

**GREATER NORWICH
HOUSING MARKET ASSESSMENT
ANNUAL MONITORING OF THE
ASSESSMENT**



**A Study of the Operation of Housing Markets in
the Greater Norwich Sub-region**

14 September

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1 Introduction

1.1 Overview

- 1.1.1 This report provides practical guidance and commentary on the preparation of the Annual Monitoring Report for the Greater Norwich Housing Market Assessment (2007).
- 1.1.2 This report serves two purposes...
1. As an aid to plan for future work – by identifying staff time and other resource requirements.
 2. As a guide to officers involved in the production of the annual report.
- 1.1.3 This report may also be of interest to stakeholders. For this reason we publish this report alongside the final report for the Greater Norwich Housing Market Assessment (2007).
- 1.1.4 The Annual Monitoring Report is not intended as a full update to the assessment. We would expect to carry out a full update perhaps once every five years.

1.2 Key Messages from the Assessment

- 1.2.1 In the medium term to 2011 the housing supply is running ahead of the housing requirement.
- 1.2.2 However, the supply contains insufficient affordable housing.
- 1.2.3 The additional housing requirement is driven by...
- Net inward migration.
 - Falling average household sizes.
- 1.2.4 Migration is driven by the growth in the local economy with many migrants moving to take up work locally.
- 1.2.5 Falling household sizes will result from increasing numbers of single people and couple households. In Broadland and South Norfolk Districts it is pensioner households that we predict will increase most.
- 1.2.6 We propose to monitor changes that might affect the key messages.

1.3 Key Monitors

Housing Supply and Housing Requirement

- 1.3.1 This will update the findings from chapter 4 of the main report. It will identify any trends in the supply or requirement that might lead to imbalance in the market.

Trends in Migration and Household Sizes

- 1.3.2 Increasing net inward migration would suggest an increasing housing requirement.

- 1.3.3 Falls in average household sizes would also suggest an increasing housing requirement.

The Local Economy

- 1.3.4 This provides background information which will inform the analysis.
- 1.3.5 Increasing numbers of jobs might result in increased migration.
- 1.3.6 Rising earnings might improve affordability in the market.

1.4 Data Analysis Tools

- 1.4.1 We used a number of spreadsheets to analyse data for the 2007 Housing Market Assessment report. Some of these will be useful when we carry out further analysis to update the assessment.
- 1.4.2 These spreadsheets are now held in a HMA Folder by Keith Mitchell – Housing Strategy Manager at South Norfolk Council.
- 1.4.3 ORS have provided a modelling tool that allows us to model changes in the housing requirement. The modelling tool is available to authorised officers via the ORS website.

1.5 Format for the Annual Monitoring Report

- 1.5.1 The aim of the report is to identify new trends in the market or to confirm the main findings of the HMA report.
- 1.5.2 The research tasks described in section 2 will allow us to provide a comprehensive commentary about aspects of the housing market.

2 Housing Supply and Housing Requirement

2.1 Overview

- 2.1.1 This is a detailed analysis that compares the housing supply and housing requirement for the five years to 2011.
- 2.1.2 At some point we will wish to move the time period forward. However, this is unlikely to be possible until we carry out a full update of the assessment. For the Annual Monitoring Report we will review our five year projections and...

- Replace projected figures with actual figures as these become available.
- Update our projections for the remainder of the period.

So, for example, in 2008 we will have actual figures for affordable housing supply in 2006/07 and possibly also actual figures for 2007/08. In addition we will have more information about the NAHP for 2008/11.

- 2.1.3 We compare the housing supply with the housing requirement for each tenure district and property size.

Tenure	District	One Bedroom	Two Bedroom	Three Bedroom	Four+ Bedroom
Market	Broadland District	X	X	X	X
	Norwich	X	X	X	X
	South Norfolk	X	X	X	X
Intermediate	Broadland District	X	X	X	X
	Norwich	X	X	X	X
	South Norfolk	X	X	X	X
Social Rent	Broadland District	X	X	X	X
	Norwich	X	X	X	X
	South Norfolk	X	X	X	X

- 2.1.4 The spreadsheet containing the data for the Housing Market Assessment – Requirement and Supply is in the HMA Folder.

