East Lindsey
Strategic Housing Market Assessment Update

January 2014

1. Introduction

1.1 In 2012 Opinion Research Services produce a Strategic Housing Market Assessment (SHMA) for Coastal Lincolnshire which covered East Lindsey and Boston.

1.2 This SHMA Update study (2014) represents an update for East Lindsey following the production of new households projections for the period and 2011-2031, produced by Edge Analytics ('Demographic Forecasts for East Lindsey: Updating the Evidence November 2013').

1.3 Edge's new household projections have produced change to modelled housing need outputs when compared to the 2012 study. This is the case for both housing numbers needed and the mix of housing.

1.4 Assumptions used in the original model remain the same. However, the update has used more up to data including 2011 house prices, right to buy sales to 2011 and housing benefit in the private rented sector to March 2011 (Note: the previous study used the same data sources to 2010).

1.5 The Edge Analytics report, 'Demographic Forecasts for East Lindsey: Updating the Evidence November 2013' contains eight sets of households projections for the whole of East Lindsey. These cover figures using both 2008 and 2011 based headship rates and the following assumptions:

- 2010 Sub-National Population projections (SNPP) – future dwelling delivery based upon figures contained in the 2010 based Office of National Statistics (ONS) population projections;
- 10 year completions – future delivery based upon past completion rates;
- 10 year migration– future delivery based upon internal and international migration assumptions based on 10 years of historical evidence, 2001/2 – 2010/11; and
- 5 year migration – future delivery based upon internal and international assumptions based on 5 years of historical evidence, 2006/7 – 2010/11.

1.1 Figures 1-4 in the Report (below) utilize all eight of these household projections to analyse potential future housing mixes required.

- Figure 1 replicates Figure 106 in the Coastal Lincolnshire SHMA 2012 to show the mix of housing tenures required at 2011 house prices and with a 50% reductions in housing benefit claimants;
- Figure 2 replicates Figure 1 with house prices set at 5% above 2011 levels;
- Figure 3 replicates Figure 1 with house prices set at 10% above 2011 levels; and
- Figure 4 replicates Figure 1 with housing benefit held at 2011 levels rather than reduced by 50%.

Core Modelling Assumptions

1.2 For the results presented below the following assumption are contained within the model:

- Mortgage multiplier used is 3.5%, so households are able to borrow up to 3.5 times their household income. This figure is based on recommendation in SHMA Practice Guidance;
- Households can spend up to 25% of their income for rent in accordance with CLG Practice Guidance recommendations;
- The annual rental yield for private rented dwellings is 5.9%. This is the rate of return on private rented dwellings so a property valued at £100,000 is assumed to yield a rent of £5,900 per annum. There are no official statistical sources for rental yields, so the figure used in the model is taken from the Paragon Private Rented Sector Survey Q4 2011. This is a survey of 500 buy to let landlords who are also members of the National Landlords Association;
- House prices are set as a baseline rate of their 2011 levels, which are close to long-term trend real house prices;
- A vacancy rate on households to dwellings of 3.8%. This figure is consistent with the vacancy rate at the time of the 2011 Census and recent submissions by East Lindsey to Communities and Local Government for Local Authority Housing Data;
- It is assumed that any Right to Buy/Right to Acquire sales since 2001 are required to be replaced within the model by additional new build of Social Rented dwellings. Projected Right to Buy/Right to Acquire sales to 2031 are based upon the average number of sales since 2008;
- The requirements assume a site delivery threshold of zero, so all sites yield Affordable Housing. In reality, a large number of sites won't deliver so those that do will need to provide more affordable homes and absorb remaining requirements;
- The number of households receiving Housing Benefit in the private rented sector is assumed to reduce by 50% from its March 2011 levels. This assumption was used in the 2012 SHMA and has been included here for consistency. The assumption is also sensitivity tested in the model;
- Social letting policies are assumed to remain consistent. Lettings will be made to households in housing need, often under financial pressure. These households will need Housing Benefit support to retain their tenancy, either in social rent or affordable rent tenures;
- The period for results is 2011-2033;
- All figures are rounded to the nearest 100.

