are responding to market drivers through the existing stock and their existing portfolios. In particular the trend to convert family homes into smaller flats and apartments is evident. It is noteworthy that such additional housing may be let as self contained or as shared housing.
23. However it is still appropriate to plan on meeting expected household growth over the longer-term. This is expected to be driven by demographic trends and over the medium- and long-term in particular, by economic performance and employment growth. Using a combination of updated County Council population/household figures (for 2011) and assumptions underpinning the 2008-based CLG household projections we have projected likely household change in the HMA over the period to 2031. This is summarised below.

| Projected household change in the HMA (2011 – 2031) | | | | | |
|---|----------------------|----------------------|--------------------|-----------------------|--------------------------|
| Area | Households (2011) | Households (2031) | Absolute change | % change from 2011 | Annual average change |
| Bournemouth | 81,795 | 92,015 | 10,220 | 12.5% | 511 |
| Christchurch | 21,920 | 26,291 | 4,371 | 19.9% | 219 |
| East Dorset | 37,943 | 44,657 | 6,714 | 17.7% | 336 |
| North Dorset | 28,823 | 34,289 | 5,466 | 19.0% | 273 |
| Poole | 64,010 | 73,355 | 9,345 | 14.6% | 467 |
| Purbeck | 19,972 | 23,368 | 3,396 | 17.0% | 170 |
| HMA | 254,463 | 293,975 | 39,512 | 15.5% | 1,976 |

Source: ONS/CLG and Dorset County Council

24. Using our housing market model, which takes into account how households of different ages occupy dwellings, and the potential delivery of housing in different tenures, linked to the above projections, we consider that market demand will be focused towards a balance between smaller and larger properties (with 48%-50% of demand for 3 and 4+ bed properties).
25. An estimated 45%-48% of overall housing requirements (market and affordable) are for 3 and 4+ bed properties. This mix should be reflected in the 'portfolio' of sites taken forward through Local Plans insofar as sites are suitable for such a mix. For affordable housing, taking account of identified need, existing supply and turnover of properties and issues related to the management of the housing stock, we recommend a policy target for 55-60% of future affordable housing provision to be 1 and 2-bed properties and 40-45% with 3 or more bedrooms.

Rural Housing Requirements

26. Understanding housing need and demand in rural areas is important even in predominantly urban areas such as the Bournemouth/Poole HMA. In defining rural areas we have split locations into three broad categories (urban, significant settlements and rural). Overall it is estimated that 10.6% of households live in rural areas and 23.4% in significant settlements. The percentage in rural areas varies from 0% in Bournemouth, Christchurch and Poole to 48.1% in North Dorset.
27. There are clear differences between different types of location with non-urban areas having lower proportions of rented housing and a lower turnover of such homes, greater proportions of detached houses and bungalows, more pensioner and family households and higher income levels.

28. When modelling housing needs the analysis suggests that affordable housing requirements in rural areas are significant; of the estimated annual need in the HMA of 8,350 per annum some 385 (about 5%) is estimated to be from households in rural areas and a further 950 (11%) from households in 'significant settlements'. The housing market model confirms the need for a range of different sizes of affordable housing as well as showing a significant potential demand for housing more generally in rural areas.

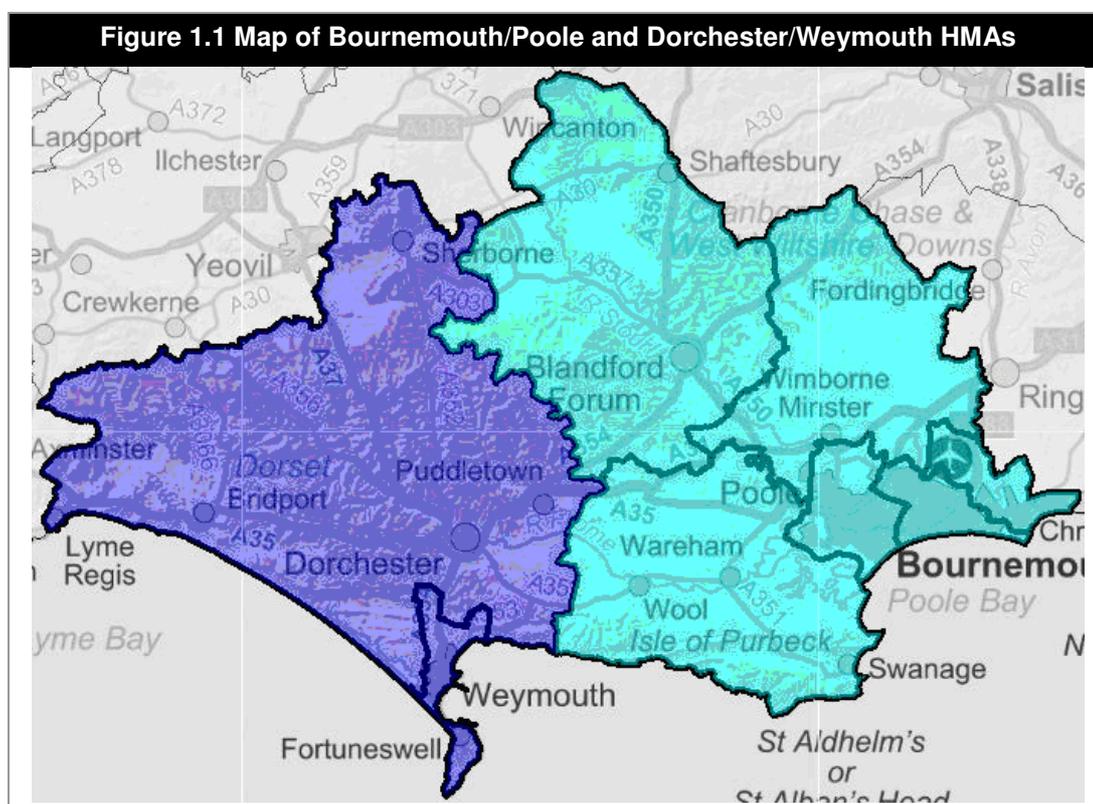
Conclusions and Policy Implications

29. Bringing together the results from the study and in particular the outputs of the housing needs and housing market models it is suggested that there is a significant need for additional affordable housing. In reality, the private rented sector will continue to house many people in this group due to the shortage of social rented housing. Additional supply through local authority affordable housing policies will be constrained by the economic viability of individual sites. It will therefore be for the councils to take a view on realistic targets based on economic viability and policy priorities as well as the level of housing need.
30. In the affordable sector the evidence suggests that around 14% of additional housing should be intermediate affordable housing with a particular focus on intermediate rent for lower income households with limited levels of capital. The remaining 86% should be either affordable rented housing or social rented. These proportions are however based on the totality of housing need and it would not be unreasonable for individual Councils to plan for a different tenure split if it will assist in providing a greater number of additional affordable homes. It should be noted that large households on low income are less likely to be able to afford intermediate affordable housing as their disposable income needs to support children.
31. In the market sector it is concluded that around 50% of additional homes should be larger (3 and 4+ bedroom) units with a similar proportion in the affordable sector.
32. The significance of the private rented sector is noted especially in the urban areas and in view of its role in providing lower quality benefit supported tenancies the need for enforcement and intervention by the local authority is emphasised.
33. Overall, the levels of both demand and need in the HMA are significant and the findings of the SHMA update can support the local authorities to develop policies which will assist them in meeting housing needs and demands both now and into the future.

1. Background

Introduction

- 1.1 A Strategic Housing Market Assessment (SHMA) was originally published for the Bournemouth/Poole Housing Market Area (HMA) in June 2008 based on data collected in April/May 2007. The SHMA examined the local housing market in accordance with the relevant CLG Strategic Housing Market Assessment Practice Guidance of August 2007. It included a review of the current local situation, an understanding of the housing market dynamics and recommendations as to the appropriate action in the HMA.
- 1.2 Given that the key data used in the original SHMA is now four years old and that there have been notable changes in market conditions it is advisable to re-assess its findings. This update report therefore seeks to complement the existing study, by reviewing the outputs where more recent data is available. This update report will use the most recent secondary data to assess the local impact with the altered market conditions. This is done by direct examination of secondary data and by applying the changes recorded to household survey data to provide an updated analysis of housing need and demand.
- 1.3 This report has been written alongside a similar report for the Dorchester/Weymouth HMA and below we have provided a map showing the spatial extent of the two HMAs (taken from the previous SHMA work).



Source: Strategic Housing Market Assessment (2007)

Basis for the report

1.4 Strategic Housing Market Assessments were established by Government Guidance: Planning Policy Statement 3: Housing (November 2006) and detailed Practice Guidance (Strategic Housing Market Assessment Practice Guidance) was published in March 2007 (revised slightly in August 2007). The aims of a Strategic Housing Market Assessment are to provide evidence on the housing market and what the future prospects for the market may be. Important features of the SHMA process are:

- i) Involvement of an authority or a group of local authorities representing a meaningful market area;
- ii) A process in which key stakeholders are involved throughout the production of the evidence as well as being consumers of it;
- iii) Inclusion in the process of all tenures of housing;
- iv) Higher standards of quality: the tests of rigour are more strict than before
- v) That it is an ongoing process, so that once the present reports are completed; the stakeholders keep updating the results and using them as the basis for housing and planning policy.

1.5 More recently PPS3 was republished (June 2011) with minor changes mainly reflecting the introduction of Affordable Rents as an affordable housing tenure (this is discussed in more detail later in the document). The most important output requirements of PPS3, as regards the SHMA are stated in paragraph 22 and remain unchanged from earlier versions of the document:

'based on the findings of the Strategic Housing Market Assessment and other local evidence, Local Planning Authorities should set out in Local Development Documents:

- i) The likely overall proportions of households that require market or affordable housing, for example, x% market housing and y% affordable housing*
- ii) The likely profile of household types requiring market housing e.g. multi-person, including families and children (x %), single persons (y %), couples (z %)*
- iii) The size and type of affordable housing required'*

1.6 In July 2011 a new National Planning Policy Framework (NPPF) was published for consultation. Eventually the NPPF is likely to replace PPS3 (and other policy statements and guidance) and so it is worth noting that the consultation document does not appear to alter any of the evidence base requirements as set out in PPS3. Importantly the draft NPPF confirms Strategic Housing Market Assessments as *'a key part of the evidence base required to ensure the delivery of housing that meets the needs of communities now and in years to come'*.

- 1.7 Finally, the Coalition Government has made clear its intention to revoke Regional Plans and return responsibilities for determining housing provision to individual local authorities. This is being taken forward through the Localism Bill which, at the time of writing, is working its way through Parliament. Whilst this report does not go into any detail about overall housing requirements (this is being separately addressed by the County Council and individual local authorities) we have drawn on demographic projection information to provide some indication of the future number of households in the area which will be very closely linked to housing provision.

Report coverage

- 1.8 Whilst PPS3 outlines how an SHMA fits into the wider housing policy framework, the Practice Guidance provides an indication as to how an SHMA should be undertaken and what topics should be covered. Not all of the topics required by the Practice Guidance, and presented in the original SHMA report, will be updated within this report. This is because for some no further data has been published since the original publication. This report is therefore mainly limited to:
- Examining the latest profile of the labour market and the resident population
 - Analysing the changes that have occurred to the local housing market
 - Considering the current financial situation of households and their ability to afford market housing
 - Updated outputs of the housing needs assessment model
 - Updated outputs of the housing market model
 - The policy implications of these findings
- 1.9 The CLG guidance provides some advice on monitoring and updating assessments noting that *'particular aspects which may require frequent revision include the numbers of households that have need and demand for housing'*. The need and demand for housing is therefore the main focus of this report.

| Figure 1.2 CLG Practice Guidance core outputs | |
|--|---|
| Item | |
| 1) | Estimates of current dwellings in terms of size, type, condition and tenure |
| 2) | Analysis of past and current housing market trends, including balance between supply and demand in different housing sectors and price/affordability. Description of key drivers underpinning the market. |
| 3) | Estimate of the total future number of households, broken down by age and type where possible |
| 4) | Estimate of current number of households in housing need |
| 5) | Estimate of future households that will require affordable housing |
| 6) | Estimate of future households requiring market housing |
| 7) | Estimate of size of affordable housing required |
| 8) | Estimate of household groups who have particular housing requirements e.g. families, older people, key workers black and ethnic minority groups, disabled people, young people etc. |

Source: CLG Strategic Housing Market Assessment Practice Guidance (August 2007)

Key national housing trends

- 1.10 Where possible we have used locally relevant data in our analysis to update key figures. There are however a number of national trends which are likely to be applicable to the local situation but for which only limited data is available. Specifically there have been significant changes in the national tenure profile as well as changes in the propensity of households to move home.
- 1.11 As part of the updating of information we need to ascertain the extent to which the balance between different tenures has changed since the original SHMA was carried out. Nationally there have been significant changes in tenure split with a large increase in the size of the private rented sector and a decrease in the number of owner-occupiers with a mortgage. The table below shows estimates of tenure nationally from the English Housing Survey (EHS).
- 1.12 As can be seen the number of households living in private rented housing has increased significantly over the past three years for which we have data with 25% more households now estimated to live in the sector compared with 2007. The social rented sector has decreased slightly whilst the number of owner-occupiers has gone down (along with changes in the balance between outright owners and those with a mortgage). Whilst up-to-date figures about the number of households living in social rented homes is available from locally specific data, it has been necessary to model the likely changes in the private rented and owner-occupied sectors in relation to overall household growth in the HMA.

Figure 1.3 National trends in tenure 2007 to 2010

| | Owned (no mortgage) | Owned (with mortgage) | Social rented | Private rented |
|------------------------|---------------------|-----------------------|---------------|----------------|
| 2007 | 6,505,000 | 8,228,000 | 3,755,000 | 2,691,000 |
| 2008 | 6,653,000 | 7,975,000 | 3,797,000 | 2,982,000 |
| 2009 | 6,770,000 | 7,851,000 | 3,842,000 | 3,067,000 |
| 2010 | 6,828,000 | 7,697,000 | 3,675,000 | 3,355,000 |
| % change (three years) | +5.0% | -6.5% | -2.1% | +24.7% |

Source: Survey of English Housing/English Housing Survey

- 1.13 The EHS also provides information about household moves by tenure and key figures for the past three years are shown below. The key finding is the greatly reduced number of households moving to (or within) the owner-occupied sector. The data also shows that fewer social renters have moved home whilst the number of private tenants moving has increased in line with the general increase in the size of this sector. When updating the survey data we have therefore been mindful of the change in movement patterns in the different tenures.

Figure 1.4 National trends in household movement by tenure 2007 to 2010

| Tenure | 2007 | 2010 | % change |
|----------------|-----------|-----------|----------|
| Owner-occupied | 894,000 | 360,000 | -59.7% |
| Social rented | 396,000 | 308,000 | -22.2% |
| Private rented | 970,000 | 1,089,000 | +12.3% |
| TOTAL | 2,261,000 | 1,757,000 | -22.3% |

Source: Survey of English Housing/English Housing Survey

Updating survey information

- 1.14 Household surveys were conducted in mid-2007. In total, across the six local authorities 15,104 surveys were completed. The survey numbers for each individual local authority were; Bournemouth – 1,885, Christchurch – 1,435, East Dorset – 3,489, North Dorset – 4,196, Poole – 1,942 and Purbeck – 2,157.
- 1.15 The survey data is updated using two measures – re-weighting the data to take account of the latest information on the structure of households in the HMA and updating the financial profile of households to reflect the changes recorded since the original surveys were carried out.

- 1.16 The original survey data was weighted to be in line with a number of different variables, for the update we have only re-weighted data to take account of new information that is available; the main approach taken is to bring the data in line with latest population and household estimates. In addition (as noted above) we have looked at changes in the likely tenure split in each area as well as taking consideration of changes in household mobility since 2007. Data for social rented housing is based on information available for each local authority whilst figures for private sector tenure groups have been estimated based on applying national and regional tenure change estimates to the local level.
- 1.17 The table below shows the estimated number of households in each tenure group in 2011 by local authority. The data shows that across the HMA around 72% of households are owner occupiers with 11% in the social rented sector and 17% resident in private rented accommodation. The private rented sector is estimated to have seen the biggest rise in households with an estimated 61% more in this sector in 2011 than was recorded by the 2001 Census – this rise is broadly consistent with national changes over the same period. The balance in the owner-occupied sector shows a greater proportion of households who are mortgage-free compared to in those with a mortgage.

Figure 1.5 Estimated tenure split in 2011

| Local authority | | Owner-occupied (no mortgage) | Owner-occupied (with mortgage) | Social rented | Private rented | Total |
|-----------------|-----------------|------------------------------|--------------------------------|---------------|----------------|---------|
| Bournemouth | Households | 22,934 | 27,717 | 8,167 | 22,977 | 81,795 |
| | % of households | 28.0% | 33.9% | 10.0% | 28.1% | 100.0% |
| Christchurch | Households | 10,759 | 6,819 | 2,448 | 1,894 | 21,920 |
| | % of households | 49.1% | 31.1% | 11.2% | 8.6% | 100.0% |
| East Dorset | Households | 18,985 | 12,488 | 3,347 | 3,123 | 37,943 |
| | % of households | 50.0% | 32.9% | 8.8% | 8.2% | 100.0% |
| North Dorset | Households | 12,014 | 9,413 | 3,736 | 3,660 | 28,823 |
| | % of households | 41.7% | 32.7% | 13.0% | 12.7% | 100.0% |
| Poole | Households | 24,194 | 24,204 | 7,441 | 8,171 | 64,010 |
| | % of households | 37.8% | 37.8% | 11.6% | 12.8% | 100.0% |
| Purbeck | Households | 8,689 | 5,878 | 2,397 | 3,008 | 19,972 |
| | % of households | 43.5% | 29.4% | 12.0% | 15.1% | 100.0% |
| HMA | Households | 97,576 | 86,519 | 27,536 | 42,833 | 254,463 |
| | % of households | 38.3% | 34.0% | 10.8% | 16.8% | 100.0% |

Source: Household Survey Data

- 1.18 As the survey data has been updated from its mid-2007 base it has been necessary to make an estimate of the likely change in income levels since this time (and indeed changes in savings and equity). Households' financial information was updated via an indexing approach, as there are time-series secondary data available at a local level that record changes in the relevant variables.

- 1.19 The main up-to-date secondary data on income available at a local level is that presented in the Annual Survey of Hours and Earnings (ASHE), which is the earned income of employed individuals. The change recorded by the ASHE data for the most recent three years (2007-2010) was applied to the dataset to generate a profile for mid-2011 (by linearly extrapolating). Given that ASHE data is itself based on a survey (and therefore subject to sample bias) we have taken the average of the regional change in income and the local authority figure to make our estimate of income change over the period – figures being based on median income levels. Levels of savings have also been increased in line with estimates of increases in income.
- 1.20 For affordability purposes it is also important to consider changes in household equity. The Land Registry provides the best source of information on the value of property at a local level, with data on the price of all home sales for every quarter of the year. Analysis of Land Registry data suggests that overall average house prices within the HMA have decreased over the last four years (see Section 4 for more information on price changes). Price change estimates have been applied to survey data about property values which in turn enables us to make an estimate of likely equity levels.

Summary

- 1.21 This report provides an update to the 2007 SHMA for the Bournemouth/Poole HMA; covering the six local authorities of Bournemouth, Christchurch, East Dorset, North Dorset, Poole and Purbeck. It has been written in compliance with the 2007 CLG practice guidance on SHMAs and also PPS3. In particular the report seeks to update estimates of housing need and demand and has been produced in consultation with relevant stakeholders.
- 1.22 A key part of the process was to update household survey data used in the original SHMA report. There have been a number of changes recorded both locally and nationally which will impact on local housing requirements; these include a large increase in the size of the private rented sector, a decrease in the propensity for households to move and decreases in property prices. These have all been factored in to the updating of survey data and the key outputs derived from the information base.

2. Stakeholder Consultation

Introduction

- 2.1 CLG practice guidance highlights the importance of the involvement of stakeholders in the SHMA process.
- 2.2 The first stage of stakeholder consultation centred upon individual stakeholders involved in servicing or regulating the local housing markets. They were interviewed to gather information on current housing market conditions. They were also asked to describe trajectories and trends they believed were affecting the market. A summary of the findings of this work appears below. This summary focuses on the housing markets of Poole, Bournemouth, Christchurch, and the Districts of Purbeck, East and North Dorset. Appendix 1 contains a full report covering these housing markets and those affecting Weymouth and West Dorset.
- 2.3 The second strand of stakeholder work involved contacting over 150 stakeholders by e-mail to explain the rationale for the study and to ask for any initial thoughts on the current housing market.
- 2.4 Where possible, these initial stakeholder comments were then fed through in to the analysis. Following the production of the draft report stakeholders were given the opportunity to comment on the findings and attend a workshop where the findings and potential policy implications were discussed. The outputs of these discussions are reflected in final reports.

Initial Stakeholder Consultation

- 2.5 The aim of this work is to ascertain information about the current housing market and emerging trends as explained by the people who service or regulate it. This involved interviewing:
- Estate agents;
 - Letting agents;
 - New build sales managers;
 - Housing and environmental health officers; and
 - Dorset County adult services.

- 2.6 Stakeholders broadly concur with the findings of earlier research that defines the housing market area boundary. Although housing markets do not exactly map onto local authority boundaries. There is a minor connection between Yeovil and Salisbury with the northern most parts of North Dorset (i.e. Gillingham and Shaftsbury). There is also a connection between Christchurch and Ringwood. This is because residents may seek housing and employment outside Dorset and that some market towns in north and east Dorset may be closer to Yeovil and Salisbury than Dorset's larger towns and employment centres.
- 2.7 In most market towns, rural and coastal areas demand for premium housing has been consistently strong from households that are in the retired and pre-retirement age group seeking to re-locate from London and the south east region. There are considerable implications for the housing market because these people bring considerable spending power from equity in their former homes, high levels of income and pensions. As a consequence market prices have been driven up and remain high such that they are beyond the reach of most local households. Agents report that demand is also strong from this age group for premium second hand property in and around North Dorset District especially around Shaftsbury and East Dorset including Wimborne. Agents observed that especially in Purbeck, households will start the process by purchasing dwellings as holiday homes before re-locating permanently.
- 2.8 Overall the pull factors affecting demand are the Dorset countryside, the coastal housing offer and the quality of life. Further, the area is still within reach of London by train and the motorway network.
- 2.9 However, North Dorset District has a larger proportion of its stock affordable to the mass market for housing than the rural and coastal west. There is a more diverse local economy than in the west of the county due to manufacturing and an armed forces base.
- 2.10 The conurbation of Bournemouth Poole and Christchurch (BPC) has a diverse housing market and local economy. It offers choice in terms of housing affordability, and dwelling types. The housing market is driven by a modern financial and knowledge based economy. There is also a large student population in Poole and Bournemouth. These areas attract in-migrants who tend to be more economically active compared to the western rural areas. Christchurch has a fine medieval town centre dominated by its historic church and tourist economy. However its suburban fringes form a seamless part of the local housing market with Bournemouth. Harbours in Poole and Christchurch are also significant factors in the economy affecting the housing market.

- 2.11 Overall the evidence from stakeholders suggests that there are clear differences between the urban and rural markets with the urban areas catering mainly for the employment and student led demand while the premium housing in the rural areas cater largely for retirement/pre-retirement in migrants. There are also some differences in character between the housing offer in different parts of the rural area – with North Dorset offering greater choice in new dwellings and more opportunity for new buyers. However in general, the rural areas show similar functional characteristics across the two HMAs.

New build housing

- 2.12 We came across little housing under construction or for sale on larger sites, the exception being in North Dorset District. Elsewhere there were many small infill sites both under construction and awaiting development. There were a number of new build apartments for sale on smaller sites and it was notable that most were in Poole and the Boscombe area of Bournemouth many of which were aimed at the premium part of the housing market. All on site sales staff believed that the market for new build housing was ‘picking up’. All developments contained a proportion of affordable housing. Badbury Heights near Blandford Forum also had a significant shared ownership offer in association with a RP.
- 2.13 Agents explained that generally speaking new build housing needed a larger deposit as the lenders considered that new build housing represented a greater risk of prices reducing than second hand housing. This adversely affects first time buyers who cannot rely on equity from their current home to fund a deposit.

The private rented sector and its investors

- 2.14 Particular attention was paid to this sector during the research. This was necessary because of Dorset’s high house prices and popularity with older people and young professionals in the BPC conurbation.
- 2.15 Discussion with agents revealed that this sector housed a wide range of household groups in addition to potential first time buyers affected by stricter lending criteria. There is also a significant proportion of housing in Purbeck let both as seasonal holiday lets and assured shorthold tenancies in winter.
- 2.16 There is also growing interest from younger households in house shares facilitated by on line websites such as ‘www.spareroom.co.uk’ amongst others.
- 2.17 The casual investor has withdrawn from the market at this time due to low capital appreciation and restricted availability of loan finance. Nevertheless portfolio investors are still active in the market and are enjoying strong demand and good rates of return.

- 2.18 A distinctive feature of rural parts of the housing market area is the presence of country estates especially in Purbeck and East Dorset Districts. Country estates provide a significant supply of lettings to households who are not employees.

The credit crunch

- 2.19 The general impression gained from agents was that premium housing had hardly been affected by the credit crunch and that market conditions for less expensive homes in Dorset were generally improving. In the latter case sales volumes were picking up although price recovery would lag behind as a greater supply of homes were coming onto the market.
- 2.20 All agents agreed that high local prices and the requirement for sizeable deposits were significant barriers to first time buyers. Agents believed that there was little shared ownership available and more should be provided.
- 2.21 Shared ownership and shared equity products were present on larger new build sites in response to difficult market conditions.

HM Forces

- 2.22 Estate and letting agents felt that there was only a minor impact on housing market demand overall in respect of the camp and training grounds near Wareham. However demand was greater in Blandford Forum for new and second hand homes. Agents explained that some army personnel were seeking to get a toe hold in the housing market during their service and they could release part of their pension to fund a deposit. This was known as the Long Service Advance of Pay (LSAP) scheme. One developer had undertaken road shows for servicemen based abroad and this had led to sales being achieved using the LSAP scheme. Dwellings were being let until the servicemen retired or returned to the UK.
- 2.23 The agent drew our attention to 'Forces Property Direct' which had several new homes around Shaftsbury available with special discounts to households employed by the forces.

Students

- 2.24 There are two broad types of student in the Bournemouth and Poole areas, those seeking university or higher education and those seeking to attend an English language school.
- 2.25 Bournemouth University (BU) is one of the largest universities in the south of England. There were approximately 16,000 full time students attending the university in 2009/10.

- 2.26 There are significant developments of housing for students using sites that may otherwise have been available for general housing development. Council tax records indicate that there are around 2,000 dwellings occupied by students. These dwellings will be unavailable for other households. Such levels have been an issue in other towns and cities where the studentification of neighbourhoods has proved controversial.
- 2.27 Bournemouth is also a major centre for the teaching of English and has numerous English language schools. English UK (www.englishuk.com/en/english-uk) is an umbrella group for language schools and estimates that over 42,000 students visited Bournemouth at some time in 2009 and stayed for an average 6 weeks each. Course lengths vary from 1 to 50 weeks.
- 2.28 Council officers explained that Bournemouth Borough Council is in the process of establishing an Article 4 Direction for the whole of the district which will help to limit the concentration of multi-occupied homes in a given locality. However the main university campus is in Poole and the Poole local authority has also sought an Article 4 Direction only for the student area. Poole is considering a proposal for new build student housing on a nearby greenfield site (Talbot Village).

Houses in Multiple Occupation and the private rented sector

- 2.29 In addition to the student housing there are other hotspots of dwellings in multiple occupation notably Boscombe East and Winton in Bournemouth. Both areas contain relatively high proportions of HMOs and converted self contained flats all of which were in demand. Landlords were tending to convert larger dwellings into self contained flats as their response to market conditions.
- 2.30 Officers recognised the role of HMOs and the private rented sector generally in helping to meet the shortfall of affordable housing but expressed concern over house condition especially in the areas of energy efficiency and the quality of the private rented sector generally. Some officials were concerned that letting agents had little knowledge of the legislation affecting the private rented sector and that condition in terms of disrepair was not a factor in arriving at the rental.

Supporting the aged population

- 2.31 The ageing indigenous population coupled with the high and sustained levels of in-migration from this group, especially in North Dorset, Wimborne and Christchurch, was a policy issue highlighted by all officers and most stakeholders. An interview was undertaken with an officer from the County Council's Adult Services.

- 2.32 Data from POPPI (Projecting Older People Population Information System) run by Oxford Brookes University which analyses future demographic change including the use of prevalence rates for limiting long-term illness, provision of informal care, and prevalence of dementia highlighted the following:
- Population – The population aged 85+ is set to increase the most by 2030 (from 2011) with numbers increasing by 83% across the county. West Dorset is projected to have the largest gains in people aged 65+ increasing by over 15,000 from 2011 to 2030;
 - Limiting long-term illness – North Dorset is projected to have the largest proportionate increase in the number people aged 65 and over recording a limiting long-term illness - expected to increase by 66% from 2011 to 2030. West Dorset will see the largest growth in numbers, increasing by around 6,700 with the increase for the whole of Dorset estimated to be around 34,500;
 - Provision of unpaid care – Across the county it is projected that the number of adults aged 65 and over providing unpaid care to a partner, family member or other person will increase by approximately 7,600. This is a much lower number than the increases for those reporting a limiting long-term illness; and
 - Prevalence of dementia – West Dorset is projected to have the largest increase in numbers of people aged 65 and over with dementia, increasing by approaching 1,800 by 2030. Across the county the numbers of people with dementia aged 65+ is projected to increase by 66% by 2030 (from 2011), from 13,200 to 21,900 with 65% of this increase being those aged 85 and over.
- 2.33 Other challenging factors were the difficulties of providing domiciliary care in rural areas and the underdeveloped areas of policy and services regarding elderly self-funders, especially regarding advice and information. Around 2/3 of all households requiring domiciliary care in the County are self-funding compared to 1/3 nationally.

Stakeholder Workshop

- 2.34 Following the production of the draft report stakeholders were given the opportunity to comment on the findings and attend a workshop where the findings and potential policy implications were discussed. Consultants presented a summary of findings and participated in a question and answer session.
- 2.35 Technical enquires related to household forecast levels, the transparency of how they are dealt with in the report and household forecast levels in relation to local authority house building targets. The approach adopted in the study was explained. A further technical enquiry related to the extent to which past household growth could be relied upon to inform future growth. Consultants explained that this was only one of many inputs to the model that estimated future housing need and demand.

- 2.36 A discussion ensued on the assumption that the private rented sector was meeting most of the shortage in supply of affordable housing with housing benefit support. Consultants pointed out that the sector was responding to this gap although some (both urban and rural households) had to re-locate to lower priced urban areas to find suitable housing that they could afford. Consultants also emphasised that this supply of housing was in fact sub-market housing which is one segment of the whole private rented sector and that the segment needed to be monitored carefully by the local authorities. Much of the additional supply in private rented sector housing was being met from owners providing rented housing that they were unable or unwilling to sell in present market conditions as well as the conversion of larger houses into smaller self contained or shared dwellings.
- 2.37 A full account of the stakeholder workshop has been provided in Appendix 3, this includes a list of attendees.

Summary

- 2.38 There were several phases of consultation. Initially stakeholders were consulted by email to ascertain the issues they considered important that the study should investigate.
- 2.39 Secondly a qualitative research phase involved those most closely involved with servicing and regulating the housing market e.g. estate agents, letting agents, on site sales staff for new developments together with local authority officials with a strategic or enforcement role. This yielded significant information about how the market was adjusting to key issues such as the credit crunch, the shortage of affordable housing, the impact of student housing; market drivers such as in-migration and economic development and market dynamics, especially the role of the private rented sector .
- 2.40 Thirdly a well attended stakeholder workshop was held to consider the draft study report. This resulted in several clarifications especially in relation to the study methodology and it was agreed to increase the emphasis of the qualitative work within the report.

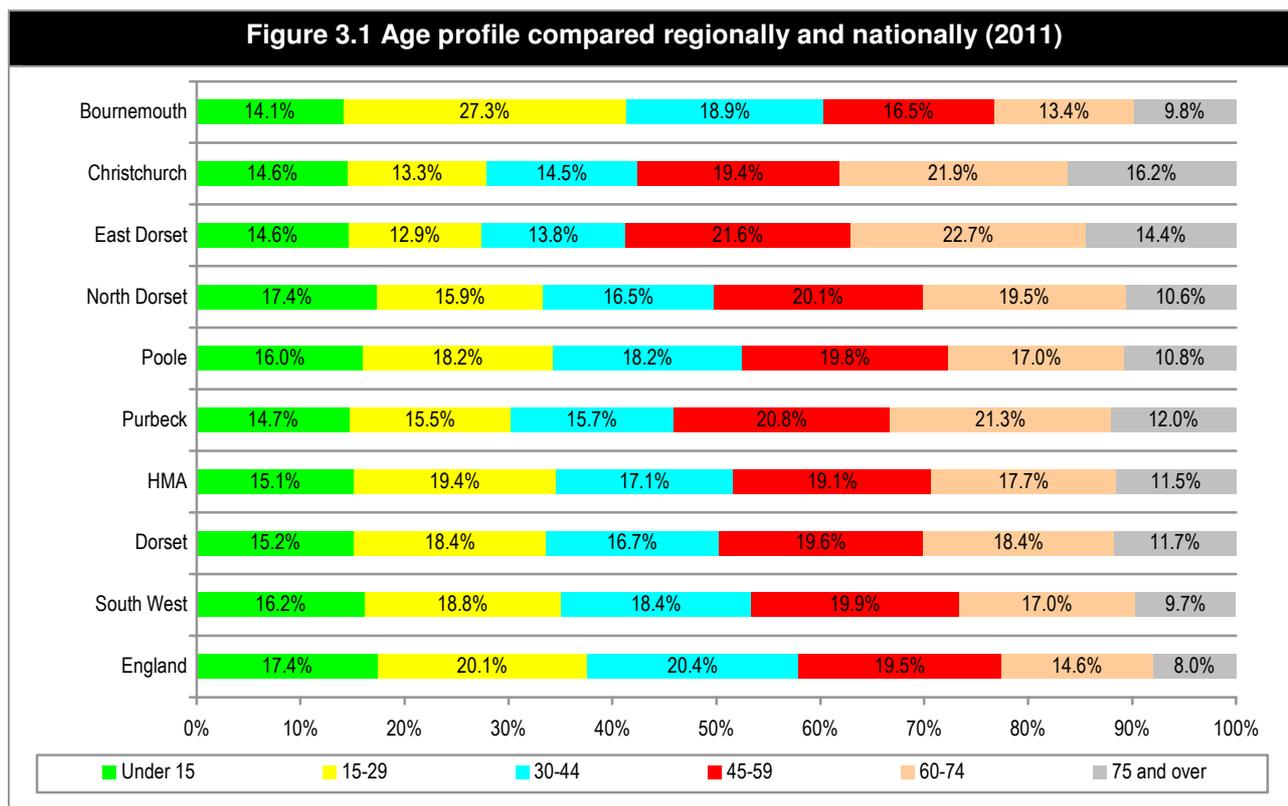
3. Demography and Housing Stock

Introduction

- 3.1 A key determinant of housing requirements and how these are likely to change in the future is the demographic profile of the population. This section will outline the structure of the resident population and how this compares with other areas. This analysis is developed in Section 7 of the report which looks at projected population and household change which is subsequently fed into our long-term analysis of housing market change.
- 3.2 This section also contains a broad assessment of the range of properties currently within the study area. We have concentrated only on data that is available for 2010 or 2011 – much of the information available about housing stock dates back to the 2001 Census and therefore has not been presented as this would not provide an up to date account of the local situation. In particular we have focussed on stock changes and vacant homes.

Resident population

- 3.3 Using information provided by the County Council (based on likely population given the number of occupied homes in the area) it is estimated that in 2011 there were 587,019 people resident in the HMA (ranging from 45,829 in Purbeck to 187,143 in Bournemouth).
- 3.4 The figure below shows the current estimated age structure in the HMA and for the six individual local authorities split in to six broad age bands. The data suggests that the population profile in the HMA varies markedly from the national profile with large proportions in older age bands. In particular it is estimated that 11.5% of the population of the HMA is aged 75 and over (compared with 8% nationally) whilst 17.7% are aged between 60 and 74 (compared with 14.6% nationally).
- 3.5 Bournemouth (and to a lesser extent Poole) show a younger age structure than the HMA generally. Christchurch and East Dorset stand out as having a particularly large older person population. The evidence from the qualitative research suggests that this is driven by the quality of the built environment and a significant migration of people into the area in the past who have chosen to stay and retire there. The different population structure in Bournemouth is likely to be linked to the relatively high number of students living in the Borough. Again this is supported by the qualitative research which drew attention to the impact of and policy response to HMO housing in some areas occupied by students; and the large financial and other service employment sectors that employ younger people.



Black and Minority Ethnic (BME) and Migrant Worker (MW) Housing Needs

- 3.6 The housing needs of BME and MW households in the Borough of Poole and across Dorset County were examined in research commissioned by the Bournemouth, Poole and Dorset Strategic Housing Group in 2009/10.¹ Bournemouth Borough Council had previously commissioned a study of BME needs in that Borough in 2006.²
- 3.7 The studies looked at available statistics on the BME population and also used stakeholder consultations and interview surveys to add a qualitative dimension to the research. The aims of the studies, which were broadly similar, were to increase understanding of the housing needs of BME/MW households and ensure that housing providers give equal access to their services; also to ensure that the culture exists to empower these communities and integrate their needs and aspirations into everyday housing provider activities.
- 3.8 The Poole/Dorset study provides comprehensive information on the characteristics of the BME and MW populations in Dorset and Poole. The main report and an Executive Summary can be accessed at <http://www.dorsetforyou.com/399583>.

¹ A Study of the Housing Requirements of BME households in Dorset and Poole. Final Report July 2010. Salford Housing and Urban Studies Unit, University of Salford.

² Bournemouth Borough Council BME Housing Consultation - Research Report. Dec 2006.

- 3.9 The statistics showed that at the time of the 2001 census BME households comprised around 7.5% of the Bournemouth population, 4.0% in Poole and around 3.0% across the rest of Dorset – all well below the national figure of 13.0%. By 2007³ the proportions had risen to around 11.3% in Bournemouth, 7.1% in Poole and around 6.5% across Dorset County compared with 16.4% nationally.
- 3.10 Of the ethnic minorities the “white other” category comprised the largest component in 2007 with just over a third of the BME population across the sub region falling into this group compared with around 20% nationally. The next largest group – the Asian/Asian British group comprised around 16% of the BME population, roughly half the national figure.
- 3.11 The main conclusion from both of the studies was that there were no major issues around housing or support services that were specific to the BME community. Instead there was a need for the authorities to ensure that they adequately promoted their services to BME communities, making better use of existing networks, community development work, newsletters etc to ensure that correct information was getting across. Comprehensive and frequent training to keep front line staff up to speed with ethnic and cultural issues and language needs was also identified.
- 3.12 More specific findings from the Bournemouth study include:
- The need within the Orthodox Jewish community for specific provision for Jewish elders as the requirements of the religion can make living with other ethnic groups in shared or sheltered accommodation difficult.
 - A need for better integration of frontline and support services to improve data collection and circulation.
- 3.13 More specific findings from the Poole/Dorset study include:
- Over 60% of the sample interviewed indicated that they intended to live in Dorset permanently – and of those who indicated an intention to return to their native country, a third did not know how long they would remain in Dorset. This indicated a need to plan for migrants wanting to remain in the County.
 - 12% of respondents had an adult in their household who was unable to speak English and 16% someone who could not read or write English. Communication is therefore an issue that needs to be addressed.

³ ONS “experimental” statistics 2007.

- Over half the sample was living in private rented accommodation but only a small proportion (4%) in public sector housing. Those living in public housing were mainly satisfied with their accommodation, whereas around 10% of those in private rented accommodation were dissatisfied. 60% indicated a desire to move to a different property – the most common reason being a need for a larger property, but affordability was also an issue. As well as providing more affordable housing, there is a need to ensure that good quality private sector accommodation in a range of different sizes is available. There is also a need to ensure that BME and MW households are not disadvantaged when applying for public sector housing through “Choice Based Letting” – particularly if they have limited language skills.
- In view of the relatively young age of most of the households the awareness and demand for housing support was relatively low. It was clear that services such as the Citizens Advice Bureaux were better known about and used than Council or Housing Association services.

3.14 Since the publication of the study housing providers in the Poole and Dorset area have formulated a Working Group to address these findings.

Gypsy and Traveller needs

- 3.15 The original SHMA Final Evidence Base of June 2008 contains detailed information on Gypsy and Traveller needs based on the findings of the Dorset Traveller Needs Assessment undertaken by Anglia Ruskin University on behalf of Bournemouth, Poole and Dorset councils in 2006 and a subsequent study by Prof Home in 2007 which examined the extent of gypsy and traveller households living in conventional housing.
- 3.16 At the time the original SHMA was published the results of the Secretary of State’s decision on the Regional Spatial Strategy proposals for Gypsy and Traveller pitch numbers was awaited. Work on the RSS was subsequently aborted following the coalition government’s announcement of its intention in the Localism Bill to abolish Regional Spatial Strategies.
- 3.17 Since that time the local Authorities in Dorset decided to prepare a Dorset wide Gypsy and Traveller (including Travelling Show people) Site Allocations Joint Development Plan Document (DPD) to allocate sites for Gypsies, Travellers and Travelling Showpeople within Dorset. Baker Associates has been commissioned as planning consultants to assist the Dorset authorities in the preparation of the DPD and to support the DPD at examination as lead witness.
- 3.18 An Issues and Options paper is shortly to be issued for consultation (in late 2011 – early 2012). This will give some background information on pitch requirements and make initial proposals for sites to meet those needs. More information on Baker Associates’ work can be obtained via the following link <http://www.dorsetforyou.com/travellerpitches>. This report does not therefore investigate Gypsy and Traveller needs any further.

Housing completions since 2007

3.19 The table below shows the number of dwellings completed in each local authority over the past four years (split between affordable and private sector housing). The data shows that house building over the past four years has been highest in Bournemouth and lowest in Christchurch, the data also shows that in most areas there was a reduction in the number of homes completed in 2010/11 compared with other years. Taking the HMA as a whole we see that the number of homes completed dropped from 2,909 in 2007/8 to 1,356 in 2010/11 – a drop of over 50%.

3.20 The data does however show that the proportion of affordable housing completions (as a proportion of all completions) increased over this time (from 14.6% in 2007/08 to 25.3% in 2010/11). Over the past four years across the HMA around 17% of dwelling completions were affordable housing – this varies from 5.5% in East Dorset to 33.5% in North Dorset.

Figure 3.2 Dwelling completions 2007/8 to 2010/11

| Local authority | | 2007/8 | 2008/9 | 2009/10 | 2010/11 | Total | % in tenure |
|-----------------|----------------|--------|--------|---------|---------|-------|-------------|
| Bournemouth | Private sector | 1,380 | 1,123 | 590 | 428 | 3,521 | 90.8% |
| | Affordable | 154 | 95 | 44 | 62 | 355 | 9.2% |
| | Total | 1,534 | 1,218 | 634 | 490 | 3,876 | 100.0% |
| Christchurch | Private sector | 109 | 50 | 76 | 103 | 338 | 68.1% |
| | Affordable | 81 | 51 | 26 | 0 | 158 | 31.9% |
| | Total | 190 | 101 | 102 | 103 | 496 | 100.0% |
| East Dorset | Private sector | 163 | 99 | 73 | 143 | 478 | 94.5% |
| | Affordable | 0 | 17 | -3 | 14 | 28 | 5.5% |
| | Total | 163 | 116 | 70 | 157 | 506 | 100.0% |
| North Dorset | Private sector | 169 | 137 | 151 | 118 | 575 | 66.5% |
| | Affordable | 25 | 70 | 41 | 154 | 290 | 33.5% |
| | Total | 194 | 207 | 192 | 272 | 865 | 100.0% |
| Poole | Private sector | 503 | 606 | 278 | 152 | 1,539 | 77.6% |
| | Affordable | 116 | 79 | 143 | 105 | 443 | 22.4% |
| | Total | 619 | 685 | 421 | 257 | 1,982 | 100.0% |
| Purbeck | Private sector | 161 | 136 | 142 | 69 | 508 | 78.9% |
| | Affordable | 48 | 58 | 22 | 8 | 136 | 21.1% |
| | Total | 209 | 194 | 164 | 77 | 644 | 100.0% |
| HMA | Private sector | 2,485 | 2,151 | 1,310 | 1,013 | 6,959 | 83.2% |
| | Affordable | 424 | 370 | 273 | 343 | 1,410 | 16.8% |
| | Total | 2,909 | 2,521 | 1,583 | 1,356 | 8,369 | 100.0% |

Source: Dorset County Council

3.21 Generally these outputs are in accordance with the qualitative study findings and the policy context to the study. They illustrate the impact of the credit crunch on market housing and the impact of government policy to support the construction sector through expanding the affordable housing programme. Like many major towns and cities the dramatic reduction in new build market housing in Bournemouth affected mass market apartments rather than the premium housing sector. Completions were evident in the premium market for example at Boscombe. The relatively consistent number of completions in East Dorset across the period is a further indication that premium new build housing has not been as greatly affected by the credit crunch as mass market housing.

Vacant homes

3.22 Using data from the CLG Live Tables we can also look at how vacancy rates have changed since 2007 – this data is shown in the table below. The data shows that overall in the HMA there are now 570 fewer vacant homes than in 2007; with decreases seen in Bournemouth, Christchurch and Poole (and increases in the other three areas). Decreases are consistent with estate and letting agents remarks that demand for market rented housing is very high especially in areas of more moderately priced housing and the market has responded by making long term vacant housing available to meet supply. The findings for the whole HMA are consistent with national data although regional figures would suggest an increase in vacant homes since 2007.

