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Meeting of Local Development Framework  
Working Group

10<sup>th</sup> July 2007

Report of the Director of City Strategy

## **York Strategic Housing Market Assessment 2007**

### **Summary**

1. The purpose of this report is to present Members with findings from the 2007 Strategic Housing Market Assessment undertaken by Fordham Research during the last 6 months and, with reference to this comprehensive study of housing in York, to highlight the key issues for the City Council to consider in progressing the current Local Development Framework (LDF) programme.

### **Background**

2. A Strategic Housing Market Assessment (SHMA) is an essential part of the evidence base for the LDF, and is identified in the Core Strategy Issues and Options Consultation document, 2006.
3. Planning Policy Statement 3 'Housing', published by the Department for Communities and Local Government (DCLG), emphasises the importance of understanding and responding to the dynamics of the housing market. The Government also released a Housing Market Assessment manual in December 2004 and Good Practice Guidance in April 2007. The documents provide a technical and practical basis for carrying out SHMA's, and Fordham Research have completed their report robustly within these guidelines.
4. In June 2006 the City of York Council published a draft SHMA that was completed in order to provide evidence for the Joint Housing Inquiries (Germany Beck and Metcalfe Lane). The report, which set out key findings and issues, was brought to the LDF Working Group on 26<sup>th</sup> September 2006 for consideration. Members resolved to publish the study findings as part of the evidence base for the LDF until such time as the updated SHMA study was finalised, and to use the findings regarding the required mix and type of dwellings for development control purposes.
5. This new SHMA builds on the 2006 report and adds more detail, including a new household survey. It follows national guidance in terms of methodology and consultation. In particular, the scope of the study has benefited from regular steering group meetings as well as two separate stakeholder work

sessions with interest groups, Council officers and Members, together with follow up work with specific groups, as detailed in paragraphs 8 - 11 below.

6. The SHMA investigates the unconstrained demand for different types and sizes of housing in York, including affordable housing, and clarifies that the wider objectives of the City Council – such as the protection of the historic and natural environment – have not been applied to demand figures.
7. Copies of the full 2007 SHMA report, including an Executive Summary, are available in the Members' library, and to view at the Guildhall and St. Leonard's Place receptions. The Executive Summary, which highlights the key issues and outcomes, is appended to this report.

## **Consultation**

8. Workshop meetings have been held with key stakeholders in the city, together with Fordham Research and City Council representatives and Members. These have been very useful and comments/ issues raised have been addressed in the study.
9. The workshop meetings have been followed up by a number of interviews with specific groups such as estate and letting agents, the University of York, York Polish community representative and local developers/ house builders. These have helped to build up an even more accurate picture and understanding of the housing market in York.
10. Interviews with estate/ letting agents and developers discussed the dynamics of the York housing market and provided a good overview of what has actually been happening locally, rather than relying on anecdotal evidence. The interviews were supplemented by an internet property/ rent price search to establish the costs of housing in the local area.
11. In addition to the primary data sources stated above, a household survey was conducted. Survey data was used to supplement existing secondary data sources, and also used to analyse households' future housing demands and aspirations and investigate local affordability. A sample of 13,200 households in York received a questionnaire, from which over 3,000 responses were received. This sample is easily large enough to be statistically accurate, with a 1.7% city-wide margin of error.

## **Key Findings**

### Population

12. The study found that, whilst York shares the regional characteristic of a slightly lower than average population in the 30-45 age range, the population in the 20-29 age range is unusually high compared to the national averages,

largely due to its status as a University town with a large numbers of students.

13. Compared to both regional and national averages, the proportion of children is unusually low in the city. There is also a slight over-representation of over-70's.
14. The population of York is expected to grow significantly over the next 15 years, with especially large increases in those aged 60 and over, and a decrease in the population aged 35 to 49.
15. Growth in the number of households is also significant, with latest projections (released by the Office of National Statistics in March 2007) estimating that the number is expected to increase by around 16,300 in the period 2006 to 2021 (around 1,087 per annum). At the same time it is predicted that average household sizes will continue to drop – from 2.30 persons per household in 2006 to around 2.17 in 2021.
16. The policy implications of these changes are that there may be an increased demand for smaller homes (as average household sizes drop) whilst the requirement for specialist accommodation may well increase (in line with the increase in the elderly population).