2.2 Housing Supply

- 2.2.1 This section explains how to update the supply side of the Requirement and Supply spreadsheet.

Overall Supply

- 2.2.2 The housing trajectories in each district's Annual Monitoring Report (AMR) provide the latest information on projected supply. The AMR also provides

information about historic completions. The 2006/07 AMRs will provide figures for actual completions in 2006/07 and revised projections for the 2007/8 to 2010/11.

Property Size

- 2.2.3 The Requirement and Supply spreadsheet has built in assumptions about the proportion of each size of property. The proportions are different for each district. For the HMA we assumed the proportions would remain constant throughout the period 2006/7 to 2010/11.
- 2.2.4 Currently Planning Services do not collate information about property completions by property size. (This may change).
- 2.2.5 Instead, we carried out an extensive sample survey for the HMA report. The proportions in the spreadsheet are based on the results of the sample survey. The results are reported in the interim report – Property Types and Property Sizes – available on the web pages (www.south-norfolk.gov.uk/housing/media/gnhp_property_types_sizes.pdf).
- 2.2.6 The high proportions of flatted developments heavily influence the proportion of small properties in Norwich City. We may need to review the proportions for Norwich City if developers refocus development to sites with more houses. This is an optional exercise. Senior planning officers in each of the three districts should be able to provide guidance about any emerging trends that will affect property sizes.
- 2.2.7 To amend the proportions of each property size simply overwrite the existing figures.

Affordable Housing Supply

- 2.2.8 This is a key part of the process. It covers both the social rent and intermediate housing supplies.
- 2.2.9 The projected supply is very fluid. Sites in the development pipeline may change dwelling mixes and may deliver housing early or late.
- 2.2.10 The HMA report looked at completions in 2006/07. However these were not final figures and will need confirmation and amendment. The HMA made projections for 2007/8 to 2010/11. The methodology behind these projections is set out in detail in the Data Source and Methodology Annex to the main HMA report – available on the web pages (www.south-norfolk.gov.uk/greaternorwich).
- 2.2.11 For the HMA Annual Monitoring Report we should replace projections with actual figures where available. We should review projections for the remainder of the period.

Market Housing Supply

- 2.2.12 The Requirement and Supply spreadsheet calculates the market supply by subtracting affordable supply from the overall supply.

2.3 Housing Requirement

- 2.3.1 The HMA report used the requirement figures provided by ORS in their Study of Housing Need and Stock Condition (2006).
- 2.3.2 ORS are in the process of providing a modelling tool. The modelling tool will allow us to vary some of the factors that determine the housing requirement – and determine how much of the requirement is need and how much is demand.
- 2.3.3 The modelling tool allows us to modify the following variables...
- Rent multiplier (The maximum proportion of income that a household can afford to spend on rent).
 - Mortgage multipliers (The maximum amount a household can borrow expressed as a multiple of income).
 - Changes in inward migration.
 - Changes in outward migration.
 - Changes in the rate of new household formation.
 - Changes in the rate of household dissolution.
- 2.3.4 For the HMA Annual Monitoring Report we need to consider changes in affordability. Affordability determines how much of the requirement is housing need. In the ORS model it is the ability to afford a market rent that determines if a household can afford market housing.
- 2.3.5 We have identified migration as the key driver affecting the housing requirement. So we should consider how changes in migration patterns would affect the housing requirement.
- 2.3.6 We would like to monitor changes in household formation and dissolution. However, there is no regularly available data source that we can use.
- 2.3.7 The modelling tool looks at the five-year requirement from 2006. When we use the tool to look at the impact of changes to key variables we need to be clear if these changes are likely to apply to all five years. For example, a 10% increase in inward migration in 2008 might lead us to assume increased migration in 2009 and 2010, but it would not retrospectively increase migration in 2006 and 2007. So, when we use the modelling tool we would increase inward migration by 6% for the whole of the five years – the average for the five years.