Figure 3.3 Change in vacant housing stock 2007-2010

| | | Area | | | |
|----------------|---------------|-------|--------|------------|---------|
| | | HMA | Dorset | South West | England |
| Public Sector | 2007 – total | 295 | 345 | 4,380 | 79,594 |
| | 2010 – total | 176 | 220 | 4,359 | 64,918 |
| | 3 year change | -119 | -125 | -21 | -14,676 |
| Private Sector | 2007 – total | 8,119 | 9,978 | 62,535 | 683,725 |
| | 2010 – total | 7,668 | 9,845 | 66,140 | 672,573 |
| | 3 year change | -451 | -133 | 3,605 | -11,152 |
| All dwellings | 2007 – total | 8,414 | 10,323 | 66,915 | 763,319 |
| | 2010 – total | 7,844 | 10,065 | 70,499 | 737,491 |
| | 3 year change | -570 | -258 | 3,584 | -25,828 |

Source: CLG Live Tables

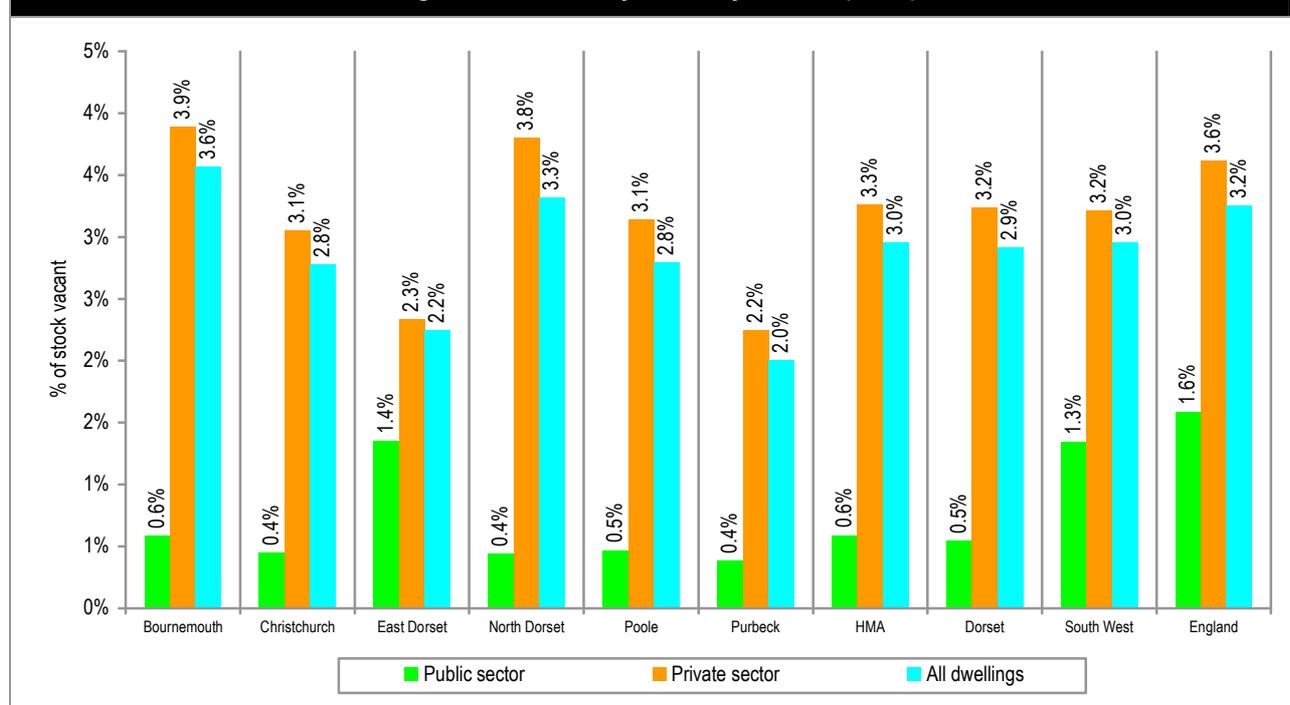
Figure 3.4 Change in vacant housing stock 2007-2010

| | | Area | | | | | |
|-------------------|---------------|------------------|-------------------|----------------|-----------------|-------|---------|
| | | Bourne- mouth | Christ- church | East Dorset | North Dorset | Poole | Purbeck |
| Public Sector | 2007 – total | 136 | 11 | 14 | 26 | 53 | 55 |
| | 2010 – total | 48 | 11 | 46 | 19 | 41 | 11 |
| | 3 year change | -88 | 0 | 32 | -7 | -12 | -44 |
| Private Sector | 2007 – total | 3,415 | 658 | 826 | 810 | 2,036 | 374 |
| | 2010 – total | 3,004 | 626 | 826 | 970 | 1,815 | 427 |
| | 3 year change | -411 | -32 | 0 | 160 | -221 | 53 |
| All dwellings | 2007 – total | 3,551 | 669 | 840 | 836 | 2,089 | 429 |
| | 2010 – total | 3,052 | 637 | 872 | 989 | 1,856 | 438 |
| | 3 year change | -499 | -32 | 32 | 153 | -233 | 9 |

Source: CLG Live Tables

3.23 The figure below shows how the figures for 2010 translate in to vacancy rates for individual authorities and tenure of dwelling. The figure shows that vacancy rates overall are quite low with an average of 0.6% of public sector and 3.3% of private sector dwelling being empty – these compare with national averages of 1.6% and 3.6% respectively. Vacancy rates in Purbeck are particularly low for both tenures whilst East Dorset shows a relatively high public sector vacancy rate but low private sector rate. Overall, the highest proportions of vacant homes are found in Bournemouth and North Dorset.

Figure 3.5 Vacancy rates by tenure (2010)



Source: CLG Live Tables

Type of housing – survey data

3.24 Although no new up-to-date information is available about the types of dwelling in the HMA we can use the updated survey information to provide an idea of how the profile of dwellings varies between different locations and also by tenure.

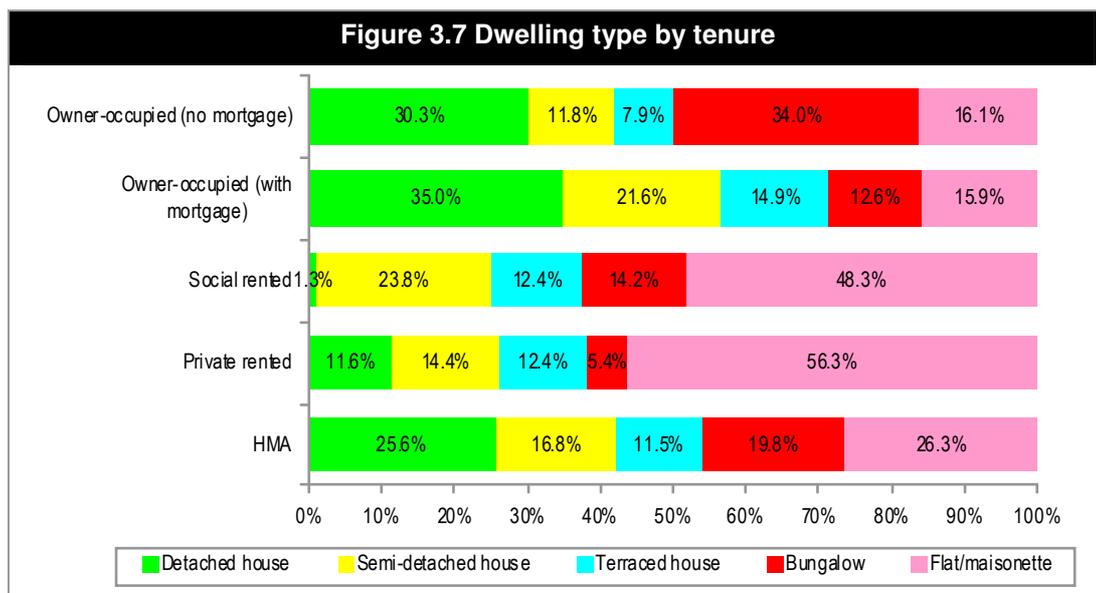
3.25 The table below shows households' current accommodation type. The table shows that the majority of households (62%) live in detached or semi-detached houses or bungalows with around 26% living in flatted accommodation. The latest Survey of English Housing (SEH) suggests that nationally around 17% of households live in flats. Looking at different parts of the HMA we find that North Dorset has a particularly high proportion of detached houses whilst Bournemouth and Poole have high proportions of flats/maisonettes.

Figure 3.6 Dwelling type by local authority

| Local authority | | Detached house | Semi detached house | Terraced house | Bungalow | Flat/maisonette | Total |
|-----------------|-----------------|----------------|---------------------|----------------|----------|-----------------|---------|
| Bournemouth | Households | 20,048 | 10,397 | 5,944 | 7,928 | 37,478 | 81,795 |
| | % of households | 24.5% | 12.7% | 7.3% | 9.7% | 45.8% | 100.0% |
| Christchurch | Households | 4,310 | 3,434 | 4,144 | 5,732 | 4,300 | 21,920 |
| | % of households | 19.7% | 15.7% | 18.9% | 26.2% | 19.6% | 100.0% |
| East Dorset | Households | 11,611 | 4,386 | 3,543 | 14,636 | 3,766 | 37,943 |
| | % of households | 30.6% | 11.6% | 9.3% | 38.6% | 9.9% | 100.0% |
| North Dorset | Households | 9,391 | 6,813 | 4,582 | 5,557 | 2,481 | 28,823 |
| | % of households | 32.6% | 23.6% | 15.9% | 19.3% | 8.6% | 100.0% |
| Poole | Households | 15,315 | 13,733 | 7,354 | 11,751 | 15,857 | 64,010 |
| | % of households | 23.9% | 21.5% | 11.5% | 18.4% | 24.8% | 100.0% |
| Purbeck | Households | 4,455 | 4,095 | 3,743 | 4,674 | 3,006 | 19,972 |
| | % of households | 22.3% | 20.5% | 18.7% | 23.4% | 15.0% | 100.0% |
| HMA | Households | 65,129 | 42,858 | 29,310 | 50,278 | 66,887 | 254,463 |
| | % of households | 25.6% | 16.8% | 11.5% | 19.8% | 26.3% | 100.0% |

Source: Household Survey Data

3.26 The figure below shows tenure and dwelling type information. Households living in the owner-occupied sector are particularly likely to live in houses/bungalows. The social and private rented sectors contain a large proportion of flats. The qualitative and demographic evidence gives the reason for this. Social rented housing houses a large number of older 1 and 2 person households and the private rented sector is converting dwellings to meet demand for younger small households who unable to afford larger homes and cannot access social rented housing.



Summary

- 3.27 The housing stock in the HMA has increased since the 2007 SHMA was carried out with data provided by the local authorities showing that around 8,400 additional homes have been built over the past four years. Around 17% of additional dwellings are classified as affordable and this proportion increased slightly over time although a general decrease in overall housebuilding has meant that the number of affordable units provided has decreased since 2007.
- 3.28 Vacancy rates in the HMA are generally low with particularly low rates in public sector stock. The number of vacant homes in the HMA in both public and private sectors appears to have dropped since 2007 – the same trend as nationally. In general the low level of vacancies in Council and RP stock suggest relatively little opportunity for homes to be brought back in to use to meet housing needs.
- 3.29 The nature of the housing stock also varies considerably by location with Bournemouth and Poole having the highest proportion of flats whilst around a third of the housing stock in North Dorset is detached houses. Around 39% of all dwellings in East Dorset are classified as bungalows with a figure of around a quarter in each of Christchurch and Purbeck. Evidence from the qualitative study strongly suggests that this reflects the socio economic profile of the populations; Bournemouth and Poole housing small younger economically active households and other areas housing relatively wealthy retired people

4. The Current Housing Market

Introduction

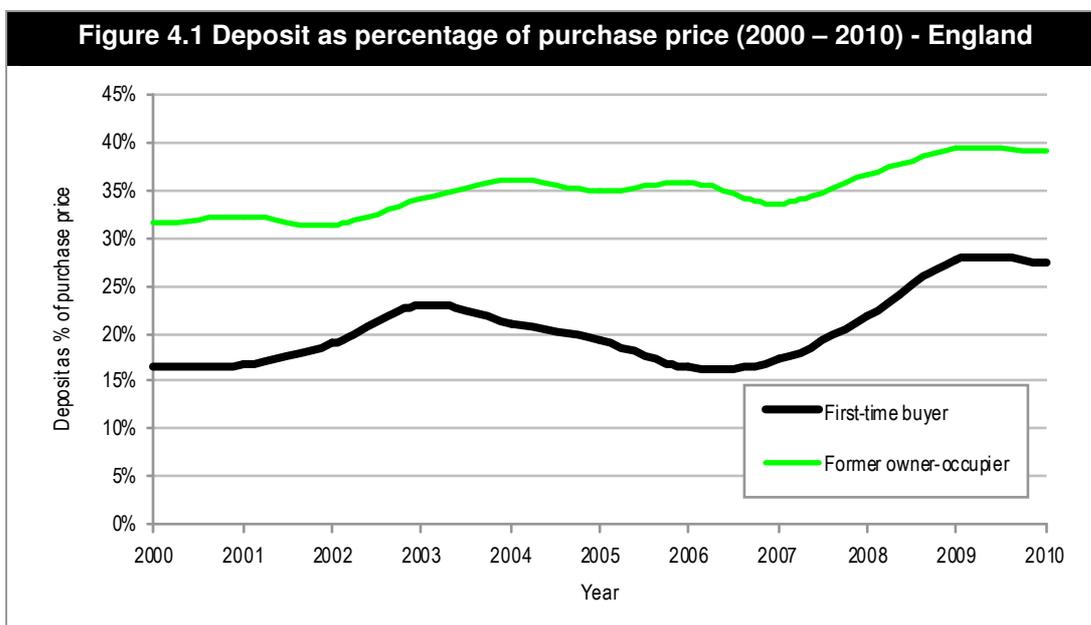
- 4.1 This section of the report studies the current housing market in the Housing Market Area – in particular in relation to the costs of different types and sizes of housing in different locations. Where possible trend information has also been provided. It is however important from the outset to recognise the fundamental changes to the housing market over the past three/four years or so and so the section begins with a brief description of the impact of the economic downturn on the housing market in Bournemouth/Poole. This is evidenced both by data and the qualitative research.

National Housing Market Downturn

- 4.2 Over the decade to 2007, housing demand grew strongly across the Country – supported by a period of sustained economic stability and growth, historically low interest rates and increased competition in the mortgage market which led to growth in the range of mortgage deals available. Housing supply was shown to be relatively inelastic, contributing to a period of sustained and strong price growth. Thus while house prices grew, access to home ownership also increased as a result of the low interest rates and availability of attractive mortgage products.
- 4.3 The sustained growth in house prices together with mortgage availability also supported growth in investment in the residential sector, and with it the size of the private rented sector. Against a context of a decline in the stock of social housing as right-to-buys in particular outstripped new construction, the private rented sector played an increasing role in meeting housing need, supported by Housing Benefit.
- 4.4 Market conditions changed dramatically in 2007. Although many people had been expecting a crash in house prices for some time, due to the historical trend of this occurring after a period of fast house price growth, the market downturn was principally triggered by the realisation of the scale of the bad debt that banks. This caused banks to be much more cautious toward lending to one another and to their customers as there was a greater risk of not being repaid. It was this ‘credit crunch’ that precipitated a change in housing market conditions, rather than the affordability of housing in terms of price-earnings differentials.
- 4.5 The credit available for those potentially requiring a mortgage has fallen dramatically. In addition banks and building societies were more cautious in their lending practices to ensure they didn’t create any further bad debts for themselves. This meant that the multiples of income that a mortgage was offered on were reduced and a greater proportion of the value of the home was required as a deposit.

4.6 Coupled with market and subsequent economic uncertainty, the change in lending criteria (and particular loan-to-value ratios available) have severely curtailed market activity and led to a substantial withdrawal of First Time Buyers (the lifeblood of the market) and other marginal groups from the housing market. Both the data and commentary from Estate Agents demonstrate the devastating effect on the market and the impact on first time buyers and demand for new build mass market housing.

4.7 This trend can clearly be seen in the figure below showing deposit requirements for first-time buyers and former owner-occupiers. The key group of first-time buyers show that in 2006 the average deposit paid was around 16% of the purchase price; by 2009 this had risen to 28% with data for 2010 also showing a similar average deposit.

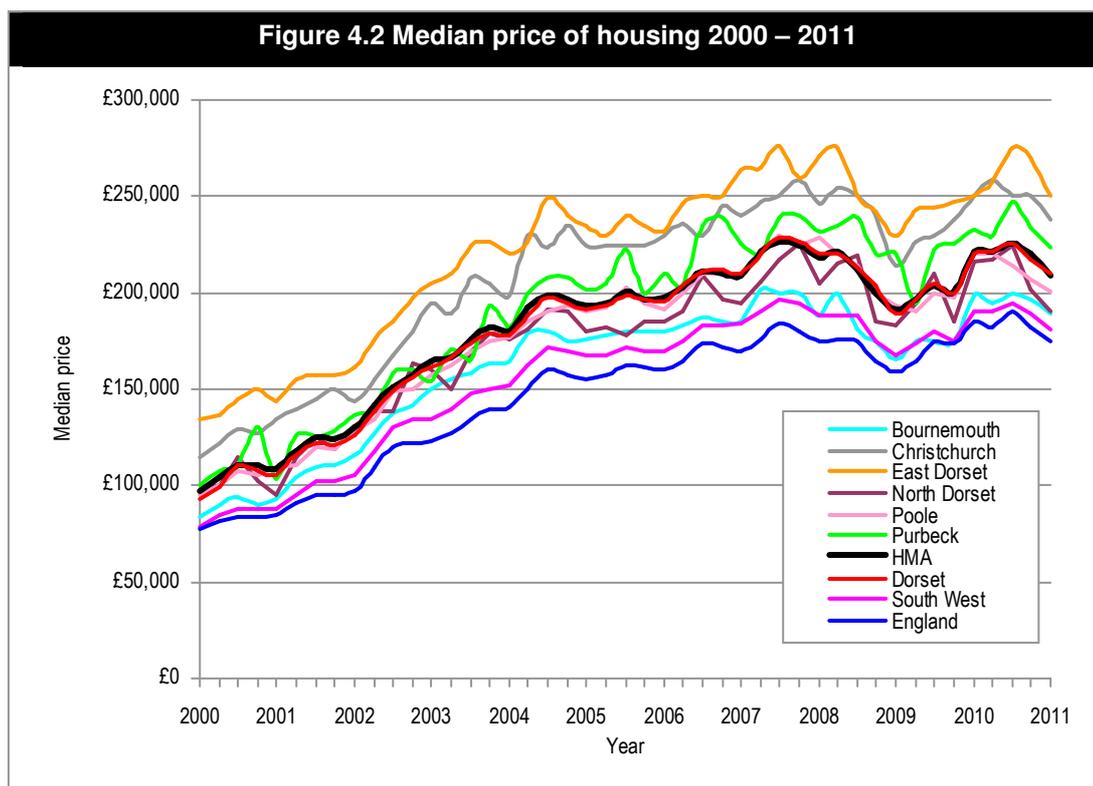


Source: CLG Live Tables

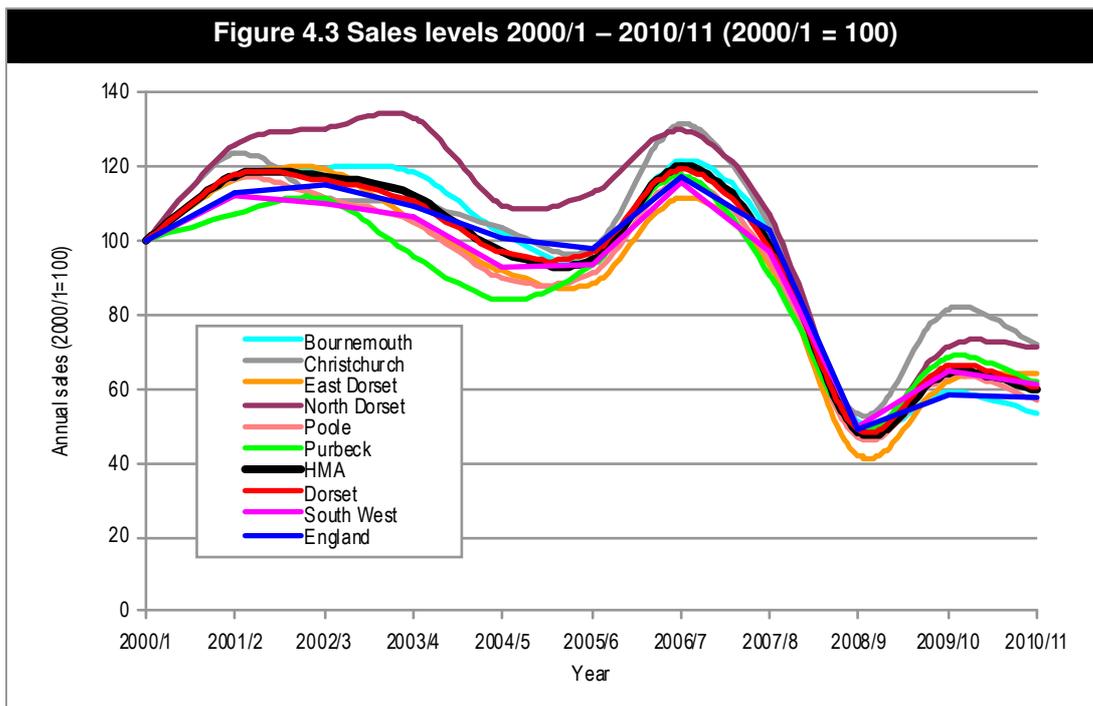
4.8 There has also been a notable reshaping of the dynamics between different segments of the housing market. Uncertainty coupled with restricted lending criteria have significantly restricted home purchases, but also impacted on the buy-to-let market. This has resulted in a growth in demand for private renting relative to supply, and according to agents such additional supply that has been created is limited to cheaper self contained and shared housing, often achieved through sub-dividing larger dwellings.

Price/Sale Trends (trends from 2000)

- 4.9 We can also look at price and sales trends at a more local level – the figure below shows the average (median) price paid for a home from the 1st quarter of 2000 to the 1st quarter of 2011. The data for the Bournemouth/Poole HMA closely mirrors the experience found nationally. Prices showed strong growth up until the third quarter of 2007 and then levelled off to the second quarter of 2008. Prices then showed a sharp drop before recovering in late 2009 and through 2010. By the first quarter of 2011 the average price in the HMA was recorded at £209,000 – still 4% below quarter 1 figure for 2008.



- 4.10 A similar analysis has been carried out for sales volumes and this is presented in the figure below. Transactions levels (sales) reflect the relative buoyancy of the market and provide an indicative of effective demand for market housing. The data again shows that local trends closely mirror those experienced nationally with the lowest number of sales being made in 2008 with a slight recovery since then. Due to seasonal variations in sales levels the data is taken for whole 12-month periods running from Q2 to Q1 of the following year with a base of 100 taken for 2000/1.
- 4.11 For Bournemouth/Poole the data suggests that between 2008/9 and 2010/11 sales levels were around 40% lower than in 2000 and about half the average figure for the period 2001 to 2006.



Source: CLG Live Tables (from Land Registry)

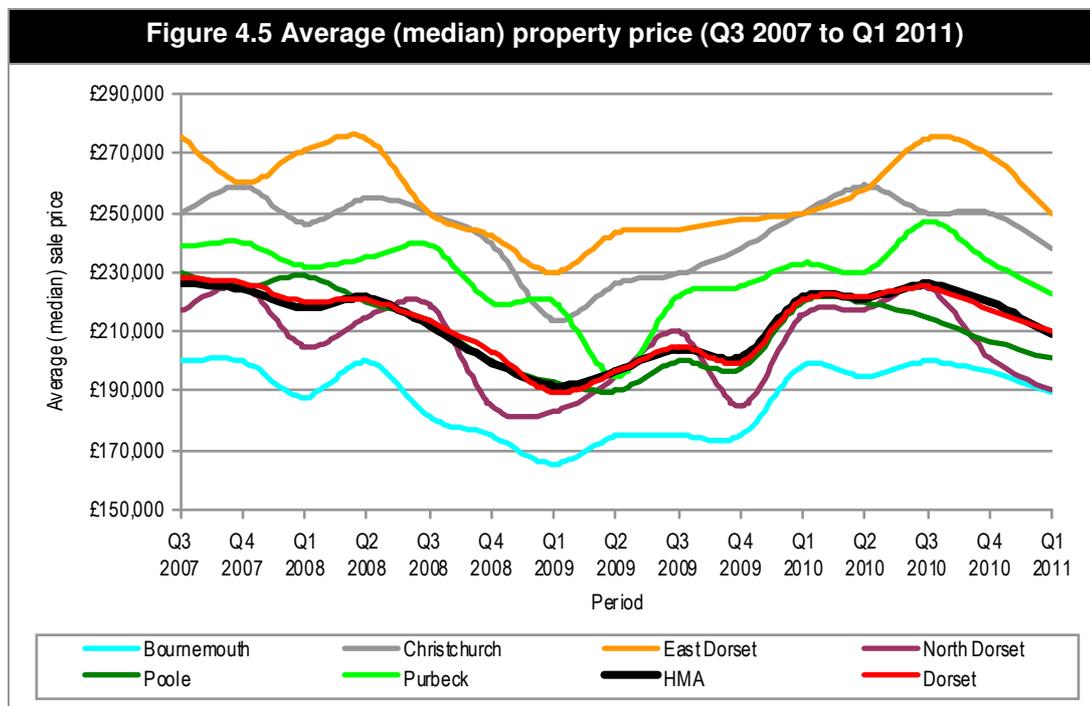
Local Price Trends since previous SHMA

- 4.12 We can also look at price and sales trends at a more local level and concentrating on the period since the original SHMA was carried out. The fieldwork and data analysis for the SHMA has a base date of around mid-2007 and for the purposes of our analysis we have looked at prices from the 3rd quarter of 2007 (this should closely equate to market activity around the mid-2007 point). We have however also included figures back to the 1st quarter of 2011 so that comparisons can be made for quarterly figures which exclude any seasonal variations.
- 4.13 The table below and figure below show the average (median) price paid for a home from the 3rd quarter of 2007 to the 1st quarter of 2011. The data suggests that prices have dropped since the time of the original SHMA in all areas with the decline since 2007 ranging from 5% in Bournemouth and Christchurch to 13% in Poole and 12% in North Dorset. Across the HMA the data also shows that prices are still only at the same level as recorded in the first quarter of 2007.

Figure 4.4 Average (median) price 2007 to 2011

| | Bourne- mouth | Christ- church | East Dorset | North Dorset | Poole | Purbeck | HMA | Dorset |
|-----------------------------|------------------|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Q1 2007 | £184,950 | £240,000 | £264,000 | £194,000 | £208,500 | £226,000 | £209,177 | £209,683 |
| Q2 2007 | £202,000 | £246,725 | £265,000 | £205,625 | £222,000 | £220,000 | £221,205 | £220,147 |
| Q3 2007 | £200,000 | £250,000 | £276,000 | £217,000 | £230,000 | £238,500 | £226,409 | £228,139 |
| Q4 2007 | £200,000 | £258,950 | £260,000 | £225,500 | £225,000 | £239,950 | £224,387 | £226,423 |
| Q1 2008 | £188,000 | £246,500 | £271,000 | £205,000 | £228,600 | £232,000 | £217,821 | £220,095 |
| Q2 2008 | £200,000 | £254,975 | £275,000 | £215,000 | £220,000 | £235,000 | £221,428 | £220,841 |
| Q3 2008 | £181,500 | £250,000 | £250,000 | £219,000 | £213,750 | £239,000 | £211,901 | £213,288 |
| Q4 2008 | £175,000 | £239,500 | £242,000 | £185,000 | £200,000 | £220,000 | £199,825 | £203,448 |
| Q1 2009 | £165,500 | £213,750 | £230,000 | £183,000 | £193,000 | £220,000 | £191,704 | £189,570 |
| Q2 2009 | £175,000 | £226,250 | £243,250 | £195,000 | £190,000 | £195,000 | £196,799 | £196,491 |
| Q3 2009 | £175,000 | £229,475 | £244,250 | £209,950 | £200,000 | £222,000 | £204,242 | £205,094 |
| Q4 2009 | £175,000 | £238,000 | £247,500 | £185,000 | £197,500 | £225,075 | £201,131 | £199,683 |
| Q1 2010 | £198,500 | £249,950 | £250,000 | £215,750 | £220,000 | £233,000 | £221,428 | £220,621 |
| Q2 2010 | £195,000 | £259,000 | £258,000 | £217,500 | £220,000 | £230,000 | £221,344 | £221,849 |
| Q3 2010 | £200,000 | £250,000 | £275,000 | £225,000 | £214,500 | £247,000 | £225,910 | £225,042 |
| Q4 2010 | £196,500 | £250,000 | £269,500 | £201,250 | £207,000 | £233,500 | £219,905 | £217,595 |
| Q1 2011 | £189,475 | £238,000 | £250,000 | £190,000 | £201,000 | £223,000 | £209,181 | £209,974 |
| % change Q3- 07 to Q1 11 | -5.3% | -4.8% | -9.4% | -12.4% | -12.6% | -6.5% | -7.6% | -8.0% |

Source: CLG Live Tables (from Land Registry)

Figure 4.5 Average (median) property price (Q3 2007 to Q1 2011)

Source: CLG Live Tables (from Land Registry)

Updated entry-level costs and housing sub-markets

- 4.14 To fully understand the affordability of housing within a price market it is necessary to collect data on the cost of housing by number of bedrooms. This ensures that it is possible to assess the ability of households to afford market housing of the size required by that particular household as determined by the bedroom standard. As part of this study we have therefore undertaken an updated price survey to assess the current cost of housing in the six local authorities.
- 4.15 East Dorset in particular is a large local authority with a number of different towns each of which will have its own housing characteristics in terms of the type of stock available and typical prices. We have therefore sought to collect price information for a number of different locations in each local authority area. The table below shows the main areas for which price information has been collected (seven areas in East Dorset and three in each of North Dorset and Purbeck. In addition, as much of the price data has come from internet searches of homes advertised for sale we have discounted asking prices to reflect likely sales prices – this is based on information from Hometrack and is also shown in the table.

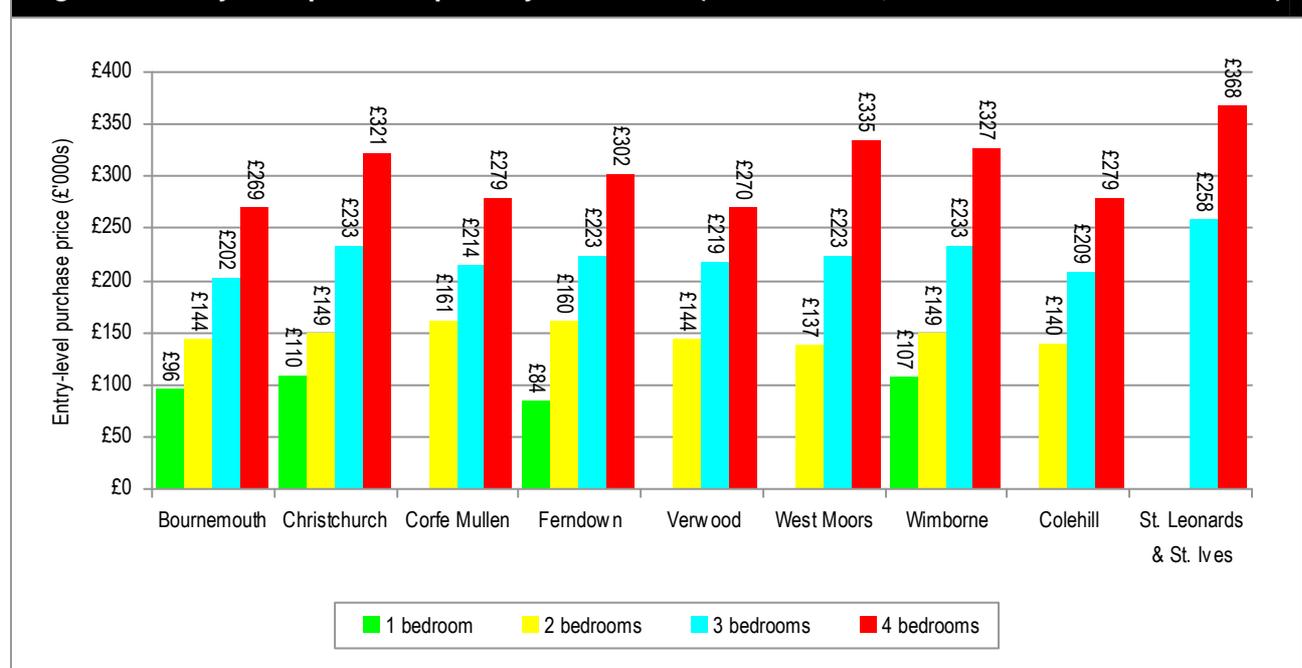
| Figure 4.6 Description of housing sub-markets used for analysis | | |
|--|---------------------------|-----------------------------|
| Local authority | Sub-market (town) | Sales to asking price ratio |
| Bournemouth | Bournemouth | 96% |
| Christchurch | Christchurch | 93% |
| East Dorset | Corfe Mullen | 93% |
| | Ferndown | 93% |
| | Verwood | 93% |
| | West Moors | 93% |
| | Wimborne | 93% |
| | Colehill | 93% |
| | St. Leonards and St. Ives | 92% |
| North Dorset | Blandford Forum | 85% |
| | Gillingham | 92% |
| | Shaftesbury | 90% |
| Poole | Poole | 95% |
| Purbeck | Lytchett Minster & Upton | 95% |
| | Swanage | 95% |
| | Wareham | 95% |

Entry-level prices

- 4.16 Updated entry-level property prices and rental costs by number of bedrooms were obtained in each sub-market via an online search of properties advertised for sale during July 2011. In accordance with the Practice Guidance (and to replicate the approach used in the original report), entry-level prices are based on lower quartile prices.

- 4.17 The entry-level price for owner-occupied property across the sub-markets is presented in the two figures below. The figures indicate that entry-level prices in the HMA range from around £60,000 for a one bedroom home in Blandford Forum (in North Dorset) to around £370,000 for a four bedroom property in St. Leonards and St. Ives (in East Dorset). In terms of the market availability the analysis showed that three bedroom properties are most commonly available to purchase in the more rural of locations whilst two bedroom homes were most commonly advertised in Bournemouth, Christchurch and Poole.
- 4.18 In some locations there was an insufficient supply of one bedroom homes for a reasonable estimate of lower quartile price to be made (also two bedroom properties in St. Leonards and St. Ives). The figures (mainly relating to smaller dwellings) exclude warden assisted flats and other dwellings specifically marketed for particular groups (e.g. the over 55s) as such dwellings are not available to all households. We have also excluded mobile homes from the figures as these are unlikely to be 'mortgageable' and therefore not available to some groups such as many first time buyers.

Figure 4.7 Entry-level purchase price by sub-market (Bournemouth, Christchurch and East Dorset)



Source: Online Estate and Letting Agents Survey (July 2011)

Figure 4.8 Entry-level purchase price by sub-market (North Dorset, Poole and Purbeck)



Source: Online Estate and Letting Agents Survey (July 2011)

- 4.19 Information from the internet property search can also provide an indication of the different sizes of properties available in different locations and this is shown in the table below. The figures should be treated as indicative as they will not cover all properties (only those advertised on the websites accessed) whilst rural properties will be less represented in the figures as the survey concentrated on main towns.
- 4.20 The data shows that across the whole HMA around 47% of homes advertised were smaller (1- and 2-bedroom) properties. This proportion does however vary significantly by locality and local authority with around 60% of properties advertised in Bournemouth having one or two bedrooms and only 34% in East Dorset. For this analysis we have included all properties advertised for sale which includes the warden assisted flats and mobile homes which were excluded from the main price analysis.

| Figure 4.9 Profile of properties advertised for sale | | | | | | |
|--|--------------------------|-----------|------------|------------|-------------|--------|
| Local authority | Sub-market (town) | 1 bedroom | 2 bedrooms | 3 bedrooms | 4+ bedrooms | Total |
| Bournemouth | TOTAL | 16.1% | 43.4% | 23.9% | 16.6% | 100.0% |
| Christchurch | TOTAL | 9.8% | 28.4% | 30.9% | 30.9% | 100.0% |
| East Dorset | Corfe Mullen | 2.3% | 12.8% | 47.7% | 37.2% | 100.0% |
| | Ferndown | 11.8% | 25.5% | 31.5% | 31.3% | 100.0% |
| | Verwood | 3.4% | 32.4% | 31.8% | 32.4% | 100.0% |
| | West Moors | 10.7% | 38.4% | 26.4% | 24.5% | 100.0% |
| | Wimborne | 9.7% | 21.9% | 24.9% | 43.5% | 100.0% |
| | Colehill | 3.6% | 14.3% | 28.6% | 53.6% | 100.0% |
| | St. Leonards & St. Ives | 2.2% | 15.1% | 35.5% | 47.3% | 100.0% |
| | TOTAL | 8.2% | 25.3% | 30.9% | 35.6% | 100.0% |
| North Dorset | Blandford Forum | 10.3% | 27.9% | 33.9% | 27.9% | 100.0% |
| | Gillingham | 7.5% | 33.2% | 32.4% | 27.0% | 100.0% |
| | Shaftesbury | 9.8% | 23.7% | 44.2% | 22.3% | 100.0% |
| | TOTAL | 9.0% | 28.5% | 36.9% | 25.6% | 100.0% |
| Poole | TOTAL | 8.5% | 33.1% | 32.5% | 25.9% | 100.0% |
| Purbeck | Lytchett Minster & Upton | 16.7% | 30.0% | 28.9% | 24.4% | 100.0% |
| | Swanage | 8.2% | 40.1% | 30.0% | 21.7% | 100.0% |
| | Wareham | 2.5% | 22.9% | 39.0% | 35.6% | 100.0% |
| | TOTAL | 8.4% | 33.0% | 32.3% | 26.3% | 100.0% |
| Bournemouth/Poole HMA | | 11.6% | 35.2% | 29.1% | 24.1% | 100.0% |

Source: Online Estate and Letting Agents Survey (July 2011)

- 4.21 The table below shows the change recorded in entry-level purchase prices since 2007 for each property size within each local authority. Entry-level prices at local authority level have been estimated based on the number of properties available for sale by size at the time of our market survey.
- 4.22 To a large extent the data supports the price drops shown by Land Registry data analysed earlier in this section which showed an overall decrease in prices in the range of 5% to 13%. It is interesting to note for all areas that prices appear to have dropped more significantly for smaller (one- and two-bedroom) homes than larger properties.

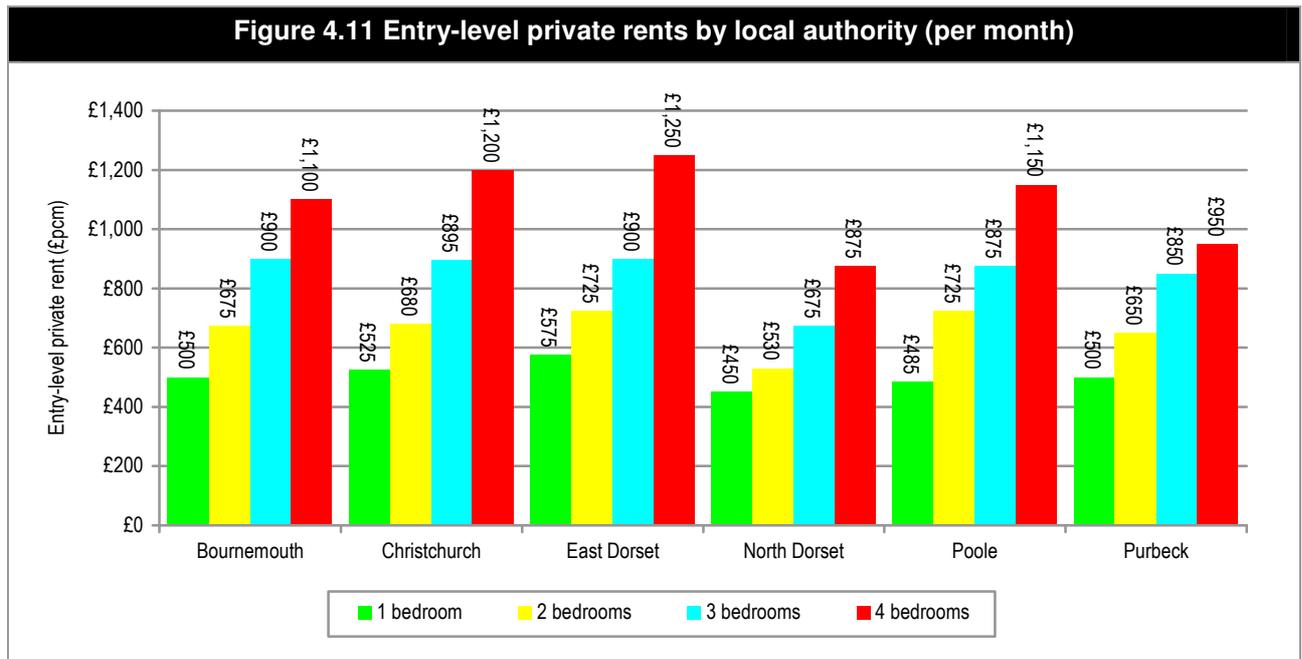
| Figure 4.10 Entry-level (lower quartile) price change 2007 to 2011 | | | | | |
|--|----------|-----------|------------|------------|------------|
| Local authority | | 1 bedroom | 2 bedrooms | 3 bedrooms | 4 bedrooms |
| Bournemouth | 2007 | £110k | £159k | £218k | £290k |
| | 2011 | £96k | £144k | £202k | £269k |
| | % change | -13% | -9% | -7% | -7% |
| Christchurch | 2007 | £124k | £180k | £251k | £323k |
| | 2011 | £110k | £149k | £233k | £321k |
| | % change | -11% | -17% | -7% | -1% |
| East Dorset | 2007 | £142k | £190k | £243k | £318k |
| | 2011 | £92k | £150k | £225k | £308k |
| | % change | -35% | -21% | -7% | -3% |
| North Dorset | 2007 | £82k | £135k | £170k | £247k |
| | 2011 | £75k | £112k | £152k | £218k |
| | % change | -8% | -17% | -11% | -12% |
| Poole | 2007 | £110k | £176k | £220k | £285k |
| | 2011 | £95k | £152k | £200k | £271k |
| | % change | -14% | -14% | -9% | -5% |
| Purbeck | 2007 | £132k | £178k | £229k | £309k |
| | 2011 | £107k | £163k | £207k | £264k |
| | % change | -19% | -9% | -10% | -14% |

Source: Online Estate and Letting Agents Survey 2007 and 2011

- 4.23 The supply of one bedroom homes (particularly to buy) is relatively low in some areas – East Dorset in particular once warden assisted flats and mobile homes are excluded. Whilst the estimated entry-level price of a one bedroom home in East Dorset reflects availability on the market at the time of market survey (July 2011) subsequent price research suggests that this may have slightly under-estimated the true underlying figure. We have therefore tested the implications of assuming a higher one bedroom entry-level price in our analysis of affordability (Section 5) and Housing Need (Section 6).

Entry-level private rents

- 4.24 The entry-level cost for private rented accommodation is presented in the figure below. Due to the relatively small number of properties typically advertised for rent at any one time in more rural locations we have carried out the analysis at a local authority area level. Generally, the information available suggested that rental cost difference did not vary as much as prices. The figure indicates that entry-level rents in the HMA range from £450 per month for a one bedroom home in North Dorset up to £1,250 per month for a four bedroom property in East Dorset.



Source: Online Estate and Letting Agents Survey (July 2011)

- 4.25 Information from the internet property search can also provide an indication of the different sizes of properties available to rent in different locations and this is shown in the table below. The figures should be treated as indicative as they will not cover all properties (only those advertised on the websites accessed) whilst rural properties will be less represented in the figures as the survey concentrated on main towns.
- 4.26 The data shows that across the whole HMA around 62% of homes advertised were smaller (1- and 2-bedroom) homes – this compares with only 47% of homes for sale. There are notable differences between the local authorities with 67% of homes in Bournemouth having one- or two-bedrooms compared with only 41% in East Dorset. In addition, Christchurch shows a low supply of four bedroom homes to rent and Bournemouth a low proportion of three bedroom homes.
- 4.27 This information can also be compared with similar analysis carried out by the County Council in 2006 and 2009 – this data is shown as the final two rows in the table below. The data shows that whilst the proportion of properties of different sizes to rent varies slightly between different time periods the general profile is broadly similar with two bedroom homes being the main size of home available for all time periods studied (ranging from 42% to 47% of advertised properties).

Figure 4.12 Profile of properties advertised for private rent

| Local authority | 1 bedroom | 2 bedrooms | 3 bedrooms | 4+ bedrooms | Total |
|-----------------|-----------|------------|------------|-------------|--------|
| Bournemouth | 25.7% | 41.8% | 12.4% | 20.1% | 100.0% |
| Christchurch | 15.5% | 49.1% | 28.2% | 7.3% | 100.0% |
| East Dorset | 14.4% | 26.3% | 30.5% | 28.8% | 100.0% |
| North Dorset | 27.0% | 31.7% | 23.8% | 17.5% | 100.0% |
| Poole | 10.9% | 46.2% | 27.9% | 15.0% | 100.0% |
| Purbeck | 25.8% | 32.3% | 29.0% | 12.9% | 100.0% |
| HMA (2011) | 20.1% | 42.0% | 19.7% | 18.2% | 100.0% |
| HMA (2009) | 23.8% | 43.5% | 17.7% | 15.0% | 100.0% |
| HMA (2006) | 18.3% | 47.0% | 19.8% | 14.9% | 100.0% |

Source: Online Estate and Letting Agents Survey (July 2011)

4.28 The table below shows the change recorded in entry-level private rents since 2007 for each property size within each local authority. The data suggests that private sector rents in 2011 are generally higher than was recorded in 2007 with greater increases in rents for larger properties. For one bedroom homes the data suggests little change from 2007 rent levels other than in Purbeck.

Figure 4.13 Change in entry-level (lower quartile) private rental costs 2007 to 2011 (per month)

| Local authority | | 1 bedroom | 2 bedrooms | 3 bedrooms | 4 bedrooms |
|-----------------|----------|-----------|------------|------------|------------|
| Bournemouth | 2007 | £495 | £650 | £825 | £1,050 |
| | 2011 | £500 | £675 | £900 | £1,100 |
| | % change | 1% | 4% | 9% | 5% |
| Christchurch | 2007 | £540 | £695 | £780 | £995 |
| | 2011 | £525 | £680 | £895 | £1,200 |
| | % change | -3% | -2% | 15% | 21% |
| East Dorset | 2007 | £575 | £665 | £850 | £1,100 |
| | 2011 | £575 | £725 | £900 | £1,250 |
| | % change | 0% | 9% | 6% | 14% |
| North Dorset | 2007 | £450 | £500 | £600 | £750 |
| | 2011 | £450 | £530 | £675 | £875 |
| | % change | 0% | 6% | 13% | 17% |
| Poole | 2007 | £495 | £675 | £795 | £995 |
| | 2011 | £485 | £725 | £875 | £1,150 |
| | % change | -2% | 7% | 10% | 16% |
| Purbeck | 2007 | £450 | £575 | £700 | £850 |
| | 2011 | £500 | £650 | £850 | £950 |
| | % change | 11% | 13% | 21% | 12% |

Source: Online Estate and Letting Agents Survey 2007 and 2011

- 4.29 We have also used data from the rent service about the amount of Local Housing Allowance (LHA) payable on different sized properties in different locations to help get an idea of private sector rent levels. Virtually all of the Bournemouth/Poole HMA is within the Bournemouth Broad Rental Market Area (BRMA) with small areas of both Purbeck and East Dorset being in the Mid and West Dorset BRMA and a small part of East Dorset also being in the Salisbury BRMA. North Dorset on the other hand has properties in each of the Salisbury, Mid and West Dorset and Yeovil BRMAs (and none in the Bournemouth BRMA).
- 4.30 Below we have therefore provided an analysis of LHA rent levels and district figures separately for the five authorities mainly in the Bournemouth BRMA and North Dorset. The first table shows that generally LHA rents are lower than found in our market survey (for the same sized properties). This means in much of the Bournemouth BRMA area it may be difficult to find properties to rent where the full housing cost can be covered by LHA. There are a few exceptions to this; notably one bedroom homes in Bournemouth, Poole and Purbeck and four bedroom homes in Purbeck although in all areas the assessed market rents in this study are at or above LHA levels for two and three bedroom accommodation. Difference from LHA levels are greatest in East Dorset.