#### The current housing stock

17. York has a slightly lower than average proportion of social rented housing compared to the national average, at just 15%, with owner occupied housing making up most of the shortfall. The private rented sector makes up 10% of the housing stock.
18. The proportion of semi detached housing and flats are in line with the wider region. There is less terraced housing than found in the region as a whole, and this shortfall is made up in the detached housing sector – although it remains a smaller proportion overall. This indicates generally larger properties than in the region as a whole.
19. York has a lower proportion of dwellings in the lowest council tax band (A) than either regionally or nationally. York has relatively low vacancy rates. The proportion of dwellings classed as second homes is in line with the regional average and lower than national average. Census data suggests that levels of overcrowding are below national averages, and the SHMA reports that under occupation is higher than the regional average, especially in the rural areas.

#### Housing costs by tenure

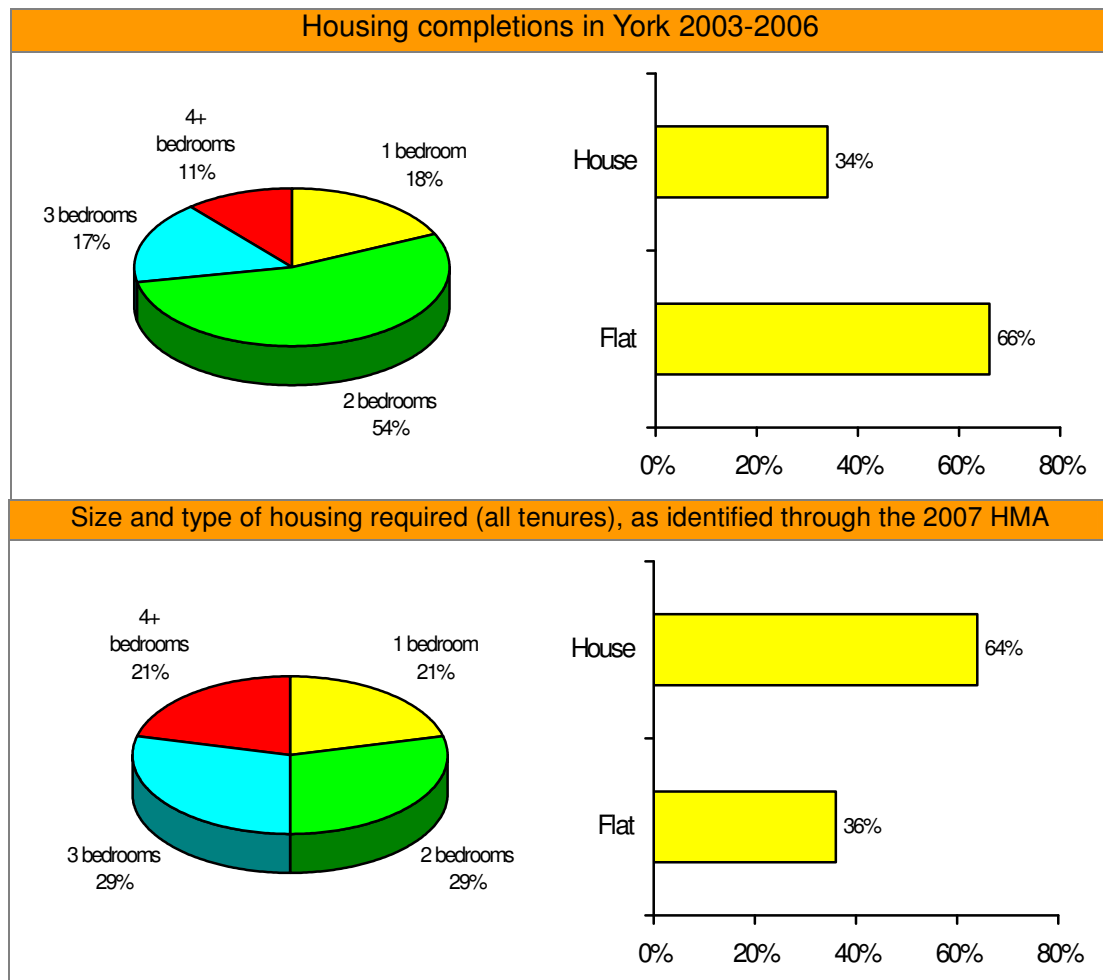
20. York's house prices are 28% higher than the regional average, and just below the national average. There is a significant gulf between average income earnings and average house prices. The typical house price to earnings ratio is high, both regionally and nationally, at 8:1. Entry-level prices vary from £114,500 to £242,000 depending on the size of the dwelling. Entry-level

weekly rents in the private sector vary from £109 to £213. These are more than 100% higher than weekly rents in the social rented sector, at £59 to £79.