Updated Future Housing Requirements for East Lindsey

1.3 For clarity, we would also note that:

- **Market Housing**: is homes for sale and rent provided at a cost above the market threshold, as defined as being above the lower quartile for renting and owner occupation
- **Intermediate Rent/Shared Ownership**: homes for sale and rent provided at a cost above social rent, but below market levels. The existing supply includes shared equity, other low cost homes for sale and Intermediate Rent along with private sector housing which is below market thresholds. We would note that Intermediate Rent is distinct from Affordable Rent because households who cannot meet the costs of Affordable Rent are able to claim Housing Benefit support. All new provision is assumed to be dedicated intermediate Affordable Housing products.
- **Social Rented/ Affordable Rented**: is existing social rented dwellings with rents set by the national Rent Regime and newly provided or converted Affordable Rent dwellings with a rent of no more than 80% of the local market rent. Affordable Rent can be considered as part of the effective social housing supply because households who cannot afford to meet the rents themselves will be entitled to obtain Housing Benefit to do so.

2. Modelling Future Housing Requirements

2.1 The household projections produced by Edge Analytics have been used as an input into the modelling of East Lindsey housing need/requirements using the ORS Housing Mix Model. This derives future housing requirements both in terms of the tenure of dwellings required and their size. A range of scenarios are also tested.

2.2 The ORS Housing Mix Model considers both housing need and overall housing requirements on a longer-term basis, providing robust and credible evidence about the required mix of housing over the full planning period and understanding how key housing market drivers (such as affordability) will impact on the appropriate housing mix.

2.3 The model uses a wide range of secondary data sources to build on Edge's household projections to profile how the housing stock will need to change in order to accommodate projected future change.

2.4 The following points summarise the way in which the model determines the total housing requirement and the required mix of housing:

- The overall housing requirement is based upon the projected increase in the total number of households (with an allowance for a proportion of vacancies within the stock).
- The change in the number of owner occupiers is based on those additional households able to afford home purchase (including newly forming households and net migrants with sufficient income to purchase, and existing households whose income has increased to now enable them to purchase) offset against the number of owner occupier households likely to suffer complete dissolution following the death of all household members.
- The level of market housing demand counts owner occupier households and other households with sufficient income to access market housing, determined by an income threshold.
- The need for social rented housing is based upon the projected mix of households and the propensity of each household type to need social housing, taking account of changing trends in these propensity rates over the period since 1981.
- The level of intermediate affordable housing is determined by the number of households unable to afford market housing but who are not counted within the need for social rented housing.

2.5 The model considers the overall requirement for market housing, intermediate affordable housing and social rented housing alongside the mix of existing housing stock, including properties which have been delivered since the baseline year. An allowance is also made for past and future tenure changes, where properties transfer from the affordable housing to private stock. In summary:

» The requirement for market housing is matched against the stock of market housing to buy or rent – i.e. owner occupied housing and housing in the private rented sector which requires incomes at or above the identified threshold for market housing.

» The cheapest private sector housing (requiring incomes below the identified threshold for market housing) is considered as below market housing supply, and is matched to households that would otherwise require intermediate affordable housing. The existing stock of intermediate affordable housing is also matched to this group of households.

» The need for social rented housing is matched against the social rented housing stock.