Affordability

- 2.3.8 We need to look at affordability in the private rented market. The two key variables are...
1. Market rents.
 2. Incomes.
- 2.3.9 We have two sources of information for rents...
1. A survey of letting and estate agents.
 2. Information from the Benefit Services of the three Districts.

- 2.3.10 For the HMA report we carried out a web survey of properties advertised for rent by letting and estate agents. We took the results of 215 properties for rent and analysed by property size. In any repeat exercise it is important to select a range of locations. A number of websites such as Right Move allow searches for available property (www.rightmove.co.uk/rent/east-anglia/norfolk).
- 2.3.11 Property advertised by estate and letting agents tends to be more expensive than properties rented by households in receipt of Local Housing Allowance/Housing Benefit (LHA/HB). The Benefit Services of the three districts prepare regular monitoring reports for the Department for Work and Pensions. These reports provide information about rent levels but do not have details by property size.
- 2.3.12 The Annual Survey of Hours and Earnings provides information at the district level for earnings. The information is available from the Office for National Statistics (ONS) (www.statistics.gov.uk).
- 2.3.13 We need to assess the evidence and decide if local rents are becoming more or less affordable.
- 2.3.14 We cannot vary rents or incomes using the ORS modelling tool. But we can use the rent multiplier as a proxy. If rents and earnings are rising at the same pace the rent multiplier will remain unchanged. If rents and earnings increase at different rates then we would adjust the rent multiplier as follows...
- New rent multiplier = Old rent multiplier x % increase in earnings/% increase in rents
- 2.3.15 This is a fairly crude approach and we need to be careful in the interpretation of the results.

Migration

- 2.3.16 Migration data is available at District level from ONS (www.statistics.gov.uk). The data for internal migration is usually available 15 months after the end of the period to which it relates. Data for mid 2005 to mid 2006 became available in September 2007. International migration figures may take longer.
- 2.3.17 The number of in and out migrants in the ORS model is explicit in the modelling tool. We can compare this with evidence from ONS. But we may be using data that is a year or more old. So we need to be careful in the conclusions we draw.

3 Other Factors to Consider

3.1 Trends in Migration and Household Sizes

3.1.1 These are the two main factors that affecting the housing requirement. We have considered migration. There is no reliable source of information about household sizes between censuses. The ONS (www.statistics.gov.uk) makes projections at the regional level. We can use this evidence to inform our analysis.

3.2 The Local Economy

3.2.1 NOMIS provide summary information about local economies at district level (www.nomisweb.co.uk).

3.2.2 The economic data will provide background information to help analyse trends in migration. Information about earnings will inform discussion about affordability.

3.3 Affordability in the Sale Market

3.3.1 The department for Communities and Local Government (CLG) (www.communities.gov.uk) provides information about trends in house prices. These can be compared with trends in earnings, as crude but easily understood measure of affordability.

3.4 Re-forecast Dwellings, Households and Populations

3.4.1 This was a detailed analysis for the HMA report. The calculation spreadsheet – HMA wards and parishes is in the HMA folder.

3.4.2 We would only expect to update this if the trend in house building completions differs significantly from the District trajectories (from 2005/06 Annual Monitoring Reports) used in the HMA.

3.4.3 This is a quite detailed piece of work that will involve allocating completions and projected completions by parish for Broadland and South Norfolk districts.

3.4.4 There are two elements to the projected number of completions...

1. Known completions after 1 April 2006.
2. Projected completions for the remainder of the period.

3.4.5 Known completions could be taken from information recorded by the Planning Services for the three districts. Alternatively the Council Tax register will have an up to date count of dwellings. Completions since 1 April 2006 = Number on Council Tax Register – Number of Dwellings as at 1 April 2006 (HMA ward and parishes spreadsheet).

3.4.6 Projected completions are available from the housing trajectories. However, we may need to make assumptions about windfall provision.