Figure 4.14 Comparison of LHA maximum rent payable and lower quartile rents (Bournemouth BRMA) – per month

| Local authority | | 1 bedroom | 2 bedrooms | 3 bedrooms | 4 bedrooms |
|-----------------------------|---------------------|-----------|------------|------------|------------|
| Bournemouth BRMA rent level | | £525 | £650 | £800 | £1,100 |
| Bournemouth | 2011 rent | £500 | £675 | £900 | £1,100 |
| | Difference from LHA | –£25 | +£25 | +£100 | £0 |
| Christchurch | 2011 rent | £525 | £680 | £895 | £1,200 |
| | Difference from LHA | £0 | +£30 | +£95 | +£100 |
| East Dorset | 2011 rent | £575 | £725 | £900 | £1,250 |
| | Difference from LHA | +£50 | +£75 | +£100 | +£150 |
| Poole | 2011 rent | £485 | £725 | £875 | £1,150 |
| | Difference from LHA | –£40 | +£75 | +£75 | +£50 |
| Purbeck | 2011 rent | £500 | £650 | £850 | £950 |
| | Difference from LHA | –£25 | £0 | +£50 | –£150 |

Source: Valuation Office Agency and Online Estate and Letting Agents Survey (July 2011)

- 4.31 The table below shows a similar analysis for North Dorset. In this case we have looked at LHA rents in the Mid and West Dorset BRMA (which includes Blandford Forum) and the Salisbury BRMA (which includes both Gillingham and Shaftesbury). For North Dorset the results are quite different to those for the Bournemouth BRMA with the data suggesting that local rent levels (as established through our survey of estate and letting agents) are at or below LHA levels for all sizes of accommodation and locations. This would suggest that in North Dorset households would have fewer problems in claiming full LHA than is the case elsewhere in the HMA.

Figure 4.15 Comparison of LHA maximum rent payable and lower quartile rents (North Dorset) – per month

| Accommodation size | Survey estimate | Mid and West Dorset BRMA | | Salisbury BRMA | |
|--------------------|-----------------|--------------------------|---------------------------------|----------------|---------------------------------|
| | | LHA rent | Difference from survey estimate | LHA rent | Difference from survey estimate |
| 1 bedroom | £450 | £450 | £0 | £500 | -£50 |
| 2 bedrooms | £530 | £575 | -£45 | £625 | -£95 |
| 3 bedrooms | £675 | £675 | £0 | £750 | -£75 |
| 4 bedrooms | £875 | £875 | £0 | £950 | -£75 |

Source: Valuation Office Agency and Online Estate and Letting Agents Survey (July 2011)

4.32 Technically the situation should not arise where LHA rent limits are lower than figures from our market survey (given that they are based on the 30th centile rather than the lower quartile). However findings such as above are not uncommon and are likely to be due to methodological differences as well as the fact that the VoA market area boundaries do not exactly match the local authority boundaries as used in this report. As we understand it the VoA uses rents charged (rather than advertised rents) and there may therefore be a bias towards properties attracting LHA (which will tend to be lower rent) as well as potential for some differences due to time-lag. Overall, the figures are fairly similar which would suggest that those derived from our market survey are sufficiently sound to be used for subsequent affordability analysis.

Cost of affordable housing

4.33 Traditionally the main type of affordable housing available in an area is social rented housing and the cost of social rented accommodation by dwelling size in the HMA can be obtained from Continuous Recording (CORE) - a national information source on social rented lettings. The table below illustrates the rental cost of lettings of social rented properties in each of the six local authorities in 2007 and 2010. As can be seen the costs are significantly below those for private rented housing indicating a significant potential gap between the social rented and market sectors. The data also shows that social rents have increased over time. The figures presented are for lettings made to new tenants and not overall rent levels in the social rented sector (i.e. they do not include rents paid by tenants who did not move to their current home within the past year) – the figures also include service charges.

| Figure 4.16 Change in social rents 2007 to 2010 (£/week) | | | | |
|--|----------|-----------|------------|------------|
| Local authority | | 1 bedroom | 2 bedrooms | 3 bedrooms |
| Bournemouth | 2007 | £66 | £73 | £85 |
| | 2010 | £67 | £79 | £88 |
| | % change | +1% | +8% | +4% |
| Christchurch | 2007 | £78 | £88 | £94 |
| | 2010 | £86 | £92 | £100 |
| | % change | +11% | +5% | +7% |
| East Dorset | 2007 | £68 | £76 | £88 |
| | 2010 | £75 | £80 | £90 |
| | % change | +10% | +5% | +2% |
| North Dorset | 2007 | £72 | £81 | £91 |
| | 2010 | £74 | £87 | £101 |
| | % change | +2% | +7% | +10% |
| Poole | 2007 | £70 | £75 | £75 |
| | 2010 | £75 | £84 | £91 |
| | % change | +7% | +12% | +21% |
| Purbeck | 2007 | £66 | £77 | £86 |
| | 2010 | £76 | £87 | £101 |
| | % change | +16% | +13% | +17% |

Source: CORE

- 4.34 Recent changes in affordable housing provision has seen the introduction of a new tenure of affordable housing (Affordable Rented). Affordable rented housing is defined in the draft NPPF as being *'let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable)'*. In the short-term it is likely that this tenure will replace social rented housing for new delivery, however, the tenure is initially only being trialled for four years and so this situation may change in the future.
- 4.35 Affordable Rented housing can therefore be considered to be similar to social rented housing but at a potentially higher rent. The 80% (maximum) rent is to be based on the open market rental value of the individual property and so it is not possible to say what this will exactly mean in terms of cost (for example the rent for a two-bedroom flat is likely to be significantly different to a two-bedroom detached bungalow). However, for the purposes of analysis we have assumed that the 80% figure can be applied to the 30th centile LHA level shown earlier in this section.

- 4.36 The tables below firstly show likely affordable rents at 80% of market cost and secondly the difference (in £ per week) between social rents and affordable rents by size of property. The data shows that affordable rents are likely to be notably higher than current social rents with the gap widening as property sizes get bigger. This information may provide some support for providing affordable rent at below the 80% maximum (particularly for larger properties).

| Figure 4.17 Cost of Affordable Rented Housing by size and BRMA (per week) | | | |
|--|------------------|--------------------------|----------------|
| Property size | Bournemouth BRMA | Mid and West Dorset BRMA | Salisbury BRMA |
| 1 bedroom | £97 | £83 | £92 |
| 2 bedrooms | £120 | £106 | £115 |
| 3 bedrooms | £148 | £125 | £138 |

Source: Valuation Office Agency and CORE

| Figure 4.18 Difference in cost of social rent and Affordable rent (per week) | | | |
|---|-----------|------------|------------|
| Local authority | 1 bedroom | 2 bedrooms | 3 bedrooms |
| Bournemouth | +£30 | +£41 | +£60 |
| Christchurch | +£11 | +£28 | +£48 |
| East Dorset | +£22 | +£40 | +£58 |
| North Dorset | +£15 | +£25 | +£33 |
| Poole | +£22 | +£36 | +£57 |
| Purbeck | +£21 | +£33 | +£47 |

Source: Valuation Office Agency and CORE

Gaps in the housing market

- 4.37 The table below estimates how current prices and rents in each price area might equate to income levels required to afford such housing. The figures are all based on a two bedroom home and clearly indicate a gap between the costs of 'entry-level' market housing and the social rented sector - demonstrating the potential for intermediate and affordable rented housing to meet some of the affordable need - this is investigated in more detail later in the report.

Figure 4.19 Indicative income required to purchase/rent without additional subsidy (2 bedroom)

| Location | Entry-level purchase price | Entry-level private rent | Affordable rent | Average RP rent |
|--------------|----------------------------|--------------------------|-----------------|-----------------|
| Bournemouth | £41,100 | £32,400 | £25,000 | £16,400 |
| Christchurch | £42,600 | £32,600 | £25,000 | £19,100 |
| East Dorset | £42,900 | £34,800 | £25,000 | £16,600 |
| North Dorset | £32,000 | £25,400 | £23,300 | £18,100 |
| Poole | £43,400 | £34,800 | £25,000 | £17,500 |
| Purbeck | £46,600 | £31,200 | £25,000 | £18,100 |

Source: Online Estate and Letting Agents Survey (July 2011), VoA and CORE

Calculations based on 3.5× household income for purchase and 25% of income to be spent on housing for rented properties.

Figures for purchase are based on a 100% mortgage for the purposes of comparing the different types of housing.

Prices and rents in rural areas

- 4.38 Although it is difficult to provide a definitive statement about the differences in prices and rents between urban and rural areas due the relatively small number of properties for sale or to let in any particular location it has been possible using both internet sources and the updated survey data to make estimates of the differences between urban and rural areas.
- 4.39 Overall, it is clear that prices in rural areas are above those for the urban areas to which they are most closely associated. Using a combination of data sources it has been estimated that the average price of a home in a rural area is around 35% above the average for urban areas. However, this is influenced by the different profile of the housing stock in these areas (e.g. more detached homes).
- 4.40 In terms of private rented housing the data suggests no discernable difference in rents between urban and rural areas although it is notable that survey data suggests a lower turnover of homes in the most rural of areas which suggests that the supply and availability of private rented homes in these locations may be more limited.
- 4.41 The qualitative information demonstrates the contrast between urban and rural areas in the study area. Rural house prices are clearly driven by higher earning in-migrants with considerable equity. This enables them to purchase the premium housing that is abundant in the rural parts of the study area, sometimes downsizing and releasing equity. Demand from these households coupled with their spending power means that indigenous households or newly forming households cannot compete. Entry level urban house prices are driven by economically active young people seeking a foothold in the housing market and an inner city lifestyle. We came across many examples of lower income economically active households who were priced out of the local housing market near their place of work and travelled considerable distances to work or for family or support networks. The most notable examples occurred in Christchurch and Wimborne.

- 4.42 The qualitative information also demonstrates the pull factor of demand for districts with significant coastal areas such as Purbeck (Swanage) and parts of Bournemouth and Christchurch. Here there is competing demand from higher earning migrants, second home owners and investors making holiday accommodation available.

Summary

- 4.43 Since the 2007 SHMA was carried out there has been a significant downturn in the national and local property market with a decline in both house prices and the number of sales made. There is however evidence that the market is picking up with the volume of housing sales increasing slightly since 2008/9 although dropping back a bit in 2010/11.
- 4.44 The evidence of lower prices was clear from our housing market survey of July 2011 with all sizes of accommodation in all locations showing a drop in price. In percentage terms Land Registry data also suggested that the prices homes in the Bournemouth/Poole HMA have declined by between 5% and 13% depending on location since 2007.
- 4.45 When looking at the cost of private rented accommodation, the market survey suggested that rents have increased since 2007, particularly for larger properties. Although prices have decreased the increases in private sector rent levels are likely to mean that affordability pressures have not eased to any degree due to the market downturn.

5. The Economy, Incomes and Affordability

Introduction

- 5.1 The economy is a key driver of local housing markets and can have an important influence on supply and demand including household formation rates and households' investment in housing. In this section we look at up-to-date information about the economy in each of the six local authorities and where possible compare this with the situation nationally and regionally. Information in this section has mainly been drawn from NOMIS (National Online Manpower Information Service) and we have concentrated only on data that is available for 2010 or 2011.
- 5.2 This section also presents the current financial situation of households in the HMA recorded as a result of updating the household survey data and considers each of the elements that will impact on affordability (e.g. savings and equity levels). These results are then combined with the analysis of the local housing market, to make an assessment of affordability for households in the HMA. Reference is also made to the recently published Local Economic Assessment for Bournemouth, Dorset and Poole and the conclusions it draws for parts of the sub region.
- 5.3 Where data is taken from the Annual Population Survey (APS) or the Annual Survey of Hours and Earnings (ASHE) some degree of caution should be used in interpreting the results (due to the sample nature which can have quite small samples for smaller areas). However, these sources should provide a reasonable picture of changes over time and we have where possible added together data from different time periods (e.g. for all four quarters of a year) to maximise the accuracy of the information.

Number of people working

- 5.4 The table below shows information from the annual population survey (accessed through NOMIS) about the number of people working and the proportion of people of working age who are in employment – this is based on the proportion of people aged 16 to 64 who are working.
- 5.5 For the whole HMA the data suggests that the number of people working has decreased slightly since 2007 with an estimated 1.6% fewer people in employment in 2010 than in 2007. The drop in the number of people working is significantly lower than for Dorset as a whole (with figures heavily influenced by decreases in employment in Weymouth and Portland). Different local authorities show very different patterns with a 4% decline in the number of people working in Bournemouth and an increase of 3% seen in Christchurch. A decline in working rates is consistent with the regional and national position although changes in the Bournemouth/Poole HMA are less pronounced.

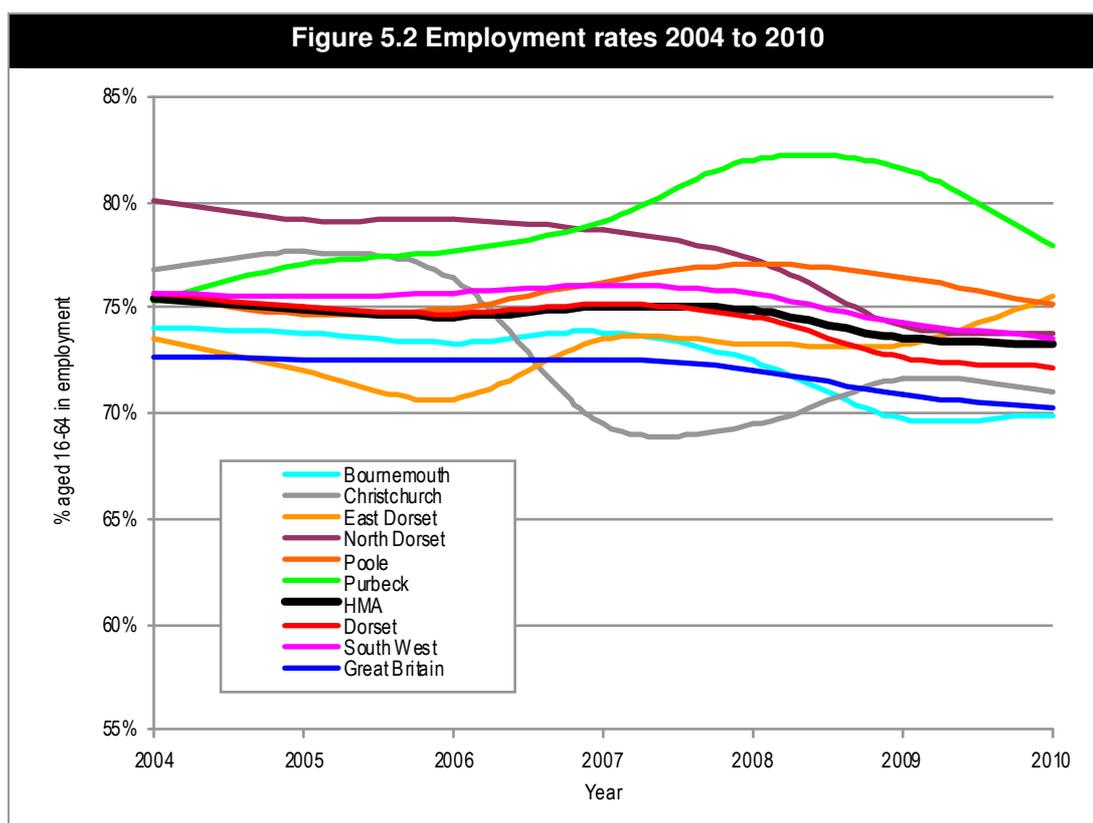
5.6 The decline may be linked to the number of people moving into retirement. Qualitative evidence suggests that the growth in Christchurch is driven by economic development, the perceived quality of life in the area and the characteristics of the housing stock affordable to middle and higher income families.

Figure 5.1 Number of people working and % of working age population in employment 2007-2010

| Area | | 2007 | 2010 | Change 2007 – 2010 |
|---------------|-----------------------|---------|---------|--------------------|
| Bournemouth | Number working | 79,286 | 76,075 | -3,211 |
| | % of working age popn | 73.8% | 70.0% | -3.8% |
| Christchurch | Number working | 18,300 | 18,850 | +550 |
| | % of working age popn | 69.5% | 71.1% | +1.6% |
| East Dorset | Number working | 39,343 | 39,425 | +82 |
| | % of working age popn | 73.5% | 75.5% | +2.0% |
| North Dorset | Number working | 29,843 | 28,850 | -993 |
| | % of working age popn | 78.6% | 73.8% | -4.8% |
| Poole | Number working | 66,529 | 66,750 | +221 |
| | % of working age popn | 76.2% | 75.2% | -1.0% |
| Purbeck | Number working | 22,043 | 21,375 | -668 |
| | % of working age popn | 79.1% | 78.0% | -1.1% |
| HMA | Number working | 255,343 | 251,325 | -4,018 |
| | % of working age popn | 75.0% | 73.3% | -1.7% |
| Dorset | Number working | 330,200 | 316,050 | -14,150 |
| | % of working age popn | 75.2% | 72.2% | -3.0% |
| South West | % of working age popn | 76.1% | 73.6% | -2.5% |
| Great Britain | % of working age popn | 72.6% | 70.3% | -2.3% |

Source: Annual Population Survey – from NOMIS website

5.7 The differences between the local authorities and other areas can more clearly be seen on the diagram below which goes back to 2004 to provide a longer-term view on working patterns. Although figures are somewhat variable year-on-year the data does clearly show declines in employment rates over the seven year period for most areas. For all local authorities other than Bournemouth the employment rate at the end of the period studied is above the average for the whole of Great Britain.



Unemployment and benefit claimants

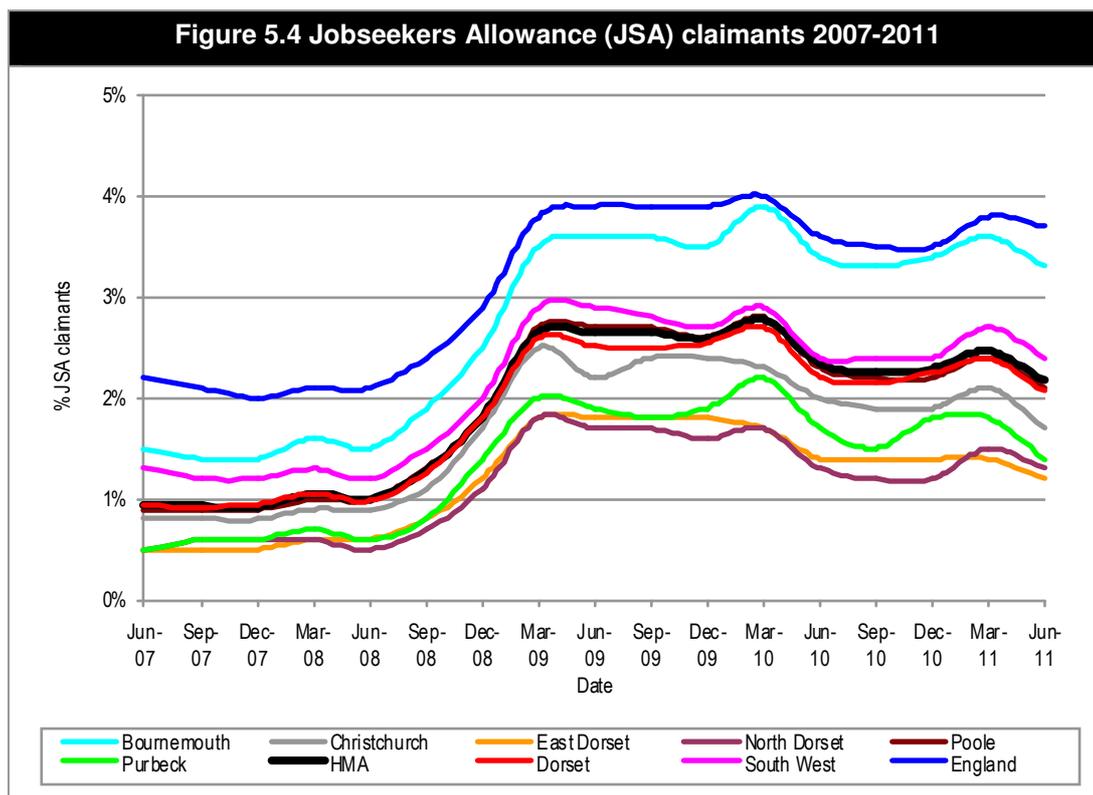
- 5.8 Given that the number of people working and the working rate in the HMA has dropped since the original SHMA was carried out it is important to look at levels of unemployment and benefit claimants as these groups of the population are likely to have particular difficulty in accessing housing.
- 5.9 The table below shows modelled unemployment rates from the ONS annual population survey for 2007 and 2010. The data shows that in all areas there has been a significant increase in both the number of people who are unemployed and the proportion of the working age population who are unemployed. The estimated increase in unemployment is highest in Bournemouth where the number of people who are unemployed is estimated to have risen by around 2,800 in just three years.
- 5.10 The qualitative evidence strongly suggests that unemployment is mostly squeezed out of the high price housing areas that are predominantly rural, as demand for housing is from higher income households some of whom are retired and not seeking work. As noted previously, lower income indigenous households that need to move or are newly forming will seek housing in lower priced areas such as Blandford Forum or parts of Bournemouth.

Figure 5.3 Number of people unemployed and % unemployment 2007-2010

| Area | | 2007 | 2010 | Change 2007 – 2010 |
|---------------|-------------------|--------|--------|--------------------|
| Bournemouth | Number unemployed | 3,786 | 6,575 | +2,789 |
| | % unemployed | 4.6% | 8.0% | +3.4% |
| Christchurch | Number unemployed | 700 | 1,100 | +400 |
| | % unemployed | 3.7% | 5.5% | +1.8% |
| East Dorset | Number unemployed | 1,200 | 1,775 | +575 |
| | % unemployed | 3.0% | 4.4% | +1.4% |
| North Dorset | Number unemployed | 829 | 1,300 | +471 |
| | % unemployed | 2.7% | 4.4% | +1.7% |
| Poole | Number unemployed | 2,314 | 4,325 | +2,011 |
| | % unemployed | 3.3% | 6.1% | +2.8% |
| Purbeck | Number unemployed | 571 | 1,000 | +429 |
| | % unemployed | 2.5% | 4.5% | +2.0% |
| HMA | Number unemployed | 9,400 | 16,075 | +6,675 |
| | % unemployed | 3.5% | 6.0% | +2.5% |
| Dorset | Number unemployed | 11,957 | 19,950 | +7,993 |
| | % unemployed | 3.5% | 5.9% | +2.4% |
| South West | % unemployed | 3.9% | 6.1% | +2.2% |
| Great Britain | % unemployed | 5.3% | 7.8% | +2.5% |

Source: Annual Population Survey – from NOMIS website

5.11 The figure below shows similar time-series information about Jobseekers Allowance (JSA) claimants. This information is published by ONS on a monthly basis and we have presented information for four months in each year going back to June 2007 (and up to June 2011). The data mirrors the information presented about unemployment with a large increase shown between 2007 and 2009 (in particular from late 2008 to early 2009). The data also shows that since the middle of 2009 there has been relatively little change in the proportion of people claiming JSA (albeit with month by month variations and some indication that the proportion of claimants might be starting to decline).



Occupation types

5.12 The Annual Population Survey presents a 'Standard Occupation Classification' which categorises all working people resident within an area into one of nine groups depending on the nature of the skills that they use. These nine groups are graded from managerial jobs (Groups 1-3) to unskilled jobs (Groups 8-9) and are described in the table below.

Figure 5.5 Description of categories of employment

| Grade of employment (Standard Occupation Classification (SOC)) | Description |
|--|---|
| SOC 2000 major group 1-3 | Managers and senior officials - Professional occupations - Associate professional and technical occupations |
| SOC 2000 major group 4-5 | Administrative and secretarial occupations - Skilled trades occupations |
| SOC 2000 major group 6-7 | Personal service occupations - Sales and customer service occupations |
| SOC 2000 major group 8-9 | Process; plant and machine operatives - Elementary occupations |

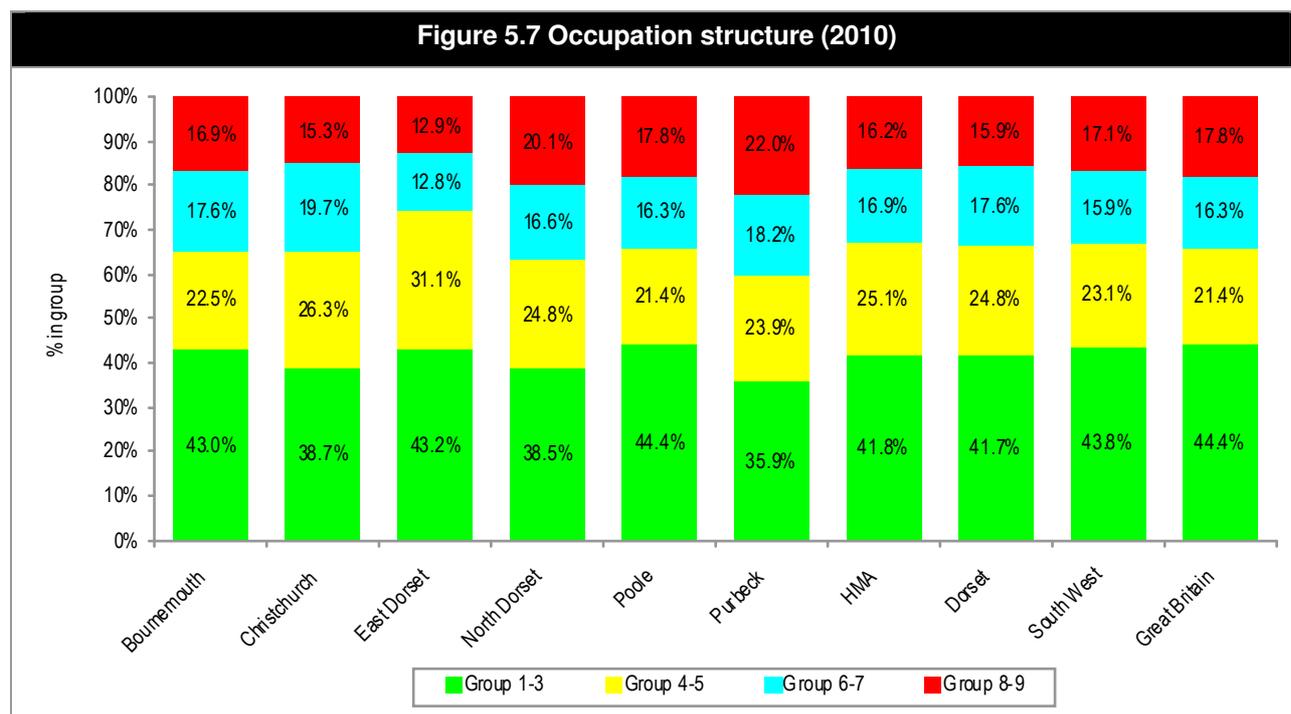
Source: Annual Population Survey – from NOMIS website

5.13 The table below shows the occupation structure in both 2007 and 2010. The data suggests that in the HMA as a whole the proportion of people in groups 1 to 3 has decreased whilst regionally and nationally the proportion in these groups has gone up slightly. For individual local authorities the key changes are a decrease in those in Groups 1-3 in North Dorset an increase in Groups 4-5 in East Dorset and an increase in the proportion in Groups 8-9 in Purbeck. In interpreting figures for individual local authorities some caution should be exercised as the information is taken from survey data and will therefore has some degree of error attached to it.

| Figure 5.6 Occupation structure (2007 and 2010) | | | | | |
|--|----------|-----------|-----------|-----------|-----------|
| Local authority | | Group 1-3 | Group 4-5 | Group 6-7 | Group 8-9 |
| Bournemouth | 2007 | 42.5% | 23.6% | 18.1% | 15.8% |
| | 2010 | 43.0% | 22.5% | 17.6% | 16.9% |
| | % change | 1.1% | -4.8% | -2.5% | 7.1% |
| Christchurch | 2007 | 43.1% | 25.1% | 17.9% | 13.8% |
| | 2010 | 38.7% | 26.3% | 19.7% | 15.3% |
| | % change | -10.3% | 4.5% | 10.2% | 10.9% |
| East Dorset | 2007 | 49.9% | 19.7% | 15.1% | 15.4% |
| | 2010 | 43.2% | 31.1% | 12.8% | 12.9% |
| | % change | -13.3% | 57.8% | -15.3% | -15.7% |
| North Dorset | 2007 | 48.3% | 24.7% | 12.5% | 14.4% |
| | 2010 | 38.5% | 24.8% | 16.6% | 20.1% |
| | % change | -20.4% | 0.2% | 32.6% | 39.4% |
| Poole | 2007 | 42.9% | 22.7% | 15.7% | 18.7% |
| | 2010 | 44.4% | 21.4% | 16.3% | 17.8% |
| | % change | 3.6% | -5.7% | 4.0% | -4.8% |
| Purbeck | 2007 | 41.5% | 27.7% | 17.3% | 13.5% |
| | 2010 | 35.9% | 23.9% | 18.2% | 22.0% |
| | % change | -13.6% | -13.5% | 5.0% | 62.9% |
| HMA | 2007 | 44.0% | 24.0% | 16.2% | 15.8% |
| | 2010 | 41.8% | 25.1% | 16.9% | 16.2% |
| | % change | -5.1% | 4.7% | 4.5% | 2.7% |
| Dorset | 2007 | 42.6% | 24.4% | 16.4% | 16.7% |
| | 2010 | 41.7% | 24.8% | 17.6% | 15.9% |
| | % change | -2.1% | 1.6% | 7.3% | -4.8% |
| South West | 2007 | 42.5% | 23.7% | 15.9% | 17.9% |
| | 2010 | 43.8% | 23.1% | 15.9% | 17.1% |
| | % change | 3.1% | -2.5% | 0.0% | -4.5% |
| Great Britain | 2007 | 42.9% | 22.7% | 15.7% | 18.7% |
| | 2010 | 44.4% | 21.4% | 16.3% | 17.8% |
| | % change | 3.5% | -5.7% | 3.8% | -4.8% |

Source: Annual Population Survey – from NOMIS website

- 5.14 The figure below shows this information for 2010. The data shows that the proportion of the working population in Groups 1-3 is in line with the Dorset average but below regional and national figures (which was not the case in 2007). Overall however the pattern of employment categories in the Bournemouth/Poole HMA closely matches the County, regional and national profile.
- 5.15 For individual local authorities the data shows a high proportion in Groups 1-3 in Bournemouth, East Dorset and Poole and relatively high proportions in Groups 8-9 in Purbeck and North Dorset.



Source: Annual Population Survey – from NOMIS website

Local Economic Assessment

- 5.16 A Local Economic Assessment (LEA) has been prepared for the Bournemouth, Dorset and Poole area. The LEA contains more detailed information on the local economy and draws conclusions about the different geographic areas.
- 5.17 On South East Dorset the LEA states:
 “South East Dorset is home to the largest and most dynamic economy within the wider Dorset sub-region. Its competitiveness is close to the national average and it contains a diverse mix of businesses. There is a degree of synergy across the conurbation and a good level of self-containment. The future prosperity of the area is faced with some difficult challenges which may serve to slow down or reverse the improvements in competitiveness which the area has previously enjoyed. South East Dorset is also important to the economy of the wider Dorset sub-region.”

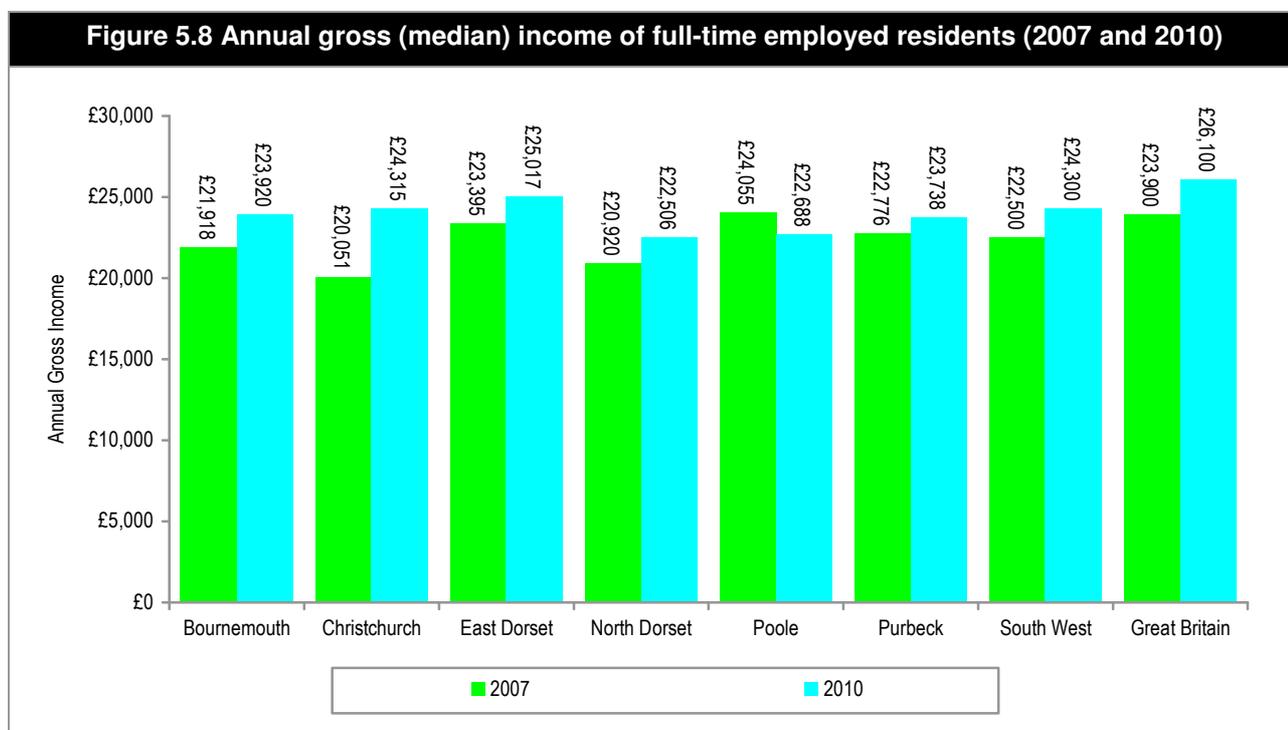
5.18 On rural Dorset it states:

“The predominantly rural areas of the sub-region rely upon a series of important settlements, some with good potential for growth. A high reliance upon public sector jobs poses a risk to the economy in the face of cuts, as does the impact this might have upon essential local services and voluntary/community sector support. These threats are tempered to some degree by high levels of enterprise and the quality of the environment, but it is apparent that a growth in businesses and productivity levels, supported by improved broadband speeds, will be essential to future prosperity.”

5.19 In each of these areas the limited availability of affordable housing is seen as a pressing issue and a constraint on business growth.

Income

5.20 Income has a crucial affect on the level of choice a household has when determining their future accommodation. The figure below shows the median annual income of people in full-time employment from the Annual Survey of Hours and Earnings (ASHE) for 2007 and 2010 (the latest year for which data is available). The figure shows that in all areas other than Poole income levels are higher in 2010 than 2007 with Christchurch showing the highest proportional increase. As of 2010 workers living in East Dorset showed the highest incomes (median of £25,017) with the lowest incomes being seen in North Dorset (median of £22,506 – 10% below the figure for East Dorset). Income levels in all areas are below the average for Great Britain (for 2010).



Source: Annual Survey of Hours and Earnings – from NOMIS website

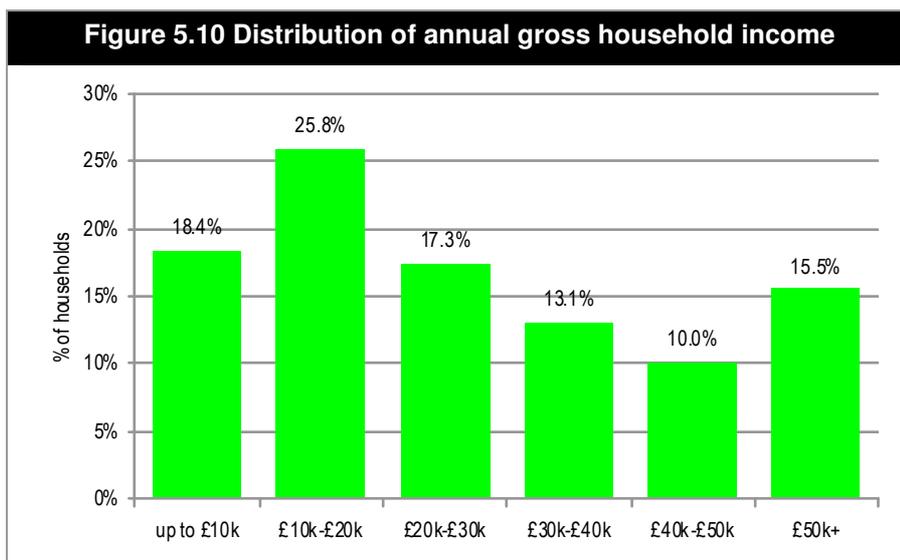
- 5.21 The table below shows the change in income levels from 2007 to 2010. The data suggests that incomes have risen most in Christchurch (21.3% over three years) with much lower increases in all other areas (and a decrease recorded for Poole). Only Christchurch and Bournemouth have seen income increases above the regional average.
- 5.22 Some caution should be exercised when interpreting this data due to the fact that the ASHE information is based on survey data and will therefore have an associated error margin (which will be particularly important when looking at short-term changes). In addition, it should be noted that the income figures have not been adjusted for inflation and so real increases will be lower than are shown in the table (and in some cases may in fact be a drop in real incomes).

| Figure 5.9 Percentage change in annual gross income of full-time employed residents (2007-2010) – median income | |
|--|------------------------------|
| Area | Increase in income 2007-2010 |
| Bournemouth | 9.1% |
| Christchurch | 21.3% |
| East Dorset | 6.9% |
| North Dorset | 7.6% |
| Poole | -5.7% |
| Purbeck | 4.2% |
| South West | 8.1% |
| Great Britain | 9.1% |

Source: Annual Survey of Hours and Earnings – from NOMIS website

Household income

- 5.23 The updated survey dataset estimates the mean household income in the HMA to be £30,548, which is an increase of 6% since the original SHMA report in 2007. Household income includes income from all sources other than housing related benefits (e.g. LHA) and so will include income information from households where no-one is in employment (e.g. retired/unemployed). The median household income is noticeably lower at £23,091 (4% higher than in 2007). The figure below shows the distribution of income in the HMA. It is clear that there are a significant range of incomes, with 44.2% having an income of less than £20,000, and around 16% of households having an income in excess of £50,000.



Source: Household Survey Data

5.24 The table below shows how estimated income levels in each tenure group have changed since 2007. The data suggests that income increases have been fairly uniform across the board although there is some evidence that households in the social rented sector have seen increases above the average for other tenures.

Figure 5.11 Average (median) income by tenure 2007 and 2011

| Tenure | 2007 | 2011 | % change |
|--------------------------------|---------|---------|----------|
| Owner-occupied (no mortgage) | £18,038 | £19,551 | 8.4% |
| Owner-occupied (with mortgage) | £34,748 | £37,211 | 7.1% |
| Social rented | £8,325 | £9,351 | 12.3% |
| Private rented | £16,829 | £18,114 | 7.6% |
| All tenures | £22,101 | £23,091 | 4.5% |

Source: Household Survey Data

Households' overall financial situation

5.25 Financial capacity is the term created to define capitalised amount of money a household potentially has available to move home. It takes account of all the resources that a household has available and is calculated as: income (x3.5) + savings + equity. The income is multiplied by 3.5 for consistency with affordability tests used to establish whether or not a household is able to afford market housing.

- 5.26 The table below provides the median financial capacity figures by tenure. The data shows that owners without mortgage (often retired) have a greater overall financial capacity than those (typically younger) with mortgage, but the latter have much higher incomes. Both have a far greater financial capacity than households in the rented sector. It is clear that the financial capacity of social renters will prohibit the majority from being able to consider buying a home; however the fall in dwelling prices means that an increasing number of private rented households may theoretically be able to purchase a property.
- 5.27 Compared to the equivalent results for data for 2007, the financial capacity for all tenure groups has remained broadly the same with proportional increases being highest in the rented tenures. In the owner-occupied sector increases in income are offset by decreases in equity due to lower property prices in 2011 when compared with 2007. In 2011 it is therefore estimated that the access to funds of outright owners has gone down but for mortgaged owners it has gone up slightly.

Figure 5.12 Median financial information by tenure

| Tenure | Annual gross household income | Savings | Equity | Potential access to funds | 2007 |
|--------------------------------|-------------------------------|---------|----------|---------------------------|----------|
| Owner-occupied (no mortgage) | £19,551 | £26,329 | £229,006 | £323,764 | £339,482 |
| Owner-occupied (with mortgage) | £37,211 | £3,357 | £119,083 | £252,678 | £251,262 |
| Social rented | £9,351 | £669 | £0 | £33,399 | £29,618 |
| Private rented | £18,114 | £1,146 | £0 | £64,543 | £59,522 |
| Average | £23,091 | £4,985 | £130,406 | £216,211 | £225,459 |

Source: Household Survey Data

Affordability of market housing

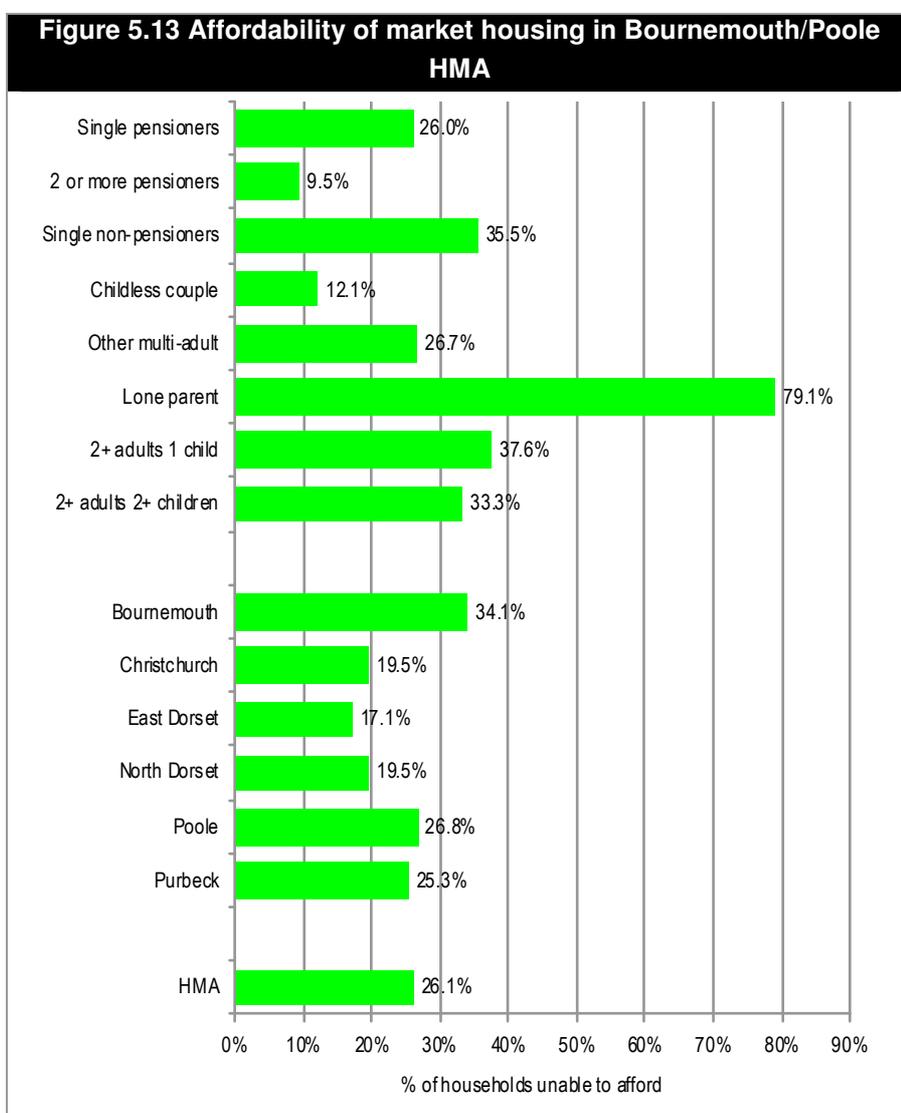
- 5.28 The information on the financial capacity of households alongside data on the cost of entry-level housing can be used to examine the ability of households to afford housing locally, based on the affordability criteria set out in the CLG SHMA Practice Guidance; these criteria are summarised below:

Affordability:

There are two main types of affordability measure: mortgage and rental. Mortgage affordability assesses whether households would be eligible for a mortgage; rental affordability measures whether a household can afford private rental. Mortgage affordability is based on conditions set by mortgage lenders – using standard lending multipliers (3.5 times household income). Rental affordability is defined as the rent being less than a proportion of a household's gross income (in this case 25% of gross income)

5.29 The figure below shows the current affordability of households by household type and location. This is the theoretical affordability of households as the analysis considers all households in the HMA and does not take into account their intention of moving. Overall the data suggests that 26.1% of households in the HMA would not be able to afford market housing (without some form of subsidy) if they were to move home now.

5.30 The data also indicates that 79.1% of lone parent households in the HMA would be unable to afford market housing; whilst single person households and other households with children are also relatively unlikely to be able to afford market housing without some form of subsidy. Multi-pensioner households and childless couples are most likely to be able to afford market housing in the HMA. Looking at the six local authorities we see that households in East Dorset are most likely to be able to afford with those living in Bournemouth being least likely – these results are heavily influenced by the current tenure profile in each area.



