Greater Norwich Housing Market Assessment

Housing Supply and Housing Requirement

2006/07 to 2010/11

Version 5 – 20 April 2007

1 SUMMARY AND RECOMMENDATIONS

This report uses projections of housing supply and demand/need to look at housing shortages/surpluses over the period April 2006 to March 2011.

We consider the difference between the supply of housing and the need/demand for housing over the next five years. We compare supply and need/demand for each tenure and by property size.

Definitions

1. We use 'five-year supply' to mean the amount of new housing we project developers will build between April 2006 and March 2011.
2. We use 'five-year need/demand' to mean the additional number of homes required (need and demand) between April 2006 and March 2011.
3. Housing need and demand together make up the total housing requirement.
4. A household creates housing demand if the household requires a home and can afford to buy or rent a home in the market.
5. A household has a housing need if the household requires a home and cannot afford to rent or buy a home in the market.

Affordable Housing Sub-tenures

A household with a housing need may require an affordable rented home or be able to afford some form of intermediate housing. Our analysis considers both elements of affordable housing need and supply.

1.1 HEADLINE RESULTS

Our results assume, amongst other things, that patterns of migration, household formation and levels of under-occupation do not change in the projection period.

Greater Norwich Sub-region

Across the sub-region the five-year supply exceeds the five-year need/demand but we project shortages of affordable one and four-bedroom homes and of one-bedroom intermediate homes.

Greater Norwich – Surpluses and Shortages by Tenure and Property Size

Size / Tenure	All Property Sizes	One bedroom	Two bedroom	Three bedroom	Four+ bedroom
All Tenures	3999	249	2230	895	625
Market	4757	1221	1779	595	1162
Intermediate	138	**-60**	121	54	23
Affordable Rented	**-896**	**-912**	330	246	**-560**

Broadland District

In Broadland district we project an overall shortage of 190 properties but a surplus of two-bedroom properties. There are significant shortages of three and four bedroom homes in the market sector. In the affordable rented sector there are shortages of one and three bedroom homes.

Broadland District – Surpluses and Shortages by Tenure and Property Size					
Size / Tenure	All Property Sizes	One bedroom	Two bedroom	Three bedroom	Four+ bedroom
All Tenures	-190	-8	607	-501	-288
Market	-245	390	-39	-216	-380
Intermediate	4	-87	17	19	44
Affordable Rented	51	-311	629	-304	37

Norwich City

In Norwich City we project an overall surplus of all property sizes. We also project an overall surplus of all property sizes in the market sector. In the intermediate sector we project an overall surplus but shortages of three and four-bedroom properties. In the affordable rented sector we project shortages of properties in all property sizes.

Norwich City – Surpluses and Shortages by Tenure and Property Size					
Size / Tenure	All Property Sizes	One bedroom	Two bedroom	Three bedroom	Four+ bedroom
All Tenures	1346	292	623	325	106
Market	2546	706	754	327	759
Intermediate	167	15	230	-22	-56
Affordable Rented	-1367	-429	-361	20	-597

South Norfolk District

In South Norfolk we project an overall surplus of all property sizes except for one-bedroom homes. The shortage of one-bedroom homes affects the affordable rented sector. We also project an overall shortage of two-bedroom intermediate homes.

South Norfolk – Surpluses and Shortages by Tenure and Property Size					
Size / Tenure	All Property Sizes	One bedroom	Two bedroom	Three bedroom	Four+ bedroom
All Tenures	2843	-34	1000	1070	807
Market	2456	126	1064	483	783
Intermediate	-33	12	-126	57	24
Affordable Rented	420	-172	62	530	0

1.2 RECOMMENDATIONS

Testing the Underlying Assumptions

The projections are dependent on a number of assumptions. See sections 3 and 4 for details.

We should seek comments from planning and strategic housing officers on the assumptions and methodology. We should review the projections in the light of comments we receive.

Updating the Projections

These projections should be updated as part of the regular review/update of the Housing Market Assessment.

It is unlikely that the ORS modelling tool will model housing supply. We therefore need to identify the data sources and process for updating the supply information in the projections.

2 THE DIFFERENCES BETWEEN SUPPLY AND NEED/DEMAND

This section looks at differences between the projected supply and need/demand for housing in the five years April 2006 to March 2011.

We use Opinion Research Services (ORS) Housing Need and Stock Condition Study figures for housing need and demand.

We use the housing trajectories for each of the three Greater Norwich districts to provide information for overall supply.

We breakdown the overall supply by bedroom size using recently completed research into future completions. Our projections by tenure make a number of assumptions including…

- Housing supplied by the National Affordable Housing Programme (NAHP).
- The amount of affordable housing supplied through the planning system.

Section 4 sets out the assumptions in detail.

2.1 GREATER NORWICH – ALL TENURES

Opinion Research Services (ORS) Housing Need and Stock Condition Study identifies a housing requirement of 1,938 per annum across the sub-region.

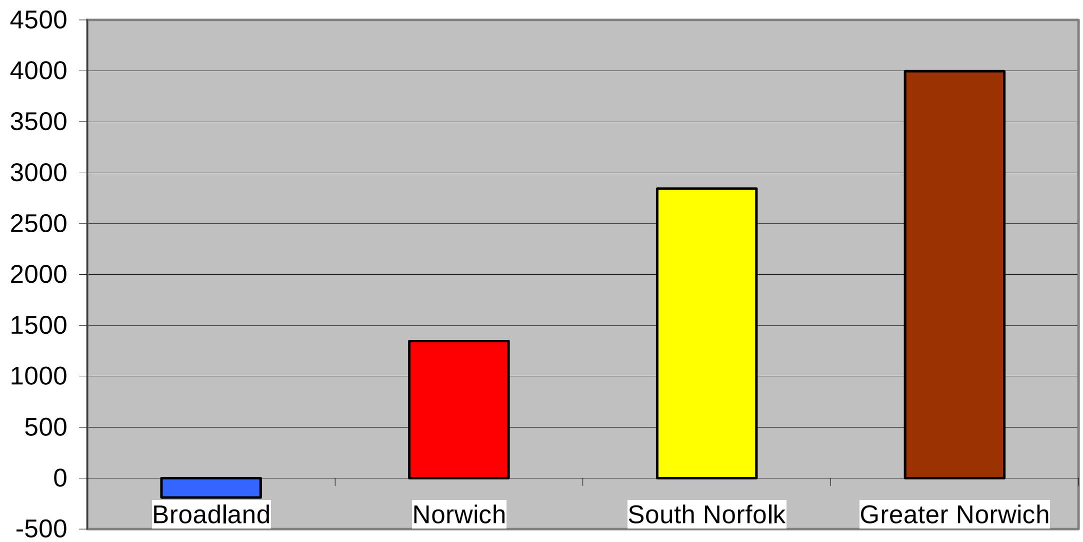
Overall the projected supply of housing exceeds the requirement. But we project shortages for some combinations of tenures and bedroom sizes. Later sections provide details.