### Balancing Housing Markets

21. The 'Balancing Housing Markets' assessment (BHM) looks at the whole local housing market. It combines a technical assessment of housing requirements with a reasoned judgement about exactly how the housing market operates (noting, for example, that the private rented sector is often used to meet some affordable needs through the use of housing benefit). It estimates future supply of housing from three distinct groups (household dissolution (death), existing households and out-migrant households). Each is estimated in terms of the tenure, size and type of accommodation released.
22. The same exercise is then carried out in terms of the demand for housing resulting from three groups (newly forming households, existing households and in-migrant households). By looking at what households would *like* in terms of tenure, size and house type, and what they *expect* to be able to acquire, tested against their income, it is possible to form a picture of the 'demand' from each type of household.
23. The net housing demand, using the BHM model, concludes that overall, across all tenures, there is an apparent shortfall of 983 new homes per annum, with 331 pa of these being in the urban sub area, 559 pa in the suburban sub area, and 93 pa in the rural sub area. This compares with the net housing need, as assessed through the DCLG model (paragraphs 30-36 of this report), of 1,218 homes per annum – which is what would be required to alleviate all housing problems in York, including spending any more than 25% of income on housing and households living on shorthold tenure in the private rented sector.
24. Clearly the evidence suggests that the RSS target of 850 per annum (after 2011) could readily be exceeded if all housing market demand and need were to be addressed, but the study emphasises that this is not a surprise in an attractive, high demand city like York, and it is not a compelling argument for challenging overall housing targets. The value of the BHM model is more in assessing the character and direction of housing market demand and need.
25. There is expected to be a greater demand for housing than the current stock of housing can meet, with 50% of the overall shortfall in the owner occupied sector (especially for 2 bed houses, although shortages of all sizes are shown), 7% in the private rented sector, 16% for intermediate housing, and 27% of the total shortfall for social rented housing (mainly 2 bed but with also a shortage of 3 and 4 bed).
26. The HMA concludes that planning policy needs to be clear about whom intermediate housing is for. If it is seen as an affordable housing solution then developers need to substantially subsidise its cost to make it affordable.

27. The demand for a range of dwelling sizes is clearly evident, with 21% looking for 1 bed, 29% for 2 bed, 29% for 3 bed, and 21% for 4 bedrooms. Over 60% of households are looking for houses rather than flats. This can be seen alongside recent completions in York, which reveal much higher completions of 2 bed homes and flats, as shown in the tables below.



### Balancing Supply and Demand

28. In reality, planning policy can only influence the mix and type of new houses built in two broad tenure categories (market and affordable), as it cannot effectively control which properties then enter the private rented sector. By looking at supply and demand results, the SHMA suggests the mix that is likely to be required to provide the sorts of accommodation demanded and shown to be in short supply.

29. The study shows the results of the analysis for the market and affordable sectors, broken down into house type and dwelling size. This shows that the majority of the demand in both sectors is for houses (60% of affordable and over 70% of market demand). Whilst the predominant requirement in both

sectors is for two bedroom properties, over 40% of the market demand and 25% of the affordable housing demand is for 3/4+ bedroom properties.