Source: Household Survey Data

Testing the sensitivity of affordability calculations

- 5.31 In Section 4 of the report it was seen that our estimates of lower quartile private sector rents were slightly different to figures separately accessed from the VoA for maximum Local Housing Allowance (LHA) rates based on the 30th centile. In most areas our lower quartile figures were slightly higher than LHA figures with North Dorset being the main exception to this along with some particular dwelling sizes in other locations.
- 5.32 We have carried out an additional brief market survey (in January 2012) which suggests that the lower quartile figures provided in this report are of the right order and that the LHA figures look to be a bit on the low side. It is however worth briefly considering the impact on affordability if we were to replace the market survey data for LHA rates. The table below compares the estimated proportion unable to afford by local authority using private rental costs from our market survey and also replacing these for the LHA rates.
- 5.33 The data show that changing the private rent figures makes relatively little difference to affordability with the proportion unable to afford HMA-wide dropping from 26.1% to 25.8%. For individual authorities we see that the largest change is for Bournemouth (going from 34.1% to 33.1%) whilst affordability actually worsens slightly in North Dorset and Purbeck.

| Area | % unable to afford | |
|--------------|---------------------|-------------|
| | Market survey costs | LHA figures |
| Bournemouth | 34.1% | 33.1% |
| Christchurch | 19.5% | 19.3% |
| East Dorset | 17.1% | 16.7% |
| North Dorset | 19.5% | 20.2% |
| Poole | 26.8% | 26.7% |
| Purbeck | 25.3% | 25.5% |
| Whole HMA | 26.1% | 25.8% |

Source: Household Survey Data

- 5.34 In addition to the above analysis we have looked at the sensitivity of affordability figures to changing the estimated entry-level price (to buy) of a one bedroom home in East Dorset. The market survey suggest a relatively low price for one bedroom homes in the district and this was partly driven by the low volume of properties available. We have therefore re-run the analysis to look at the implications of a higher assumed figure for one bedroom homes (up to the £150,000 entry-level price for two bedroom accommodation). In doing this we find that the estimated proportion of households unable to afford rises from 17.1% to 17.8%.

5.35 This is a relatively small difference and can be explained by the fact that likely income levels to buy or rent a one bedroom home are not much different (£27,600 to rent (based on $£575 \times 12 \times 4$) and £26,300 to buy (based on $£92,000/3.5$)). For consistency across areas (and with the 2007/8 SHMA) we have used the one bedroom figure derived in the July 2011 analysis but note that the restricted supply will have a small impact on affordability.

Summary

5.36 Data from the annual population survey suggests that the number of people in employment in the HMA has dropped slightly since 2007 with 4,000 fewer people living in the area who are working in 2010 than 2007. Up-to-date information also shows that there has been a significant increase in unemployment in the area. Overall it is estimated that the unemployment rate for the whole HMA has gone from 3.5% to 6.0% between 2007 and 2010. Jobseekers Allowance claimants have also increased by a similar proportion.

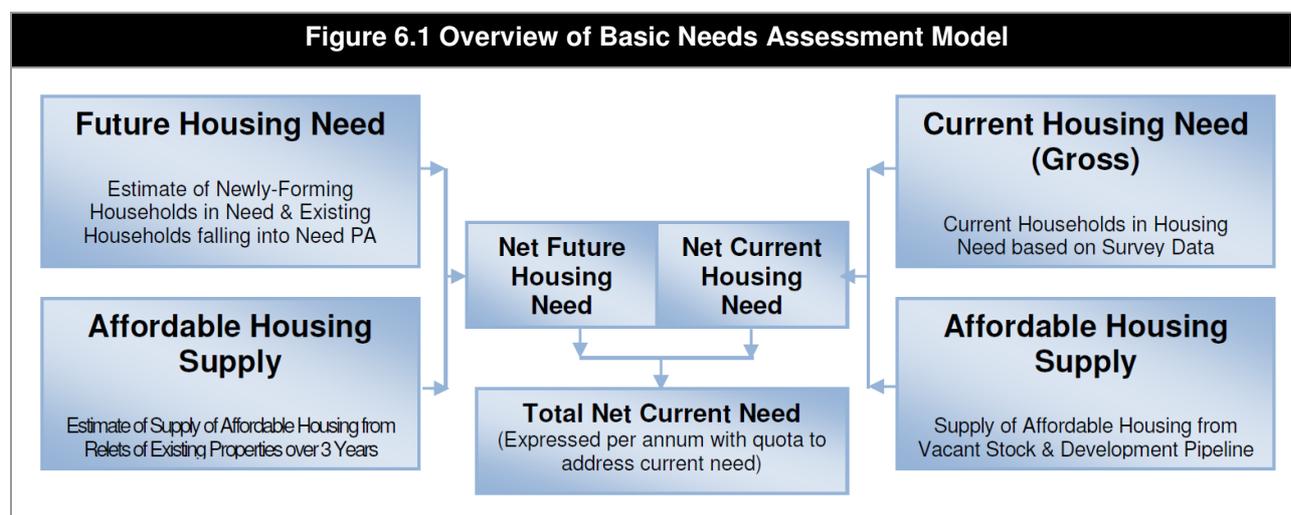
5.37 Despite the increase in unemployment and decline in the number of people working, information from the Annual Survey of Hours and Earnings suggests that income levels have increased in all local authorities other than Poole since 2007 (albeit income levels for those who are working). When this data is modelled on to the survey information it is estimated that household incomes have risen by 4% over the past four years.

5.38 It is estimated that around 26% of households across the HMA cannot afford housing at current market prices/rents without the need for some form of subsidy (e.g. local housing allowance), households in Bournemouth were least likely to be able to afford as were certain household groups such as lone parents and other households with children.

6. Housing Need

Introduction

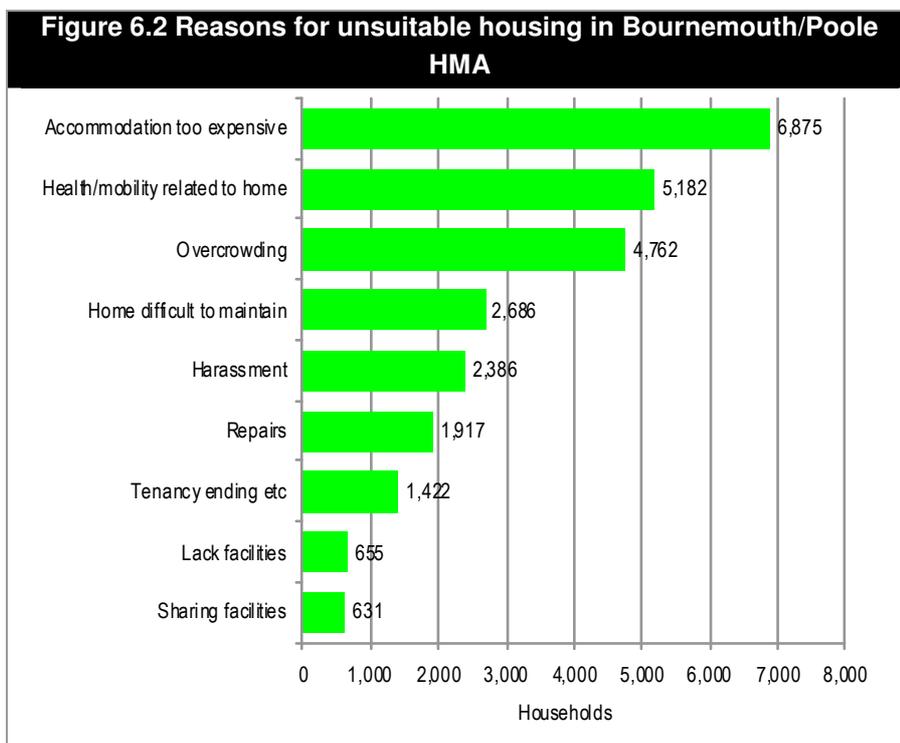
- 6.1 A key element of this report is an assessment of both current and future affordable housing need. There are a number of definitions which are central to making estimates of need (such as definitions of housing need, affordability and affordable housing). All definitions used in this report are consistent with the CLG SHMA guidance of August 2007 and also the original 2007 SHMA report.
- 6.2 The calculation of housing need follows the 16 steps outlined in the practice guidance separated into three broad stages. Each of these stages will be calculated separately before the overall annual need for affordable housing is derived. In addition to determining the extent of housing need in the HMA this section will also ascertain the types of accommodation most appropriate to meet this need.



- 6.3 The housing needs modelling undertaken provides a 'snapshot' assessment of housing need with longer term estimates of likely requirements being provided through our housing market model, which looks at the impact of demographic change on requirements in both the affordable and market sectors. Each of the stages of the housing needs model calculation are discussed in more detail below.
- 6.4 The survey dataset includes a small number of student-only households which we have excluded from the calculations. This is due to the fact that whilst the majority will have low incomes they are unlikely to express any need or demand for affordable housing in the HMA.

Current need

- 6.5 The first stage of the model assesses the current housing need of existing households. This begins with an assessment of housing suitability and affordability and also considers homeless households before arriving at a total current need estimate (gross).
- 6.6 A key element of housing need is an assessment of the suitability of a household's current housing. The practice guidance sets out a series of nine criteria for unsuitable housing - which has been followed in this report. In the HMA it is estimated that a total of 19,577 households are living in unsuitable housing (this represents 7.7% of all households in the HMA). A comparison with the original SHMA report shows that the proportion of households resident in unsuitable housing has risen from the figure of 6.4% recorded in 2007 although this will largely be due to the re-weighting of the data and in particular the increase in the size of the private rented sector, which as will be seen is the sector which shows the highest levels of unsuitable housing.
- 6.7 The figure below shows a summary of the numbers of households living in unsuitable housing (ordered by the number of households in each category). It should be noted that the overall total of reasons for unsuitability shown in the figure will usually be greater than the total number of households with unsuitability, as some households experience more than one of the criteria.
- 6.8 The main reason for unsuitable housing is the category of 'accommodation too expensive', followed by 'health and/or mobility problems' because of the condition/layout of the home.



Source: Household Survey Data

- 6.9 The tables below show unsuitable housing by tenure and also the figures for each of the six local authorities. Figures are contrasted with the equivalent data for 2007.
- 6.10 The patterns emerging suggest that households living in social and private rented accommodation are the most likely to live in unsuitable housing. This is the same pattern as shown in 2007 although for all tenure groups the proportion of households living in unsuitable housing is estimated to have risen slightly. The local authority results mirror those found in 2007 with Bournemouth showing the highest level of unsuitable housing and East Dorset the lowest.

Figure 6.3 Unsuitable housing by tenure

| Tenure | Unsuitable housing | | | |
|--------------------------------|-----------------------|------------------|-------------------------|--------------------------------|
| | In unsuitable housing | Total households | % in unsuitable housing | % in unsuitable housing (2007) |
| Owner-occupied (no mortgage) | 2,938 | 97,576 | 3.0% | 2.9% |
| Owner-occupied (with mortgage) | 4,425 | 86,519 | 5.1% | 4.4% |
| Social rented | 3,970 | 27,536 | 14.4% | 13.3% |
| Private rented | 8,244 | 42,833 | 19.2% | 17.9% |
| Total | 19,577 | 254,463 | 7.7% | 6.4% |

Source: Household Survey Data

Figure 6.4 Unsuitable housing by local authority

| Area | Unsuitable housing | | | |
|--------------|-----------------------|------------------|-------------------------|--------------------------------|
| | In unsuitable housing | Total households | % in unsuitable housing | % in unsuitable housing (2007) |
| Bournemouth | 9,006 | 81,795 | 11.0% | 8.8% |
| Christchurch | 1,133 | 21,920 | 5.2% | 4.6% |
| East Dorset | 1,747 | 37,943 | 4.6% | 4.1% |
| North Dorset | 1,654 | 28,823 | 5.7% | 5.2% |
| Poole | 4,611 | 64,010 | 7.2% | 6.2% |
| Purbeck | 1,427 | 19,972 | 7.1% | 6.0% |
| Total | 19,577 | 254,463 | 7.7% | 6.4% |

Source: Household Survey Data

In-situ solutions

6.11 Although the survey has highlighted a number of households as living in unsuitable housing it is most probable that some of these problems can be resolved without the need to move to alternative accommodation and are not included in the overall estimate of housing need. For the purposes of this assessment it is assumed that households in the following categories DO NOT have an in-situ solution to their housing problems:

- End of tenancy
- Accommodation too expensive
- Overcrowding
- Sharing facilities
- Harassment

6.12 It is estimated that 72.9% of those unsuitably housed do not have an in-situ solution to their problems, equivalent to 14,273 households.

Affordability

6.13 The ability of these households to afford entry-level market housing of a suitable size was then tested using the affordability criteria set out in Section 5. The data suggests that there are 10,283 households that are living in unsuitable housing, need to move and cannot afford entry level market housing whether owned or rented.

6.14 The tables below show the tenure and location of these households. The results show that households in the private rented sector are most likely to be in need, followed by households living in social rented housing. This is the same pattern as found in 2007. By local authority the data shows that the proportion of households in need is highest in Bournemouth (6.6%) and lowest in Christchurch (1.9%). The patterns are the same as was found in 2007 although in all areas the estimated proportion in need has risen.

| Figure 6.5 Housing need by tenure | | | | |
|-----------------------------------|-----------------|------------------|-----------|------------------|
| Tenure | Housing Need | | | |
| | In housing need | Total households | % in need | % in need (2007) |
| Owner-occupied (no mortgage) | 36 | 97,576 | 0.0% | 0.0% |
| Owner-occupied (with mortgage) | 1,502 | 86,519 | 1.7% | 1.4% |
| Social rented | 2,679 | 27,536 | 9.7% | 8.2% |
| Private rented | 6,066 | 42,833 | 14.2% | 12.5% |
| Total | 10,283 | 254,463 | 4.0% | 2.9% |

Source: Household Survey Data

| Figure 6.6 Housing need by local authority | | | | |
|---|-----------------|------------------|-------------|------------------|
| Area | Housing Need | | | |
| | In housing need | Total households | % in need | % in need (2007) |
| Bournemouth | 5,396 | 81,795 | 6.6% | 4.6% |
| Christchurch | 414 | 21,920 | 1.9% | 1.4% |
| East Dorset | 818 | 37,943 | 2.2% | 1.9% |
| North Dorset | 694 | 28,823 | 2.4% | 1.9% |
| Poole | 2,344 | 64,010 | 3.7% | 2.6% |
| Purbeck | 617 | 19,972 | 3.1% | 2.5% |
| Total | 10,283 | 254,463 | 4.0% | 2.9% |

Source: Household Survey Data

- 6.15 For the purposes of the housing needs assessment, households considered to be in housing need have been split into two categories: current occupiers of affordable housing in need (this includes occupiers of social rented and shared ownership accommodation), and households from other tenures in need. It is estimated that some 2,807 households in need currently live in affordable housing (2,679 in the social rented sector and 128 in shared ownership accommodation).

Homelessness

- 6.16 The Housing Needs Assessment is a 'snapshot' that assesses housing need at a particular point in time. There will, in addition to the existing households in need, be some homeless households who were in need at the time of the assessment and should also be included within any calculation of backlog need. To assess the number of homeless households we have used information from the CLG's website about households living in temporary accommodation. This is shown in the table below.

| Figure 6.7 Homeless households accommodated by authority | | | | | | | |
|---|------------------|-------------------|----------------|-----------------|-----------|-----------|------------|
| Category | Bourne- mouth | Christ- church | East Dorset | North Dorset | Poole | Purbeck | HMA |
| <u>Bed and breakfast</u> | <u>0</u> | <u>3</u> | <u>8</u> | <u>0</u> | <u>9</u> | <u>2</u> | <u>22</u> |
| <u>Hostel</u> | <u>10</u> | <u>0</u> | <u>2</u> | <u>0</u> | <u>7</u> | <u>6</u> | <u>25</u> |
| Within social rented stock | 0 | 3 | 0 | 0 | 0 | 4 | 7 |
| Private sector accommodation | 0 | 2 | 1 | 0 | 56 | 0 | 59 |
| Other | 0 | 8 | 5 | 0 | 0 | 2 | 15 |
| Total | 10 | 16 | 16 | 0 | 72 | 14 | 128 |

Source: CLG live tables (Table 784)

6.17 Not all of the categories in the above table are added to our assessment of current need. This is because, in theory, they will be part of the sample of existing households used for the main analysis of housing need and might be double counted. 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 the homeless households identified in the CLG data, 47 shall be added to the estimate of current housing need.

Total current need (gross)

6.18 The table below summarises the first stage of the overall assessment of housing need as set out by the CLG. The data shows that there are an estimated 10,330 households currently in need in the HMA.

| Figure 6.8 Backlog of housing need | | |
|--|--------------------------|--------|
| Step | Notes | Number |
| 1.1 Homeless households and those in temporary accommodation | | 47 |
| 1.2 Overcrowding and concealed households | Two steps taken together | 10,283 |
| 1.3 Other groups | | |
| 1.4 equals Total current housing need (gross) | 1.1+1.2+1.3 | 10,330 |

Source: Household Survey Data

Future need

6.19 In addition to the current needs there will be future need. This is split, as per CLG guidance, into two main categories. These are as follows:

- New household formation (× proportion unable to buy or rent in market)
- Existing households falling into need

6.20 There will be a flow of affordable housing to meet this need. Calculation of the future supply of affordable units follows this analysis; this consists of the annual supply of social re-lets and intermediate housing. The following sections deal with these points in detail.

New household formation

6.21 The estimate of the number of newly forming households in need of affordable housing is based on an assessment of households that have formed over the past two years. Such an approach is preferred to studying households' stated future intentions as it provides more detailed information on the characteristics of these households contributing to this element of newly arising need. 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 two years. An affordability test is then applied (as set out in Section 5 of the report).

| Figure 6.9 Derivation of newly arising need from new household formation | | |
|---|--------------|-----------|
| Aspect of calculation | Number | Sub-total |
| Number of households moving in past two years | 42,978 | |
| Minus households NOT forming in previous move | -31,861 | 11,117 |
| Times proportion unable to afford | 51.7% | |
| ESTIMATE OF NEWLY ARISING NEED | 5,742 | |
| ANNUAL ESTIMATE OF NEWLY ARISING NEED | 2,871 | |

Source: Household Survey Data

6.22 The table above shows that an estimated 11,117 households were newly formed within the HMA over the past two years (5,558 per annum). Of these it is estimated that 2,871 (per annum) are unable to afford market housing without some form of subsidy. This represents the annual estimate of the number of newly forming households falling into need. This figure is noticeably slightly higher than was estimated in 2007 (1,993) and the difference is mainly due to the increased size of the private rented sector and the fact that households in this tenure are more mobile than other groups.

Existing households falling into need

6.23 This is an estimate of the number of existing households who will fall into housing need over the next two years (and then annualised). The basic information for this is households who have moved home within the last two 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/Local Housing Allowance or spend more than a quarter of their gross income on housing, which is considered unaffordable (or indeed a combination of both).

6.24 Households previously living with parents, relatives or friends are excluded as these will double-count with the newly forming households already considered in the previous table. The data also excludes moves within the affordable housing sector. Households falling into need in the affordable housing sector have their needs met through a transfer to another affordable home, hence releasing a unit for someone else in need. The number of households falling into need in the affordable housing sector should therefore, over a period of time, roughly equal the supply of 'transfers' and so the additional needs arising from within the affordable stock will be net zero. The table below shows the derivation of existing households falling into need.

| Figure 6.10 Derivation of Newly Arising Need from existing households | | |
|--|---------------|-----------|
| Aspect of calculation | Number | Sub-total |
| Number of households moving in past two years | 42,978 | |
| Minus households forming in previous move | -11,117 | 31,861 |
| Minus households transferring within affordable housing | -2,002 | 29,859 |
| Times proportion unable to afford | 39.4% | |
| ESTIMATE OF NEWLY ARISING NEED | 11,762 | |
| ANNUAL ESTIMATE OF NEWLY ARISING NEED | 5,881 | |

Source: Household Survey Data

6.25 The table above shows that a total of 29,859 existing households are considered as potentially in need. Using the affordability test (as set out in Section 5 of the report) it is estimated that 39.4% of these households cannot afford market housing. Therefore our estimate of the number of households falling into need excluding transfers is 11,762 households over the two-year period. Annualised, this is 5,881 households per annum – this is again noticeably higher than the estimated figure in the 2007 SHMA of 4,720.

Total newly arising need

6.26 The data from each of the above sources can now be put into the needs assessment table below. It indicates that additional need will arise from a total of 8,633 households per annum. The second table below shows how this is split between the six local authorities and comparative figures for 2007.

| Figure 6.11 Future need (per annum) | | |
|--|-------------|--------|
| Step | Notes | Number |
| 2.1 New household formation (gross per year) | | 5,558 |
| 2.2 Proportion of new households unable to buy or rent in the market | | 51.7% |
| Number of new households unable to buy or rent in the market | | 2,871 |
| 2.3 Existing households falling into need | | 5,881 |
| 2.4 Total newly arising housing need (gross per year) | 2.1x2.2+2.3 | 8,752 |

Source: Household Survey Data

| Figure 6.12 Annual estimate of future need by local authority | | | | |
|--|------|----------------|---------------------|-------|
| Local authority | | New households | Existing households | Total |
| Bournemouth | 2007 | 1,002 | 2,158 | 3,160 |
| | 2011 | 1,644 | 3,134 | 4,778 |
| Christchurch | 2007 | 68 | 280 | 348 |
| | 2011 | 82 | 310 | 392 |
| East Dorset | 2007 | 179 | 346 | 525 |
| | 2011 | 166 | 338 | 503 |
| North Dorset | 2007 | 164 | 508 | 672 |
| | 2011 | 165 | 466 | 630 |
| Poole | 2007 | 464 | 1,099 | 1,563 |
| | 2011 | 677 | 1,235 | 1,913 |
| Purbeck | 2007 | 116 | 329 | 445 |
| | 2011 | 137 | 398 | 536 |
| HMA | 2007 | 1,993 | 4,720 | 6,713 |
| | 2011 | 2,871 | 5,881 | 8,752 |

Source: Household Survey Data

Current affordable housing supply

6.27 The supply of affordable housing to meet housing need comprises the third stage of the housing needs assessment model. The affordable housing supply stage is split between existing stock that is available to offset the current need and the likely future level of supply. The first part of the supply assessment looks at the current supply of affordable housing which includes stock from current occupiers of affordable housing in need, surplus stock from vacant properties and committed supply of new affordable units. Units to be taken out of management are removed from the calculation.

Households currently occupying affordable housing

6.28 Firstly, it is important when considering net need levels to discount households already living in affordable housing. This is because the movement of such households within affordable housing will have an overall nil effect in terms of housing need. As stated previously, there are currently 2,807 households in need already living in affordable housing.

Surplus stock

6.29 A certain level of vacant dwellings is normal as this allows for transfers and for work on properties to be carried out. The CLG practice guidance (page 48) suggests that if the vacancy rate in the affordable stock is in excess of 3% then some of the vacant units should be considered as surplus stock which can be included within the supply to offset needs. Data in Section 3 of the report shows that all authorities' record vacancy rates well below 3% and so there is not considered to be any scope for bringing vacant dwellings back into use.

Committed supply of new affordable units

6.30 The CLG practice guidance (page 48) recommends that this part of the assessment includes 'new social rented and intermediate housing which are committed to be built over the period of the assessment'. We have estimated this based on the number of affordable housing dwellings on development schemes with planning consent. As at April 2011 there were 715 affordable dwellings committed (through a Section 106 agreement) on sites with planning consent (ranging from 27 in Purbeck to 363 in North Dorset).

Units to be taken out of management

6.31 The practice guidance (page 48) states that this stage 'involves estimating the numbers of social rented or intermediate houses that will be taken out of management'. The main component of this step will be housing that is expected to be demolished or replacement schemes that lead to net losses of stock. At the time of reporting, the proposed number of affordable dwellings expected to be 'taken out of management' in the future was unknown and hence a figure of zero has been used in this step of the model.

Total available stock to offset need

6.32 Having been through a number of detailed stages in order to assess the total available stock to offset need in the HMA we shall now bring together all of the above data to complete this part of the needs assessment. The data (in the table below) shows that there are an estimated 3,522 dwellings are available to offset the current need in the HMA.

Figure 6.13 Current supply of affordable housing

| Step | Notes | Bourne-mouth | Christ-church | East Dorset | North Dorset | Poole | Pur-beck | HMA |
|---|---------------------|--------------|---------------|-------------|--------------|-------|----------|-------|
| 3.1 Affordable dwellings occupied by households in need | | 1,060 | 79 | 362 | 247 | 838 | 221 | 2,807 |
| 3.2 Surplus stock | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3.3 Committed supply of affordable housing | See above | 153 | 26 | 69 | 363 | 77 | 27 | 715 |
| 3.4 Units to be taken out of management | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3.5 Total affordable housing stock available | 3.1+3.2 +3.3-3.4 | 1,213 | 105 | 431 | 610 | 915 | 248 | 3,522 |

Source: Household Survey Data and LA estimates

Future supply of affordable housing

6.33 The future supply of affordable housing is the flow of affordable housing arising from the existing stock that is available to meet future need. It is split between the annual supply of social relets and the annual supply of relets/sales within the intermediate sector.

Social rented housing

6.34 The practice guidance suggests that the estimate of likely future relets from the social rented stock should be based on past trend data which can be taken as a prediction for the future. We have used information from the Continuous Recording system (CORE) to establish past patterns of social housing availability. Our figures include both general needs and supported lettings but exclude both lettings to new properties and an estimate of the number of transfers from other social rented homes. These exclusions are made to ensure that the figures presented reflect relets from the existing stock. On the basis of past trend data it has been estimated that 1,622 units of social rented housing are likely to become available each year moving forward. The table below breaks this information down by year and local authority.

Figure 6.14 Analysis of past housing supply

| Year | 2008/9 | 2009/10 | 2010/11 | Average |
|--------------|--------|---------|---------|---------|
| Bournemouth | 627 | 563 | 559 | 583 |
| Christchurch | 125 | 113 | 99 | 112 |
| East Dorset | 164 | 135 | 123 | 141 |
| North Dorset | 275 | 257 | 224 | 252 |
| Poole | 449 | 443 | 427 | 440 |
| Purbeck | 104 | 85 | 93 | 94 |
| HMA | 1,744 | 1,596 | 1,525 | 1,622 |

Source: CORE

6.35 The overall estimated supply of social rented housing is around 7% lower than was estimated moving forward in the 2007 SHMA (1,741 lettings per annum).

Intermediate supply

6.36 In most local authorities the amount of intermediate housing (mostly shared ownership) available in the stock is relatively small (as is the case in the Bournemouth/Poole HMA). However, it is still important to consider to what extent the current supply may be able to help those in need of affordable housing.

6.37 Therefore we include an estimate of the number of shared ownership units that become available each year. Applying the re-let rate for social rented housing to the estimated stock of intermediate housing it is estimated that around 102 units of intermediate housing will become available to meet housing needs from the existing stock of such housing. In reality the turnover of shared ownership properties is likely to be lower than that for the social rented sector. However, in the absence of any other information the turnover of social rented homes has been used to make this estimate, this will have only a limited impact on the overall findings as the number of shared ownership properties is low and hence the estimated 'relet' rate is also low in comparison with the number of units estimated to become available in the social rented sector.

Estimate of net annual housing need

6.38 The table below shows the final estimates in the housing needs assessment model. This brings together the 16 steps that were calculated in the preceding sections.

| Figure 6.15 Housing needs assessment model for Bournemouth/Poole HMA | | | | | | | | |
|---|--------------------------|------------------|-------------------|----------------|-----------------|-------|--------------|--------|
| Stage and step in calculation | Notes | Bourne- mouth | Christ- church | East Dorset | North Dorset | Poole | Pur- beck | HMA |
| STAGE 1: CURRENT NEED (Gross) | | | | | | | | |
| 1.1 Homeless households and those in temporary accommodation | | 10 | 3 | 10 | 0 | 16 | 8 | 47 |
| 1.2 Overcrowding and concealed households | Two steps taken together | 5,396 | 414 | 818 | 694 | 2,344 | 617 | 10,283 |
| 1.3 Other groups | | | | | | | | |
| 1.4 equals Total current housing need (gross) | 1.1+1.2+1.3 | 5,406 | 417 | 828 | 694 | 2,360 | 625 | 10,330 |
| STAGE 2: FUTURE NEED | | | | | | | | |
| 2.1 New household formation (gross per year) | | 3,324 | 174 | 297 | 320 | 1,217 | 227 | 5,558 |
| 2.2 Proportion of new households unable to buy or rent in the market | | 49.5% | 46.8% | 55.7% | 51.5% | 55.7% | 60.5% | 51.6% |
| Number of new households unable to buy or rent in the market | | 1,644 | 82 | 166 | 165 | 677 | 137 | 2,871 |
| 2.3 Existing households falling into need | | 3,134 | 310 | 338 | 466 | 1,235 | 398 | 5,881 |
| 2.4 Total newly arising housing need (gross per year) | 2.1x2.2+2.3 | 4,778 | 392 | 503 | 630 | 1,913 | 536 | 8,752 |
| STAGE 3: AFFORDABLE HOUSING SUPPLY | | | | | | | | |
| 3.1 Affordable dwellings occupied by households in need | | 1,060 | 79 | 362 | 247 | 838 | 221 | 2,807 |
| 3.2 Surplus stock | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3.3 Committed supply of affordable housing | | 153 | 26 | 69 | 363 | 77 | 27 | 715 |
| 3.4 Units to be taken out of management | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3.5 Total affordable housing stock available | 3.1+3.2+3.3-3.4 | 1,213 | 105 | 431 | 610 | 915 | 248 | 3,522 |
| 3.6 Annual supply of social re-lets (net) | | 615 | 120 | 155 | 247 | 439 | 86 | 1,662 |
| 3.7 Annual supply of intermediate housing available for re-let or resale at sub-market levels | | 28 | 2 | 1 | 13 | 53 | 5 | 102 |
| 3.8 Annual supply of affordable housing | 3.6+3.7 | 643 | 122 | 156 | 260 | 492 | 91 | 1,764 |

Source: Household Survey Data, CORE

6.39 The practice guidance states that these figures need to be annualised to establish an overall estimate of net housing need. The first step in this process is to calculate the net current need. This is derived by subtracting the estimated total stock of affordable housing available (step 3.5) from the gross current need (step 1.4). This produces a net current need figure of 6,808 (10,330-3,522).

- 6.40 The second step is to convert this net backlog need figure into an annual flow. The practice guidance takes into account that this backlog can be addressed over any length of time although a period of less than five years should be avoided. For the purposes of this study the quota of five years proposed in the practice guidance has been used. Therefore to annualise the net current need figure, it will be divided by five. This calculation results in a net annual quota of 1,362 (6,808/5) households who should have their needs addressed.
- 6.41 The final step is to add the net annual quota of households who should have their needs addressed with the total newly arising housing need (step 2.4) and subtract the future annual supply of affordable housing (step 3.8). This leads to a total (net) annual need estimate of 8,350 (1,362+8,752-1,764).

Figure 6.16 Summary of housing needs estimates

| Element | Bourne -mouth | Christ- church | East Dorset | North Dorset | Poole | Purbeck | HMA |
|------------------------------------|------------------|-------------------|----------------|-----------------|--------------|------------|--------------|
| ① Backlog need (annual) | 1,081 | 83 | 166 | 139 | 472 | 125 | 2,066 |
| ② Backlog supply (annual) | 243 | 21 | 86 | 122 | 183 | 50 | 704 |
| ③ Net backlog need (annual) ① - ② | 839 | 62 | 79 | 17 | 289 | 75 | 1,362 |
| ④ Future need (annual) | 4,778 | 392 | 503 | 630 | 1,913 | 536 | 8,752 |
| ⑤ Future supply (annual) | 643 | 122 | 156 | 260 | 492 | 91 | 1,764 |
| ⑥ Net future need (annual) ④ - ⑤ | 4,135 | 270 | 347 | 370 | 1,421 | 445 | 6,988 |
| Total net annual need ③ + ⑥ | 4,974 | 332 | 426 | 387 | 1,710 | 520 | 8,350 |
| Total net annual need (2007) | 3,015 | 243 | 440 | 399 | 1,199 | 409 | 5,704 |

Source: Household Survey Data, CORE

- 6.42 When compared with figures from the 2007 SHMA it is estimated that net housing need has risen by around 46%, with increases being particularly high in Bournemouth and Poole. Although house prices have dropped since the 2007 SHMA stricter mortgage lending criteria, the estimated growth in the private rented sector and a greater number of people not in employment will have contributed to this increase in need. A detailed comparison of the results from this update and the 2007 SHMA have been provided in Appendix 4.
- 6.43 We have also tested the sensitivity of the housing needs estimate to affordability being based on LHA maximum amounts payable rather than the entry-level private rents found in our market survey (also see figures in Section 5). In doing this we find that the annual level of net need HMA-wide would drop slightly from 8,350 to 8,076. Virtually all of this change is due to differences in Bournemouth with all other areas only seeing small differences in the figures (or no difference in the case of Christchurch).

| Figure 6.17 Housing need using LHA rates instead of market survey figures | | |
|---|---------------------|-------------|
| Area | Net housing need | |
| | Market survey costs | LHA figures |
| Bournemouth | 4,974 | 4,679 |
| Christchurch | 332 | 332 |
| East Dorset | 426 | 414 |
| North Dorset | 387 | 428 |
| Poole | 1,710 | 1,697 |
| Purbeck | 520 | 526 |
| Whole HMA | 8,350 | 8,076 |

Source: Household Survey Data

- 6.44 In addition we have looked at the sensitivity of the housing needs estimate to changing the entry-level price (to buy) of a one bedroom home in East Dorset (see Sections 4 and 5). This is due to the low volume of one bedroom homes available which meant that the estimated entry-level price was subject to some variation. We have therefore re-run the analysis to look at the implications of a higher assumed figure for one bedroom homes (up to the £150,000 entry-level price for two bedroom accommodation). In doing this we find that the level of net need might arguably be around 29 units per annum higher than in the main analysis - Again this is a relatively small difference.

The private rented sector

- 6.45 The practice guidance (page 51) requires the extent of the private rented sector (through the Local Housing Allowance (LHA) system) to meet the needs of households to be estimated. We have therefore used survey data to look at the number of new LHA supported private rented housing lets over the past two years. In the HMA it is estimated that over the past two years 6,243 LHA supported lettings have been made (3,122 per annum).
- 6.46 Neither the SHMA practice guidance nor PPS3 recognises any part of the private rented sector as affordable housing. Therefore it is not appropriate to treat this sector as a form of affordable housing and take it away from the overall annual housing needs estimate of 8,350. However, in practice the private rented sector does make a significant contribution to filling the gap in the supply of affordable housing. Given the levels of affordable housing need shown in this study, the private rented sector is likely to continue to be used to some degree to make up for the shortfall of affordable housing for the foreseeable future.

- 6.47 The extent to which the Councils wish to see the private rented sector being used to make up for shortages of affordable housing is a matter for policy intervention and is outside the scope of this report. However it should be recognised that the private rented sector does not provide secure or affordable tenancies within PPS3 definitions. Also, standards or repair and management within the sector are lower than for social rented properties. Furthermore there is a clear preference of tenants within the sector who receive housing benefit for a social rented property. The survey clearly highlights that private renting is not a tenure of choice: 58% of tenants claiming housing benefit who expect to move over the next two years would like to move to affordable housing, mostly social rented.
- 6.48 We have looked at recent trends in the number of people claiming LHA in the private rented sector and below we have provided data from the Department of Work and Pensions (DWP) for the period from September 2009 and March 2011 which is the longest period for which information is available. The table shows that in all local authorities the number of LHA claimants has increased over the 18 month period with an HMA-wide average increase of 14%. This increase is significantly below the regional and national average

Figure 6.18 Number of people claiming LHA in private rented sector (September 2009 and March 2011)

| Area | September 2009 | March 2011 | Absolute change | % change |
|---------------|----------------|------------|-----------------|----------|
| Bournemouth | 9,410 | 10,850 | 1,440 | 15.3% |
| Christchurch | 1,110 | 1,200 | 90 | 8.1% |
| East Dorset | 1,240 | 1,380 | 140 | 11.3% |
| North Dorset | 750 | 920 | 170 | 22.7% |
| Poole | 4,050 | 4,460 | 410 | 10.1% |
| Purbeck | 950 | 1,110 | 160 | 16.8% |
| HMA | 17,510 | 19,920 | 2,410 | 13.8% |
| Dorset | 21,840 | 24,780 | 2,940 | 13.5% |
| South West | 126,240 | 149,400 | 23,160 | 18.3% |
| Great Britain | 1,291,160 | 1,545,860 | 254,700 | 19.7% |

Source: Department of Work and Pensions

- 6.49 Overall, the updated survey information suggested that around 13,900 households were claiming LHA in the private rented sector. This figure is below the latest figure (of 19,920) presented above. However, the survey figure is for households whilst the DWP figure is for individual claimants. Given that there are likely to be a significant number of properties with multiple claimants the survey figures look comparable.

6.50 The qualitative research presents a dilemma with regard to the benefit supported private rented sector. The overwhelming majority of agents interviewed provide evidence to support the fact that demand for the private rented sector has grown dramatically in recent years. Few agents offer any housing or even advice to households who cannot afford market rents and will claim housing benefit. We infer from this that demand for assured shorthold tenancies without benefit support is coming from households with adequate income but who cannot secure a mortgage. We also infer that many benefit claimants will secure their housing directly from landlords willing to house them or secure offers via the local authority. In other words, access to the housing benefit supported sector including HMOs is part of the informal housing market i.e. is not serviced by professional intermediaries such as letting agents, unless arranged by the local authority. This suggests that many tenancies will be secured on the basis of informal networks rather than within the market place.

Impact of Changes to Local Housing Allowance

6.51 In looking at the extent to which the private rented sector is being used to meet housing need through the LHA, it is important to consider the likely impact of the changes made as of April 2011. The key change is that calculations of the maximum amount that can be claimed goes from the median rent in an area to the 30th centile. The tables below show figures for the Bournemouth, West Dorset and Salisbury Broad Rental Market Areas for median and 30th centile rents for different property sizes. The key area is the Bournemouth BRMA as this covers virtually all of the local authorities other than North Dorset (which is largely split between West Dorset and Salisbury BRMAs).

6.52 Generally the differences are small however there may be a small number of households previously able to claim their full rent back who would no longer be able to do so. Generally, the differences are greater in the Bournemouth BRMA than the other areas. The figures are taken from the Rent Service website for June 2010 and are contained within a set of tables studying the impact of LHA changes.

Figure 6.19 LHA levels at median and 30th centile (June 2010) – Bournemouth BRMA

| Property size | Median | 30 th centile | % difference |
|---------------|--------|--------------------------|--------------|
| 1 bedroom | £127 | £117 | -8% |
| 2 bedrooms | £155 | £145 | -6% |
| 3 bedrooms | £196 | £181 | -8% |
| 4+ bedrooms | £258 | £229 | -11% |

Source: Rent Service

Figure 6.20 LHA levels at median and 30th centile (June 2010) – West Dorset BRMA

| Property size | Median | 30 th centile | % difference |
|---------------|--------|--------------------------|--------------|
| 1 bedroom | £114 | £104 | -9% |
| 2 bedrooms | £138 | £132 | -4% |
| 3 bedrooms | £167 | £155 | -7% |
| 4+ bedrooms | £209 | £196 | -6% |

Source: Rent Service

Figure 6.21 LHA levels at median and 30th centile (June 2010) – Salisbury BRMA

| Property size | Median | 30 th centile | % difference |
|---------------|--------|--------------------------|--------------|
| 1 bedroom | £127 | £121 | -5% |
| 2 bedrooms | £155 | £144 | -7% |
| 3 bedrooms | £183 | £173 | -5% |
| 4+ bedrooms | £230 | £219 | -5% |

Source: Rent Service

- 6.53 There may be further issues relating to changes to the single room allowance. From January 2012 benefit claimants aged 35 and under will only be able to claim the single room allowance rather than the allowance for a 1 bed property. Previously this only applied to claimants aged 25 or under. Data from a DWP document of August 2011 looking at the impact of this change suggests that across the whole HMA there are 630 households likely to be impacted by this change (data for March 2010) with the vast majority of these being in Bournemouth (73%) and Poole (16%).
- 6.54 The difference between the LHA maximum for a one-bedroom property and the single room allowance is significant with the latter typically being 40% to 50% lower than for self-contained accommodation.

Size of affordable housing

- 6.55 Having established the overall need for affordable housing in the HMA it is necessary to consider the sizes of accommodation required. The table below shows the estimated need for different sizes of accommodation from two different groups. These are:
- Households currently or projected to be in need (from survey data)
 - Households currently or projected to be in need (from survey data) who are also in a group likely to be considered as having a priority (pensioner households, households with children or households where someone has a special/support need)

- 6.56 The table below shows some variation between the groups studied although in both cases the majority of the requirement is for smaller (one and two bedroom) units with estimates ranging from 74.3% of all households in need to 68.8% in the case of those from a priority group. The data also shows that around 70% of the need is estimated to be from households in one of the priority groups.

| Figure 6.22 Estimated size requirement for additional affordable housing – Bournemouth/Poole HMA | | | | |
|---|--------------------|--------|-------------------------------|--------|
| Property size | Households in need | | Households in need (priority) | |
| | Number (gross) | % | Number (gross) | % |
| 1 bedroom | 3,780 | 34.9% | 1,667 | 22.0% |
| 2 bedrooms | 4,266 | 39.4% | 3,542 | 46.8% |
| 3 bedrooms | 2,008 | 18.6% | 1,776 | 23.5% |
| 4+ bedrooms | 765 | 7.1% | 585 | 7.7% |
| Total | 10,818 | 100.0% | 7,571 | 100.0% |

Source: Household survey data

- 6.57 The above figures can be compared with the supply of social rented properties over the past three years and we have again used CORE data to provide an indication of the likely size of properties that will become available for letting. The table below repeats the overall level of need by size derived above and also shows the proportion of lettings in each size and the estimated turnover based on the number of homes in each size category.
- 6.58 The supply figures are split into 1-2 bedroom properties and 3+ bedroom homes. This is because there is limited information about the size of supported lettings (although the limited data that does exist suggests that all are 1-2 bedrooms). At the other end of the scale the CORE data does not provide a separate estimate of 4+ bedroom homes.
- 6.59 The table shows that the proportionate supply of one and two bedroom homes is higher than the need whilst the need relative to supply is most acute for larger (three or more bedroom) properties with the need assessed to account for 25.7% of households but the supply only representing 8.7%. The turnover of larger homes is also less than a third of that for one- and two-bedroom properties.
- 6.60 As noted above the CORE data does not provide a separate estimate for four or more bedroom homes although survey data does suggest that there are very few such properties in the social rented stock (estimated to be about 2% of the stock) and so the need for four or more bedroom homes is likely to be even more pressing than for three bedroom homes where such needs arise.

| Figure 6.23 Estimated size requirement and supply affordable housing – Bournemouth/Poole HMA | | | |
|---|-----------------|------------------------|----------|
| | Profile of need | Proportion of lettings | Turnover |
| 1 bedroom | 34.9% | 91.3% | 7.2% |
| 2 bedrooms | 39.4% | | |
| 3 bedrooms | 18.6% | 8.7% | 2.0% |
| 4+ bedrooms | 7.1% | | |
| Total/average | 100.0% | 100.0% | 5.9% |

Source: Household survey data and CORE

- 6.61 We can use the above information to provide an indication of the likely short-term net need for affordable housing of different sizes and this is shown in the table below. The table indicates that due to the relatively low supply of larger homes the net need for three or more bedroom accommodation makes up 30.6% of the net requirement, compared to 25.7% of the gross need.

| Figure 6.24 Estimated size requirement for additional affordable housing – Bournemouth/Poole HMA | | | | |
|---|-------------------|---------------|----------|--------------------|
| | Annual gross need | Annual supply | Net need | Proportion of need |
| 1-2 bedrooms | 8,046 | 2,253 | 5,793 | 69.4% |
| 3+ bedrooms | 2,773 | 215 | 2,558 | 30.6% |
| Total | 10,818 | 2,468 | 8,350 | 100.0% |

Source: Household survey data, HSSA and CORE

- 6.62 If policy was to prioritise the most vulnerable groups (as analysed above and based on survey data) then the size profile would move even more significantly towards larger dwellings being required. As the table below shows, concentrating on groups who might be considered to have a priority (older people, households with children and those with a support need) the requirement for three or more bedroom units rises to around 42% of the total need.
- 6.63 The baseline estimate of gross need for this analysis is 7,571 households with around 70% of those estimated to be in need from survey data falling into one or more of the priority categories analysed.

| Figure 6.25 Estimated size requirement for additional affordable housing for priority groups – Bournemouth/Poole HMA | | | | |
|---|-------------------|---------------|----------|--------------------|
| | Annual gross need | Annual supply | Net need | Proportion of need |
| 1-2 bedrooms | 5,209 | 2,253 | 2,956 | 57.9% |
| 3+ bedrooms | 2,361 | 215 | 2,146 | 42.1% |
| Total | 7,571 | 2,468 | 5,103 | 100.0% |

Source: Household survey data and CORE

Type of affordable accommodation needed

- 6.64 Traditionally SHMAs and other similar research projects have looked at the requirements for different types of affordable housing by reference to two broad categories – social rented and intermediate housing. However, the new PPS3 published in June 2011 introduced a new tenure of affordable housing ‘Affordable rented housing’ and this tenure has been confirmed in the consultation draft of the National Planning Policy Framework (NPPF). Affordable housing can therefore be seen to fit into three broad categories and these are described below (with the definitions taken from the NPPF):

Affordable housing: Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.

Social rented housing is owned by local authorities and private registered providers, for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency.

Affordable rented housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).

Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing.

- 6.65 It seems likely that the provision of new build social rented housing will be quite limited for the time being. The Homes and Communities Agency (HCA) has confirmed that funding will generally only be available for Affordable Rented housing. Therefore our analysis considers the potential role that affordable rented housing can make in meeting needs. The new Affordable Rent tenure could have perverse implications as new homes are delivered. The rents for such housing will be higher than social rents and housing benefit can be claimed in exactly the same way as for social rented housing. Unless this housing is allocated to households who can afford more than a social rent this is likely to increase the overall cost of housing benefit and unemployment related benefits to the public finances. If allocated to unemployed households they will have a disincentive to seek work as the proportion of their income required to fund rent will be greater than that required for social housing rents and the benefit trap will be deeper.

6.66 For the purposes of analysis we have split affordable housing into four broad categories and these are described in the table below:

| Figure 6.26 Categories of affordable housing used for analysis | |
|---|---|
| Housing type | Description |
| Intermediate housing (with equity) | Assigned to households who can afford a housing cost at or above 80% of market prices and who have at least £5,000 in capital that could be used towards the purchase of equity/part equity in a home |
| Intermediate housing (rented) | Assigned to households who can afford a housing cost at or above 80% of market prices and who have less than £5,000 in capital |
| Affordable rent (with subsidy) | Assigned to households who could afford a social rent without the need to claim housing benefit but would need to claim benefit to afford an Affordable Rented home (priced at 80% of market costs) |
| Social rent | Households who would need to claim housing benefit regardless of the cost of the property |

6.67 In fact there will be a considerable overlap between these categories – the first two would potentially represent households who could afford affordable rented housing without the need to claim housing benefit whilst the latter category (called social rent for analytical purposes) could have their needs met through affordable rented housing (with benefit assistance).