Year	New Housing Supply	Housing Requirement	Surplus (Shortfall)
2006/07	1,891	1,938	(47)
2007/08	3,117	1,938	1,179
2008/09	3,099	1,938	1,161
2009/10	2,999	1,938	1,061
2010/11	2,656	1,938	718
2006 to 2011	**13,762**	**9,690**	**4,072**

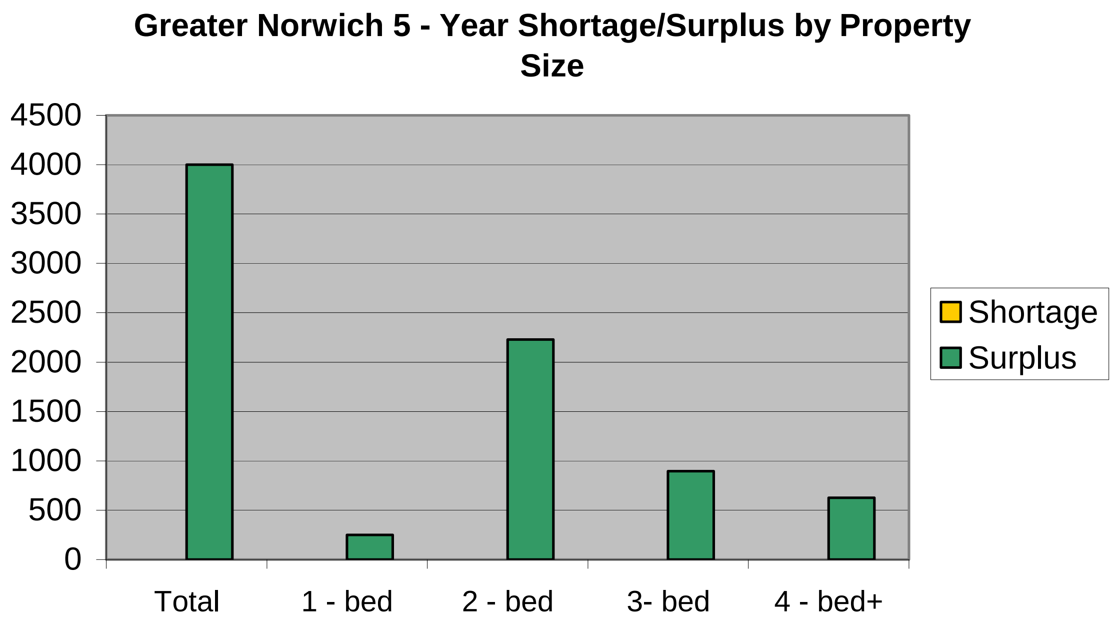
Source: ORS Study of Housing Need and Stock Condition and Housing Trajectories for each of the three Greater Norwich Districts.

The five-year surplus is not spread evenly amongst the three districts or by bedroom size.

Overall 5-year Surplus or Shortage

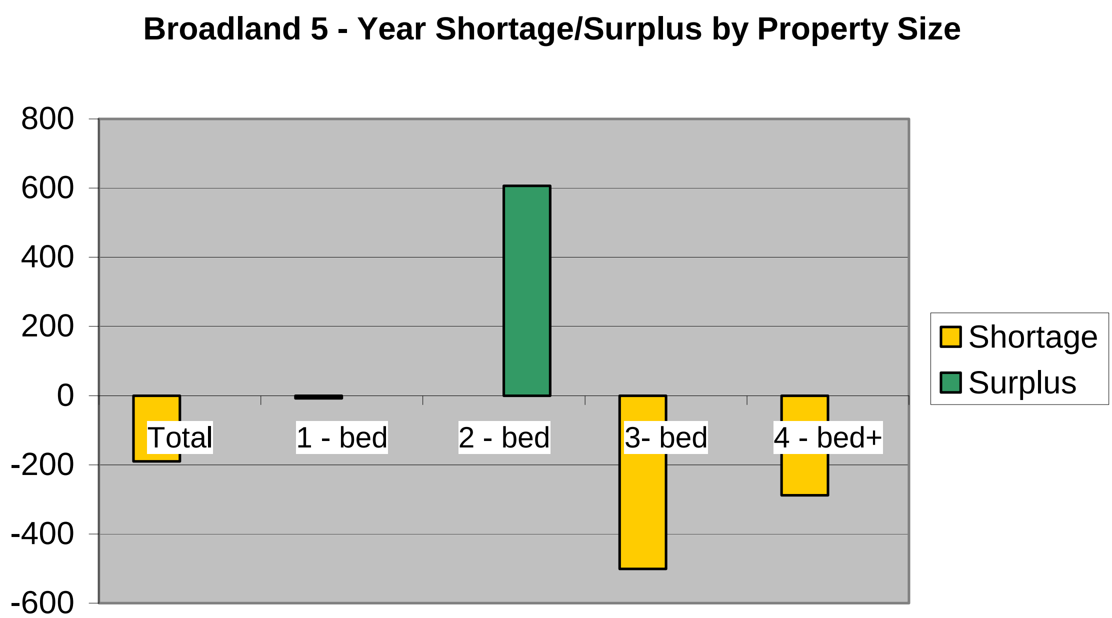


2.2 Greater Norwich by Bedroom Size



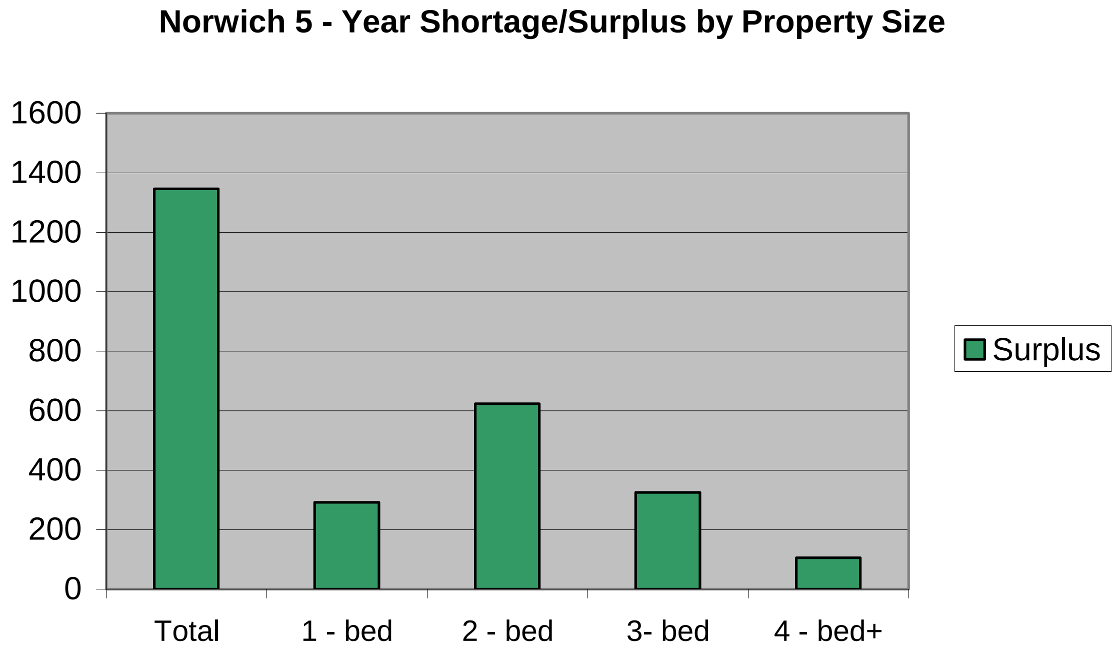
Across the sub-region there is a five-year surplus of all property sizes. Overall we project 4,000 surplus homes of which over half are two-bedroom.