3.4.7 The spreadsheet will automatically calculate households and populations. The spreadsheet will also calculate figures for housing market areas

4 HMA Annual Monitoring Report – Resource Implications

4.1 Key Monitors

- 4.1.1 We estimate the key monitors will take two weeks to prepare. See appendix 1 for details.
- 4.1.2 There are two monitoring exercises that may be necessary depending upon the results of other monitoring tasks. Each of these additional tasks will take a week to prepare.

4.2 Preparing the Report

- 4.2.1 We estimate the report will take a person one week to prepare. This allows for an initial draft and final report stage.
- 4.2.2 In addition the report will need internal review prior to publication.

Appendix 1 – Time Required to Update the Assessment

Main Activity	Task	Estimated Time	Comment
Housing Supply and Requirement	Overall Supply	½ day	Straightforward task
	Property Size	5 days	Only necessary if we are concerned that changes in patterns of development are affecting the proportions of each property size.
	Affordable Housing Supply	5 days	This is quite an involved process. It requires information about recent historic supply and a review of future projected supply and the assumptions underlying that projected supply.
	Market rents and earnings.	2 days	This is a reasonably generous time allowance. It allows a half-day to research market rents, a half day to get information from District Benefit Services and a half-day to gather income information. Finally there is a half day to combine the information and for critical appraisal.
	Migration	1 day	Extract data, compare with recent history and the ORS figures.
Household Sizes	Household Sizes	½ day	Find information for region and use to inform analysis.
Affordability in the Sale Market	Trends in mean and median prices compared with income trends	1 day	Information is available from CLG website for mean, median and lower quartile house prices. We need to compare these with the appropriate income measure (see above).
Projected dwellings, households and populations	Amend projected number of dwellings by parish. Calculate households and populations	1 week.	This is quite detailed and involves 200 parishes in Broadland and South Norfolk Districts. This update will only be necessary if actual completions differ significantly from the projections used in the HMA report.

APPENDIX 1 – TIME REQUIRED TO UPDATE THE ASSESSMENT

Main Activity	Task	Estimated Time	Comment
Preparing Report	Collation, comparison and identification of main findings.	2 days	
	Write report	2 days	
	Presentation and agreed actions	½ day	This could take longer if the findings are open to different interpretations.
Total		14 ½ days	

Appendix 2 – Data Sources

Major Category	Element	Use	Source for Data	Cost of Obtaining and Using Data	Comment
House Prices, Rents and Affordability	House prices	Trend over time and for comparison with income.	DCLG	No cost but data quite limited at district level.	Property mix affects average prices so changes in average prices might occur, for example if the proportion of new or large properties increases. www.communities.gov.uk
			Land Registry	Nominal cost.	Land registry data can provide more detailed information by property type and location. www.landreg.gov.uk
	Market Rents	Trends over time and for comparison with income.	Surveys of Estate and Letting Agents.	Available for free but collation and manipulation time consuming.	Estate and Letting Agents tend to carry top end of market. So survey may give rents above true level.
			District council local housing allowance data.	Free.	Limited analysis available by property size.
	Income	For comparison with house and rent trends	Office for National Statistics – Annual survey of Hours and Earnings (ASHE)	Free	Very detailed at district level. Measures individual and not household income. www.ons.gov.uk
			Norfolk Data Observatory for household income.	Free but first need to register a user name.	Good coverage at district and lower level for mean household incomes and for income bands www.norfolkdata.net