6.68 The table below shows our estimate of the number of households in need in each of the above categories and estimated net need levels. The data shows that across the HMA some 14% of the need could be met through products priced at the 80% of market level suggested by affordable rented housing without the need for benefit assistance. The majority of this need would be required to be rented housing as generally households do not have sufficient access to capital to make equity purchase a realistic option.

6.69 Looking further down we find that around 86% of households would need benefit assistance to afford an affordable rented property and of these around a third would be able to afford social rents without benefits but would require LHA if housing were priced at 80% of market costs. It should be noted that we have assumed zero supply of affordable rented housing although in reality there may be some social rents converted to affordable rents in the future – this does not impact on the overall findings where we have generally considered affordable rented and social rented housing together as a single broad category.

Figure 6.27 Social rented and intermediate housing needs– per annum

| | Equity based intermediate | Intermediate rented | Affordable rented | Social rented | Total |
|---------------------------|---------------------------|---------------------|-------------------|---------------|--------|
| Total gross annual need | 443 | 863 | 2,428 | 7,077 | 10,818 |
| Total gross annual supply | 134 | 0 | 0 | 2,335 | 2,469 |
| Net annual need | 309 | 863 | 2,428 | 4,742 | 8,350 |
| % of net shortfall | 4% | 10% | 29% | 57% | 100% |

Source: Household Survey Data

6.70 The above information has also been summarised by local authority (in the table below). This shows that around 22% of households in East Dorset could afford intermediate housing (or affordable rented housing without subsidy) with the lowest figure (of 12%) being found in Poole. Generally the data suggests that there is not much variation between the areas in terms of the proportion of households that can afford the different tenures of intermediate and affordable/social rented housing.

Figure 6.28 Social rented and intermediate housing needs– per annum

| | Bourne-mouth | Christ-church | East Dorset | North Dorset | Poole | Purbeck | HMA |
|---------------------------|--------------|---------------|-------------|--------------|-------|---------|------|
| Equity based intermediate | 4% | 4% | 9% | -1% | 2% | 4% | 4% |
| Intermediate rented | 10% | 10% | 13% | 14% | 10% | 12% | 10% |
| Affordable rented | 30% | 29% | 32% | 26% | 28% | 21% | 29% |
| Social rented | 56% | 55% | 47% | 60% | 60% | 63% | 57% |
| Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Source: Household Survey Data

Housing need in context

6.71 The analysis in this section has provided a significant amount of data about affordable housing requirements, including: analysis of housing need, supply, sizes and types of affordable housing. It is now worth pulling the various figures together to look at housing need and requirements in the context of the operation of the whole housing market. The comments made relate to the whole HMA but on the basis of the evidence presented would apply equally to individual local authorities.

6.72 Overall the analysis suggests (following the CLG housing needs model) that there is a need to provide an additional 8,350 units of affordable housing per annum if all needs are to be met (in the five year period from 2011 to 2016). Delivery of this scale of affordable housing would mean that all households are living in secure housing which is of the right size, condition and layout and at a price they can afford – in reality this is not likely to be achievable.

- 6.73 The scale of need can be set against annual delivery over the past four years of just 353 units of affordable housing; whilst this suggests that increases in delivery would be desirable it is clear that this would still not meet all of the need. It is important therefore to understand the role played by the wider housing market in meeting need and analysis shows that each year around 3,122 benefit supported lettings are made in the private rented sector. Further analysis shows that around 4,332 households each year take up a private tenancy, spend more than 25% of their income on housing costs but do not claim LHA (probably because they are not eligible or because their income is too high (but still too low to afford market housing based on the affordability assumptions used in this report)).
- 6.74 On the basis of this analysis it is clear that whilst the level of need is significant the private rented sector is being used by a range of households to meet their needs. We would not however suggest that use of the PRS is the solution to the clear need and affordability problem in the HMA; generally the PRS does not provide the same level of security as affordable housing (shorter tenancies) whilst typically the physical condition of properties in this sector is worse. In addition, a large proportion of households claiming LHA in the PRS are seeking a permanent move to affordable housing.
- 6.75 If the councils were to attempt to provide the 8,350 units of affordable housing each year then on the basis of the above analysis this would be likely to see significant problems within the wider housing market (large number of households moving out of the PRS with no one to replace them and increased vacancy levels). Future affordable housing provision should therefore be set against the likely delivery of additional housing which is discussed in more detail in the next section. Trend-based data suggests household growth of around 2,600 per annum for the period from 2011 to 2031 and so a housing delivery figure (on the basis of this figure) might be around 2,670 per annum (to take account of a small vacancy rate).
- 6.76 Provision of say 40% of additional housing as affordable would therefore see around 1,068 additional units being provided each year – whilst this figure falls well short of the need it would be a sensible level in the context of the role played by the PRS.
- 6.77 Regarding the sizes of affordable housing to be provided, the analysis taking account of likely supply suggests that around 69% of the future requirement will be for smaller (1- and 2-bedroom units). This figure is however based on the totality of the housing need and when we look at the likely need concentrating on priority groups (e.g. the elderly, people with disabilities and households with children) this figure drops to 58%. Even this latter analysis shows a net need figure in excess of what could reasonably be delivered (5,103 units per annum). The Councils will therefore need to consider the types of households whose needs should be met in any policy/negotiations around the size profile of new affordable housing. This issue is considered further in the following section (Longer-term housing requirements).

- 6.78 The final topic is about the types of affordable housing to be delivered. The analysis (again based on the totality of housing need) suggests that the majority (86%) of housing will be required to be public sector rented (either social rented or as an affordable rented tenure). Whilst the inclusion of affordable rented housing may improve viability compared with social rents it is likely in most areas that a range of products will need to be provided to maximise the overall delivery of affordable housing.
- 6.79 Within this the Councils will need to consider the overall level of need against likely delivery. For example, the analysis suggests that of the total need some 1,172 units should be provided as intermediate housing (14% of the 8,350 annual need). Given that even at 40% affordable housing delivery only around 1,070 units would be provided it could be argued that if all future delivery was intermediate then this would still meet a need. This would not be a wholly unreasonable position to take although the households able to afford intermediate housing are less likely to be in a priority group and so delivery in this way would not meet some of the more significant needs. Essentially the results do suggest that in policy terms a higher proportion of intermediate housing would be a reasonable position to take (i.e. higher than the 14% shown on the analysis of all need) but any decision should be made against priorities in terms of who should be housed and the viability of providing different tenure splits of affordable housing.
- 6.80 There is also the issue of the range of products that could be offered to households. The analysis suggests that around 14% of the need could be met through intermediate housing priced between an affordable rent and market prices (to buy or rent). However, within this only 26% of households are able to afford an equity based product (e.g. shared ownership) due to very low levels of capital and current mortgage lending restrictions. The opportunity therefore exists for Councils (and developers) to innovate through mechanisms to reduce or remove deposit requirements which would allow a greater proportion of households with a reasonable income to access the owner-occupied market.

Summary

- 6.81 As with the 2007 SHMA this report makes an estimate of housing need which follows the housing needs model set out in CLG practice guidance. The model has sixteen stages of analysis which finishes with an estimate of the overall net need for additional affordable housing. The model combines both household survey data and secondary sources in making estimates of housing need and is also used to make estimates of the size and type of affordable housing needed.
- 6.82 It is estimated that across the HMA there is an annual need to provide 8,350 additional units of affordable housing per annum if all needs are to be met (in the five year period from 2011 to 2016). This figure is significantly higher than the estimate for 2007 (5,704 units per annum); the increase is mainly due to the increase in the size of the private rented sector (PRS) – a disproportionate amount of housing need typically arises in this sector.

- 6.83 The level of net housing need significantly exceeds likely supply of affordable housing. Over the past four years, affordable housing delivery has averaged 353 dwellings a year. Supply is influenced by these historic delivery rates, and looking forward by funding models for affordable housing.
- 6.84 Part of the gap between the likely future need for affordable housing (8,350 dwellings per annum) and future supply is likely to be met by the Private Rented Sector. Over the last two years this has provided 3,122 benefit supported lettings per annum with additional households accessing this sector but paying more than 25% of their income on housing.
- 6.85 The level of need identified provides an evidence base for seeking to maximise affordable housing delivery. However a policy must also take account of development viability and policies around the priority for housing given to different groups which will influence the size and tenure of affordable housing provided in the future.

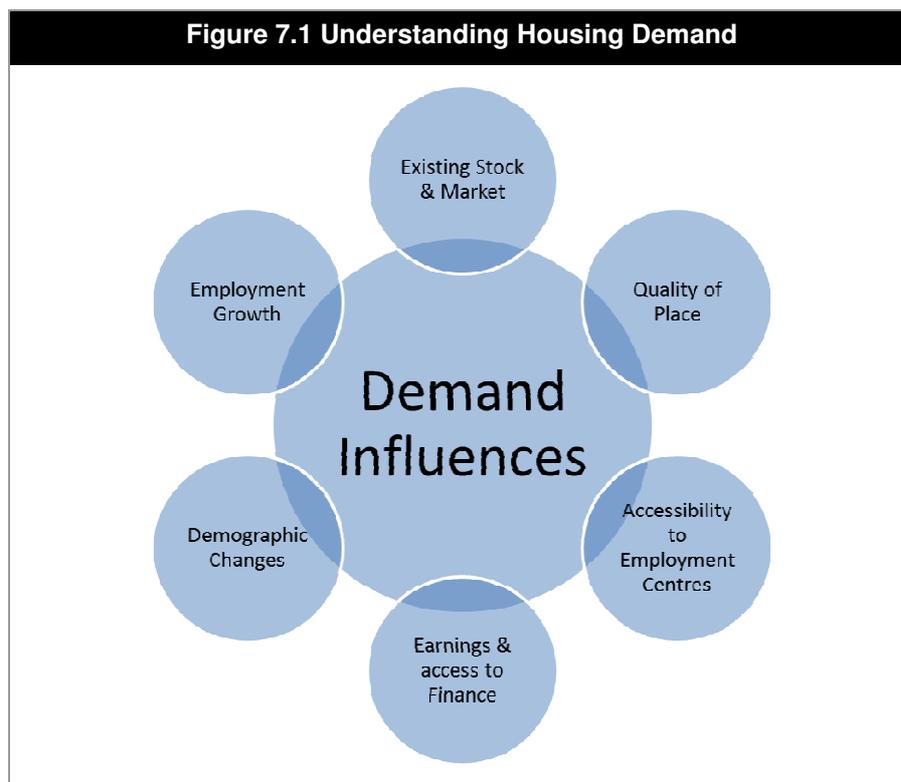
7. The Future Housing Market

Introduction

- 7.1 This section considers the future housing market, exploring housing need and demand in the longer-term. To form a basis for this we outline our understanding of the drivers of housing need and demand within the HMA.
- 7.2 The section then goes on to explore the potential delivery of housing in both the market and affordable sectors over the longer-term to 2031 using our housing market model. The model focuses on size requirements taking account of trend-based demographic change.

Housing Market Drivers

- 7.3 The diagram below captures our understanding of the key drivers of housing demand. These factors play out at different spatial scales and influence both the level of housing demand in terms of aggregate household growth and the nature of demand/need for different types, tenures and sizes of housing.



- 7.4 The housing market is complex. It is influenced by the economy at both the macro-level, in terms of interest rates and mortgage availability (which impact on the affordability of and demand for market housing) as well as market sentiment (which is influenced by economic performance and prospects). It is also influenced by the economy at the local and sub-regional level, recognising that changes in employment will influence future migration patterns as people move to and from the area to access jobs and that the nature of employment growth and labour demand will influence changes in earnings which in turn influences affordability.
- 7.5 Beside economic factors, the other major structural driver of demand is demographic trends, recognising that changes in the size, structure and character of the population influence housing need and demand.
- 7.6 There are then a number of factors which at a more local level within a functional housing market will influence demand in different locations. These include quality of place, school performance/catchments, the accessibility of areas including to employment centres, leisure facilities, the quality and characteristics of the existing housing stock and market conditions. These factors influence the demand profile and pricing, against a context in which households compete within the market for housing.
- 7.7 At a local level this means that the housing market tends to reinforce around the existing profile of stock and its infrastructure. However regenerative investment or delivery of new transport infrastructure can influence the profile of housing demand in a location, by affecting its attractiveness to different households.

Short-Term Drivers

- 7.8 The evidence in this report clearly identifies a number of macro-level drivers which will impact on the housing market in the short-to-medium term:

Macro-Economic Context

- 7.9 In the short term the housing market is likely to continue to be affected by a number of macro economic factors. UK economic growth is relatively weak at the time of writing in summer 2011. The economy suffered a fall of 0.5% in GDP in the final quarter of 2010 mirrored by 0.5% growth in Q1 2011, meaning that the economy has been broadly flat.
- 7.10 Consumer and business confidence remains fragile, and there are further risks to recovery with economic weakness in countries elsewhere in the Eurozone and the US which are major export markets for UK businesses. There is also vulnerability to further financial shocks affecting the global banking system and capital markets resulting in further lending constraints and potentially further Government borrowing.

- 7.11 Price Waterhouse Cooper's latest 'principal' forecasts (July 2011) are for output (GDP) growth of a modest 1.3% in 2011 and 2.2% in 2012. These are similar to HM Treasury's survey of economic forecasts in June 2011 which showed average projections for real GDP growth of 1.5% in 2011 and 2.1% in 2012. However recognising the uncertainties to economic performance, even in the short-term, PWC highlight two alternative growth scenarios – a 'strong recovery' scenario in which business and consumer confidence picks up and credit constraints on businesses and households begin to ease over the next year. Coupled with strong global growth and rapid restocking, this results in UK GDP growth of an estimated 2% in 2011 and 4% in 2012.
- 7.12 An alternative 'double dip' scenario results from further financial shocks and tightening of credit conditions, a widening budget deficit and reductions in economic output throughout 2011 and into early 2012. This highlights the current uncertainty regarding macro-economic conditions.
- 7.13 In the short-term it is clear that the economy is not bouncing back from the recession, as it did following a number of previous recessions. Weak economic performance in the short-term plays through into housing market confidence and investment. In the short-term there are risks that interest rates will increase and increase the cost of servicing mortgages, placing further pressures on household finances which are already being squeezed significantly by inflationary pressures. The Office for Budget Responsibility indicates that real household disposable income is likely to contract further this year. The near-term outlook is highly uncertain and much would seem to depend upon how households respond to the rebalancing of the economy that is taking place.
- 7.14 Nonetheless the macro-level outlook in regard to employment growth, economic confidence and household incomes is likely to maintain the current subdued level of housing market activity and price inflation in the short-term.

Availability of Mortgage Finance

- 7.15 It is likely that an improvement in demand and housing sales is dependant upon improvements in the availability of mortgages. The availability of mortgage finance has significantly affected the number of first-time buyers entering the market. This is crucial as they are needed to complete transaction chains. However lenders judge first time buyers to represent a greater level of risk than existing owner occupiers as the loan to value ratios are higher. They generally need at least a 10% deposit to qualify for a mortgage and this can rise to 20% for new build housing. While there are a handful of deals available with a 5% deposit, the rates on these are not competitive. The average loan to value ratio for first time buyers in February 2011 was 80% (i.e. a 20% deposit) with the mortgage at an average of 3.11 times income nationally.

- 7.16 While the availability of mortgages has seen some improvement, it is still a significant restriction on effective demand for market housing as evidenced by sales rates which in 2010/11 were around 40%-50% down on normal market conditions. It is also restraining buy-to-let investments. Improvement in international and national economic performance and stability together with regulation of the mortgage market are likely to have a positive impact on supply in the medium-term.
- 7.17 Without improvements in the supply of mortgage finance, we are likely to see a continuation of the current 'polarity' in the housing market between existing owner occupiers with equity in their existing homes, and those without, who will continue to have difficulties getting on the housing ladder. For the latter, the availability of other sources of finance for a deposit, such as the so-called 'bank of mum and dad' are of increased importance. The survey indicates that just 9.6% of non-owning households in the HMA have more than £10,000 in savings.
- 7.18 Continuing restrictions on the range and cost of mortgage products available are likely to continue to displace demand from younger households to the private rented sector.
- 7.19 Continuing low levels of transactions from first-time buyers and buy-to-let Investors are likely to restrict effective demand for flats in the short-term, and retain the more 'traditional' focus of the market on family housing as the latter is driven on the re-mortgage market which continues to hold up better.

New Build Market

- 7.20 Volume house builders have suffered a catastrophic collapse in sales and this has resulted in fewer completions and starts only occurring when commissioned. Completions in the HMA fell from 2,909 in 2007/8 to just 1,356 in 2010/11.
- 7.21 While the situation is varied and access to finance remains restrictive (again influenced by the issues described above), some housebuilders have now undergone restructuring and write-downs and improved their balance sheets and are now once again turning their intention to increasing their landbanks and development pipeline. In the longer-term the HMA's quality of life offer, economic performance and accessibility are likely to support housing demand. The public policy response has been to support the volume industry with HomeBuy Direct and FirstBuy schemes which have proved popular amongst first time buyers. Developers have also developed their own shared equity schemes as public funding for HomeBuy Direct and First Buy is constrained by Government budget problems.

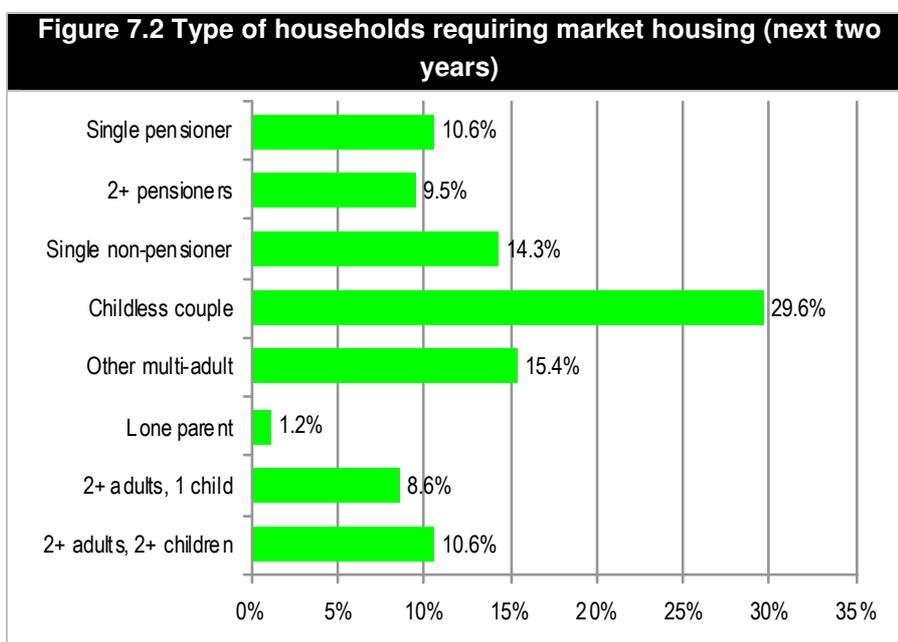
- 7.22 The qualitative research underlines the importance of these schemes to house builders. Most on site sales staff were clear that the schemes had proved a lifeline in difficult market conditions. Whilst there was no evidence of new build housing remaining unsold for undue lengths of time it was observed that development had not commenced on many cleared urban brownfield sites

Housing Policy Changes

- 7.23 As we have identified there are a number of national policy initiatives which could impact on the housing market. Many changes impact on the affordable housing sector.
- 7.24 Regarding affordable housing we would attach the greatest weight to those factors which might affect the demand side as measured by waiting lists. Of secondary impact are measures that would affect the supply side through increased turnover. Waiting lists are likely to be affected by the changes to the single room allowance and greater flexibility to local authorities in setting allocations policies. On the supply-side, the potential to grant fixed term tenancies could result in improvements in turnover and assist in managing the use of existing stock. Market uncertainty coupled with the restrictions on mortgage finance and other changes to the scheme should limit right-to-buy sales in the short-term. The evidence suggests that shared ownership will have little impact due to the small amount of supply whether new-build or re-sale and its price which is beyond the reach of the greater majority of households on housing registers and in need of affordable housing.
- 7.25 This combination of factors may contribute to improving the need/supply balance in the affordable housing sector relative to the trend over the last decade whereby need has increased while supply in many places has shrunk.
- 7.26 There is likely to be a continuing need for new-build affordable housing. The challenge in many respects is likely to be how this is delivered. HCA funding has been cut significantly. It has yet to be seen to what extent this can be compensated for by the shift to affordable rent which in many cases may be necessary to support viability in the absence of grant. Other innovative funding and delivery mechanisms will need to be explored. From a planning perspective, competing priorities for infrastructure investment regarding affordable housing as infrastructure will need to be carefully considered.

7.27 As discussed in Chapter 6, the advent of new build at ‘affordable rents’ is noteworthy but might only prove to be a net benefit if it is managed appropriately. This initiative may result in a greater supply of new build affordable housing than would be the case if affordable housing was to be built at social rent levels. However if it were allocated to households that could only afford social rent levels then there is no public policy gain as benefit levels will increase. Analysis of CORE data demonstrates that social housing is sometimes allocated to those households who can afford more than a social rent but is not because there is no intermediate rent product. Household survey data indicates that a number of existing social renting tenants can afford more than a social rent. Therefore policy makers may wish to consider allocating affordable rented housing to households that can afford it, especially if they are currently occupying a social rented tenancy. In this way tenants who can only afford social rents with or without benefit support will still benefit from the net increase in supply. Critics will draw attention to the lack of an incentive for households to accept higher rents if they can afford them. We are confident that housing management staff will share our experience of the value that tenants attach to new build housing.

7.28 Looking at information from the survey, the profile of households looking to move home over the next two years and who can afford market housing (whether to buy, rent or both) is shown below. The data shows that the main group (over a quarter) are childless couples with just over a fifth of all households containing children (aged under 16). Pensioner households make up around a fifth of the total demand.



Source: Household Survey Data

A Dysfunctional Market

- 7.29 In the short-term effective demand for market housing is likely to remain markedly below average; with demand from 'would be' first-time buyers being displaced (particularly to the private rented sector) which is likely to drive rental growth.
- 7.30 In the short-term there is also a strong need for affordable housing (as shown by the housing needs analysis), but one which has built up through under-provision against need over a number of years.
- 7.31 In some respects the key challenge relates to delivery models for new build housing:
- The funding model for affordable housing isn't responsive to housing need: supply has not kept pace with growth in need over the last 10 years, and looks unlikely to do so moving forward given funding constraints;
 - Similarly the private rented sector isn't particularly responsive to demand: supply (pre-recession) was investment-led and is constrained by mortgage finance availability, albeit that there is potential in the medium-term for a new model for private renting to emerge which is more focused on the revenue stream than capital growth;
 - Market housing (for owner occupation) is responsive to demand, but demand is currently subdued and finance issues are also impacting on viability of delivery.
- 7.32 Overall, **supply is constrained in the rented sectors, and demand is constrained in the purchase market – and we thus have a dysfunctional housing market.**
- 7.33 Planning for new housing should be based however on aggregate need and demand for homes and must to some extent look beyond these short-term factors. In terms of aggregate need/demand for housing, locally-generated demand is there (if constrained), and consideration should be given to the extent to which economic growth can drive housing growth in the HMA over the longer-term. There is some latent capacity of the labour force in the short-term (associated with higher unemployment and a fall in employment), but economic performance can be expected to become an increasingly important driver over time.

7.34 That said, investment in second hand housing is a major factor in the evolution of the housing stock even though transaction levels are currently depressed. Firstly entrepreneurs (investors and private landlords) are responding to market conditions by increasing supply for small households – a major component of growth. This is achieved by converting existing houses into flats. These may be self contained or multi-occupied. Also young professionals are choosing to share housing in better quality neighbourhoods and this is facilitated by web based agencies. Further existing households are adapting their existing housing through conversion, typically extensions and loft conversions.

Local Demand Drivers

- 7.35 There are a number of more local-focused factors which may influence the level and profile of demand and consideration of housing mix within the Bournemouth/Poole HMA.
- 7.36 A further key policy choice is the distribution of development between urban and rural parts of the HMA. There are clearly a range of issues here. Relatively high house prices are indicative of stronger market demand in rural areas. However this needs to be set against sustainability issues even if occupied by retired households. The urban areas are likely to be the focus of employment growth and offer greater potential for shorter journeys and a greater proportion of journeys by sustainable modes. There is however an issue over the sustainability of rural communities to consider as well. Without any housing development, rural communities are likely to witness an age structure which becomes increasingly skewed towards older households, and because of changes in household structures a gradual reduction in population which threatens local services (shops, pubs, schools etc.). Moderate housing growth offers an opportunity to address these issues, particularly through the delivery of affordable housing.

Long-Term Housing Market Drivers

7.37 In the longer-term, we consider key drivers of housing need and demand to be demographic trends and economic performance. The impact of these is considered below.

Demographic Dynamics & Ageing Population

7.38 The demographic projections indicate that the population structure is projected to age, with a growing proportion of people of retirement age and particularly in the oldest age groups principally due to improvements in life expectancy over the next 20 years. The impact of the following factors will be felt severely in Dorset due to the high number in retired or nearly retired households re-locating to the area. Older households mostly wish to remain in their existing homes rather than move to more suitable housing as they become older. Greater numbers will require support to do so, including through adaptations to properties.

- 7.39 Some older households may wish to downsize, and this can have benefits in terms of reducing heating bills and other running costs, as well as releasing equity in homes to support people's retirement and lifestyle. Policy should support this through measures such as financial incentives.
- 7.40 A growing number of older households are likely however to have support needs, and policy will need to respond to this through both flexible support and in situ solutions such as specialist housing. We would expect the public, private and voluntary sectors to become increasingly involved in this market.
- 7.41 In policy terms, a key role is likely to be in providing a choice of high quality accommodation options for older households at a local level, allowing people to continue to live in their existing communities.
- 7.42 Some agents consider that there is likely to be a long term structural change in the housing market due to a combination of factors that will especially affect indigenous households. The individual factors are; inadequate pension provision as final year schemes are closed (the average pension pot is £30,000 as at December 2011), fewer home owners with equity due to owning later in life or being unable to get on the ladder at all; the need for increased mobility in a highly competitive global economy. The effect will be to shift the balance between owner occupied and rented housing in favour of rented housing.

Economic Performance

- 7.43 In the long-term we would expect economic performance to influence housing need and demand at two levels:
- In regard to aggregate need/demand for housing, as economic performance will influence migration as people move homes to access employment; and
 - Demand for different types of homes from working households, recognising that the types of employment created will influence the occupational profile and earnings of those in employment, and thus their ability to afford homes.
- 7.44 However there are a number of trends that are likely to affect the balance of the housing market in the long term. There is a major shift in pension policy and practice. Fewer households will have the benefit of a final year pension. This may result in more home owners seeking to release some or all of their equity. It may also result in more pensioners needing financial support with their rent if their pension pot proves to be inadequate. The impact of student debt may well delay the ability of some households to become owner occupiers. In both cases, the implication is clear, there is likely to be a long term shift in the balance between owning and renting in the direction of renting.

Longer-term housing delivery

7.45 The Housing Market Model is an innovative method for estimating future housing delivery across all tenures based on combining household survey data and demographic projections. Outputs from the model include estimates of the size and tenure of additional housing which would best meet the needs of the local population.

7.46 The analysis carried out is closely linked to requirements set out in the draft National Planning Policy Framework (NPPF) which says in paragraph 111:

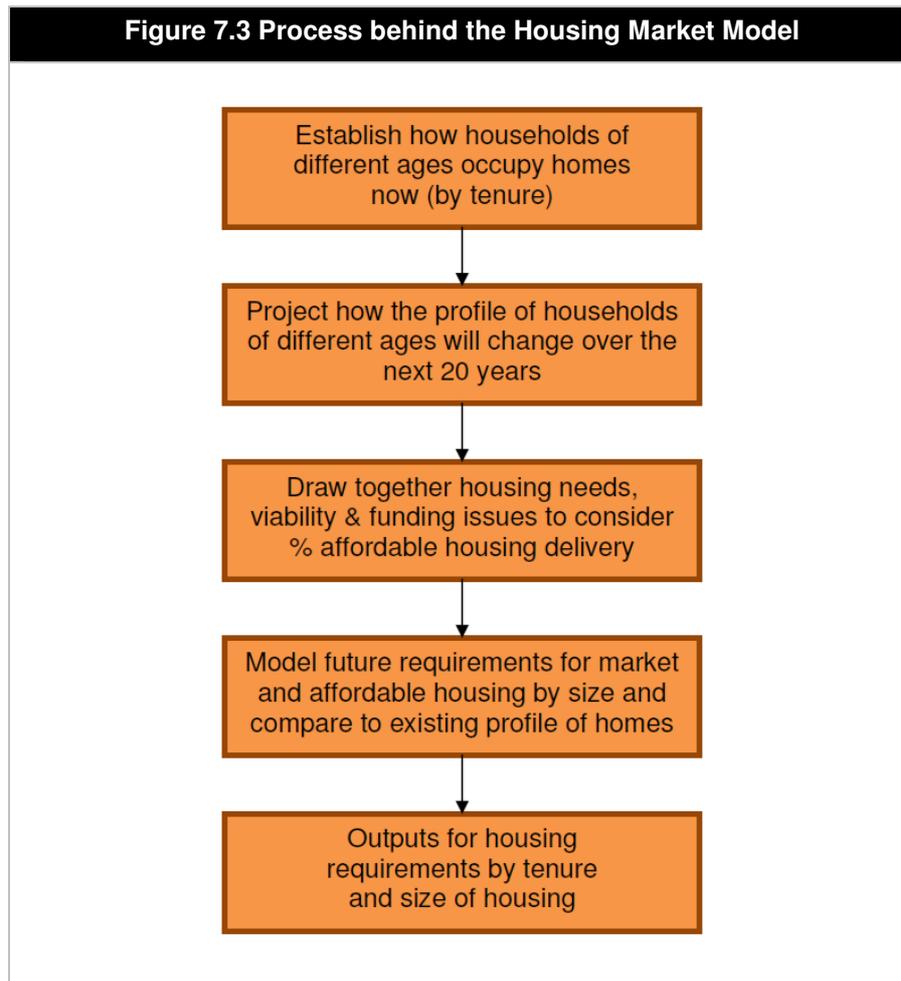
To deliver a wide choice of quality homes and widen opportunities for home ownership, local planning authorities should:

- *plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community*
- *identify the size, type, tenure and range of housing that is required in particular locations, reflecting local demand*

Structure of the Housing Market Model

7.47 The housing market model is designed to look at the likely impact of demographic change on both market and affordable housing delivery over the next 20-years (i.e. to 2031) and is based on studying occupancy patterns and projecting how these might change in the future as the overall population and age structure of an area develops.

7.48 The flowchart below shows the key stages of analysis for the Housing Market Model and following this we set out the key assumptions made and the rationale behind the analysis conducted.

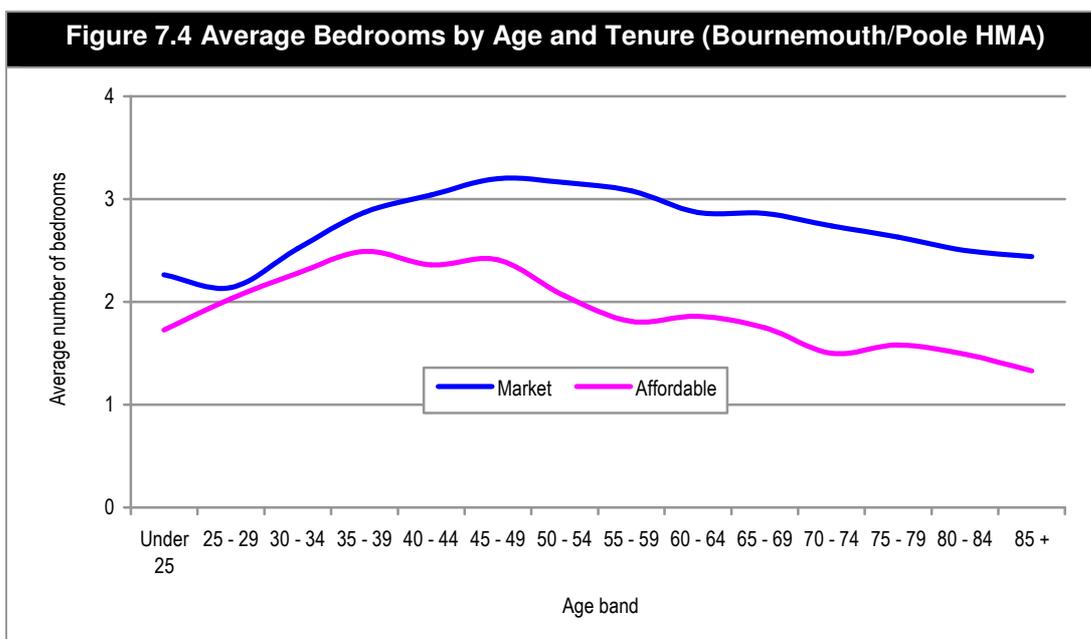


Occupancy patterns

- 7.49 Understanding how households occupy properties is an important aspect of projecting future demand for different sizes of accommodation.
- 7.50 In the market sector households are able to buy or rent any size of property (subject to what they can afford) and therefore knowledge of the profile of households in an area does not directly transfer into the types of property to be provided. The size of housing which households occupy relates more to their wealth and age than the number of people which they contain. For example, there is no reason why a single person cannot buy (or choose to live in) a four bedroom home as long as they can afford it and hence projecting an increase in single person households does not automatically translate in to a need for smaller units.

7.51 In the affordable sector households will typically be allocated a property on the basis of need and so we might expect a closer correlation with demographic change and size requirements. However, demographic projections cannot fully reflect the requirements of the changing population. For example a household may initially be allocated a three bedroom home due to having three children; once the children leave home the household will still be living in a three bedroom property although would probably be allocated a smaller home were they to re-apply for affordable housing.

7.52 The figure below shows an estimate of how the average number of bedrooms varies by different age groups and by broad tenure (households living in market and affordable housing). The figure shows that in the market sector the average size of accommodation rises over time to typically reach a peak around the 45-49 age group. In the affordable sector this peak appears earlier (in the 35-39 age group). After sizes peak the average dwelling size decreases – possibly due to a number of people down-sizing as they get older. It is also notable that the average size for affordable housing dwellings is lower than those for market housing for all age groups.



Source: Household Survey Data

7.53 Given that in both the market and affordable sector we see decreases in dwelling sizes for older age groups we would expect that future provision is skewed slightly towards smaller units. However, within these figures it does need to be remembered that there will be a range of households in different sizes of accommodation. For example of all households aged 85 and over in the market sector it is estimated (as of 2011) that 43% live in homes with three or more bedrooms.

Future housing delivery

- 7.54 An important part of the SHMA process is to establish likely overall requirements for additional housing (of all tenures) in an area. Indeed the draft NPPF makes this a core requirement of SHMAs noting in paragraph 28 that *'Local planning authorities should have a clear understanding of housing requirements in their area'* and that *'The Strategic Housing Market Assessment should identify the scale and mix of housing and the range of tenures that the local population is likely to require over the plan period'*.
- 7.55 Importantly in paragraph 28 it is noted that assessing housing requirements should take *'account of migration and demographic change'*.
- 7.56 The draft NPPF does however also note (paragraph 28) that local authorities should also *'prepare a Strategic Housing Land Availability Assessment to establish realistic assumptions about the availability, suitability and the likely economic viability of land to meet the identified requirement for housing over the plan period'*.
- 7.57 For the purposes of the SHMA update we have therefore considered likely future housing delivery on the basis of projected demographic change. Whilst the outputs from our analysis provide a reasonable start point for assessing overall housing requirements these will need to be considered along with the availability, suitability and viability of housing land as noted above.
- 7.58 In addition to this we suggest that Councils consider infrastructure constraints and any potential environmental impact. The views of local communities and other stakeholders are also important and should be considered through the plan-making process.

Household change

- 7.59 As part of this project we have been provided with a series of population and household projections by the County Council. The projections have been run using POPGROUP software which draws on ONS data about demographic change (i.e. births, deaths and migration) and CLG data about household representative rates (i.e. the chance of any individual being considered as a head of household). The key outputs from the modelling are estimates of population change (including by age) and household growth.
- 7.60 The projections are largely linked to the ONS 2008-based subnational population projections which in turn are used in the CLG 2008-based household projections. For the purposes of this project figures have been re-based to a mid-2011 start point by using of Council Tax data in each local authority to provide an estimate of households (with an assumption of a 1:1 fit between occupied dwellings and households). More details about the projection method used can be found in Appendix 5.

7.61 The process was an iterative one with projections being run and then the outputs being considered for their ‘reasonableness’. In total three main projections were considered in detail; these are summarised as:

- Trend-based demographic projection (based on the most recent ONS data about births, death and migration (i.e. data up to mid-2010).
- Zero net-migration (based on looking at likely population and household change if levels of in- and out-migration are the same in each area – this projection does allow for changes in the population age structure due to different profiles of in- and out-migrants)
- Trend-based demographic projection (based on the assumptions used by ONS/CLG in the 2008-based projections but with an updated baseline position of mid-2011)

7.62 Consideration was also given to developing projections related to economic growth; this was however not pursued as part of the SHMA given the current uncertainty on the state of the economy which made it difficult to agree realistic assumptions.

7.63 Below we have provided a brief summary of each of the three main projections in terms of household growth with the figures shown being for the whole of Dorset (including the unitary authorities of Bournemouth and Poole).

Figure 7.5 Summary of Household Growth Projections 2011 to 2031 (Dorset including Unitary Authorities)

| Projection | Per annum | % change | Total | % change |
|--|-----------|----------|--------|----------|
| Trend-based (latest data) | 2,512 | 0.8% | 50,244 | 15.3% |
| Zero net migration | 2,076 | 0.6% | 41,513 | 12.6% |
| Trend-based (ONS 2008-based assumptions) | 2,606 | 0.8% | 52,128 | 15.9% |

Source: ONS/CLG and Dorset County Council

7.64 The table shows that under recent trend-based assumptions the number of households in the area is projected to increase by just over 50,000 in the period from 2011 to 2031 (around 2,500 households per annum).

7.65 This appeared at first sight to be a reasonable basis for household growth moving forward in that it takes full account of demographic change and is based on the methodology endorsed by ONS (i.e. to look at past trends over the last five years and project these forward giving greater weight to more recent data). However, when we looked at the data for individual local authorities the outputs were less satisfactory. In particular a number of areas showed virtually no household growth (or negative growth) with the key ones being North Dorset (projected to see a loss of 89 households over the 20-year period) and Weymouth and Portland (projected to see an increase of only 28 households). These figures were felt to be unrealistic as in both cases some housing growth is to be expected and with this there would be likely to be an increase in households.

- 7.66 Therefore whilst these projections are soundly based and use an accepted methodology it was not felt that these could realistically be used to inform future housing requirements (or potential delivery) at a local authority level.
- 7.67 Closer inspection of the assumptions suggested that the results for North Dorset and Weymouth and Portland had been caused by short-term fluctuations in migration patterns which may have been impacted by the economic downturn and would not necessarily be considered to reflect a likely longer-term trend. Due to the key problem with the projections being related to migration patterns we looked at a scenario of zero net-migration. This projection, whilst ironing out some of the issue with trend-based figures tended to show a potential household growth figure that was felt to be too low – traditionally much of the population and household growth across Dorset has been due to migration and so to essentially strip this out was not felt to be realistic.
- 7.68 We therefore ran a third projection – this was based on applying ONS/CLG population and household change rates from the 2008-based projections to updated baseline information for mid-2011. The 2008-based trends would have missed out on the impact of the economic downturn and it was felt therefore that these would potentially be a better basis for longer-term projections to 2031.
- 7.69 Interestingly the projections showed a very similar level of household growth as the first trend-based figures (total estimated growth of 52,128 over 20-years or 2,606 per annum) but with less variation by individual local authorities. Following discussions with the local authorities it was therefore decided that this latter projection provided the soundest basis for projecting future households (and hence potential housing delivery).
- 7.70 The household growth figure derived from 2008-based ONS/CLG data (i.e. 2,606 per annum) is slightly lower than suggested in previous CLG data; the 2004-based households projections suggested annual household growth (from 2011 to 2029) of 3,280 households with the 2006-based figures (2011 to 2031) suggesting 2,950 additional households each year. These figures are for the whole of Dorset (i.e. both the Bournemouth/Poole and Dorchester/Weymouth Housing Market Areas).
- 7.71 These differences are simply a reflection of the trend data from the preceding few years on which projections are based. Trend projections have their limitations since they only reflect what household formation rates are likely to be if past trends continue. The household formation rates are linked to the ONS population projections. The differences will reflect a combination of changes in fertility, mortality and migration rates.

7.72 The table below shows how the most recent information splits down for individual local authorities in the Bournemouth/Poole HMA. Over the next twenty years all authorities are projected to see a notable increase in households with proportionate increases (from 2011 levels) ranging from 12.5% in Bournemouth to 19.9% in Christchurch. In annual number terms the changes vary from 170 units in Purbeck to 511 in Bournemouth. The overall estimated annual increase across the HMA is 1,976 households.

Figure 7.6 Projected household change in the HMA (2011 – 2031)

| Area | Households (2011) | Households (2031) | Absolute change | % change from 2011 | Annual average change |
|--------------|-------------------|-------------------|-----------------|--------------------|-----------------------|
| Bournemouth | 81,795 | 92,015 | 10,220 | 12.5% | 511 |
| Christchurch | 21,920 | 26,291 | 4,371 | 19.9% | 219 |
| East Dorset | 37,943 | 44,657 | 6,714 | 17.7% | 336 |
| North Dorset | 28,823 | 34,289 | 5,466 | 19.0% | 273 |
| Poole | 64,010 | 73,355 | 9,345 | 14.6% | 467 |
| Purbeck | 19,972 | 23,368 | 3,396 | 17.0% | 170 |
| HMA | 254,463 | 293,975 | 39,512 | 15.5% | 1,976 |

Source: ONS/CLG and Dorset County Council

7.73 The figures in the table above are for household growth and technically not housing numbers (although there will clearly be a very strong link). In converting these figures into a housing requirement we would recommend that a small vacancy allowance is also included. Typically, we would recommend something in the range of 2%-3% and under the assumption of a 2.5% rate the overall housing requirement derived by these figures would be 2,025 additional units per annum.

7.74 For the purposes of future housing market modelling we do however use the household figures and so the inclusion of a vacancy rate needs to additionally be considered when interpreting the figures.

Changing age profile

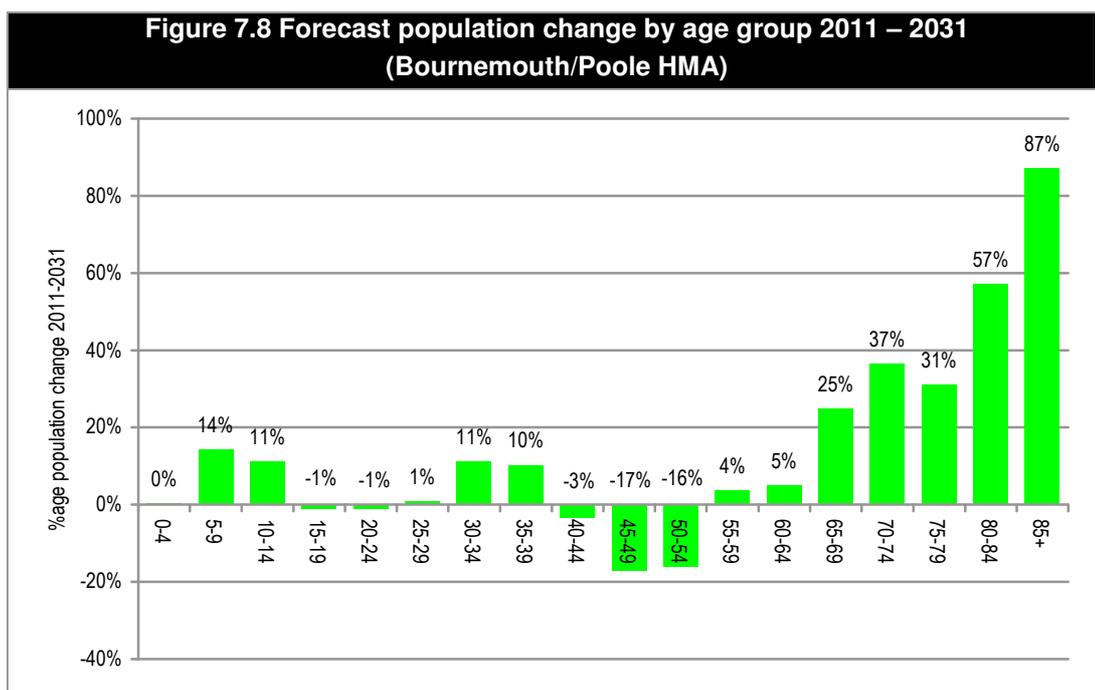
7.75 The analysis above has shown our estimates of likely household growth in the whole of Dorset, the HMA and for individual local authorities - this growth however only tells one part of the story. The other key factor in population/household growth is to understand how the age structure of the population is likely to change as this will have an impact on the types, sizes and tenures of housing likely to be required in the future.

7.76 The population projections are broken down into five-year age cohorts so it is possible to examine how the age structure of the population in the HMA is expected to change in the future. The figure below shows the percentage change in the population within each age cohort (five year age bands) from 2011 to 2031. The table below records the change in age profile using broader age bands compared across different areas.

7.77 The results are striking, although consistent with regional and national trends. The data shows that over the next twenty years in the HMA there is expected to be a dramatic increase in the population of those aged over 60, and decreases (or only very modest increases) in the population of all other age groups. These figures have been derived from modelling the ONS 2008-based population projections updated to a 2011-base.

| Figure 7.7 Percentage change by age band (2011 – 2031) | | | | | | | | | | |
|--|-------------|--------------|-------------|--------------|-------|---------|--------|--------|------------|---------|
| Age band | Area | | | | | | | | | |
| | Bournemouth | Christchurch | East Dorset | North Dorset | Poole | Purbeck | HMA | Dorset | South West | England |
| 0-14 | 9.4% | 11.9% | 6.6% | 2.8% | 10.2% | 6.8% | 8.4% | 5.7% | 13.2% | 11.5% |
| 15-29 | 0.6% | 5.3% | 0.2% | -9.0% | -0.4% | -4.5% | -0.5% | -2.3% | 2.7% | 1.6% |
| 30-44 | 8.0% | 7.0% | 2.2% | -8.2% | 7.9% | 7.8% | 5.3% | 2.9% | 14.9% | 11.6% |
| 45-59 | -9.3% | -6.1% | -13.1% | -12.0% | -9.6% | -13.4% | -10.5% | -12.2% | -0.7% | 1.5% |
| 60-74 | 15.4% | 25.6% | 22.7% | 29.6% | 18.0% | 16.6% | 20.4% | 21.5% | 26.8% | 27.5% |
| 75+ | 35.5% | 50.9% | 62.7% | 87.8% | 53.1% | 71.3% | 55.6% | 60.8% | 73.3% | 66.0% |
| Total | 6.8% | 15.8% | 12.3% | 10.8% | 9.5% | 10.5% | 9.8% | 9.3% | 16.9% | 14.3% |

Source: ONS/CLG and Dorset County Council



Source: ONS/CLG and Dorset County Council

7.78 As well as showing an ageing population the projections clearly identify that if current trends continue then the number of people in key working age bands (i.e. those aged 16-64) is likely to decline. This does identify a risk in that the Bournemouth/Poole HMA may face a labour shortage which is likely to act as a barrier to economic growth in the HMA and more widely across Dorset.