2.3 Broadland by Bedroom Size



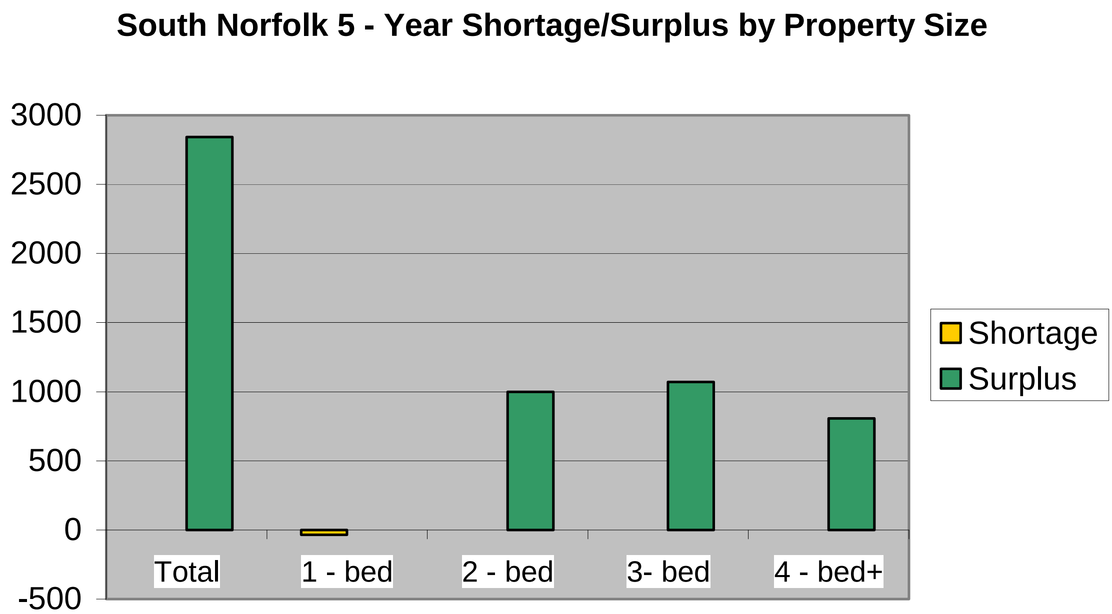
In Broadland district there are overall 5-year shortages in every bedroom size except for 2-bedroom properties. There are significant shortages of three and four bedroom properties.

2.4 Norwich by Bedroom Size



In Norwich City there are five-year surpluses of all property sizes – most notably two-bedroom property.

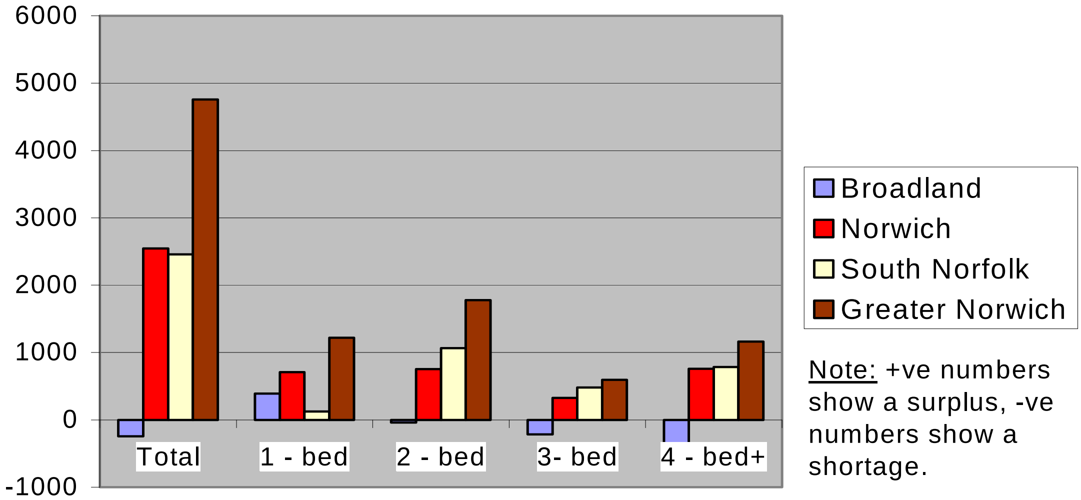
2.5 South Norfolk by Bedroom Size



In South Norfolk there is a five-year surplus of all property sizes except for one-bedroom homes where there is a small shortage.

2.6 MARKET HOUSING

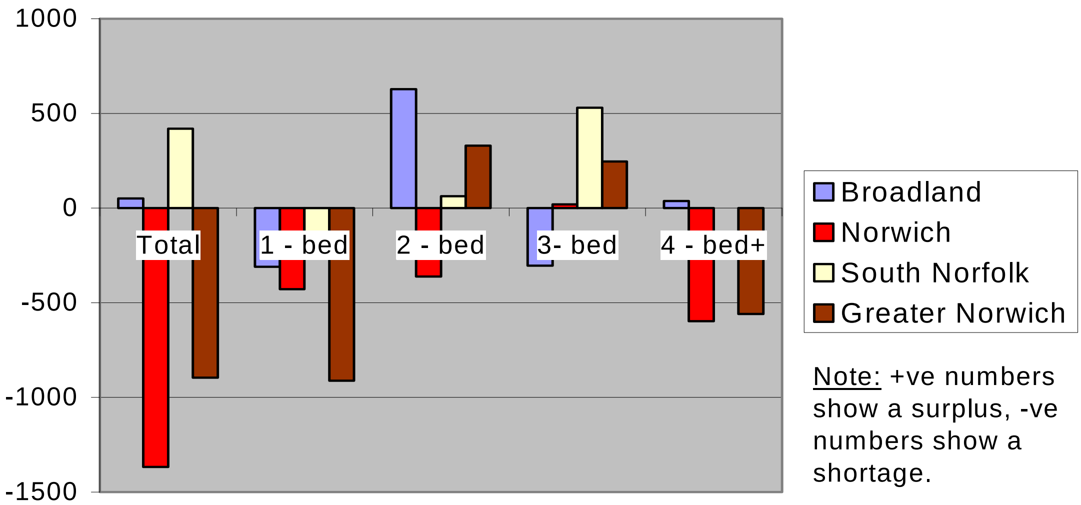
5-year Shortage/Surplus for Market Housing - By District and Bedroom Size



