



GL Hearn

Coventry & Warwickshire Joint Strategic Housing Market Assessment

Executive Summary

Prepared by

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1 INTRODUCTION

- 1.1 The Coventry and Warwickshire Housing Market Area (HMA) covers the local authorities of Coventry, North Warwickshire, Nuneaton & Bedworth, Rugby, Stratford-on-Avon and Warwick. The local authorities have worked together to support the development of this Joint Strategic Housing Market Assessment (SHMA)¹.
- 1.2 The SHMA considers the need for housing across the HMA and in individual local authority areas over the period to 2031. It considers how many homes are needed; what type of homes are needed – both market and affordable; as well as what housing is needed to meet the needs of specific groups within the population including older people and those with disabilities. The assessment is intended to help inform Local Plans alongside wider evidence.

2 OVERALL HOUSING NEED

- 2.1 The National Planning Policy Framework (NPPF)² sets out the Government's planning policies for England. It outlines that in planning for housing, councils must work with neighbouring councils to prepare a Strategic Housing Market Assessment (SHMA) for the housing market area, and must also cooperate to ensure the needs of the housing market area are met. The "Duty to Cooperate" is both a legal requirement, based on the 2011 Localism Act, and a soundness test for plan-making.
- 2.2 The NPPF outlines that the SHMA should provide an objective assessment of the full need for market and affordable housing within the housing market area (para 159). The SHMA does not set housing targets in itself. It provides an assessment of the future need for housing based on facts and unbiased evidence. Government guidance and advice is explicit that the SHMA itself must not apply constraints to the overall assessment of need, such as environmental constraints or issues related to congestion and local infrastructure. This does not mean that these issues are not important - they are very relevant issues in considering where new development should be located.
- 2.3 The conclusions of this SHMA have been framed by the Planning Practice Guidance (CLG, March 2013). This outlines that the starting point for assessing housing need is the latest set of household projections published by CLG. These are the 2011-based Interim Household Projections. It sets out that these may require adjustment to take account of the latest evidence and to consider need over longer-term timeframes for strategic planning. This has been done through the SHMA in the development of PROJ 1A which takes into account what the 2011 Census shows regarding population trends (and particularly migration) over the 2001-11 period.

¹ Stratford-on-Avon DC were not part of the commissioning group for the Assessment but their area was included within it, and the Council had an involvement as a consultee in its preparation.

² CLG (2012) *National Planning Policy Framework*

- 2.4 The Planning Practice Guidance then effectively sets out a number of tests which need to be considered, which can be summarised as follows:
- Is there evidence that household formation has been constrained? Do market signals suggest a need to increase housing supply to improve affordability?
 - Will delivery based on the household projections be capable of meeting affordable housing needs? Should higher housing numbers be considered to increase delivery of affordable housing?
 - Will the housing numbers support expected growth in jobs, or is there a need to consider increasing housing supply or adjusting the distribution of homes to support economic growth?
- 2.5 These three tests effectively provide a basis for considering whether it would be appropriate to make an upward adjustment, in the case of this report to “minimum” housing figures derived from the PROJ 1A Projections.
- 2.6 The SHMA defines a minimum level of housing provision, equivalent to delivery of 3,335 homes per year over the 2011-31 period. This is based on modest assumptions on household formation (drawing on Government’s 2011-based Household Projections). However the SHMA indicates that household formation rates could be stronger than this; and that the evidence of affordable housing needs and economic growth forecasts suggest that a higher level of provision should be considered.
- 2.7 The SHMA concludes that it would be reasonable to plan for household formation (headship) rates which fall between those shown in the Government’s 2008-based Household Projections, which reflect long-term trends, and the 2011-based Household Projections, which appear to have been influenced by the impact of the economic recession over the latter part of the 2001-11 decade on rates of household formation. Taking the midpoint between these, a need for 3,750 homes per year to 2031 is projected. This higher level of housing provision will help to address levels of concealed households and support higher delivery of affordable housing.
- 2.8 Taking account of how the age structure of the population is expected to change over the period to 2031, the economic-driven projections run within the SHMA indicate that the need for housing could in theory be higher than 3,750 homes per year. However the relationship between growth in jobs and growth in population will be influenced by how successful the LEP Area is in bringing people back into work. The relationship between growth in housing and employment will need to be considered by each authority in the development of future planning policy.
- 2.9 Across Coventry and Warwickshire as a whole, the SHMA indicates that this level of provision could potentially support balance between labour demand and supply, however the dynamics differ in different authorities within the HMA. In particular it is notable that Stratford-on-Avon District and North Warwickshire have a notably older population structure, which could create pressure for increased economic-driven in-migration to support the local economy. These dynamics are however

very sensitive to changes in commuting. In parts of the HMA, most notably in Coventry, there is particular scope for improvements in economic participation.