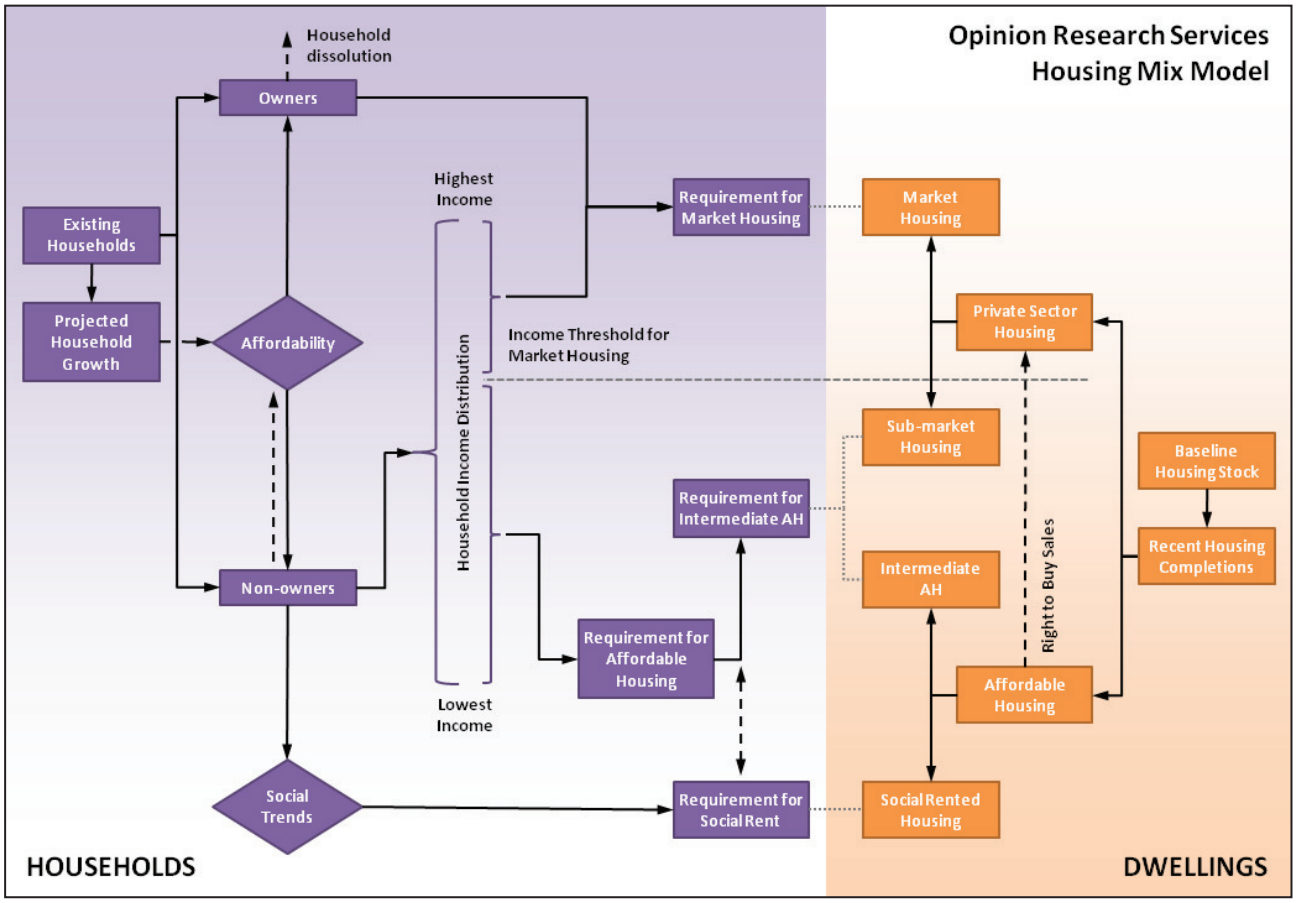
2.6 The secondary data sources are readily updateable as new information is published, and a range of assumptions can be varied to enable effective sensitivity testing to be undertaken. In particular, the model has been designed to help understand the key issues and provide insight into how different assumptions will impact on the required mix of housing over future planning periods.

2.7 The diagram (below) provides an overview of the structure of the Housing Mix Model and the way in which the different stages of the model interact.

2.8 The left hand section of the diagram considers households in terms of the baseline population and projected household growth, and their associated affordability and housing requirements.

2.9 The right hand section of the diagram considers the dwelling stock in terms of the tenure and housing costs for both the existing stock and the recent housing completions.

Detailed Overview of the ORS Housing Mix Model



3. Modelled Housing Outputs

3.1 The Modelled Housing Outputs are set out in the next pages of the Report. They have been produced with key sensitivities tested for house prices and Housing Benefit.

House Prices at 2011 Level

Figure 1
East Lindsey Housing Requirement 2011-2031 (Source: East Lindsey SHMA 2013: Note: Figures may not sum due to rounding)

Housing Type	Requirement	
	Number of Units	%
2008 Headship Rate – SNPP 2010		
Market Housing	4,200	27.3%
Intermediate Affordable Housing	5,800	38.0%
Social Rented Housing	5,300	34.7%
Total	15,300	100%
2008 Headship Rate – 10 year Completion rate		
Market Housing	1,000	9.3%
Intermediate Affordable Housing	5,000	46.4%
Social Rented Housing	4,800	44.4%
Total	10,800	100%
2008 Headship Rate – 10 year Migration		
Market Housing	-400	-4.6%
Intermediate Affordable Housing	4,700	52.8%
Social Rented Housing	4,600	51.8%
Total	8,800	100%
2008 Headship Rate – 5 Year Migration		
Market Housing	-4,800	-192.4%
Intermediate Affordable Housing	3,500	140.2%
Social Rented Housing	3,800	152.2%
Total	2,500	100%
2011 Headship Rate – SNPP 2010		
Market Housing	3,300	23.3%
Intermediate Affordable Housing	5,600	39.9%
Social Rented Housing	5,200	36.9%
Total	14,000	100%
2011 Headship Rate – 10 year Completion rate		
Market Housing	1,000	9.3%
Intermediate Affordable Housing	5,000	46.4%
Social Rented Housing	4,800	44.4%
Total	10,800	100%
2011 Headship Rate – 10 year Migration		
Market Housing	-1,000	-13.1%
Intermediate Affordable Housing	4,500	56.8%
Social Rented Housing	4,500	56.3%
Total	7,900	100%
2011 Headship Rate – 5 Year Migration		
Market Housing	-5,400	-314.8%
Intermediate Affordable Housing	3,400	197.2%
Social Rented Housing	3,700	217.6%
Total	**1,700**	**100%**