- 7.79 Over the full 20-year projection period it is estimated that the population aged 16-64 will drop by around 1% across the whole HMA. There are projected to be small increases in this population in the three main urban areas of Bournemouth, Poole and Christchurch (up to 2% in the case of Christchurch) with all of the three rural districts seeing a decline in working age populations (including a decline of around 7% in North Dorset). These figures have been derived from the detailed modelling underpinning the summary figures in the above table and figure.
- 7.80 By combining the population and household projection data we are able to consider how average household sizes in the HMA are likely to change. Over the period from 2011 to 2031 the projections suggest that the average household size in the HMA will drop from 2.25 people per household down to 2.14. The decrease in household sizes is likely to mainly be due to the increase in the older person population (e.g. single elderly households being 'formed' due to the death of a partner).

Affordable % to be delivered

- 7.81 The analysis in the previous section showed by following the CLG's housing needs model that the overall need for additional affordable housing is significant and in reality not all of this need is likely to be met. Further analysis showed the operation of the private rented sector in meeting housing need through both Local Housing Allowance and by providing accommodation for other households unable to afford (on the affordability criteria employed) but who are either not claiming or are not eligible for LHA.
- 7.82 The question is therefore of the additional housing to be provided, what is a reasonable proportion that might be expected to be delivered as affordable housing. Viability assessments carried out across Dorset suggest that in many cases it will be possible to provide at least 40% of housing as affordable on future sites and in some cases (particularly on greenfield sites) up to 50%. However, we recognise that in reality due to site sizes and some specific local/site viability issues that the proportion delivered may well be lower than this particularly during the current economic circumstances. Viability reports prepared by Three Dragons can be accessed from the following link <http://www.dorsetforyou.com/396864>.
- 7.83 For the purposes of modelling future housing requirements we have therefore considered two scenarios:
- 30% affordable housing delivery (2011-2031)
 - 40% affordable housing delivery (2011-2031)

The existing profile of housing in the HMA

7.84 The table below shows the current tenure profile of households in the area. The table is split between two broad tenures (market and affordable) and shows that 88.5% of households live in market housing with 11.5% in affordable housing (mostly in the social rented sector).

| Figure 7.9 Current tenure split in Bournemouth/Poole HMA | | |
|--|----------------------|-----------------|
| Tenure | Number of households | % of households |
| Market | 225,257 | 88.5% |
| Affordable | 29,206 | 11.5% |
| Total | 254,463 | 100.0% |

Source: Household Survey Data

7.85 The size profile in the two sectors is also quite different with dwellings in the market sector being considerably larger on average than those in the affordable sector. Survey data suggests that around 60% of market homes have three or more bedrooms, this compares with only a quarter of affordable homes.

| Figure 7.10 Current size of housing by broad tenure group (Bournemouth/Poole HMA) | | | | | | |
|---|---------|--------|------------|--------|---------|--------|
| Bedrooms | Market | | Affordable | | Total | |
| | No. | % | No. | % | No. | % |
| 1 bedroom | 19,806 | 8.8% | 11,344 | 38.8% | 31,150 | 12.2% |
| 2 bedrooms | 69,233 | 30.7% | 10,441 | 35.7% | 79,674 | 31.3% |
| 3 bedrooms | 88,478 | 39.3% | 6,728 | 23.0% | 95,207 | 37.4% |
| 4+ bedrooms | 47,740 | 21.2% | 693 | 2.4% | 48,432 | 19.0% |
| Total | 225,257 | 100.0% | 29,206 | 100.0% | 254,463 | 100.0% |

Source: Household Survey Data

Modelling potential future housing delivery

7.86 To model potential future housing delivery we have considered the implications of projected demographic change based on two potential positions:

- 1) where it is assumed that households continue to occupy dwellings in exactly the same way in the future as they do now (i.e. no inroads are made into meeting affordable needs and any future provision would simply provide affordable housing at a level to stop housing need increasing) and
- 2) where all households are assumed to live in housing that they can afford (i.e. no household is spending more than 25% of their income on housing costs and those who would need to spend more than 25% are assigned to affordable housing).

7.87 A general analysis with no inroads made into housing need tends to show a low requirement for affordable housing whilst the position where it is assumed that all needs could be met shows high requirements for affordable housing. In reality, delivery of affordable housing is likely to be somewhere between these two positions and so in constructing a model we have been informed by the tenure and size profile generated by these two extreme positions.

7.88 The higher the proportion of affordable housing the greater the weight given to meeting a wider spectrum of need whilst a lower proportion of need will tend to focus more on those with greater housing needs.

Size requirements at 30% affordable housing

7.89 Under the assumption that 30% of additional housing provision will be affordable we can see in the table below how the stock profile would be expected to change over the next 20-years. In total, across the HMA a 30% figure would provide an additional 11,854 units of affordable housing; whilst this is a significant figure it is worth noting that even this would only bring the proportion of affordable housing up to 14.0% (from 11.5%).

Figure 7.11 Estimated housing requirements 2011 to 2031 – 30% affordable housing delivery

| Tenure | 2031 requirement | 2011 stock | 20 year requirement | Annual requirement | % requirement |
|------------|------------------|------------|---------------------|--------------------|---------------|
| Market | 252,915 | 225,257 | 27,658 | 1,383 | 70.0% |
| Affordable | 41,060 | 29,206 | 11,854 | 593 | 30.0% |
| Total | 293,975 | 254,463 | 39,512 | 1,976 | 100.0% |

Source: Household Survey Data

7.90 The analysis below is conducted in the same way as the analysis looking at tenure split (i.e. to calculate the number of homes required in each group in 20 years time and comparing this with the current stock profile). The only difference is that figures are split between each of the two tenure groups.

7.91 The table below shows the suggested tenure split for additional market housing in the area. The data suggests that the main requirement will be for two bedroom homes, followed by three and four bedroom homes.

Figure 7.12 Estimated housing requirements to 2031 by size – market housing – 30% affordable housing delivery

| Size | 2031 requirement | 2011 stock | 20 year requirement | Annual requirement | % requirement |
|-------------|------------------|------------|---------------------|--------------------|---------------|
| 1 bedroom | 20,480 | 19,806 | 674 | 34 | 2.4% |
| 2 bedrooms | 82,376 | 69,233 | 13,143 | 657 | 47.5% |
| 3 bedrooms | 98,741 | 88,478 | 10,263 | 513 | 37.1% |
| 4+ bedrooms | 51,319 | 47,740 | 3,579 | 179 | 12.9% |
| Total | 252,915 | 225,257 | 27,658 | 1,383 | 100.0% |

Source: Household Survey Data

7.92 When looking at individual local authorities we find similar findings in different locations with two bedroom homes being the main requirement in Bournemouth, Poole and Purbeck and three bedroom homes the main requirement in the other three areas.

Figure 7.13 Estimated housing requirements to 2031 by size – market housing (per annum) – 30% affordable housing delivery

| | | 1 bedroom | 2 bedrooms | 3 bedrooms | 4+ bedrooms | Total |
|--------------|-----|-----------|------------|------------|-------------|--------|
| Bournemouth | No. | 16 | 193 | 101 | 48 | 358 |
| | % | 4.5% | 53.9% | 28.3% | 13.4% | 100.0% |
| Christchurch | No. | -2 | 68 | 71 | 16 | 153 |
| | % | -1.1% | 44.2% | 46.5% | 10.5% | 100.0% |
| East Dorset | No. | 6 | 96 | 112 | 21 | 235 |
| | % | 2.5% | 40.9% | 47.7% | 8.9% | 100.0% |
| North Dorset | No. | 11 | 63 | 71 | 46 | 191 |
| | % | 5.8% | 33.1% | 37.0% | 24.1% | 100.0% |
| Poole | No. | -1 | 179 | 111 | 39 | 327 |
| | % | -0.3% | 54.7% | 33.8% | 11.8% | 100.0% |
| Purbeck | No. | 4 | 58 | 47 | 10 | 119 |
| | % | 3.0% | 49.1% | 39.7% | 8.2% | 100.0% |
| HMA | No. | 34 | 657 | 513 | 179 | 1,383 |
| | % | 2.4% | 47.5% | 37.1% | 12.9% | 100.0% |

Source: Household Survey Data

7.93 In the affordable sector the data suggests that the main requirement will again be two bedroom homes with a total of 56% of all additional properties requiring to be 'smaller' (one and two-bedroom) accommodation. The findings from this analysis are consistent with those in the housing needs analysis in the previous section. These findings reflect the current housing stock in this sector as well as allocation procedures which tend to limit the possibility of households accessing housing which is larger than they technically need (based on a bedroom standard) although households may end up under-occupying homes the longer they remain with a particular tenancy (e.g. households with grown up children who have left home).

Figure 7.14 Estimated housing requirements to 2031 by size– affordable housing– 30% affordable housing delivery

| Size | 2031 requirement | 2011 stock | 20 year requirement | Annual requirement | % requirement |
|-------------|------------------|------------|---------------------|--------------------|---------------|
| 1 bedroom | 13,865 | 11,344 | 2,521 | 126 | 21.3% |
| 2 bedrooms | 14,569 | 10,441 | 4,128 | 206 | 34.8% |
| 3 bedrooms | 10,666 | 6,728 | 3,938 | 197 | 33.2% |
| 4+ bedrooms | 1,959 | 693 | 1,266 | 63 | 10.7% |
| Total | 41,060 | 29,206 | 11,854 | 593 | 100.0% |

Source: Household Survey Data

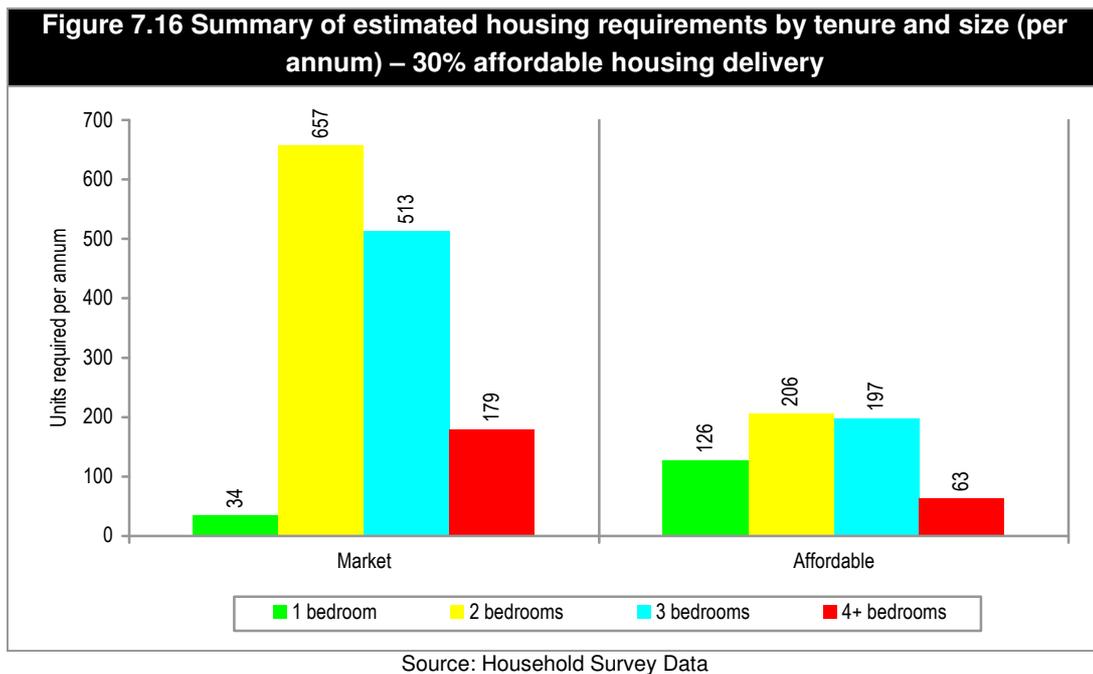
7.94 When looking at the six local authorities we find that the requirements for one bedroom accommodation is greatest in Christchurch and North Dorset with Christchurch and Purbeck showing a large requirement for two bedroom homes. The requirement for 'family' size (i.e. three or more bedrooms) accommodation does vary by local authority from 30.9% in Christchurch to 54.7% in Poole.

Figure 7.15 Estimated housing requirements to 2031 by size– affordable housing (per annum) – 30% affordable housing delivery

| | | 1 bedroom | 2 bedrooms | 3 bedrooms | 4+ bedrooms | Total |
|--------------|-----|-----------|------------|------------|-------------|--------|
| Bournemouth | No. | 30 | 60 | 47 | 16 | 153 |
| | % | 19.7% | 39.1% | 30.4% | 10.7% | 100.0% |
| Christchurch | No. | 18 | 27 | 15 | 5 | 66 |
| | % | 27.1% | 41.9% | 23.2% | 7.7% | 100.0% |
| East Dorset | No. | 22 | 35 | 34 | 9 | 101 |
| | % | 21.9% | 35.2% | 34.0% | 8.9% | 100.0% |
| North Dorset | No. | 22 | 27 | 22 | 10 | 82 |
| | % | 27.2% | 33.1% | 27.4% | 12.3% | 100.0% |
| Poole | No. | 26 | 37 | 59 | 18 | 140 |
| | % | 18.9% | 26.4% | 42.0% | 12.7% | 100.0% |
| Purbeck | No. | 7 | 19 | 19 | 5 | 51 |
| | % | 14.3% | 38.0% | 38.1% | 9.5% | 100.0% |
| HMA | No. | 126 | 206 | 197 | 63 | 593 |
| | % | 21.3% | 34.8% | 33.2% | 10.7% | 100.0% |

Source: Household Survey Data

7.95 The figure below shows a summary of annual housing requirement derived from the modelling process. The figure shows that overall the majority requirements are for two and three bedroom homes but that the proportions vary considerably by tenure.



Size requirements at 40% affordable housing

7.96 Below we have carried out the same analysis as above but under the assumption that 40% of additional housing would be affordable. As the table below shows this would again see a significant increase in the number of affordable homes in the area but would not substantially change the proportion of stock that is affordable. Under 40% affordable housing the proportion of affordable stock would be expected to increase from 11.5% to 15.3%.

Figure 7.17 Estimated housing requirements 2011 to 2031 – 40% affordable housing delivery

| Tenure | 2031 requirement | 2011 stock | 20 year requirement | Annual requirement | % requirement |
|------------|------------------|------------|---------------------|--------------------|---------------|
| Market | 248,964 | 225,257 | 23,707 | 1,185 | 60.0% |
| Affordable | 45,011 | 29,206 | 15,805 | 790 | 40.0% |
| Total | 293,975 | 254,463 | 39,512 | 1,976 | 100.0% |

Source: Household Survey Data

7.97 The table below shows the suggested tenure split for additional market housing in the area under the 40% scenario. As with the previous scenario the data suggests that the main requirement will be for two bedroom homes, followed by three and four bedroom homes.

Figure 7.18 Estimated housing requirements to 2031 by size – market housing – 40% affordable housing delivery

| Size | 2031 requirement | 2011 stock | 20 year requirement | Annual requirement | % requirement |
|--------------|------------------|----------------|---------------------|--------------------|---------------|
| 1 bedroom | 20,188 | 19,806 | 382 | 19 | 1.6% |
| 2 bedrooms | 81,110 | 69,233 | 11,877 | 594 | 50.1% |
| 3 bedrooms | 97,168 | 88,478 | 8,689 | 434 | 36.7% |
| 4+ bedrooms | 50,498 | 47,740 | 2,759 | 138 | 11.6% |
| Total | 248,964 | 225,257 | 23,707 | 1,185 | 100.0% |

Source: Household Survey Data

7.98 When looking at individual local authorities we find similar findings in different locations with two bedroom homes being the main requirement in Bournemouth, Poole and Purbeck and three bedroom homes the main requirement in the other three areas. This is consistent with the analysis under a 30% affordable housing scenario.

Figure 7.19 Estimated housing requirements to 2031 by size – market housing (per annum) – 40% affordable housing delivery

| | | 1 bedroom | 2 bedrooms | 3 bedrooms | 4+ bedrooms | Total |
|--------------|-----|-----------|------------|------------|-------------|--------|
| Bournemouth | No. | 8 | 174 | 85 | 40 | 307 |
| | % | 2.6% | 56.7% | 27.8% | 13.0% | 100.0% |
| Christchurch | No. | -3 | 60 | 61 | 13 | 131 |
| | % | -1.9% | 45.8% | 46.6% | 9.6% | 100.0% |
| East Dorset | No. | 5 | 87 | 97 | 12 | 201 |
| | % | 2.4% | 43.2% | 48.2% | 6.1% | 100.0% |
| North Dorset | No. | 10 | 57 | 59 | 38 | 164 |
| | % | 6.0% | 34.6% | 36.2% | 23.1% | 100.0% |
| Poole | No. | -4 | 163 | 92 | 29 | 280 |
| | % | -1.3% | 58.3% | 32.7% | 10.3% | 100.0% |
| Purbeck | No. | 3 | 53 | 40 | 6 | 102 |
| | % | 2.8% | 51.9% | 39.0% | 6.3% | 100.0% |
| HMA | No. | 19 | 594 | 434 | 138 | 1,185 |
| | % | 1.6% | 50.1% | 36.7% | 11.6% | 100.0% |

Source: Household Survey Data

7.99 In the affordable sector the data suggests that the main requirement will again be two bedroom homes with a total of 59% of all additional properties requiring to be 'smaller' (one and two-bedroom) accommodation – this figure is slightly higher than generated by the 30% affordable housing delivery scenario.

Figure 7.20 Estimated housing requirements to 2031 by size– affordable housing– 40% affordable housing delivery

| Size | 2031 requirement | 2011 stock | 20 year requirement | Annual requirement | % requirement |
|-------------|------------------|------------|---------------------|--------------------|---------------|
| 1 bedroom | 15,185 | 11,344 | 3,840 | 192 | 24.3% |
| 2 bedrooms | 15,990 | 10,441 | 5,549 | 277 | 35.1% |
| 3 bedrooms | 11,691 | 6,728 | 4,963 | 248 | 31.4% |
| 4+ bedrooms | 2,145 | 693 | 1,452 | 73 | 9.2% |
| Total | 45,011 | 29,206 | 15,805 | 790 | 100.0% |

Source: Household Survey Data

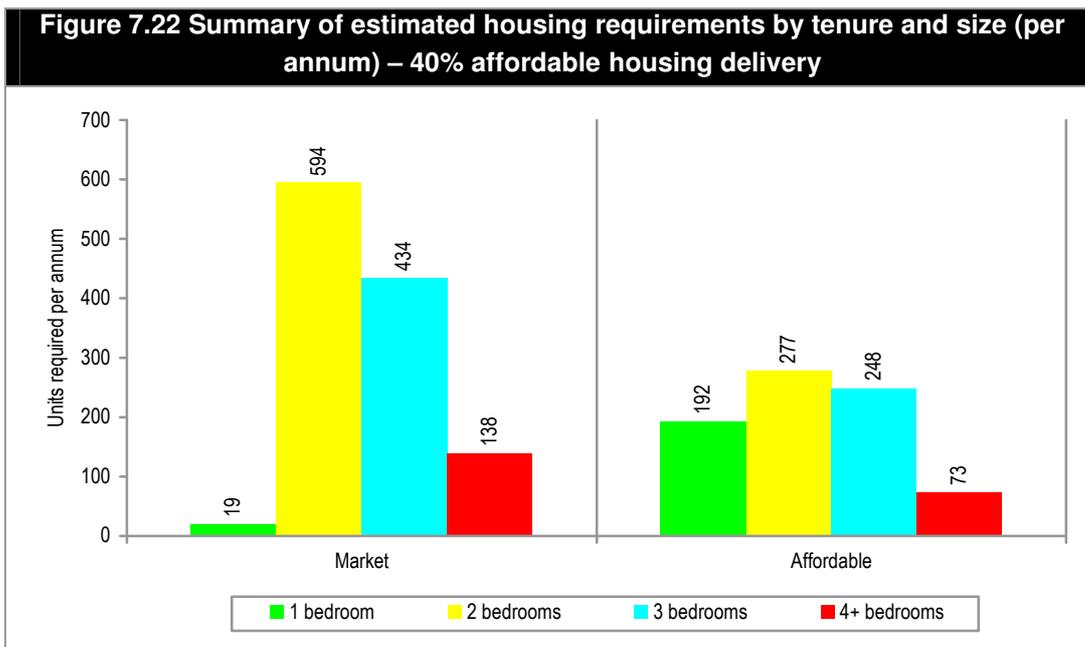
7.100 When looking at the six local authorities we find that the requirements are very similar to those found under the 30% affordable housing scenario with the change towards a need for more smaller units being observed in all local authority areas.

Figure 7.21 Estimated housing requirements to 2031 by size– affordable housing (per annum) – 40% affordable housing delivery

| | | 1 bedroom | 2 bedrooms | 3 bedrooms | 4+ bedrooms | Total |
|--------------|-----|-----------|------------|------------|-------------|--------|
| Bournemouth | No. | 50 | 78 | 58 | 19 | 204 |
| | % | 24.7% | 38.0% | 28.1% | 9.1% | 100.0% |
| Christchurch | No. | 26 | 35 | 20 | 6 | 87 |
| | % | 30.2% | 40.5% | 22.6% | 6.7% | 100.0% |
| East Dorset | No. | 31 | 50 | 43 | 10 | 134 |
| | % | 23.0% | 37.1% | 32.2% | 7.8% | 100.0% |
| North Dorset | No. | 30 | 37 | 30 | 12 | 109 |
| | % | 27.6% | 33.8% | 27.9% | 10.7% | 100.0% |
| Poole | No. | 43 | 51 | 72 | 20 | 187 |
| | % | 22.9% | 27.5% | 38.7% | 11.0% | 100.0% |
| Purbeck | No. | 11 | 26 | 25 | 5 | 68 |
| | % | 16.9% | 38.5% | 36.6% | 8.0% | 100.0% |
| HMA | No. | 192 | 277 | 248 | 73 | 790 |
| | % | 24.3% | 35.1% | 31.4% | 9.2% | 100.0% |

Source: Household Survey Data

7.101 The figure below shows a summary of annual housing requirement derived from the modelling process for the 40% scenario. The figure again shows that overall the majority requirements are for two and three bedroom homes but that the proportions vary considerably by tenure.



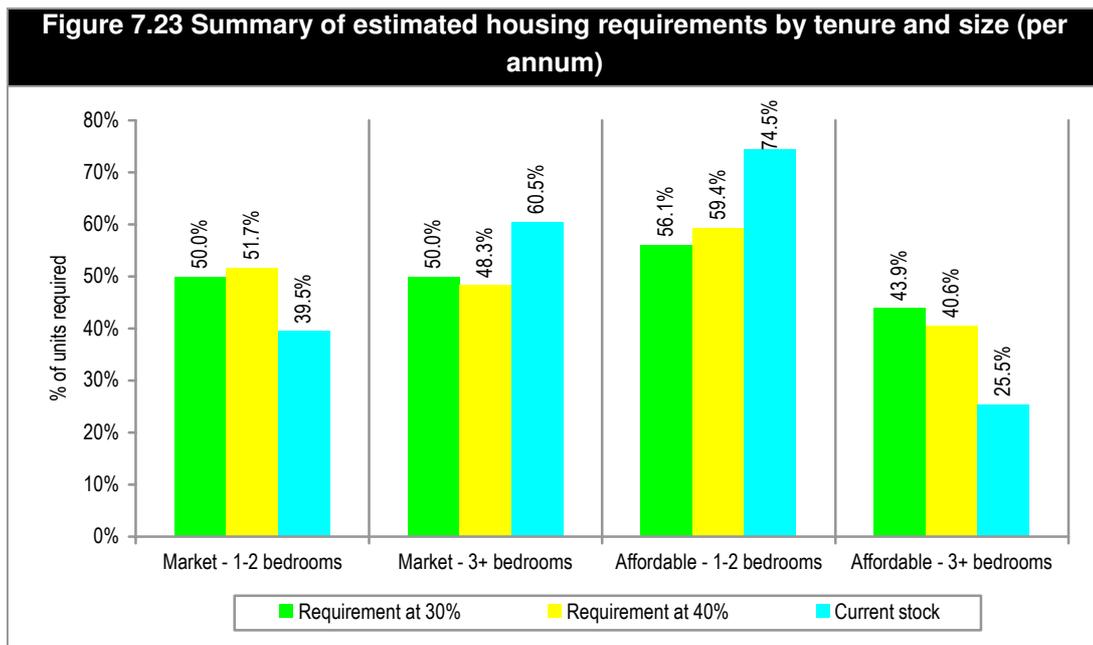
Source: Household Survey Data

Comparing the results of the two scenarios

7.102 Below we compare the outputs of the two scenarios for different levels of future affordable housing provision. To make the comparison easier we have split the size requirements into two categories: smaller (one and two-bedroom) homes and larger (three plus bedroom) accommodation. We have also provided information about the current stock profile for contrast.

7.103 The results show that generally there is a greater requirement for larger units in the market than affordable sector. However, when compared with the current stock of housing in each sector it is clear that the profile required in the market is for smaller units than the current stock generally provides with the opposite being true in the affordable sector. This finding is largely driven by the fact that households with a requirement for larger homes are less likely to be able to afford market housing without some sort of subsidy.

7.104 When comparing the figures for the two scenarios (30% and 40% affordable housing delivery) we find in the market that the requirement for smaller units (as a proportion of the total) increases as the proportion of affordable housing increases with the opposite being true in the affordable sector. These outputs are again driven by the relatively poor affordability of households requiring larger units with the model essentially assuming that a greater proportion of the needs of smaller households would be met as the proportion of affordable housing delivered increases (i.e. with a lower proportion of affordable housing delivery the modelling assumes a more pressing requirement for providing accommodation for households needing larger homes).



Summary

- 7.105 Macro-economic factors are expected to influence effective market demand for housing in the short-term. These include mortgage finance, market confidence, short-term employment growth, and pressures on household incomes. Market demand is expected to be subdued and can be expected to impact on housing completions. While this can be expected to support need and demand within the rented tenures, supply is unlikely to respond to the demand drivers in the short-term given the investment-led model for the Private Rented Sector and the funding model and constraints in the Affordable Housing Sector. As a result the housing market is expected to be dysfunctional.
- 7.106 However it is still appropriate to plan on meeting expected household growth over the longer-term. This is expected to be driven by demographic trends, and over the medium- and long-term in particular, by economic performance and employment growth.
- 7.107 Using our housing market model, which takes into account how households of different ages occupy dwellings, and the potential delivery of housing in different tenures, we consider that market demand will be focused towards a balance between smaller and larger properties (with 48%-50% of demand for 3 and 4+ bed properties).
- 7.108 An estimated 45%-48% of overall housing requirements (market and affordable) are for 3 and 4+ bed properties. This mix should be reflected in the 'portfolio' of sites taken forward through Local Plans. For affordable housing, taking account of identified need, existing supply and turnover of properties and issues related to the management of the housing stock, we recommend a policy target for 55-60% of future affordable housing provision to be 1 and 2-bed properties and 40-45% with 3 or more bedrooms.

8. Rural Housing Requirements

Introduction

8.1 Understanding housing need and demand in rural areas is important even in predominantly urban areas such as the Bournemouth/Poole HMA. For analysis we have classified local authorities and locations within each local authority into three different categories. These are summarised in the table below.

| Figure 8.1 Urban/Rural classifications used for analysis | | |
|--|----------------------------|---|
| Local Authority | Urban/Rural classification | Relevant areas |
| Bournemouth | Urban | whole borough |
| Christchurch | Urban | whole borough |
| East Dorset | Significant Settlement | Wimborne Minster & Colehill parishes Corfe Mullen parish Ferndown & West Parley parishes West Moors & St Leonards parishes Verwood & Alderholt parishes |
| | Rural | All Other East Dorset parishes |
| North Dorset | Significant Settlement | Blandford Forum & Blandford St Mary parishes Gillingham Parish Shaftesbury Parish Sturminster Newton parish |
| | Rural | All other North Dorset parishes |
| Poole | Urban | whole borough |
| Purbeck | Significant Settlement | Wareham parish Lytchett Minster & Upton parish Swanage parish |
| | Rural | All other Purbeck parishes |

Number of homes in rural areas

8.2 The table below shows estimates of the number of households living in homes in rural areas (by category of rural area). The table shows that across the HMA around 66% of households live in areas considered as urban with around 23% in 'significant settlements' and 11% in more rural locations. Looking at individual local authorities we see that all households in Bournemouth, Christchurch and Poole live in urban areas with north Dorset having the highest proportion living in rural areas (48.1%) closely followed by Purbeck (45.2%).

Figure 8.2 Number of households in rural areas

| Area | | Urban | Significant settlement | Rural | All |
|--------------|----------------------|---------|------------------------|--------|---------|
| Bournemouth | Number of households | 81,795 | 0 | 0 | 81,795 |
| | % of households | 100.0% | 0.0% | 0.0% | 100.0% |
| Christchurch | Number of households | 21,920 | 0 | 0 | 21,920 |
| | % of households | 100.0% | 0.0% | 0.0% | 100.0% |
| East Dorset | Number of households | 0 | 33,761 | 4,182 | 37,943 |
| | % of households | 0.0% | 89.0% | 11.0% | 100.0% |
| North Dorset | Number of households | 0 | 14,967 | 13,856 | 28,823 |
| | % of households | 0.0% | 51.9% | 48.1% | 100.0% |
| Poole | Number of households | 64,010 | 0 | 0 | 64,010 |
| | % of households | 100.0% | 0.0% | 0.0% | 100.0% |
| Purbeck | Number of households | 0 | 10,937 | 9,035 | 19,972 |
| | % of households | 0.0% | 54.8% | 45.2% | 100.0% |
| HMA | Number of households | 167,725 | 59,664 | 27,074 | 254,463 |
| | % of households | 65.9% | 23.4% | 10.6% | 100.0% |

Source: Household Survey Data

Tenure and types of housing

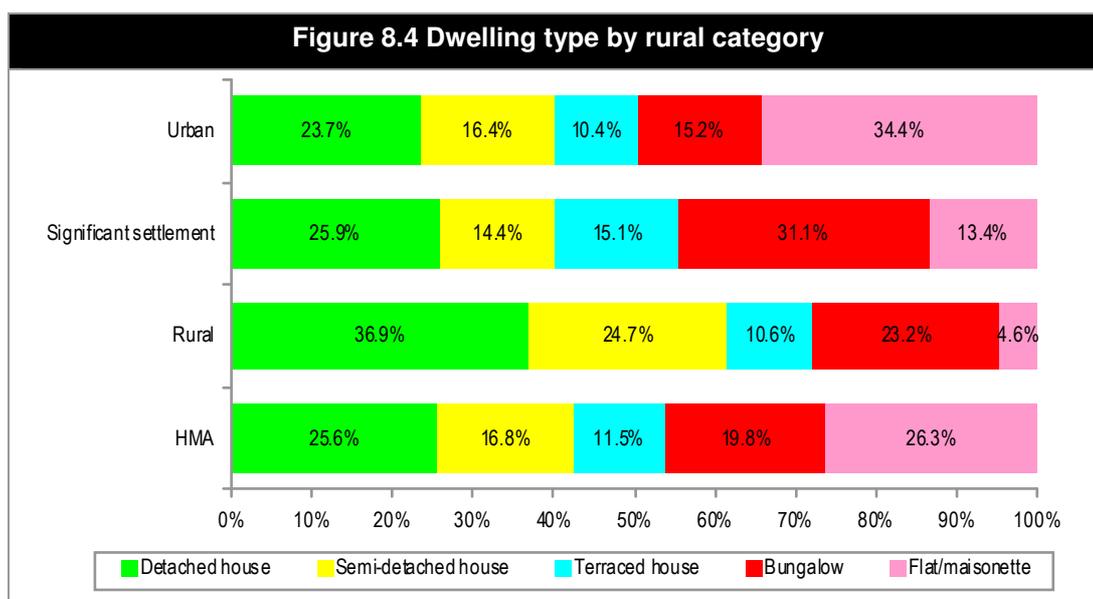
8.3 The table below shows the tenure split of households in urban and rural areas across the Bournemouth/Poole HMA. The data shows that the proportion of homes in the social rented sector is very similar across all types of area whilst the private rented sector is particularly large in urban areas but also fairly notable in rural areas. The 'significant settlements' show the lowest proportion of private tenants at only 9.2% of households. The key feature of rural areas in terms of owner-occupation is the high proportion of outright owners compared to those with a mortgage.

Figure 8.3 Tenure and urban/rural areas

| Tenure | Urban | | Significant settlement | | Rural | | All | |
|--------------------------------|---------|----------|------------------------|----------|--------|----------|---------|----------|
| | Hhs | % of hhs | Hhs | % of hhs | Hhs | % of hhs | Hhs | % of hhs |
| Owner-occupied (no mortgage) | 57,887 | 34.5% | 27,764 | 46.5% | 11,925 | 44.0% | 97,576 | 38.3% |
| Owner-occupied (with mortgage) | 58,741 | 35.0% | 19,941 | 33.4% | 7,837 | 28.9% | 86,519 | 34.0% |
| Social rented | 18,056 | 10.8% | 6,472 | 10.8% | 3,008 | 11.1% | 27,536 | 10.8% |
| Private rented | 33,041 | 19.7% | 5,487 | 9.2% | 4,304 | 15.9% | 42,833 | 16.8% |
| HMA | 167,725 | 100.0% | 59,664 | 100.0% | 27,074 | 100.0% | 254,463 | 100.0% |

Source: Household Survey Data

8.4 The figure below shows the different dwelling types in urban/rural areas. The data clearly shows that rural areas have far greater proportions of detached houses and relatively few flats or terraced houses. Overall, it is estimated that 34.4% of homes in urban areas are flats and that this figure reduces to 4.6% in the case of rural areas.



Household types

8.5 The table below shows how the type of household varies between different locations. The most notable trends are high proportions of older persons outside of the urban areas (particularly in 'significant settlements') and the low proportions of single non-pensioner households (particularly in rural areas). Overall, households in rural areas are also more likely to be family households with children although the proportion of lone parents in rural areas is low compared with more urban locations.

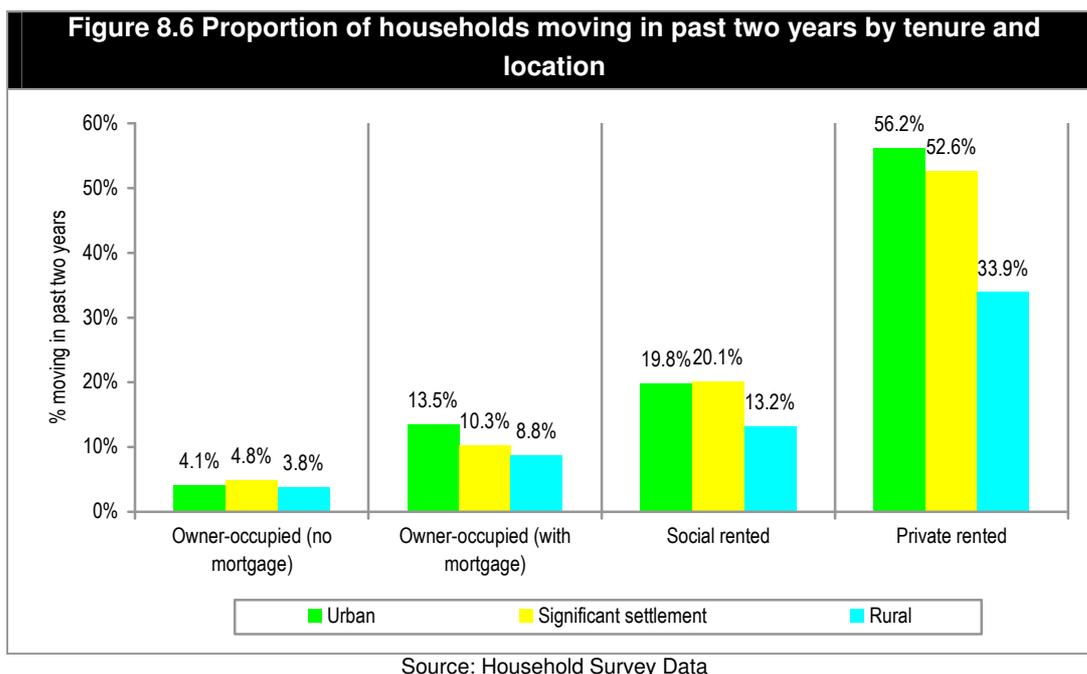
Figure 8.5 Household type and urban/rural areas

| Household type | Urban | | Significant settlement | | Rural | | All | |
|-----------------------|---------|----------|------------------------|----------|--------|----------|---------|----------|
| | Hhs | % of hhs | Hhs | % of hhs | Hhs | % of hhs | Hhs | % of hhs |
| Single pensioners | 28,718 | 17.1% | 11,699 | 19.6% | 4,353 | 16.1% | 44,770 | 17.6% |
| 2 or more pensioners | 21,807 | 13.0% | 11,773 | 19.7% | 5,017 | 18.5% | 38,596 | 15.2% |
| Single non-pensioners | 24,487 | 14.6% | 5,573 | 9.3% | 2,407 | 8.9% | 32,468 | 12.8% |
| Childless couple | 29,784 | 17.8% | 10,074 | 16.9% | 5,596 | 20.7% | 45,455 | 17.9% |
| Other multi-adult | 25,852 | 15.4% | 7,500 | 12.6% | 3,428 | 12.7% | 36,780 | 14.5% |
| Lone parent | 7,284 | 4.3% | 1,989 | 3.3% | 675 | 2.5% | 9,948 | 3.9% |
| 2+ adults 1 child | 14,651 | 8.7% | 5,025 | 8.4% | 2,411 | 8.9% | 22,087 | 8.7% |
| 2+ adults 2+ children | 15,143 | 9.0% | 6,032 | 10.1% | 3,186 | 11.8% | 24,361 | 9.6% |
| HMA | 167,725 | 100.0% | 59,664 | 100.0% | 27,074 | 100.0% | 254,463 | 100.0% |

Source: Household Survey Data

Housing turnover

8.6 The last aspect of the housing stock we have studied is turnover and the figure below shows turnover rates by tenure and type of location. The data shows that the turnover of owner-occupied housing is broadly similar in all locations whilst the turnover of private rented accommodation is variable and is lowest in the most rural of locations. Finally, the data shows that the turnover of social rented homes is lower in rural areas - this is particularly significant and will mean that the supply from relets in these areas is likely to be disproportionately low.



8.7 With regard to the private rented sector, it is also of interest to note the proportion of properties that are currently estimated to be let to households with the assistance of housing benefit (local housing allowance) – figures are shown in the table below. The table shows that there are far fewer households living in private rented housing and claiming LHA in the rural category than more urban locations. This suggests that the private rented sector is less of an alternative to traditional social rented housing for households in need in rural areas.

Figure 8.7 Households claiming LHA in private rented sector by location

| Area | Households claiming LHA | Households in private rented sector | % claiming LHA |
|------------------------|-------------------------|-------------------------------------|----------------|
| Urban | 11,120 | 33,041 | 33.7% |
| Significant settlement | 1,960 | 5,487 | 35.7% |
| Rural | 820 | 4,304 | 19.0% |
| HMA | 13,900 | 42,833 | 32.5% |

Source: Household Survey Data

Households' financial situation

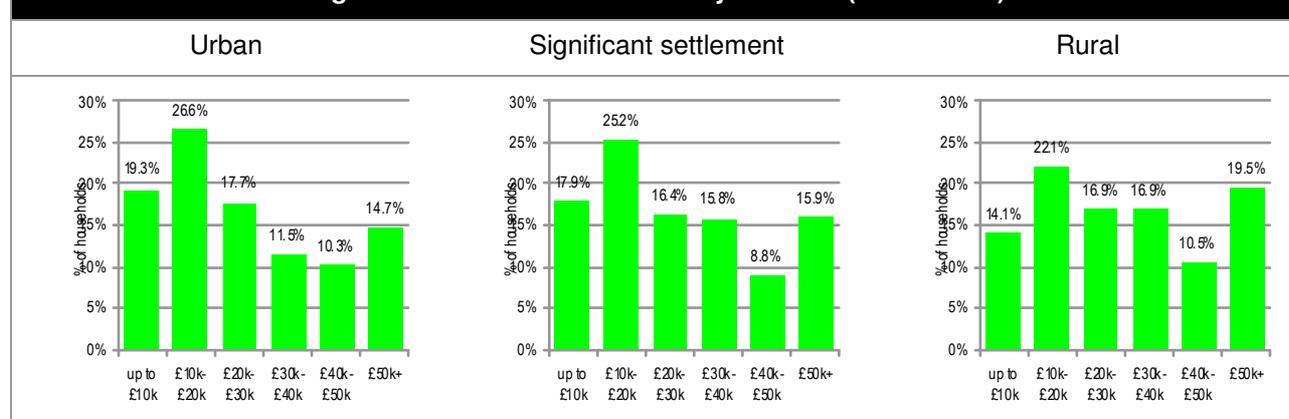
8.8 The table below shows estimates of average income levels in the different types of area (both mean and median). The table shows that income levels are significantly higher in the most rural of locations. The median income of households in rural areas is 21% higher than in urban areas.

Figure 8.8 Income by location (urban/rural)

| Area | Mean income | Median income |
|------------------------|-------------|---------------|
| Urban | £29,587 | £22,839 |
| Significant settlement | £30,913 | £23,023 |
| Rural | £35,696 | £27,654 |
| HMA | £30,548 | £23,091 |

Source: Household Survey Data

8.9 The figure below shows the distribution of income in the three different areas. The data confirms the findings above and in particular it is noticeable the high proportion of households in rural areas with income over £50,000 and the low proportion with incomes below £10,000.

Figure 8.9 Income distribution by location (urban/rural)

Source: Household Survey Data

8.10 The table below provides median financial capacity figures by urban/rural location. As with the analysis in Section 5 this takes account of all the resources that a household has available and is calculated as: income (x3.5) + savings + equity.

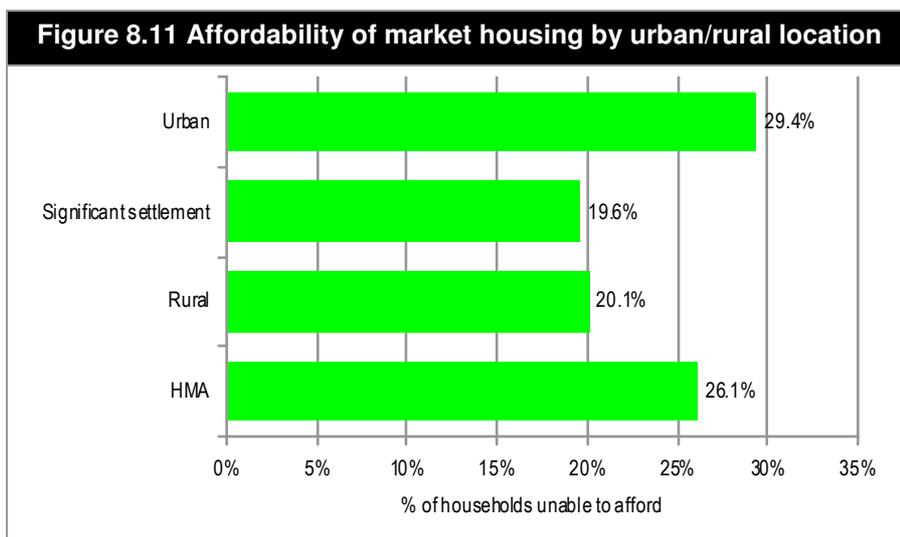
8.11 The data shows that household living in rural areas typically have access to a greater amount of funds that could potentially be used towards the buying or renting of a home in the open market. Overall households living in rural locations have access to 20% more funds than households living in urban areas.

Figure 8.10 Median financial information by location (urban/rural)

| Area | Annual gross household income | Savings | Equity | Potential access to funds |
|------------------------|-------------------------------|---------|----------|---------------------------|
| Urban | £22,839 | £3,955 | £117,883 | £201,775 |
| Significant settlement | £23,023 | £8,625 | £136,044 | £225,250 |
| Rural | £27,654 | £8,739 | £137,148 | £242,675 |
| HMA | £23,091 | £4,985 | £130,406 | £216,211 |

Source: Household Survey Data

8.12 The figure below shows the current affordability of households by location. The data shows that households in significant settlements and rural areas are more likely to be able to afford market housing than those in urban areas. The results are to some degree influenced by the different tenure splits in each area where data has already shown that urban areas tend to have a higher proportion of households that rent and will not therefore have any owned equity.



Source: Household Survey Data

Housing need

8.13 The table below shows the estimated level of housing need by rural/urban category. The table has been derived by following the various steps in CLG guidance set out in Section 6 of the report. The table shows that there is estimated to be an unmet need in both urban and rural areas within the HMA. Whilst needs in urban areas are highest in numerical terms (annual need of 7,015 or 84% of the total) the overall level of need in rural areas is significant.

| Figure 8.12 Summary of housing needs situation | | | | |
|--|--------------|------------------------|------------|--------------|
| Element | Urban | Significant settlement | Rural | HMA |
| ① Backlog need (annual) | 1,637 | 284 | 145 | 1,894 |
| ② Backlog supply (annual) | 447 | 170 | 87 | 704 |
| ③ Net backlog need (annual) ① - ② | 1,190 | 114 | 58 | 1,362 |
| ④ Future need (annual) | 7,082 | 1,228 | 442 | 8,752 |
| ⑤ Future supply (annual) | 1,257 | 392 | 115 | 1,764 |
| ⑥ Net future need (annual) ④ - ⑤ | 5,825 | 836 | 327 | 6,988 |
| Total net annual need ③ + ⑥ | 7,015 | 950 | 385 | 8,350 |

Source: Household Survey Data, CORE

Housing market

8.14 As well as assessing housing needs through the guide model we can also look at potential longer-term housing requirements using our housing market model. The overall results of this analysis are shown in the table below. For the purposes of this analysis we have used the 40% affordable housing delivery assumption.