### Housing Need

30. Housing need is defined through government guidelines by the number of households who lack their own housing or who live in unsuitable housing and who cannot afford to meet their housing needs in the market. In order to assess housing need, the York SHMA uses a 'basic needs assessment model', which accords with Government guidance for undertaking needs studies. The model determines the existing and arising demand for affordable units as well as predicting the supply available to estimate the shortfall (or surplus) on an annual basis. The study also follows the Government guide's definition of unsuitable housing.
31. Affordable housing includes social rented housing and intermediate housing, provided to specified eligible households whose needs are not met by the market.
32. The survey suggests that 4,285 households in York are currently living in unsuitable housing, and 2,524 of these will need to move home to find a solution to that unsuitability. Of these 1,554 cannot afford a suitable solution through existing income and savings, without some form of subsidy, and these households are hence considered to be in housing need. There are also 14 homeless households to add to this number, although this refers to those in bed & breakfast accommodation at the time of the study and doesn't take account of the 150+ homeless households currently in other temporary accommodation (hostels or CYC stock).
33. At the time of survey there was a stock of affordable housing in York, in terms of potential re-lets of social housing, which totals 937, which could be used to meet this need, meaning that the net backlog of need is 631 homes (1,568 minus 937).
34. Future housing need is projected as an annual need over 2 years and is made up of new household formation together with existing households falling into need. This totals 2,157 homes per annum in York, with the current stock of affordable housing likely to provide around 1,065 homes. 20% of the backlog (existing) need in York is added to this in order to address this need over a 5-year period. Hence the **total annual need for affordable housing is 1,218 homes** (2,157 minus 1,065 add 126).
35. This total annual need is higher than both the 2002 study findings (950 per annum) and 2006 findings (969 per annum) as a result of only relatively small net additions to the affordable stock (exacerbated by an increasing number of small developments being progressed in the last few years, i.e. under the current threshold of 15 dwellings) allied with sharp increases in prices.
36. As the total supply of housing (market and affordable) proposed through the RSS (850 per annum after 2011) is far less than 1,218 per annum, it is clear

that the city's affordable housing shortage cannot be addressed through planning policy alone.

### Rural Issues

37. The evidence shows that rural areas generally have a higher percentage of owner occupation than urban areas. Property prices are generally also higher and dwellings are more likely to be detached or bungalows than is the case for urban areas. There is a limited supply of rural affordable housing and a general lack of smaller 'cheaper' market properties.
38. Rural areas also show higher levels of under-occupation, with approximately 45% of households having more than one spare bedroom (compared with the bedroom standard).

### Particular Needs

39. A section of the SHMA investigates specific housing requirements of particular groups, such as those with support needs, older person households, families and Black and Minority Ethnic groups. Key findings from this work are set out in the SHMA study and summarised in paragraphs 40 - 48 below.
40. Support Needs Households – nearly 17% of all households in York contain at least one person with a support need. These households are more likely to live in unsuitable housing and generally had lower financial capacity. 17% of households spent more than half of their income on housing.
41. Older Person Households – More than a quarter (26.8%) of households in York contain only older people (above retirement age). These tend to be concentrated in the outer suburbs, particularly in owner occupied housing without a mortgage. Older person households generally tend to be smaller (the number with more than two people is less than 1%), with nearly half (47.3%) living in homes with more than 2 bedrooms.
42. Key Worker Households – Key worker households, for the purpose of this study, are defined as teachers, social workers, clinical healthcare staff, emergency services, and prison/ probation officers. These groups tend to be concentrated in owner occupied accommodation, with mortgages, and have higher financial capacities, spend a smaller proportion of their incomes on housing, and have lower levels of housing need. The survey does indicate that there are 1,018 key worker households living in York who are unable to afford open market housing, but their current accommodation – as defined by the study in terms of not being overcrowded, having basic facilities, not being subject to harassment etc – is generally regarded as suitable.
43. First Time Buyers and Young People – Nearly half (43.6%) of younger people (aged 21-35) live in shared accommodation, and are especially concentrated in the inner suburbs of the city. The financial capacity of younger person households is below average, and a much larger proportion than average spend large percentages of income on housing. First time buyers tend to

have higher incomes than average, but lower financial capacities since they have little equity.

44. Black and Minority Ethnic Groups (BME's) – 6.8% of York's population was within a BME group in 2004, compared to 4.9% in 2001. BME households tend to be located in private rented and terraced housing.
45. Families with Children – Households containing children make up nearly a quarter (22.3%) of all households in York, and tend to be located in the outer suburbs or rural areas, and particularly in semi-detached housing. Such households are more likely to be living in unsuitable accommodation, despite a higher than average financial capacity. There is also an increased likelihood of spending a larger proportion of income on housing.
46. Lone Parent Families – Make up 3.5% of households in York. Such households have a much lower financial capacity than average, and are much more likely to spend a very large proportion of their income on housing.
47. Student Households – There are just over 14,500 full time students in York, with around 6,000 of these living within the city's housing stock. It appears from the survey that the vast majority live in private rented housing, especially shared houses in the central area of the city.
48. Gypsies and Travellers – The survey did not include a dedicated survey of gypsies and travellers, but there is secondary data available, and separate regional and sub regional studies are being carried out in order to build up a comprehensive picture of need in this sector. This study work should be available by January 2008.