- 2.10 The affordable housing needs evidence on its own does not provide a rationale for increasing housing provision over and above this, albeit that there are differences for different authorities within the HMA. However the SHMA points towards policy choices regarding the future contribution of the private rented sector to meeting any shortfall of affordable housing provision against assessed needs.
- 2.11 Taking these factors into account the SHMA concludes that provision of between 3,335 – 4,100 homes per annum would be appropriate. The mid-point of this range for 3,750 homes per annum would represent a reasonable level of provision across the HMA.
- 2.12 These conclusions are based on meeting assessed housing need arising within the HMA based on the evidence currently available. This analysis is based on meeting the HMA's housing needs and does not include any allowance for contributing to shortfalls in housing supply beyond the HMA. We are particularly aware that there is an identified level of unmet need in Birmingham. These would need to be considered through joint working in accordance with the Duty to Cooperate and is a relevant issue to consider, alongside other factors, in finalising housing targets in individual authorities' development plans.

Conclusions for Individual Authorities

- 2.13 The SHMA has considered housing market dynamics in the six local authorities in the HMA. It has considered population dynamics, economic growth trends and potential, housing market dynamics and affordable housing needs in each area. These are brought together to provide an assessment of housing need for each local authority.
- 2.14 Table 1 identified the SHMA conclusions regarding the level of housing need identified for different local authorities within the HMA.
- 2.15 The SHMA is intended to provide a consistent assessment of need across the HMA. However it is a strategic-level assessment and through the development of individual authorities' development plans there may be wider evidence which forms part of the evidence base regarding more local dynamics and issues, including in regard to local economic growth potential, which may provide a basis for refining needs estimates herein. In interpreting the conclusions herein, greater weight should be attached to the HMA-wide findings.

Table 1: Overall Assessed Need for Housing (per annum 2011-2031)

| Housing Need per Annum | HMA | Coventry | North Warwickshire | Nuneaton & Bedworth | Rugby | Stratford-on-Avon | Warwick |
|--|-------|----------|--------------------|---------------------|-------|-------------------|---------|
| Minimum Provision | 3,335 | 1,040 | 150 | 430 | 575 | 480 | 660 |
| Assessed Need | 3800 | 1,180 | 175 | 495 | 660 | 570 | 720 |
| Assessed Need as % Growth in Stock PA | 1.0% | 0.9% | 0.6% | 0.9% | 1.5% | 1.1% | 1.2% |

2.16 The assessment of need herein does not take account of issues relating to land supply, infrastructure or other strategic constraints to development. These factors are however relevant in the development of planning policies and consideration of the distribution of housing across the HMA.

2.17 The next step is thus for the local authorities to test the ability to meet the levels of need for housing identified in their area, taking account of a range of wider factors including:

- The availability of suitable land for development;
- Strategic development constraints; and
- The ability of infrastructure to support development.

2.18 This needs to be tested through the plan-making process, including through Sustainability Appraisal which assesses alternative levels of growth.

2.19 Where an authority is unable to meet its own housing need in full, it will need to work with the other authorities, first of all within the HMA, to consider how these needs can be met. On-going collaboration on these issues, including in addressing unmet needs, will be important in ensuring that the authorities meet their statutory Duty to Cooperate in respect of plan-making.

3 MIX OF HOUSING

Dwelling Sizes

3.1 There are a range of factors which will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households' ability to save; economic performance and housing affordability. The SHMA has considered and drawn together these factors to provide guidance on the future mix of market and affordable housing.

3.2 The evidence suggests that the focus of market housing will be for two and three-bed properties over the period to 2031. Table 2 provides specific guidance. Continued demand for family housing can be expected from newly forming households and those trading up or down in the market. There may also be some demand for medium-sized properties (2 and 3 beds) from older households downsizing and looking to release equity in existing homes, but still retain flexibility for friends and family to come and stay.

3.3 In Coventry there is particular need for larger homes with three- or more bedrooms to help diversify the City's housing offer, reduce overcrowding and support regeneration through growing the spending power within its catchment area. In Stratford-on-Avon the analysis points to particular potential to support supply of larger properties through focusing housing provision on medium-sized provision into which older households may consider downsizing.

Table 2: Guidance on Market Housing Mix

| MARKET | 1-bed | 2-bed | 3-bed | 4+ bed |
|---------------------|-------|--------|--------|--------|
| Coventry | 5-10% | 25-30% | 40-45% | 20-25% |
| North Warwickshire | 5-10% | 34-40% | 45-50% | 5-10% |
| Nuneaton & Bedworth | 5-10% | 35-40% | 45-50% | 10-15% |
| Rugby | 5-10% | 25-30% | 40-45% | 20-25% |
| Stratford-on-Avon | 5-10% | 35-40% | 40-45% | 15-20% |
| Warwick | 5-10% | 25-30% | 40-45% | 20-25% |
| HMA | 5-10% | 30-35% | 35-40% | 15-20% |

3.4 In the affordable housing sector there is a much stronger relationship between the sizes of households and the sizes of homes people occupy, particularly for working-age households (taking into account the under-occupancy charge (the so-called 'bedroom tax')). The mix of housing needed is thus focused more towards homes with fewer bedrooms. Table 3 sets out the SHMA's strategic conclusions on the need for different sizes of affordable housing.