For Greater Norwich there is a five-year surplus of over 4,700 homes. Most of the surplus is in Norwich and South Norfolk districts. Only Broadland district has a five-year shortage of market housing. The shortages are most significant for three and four-bedroom homes.

2.7 AFFORDABLE RENTED HOUSING

5-year Shortage/Surplus for Affordable Rented Housing - By District and Bedroom Size

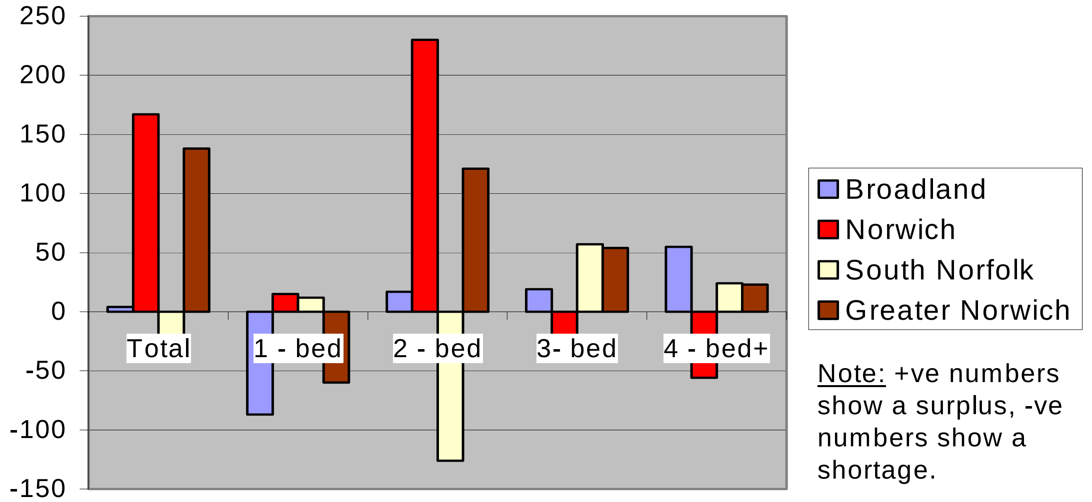


Greater Norwich has a five-year shortage of nearly 900 affordable rented homes. The shortage applies to one and four-bedroom homes. There is a surplus of over

300 two-bedroom homes and a surplus of over 200 three-bedroom homes. All districts have shortages of one-bedroom properties. Norwich has shortages of every size of property except for three-bedroom. Overall Broadland has a surplus of new affordable rented homes but has shortages of one and three bedroom homes. Overall South Norfolk has a surplus of affordable rented homes but a shortage of three bedroom homes.

2.8 INTERMEDIATE HOUSING

5-year Shortage/Surplus for Intermediate Housing - By District and Bedroom Size



There is an overall five-year surplus of intermediate housing across Greater Norwich. The surplus is mostly of two-bedroom homes and mostly in Norwich. Overall there is a very small surplus in Broadland district where there is a shortage of one-bedroom homes and small surpluses of larger properties. South Norfolk district has a shortage of two-bedroom properties but small surpluses in of other property sizes.

3 HOUSING REQUIREMENT

We take figures for housing requirement – both need and demand – from the Opinion Research Services (ORS) Housing Need and Stock Condition Study.

The three ORS district reports provide information about housing need and demand by bedroom size at the district level. ORS provided an initial breakdown of need between ‘Intermediate’ and ‘Social’ need. This breakdown provides information on need by bedroom size. Subsequently ORS moved the lower and mid ‘Intermediate’ need to ‘Social’ need. We use these revised figures as the requirements for intermediate and social rented housing.

ORS made the adjustment because many households in the ‘intermediate’ need sector could afford to pay only marginally more than the current social housing rents. Realistically most of these households would not be able to afford any of the available intermediate housing options. Refer to the ORS study for full details.

The ORS revised figures do not provide breakdowns by bedroom size. We assume that the requirement by bedroom size for the initial ‘intermediate’ group is uniform across the upper, mid and lower intermediate groups. So, If 70% of the initial ‘intermediate’ group moves to the ‘social’ group then so too does 70% of the need for two bedroom homes, etc.

4 AFFORDABLE HOUSING SUPPLY

This section looks at the projected supply of affordable housing for the period April 2006 to March 2011.

Each district council maintains information about affordable housing expected within the district.

4.1 THE MAIN ELEMENTS OF SUPPLY

There are three main sources of affordable housing supply…

1. Housing delivered through the National Affordable Housing Programme (NAHP) and from other grant funding.
2. Housing delivered as a condition of planning permission for developments of new housing.
3. In addition planning policy provides a supply of affordable housing on rural exception sites for Broadland and South Norfolk districts.

The NAHP provides money from central government to help finance affordable housing developed by Registered Social Landlords (RSLs).

Local planning policies require developers to provide a proportion of affordable homes on development sites providing a minimum number of dwellings. The table sets out current planning policy in each district.

Target for Affordable Housing on Development Sites

District	Settlement Size	Target %age of affordable Homes	Minimum Site Size
Broadland	>3,000	40%	15
	<3,000	40%	5
Norwich	Norwich wide	30%	25
South Norfolk	>3,000	25%	25
	<3,000	25%	10

Source: Local plans for each district.

Notes to table…

1. In Broadland and South Norfolk districts different minimum site sizes apply in settlement of fewer than 3,000 people.
2. The targets apply to sites above a minimum size – in terms of numbers of dwellings provided on the site.

4.2 FACTORS AFFECTING THE SUPPLY OF AFFORDABLE HOUSING

Housing Funded Through the NAHP

The amount of money available and the cost per dwelling determines the amount of affordable housing. The cost per dwelling depends on the size and location of the dwelling.

The current NAHP covers the two financial years 2006/7 and 2007/8 but RSLs will not complete some of the dwellings until after March 2008. So in any programme of funding we need to allow for some delay in delivery.