### Policy Implications

49. The SHMA stresses that, whilst huge unconstrained demand and need exist, wider planning objectives need to be considered and taken into account when interpreting these unconstrained demand figures into housing policy for the city. Specifically, there will be issues to consider with regard to environmental constraints, traffic flow and impact on natural and urban conservation designations. These factors will necessarily constrain the level of house building in York, and will be given due consideration through the LDF Core Issues document and any subsequent review of housing policy.
50. At the same time the economic and affordable housing aspirations of the City Council need to be fully understood and planned for. The Future York Group reported in June 2007 that sufficient and appropriate housing (particularly affordable and family housing) should be allocated in the LDF in order to support the economic and social development objectives of the City.



## Key Issues for the LDF

51. The City Council is in the process of completing an Evidence Base, which will inform the LDF, and this document will form an important part of that, as set out in the Core Strategy, alongside the employment land review and other studies.
52. The SHMA, in following DCLG Good Practice Guidance and the requirements of PPS3, has provided a wealth of useful information on the York housing market – sufficient to inform and progress the LDF programme. At the same time, it provides extremely useful insights which will help guide future work aimed at refining our understanding of particular groups and their housing needs in the city, for example key workers, BME groups, migrant workers, homeless households.
53. The study highlights key issues for the Council to consider and will be used to inform the review of housing policy in York on a range of issues, most notably mix, size and type of housing, housing density, local affordability, and the needs of particular groups. Policy options will be developed in the first instance through the established LDF Working Group, and incorporated into the emerging LDF Core Strategy document.
54. The SHMA will also be used to inform housing options within the two Area Action Plans – York North West and the City Centre – and on specific sites which emerge either through allocation in the LDF Allocations document, or which are unidentified (windfall) and considered appropriate for development.
55. National guidance, in the form of Planning Policy Statement 3 ‘Housing’ sets out key requirements for local planning authorities to consider :
  - the likely overall proportions of households that require market or affordable housing, for example x% market housing and y% affordable housing;
  - the likely profile of household types requiring market housing, for example multi-person, including families and children (x%), single persons (y%), couples (z%);
  - the size and type of affordable housing required.
56. Options and analysis of these issues are considered in Issues 1 (overall affordable housing targets), 2 (market housing sizes and types), and 3 (affordable housing sizes and types) below. In addition, thresholds at which affordable housing may be appropriate are also considered (Issue 4).
57. They will need to be identified for public consultation, and no Member decision on a Preferred Option will be needed until after this, the second stage of the Core Strategy, later this year.

## ***Issue 1 – Overall Affordable Housing Targets***

58. The SHMA concludes that, given the high level of affordable need in York, there is justification for a 50% affordable target in the city. It also discusses the need for and meaning of intermediate housing and suggests that, if this is meaningfully affordable, it might make up 38% of that overall target.
59. The SHMA questions the contribution of intermediate housing to affordable housing provision, as defined by Government Guidance (PPS3), and says that if, it this housing is not accepted as affordable in local terms the affordable housing target should, instead, be wholly for social rent.
60. In this instance an option for the City Council to consider might be to reduce the overall affordable housing target to 40% (all social rented) with an additional target for low cost or intermediate market housing. Eligibility for the intermediate market housing would then need to be considered and agreed.
61. There are other authorities in England with a 50% affordable housing target, including all London Boroughs, Harrogate, Oxford and Cambridge, but few above that. The Regional Spatial Strategy proposes a minimum target of 40% affordable housing in York, as an identified area of high housing need.
62. A lower target would certainly add financial value to housing sites and would, based on consultation responses received on the current 50% policy, attract approval from York house builders and landowners. At the same time it is worth noting that overall levels of affordable housing in York are set as targets and may, therefore, be lowered in any case through reasoned and detailed assessments of site viability.