8.15 The table below is interesting as it shows the potential overall demand for housing in different locations based on demographic change and an understanding of where particular household groups tend to live. The data suggests that 60.5% of the demand will be in urban areas (1,197 of the 1,976 households projected annually). This is despite 66% of households currently living in urban areas. This point is potentially important given that at present the majority of housing development is in urban areas or as extensions to urban areas.

| Figure 8.13 Estimated housing requirements 2011 to 2031 (per annum) | | | | | | | | |
|---|--------------|---------------|------------------------|---------------|------------|---------------|--------------|---------------|
| Tenure | Urban | | Significant settlement | | Rural | | HMA | |
| | No. | % | No. | % | No. | % | No. | % |
| Market | 718 | 60.0% | 338 | 60.0% | 130 | 60.0% | 1,185 | 60.0% |
| Affordable | 479 | 40.0% | 225 | 40.0% | 86 | 40.0% | 790 | 40.0% |
| Total | 1,197 | 100.0% | 563 | 100.0% | 216 | 100.0% | 1,976 | 100.0% |

Source: Household Survey Data

- 8.16 Looking at the sizes of accommodation likely to be required in different areas the data also shows that a range of properties are likely to be required. In the most rural of areas the analysis suggests a slightly greater proportion of larger homes will be demanded (in the market sector) – this is consistent with the current housing stock in these areas and the fact that households in rural areas tend to have demands for larger homes than households seeking accommodation in urban centres.
- 8.17 When looking at affordable housing the data also suggests a greater number of larger homes being required in the most rural of areas, this finding is again consistent with the demographic profile of rural areas where it is typical to find a greater proportion of families and fewer single person or childless households. There is relatively little difference between urban areas and 'significant settlements'.

Figure 8.14 Estimated housing requirements to 2031 by size – market housing (per annum)

| Size | Urban | | Significant settlement | | Rural | | HMA | |
|-------------|-------|--------|------------------------|--------|-------|--------|-------|--------|
| | No. | % | No. | % | No. | % | No. | % |
| 1 bedroom | -16 | -2.3% | 17 | 5.0% | 0 | 0.2% | 1 | 0.1% |
| 2 bedrooms | 392 | 54.6% | 149 | 44.0% | 46 | 35.2% | 586 | 49.5% |
| 3 bedrooms | 257 | 35.8% | 142 | 42.0% | 54 | 41.7% | 453 | 38.2% |
| 4+ bedrooms | 85 | 11.8% | 31 | 9.1% | 30 | 22.8% | 145 | 12.2% |
| Total | 718 | 100.0% | 338 | 100.0% | 130 | 100.0% | 1,185 | 100.0% |

Source: Household Survey Data

Figure 8.15 Estimated housing requirements to 2031 by size – affordable housing (per annum)

| Size | Urban | | Significant settlement | | Rural | | HMA | |
|-------------|-------|--------|------------------------|--------|-------|--------|-----|--------|
| | No. | % | No. | % | No. | % | No. | % |
| 1 bedroom | 123 | 25.7% | 57 | 25.1% | 16 | 18.2% | 195 | 24.7% |
| 2 bedrooms | 166 | 34.8% | 82 | 36.5% | 31 | 36.3% | 280 | 35.4% |
| 3 bedrooms | 145 | 30.3% | 70 | 31.3% | 29 | 33.1% | 244 | 30.9% |
| 4+ bedrooms | 44 | 9.3% | 16 | 7.1% | 11 | 12.4% | 71 | 9.0% |
| Total | 479 | 100.0% | 225 | 100.0% | 86 | 100.0% | 790 | 100.0% |

Source: Household Survey Data

Summary

- 8.18 Understanding housing need and demand in rural areas is important even in predominantly urban areas such as the Bournemouth/Poole HMA. In defining rural areas we have split locations into three broad categories (urban, significant settlements and rural). Overall it is estimated that 10.6% of household live in rural areas and 23.4% in significant settlements. The percentage in rural areas varies from 0% in Bournemouth, Christchurch and Poole to 48.1% in North Dorset.

- 8.19 There are clear differences between different types of location with non-urban areas having lower proportions of rented housing (and a lower turnover of such homes), greater proportions of detached houses and bungalows, more pensioner and family households and higher income levels.
- 8.20 When modelling housing needs the analysis suggests that affordable housing requirements in rural areas are significant; of the estimated annual need in the HMA of 8,350 per annum some 385 (about 5%) is estimated to be from households in rural areas and a further 950 (11%) from households in 'significant settlements'. The housing market model confirms the need for a range of different sizes of affordable housing as well as showing a significant potential demand for housing more generally in rural areas.

9. Conclusions and Policy Implications

Introduction

- 9.1 In this final section of the report, we bring together the findings of earlier sections and identify the key implications for planning and housing policy.
- 9.2 The evidence demonstrates that there have been significant changes in housing market conditions since late 2007, with effective housing demand substantially constrained by the availability of mortgage finance. This has had a knock-on impact on the supply of housing – both newbuild and second hand housing and demand for rented tenures. The level of housing need has increased, influenced by the economic recession leading to the unaffordability of market housing for households seeking to leave unsuitable housing. However the ability of the affordable housing sector to meet this increased need is significantly constrained due to low levels of public and private sector finance.
- 9.3 These factors must be considered alongside the emerging national policy, set out within the draft National Planning Policy Framework ((NPPF) (CLG, July 2011)). This states that Local Plans should meet the full requirements for market and affordable housing in their areas, and plan for a mix of housing based on current and future demographic trends, market trends, and the needs of different groups in the community. They (plans) should identify the size, type, tenure and range of housing that is required and set policies for affordable housing. The NPPF emphasises the role of the Strategic Housing Market Assessment in identifying housing requirements and mix. This SHMA is consistent with the Government's current practice guidance (CLG, 2007) and the definitions contained in Planning Policy Statement 3 (housing) (PPS3) that are still current.

Housing Requirements

- 9.4 The draft NPPF identifies that local planning authorities should meet the full requirements for market and affordable housing in their housing market area. Local Plans should aim to meet objectively-assessed development requirements unless the impacts of doing so would significantly and demonstrably outweigh the benefits when assessed against the NPPF.
- 9.5 Housing market areas across the South West have been previously-defined with Dorset being split into two main HMAs (Bournemouth/Poole and Dorchester/Weymouth).

- 9.6 Although there are a set of short-term factors which influence market demand, we conclude that the market is currently somewhat dysfunctional with demand for rented tenures (market and affordable) not being met by supply. Supply is constrained by the investment climate as well as limited funding for affordable housing being available from public sources as well as through developer contributions. Over time we would expect 'latent' demand to be converted to active demand as households' tire of tolerating their current unsatisfactory housing. There is evidence that this is already occurring. The private rented sector is providing a limited response to this by converting their existing portfolios to smaller dwellings however Bournemouth and Poole are implementing planning policies to restrict this in neighbourhoods already experiencing high proportions of houses in multiple occupation including private rented sector student housing.
- 9.7 It is expected that population and demographic dynamics as well as change in the labour market will drive demand for housing over the longer-term to 2031. Planning policies should be developed to respond to these long-term drivers.
- 9.8 As part of this assessment, we have worked with the County Council to develop projections for future population and household growth, taking account of demographic trends. Pre economic downturn migration trends would result in a household growth in the Bournemouth/Poole HMA of around 39,500 (1,976 per annum) which is slightly below completions over the past four years but significantly above the figure for the past two years.

Housing Distribution

- 9.9 The availability of suitable land will be the most relevant factor in considering where development is located, particularly with a view to supporting sustainable development including access to employment, services and public transport. Its location will also have a major impact upon the size type and tenure of housing built upon it. It should be noted that developers will always seek to maximise the economic potential of any site and that this may be at variance from the preferred mix of local planning policy.
- 9.10 The draft NPPF indicates that market factors should also be taken into account as well emphasising in paragraph 27 that strategies for housing (and other land uses) should 'take full account of relevant market and economic signals such as land prices to inform judgements about levels of demand.'

- 9.11 Councils may also wish to consider how the distribution of development could impact on affordable housing delivery. A range of factors need to be considered, but recognising that greater development in higher value areas will support affordable housing delivery (albeit that market housing built will be less affordable). This is consistent with the developer's aim of maximising the economic potential of the site. This is considered in more detail in below. The dilemma would suggest that off site provision of affordable housing is a pragmatic approach.
- 9.12 Our demographic change analysis identifies that around 61% of need/demand within the HMA arises in the main Bournemouth/Christchurch/Poole urban area, with the remaining 39% in the three more rural districts. This compares with current housing numbers which see 66% in the three urban local authorities.
- 9.13 This range of factors should be brought together in considering the distribution of development within the HMA through the plan preparation process and tested through the Sustainability Appraisal process. Access to services, employment and public transport may support a greater focus on the urban area than the demographic data indicates.
- 9.14 Councils may wish to consider the ability of their sites proposed for development to accommodate the mix of housing proposed. This study indicates that of overall housing requirements (market and affordable), around half is for smaller (one and two-bedroom) units and half for larger (three bedroom or larger) homes. This suggests a built form for some sites to comprise houses rather than flats or apartments and vice versa rather than a mix. This is a pragmatic view that is dependant upon the size location and topography of an individual site. Decisions become more complex when the need to sustain the tourist and leisure industry is also taken into account.
- 9.15 Emerging national policy is likely to allow the Councils to determine their own policies regarding development densities. Density policies should be considered in light of the mix of housing sought and portfolio of sites to be brought forward through plans.

Affordable Housing Policy

- 9.16 An assessment of housing need is a statutory requirement to support affordable housing policies. Its purpose is to establish that the 'need' for affordable housing cannot be met by existing or planned supply, and hence that there is an additional requirement for affordable housing.
- 9.17 This Study identifies a net annual need for 8,350 affordable homes per annum, if all housing need was to be met (in the five year period from 2011 to 2016). This is significantly above likely (or realistic) levels of housing delivery, and has arisen from under-provision of affordable housing or erosion of the supply since the 1980s.

9.18 The level of need identified provides an evidence base for seeking to maximise affordable housing delivery. However data from the Council's indicated that only 17% of new housing delivered between 2007 and 2011 was affordable housing.

9.19 Policies for affordable housing will need to take into account the viability of residential development. National policy in PPS3: Housing (CLG 2011) is clear that, as well as evidence of housing need, affordable housing targets within LDFs should reflect:

“an assessment of the likely economic viability of land for housing within the area, taking account of risks to delivery and drawing on informed assessments of the likely levels of finance available for affordable housing, including public subsidy and the level of developer contribution that can reasonably be secured”

9.20 We would expect viability to have deteriorated since 2007, linked to falls in land and house prices which has not been compensated for by reductions in construction costs. The ability to deliver affordable housing will also be affected by reductions in the availability of grant funding from the HCA (linked to cuts of £100m pa to the National Affordable Housing Programme announced in May 2010). However, the introduction of the affordable rent tenure is expected to partially compensate for reductions in grant funding and lower yields from S106 due to deterioration in development profits. This is because less capital subsidy is required to support this housing which attracts a larger revenue stream than social rented housing.

9.21 Given the reduced profitability of residential development within the HMA and the consequent reduction in funding for affordable housing, it is unrealistic to assume that all housing needs can be met. Part of the gap between need and potential future supply of affordable housing may be met by the private rented sector and support for households within it from the local housing allowance. However even taking private rented sector supply into account, the supply of affordable housing is likely to fall short of identified needs. Councils should look to maximise provision of affordable housing where possible, including in working proactively with developing RPs and considering the potential of surplus public sector land to support delivery of affordable housing. Councils should also carefully consider their tactics regarding the allocation of new build housing to be let at affordable rents. Put simply there are additional benefits if this housing is allocated to households who can afford it rather than those who would require more housing benefit than if they were allocated second hand social housing. Firstly the net call on public finances will be reduced and secondly the lower income household would have the opportunity of occupying a social rented housing vacancy especially if the higher income household is incentivised to vacate a social rented tenancy.

9.22 Regarding the mix of new build affordable housing, councils will need to re-consider priorities in terms of the types of households to be housed as well as the viability of providing different tenures of affordable housing within other tenures. Our analysis indicates that of **net** annual housing need:

- 86% of households in housing need would require benefit assistance to afford an affordable rented property, however given the totality of the housing need provision of a higher proportion of 'intermediate' tenures (i.e. more than 14%) would still contribute to meeting need;
- The majority of households able to afford intermediate housing have very low levels of savings and would therefore only be able to afford rented housing. The opportunity therefore exists to innovate and find equity-based products where a deposit is not required. This is consistent with the affordable rent regime.

9.23 This analysis takes account of need, as well as the existing supply and turnover of affordable homes.

9.24 With regard to the mix of new build housing, we have considered identified need, existing supply and turnover of properties and issues related to the management of housing stock. On this basis, we recommend a policy target for around half of future affordable housing provision to be 3+ bedroom properties. This recommendation takes account of the needs of groups likely to have higher priorities and the finite amount of affordable housing that might be delivered compared with the overall need.

9.25 Policy should also take account of the fact that for both market and affordable housing a supply of larger new build homes will mainly result in the supply of smaller homes through the chain of transactions in the second hand market. The second hand supply will inevitably be at a lower price and affordable to lower income groups. Conversely there will be no filtering effect if smaller homes are built unless they are targeted on older person households.

9.26 It should be borne in mind that the needs assessment presents a 'snapshot' of housing need. We consider that the SHMA should be reviewed in 5 years time (2016).

Maximising the Delivery of Affordable Housing

9.27 Given the high levels of need for affordable housing and the supply challenges due to site economic viability and public sector funding, councils may wish to look at alternative mechanisms to maximise the delivery of affordable housing.

- 9.28 Many authorities have rural exceptions policies but at the national level, policy in this area is in flux: the draft National Planning Policy Framework proposes to delete the rural exceptions sites policy in PPS3. The Government's intention in this is to give local councils greater flexibility to set out their own approach to delivering housing in rural areas, allowing some market housing, where it would facilitate the provision of significant affordable housing to meet requirements. We would recommend that the Councils consider such an approach as this could help deliver additional affordable homes.
- 9.29 Councils may also wish to consider whether it (or other public sector partners) have any land holdings which could be used to support delivery of additional affordable housing. This might be through disposal of sites to an RP or through establishing a joint venture with a development partner.
- 9.30 This model works by the land value subsidising affordable housing provision. In simple terms the public sector helps to underwrite the risks borne by a developer and improve cash flow in return for affordable housing provision and some form of profit sharing on completion of the development.
- 9.31 Other potential models to be considered include Community Land Trusts and the recently introduced Community Right-to-Build, which the Councils might look to embrace.
- 9.32 There has been a discourse nationally on the potential for institutional investment in private rented housing (although recognising that this is not affordable housing). From our understanding of this sector, which is somewhat embryonic (even in London which has a substantial private rented market), we do not consider that this offers significant potential in Dorset in the short-to-medium term. Long-term rental growth may well support further investment in this sector in the medium to long-term.

Making Better Use of the Existing Affordable Housing Stock?

- 9.33 Given the level of affordable housing need which exists, councils may also wish to consider how they can better use existing affordable housing stock (working with social landlords). The Government proposes to legislate to allow RPs to grant fixed term tenancies to some tenants (for a minimum of two years). If implemented locally, we would expect this to help increase the turnover of properties and ensure that new tenants moving forward continued to have a genuine housing need.
- 9.34 Councils might also consider an incentive scheme to provide financial or practical support to existing social tenants to downsize. Older person households might be targeted in this way. This could help to release supply of larger properties with cascading impacts in the management of stock. Whilst some commentators doubt that existing social tenants will be sufficiently incentivised we believe that new build housing could provide a pull factor even if offered at intermediate rents.

- 9.35 Many large towns and cities have developed housing options for their clients involving private sector leasing schemes. Councils are encouraged to research best practise in this area in order to provide options for households in acute housing need facing limited supply of housing within the social rented stock. This has been proven to work for larger households for whom there is a very small supply of social rented stock.
- 9.36 Finally the evidence suggests that many households have no option but to live in the best quality private rented sector housing that they can find and afford. Third party research indicates that vulnerable people disproportionately access such housing especially in the multi occupied segment of the market. The qualitative research shows that the private rented sector is providing a market response to current housing market conditions. This is largely achieved through converting larger homes. Bournemouth and Poole have taken policy action to prevent this in certain circumstances. However the paucity of supply of rented housing affordable to low and middle income large families is not high on the policy agenda. Finally, the effective and adequately funded private rented sector enforcement is as important as any other area of local housing policy if the policy aim of decent affordable housing is to apply to all citizens.

Appendix 1 Stakeholder Consultation – detailed report

Information from stakeholders

A1.1 The aim of this work is to ascertain information about the current housing market and emerging trends from the point of view of the people responsible for servicing or regulating it. The following notes are compiled in a thematic way incorporating the observations of the stakeholders and our researcher. During the course of the study the following stakeholders were interviewed:

- Estate agents;
- Letting agents;
- New build sales managers;
- Housing and environmental health officers; and
- Dorset County adult services.

Overall Impressions

A1.2 Stakeholders broadly concur with the findings of earlier research in that the study area is made up of the Weymouth/Dorchester urban area and the much larger Bournemouth/Christchurch/Poole (BCP) conurbation. The remaining part of the study area can be described as rural and coastal serviced by market towns. There are significant distances between market towns.

A1.3 There are connections with the housing markets of South Somerset (Yeovil and Chard) where Weymouth and Dorchester residents will seek housing at lower prices. There is a minor connection between Yeovil and Salisbury with the northern most parts of North Dorset (i.e. Gillingham and Shaftsbury). There is also a connection between Christchurch and Ringwood in that agents will advertise homes for sale and rent in both towns. Ringwood is not part of the study area being in Hampshire but it is noteworthy that house prices are said to be significantly higher than most of the BCP conurbation.

A1.4 Whilst there are a number of independent estate agents in every town it is noteworthy that some of the estate agent chains have branches covering London and the South East. This is to service the considerable volume of in-migrant households from these regions. Retired or pre-retirement age groups (45-60 yrs) form a significant proportion of the demand for housing for sale or rent across much of Dorset especially in the rural west e.g. Lyme Regis and Bridport, the coastal area around Swanage and the Wimborne and Christchurch parts of the East. It is also a driver for premium but not mass market housing in North Dorset. However the economy of the BCP area means that in-migration into this area tends to be younger economically active people and students.

- A1.5 Three further observations regarding estate and letting agents are important context for the research. Firstly whilst there are fewer letting agents, each office covers a larger area than those that are concerned only with sales. Secondly most agencies are high street based but in Poole and to a lesser extent Bournemouth they are much more dispersed across the urban area servicing smaller sub-market areas and even neighbourhoods. Thirdly, and most importantly, some estate agents specialise in the premium or higher value dwellings coming onto the market. It is important to recognise that markets are serviced in terms of market segment as well as geography. The evidence from agents presented below suggests that the market for premium property has reacted differently to the credit crunch than mass market housing. This is an important consideration in the context of Dorset and the high levels of in-migration it experiences from retired and nearly retired people.
- A1.6 The economic strength of the area is based in the major BCP conurbation. Tourism and public services are present in most large towns however the BCP conurbation is home to significant corporate enterprise especially the financial services sector, the expansion of Bournemouth International Airport and the university. These profiles are reflected in the local housing sub-markets and remarks below expand upon this.
- A1.7 With the exception of parts of North Dorset District, the rural and coastal areas tend to have a social mix heavily skewed toward older owner occupiers and as a consequence prices are driven beyond the reach of many younger households. There are significant gaps in the supply of housing for this group. However the evidence suggests that where new build supply is available, notably in North Dorset District schemes such as HomeBuy and FirstBuy have proved very successful in assisting younger higher earning households.
- A1.8 The areas to the west of the county are notably more hilly and remote with more sparse settlements than elsewhere. This may prove challenging for frail elderly households and the agencies that support them.
- A1.9 No part of Dorset has seen international migration on the scale observed by us in other regions in England and Wales. The reason cited for this by stakeholders was that there were not the employment opportunities sought by these groups. However attention was drawn to the large Mandarin Chinese and Portuguese populations in Bournemouth associated with the hotel and restaurant sectors. Mandarin Chinese people are often found in overcrowded housing.
- A1.10 Findings from detailed interviews with stakeholders have been grouped into a number of key themes.

Spatial portrait of the housing markets, in-migration and older people

Overview

- A1.11 Although market town names are used to identify areas it should be remembered that they serve a considerable rural area consisting of villages, hamlets and individual isolated dwellings. Much of this rural housing is at the premium end of the market.
- A1.12 In most market towns, rural and coastal areas, older people form the most significant source of demand within the housing market. Demand has been consistently strong from households that are in the retired and pre-retirement age group seeking to re-locate from London and the south east region and there are considerable implications for the housing market. This is because they bring considerable spending power from equity in their former homes, high levels of income and pensions. As a consequence market prices have been driven up and remain high such that they are beyond the reach of most local households. This applies to the rental market as well as the home ownership market as some households will re-locate and rent in the interim until they have measured the market, purchasing at a later date. Agents also state that a number of households will start the process by purchasing dwellings as holiday homes before re-locating permanently.
- A1.13 The pull factors affecting demand are the Dorset countryside and coast housing offer and the quality of life. Further the area is still within reach of London by train and the motorway network. There is relatively little economic diversification in the most noteworthy retirement destinations e.g. the areas centred upon Lyme Regis and Bridport. Agents report that demand is also strong from this age group for premium second hand property in and around North Dorset District especially around Shaftesbury. However in general terms North Dorset has a larger proportion of its stock affordable to the mass market for housing than the rural and coastal west. This is supported by a more diverse local economy that in the west of the county due to manufacturing and an armed forces base.
- A1.14 There is a different story in the conurbations, namely the Bournemouth/Christchurch/Poole Conurbation (BCP) and that of Weymouth and Dorchester. These areas are more diverse in terms of housing affordability, household types, dwelling types and their local economies. This is especially the case in the BCP conurbation with a housing market driven by a modern financial and knowledge based economy. There is also a large student population in Poole and Bournemouth. These areas also attract in-migrants but they tend to be more economically active compared to the rural areas. Dorchester's economy is more public service orientated. Both Weymouth and Bournemouth have significant areas of older, cheaper housing. Christchurch has a fine medieval town centre dominated by its historic church and tourist economy. However its suburban fringes form a seamless part of the local housing market with Bournemouth. Harbours in Poole and Christchurch and Weymouth are also significant factors in the economy affecting the housing market.

Detailed findings from interviews

The Dorchester and Weymouth housing market area

- A1.15 The Dorchester/Weymouth Housing Market Area comprises the whole of West Dorset and Weymouth and Portland Districts which includes the major towns of Dorchester and Weymouth. This includes a large rural and coastal area. There are significant differences between the characteristics of the urban and rural parts of the housing market area.
- A1.16 In Lyme Regis agents reported that around 70% of all transactions were to incomers with around 10% being investors. They felt that there was a large gap in the market for family housing. A further feature of the stock was the small supply of seasonal holiday chalets attractive to tourists offering elevated views of the bay.
- A1.17 In Bridport the overall percentage of incomers was understood to be a little lower at 60% however most premium dwellings for sale were bought by incomers. (This was also the case with Wimborne Minster in the BCP Housing Market Area and much of the surrounding area). Both towns had an up market and distinctive retail offer.
- A1.18 However in Dorchester and Weymouth agents stated that the higher proportion of transactions to buy and let were to local people.
- A1.19 Regarding Dorchester, agents were not confident about sustaining market recovery from the credit crunch uniformly across the town's local housing market due to its economy being dominated by public sector employers. They believed that the high quality of local schools would however maintain demand for family housing in their local catchment areas. They reported a strong rental market in terms of supply and demand. They also said that there was a supply of shared ownership housing managed by local housing associations. Some households sought cheaper housing in South Somerset.
- A1.20 Regarding Weymouth, agents believed that there was a price ceiling of around £350,000 that local people could afford. It is mainly incomers who are able to fund the purchase of higher priced homes. The Weymouth market also supported private rented sector tenancies let to households in receipt of benefit and a small eastern European population. The Weymouth market also seemed to offer more scope for first time buyers provided they could find the larger deposit needed (15% or 20% for new build) to secure a home loan at a reasonable rate. There was a large supply of 2 bedroom flats available for an asking price of around £100,000.

The Bournemouth Christchurch and Poole housing market area

A1.21 The BCP Housing Market Area comprises the whole of Bournemouth, Christchurch, Poole and East Dorset Districts with the largely rural Purbeck and North Dorset Districts. The latter area has links to the larger towns across the County boundary (Yeovil and Salisbury) unlike other parts of the HMA. Purbeck District includes the towns of Swanage and Wareham. Again there are significant differences between the characteristics of the urban and rural parts of the housing market area.

The BCP conurbation

A1.22 All agents established in the suburbs of Poole stated that only around 25% of transactions involved incomers. They believed that the stock was reasonably in balance with the market, with a plentiful supply of homes within the reach of first time buyers provided they could find their deposit. They described a large number of apartments that were recently constructed and their asking price as a 'bubble' and implied that this had burst. The building of further apartments was at a slower rate and with more realistic prices. There was also a significant rental market for more expensive and substantial dwellings for executives on secondment or temporary placement within large companies located in Poole. Letting agents stated that households claiming benefits were accommodated by a number of landlords and that a shortage of family housing to rent occurred at the £650-£750 pcm price point.

A1.23 The officer employed by the Borough of Poole was keen to draw attention to the proposed regeneration schemes and their alignment with the long term objectives in the core strategy. Attention was also drawn to the role of the private rented sector in helping to meet the shortage of affordable housing and households unable to step onto the housing ladder due to the legacy of the credit crunch.

A1.24 Bournemouth agents stated that interest was divided evenly between incomers and local residents with also strong interest from local investors. They did not perceive student housing as problematic. All agents drew attention to change in the Boscombe area of Bournemouth and this area was visited. Parts of Boscombe differ in character. South of Christchurch Road is a smart affluent neighbourhood just away from the town centre with sea view apartments attracting premium prices. North of Christchurch road has been the recent focus of regeneration. Here cheaper family housing and converted flats are to be found. A local agent said that prices and sales volumes were still depressed and few people moved unless they had to. All agents commented on the pull factor with Bournemouth having some excellent schools and considerable churn in the market due to 'debt, divorce and death'.

A1.25 East of Boscombe, characteristics of the housing market change to a mainly low rise, suburban offer attracting middle income households. Southbourne and the western outskirts of Christchurch are similar. Here prices enable established households to move up to more aspirational housing linked to the Bournemouth and Poole economy. However prices are not as high as nearby Wimborne Minster, Ringwood and the surrounding area where as mentioned above, most premium dwellings are purchased by in-migrants.

The rural hinterland

A1.26 To the west of the conurbation, Swanage is a major coastal town and holiday destination. Agents said that an above average proportion of homes were used as second homes and holiday homes and retirement housing for older people. Even small flats were bought for this purpose. Younger people and first time buyers had little alternative but to seek housing further inland because of high prices locally. Investor activity was increasing and dwellings were generally not let to households in receipt of housing benefit. The officer from Purbeck District Council felt that the biggest policy challenge was disrepair in the private rented sector. Purbeck's private rented sector differs in character from that found in urban areas as a high proportion of dwellings are owned by country estates. Wareham offered less expensive housing and had a more balanced offer in terms of tenure and dwelling type, being less affected by the second and holiday home market.

A1.27 The main towns in the rural North are Blandford Forum, Shaftesbury and Gillingham. There are relatively large distances and long journey times between North Dorset District's market towns, Bournemouth and other major towns.

A1.28 Agents in the town of Blandford Forum explained that purchase and rental prices were lower especially in the outlying parts of the town. There was a significant amount of current and former social housing. Agents here felt that the area was highly self contained with very little in-migration from the BCP conurbation. What distinguishes North Dorset's housing stock from other rural areas such as Wimborne and the rural west is the presence of a higher proportion of mass market housing. Accordingly, lower priced housing is available and affordable to some local households. However agents estimate that in the north of the district an estimated 50% of all premium housing in the Shaftesbury area is sold to the affluent retired and semi-retired in-migrants from London and the south east. This group is also active in the market for new build housing in North Dorset. 10-15% of sales are to this group many of whom are downsizing and releasing equity.

A1.29 Mass market housing in North Dorset is sold to a lower proportion of in-migrants and where this occurs it is driven by employment opportunities. Agents state that a recruitment drive from local companies has had a notable effect on sales volumes as the companies are assisting professionals to re-locate here. Similarly the rental market has benefited from recruitment in the manufacturing sector.

- A1.30 Remarks below regarding new build housing and the armed forces also particularly apply to North Dorset.
- A1.31 East Dorset also has significant rural areas which tend to be up market and contain a number of country estates. The council officer interviewed drew attention to the supply of rented housing available from some local country estate companies. He explained that some were causing concern due to disrepair and other house condition issues due to the method of construction, the age of the dwellings and the inability of landlords to fund the cost of bringing them up to standard.
- A1.32 Overall the evidence from stakeholders suggests that there are clear differences between the urban and rural markets both in the Bournemouth/Poole and Dorchester/Weymouth HMAs, with the urban areas catering mainly for the employment and student led demand while the rural areas cater largely for retirement/pre-retirement in migrants. There are also some differences in character between the housing offer in different parts of the rural area – with North Dorset offering greater choice in new dwellings and more opportunity for new buyers. However in general, the rural areas show similar functional characteristics across the two HMAs.

New build housing

- A1.33 We came across little housing under construction or for sale on larger sites the exception being in North Dorset District. Elsewhere there were many small infill sites both under construction and awaiting development. There were a number of new build apartments for sale on smaller sites and it was notable that most were in Poole and the Boscombe area of Bournemouth.

A small development at Lyme Regis



A1.34 Interviews were obtained from on site sales teams at The Old Brewery and Poundbury in Dorchester; Purbeck Gate, Wool near Wareham; Breeze (Boscombe) Bournemouth; Badbury Heights at Blandford Forum and The Maltings in Shaftsbury . Interviews were only sought where on site sales representatives were present.

A1.35 All on site sales staff believed that the market for new build housing was 'picking up'. All developments contained a proportion of affordable housing and in particular Purbeck Gate, and the Maltings and Badbury Heights had achieved significant sales in earlier phases under the HomeBuy Direct scheme and the shared equity schemes offered by the developers. There was also significant interest in these schemes from forces personnel (considered later in the report). Badbury Heights also had a significant shared ownership offer in association with an RP. The first phase of the Maltings was delivering 50% social housing.

Badbury Heights, Blandford Forum, showing the development partners



A1.36 Regarding Dorchester, Poundbury is noteworthy because of its sustainable design concept. A notable feature of this is that there is a mix of business uses alongside housing. Further, the construction of 'eco' homes was apparent. The community is engaged through the Residents' Association and the Community Forum. Much of this development attracts a premium price. Sales staff indicated that interest from in-migrant households was matched by interest from local households.

Eco-homes for sale at Poundbury



- A1.37 Similarly the Brewery Square development near Dorchester town centre was a mixed development that has notable design features including a gateway from the railway station to the town centre.
- A1.38 Notably the ‘Breeze’ development at Bournemouth ‘designed in’ dwellings for investors, for second homes and holiday homes. All sales staff said that there was some interest in the development from experienced investors who did not rely too much on loan finance. They said that the casual investor had disappeared from the market.
- A1.39 Agents explained that generally speaking new build housing needed a larger deposit as the lenders considered that new build housing represented a greater risk of prices reducing than second hand housing. This adversely affects first time buyers who cannot rely on equity from their current home to fund a deposit.
- A1.40 Regarding the Purbeck Gate development at Wool, the agent pointed out that there was a nearby railway station which enables travel to work access by rail to Poole and Bournemouth for residents. The development was also of interest to Armed Forces personnel (considered later). Armed Forces purchasers also accounted for sales at Badbury Heights, Blandford Forum and the Maltings at Shaftsbury.

The private rented sector and investors

- A1.41 Particular attention was paid to this sector during the research. This was necessary because of Dorset’s high house prices and popularity with older people and young professionals in the PBC conurbation.

A1.42 Discussion with agents revealed an unexpected situation in that private rented sector market housing might have been expected to be mainly occupied by local young professionals unable to access owner occupation. However this was not the main feature of the market except in the apartment segment. Agents were agreed that the assured shorthold tenancy part of the private rented sector market sector provided homes for all of the following groups:

- Households eligible for housing benefit unable to access social housing because of their circumstances and or short supply especially in Weymouth and Bournemouth but very rare in Lyme Regis and Bridport;
- Homes for people following relationship breakdown;
- Young professionals (mostly Dorchester, Weymouth, Poole and Bournemouth)
- People re-locating to the area
- Households seeking to change tenure in order to release equity
- Executives seeking housing during staff rotations or longer secondments especially in Poole and Bournemouth.

A1.43 There is also a significant proportion of housing let both as seasonal holiday lets and assured shorthold tenancies in winter. This is particularly apparent in the rural west and coastal areas.

A1.44 This diversity prompted a question to agents regarding housing for economically active, newly forming households indigenous to the area. Responses included resort to 'the bank of mum and dad'; 'move to more affordable areas' (south Somerset and the lower priced areas of Bournemouth).

A1.45 Agents however were unable to comment on the sub market sector (e.g. HMO's) so discussions were also held with local authority housing enforcement staff. Further, agents were unable to comment on the growing interest in house shares facilitated by on line websites such as 'www.spareroom.co.uk' amongst others. These reveal a significant supply of better quality shared accommodation. It is a good example of how the informal housing market develops ahead of a formal market response to changing patterns of demand. In this case the demand is for accommodation in good quality neighbourhoods at a price that is affordable to younger single households who are willing to share. It must be distinguished from demand for more familiar sub market housing offered by houses in multiple occupation (HMOs).

A1.46 As is noted above, the casual investor has withdrawn from the market at this time due to low capital appreciation and restricted availability of loan finance. Nevertheless portfolio investors are still active in the market and are enjoying strong demand and good rates of return. Agents reported a few cases of investors selling their London portfolios and re-investing in Dorset. Finally a proportion of the supply is from former owner occupiers who needed to move or have inherited a dwelling and have chosen to offer the dwelling for rent rather than sale in the interim until prices improve.

The credit crunch

A1.47 The general impression gained from agents was that premium housing had hardly been affected by the credit crunch and that market conditions for less expensive homes in Dorset were generally improving. In the latter case sales volumes were picking up although price recovery would lag behind as a greater supply of homes were coming onto the market.

A1.48 One building society based agent in Bournemouth was offering a 95% mortgage for first time buyers (subject to conditions) and was reporting significant interest. The reasons cited was that purchasers had sensed that the market had 'bottomed out' i.e. prices had started to recover.

A1.49 All agents explained that high local prices and the requirement for sizeable deposits were significant barriers to first time buyers. Agents believed that there was little shared ownership available and more should be provided. The only significant supply of shared ownership homes was understood to be at Blandford Forum and Shaftsbury. They felt that such dwellings should be marketed by themselves or developers rather than RPs, citing the success of HomeBuy direct and other shared equity products.

A1.50 Since the closure of the HomeBuy direct scheme the volume builders were offering their own shared equity products in the interim. However the FirstBuy scheme is now available for selected new build homes. This scheme assists purchasers as there is a 75% loan to value ratio which enables householders to access cheaper loan finance and service a smaller mortgage for 5 years. The developer and the government jointly fund an interest free loan for 5 years equivalent to 20% of the purchase price and the household must find a 5% deposit. The loan can be repaid at any time but attracts interest after 5 years. The scheme had enabled sales to be achieved to first time buyers at the Maltings, Shaftsbury.

HM Forces

- A1.51 Estate and letting agents felt that there was only a minor impact on housing market demand overall in respect of the camp and training grounds near Wareham. The new build agent at Purbeck Gate had several enquires from forces personnel amounting to 10% of sales. The agent explained that a small number of army personnel were seeking to get a toe hold in the housing market during their service as they could release part of their pension to fund a deposit. This was known as the LSAP scheme.
- A1.52 Interestingly one developer had undertaken road shows for servicemen based abroad and this had led to sales being achieved using the LSAP scheme. Dwellings were being let until the servicemen retired or returned to the UK.
- A1.53 An agent drew attention to a small number of prospective purchasers who had some difficulty securing loans as they did not have a conventional credit history comparable to that of a typical civilian applicant.
- A1.54 Purbeck District Council officers stated that that forces personnel had little impact on the housing market locally as the majority of personnel were based there for short term training assignments.
- A1.55 The agent drew our attention to 'Forces Property Direct' which had several new homes around Shaftsbury available with special discounts to households employed by the forces.
- A1.56 However agents in Blandford Forum reported much more activity in the second hand housing market generally by forces personnel. House prices in the town were generally cheaper than in most parts of Dorset and there was a plentiful supply of family housing for sale and rent.
- A1.57 Local Authority officers remarked that forces personnel in the private rented sector tended to use their chain of command to resolve problems with landlords rather than the local authority enforcement route.

Students

- A1.58 Bournemouth is the main centre for student accommodation in the study area and there are two broad types of student that are catered for, those seeking university or higher education and those seeking to attend an English language school.
- A1.59 Bournemouth University (BU) is one of the largest universities in the south of England. The main Talbot Campus is situated on the Poole side of the boundary with the Borough of Bournemouth. The Lansdowne Campus is just outside Bournemouth's town centre however Lansdowne is not a self-contained campus.

A1.60 The total number of students for 2009/10 according to the BU website was as follows:

| Figure A1.1 University of Bournemouth student numbers 2009/10 | |
|--|--------|
| Total Number of Students | 16,868 |
| Full-time undergraduates | 12,373 |
| Part-time undergraduates | 2,367 |
| Full-time taught postgraduates | 1,072 |
| Part-time taught postgraduates | 770 |
| Research postgraduates | 286 |
| International (non EU) | 1,172 |
| EU (non-UK) | 651 |

A1.61 These numbers have implications for the housing market. It is the policy of the university to offer accommodation for all first year students and foreign students. Halls of residence have been recently constructed. These are significant developments using sites that may otherwise have been available for general housing development. Council tax records indicate that there are around 2000 dwellings occupied by students. These dwellings will be unavailable for other households. Such levels have been an issue in other towns and cities where the studentification of neighbourhoods has proved controversial.

A1.62 Bournemouth is a major centre for the teaching of English and has numerous English language schools. English UK (www.englishuk.com/en/english-uk) is an umbrella group for language schools and they provided the following information.

A1.63 'There are 19 members of English UK in Bournemouth nineteen in total. There are a further eight English UK accredited schools which are not in membership'.

A1.64 'The known number of students in 2009 was 29,777 to English UK schools in Bournemouth. However, a re-calculation, assuming a pro-rata basis, to include all accredited schools would place this number at over 42,000 students'. (This number, however, does not include the Europe based operators who offer tuition in temporary venues such as church halls and public house function rooms. The scale of this enterprise is unknown).

A1.65 'In summary it is estimated that over 42,000 students visited Bournemouth at some time in 2009 and stayed for an average 6 weeks each. Course lengths vary from 1 to 50 weeks'.

A1.66 The impact of the student population on the housing market and the policy response was discussed with Poole and Bournemouth council officers. Bournemouth Borough Council is in the process of establishing an Article 4 Direction. The following information is taken from the Council's website:

The Article 4 Direction was made under Article 4(1) of the Town and Country Planning (General Permitted Development) Order 1995, as amended. The Direction relates to development consisting of a change of use of a building to a use falling within Class C4 (houses in multiple occupation), from a use falling within Class C3 (dwellinghouses) and removes permitted development rights for this type of development from when the Direction comes into force on the 16th December 2011. Planning permission will therefore be required for change of use from Class C3 to Class C4 once the Direction comes into force. The Article 4 Direction applies to the whole of the area covered by Bournemouth Borough Council.

A1.67 Specifically if the proportion of dwellings in multiple occupation as a proportion of all dwellings in a neighbourhood is over the threshold of 10% as stated in the emerging LDF Core Strategy, then planning permission is likely to be refused. The context to this is that Bournemouth has a high proportion of HMOs and they tend to be concentrated in specific neighbourhoods. Student areas are vulnerable to this. The university has sought alternative solutions with partners to provide dedicated new build housing.

A1.68 As mentioned previously the main campus is in Poole and the Poole local authority has also sought an Article 4 Direction but only for the student area. Poole is considering a proposal for new build student housing on a nearby greenfield site (Talbot Village).

Houses in Multiple Occupation and the private rented sector

A1.69 This policy area came up in discussion with a number of local authority officers in addition to the student centred discussion referred to above. The officer referred to other hotspots elsewhere in Bournemouth notably Boscombe East and Winton. The officer described the positive measures adopted by the borough to improve standards.

A1.70 Other hotspots were highlighted in Weymouth in the Melcombe Regis and Littlemoor areas. Both these areas contain relatively high proportions of HMOs and converted self contained flats all of which were in demand. Landlords were being encouraged to convert larger dwellings into self contained flats to increase supply.

A1.71 Nevertheless according to HSSA data as at April 2010, the number of HMOs is small outside Bournemouth and Poole compared to regional averages.

| Figure A1.2 HSSA information regarding HMOs in the study area and the SW Region | | |
|--|---|--|
| | Verified number in the administrative area. | Estimated number including verified HMOs |
| Bournemouth UA | 97 | 991 |
| Christchurch | 2 | 147 |
| East Dorset | 9 | 18 |
| North Dorset | 10 | 200 |
| Poole UA | 50 | 640 |
| Purbeck | 94 | 105 |
| West Dorset | 21 | 100 |
| Weymouth and Portland | 296 | 320 |
| Total for the HMAs | 579 | 2,521 |
| Average for the HMAs | 72 | 315 |
| Approx regional average | 200 | 1,100 |

A1.72 Officers recognised the role of HMOs and the private rented sector generally in helping to meet the shortfall of affordable housing. The interview with the officer from Poole in particular highlighted the initiative to work with landlords to secure housing for households affected by the shortage.

A1.73 Many officers expressed concern over house condition especially in the areas of energy efficiency and the quality of the private rented sector generally. Some officials were concerned that letting agents had little knowledge of the legislation affecting the private rented sector and that condition in terms of disrepair was not a factor in arriving at the rental.

Demand for housing associated with the marine industry

A1.74 Poole and Weymouth are ferry ports and have significant marinas for smaller craft. Marinas also exist in the major towns of Christchurch and Wareham. Whereas they have a significant impact on the local economy, agents believed there was little impact on the housing market. There have been significant waterside apartment developments at Poole and Weymouth with relatively little connection to leisure sailing. Professional aspects of marine industry are based around Portland harbour (Weymouth and Fortuneswell).

Supporting the aged population

A1.75 The ageing indigenous population coupled with the high and sustained levels of immigration from this group, especially in the west of the County, Wimborne and Christchurch, was a policy issue highlighted by all officers and most stakeholders. An interview was undertaken with an officer from the County Council's Adult Services.

A1.76 The implications were considered to be severe for several reasons. Firstly the public resources available for mobility equipment and disabled facilities grants (DFGs) were over subscribed. Secondly officials were concerned that there was little in the way of specialist housing for frail elderly and especially in the leasehold tenure.

A1.77 Other challenging factors were the difficulties of providing domiciliary care in rural areas and the underdeveloped areas of policy and services regarding elderly self-funders, especially advice and information. Around 2/3 of all households requiring domiciliary care are self-funders in the County compared to 1/3 nationally.

List of organisations contacted in the course of the qualitative research

A1.78 Please note that comments from estate and letting agents were made on the basis that remarks would be un-attributable therefore the identity of the individuals interviewed are not included here. In addition officers from each council were interviewed. These people were nominated by the steering group.

Sales and letting agents

Austin Park (Weymouth)
Bullock and Lees (Wareham)
Chaffers (Gillingham)
Chesterton Humberts (Shaftesbury)
Connells (Dorchester)
Corbens (Swanage)
Denisons (Lettings dept) (Christchurch)
Dorset Lettings (Blandford, Dorchester and Wimborne)
Fortnam Smith and Banwell (Lyme Regis)
Fox and sons (Bournemouth)
Goadsby Residential (Blandford)
Greys (Upton Poole)
Harker and Bullman (Wimborne)
Hull Gregson Hull (Weymouth)
Legrand (Bournemouth)
Martin and Co lettings (Weymouth)
Palmer Snell (Bridport, Lyme Regis Upton and Wimborne lettings)
Red House (Portland)
Richard Godsell (Christchurch)
Symonds and Sampson (Wimborne)
Tailor Made Lettings (Poole)

New development marketing suites

CG Fry and son (Poundbury, Dorchester)

Waterhouse (Savills), (Brewery Square, Dorchester)

Persimmon Homes (Blandford and Shaftsbury)

Linden Homes (Savills), (Breeze at Boscombe Spa)

Barratt Homes (Purbeck Gate, Wool)

Appendix 2 List of Acronyms used in the Report

| | |
|-------|---|
| APS | Annual Population Survey |
| ASHE | Annual Survey of Hours and Earnings |
| CLG | [Department of] Communities and Local Government |
| CORE | COntinuous REcording [system of LA/RP lettings and sales] |
| DEFRA | Department for Environment, Food and Rural Affairs |
| DWP | Department of Work and Pensions |
| EHS | English Housing Survey |
| HMA | Housing Market Area |
| HSSA | Housing Strategy Statistical Appendix |
| JSA | JobSeekers Allowance |
| LA | Local Authority |
| LHA | Local Housing Allowance |
| LSAP | Long Service Advance of Pay |
| MOD | Ministry Of Defence |
| NINo | National Insurance Number |
| NOMIS | National Online Manpower Information Service |
| NPPF | National Planning Policy Framework |
| ONS | Office for National Statistics |
| POPPI | Projecting Older People Population Information System |
| PPS3 | Planning Policy Statement 3 |
| PRS | Private Rented Sector |
| RP | Registered Provider |
| RSR | Regulatory Statistical Return [for RP dwellings] |
| RSS | Regional Spatial Strategy |
| SEH | Survey of English Housing |
| SHLAA | Strategic Housing Land Availability Assessment |
| SHMA | Strategic Housing Market Assessment |
| VOA | Valuation Office Agency |

Appendix 3 Stakeholder Consultation Event

Introduction

A3.1 On the 22nd September 2011 a Stakeholder Consultation event was held at the Community Learning and Resource Centre in Wimborne. In total around 50 delegates attended and the representatives are listed later in this appendix. The event took the form of a presentation followed by a question and answer session.

Welcome/Purpose of the Meeting

A3.2 Trevor Warrick (TW) - Policy Manager, Planning at North Dorset District Council - welcomed the delegates He explained that Dorset authorities (including Bournemouth and Poole unitary councils) were working together to update the Strategic Housing Market Assessments (SHMA) undertaken in 2007/8 in order to have an up-to-date evidence base to back up their housing policies and strategies. The housing market had changed considerably since the original SHMA had been undertaken. Latest guidance from the government (the Draft National Planning Policy Framework) endorsed the need for SHMAs.

A3.3 Justin Gardner Consulting had been appointed to lead the work. A draft report had been prepared for each of the two SHMAs in Dorset (covering the Bournemouth/Poole and Dorchester/Weymouth areas respectively). Copies of the report had been emailed out to delegates before the meeting. This was now an opportunity for the consultants to explain their methodology and initial conclusions and for delegates to question/comment on the work.