Targets for Affordable Housing in Local Plans

A new housing development will produce the local plan target proportion of new affordable housing unless…

1. The development site is below the minimum site size (see table above).
2. The developer can demonstrate that the development would not be viable if the site were to meet the local plan target for affordable housing.

The issue of viability may be complex. Factors, which may affect the ability of the developer to provide the target number of affordable homes, include…

1. Other costs imposed as conditions of planning permission such as contributions towards new roads and schools.
2. Additional costs on brownfield or complex sites such as the need to demolish existing building or to decontaminate land.

Housing Delivered on Rural Exception Sites

On a rural exception site the planning permission is for affordable housing only. The developer cannot normally build market housing. This limited form of planning permission keeps the value of the land low in comparison to land with planning permission for market housing.

Some landowners will supply land at these reduced prices. They do this either to make some money from the sale or because they want to contribute to affordable housing.

In South Norfolk district many landowners await the new Local Development Framework (LDF). These landowners hope that new land allocated for housing will include their land. If this happens the value of the land will increase. Most landowners will be disappointed but many prefer to wait and see rather than sell land at lower prices now.

The 'hope' value linked to the pending LDF currently limits the supply of housing on rural exception sites.

4.3 BROADLAND

Supply April 2006 to March 2008

Using information available in February 2007 we project the following completions within Broadland District.

Source of Housing	**Rent**	**LCHO[1]**	**Total**
Section 106 agreements[2]	32	31	63
Exceptions Policy	23	12	35
NAHP (and other grant funding)	49	13	62
Total	104	56	160

Supply 2008/9 to 2010/11

To project overall supply over the three years April 2008 to March 2011 we assume…

1. That the NAHP and other grants will provide 30 homes each year. This is the same as projected for 2006/7 and 2007/8.
2. That exception sites will provide 20 homes each year. This is in line with projections for 2006/7 and 2007/8.

[1] LCHO – Low cost home ownership, shared ownership and other forms of housing at below market costs.

[2] This is the common shorthand for the affordable homes developers provide as a condition for planning permission.

3. That section 106 agreements will deliver…

   - 63 homes in 2006/07 (26.3% of the projected total new homes of 240).
   - 0 homes in 2007/08 (0% of the projected total new homes of 305).
   - 89 homes in 2008/09 (25% of the projected new homes of 355).
   - 89 homes in 2009/10 (25% of the projected new homes of 355).
   - 51 homes in 2010/11 (25% of the projected new homes of 205).

   The 2006/07 figure is a likely outcome based on information available as at February 2007.

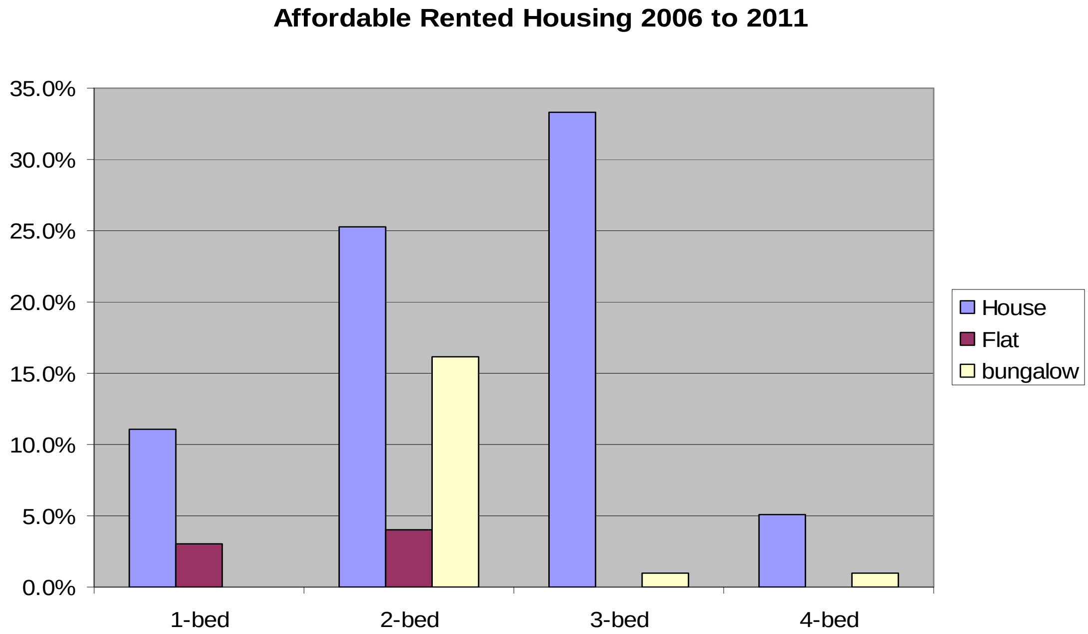
   Broadland district do not expect any sites with section 106 agreements to provide new housing in 2007/08. For future years the target for affordable housing is 40%. We assume Broadland will achieve 25%, this allows for small sites which are not subject to section 106 agreements and for some large sites that may not achieve the 40% target. The 25% figure is in line with the level likely to be achieved in 2006/07.

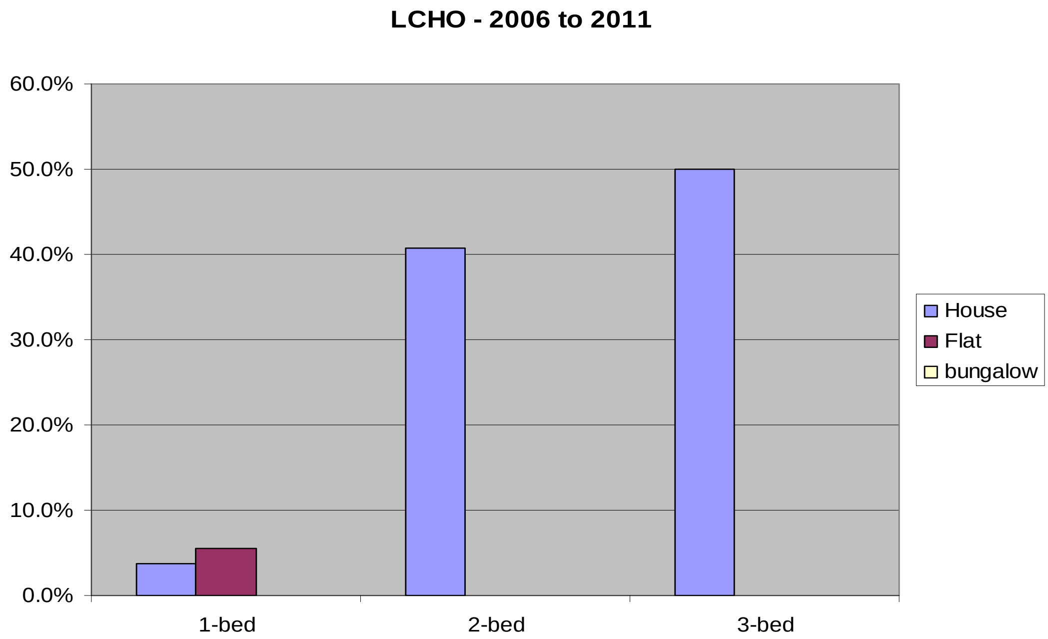
Using these assumptions we project the following affordable housing completions…