House Prices at 5% above 2011 Level

Figure 2
East Lindsey Housing Requirement 2011-2031 (Source: East Lindsey SHMA 2013 wit House Price 5% Higher than 2011 Levels: Note: Figures may not sum due to rounding)

Housing Type	Requirement	
	Number of Units	%
2008 Headship Rate – SNPP 2010		
Market Housing	3,700	24.1%
Intermediate Affordable Housing	6,300	41.2%
Social Rented Housing	5,300	34.7%
Total	15,300	100%
2008 Headship Rate – 10 year Completion rate		
Market Housing	500	5.1%
Intermediate Affordable Housing	5,500	50.6%
Social Rented Housing	4,800	44.4%
Total	10,800	100%
2008 Headship Rate – 10 year Migration		
Market Housing	-900	-9.6%
Intermediate Affordable Housing	5,100	57.9%
Social Rented Housing	4,600	51.8%
Total	8,800	100%
2008 Headship Rate – 5 Year Migration		
Market Housing	-5,300	-208.5%
Intermediate Affordable Housing	3,900	156.4%
Social Rented Housing	3,800	152.2%
Total	2,500	100%
2011 Headship Rate – SNPP 2010		
Market Housing	2,800	19.8%
Intermediate Affordable Housing	6,100	43.3%
Social Rented Housing	5,200	36.9%
Total	14,000	100%
2011 Headship Rate – 10 year Completion rate		
Market Housing	500	5.1%
Intermediate Affordable Housing	5,500	50.6%
Social Rented Housing	4,800	44.4%
Total	10,800	100%
2011 Headship Rate – 10 year Migration		
Market Housing	-1,500	-18.7%
Intermediate Affordable Housing	4,900	62.3%
Social Rented Housing	4,500	56.3%
Total	7,900	100%
2011 Headship Rate – 5 Year Migration		
Market Housing	-5,800	-338.1%
Intermediate Affordable Housing	3,800	220.5%
Social Rented Housing	3,700	217.6%
Total	1,700	**100%**

House Prices at 10% above 2011 Level

Figure 3
East Lindsey Housing Requirement 2011-2031 (Source: East Lindsey SHMA 2013 wit House Price 10% Higher than 2011 Levels: Note: Figures may not sum due to rounding)

Housing Type	Requirement	
	Number of Units	%
2008 Headship Rate – SNPP 2010		
Market Housing	3,000	19.6%
Intermediate Affordable Housing	7,000	45.7%
Social Rented Housing	5,300	34.7%
Total	15,300	100%
2008 Headship Rate – 10 year Completion rate		
Market Housing	-100	-1.0%
Intermediate Affordable Housing	6,100	56.6%
Social Rented Housing	4,800	44.4%
Total	10,800	100%
2008 Headship Rate – 10 year Migration		
Market Housing	-1,500	-16.8%
Intermediate Affordable Housing	5,700	65.1%
Social Rented Housing	4,600	51.8%
Total	8,800	100%
2008 Headship Rate – 5 Year Migration		
Market Housing	-5,800	-231.5%
Intermediate Affordable Housing	4,500	179.3%
Social Rented Housing	3,800	152.2%
Total	2,500	100%
2011 Headship Rate – SNPP 2010		
Market Housing	2,100	15.0%
Intermediate Affordable Housing	6,700	48.1%
Social Rented Housing	5,200	36.9%
Total	14,000	100%
2011 Headship Rate – 10 year Completion rate		
Market Housing	-100	-1.0%
Intermediate Affordable Housing	6,100	56.6%
Social Rented Housing	4,800	44.4%
Total	10,800	100%
2011 Headship Rate – 10 year Migration		
Market Housing	-2,100	-26.6%
Intermediate Affordable Housing	5,600	70.3%
Social Rented Housing	4,500	56.3%
Total	7,900	100%
2011 Headship Rate – 5 Year Migration		
Market Housing	-6,400	-371.4%
Intermediate Affordable Housing	4,400	253.8%
Social Rented Housing	3,700	217.6%
Total	**1,700**	**100%**