APPENDIX 2 – DATA SOURCES

Major Category	Element	Use	Source for Data	Cost of Obtaining and Using Data	Comment
Dwellings, Households and Populations	Dwelling numbers	Trend over time and for updating household and population projections	Council tax register broken down by parish in Broadland and South Norfolk Districts	Free	It should be possible to reconcile current years figure with previous year and property completions recorded in Annual Monitoring Reports.
	Dwelling Tenure, Type and Size	To compare with housing requirement	Census and ORS Housing Need and Stock Condition Study.	Free	Not regularly updated
	Household numbers.	Trends over time	Our own dwelling based projections or DCLG sub-regional projections.	Free	Need to be cautious, as projections at sub-regional level are 'less robust' than regional projections. www.communities.gov.uk
	Populations	Trends over time	Our own dwelling based projections or ONS district population projections.	Free	Note both are projections – only the census comes close to being an actual count. Currently our projections differ from ONS and we would expect these to converge over time. www.statistics.gov.uk
Dwellings, Households and	Population age distributions	Trends over time.	ONS population projections	Free	Can make inferences about changing household types from changes in age distributions. www.statistics.gov.uk

APPENDIX 2 – DATA SOURCES

Major Category	Element	Use	Source for Data	Cost of Obtaining and Using Data	Comment
Populations (continued)	Household type	Trend over time	Census	Free	Next update in 2011.

Major Category	Element	Use	Source for Data	Cost of Obtaining and Using Data	Comment
House Moves	Market Sale	Trend over time	CLG and Land Registry	CLG free, Land registry nominal cost	Provides information about volume of sales. But does not break down sales for occupation and sales for letting
	Market Rent	Trend over time	No certain source		For HMA calculated from number of let properties and average term of tenancy from ORS. Both likely to change with time.
	Affordable Rented	Trend over time	Annual HSSA	Free	

Major Category	Element	Use	Source for Data	Cost of Obtaining and Using Data	Comment
Migration	Internal migration by age.	Trend over time	ONS	Free	Based on registrations and de-registrations with GPs. Issued annually – not yet available for mid 2005 to mid 2006.
	Internal migration by Source /destination	Trend over time	ONS	Free but will need to make specific request as not available from web-site	Does not include international migration. www.statistics.gov.uk
	International migration	Trend over time	ONS	Free	Very little information about age of migrants. www.statistics.gov.uk
	Migrant Workers	Trend over time	DWP	Free	www.dwp.gov.uk Count of NI number allocations to foreign nationals. Count shows new registrations, so is not useful to identify total numbers at any one time. But is can show id there are more or less migrant workers, nationality and district of allocation.

Major Category	Element	Use	Source for Data	Cost of Obtaining and Using Data	Comment
House Moves	Market Sale	Trend over time	CLG and Land Registry	CLG free, Land registry nominal cost	Provides information about volume of sales. But does not break down sales for occupation and sales for letting
	Market Rent	Trend over time	No certain source		For HMA calculated from number of let properties and average term of tenancy from ORS. Both likely to change with time.
	Affordable Rented	Trend over time	Annual HSSA	Free	

Major Category	Element	Use	Source for Data	Cost of Obtaining and Using Data	Comment
Housing Requirement and housing supply	Annual housing need and demand by district and property size	For comparison with additional housing supply	ORS housing need and stock condition survey.	Free	Has four or five year ‘shelf-life’.
	Overall additional housing	See Dwellings Households and Populations			
	Additional affordable housing	For comparison with housing need	Strategy and enabling teams in the three Greater Norwich Districts.	Free but data will need collating by sub-tenure and property size.	
	Additional market housing	For comparison with housing demand	Found by subtracting additional affordable housing from overall additional housing.	Simple calculation	
			Property size breakdowns based on sample survey.	Quite involved calculation.	The sample survey has a limited ‘shelf-life’. The survey for the HMA involved 3 weeks work and cost about £1,000 in temporary staff time.

APPENDIX 2 – DATA SOURCES

Major Category	Element	Use	Source for Data	Cost of Obtaining and Using Data	Comment
The Economy	Income	See section on House Prices, Rents and Affordability			
	Economic activity rates	Trend over time	NOMIS Official Labour Market Statistics	Free	<p>NOMIS provide a range of labour market statistics broken down by district.</p> <p>www.nomisweb.co.uk</p> <p>Much of data is from sample surveys. So year on year changes may be due to sample variation and not underlying trends.</p>
	Earnings				
	Benefit Claimants				
	Employee jobs				
	Industry of employment				