Year	Projected Total Number of New Homes	Number of Affordable Homes				
		Section 106 agreements	%age delivered through s106 agree-ments	Exception sites	NAHP and other grant funding	Total Affordable Housing
2006/7	240	63	26.3%	8	36	**107**
2007/8	305	0	0%	27	26	**53**
2008/9	355	89	25%	20	30	**139**
2009/10	355	89	25%	20	30	**139**
2010/11	205	51	25%	20	30	**101**

Type and Size of Affordable Homes – April 2006 to March 2011

The analysis by property type and sub tenure uses information for the 160 projected completions in 2006/7 and 2007/8. In the sample of projected completions the proportion of rented properties is 65% the proportion of LCHO properties is 35%.





Source: Broadland District Council.

By making three further assumptions we can project the number of affordable homes by property size and sub-tenure…

1. We use the actual rented and LCHO elements of the projected completions for 2006/7 and 2007/8
2. We use the sample proportions of rented (65%) and LCHO (35%) taken from the sample of 208 projected completions.

3. The property size profile in our sample of 208 projected completions will apply throughout the period April 2006 to March 2011.

Projected Affordable Rented Housing

Year	1-Bed	2-Bed	3-Bed	4+ Bed	Total
Profile	14.1%	45.5%	34.3%	6.1%	
2006/07	9	30	23	4	67
2007/08	5	17	13	2	37
2008/09	13	41	31	6	90
2009/10	13	41	31	6	90
2010/11	9	30	23	4	66

Projected LCHO Housing

Year	1-Bed	2-Bed	3-Bed	4+ Bed	Total
Profile	9.3%	40.7%	50.0%	0.0%	
2006/07	4	16	20	0	40
2007/08	1	7	8	0	16
2008/09	5	20	24	0	49
2009/10	5	20	24	0	49
2010/11	3	14	18	0	35

4.4 NORWICH

Supply April 2006 to March 2008

Using information available in March 2007 we projected the following completions within Norwich City.

Source of Housing	Rent	LCHO[3]	Total
Section 106 agreements[4]	234	71	305
NAHP (and other grant funding)	358	29	387
Total	592	100	692

Source: Norwich City Council.

[3] LCHO – Low cost home ownership, shared ownership and other forms of housing at below market costs.

[4] This is the common shorthand for the affordable homes developers provide as a condition for planning permission.

Supply 2008/9 to 2010/11

To project overall supply over the three years April 2008 to March 2011 we assume…

1. That the NAHP and other grants will provide 200 homes each year. This is the same as projected for 2006/7 and 2007/8.
2. That developers will provide 15% of all new housing for affordable housing. The Norwich target is 30% for sites in excess of 25 dwellings. We assume a smaller percentage to allow for small sites and for large sites that because of special factors deliver less than 25% affordable housing.

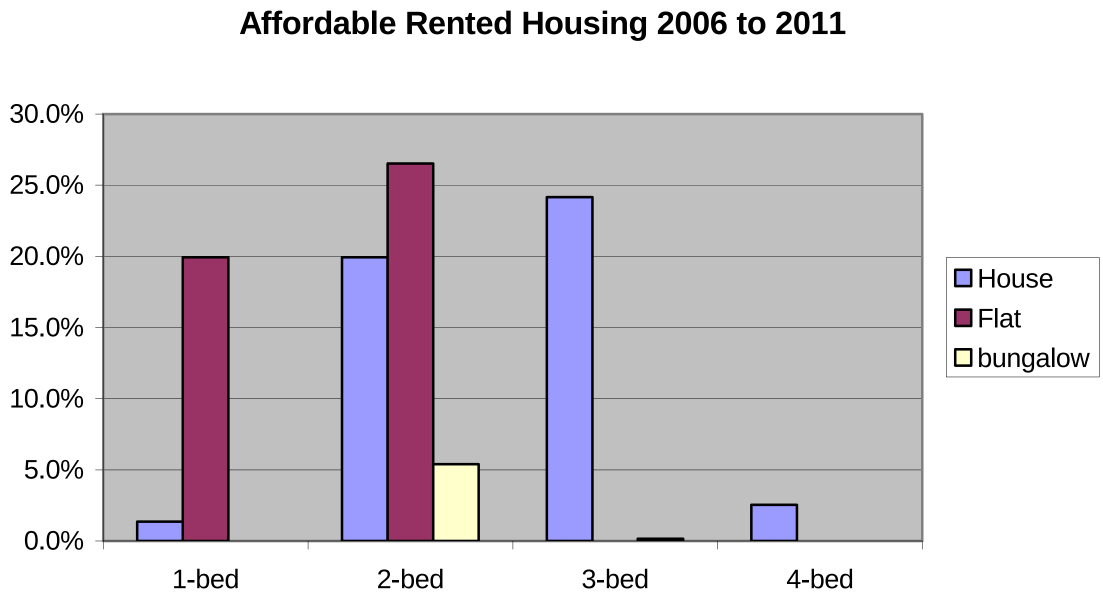
Using these assumptions we project the following affordable housing completions…