House Prices at 2011 levels and Housing Benefit in Private Rented Sector at 2011 Levels

Figure 4
East Lindsey Housing Requirement 2011-2031 (Source: East Lindsey SHMA 2013 wit Housing Benefit in private Rented Sector at 2011 Levels: Note: Figures may not sum due to rounding)

Housing Type	Requirement	
	Number of Units	%
2008 Headship Rate – SNPP 2010		
Market Housing	4,200	27.3%
Intermediate Affordable Housing	8,600	55.8%
Social Rented Housing	2,600	16.9%
Total	15,300	100%
2008 Headship Rate – 10 year Completion rate		
Market Housing	1,000	9.3%
Intermediate Affordable Housing	7,800	71.6%
Social Rented Housing	2,100	19.1%
Total	10,800	100%
2008 Headship Rate – 10 year Migration		
Market Housing	-400	-4.6%
Intermediate Affordable Housing	7,400	83.8%
Social Rented Housing	1,800	20.8%
Total	8,800	100%
2008 Headship Rate – 5 Year Migration		
Market Housing	-4,800	-192.4%
Intermediate Affordable Housing	6,300	248.8%
Social Rented Housing	1,100	43.6%
Total	2,500	100%
2011 Headship Rate – SNPP 2010		
Market Housing	3,300	23.3%
Intermediate Affordable Housing	8,300	59.4%
Social Rented Housing	2,400	17.4%
Total	14,000	100%
2011 Headship Rate – 10 year Completion rate		
Market Housing	1,000	9.3%
Intermediate Affordable Housing	7,800	71.6%
Social Rented Housing	2,100	19.1%
Total	10,800	100%
2011 Headship Rate – 10 year Migration		
Market Housing	-1,000	-13.1%
Intermediate Affordable Housing	7,200	91.3%
Social Rented Housing	1,700	21.8%
Total	7,900	100%
2011 Headship Rate – 5 Year Migration		
Market Housing	-5,400	-314.8%
Intermediate Affordable Housing	6,100	356.3%
Social Rented Housing	1,000	58.5%
Total	1,700	**100%**

4. Conclusions

4.1 The modelling of housing needs derived from new population projections (above) shows:

- A low market housing requirement
- The impact of migration on housing requirements
- The impact of the growth in the Private Rented Sector
- A relatively high need for Intermediate housing
- A relatively high need for affordable housing

Market Housing

4.2 A key output from the modelling is a small requirement for market housing and a high affordable housing requirement; it is important to understand the implications of this.

4.3 The market housing requirement does not represent the requirement for new build housing. Instead, it represents the number of units which market housing could potentially rise by in the next 20 years in East Lindsey. This distinction can be illustrated by a simple example.

Example Scenario

A newbuild dwelling is bought by a household who are currently occupying an existing owner occupied property.

But what happens to the dwelling they vacate.

If it is bought by another household who occupy the dwelling the total market housing stock has been increased by one unit (the newbuild dwelling).

However, if the dwelling is bought by a landlord who subsequently rents the property to a household receiving housing benefit this effectively becomes part of private rented stock, and, importantly, arguably the affordable housing supply.

Therefore, completing one newbuild dwelling can see the market housing supply remain unchanged, but the affordable housing supply rise as part of the second hand stock finds its way into the affordable housing sector.

4.4 The example has become more common: Newbuild dwellings are occupied as market housing, but parts of the second hand stock is 'converted' into other tenures – this includes lower yield properties (often ex Right to buy) let to those households on housing benefit in private rent, or sub-divided and let as lower quartile private rent.

4.5 The implication is that the market housing requirement identified does not necessarily equate to the newbuild market requirement. If more of the second hand stock becomes part of the effective affordable supply (via conversion and letting to low income households) then potentially more units of newbuild could be required.