Presentation by JGC and CBA

A3.4 Justin Gardner (JG) and Chris Broughton (CB) explained their work which had been based on the latest sources of information (including updated survey work from the 2007 Housing Needs Study) and a survey of local agents, housing developers and housing authorities. A copy of the presentation has been provided later in this appendix.

- A3.5 Significant findings were that the level of need for affordable housing (as measured by the government recognised formula) had increased to over 10,000 dwellings per annum (from around 7,300 in 2007). Looking longer term, projections indicated growth of around 52,000 new households across the two Housing Market Areas (an annual average increase of some 2,600 households). Scenarios of different levels of affordable housing had been explored and estimates made of the different sizes and tenures of dwellings that would help to meet affordable needs and market demand. Demographic projections indicated the vast majority of growth would be in older (age 60+) age groups, but this did not signify that only small dwellings would be required. Demand in the rural areas was also significant (up to 16% of total future demand).
- A3.6 JG and CB emphasised the continuing volatility of the market and need for housing providers to consider innovative ways to meet demand.

Questions/Comments on Presentation and Reports

- A3.7 Following the presentation a number of questions and queries were raised about both the findings of the research and how the Council's were planning to take things forward. Below is a brief summary of the key questions asked and topics discussed.

1) *It was noted by a local authority representative that the work followed the HMA boundaries introduced by DTZ in 2004, but development trends since 2007 had emphasised the remoteness of settlements in North Dorset from the main Bournemouth/Poole market and lack of linkages between them.*

- A3.8 CB acknowledged that the link between Shaftesbury and Gillingham and the Bournemouth/Poole conurbation was limited and that there were stronger links in part with Yeovil and Salisbury. He stressed however that other parts of the area also show their own functional markets – for instance the coastal towns of Purbeck which were remote from B/P. Smaller sub markets based on market towns also occurred throughout rural Dorset.

2) *It was queried by a local housing officer whether and how the long term household figures related to the “Balanced Housing Market” figures produced by Fordham in the original SHMA?*

- A3.9 JG responded that there was no connection as they had been prepared in different ways. The figures in the update report were based on the ONS/CLG household projections rather than household survey data.

- 3) *The basis of the three different household projections referred to in the study and differences between them was questioned by a local planning agent.*

A3.10 JG explained that the County Council had produced projections based on trends since 2008 that indicated a growth rate of around 0.8% per annum but when examined at District level showed anomalies such as negative growth in some Districts (due to recent local migration factors). They had then examined a zero net migration projection, but this produced an unrealistically low growth rate of 0.6% per annum. The third projection was based on ONS trend data with the base figures modified to reflect more realistic household figures at 2011. This gave a slightly higher overall growth rate to the first projection and more realistic figures at District level. This was the projection on which the work had been based.

- 4) *A local developer of private rented housing commented that he took issue with the premise that the private rented (PR) sector could not cope adequately in meeting housing need. He argued that he could build homes to rent at 80% market rent or Local Housing Allowance levels, but would appreciate help from the government with VAT. In many ways the PR sector was better placed (more adaptable) to meet needs than the public sector, since Registered Providers had become much larger and had more funding problems.*

A3.11 CB acknowledged that the PR sector had a lot to offer and was adapting to the demand by young working people for instance for shared housing.

- 5) *A representative of a national building company commented that if only enough housing was built to meet the household projections, the needs of many households for affordable housing would not be met. Would it not be better to build more housing generally to help meet that need?*

A3.12 JG responded that he did not agree. The Draft NPPF indicated that plans should be based on “current and future demographic trends”. Building above the level needed to meet the household projections might fuel further in migration.

A3.13 CB argued that not all those in need are looking for a social rented property and that a variety of different offers could be used to address needs. Many needs could be met satisfactorily in the PR sector, although security of tenure was often an issue.

A3.14 A developer of PR housing argued that there needs to be changes in housing law to make it easier for him to move from an Assured Shorthold Tenancy (AST) to an Assured tenancy. He would be happy to provide longer tenancies as it would be better for his overall business plan.

6) *A representative of Dorset Landowners Association noted that he thought the report was well prepared. He commented on the need for additional housing in rural areas, particularly East and West Dorset. He argued that most villages could accommodate modest/micro developments without causing problems for infrastructure and that providing more housing in villages (including affordable housing) would make good business sense and could help to address commuting problems. His members would be willing to provide land for this type of small scale development. He concluded that rural areas were a significant feature of Dorset and needed to be given more prominence in the report.*

A3.15 JG responded that it was refreshing to hear support for housing in rural areas. TW pointed out that the level of future housing to be provided in rural areas was more of a policy issue to be addressed through discussions on any Local Development Framework documents with individual local authorities.

7) *A local authority officer questioned the difference between the CLG affordable needs assessment figures and those provided by the forecasts of market housing? There was a large difference between the two (e.g. East Dorset net annual affordable need – 426, likely requirement of affordable housing to meet household projections 100 – 200 dwellings). He also questioned the term “requirement” and suggested “potential delivery” may be a more apt term.*

A3.16 JG responded that the CLG needs figure was the correct assessment of short term affordable need, but it assumed an ideal situation where all needs could be met and didn't properly assess how the PR sector was used by many households to address their needs. Authorities had to be aware of other pressures on land and viability issues. The use of household projections gave a more realistic assessment of the likely growth in the area over the longer term and was a better basis for future planning. He concurred that the term “potential delivery” may be better than “requirement”.

8) *A local authority officer questioned the developers and agents present on what they thought future levels of housing development should be based on?*

A3.17 A representative of a major house builder considered that they should be based on household projections but that these should be taken as a minimum.

A3.18 A representative of a national planning agent commented that it was depressing to read in the study of the growth in housing need and realise that by meeting household growth alone it will do little to address those needs. More needed to be done. This was endorsed by another agent.

A3.19 TW commented that, unusually for Dorset there had been an over supply of housing in North Dorset. The draft NPPF did not seem to be concerned with limits to growth in this situation.

9) *A local authority officer commented that there was an emphasis in the report on the need for family housing. In his area there was considerable demand for single person accommodation and the single room rent issue was likely to add to this. He would like to see more studio apartments built to address this.*

A3.20 CB considered that the market was meeting the needs of young single people through shared housing and websites that marketed this. He warned that by attempting to address this particular need by building just small units would limit the opportunity for churn in the market. The needs of families would not be addressed.

A3.21 The officer responded that there were very few (30) families on the register in his area – perhaps emphasising how his area (North Dorset) varied from the general B/P market.

A3.22 A representative of a local Registered Provider (RP) commented that they would like to build more family housing but were very concerned about how their tenants who relied on benefits would be affected by the introduction of the single credit. As a result they were not building larger (3/4 bed) homes.

A3.23 JG commented that larger households were the ones who find it most difficult to obtain affordable housing because of the shortages in the existing stock. Many may not apply for social housing if they don't think they stand a chance to get a home.

10) *A local authority officer commented that the projections show that his area (East Dorset) is running out of a workforce as the population becomes more elderly. How can they ensure that any housing built will satisfy working households rather than encouraging in-migrants? What is the sort of housing that young working households like to buy?*

A3.24 CB responded that some products such as Homebuy were directed at working households – but more development generally was needed. He had been made aware from his discussions with agents in the East Dorset area that new development was unlikely to be popular!

A3.25 A representative of a developer commented that the average age of a recent development he had been involved with was 83! Another officer commented that more terraced housing needs to be built rather than apartments or detached properties.

Round Up

A3.26 TW thanked delegates for their participation in the debate. He advised everyone that any further thoughts/comments on the draft reports would be considered by the Project Team managing the study and amendments would be made to the reports as necessary. The report(s) would be used by local councils as evidence to advise their housing policies in their Local Development Framework (LDF) documents.

A3.27 TW then asked each council to give a resume of where they were in the LDF process and how they intended to use the report.

Bournemouth Borough Council:

A3.28 Have a Pre submission Core Strategy (CS) out for consultation at the moment. They aim to submit their final CS to the Secretary of State by the end of the year with an Examination in Public anticipated in 2012. They are currently reviewing the requirements of the Draft National Planning Policy Framework to ensure that their Plan will comply. They are planning an average development rate of 640 dwellings per annum which is above the projected household figure proposed in the SHMA.

Borough of Poole Council:

A3.29 Poole has an adopted CS. The SHMA will be used as technical evidence to inform monitoring and any future Plan reviews.

East Dorset and Christchurch Borough Councils:

A3.30 They are working on a joint CS. They had over 2,500 respondents to their Draft CS earlier in the year. They hope to produce a Pre Submission Consultation Draft by Feb 2012. They will use the SHMA to advise their housing targets but are mindful of environmental, infrastructure and political constraints to development in their area.

Purbeck District Council:

A3.31 Consulted on Proposed Changes to the Pre-Submission Core Strategy and will soon submit the final version to the Secretary of State with a schedule of minor amendments that have come about as a result of this last consultation. Examination is estimated to take place in late spring 2012 and the council should adopt the Core Strategy in late summer. They are aware that the proposed household figures in the SHMA are higher than their current dwelling target but they have to be aware of constraints imposed by the Habitats Regulations in Purbeck. They are seeking high (50%) proportions of affordable housing in some parts of the District to help meet needs.

North Dorset District Council:

A3.32 Consulted on their draft Core Strategy last year. They are now using the SHMA as a key piece of evidence to work up the Pre submission Draft. They are likely to hold an informal consultation on proposals for Gillingham and the rural areas before publishing a full PSD early in 2012.

West Dorset/Weymouth Councils:

A3.33 No representative was available to give a full update. It was understood that they are producing a joint plan in line with the government's new approach to localism and that there is a consultation event planned for the week commencing 26th Sept 2011.

Presentation by Justin Gardner and Chris Broughton

Review of the Bournemouth/Poole and Dorchester/Weymouth Strategic Housing Market Assessments



Stakeholder workshop
22nd September 2011



What is the SHMA update?

'develop a good understanding of how housing markets operate'

- Need
- Demand
- PPS3/NPPF
- SHMA guidance
- Covering two Housing Market Areas
- eight local authorities



Map of Housing Market Areas




Why do an update?

- Things have changed...
 - Impact of the credit crunch and global recession
 - house prices/rents
 - private rented sector
 - household moves
 - policy changes (RSS revocation and NPPF)
- Things will continue to change...
 - demographic change/ageing population
 - new homes will be built



Enhanced role of the SHMA?

Draft National Planning Policy Framework (NPPF)

28 Local planning authorities should have a clear understanding of housing requirements in their area. They should:

- prepare a Strategic Housing Market Assessment to assess their full housing requirements, working with neighbouring authorities where housing market areas cross administrative boundaries. The Strategic Housing Market Assessment should identify the scale and mix of housing and the range of tenure that the local population is likely to require over the plan period which:
 - meets household and population projections, taking account of migration and demographic change
 - addresses the need for all types of housing, including affordable housing and the needs of different groups in the community; and
 - caters for housing demand and the scale of housing supply necessary to meet this demand



What have we done?

- Initial stakeholder consultation
- Re-analysed survey data
- Collected up-to-date secondary data
- Housing market survey
- Draft report



Presentation structure

- Stakeholder consultation
- Demography and housing stock
- Current housing market
- Economy, incomes and affordability
- Housing Need
- Future housing market
- Rural housing issues
- Conclusions



Stakeholder Input

- Initial thoughts and issues by e-mail
- This event
- In-depth interviews with those who service and regulate the housing market (i.e. estate agents, letting agents, local authority housing policy and enforcement staff)

Aim: to gain insights into the functioning of the markets, current trends, gaps and linkages



Insights gained

The housing market has many segments and some gaps
Variations are functional and spatial

- Premium housing
- Mass market housing
- New build housing
- Intermediate housing
- Older people and economically active people
- Holiday lets
- Private rented sector



The Private Rented Sector

- Variations are functional and spatial
- Part of the market response to market conditions and drivers
- Role and segmentation
- Investors
- Self-contained housing
- Shared housing and policy responses
- Poverty
- Condition



Demography & Housing Stock

- 2011 population around 750,000 (78% in B/P)
- Characterised by older people – 30% aged 60 and over (England = 23%) – differences by area
- 10,600 additional homes over past four years – 18% affordable
- Low vacancy rate in affordable housing
- Tenure



Estimated Tenure

| Estimated tenure split in whole study area (2011) | | |
|---|------------|-----------------|
| Tenure | Households | % of households |
| Owner-occupied (no mortgage) | 128,595 | 39.1% |
| Owner-occupied (with mortgage) | 117,883 | 32.8% |
| Social rented | 37,927 | 11.8% |
| Private rented | 54,447 | 16.6% |
| TOTAL | 338,852 | 100.0% |

Source: Household Survey Data

- PRS – 60%+ higher than 2001
- Balance of owner-occupiers
- Low % social rented housing (England = 17%)

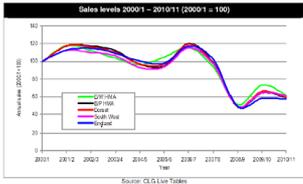


Current housing market

- National housing market downturn
 - decreases in price
 - transactions
 - deposit requirements
- Plays out at local level
 - impact on private sector rents



Sales Trends



Source: CLS Live Tables



Prices/rents

- Bournemouth/Poole - £209k (-8%)
- Dorchester/Weymouth - £209k (-9%)
- Price drops appear strongest at bottom end of market
- Private rents (2 bed) up 10% in same period
- Affordability has not eased



The economy

- Number of people working – 316,000 (down 4%)
- Number unemployed – 20,000 (up 67%)
 - unemployment remains low
- Incomes of full-time employees – up 9%
 - modelled household income increase about 6% taking account of demographic change and numbers working



Housing need

- CLG model
- Consistent with 2007/8 SHMA
- Using updated information
 - prices/rents
 - incomes
 - demographic change
 - affordable housing supply
- Output is annual requirement over next five years (to meet all needs)



Housing need outputs

| Element | BFP HMA | DW HMA | Dorset |
|------------------------------------|--------------|--------------|---------------|
| Ⓒ Backlog need (annual) | 2,066 | 504 | 2,570 |
| Ⓓ Backlog supply (annual) | 704 | 208 | 912 |
| Ⓔ Net backlog need (annual) Ⓒ - Ⓓ | 1,362 | 296 | 1,658 |
| Ⓕ Future need (annual) | 6,755 | 1,348 | 10,700 |
| Ⓖ Future supply (annual) | 1,764 | 587 | 2,351 |
| Ⓖ Net future need (annual) Ⓔ - Ⓖ | 6,988 | 1,361 | 8,349 |
| Total net annual need Ⓔ + Ⓖ | 8,350 | 1,657 | 10,007 |
| Total net annual need (2007) | 5,764 | 1,509 | 7,273 |



Housing need in context

- Why the increase from 2007
 - household growth/PRS growth
 - supply not keeping up
- Annual need of 10,000 compares with less than 500 additional units provided per annum over last four years
- The role of the private rented sector
 - 3,783 PRS/LHA lets per annum
 - 5,253 other PRS lets
 - LHA sector grown by 14% in last 18 months
- However, 60% of PRS/LHA tenants want to move out of sector and into affordable housing (mainly social rented)



Types and sizes of affordable housing required

- Taking the totality of the need
 - 70% of need for 1/2 bedroom homes
 - 85% of need for social/affordable rented housing
- These figures take no account of priorities or policy considerations
 - different size profiles
 - different tenure mix
 - innovative products
- In setting policies Councils should consider
 - Priorities (who should get housed)
 - Viability
 - The mix of sites likely to come forward



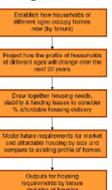
The future housing market

- Housing needs model fairly short-term (5 years)
- In the longer-term demand is likely to be influenced by a number of factors
- Currently the situation is uncertain




Modelling the future housing market

- Demographically driven model
- Understanding occupancy patterns
- Realistic assumptions about affordable housing provision
- Outputs by tenure/size of housing




Projected household growth

- Three scenarios run (data from County Council/ONS and CLG)
 - trend-based (latest data)
 - zero net-migration
 - trend-based (ONS/CLG 2008-based assumptions)

| Projection | Per annum | % change | Total | % change |
|--|-----------|----------|--------|----------|
| Trend based (latest data) | 2,512 | 0.8% | 50,244 | 15.3% |
| Zero net migration | 2,076 | 0.8% | 41,513 | 12.8% |
| Trend based (ONS 2008 based assumptions) | 2,006 | 0.8% | 42,128 | 13.9% |

Source: ONS, CLG and Dorset County Council



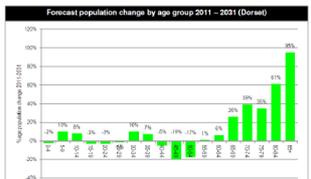
Projected household growth

| Area | Households (2011) | Households (2021) | Absolute change | % change | Annual average change |
|---------------------|-------------------|-------------------|-----------------|----------|-----------------------|
| Bournemouth | 81,795 | 92,015 | 10,220 | 12.5% | 511 |
| Christchurch | 21,520 | 26,291 | 4,771 | 22.2% | 219 |
| East Dorset | 37,642 | 44,897 | 7,254 | 19.3% | 363 |
| North Dorset | 28,823 | 34,269 | 5,446 | 18.9% | 273 |
| Poole | 54,010 | 72,265 | 18,255 | 33.6% | 867 |
| Purbeck | 19,072 | 23,368 | 4,296 | 22.5% | 178 |
| Weymouth & Portland | 29,217 | 34,424 | 5,207 | 17.8% | 260 |
| DORSET | 228,872 | 288,689 | 59,817 | 26.2% | 2,464 |

Source: ONS, CLG and Dorset County Council



Demographic change



Source: ONS, CLG and Dorset County Council



Housing Market Outputs



Source: Household Survey Data



Rural areas

- Definitions
- 14% of households live in rural areas
- Distinctive population and housing stock
- High incomes and equity
 - but many low income households
- Low need relative to urban areas
 - significant in number terms
- Large potential future demand – 16% of growth based on projections and modelling
- Requirements for a range of housing (by tenure and size)



Conclusions

- Current market conditions and dynamics set to continue
- Housing requirements
 - demographic trends
- Housing distribution
 - rural areas, type of sites, HMA wide figures
- Affordable housing
 - high need, understand in context, range of solutions, maximising delivery



Consultation event attendees

| Name | Position | Organisation |
|-----------------------|---|--|
| Kelly Ansell | Strategic Housing Projects Manager (Interim) | Bournemouth Borough Council |
| Rob Asprey | Rural Housing Development | West Dorset District Council |
| Mark Axford | Senior Planning Officer | Bournemouth Borough Council |
| Alistair Beaven | Senior Monitoring Assistant | Dorset County Council |
| Paul Bedford | Senior Land & Planning Manager | Persimmon Homes |
| Catherine Boulton | Community Planning & Development Advisor | NHS Dorset |
| Chris Branch | Housing Enabling Services Manager | Weymouth and Portland Borough Council |
| Chris Broughton | Associate | CB Associates/Justin Gardner Consulting |
| Fiona Brown | Housing Manager | Purbeck District Council |
| Jenny Carter-White | Development Officer (South) | Raglan Housing Association |
| Simon Connibear | Estate Director, Dorchester | Duchy of Cornwall |
| Jayne Dale | Senior Research Officer | Bournemouth Borough Council |
| Tim Davis | Housing Development and Enabling Manager | Christchurch and East Dorset Partnership |
| Stephen Dunhill | Divisional Director of Development West | Spectrum Housing Group |
| Andrew Elliot | Technical Director | Terence O'Rourke Ltd |
| Justin Gardner | Managing Director | Justin Gardner Consulting |
| Ian Goddard | Senior Project Manager | Radian Group Ltd |
| Dave Goswell | Service Planning Officer | Dorset County Council |
| Derek Hardy | Policy Manager (Housing and Community Safety) | North Dorset District Council |
| Helen Harris | Senior Planning Officer | Borough of Poole |
| Richard Henshaw | Policy Planning Manager | East Dorset District Council |
| Kevin Hodder | Chief Executive | East Boro Housing Trust |
| Tim Hoskinson | Associate | Savills (L and P) Ltd |
| Linda King | Policy Planning Officer | East Dorset District Council |
| Sally Knott | Policy Planning Officer | East Dorset District Council |
| Cllr Mike Lovell | Housing Portfolio Holder | Purbeck District Council |
| Henry Lumby | Partner | Quantum Group |
| Chris Mc Dermott | Senior Housing Officer | Purbeck District Council |
| James Meadows | Rural Surveyor | National Trust (SW Region) |
| Julia Mitchell | Senior Planning Policy Officer | Christchurch Borough Council |
| Chris Moglia | Business Development Manager | Synergie Housing |
| Helen Owens | Principal Researcher | Dorset County Council |
| John Parker | Chief Executive | Dorset Association of Parish and Town Councils |
| Gail Percival | Senior Consultant | Level Ltd |
| Kerry-Marie Ruff | Strategic Housing Services Mngr | Borough of Poole |
| Simon Rutter | Director | Proctor, Watts, Cole, Rutter |
| James Selby - Bennett | Chairman | Dorset County Landowners Assn |
| Ian Shaw | Housing Manager | Bournemouth Borough Council |
| Lindsay Shearer | Development Manager | Sovereign Housing Group |
| Gill Smith | Senior Planning Officer | Dorset County Council |
| Paul Spong | Associate | Savills (L and P) Ltd |
| Pete Stratford | Corporate Research Manager | Borough of Poole |
| Steve Tapscott | Senior Planning Officer | Purbeck District Council |
| Simon Trueick | Community and Planning Policy Manager | Christchurch Borough Council |
| Bruce Voss | Area Manager | Homes and Community Agency |
| Trevor Warrick | Policy Manager, Planning | North Dorset District Council |
| James Weld | Proprietor & General Manager | The Weld Estate |
| Dave Wells | Owner | Dave Wells Properties |
| Frances West | General Manager, Public Health & Housing Services | Purbeck District Council |
| Antony Wilsdon | Supporting People Manager | Dorset County Council |

Appendix 4 Comparing 2007 and 2011 Housing Needs Estimates

Introduction

- A4.1 In Section 6 of the report we developed estimates of the need for additional affordable housing based on the CLGs Needs Assessment Model. The analysis suggested that to meet all affordable needs there would be a requirement for 8,350 additional homes to be provided per annum – this is a notable increase from figures developed in the 2007 SHMA (using the same methodology) which suggested an annual requirement for 5,704 additional units.
- A4.2 Within the increase in need across the HMA the figures however suggested differences for individual local authority areas with East Dorset and North Dorset seeing small declines in housing need and all other areas seeing notable increases (Bournemouth and Poole in particular). It is therefore of interest to consider the likely reasons for changes at both a HMA and local authority level.

Background data

- A4.3 The tables below summarise the needs assessment model in both 2007 and 2011. The first table shows each of the detailed stages of analysis for the whole HMA with the second table summarising this information at a local authority level.

Figure A4.1 Housing needs assessment model for Bournemouth/Poole HMA (2007 and 2011)

| Stage and step in calculation | Notes | 2007 | 2011 |
|---|--------------------------|-------|--------|
| STAGE 1: CURRENT NEED (Gross) | | | |
| 1.1 Homeless households and those in temporary accommodation | | 18 | 47 |
| 1.2 Overcrowding and concealed households | Two steps taken together | 7,151 | 10,283 |
| 1.3 Other groups | | | |
| 1.4 equals Total current housing need (gross) | 1.1+1.2+1.3 | 7,169 | 10,330 |
| STAGE 2: FUTURE NEED | | | |
| 2.1 New household formation (gross per year) | | 3,985 | 5,558 |
| 2.2 Proportion of new households unable to buy or rent in the market | | 43.7% | 51.6% |
| Number of new households unable to buy or rent in the market | | 1,993 | 2,871 |
| 2.3 Existing households falling into need | | 4,720 | 5,881 |
| 2.4 Total newly arising housing need (gross per year) | 2.1x2.2+2.3 | 6,713 | 8,752 |
| STAGE 3: AFFORDABLE HOUSING SUPPLY | | | |
| 3.1 Affordable dwellings occupied by households in need | | 2,302 | 2,807 |
| 3.2 Surplus stock | | 0 | 0 |
| 3.3 Committed supply of affordable housing | | 752 | 715 |
| 3.4 Units to be taken out of management | | 0 | 0 |
| 3.5 Total affordable housing stock available | 3.1+3.2+3.3-3.4 | 3,054 | 3,522 |
| 3.6 Annual supply of social re-lets (net) | | 1,741 | 1,662 |
| 3.7 Annual supply of intermediate housing available for re-let or resale at sub-market levels | | 91 | 102 |
| 3.8 Annual supply of affordable housing | 3.6+3.7 | 1,832 | 1,764 |

Source: 2007 SHMA and 2011 SHMA update

Figure A4.2 Housing Needs Estimates by Local Authority (2007 and 2011)

| Area | | ① Backlog | ② Backlog | ③ Net backlog | ④ Future | ⑤ Future | ⑥ Net future | Total net |
|--------------|------|---------------|-----------------|---------------|---------------|-----------------|---------------|-----------|
| | | need (annual) | supply (annual) | need (annual) | need (annual) | supply (annual) | need (annual) | |
| | | | | ① - ② | | | ④ - ⑤ | ③ + ⑥ |
| Bournemouth | 2007 | 698 | 210 | 488 | 3,160 | 633 | 2,527 | 3,015 |
| | 2011 | 1,081 | 243 | 839 | 4,778 | 643 | 4,135 | 4,974 |
| Christchurch | 2007 | 60 | 36 | 24 | 348 | 130 | 218 | 243 |
| | 2011 | 83 | 21 | 62 | 392 | 122 | 270 | 332 |
| East Dorset | 2007 | 142 | 65 | 77 | 525 | 162 | 363 | 440 |
| | 2011 | 166 | 86 | 79 | 503 | 156 | 347 | 426 |
| North Dorset | 2007 | 109 | 71 | 38 | 672 | 311 | 361 | 399 |
| | 2011 | 139 | 122 | 17 | 630 | 260 | 370 | 387 |
| Poole | 2007 | 327 | 187 | 140 | 1,563 | 504 | 1,059 | 1,199 |
| | 2011 | 472 | 183 | 289 | 1,913 | 492 | 1,421 | 1,710 |
| Purbeck | 2007 | 98 | 42 | 56 | 445 | 92 | 353 | 409 |
| | 2011 | 125 | 50 | 75 | 536 | 91 | 445 | 520 |
| HMA | 2007 | 1,434 | 611 | 823 | 6,713 | 1,832 | 4,881 | 5,704 |
| | 2011 | 2,066 | 704 | 1,362 | 8,752 | 1,764 | 6,988 | 8,350 |

Source: 2007 SHMA and 2011 SHMA update

A4.4 The table below shows the change in estimated net housing need for each local authority. This clearly emphasises the particularly large increases in the main urban areas of Bournemouth, Poole and Christchurch.

| Figure A4.3 Change in estimated annual net housing need 2007 to 2031 | | | | |
|---|-------|-------|--------|----------|
| Area | 2007 | 2011 | Change | % change |
| Bournemouth | 3,015 | 4,974 | 1,959 | 65.0% |
| Christchurch | 243 | 332 | 89 | 36.6% |
| East Dorset | 440 | 426 | -14 | -3.2% |
| North Dorset | 399 | 387 | -12 | -3.0% |
| Poole | 1,199 | 1,710 | 511 | 42.6% |
| Purbeck | 409 | 520 | 111 | 27.1% |
| HMA | 5,704 | 8,350 | 2,646 | 46.4% |

Source: 2007 SHMA and 2011 SHMA update

Key reasons for differences

A4.5 There are a number of possible reasons why the figures in this update differ from those in the 2007 SHMA; some will be due to real changes whilst others will be related to methodological differences in the use of data between the two assessments. Below we have highlighted those areas which we feel are key to understanding the differences and the implications of these.

Tenure mix

A4.6 Since 2007 the total number of households in the HMA is estimated to have increased only slightly (by around 4%) although the tenure profile has changed significantly. The main change is in relation to the size of the private rented sector where our re-modelling estimates a 31% increase over the past four years. Such an increase is consistent with national data although information would suggest that the increase varies considerably by location (as can be seen in the table below).

| Figure A4.4 Change in size of private rented sector 2007 to 2011 | | | | |
|---|------------|------------|--------|----------|
| Area | PRS – 2007 | PRS – 2011 | Change | % change |
| Bournemouth | 14,154 | 22,977 | 8,823 | 38.4% |
| Christchurch | 1,380 | 1,894 | 514 | 27.1% |
| East Dorset | 2,617 | 3,123 | 506 | 16.2% |
| North Dorset | 3,001 | 3,660 | 659 | 18.0% |
| Poole | 5,889 | 8,171 | 2,282 | 27.9% |
| Purbeck | 2,415 | 3,008 | 593 | 19.7% |
| HMA | 29,456 | 42,833 | 13,377 | 31.2% |

Source: 2007 SHMA and 2011 SHMA update

- A4.7 The increase in the size of the private rented sector is particularly important in housing needs terms as it is a sector which tends to have higher levels of unsuitable housing and relatively poor affordability. Households in the private rented sector also tend to be more mobile than other households and therefore through the methodology employed are more likely to be picked up as part of the projected need (either as a new household forming or an existing household moving but needing to spend more than 25% of their income on housing costs). The larger proportional increases in the size of the private rented sector in the main urban areas of Bournemouth, Poole and Christchurch also goes some way to explaining differences seen at a local authority level.
- A4.8 The relationship between housing need and the private rented sector can also be seen from data from DWP about the number of LHA claimants in the sector. Data provided in Section 6 of the report showed a 14% increase in the number of claimants over an eighteen month period to March 2011 across the whole HMA.

Age profile

- A4.9 The other key change that could impact on housing need is the overall demographic (population) profile of households in the HMA. In this case it will be a combination of actual changes in the population and the degree of rigour with which this information has been used when weighting survey data. For the purposes of the 2011 update we have matched the survey data population age profile to match mid-2011 figures provided by the County Council; in the 2007 SHMA no such weighting was applied with only rudimentary adjustments to figures made on the basis of broad household type groupings.
- A4.10 The table below shows the age of the survey respondent (taken as a reasonable proxy for head of household) in both the 2007 SHMA and this update. We have also provided an indication of the proportion of households in each age band who are unable to afford market housing. The data shows that the most significant positive differences are in those age bands with worse affordability (i.e. aged up to 34) whilst the main band with a negative difference (those aged 55-64) are relatively likely to be able to afford.

| Figure A4.5 Age of survey respondent in 2007 and 2011 | | | | |
|--|-------------------|-------------------|----------------------|---------------------------|
| Age band | Households (2007) | Households (2011) | Change in households | % unable to afford (2011) |
| Under 25 | 6,223 | 12,519 | 6,296 | 72.5% |
| 25-34 | 25,624 | 30,223 | 4,599 | 39.0% |
| 35-44 | 38,788 | 38,601 | -186 | 33.1% |
| 45-54 | 41,297 | 44,928 | 3,631 | 21.3% |
| 55-64 | 51,657 | 43,863 | -7,794 | 18.2% |
| 65-74 | 38,641 | 39,808 | 1,166 | 17.9% |
| 75 and over | 42,070 | 44,521 | 2,451 | 18.4% |
| HMA | 244,300 | 254,463 | 10,163 | 26.1% |

Source: 2007 SHMA and 2011 SHMA update

A4.11 On the basis of this analysis it is thought that the 2007 report will have slightly overestimated older persons and under-estimated younger people (and in particular those who are most mobile (and often found in the PRS)). If true this would tend to point to the 2007 SHMA underestimating housing need.

A4.12 We can also look at this information for each individual local authority with the table below showing the change from 2007 to 2011 in each age band in each location. This analysis is particularly useful as it highlights that the two areas where needs have apparently dropped (East Dorset and North Dorset) also show a drop in the number of survey respondents from the key groups who are most likely to be unable to afford and higher than average increases (or lower decreases) in the bands where affordability tends to be better.

| Figure A4.6 Change in proportion of households in each age band (2007 to 2011) | | | | | | | |
|---|--------------|---------------|-------------|--------------|--------|---------|--------|
| Age band | Bourne-mouth | Christ-church | East Dorset | North Dorset | Poole | Purbeck | HMA |
| Under 25 | 152.2% | 4.3% | -11.1% | 3.2% | 75.3% | 47.7% | 101.2% |
| 25-34 | 30.8% | 26.3% | -4.5% | -14.9% | 16.8% | 29.1% | 17.9% |
| 35-44 | 6.7% | 8.2% | -4.2% | 1.9% | -6.9% | -10.2% | -0.5% |
| 45-54 | 8.5% | 13.1% | 8.7% | 7.6% | 10.4% | 2.5% | 8.8% |
| 55-64 | -18.4% | -23.5% | -13.7% | -2.8% | -15.4% | -13.0% | -15.1% |
| 65-74 | -4.5% | 8.1% | 7.8% | 14.6% | -2.7% | 12.6% | 3.0% |
| 75 and over | -9.1% | 4.3% | 10.8% | 6.4% | 23.5% | 10.4% | 5.8% |
| Total | 7.6% | 2.0% | 0.9% | 2.9% | 3.7% | 2.4% | 4.2% |

Source: 2007 SHMA and 2011 SHMA update

A4.13 Although much of the difference shown in the table above will be due to different methodologies for weighing the data in 2011 compared with 2007 there is likely to be some degree of real change. In particular it was generally agreed with stakeholders that the private rented sector had increased more in the main urban areas (and Bournemouth in particular) and this in turn had attracted people in from other areas. Most notable within this was East Dorset where the relative lack of both private rented and affordable housing may mean that households have moved away from the area to find a suitable housing solution. Through the methodology employed, any household making such a move would be picked up as in need in the area to which they moved rather than where they originated. In discussions, representatives from Bournemouth Council accepted that this was probably the case and that once a household had moved into the borough they would generally become the responsibility of the Council (rather than the Council from which they had moved).

Affordability

A4.14 We can also consider changes to affordability as a potential reason for the change in housing need. Data suggests that the balance between incomes and private sector rents has not changed significantly over the past four years. There has been a drop in prices (to buy) but when considering likely income levels required to buy housing it can be seen that private renting will be a more affordable option for households who are not currently owner-occupiers. That said the reduction in prices and the increase in the size of the private rented sector will have reduced the proportion of households with existing equity to use towards affording a home and is therefore likely to have seen worsening affordability – the majority of this will however already be picked up by the changing tenure profile in the HMA (and to a lesser extent the age profile).

Affordable housing supply

A4.15 Finally we can look at the supply of affordable housing. Whilst the data suggests that supply through relets has declined slightly; the change is very minor compared with the overall increases in need and has had only a limited impact on the assessed level of need.

Summary

A4.16 The analysis of affordable housing requirements showed a large increase in unmet need in 2011 when compared with 2007. This is largely due to the predicted increase in the number of households living in the private rented sector; such households tend to have high mobility and relatively poor affordability.

A4.17 A second key reason is due to the age profile of households in the HMA. Whilst some changes observed using the survey data will be real it is felt that the key difference is due to the 2011 update more rigorously weighting data to estimated population profiles (derived by the County Council from ONS data). This change would suggest that housing need may have been slightly underestimated in the 2007 SHMA (for the whole HMA).

A4.18 However, any underestimation is not consistent across all local authorities with both East Dorset and North Dorset showing changing population profiles that would suggest an overestimation of need in 2007.

A4.19 Were the data for 2007 rerun using a similar methodology for data analysis as in 2011 we would expect to see an increase in housing need in all areas although this increase would be expected to be greatest in the three main urban areas of Bournemouth, Poole and Christchurch. Whilst a direct comparison of bottom-line housing needs estimates suggests a drop in need in both East Dorset and North Dorset it seems unlikely in reality that this is a real trend.

Appendix 5 Methodology for Developing Household Projections

Introduction

A5.1 In Section 7 of the report we analysed likely housing requirements by tenure based on the potential delivery of housing under a scenario for population/household growth linked to ONS/CLG 2008-based population/household projections. This appendix briefly discusses the methodology used and compares the outputs of this method with the nationally published projections.

Baseline Position (mid-2011)

A5.2 In the first stage of the process the County Council established a baseline for the number of households and likely population profile in each local authority area for mid-2011. The 2011 Council Tax Data was considered the most accurate estimate of dwelling number for each of the eight local authorities in Dorset. These figures were used. The number of second homes and long term vacancies (also taken from 2011 Council Tax Data) were deducted to produce an estimate of occupied dwellings.

A5.3 The 2008-based Headship Rates produced by CLG were applied to generate household numbers - **2011 Base Household Numbers**. The Headship Rates provided a detailed breakdown in terms of household types and associated dependants, which provided a population estimate by gender and 5 year age group - **2011 Base Population Numbers**.

A5.4 The base population and Household numbers were provided to JGC who produced a projection for 2031 based on ONS and CLG 2008-based trend projections.

Projecting to mid-2031

A5.5 The method used to project future change in population and households was fairly straightforward and looked at changes (by local authority) in the number of people in each five-year age band and also overall changes in the number of households. Estimates of the number of people living in institutional housing were excluded from the figures.

A5.6 For each local authority and age band we looked at the proportional change over the 20-year period and applied this to our baseline figures. Due to the rebasing of data to a mid-2011 base the figures do not exactly match those in the 2008-based projections but are likely to be very similar – comparisons are analysed below.

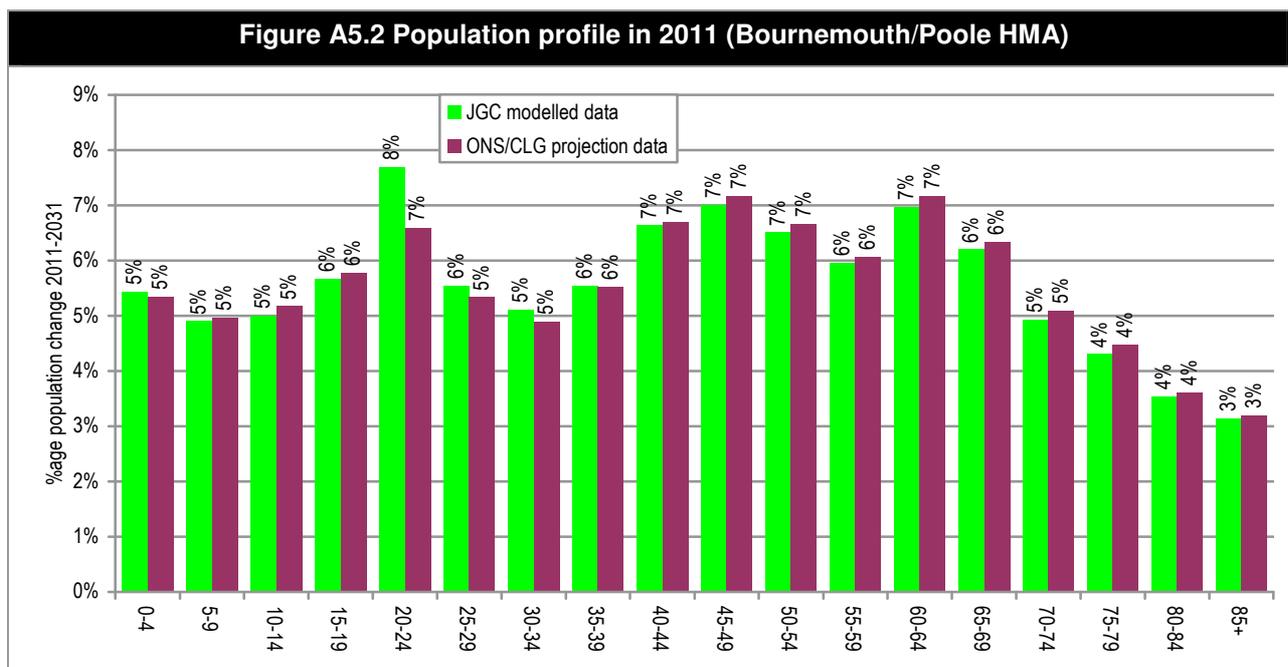
- A5.7 The table below shows the projected increase (per annum) in households used in this study and compares this with the figures in the CLG projections for the same period (i.e. from 2011 to 2031). The data shows that our re-modelling of data shows a slightly higher level of household growth at 1,976 per annum compared with 1,901 in the CLG projections.
- A5.8 The majority of this difference is due to estimated figures for Bournemouth where the CLG's household estimate for 2011 was significantly lower than that estimated by the County Council using Council Tax data about the number of occupied properties. In all other areas the difference between the two sources is relatively minor.

Figure A5.1 Projected household change in the HMA (2011 – 2031) CLG and modelled data

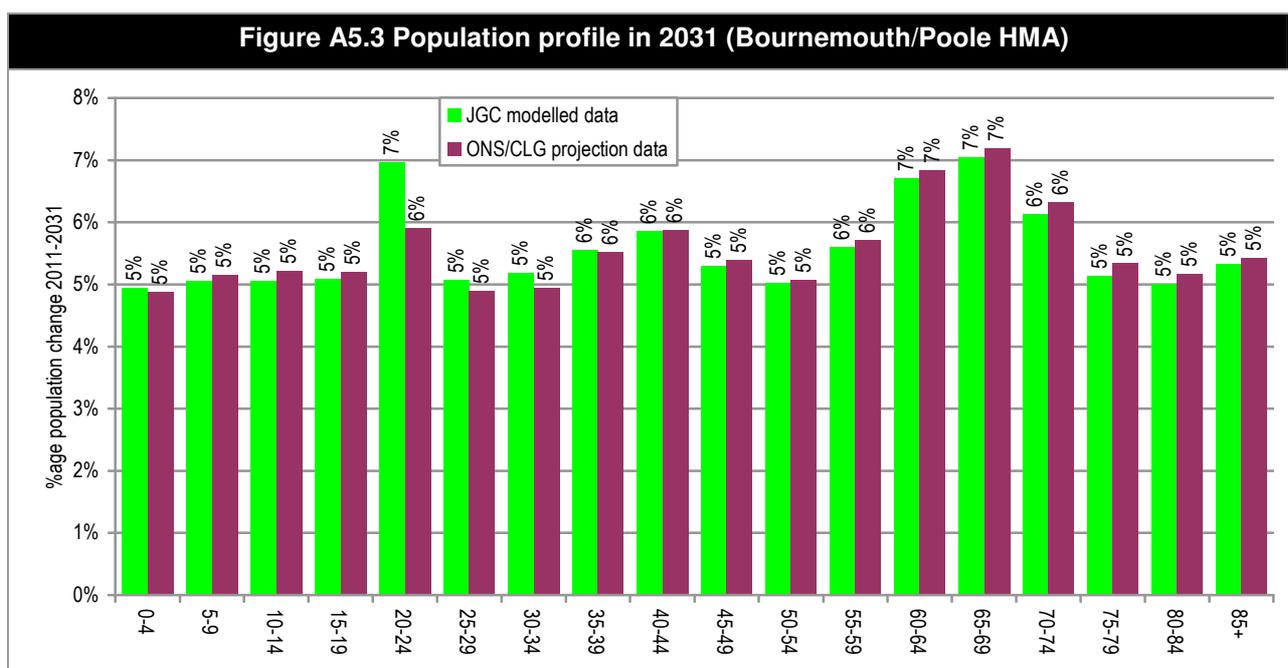
| Area | Annual average change (JGC modelling) | Annual average change (CLG projections) | Difference |
|--------------|--|--|------------|
| Bournemouth | 511 | 460 | 51 |
| Christchurch | 219 | 216 | 3 |
| East Dorset | 336 | 342 | -6 |
| North Dorset | 273 | 262 | 11 |
| Poole | 467 | 451 | 16 |
| Purbeck | 170 | 170 | 0 |
| HMA | 1,976 | 1,901 | 75 |

Source: ONS/CLG and Dorset County Council

- A5.9 We can also look at the age structure generated by these projections with the figures below showing the estimated (non-institutional) population profile by five year age band in both the ONS/CLG projections and our re-modelling. The data shows that the two sources are very similar in both 2011 and 2031 with the main difference being for the 20-24 age group. This is due to the baseline number of households in Bournemouth being estimated to be significantly higher than is assumed in the CLG projections.
- A5.10 The second figure below shows that the differences between the two sources are maintained to 2031 with the 20-24 age group again showing the greatest difference in figures.



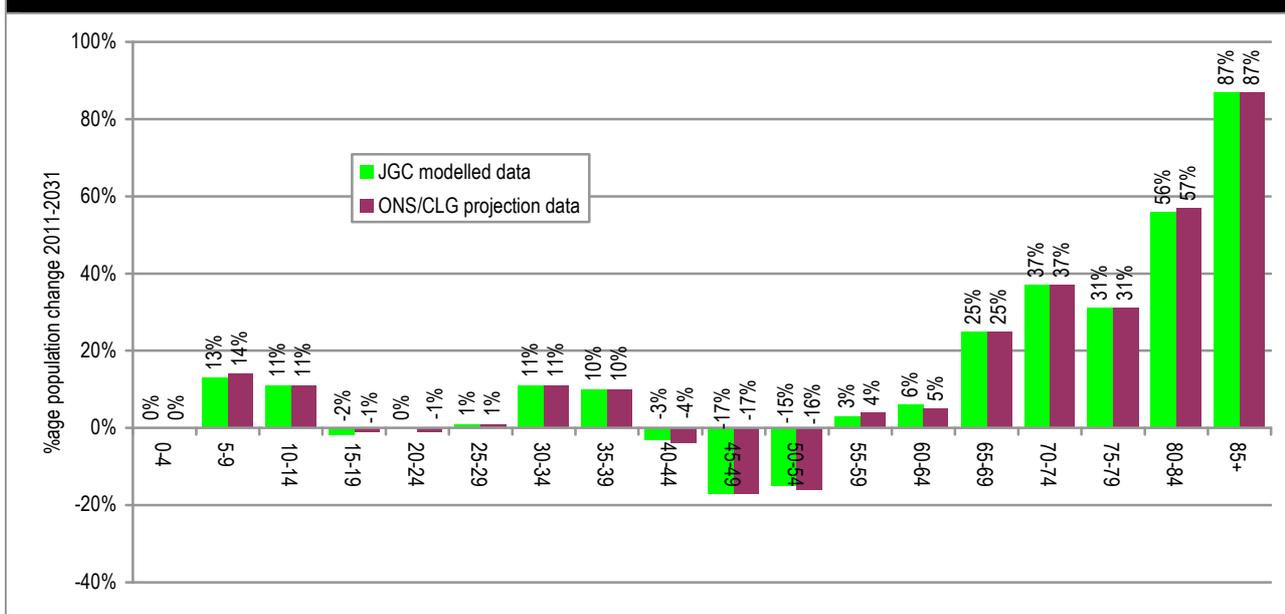
Source: ONS/CLG and Dorset County Council



Source: ONS/CLG and Dorset County Council

A5.11 Finally we can compare the change in the number of people in each age band in the ONS/CLG projections and our remodelling, the figure below showing the estimated change in (non-institutional) population by five year age band. The data shows an almost perfect match between the two sources (as would be expected) which suggests that the modelling method used will correctly identify demographic change and the implications of this.

Figure A5.4 Forecast population change by age group 2011 – 2031 (Bournemouth/Poole HMA)



Source: ONS/CLG and Dorset County Council