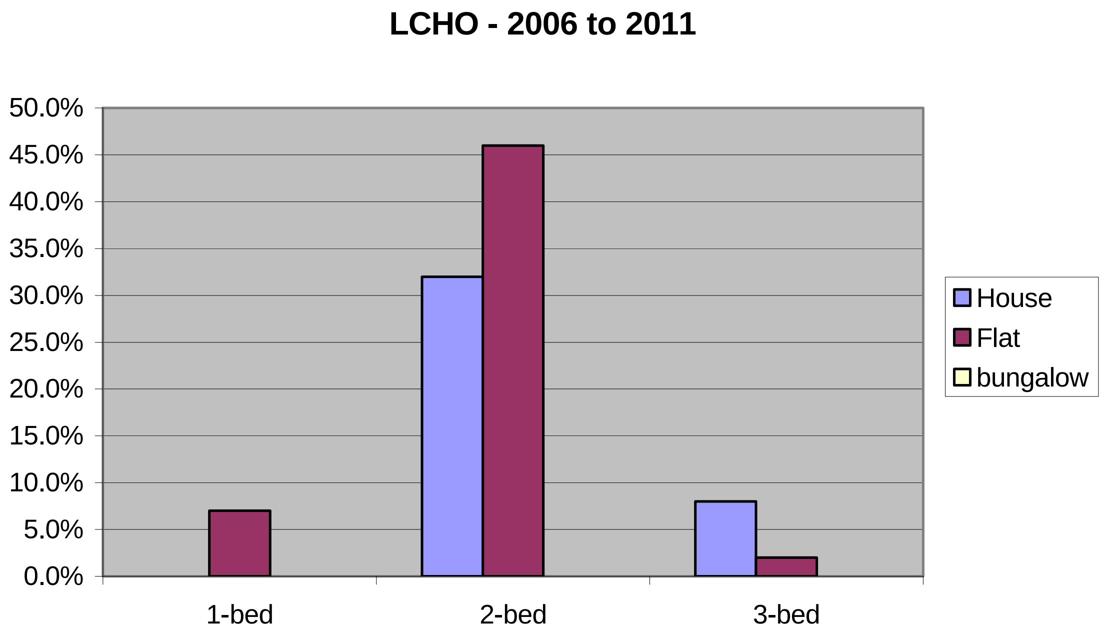
Year	Projected Total Number of New Homes	Number of Affordable Homes			
		Number delivered through section 106 agreements	Proportion delivered through section 106 Agreements	Number delivered by the NAHP and other grant funding	Total Affordable Housing
2006/7	922	169	(18%)	131	**300**
2007/8	1421	156	(11%)	235	**391**
2008/9	1484	225	15%	200	**425**
2009/10	1579	235	15%	200	**435**
2010/11	1633	245	15%	200	**445**

Type and Size of Affordable Homes – April 2006 to March 2011

An analysis of the 691 actual and projected completions in 2006/7 and 2007/8 provides the following breakdown by size, type and sub-tenure.

The short term development pipeline to (2006/7 and 2007/8) contains mostly small properties. In the longer-term sites such as Three Score will provide larger affordable homes by 2010/11. Three Score is not due to start on site until 2010. The Three Score site will provide a large number of homes, mostly houses. So the profile by size and type in the period 2011 to 2016 may well change.





Source: Norwich City Council.

By making two further assumptions we can project the number of affordable homes by property size and sub-tenure…

1. The proportions of rented (85.5%) and LCHO (14.5%) for April 2006 to March 2008 will also apply to the period April 2008 to March 2011.

2. The property size profile in our sample of recent and projected completions (2006/7 and 2007/8) will apply throughout the period April 2006 to March 2011.

3. There will be 73 demolitions of affordable rented housing – 47 one-bedroom, 22 two-bedroom and 4 three-bedroom half in 2008/9 and half in 2009/10. These demolitions are part of re-development programme.

Projected Affordable Rented Housing

Year	1-Bed	2-Bed	3-Bed	4+ Bed	Total
Profile	21.3%	51.9%	24.2%	2.5%	
2006/07	43	158	62	11	274
2007/08	83	149	82	4	318
2008/09	54	178	86	9	363
2009/10	55	182	88	9	372
2010/11	81	197	92	10	380

Projected LCHO Housing

Year	1-Bed	2-Bed	3-Bed	4+ Bed	Total
Profile	7.0%	78.0%	10.0%	5.0%	
2006/07	0	22	4	0	26
2007/08	7	56	6	5	74
2008/09	4	48	6	3	62
2009/10	4	49	6	3	63
2010/11	5	50	6	3	65

4.5 SOUTH NORFOLK

Supply April 2006 to March 2008

Using information available in February 2007 we project the following completions within South Norfolk District.

Source of Housing	Rent	LCHO	Total
Section 106 agreements[5]	118	34	152
Exceptions Policy	21	5	26
NAHP (and other grant funding)	154	0	154
Total	293	39	332

[5] This is the common shorthand for the affordable homes developers provide as a condition for planning permission.

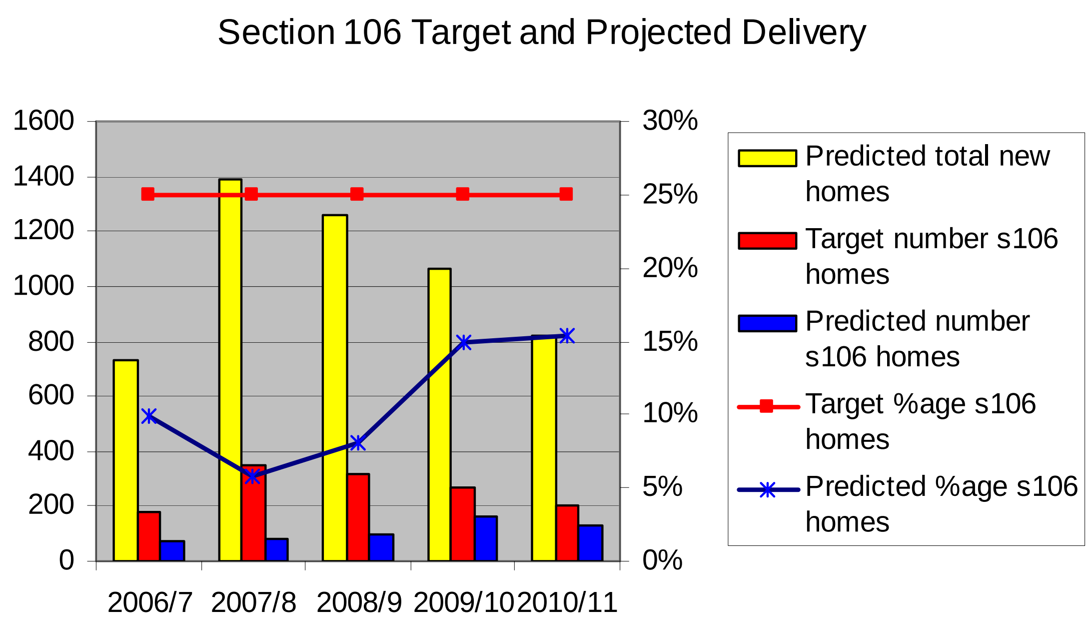
Supply 2008/9 to 2010/11

To project overall supply over the three years April 2008 to March 2011 we assume…

1. That the NAHP and other grants will provide 75 homes each year. This is the same as projected for 2006/7 and 2007/8.
2. That exception sites will provide 15 homes each year. This is in line with projections for 2006/7 and 2007/8.
3. That section 106 agreements will deliver…
   - 101 homes in 2008/9.
   - 159 homes in 2009/10.
   - 126 homes in 2010/11.

   Using forecasts prepared by South Norfolk council in January 2007.