4.6 However, if sufficient genuine affordable housing can be provided, units of current effective affordable supply (in the private rented sector) can be returned to the market sector: i.e. households could vacate the lower quartile or housing benefit supported private rent and these dwelling could return to being part of the market supply.

Intermediate Housing

4.7 It is also important not to view the large requirement for intermediate housing as a dwelling target. In practice the model is projecting that self-contained dwellings occupied by single person households will gradually become HMOs (or converted to dwellings to meet the requirements of more than one household who are unable to afford market prices, but can afford to meet part of the cost of a market property).

4.8 Put another way, many single person households will be in self-contained accommodation. When these are vacated, some will be converted into a form of shared accommodation and, effectively, take up demand from some households who would otherwise choose intermediate accommodation.

Growth of the Private Rented Sector

4.9 Recent trends in East Lindsey reflect the potential pattern of relative decline in market housing and the growth of private rent.

4.10 As shown in Figure 5 the relative share of the housing stock occupied by owner occupiers (owned outright or with a mortgage) has fallen from 72.9% in the 2001 Census to 69.2% in the 2011 Census, with a sharp decline in the number of households with a mortgage. Meanwhile the overall size of the private rented sector has grown by around 33%.

4.11 The ORS Housing Model is projecting that this trend will continue with many currently owner occupier dwellings becoming privately rented to help to meet the needs of those who require affordable housing.

Figure 5: Tenure for East Lindsey 2001 and 2011 (Source: UK Census of Population 2001 and 2011s: Note: Figures may not sum due to rounding)

Tenure	2001		2011	
	Number of dwellings	Percentage	Number of dwellings	Percentage
Owned outright	22,755	41.0%	25,826	42.4%
Owned with a mortgage	17,730	31.9%	16,311	26.8%
Shared ownership	438	0.85	482	0.8%
Rented from council	2,376	4.3%	1,605	2.6%
Other social rented	3,591	6.5%	5,100	8.4%
Private landlord or letting agency	6,228	11.2%	9,334	15.3%
Private rented - Other	1,050	2.1%	1,220	2.0%
Lives rent free	1,263	2.3%	1,012	1.7%
Total	**55,531**	**100%**	**60,890**	**100%**

Social and Affordable Housing

4.12 The relative share of social/affordable housing in the overall stock has increased slightly from 11.65% to 11.8% of stock (2001-2011).

4.13 For social housing, the housing need identified includes meeting those whose needs are met in the private rented sector with housing benefit support. Arguably, recent policy has favoured expansion in meeting needs in this way. However, the sector could adapt as a result of Welfare Reform, in particular:

Extending the Limit for a Single Person Receiving a Bedsit Allowance to 35 Years of Age

4.14 Currently, any single person aged 24 years or younger is entitled to only the bedsit LHA, rather the allowance for a self-contained dwelling. In October 2010 it was announced that this would be extended to any single person aged 34 years or younger.

4.15 The bedsit allowance will enable the single person only to receive a share of a dwelling. Therefore, a major impact of this change is likely to be a rise in the demand for shared accommodation within HMOs. More single persons will be forced to share accommodation for longer and this is likely to see more of the existing housing stock turned over to HMOs.

Priority Need Homeless No Longer Able to Refuse Private Sector Housing

4.16 Whilst local authorities can currently offer homeless people (who they have a duty to house under Part 7 of the Housing Act 1996) private sector accommodation, the applicant can refuse this offer. Under new proposals, priority need households will no longer be able to refuse the offer of a private sector dwelling.

4.17 The main aim of this proposal is to reduce the pressures on the social housing stock as most priority need is currently met in social rent. However, the indirect result of the change is that there will be further demands placed upon the private rented sector as Councils increasingly seek to house their priority need households outside the social rented sector.

4.18 While this approach has not yet been adopted in East Lindsey, the change, as and when it happens, may carry implications.

Summary

4.19 East Lindsey has a positive housing offer which continues to support a diverse, and changing, local community. However, there remain challenges in the local housing market faces both now and in the future: population and household change, the challenge of new housing delivery, a growing private rented sector, and other, specific needs, beyond the scope of this SHMA Update.

4.20 Key to meeting the challenge of future change is the ability to plan effectively for the future. This study has drawn on recent demographic scenarios to test their impact in turns of future housing need and concluded that there is still a need for housing, both market and affordable.

4.21 Overall, therefore, the need for a continued co-ordinated approach by the Council towards the varied housing challenges it faces is essential to ensure future success.