Table 3: Guidance on Affordable Housing Mix

| AFFORDABLE | 1-bed | 2-bed | 3-bed | 4+ bed |
|---------------------|--------|--------|--------|--------|
| Coventry | 20-25% | 30-35% | 25-30% | 15-20% |
| North Warwickshire | 35-40% | 30-35% | 20-25% | 5-10% |
| Nuneaton & Bedworth | 40-45% | 25-30% | 20-25% | 5-10% |
| Rugby | 30-35% | 30-35% | 20-25% | 5-10% |
| Stratford-on-Avon | 15-20% | 35-40% | 35-40% | 5-10% |
| Warwick | 30-35% | 25-30% | 30-35% | 5-10% |
| HMA | 30-35% | 30-35% | 25-30% | 5-10% |

3.5 The guidance on housing mix identified above is intended to inform strategic planning policies. In applying these to individual development sites regard should be had to the nature of the

development site and character of the area, and to up-to-date evidence of need as well as the existing mix of properties at the local level.

3.6 The Councils should also consider whether it is appropriate to set out specific space standards for new development, particularly to encourage provision of decent sized family housing (e.g. 3 bed properties).

Affordable Tenure Mix

3.7 The SHMA has also considered the need for different affordable housing products. It recognises that there is some overlap between different affordable tenures in terms of the households who might live in them. It splits affordable need into three categories as shown in Table 4.

Table 4: Net Need within different Affordability Categories

| | Estimated net need for Equity-based Products | Net Need from Households which could afford more than existing Social Rents without Benefits but not Equity Products | Net Need from Households who cannot afford over existing Social Rent Levels |
|---------------------|--|--|---|
| Coventry | 19% | 37% | 44% |
| North Warwickshire | 15% | 21% | 64% |
| Nuneaton & Bedworth | 26% | 37% | 37% |
| Rugby | 12% | 21% | 67% |
| Stratford-on-Avon | 11% | 26% | 63% |
| Warwick | 14% | 24% | 62% |
| HMA | 17% | 29% | 54% |

3.8 Across the HMA it would be appropriate for 15-20% of new affordable housing to be provided as intermediate equity based products, with 80-85% provided as social or affordable rented homes. However it should be recognised that there is a degree of overlap between social and affordable rented housing, not least as households can claim Housing Benefit in both tenures.

4 MEETING SPECIFIC NEEDS

4.1 The SHMA has considered the needs of various groups within the community which might have specific housing needs. In particular it identifies the need to plan for an ageing population over the period to 2031 in the HMA.

4.2 The evidence suggests as people get older, some may require support including adaptations to their properties to meet their changing needs, and provision of floating support. It forecasts a growth of 80% in people with dementia and 65% in people with mobility problems over the period to 2031 (linked in particular to improvements in life expectancy). It will be important that the growth in need

is recognised and adequately resourced. Homes can also be designed in accordance with the Lifetimes Homes Standard to enable adaptations to be made to people's changing needs.

- 4.3 Many older households will want to remain in their existing homes. However with provision of suitable and attractive properties at the local level some older households may choose to downsize, to reduce property running costs or release equity from their homes. Some of these households may move into housing on the general market, whilst some may seek more specifically accommodation targeted at older households (in both the market and affordable sectors).
- 4.4 A proportion of the growing older population will have more specialist needs. The SHMA provides an indicative assessment of a need for 630 units of specialist housing for older people (sheltered and extra care) per annum in the HMA. Linked principally to the ageing of the population the SHMA also estimates that households which include people with a disability can be expected to increase by a third over the period to 2031. This would provide a rationale for policies seeking or supporting provision of housing for older people within development schemes, and a potential need to provide support for adaptations to existing stock.
- 4.5 The wider SHMA analysis suggests that there are some groups within the population who are disadvantaged to some degree in accessing housing. These include BME households which are more likely to be overcrowded and living in rented accommodation (in part related to younger age structures in BME communities), low income lone-parent households and young people. These issues can be partly addressed by housing policy. This includes by ensuring that affordable housing is accessible to lone parent families; and potentially through targeted provision of larger housing to address instances where there is a particular concentration of overcrowding within local communities. Similarly a growing older population in particular is likely to drive a need to increase the provision of specialist housing to meet the needs of households with disabilities.