The projected numbers of new homes provided as a condition of planning permission (section 106) are less than the target of 25%. In 2009/10 and 2010/11 about 15% of the predicted new homes are affordable homes delivered via section 106 agreements. Fifteen percent might be a reasonable long-term assumption. This allows for small sites that are not required to provide affordable housing. It also allows for some of the larger sites that deliver less than 25% affordable homes because of site-specific issues.



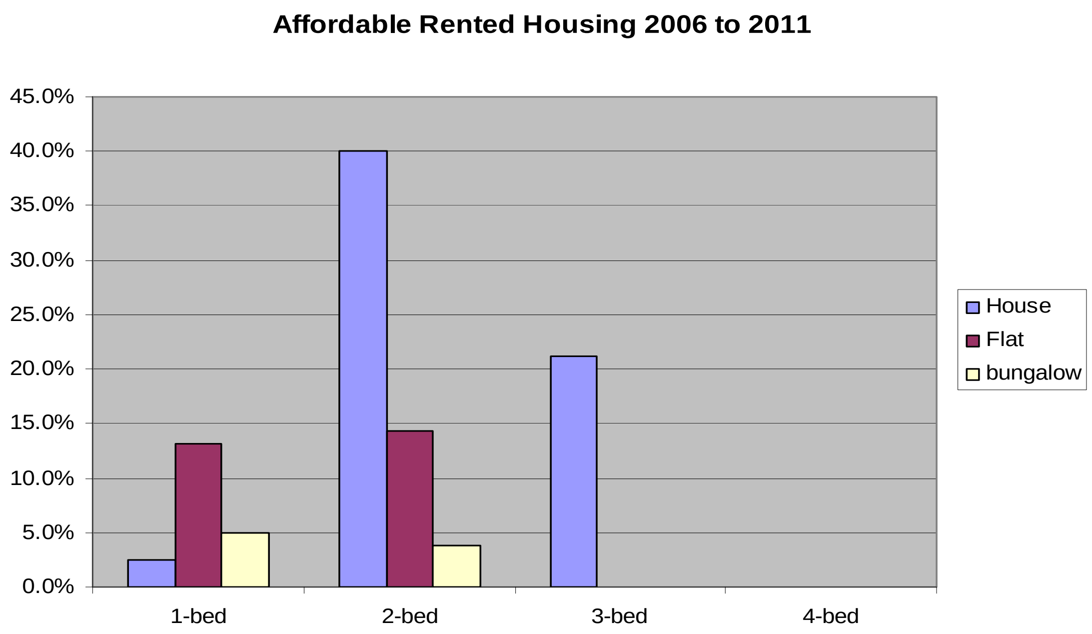
Using these assumptions we project the following affordable housing completions…

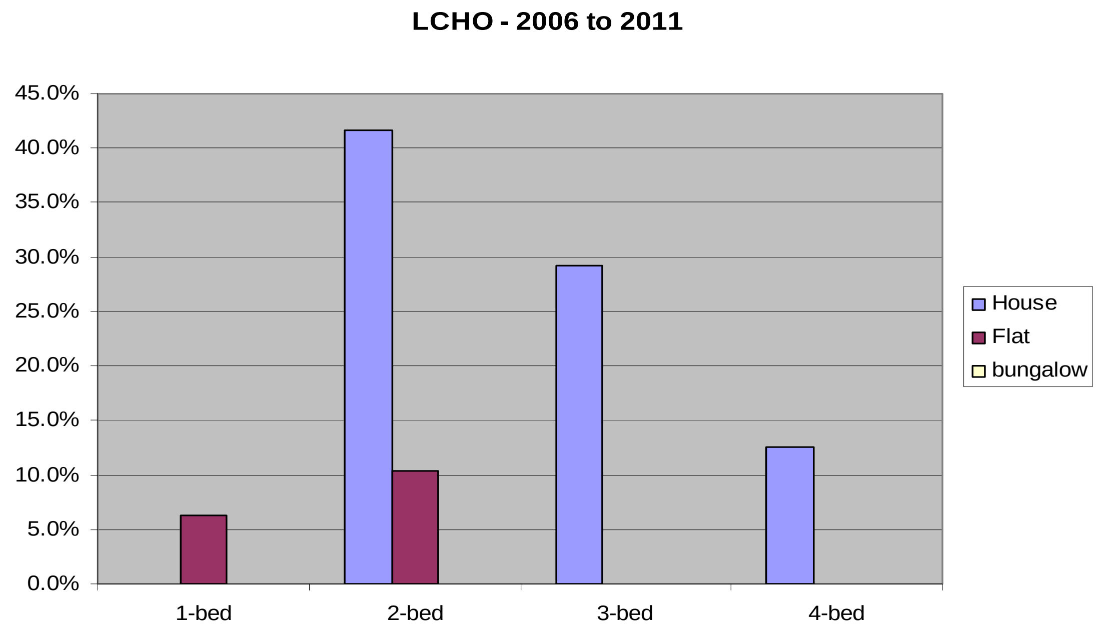
Year	Projected Total Number of New Homes	Number of Affordable Homes				
		Section 106 agree-ments	%age delivered through section 106 agree-ments	Exception sites	NAHP and other grant funding	Total Affordable Housing
2006/7	729	72	10%	0	45	**107**
2007/8	1391	80	6%	26	119	**225**
2008/9	1260	101	8%	15	75	**191**
2009/10	1065	159	15%	15	75	**249**
2010/11	818	126	15%	15	75	**216**

Type and Size of Affordable Homes – April 2006 to March 2011

An analysis of 208 projected completions for properties due to complete between April 2006 and March 2011 provides the following breakdown by size, type and sub-tenure.

In the sample of projected completions the proportion of rented properties is 76.9% the proportion of LCHO properties is 23.1%.





Source: South Norfolk District Council.

By making three further assumptions we can project the number of affordable homes by property size and sub-tenure…

1. We use the actual rented and LCHO elements of the projected completions for 2006/7 and 2007/8
2. We use the sample proportions of rented (76.9%) and LCHO (23.1%) taken from the sample of 208 projected completions.
3. The property size profile in our sample of 208 projected completions will apply throughout the period April 2006 to March 2011.

Projected Affordable Rented Housing

Year	1-Bed	2-Bed	3-Bed	4+ Bed	Total
Profile	20.6%	58.1%	21.3%	0.0%	
2006/07	18	51	19	0	88
2007/08	42	119	44	0	205
2008/09	30	85	31	0	147
2009/10	39	111	41	0	191
2010/11	34	96	35	0	166

Projected LCHO Housing

Year	1-Bed	2-Bed	3-Bed	4+ Bed	Total
Profile	6.3%	52.1%	29.2%	12.5%	
2006/07	1	10	6	2	19
2007/08	1	10	6	3	20
2008/09	3	23	13	6	44
2009/10	4	30	17	7	58
2010/11	3	26	15	6	50