### ***Analysis***

63. The actual need for affordable housing in the city outstrips the current annual supply set through the Structure Plan and draft RSS (market and affordable) coming forward each year. With 100% affordable technically justifiable, policy options for setting an overall target must be recognised as a balance between maximising opportunities for providing affordable housing, in line with Government objectives, an understanding of site viability, and the need to achieve mixed and balanced communities.
64. The 50% affordable housing target for York was approved in April 2005. Through earlier consultation objections were received from the local development industry, which said that this level could not be maintained - sites would become unviable.
65. There is certainly evidence of a slowing down in planning applications coming forward over the last 2 years, and many windfall sites below the current site threshold of 15 units/ 0.3 hectare. At the same time there are now a number of large sites, such as Germany Beck, Metcalfe Lane, Terrys and Nestlé South where agreements have or are being reached to provide a realistic and appropriate level of affordable housing based on the 50% target but with

assessments of site viability applied. Levels are being agreed at between 35% and 40% affordable.

### ***Issue 2 – Size and types of market housing***

66. Size and type of market housing has been assessed throughout the city and surrounding suburban and rural areas, with detailed conclusions given on the most appropriate balance of large and small housing, and flats.

#### *Analysis*

67. The Balanced Housing market results suggest that there is a need for all sizes, and mainly for houses rather than flats, and this falls in line with wider Government objectives to create mixed and balanced communities. Mix and size of housing will be addressed through the LDF Core Strategy and on individual site allocations and negotiations.

### ***Issue 3 – Size and type of affordable housing***

68. There are similar findings for affordable housing included in the SHMA and, likewise, these will be used to prompt decisions on appropriate housing mix and tenure options through the LDF.

#### *Analysis*

69. The study results suggest that there is a need for all sizes and types of both social rented and intermediate housing.

70. Whilst the study concludes that 62% of the affordable housing element in York should be social rented and 38% intermediate (see also paragraphs 57 and 58 above), it does add a note of caution. The study advises that there is very little chance that anyone can produce intermediate housing, which will meet the intermediate need at the relevant price. In York there must be discounts of 50-60% off open market value in order to make these homes for sale meaningfully affordable and, on larger houses, even this discount is not enough.

### ***Issue 4 – Site thresholds for affordable housing***

71. National affordable housing guidance states that the national minimum site threshold for applying affordable housing policy is now 15 (reduced from 25). It also allows, if the profile of sites coming forward justify it, a lower threshold if this would make a big difference to the amount of affordable housing produced.

72. Thresholds for village (less than 5,000 population) development sites are set lower, at 2 dwellings or 0.03 hectare, in line with government guidance. The SHMA report agrees that low thresholds are justified in villages in order to capture what little housing comes forward for an appropriate level of affordable housing.

### *Analysis*

73. There is clear evidence of a significant number of sites coming forward at just below the current threshold of 15 in York, and opportunities for providing affordable housing on these sites are lost forever. Reasonable options for lowering thresholds will be considered through the LDF Core Strategy (Issues & Options) programme.

## **Corporate Priorities**

74. The HMA accords with the following corporate priorities:  
Improving the quality and availability of decent, affordable homes in the city.

## **Implications**

The following implications have been assessed:

- **Financial** - None
- **Human Resources (HR)** - The study work was carried out within the City Development budget.
- **Equalities** - None
- **Legal** - None
- **Crime and Disorder** - None
- **Information Technology (IT)** – None
- **Property** - None
- **Other** - None

## **Risk Management**

75. In compliance with the Councils risk management strategy, there are no risks associated with the recommendations of this report.

## **Recommendations**

That Members agree:

76. To publish, subject to the recommendations of this Working Group, the 2007 Strategic Housing Market Assessment as part of the LDF Evidence Base.

*Reason: To inform decisions on the market and affordable housing mix policy options for York.*

77. To delegate to the Director of City Strategy, in consultation with the Executive Member for City Strategy, the making of any other necessary changes arising

from the recommendation of the LDF Working Group, prior to its publication as part of the LDF Evidence Base

*Reason: So that any recommended changes can be incorporated into the 2007 SHMA prior to its publication.*

78. To recommend to CYC Planning Committee that they endorse the use of the SHMA study for development control purposes, in terms of agreeing the most appropriate housing tenure, size and type on individual sites, therefore replacing the 2006 SHMA Study.

*Reason: In order to help create mixed and balanced communities and to maximise opportunities for providing good quality affordable housing in the city.*

### Contact Details

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**Report  
Approved**

**Date**

10/07/07

**Wards Affected:**

All

**For further information please contact the author of the report**

**Background Papers: Annex 1** York Strategic Housing Market Assessment 2007, Executive Summary, Fordham Research.