



GL Hearn

Nottingham Outer 2015 Strategic Housing Market Assessment

Summary Report

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1 INTRODUCTION

Purpose of this Report

- 1.1 This report considers the need for housing within the Nottingham Outer Housing Market Area (HMA) which includes Ashfield District Council, Mansfield District Council and Newark and Sherwood District Council.
- 1.2 This report seeks to draw out the main findings of the Nottingham Outer Strategic Housing Market Assessment (SHMA). The SHMA considers how many homes might be needed but does not take into account land supply, policy or other constraints to development. It then goes on to look at what mix of housing is needed, considering the need for different sizes of homes (both market and affordable) and the needs of specific groups in the population, including older people.
- 1.3 The Strategic Housing Market Assessment does not set policies or targets for future housing development. It provides evidence regarding the need for housing.
- 1.4 When Councils are developing new local plans, housing need is considered along with other factors – including land availability, Green Belt and other development constraints, local infrastructure capacity and the unmet needs of adjoining areas – in setting policies for future housing provision. The National Planning Policy Framework requires councils in developing planning policies to start out by identifying what the need for housing (and other forms of development) is, before going on to consider if this can be sustainably accommodated in their areas.

Context – National Planning Policies

- 1.5 The National Planning Policy Framework (NPPF) sets out the Government's planning policies in England. It outlines that in planning for housing, councils must work with neighbouring authorities to prepare a Strategic Housing Market Assessment (SHMA) for their housing market area. Councils are required to work together to meet the need identified unless national policies, which include Green Belt, indicate that development should be restricted or it would be unsustainable to do so.
- 1.6 The SHMA has defined Nottingham Outer as the relevant housing market area, reflecting the particularly strong flows of people moving home or commuting between Ashfield, Mansfield and Newark and Sherwood. Whilst these authorities have the strongest relationships, clearly not all moves and commuting are contained within this area, and the SHMA notes links between the HMA and Nottingham City, Bassetlaw and Bolsover.
- 1.7 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 47). The SHMA does not set housing targets, and the Government's Planning Practice Guidance clearly sets out that the SHMA

itself must not apply constraints to the overall assessment of need, such as environmental constraints, green belt policies, and issues related to local infrastructure.

- 1.8 This does not mean that these issues are not important. They are very relevant in considering how much development can be sustainably accommodated and where new development should be located. When developing new local plans, the Councils must weigh up these factors with the housing need, and test different options regarding how much development can be accommodated. The Government continues to attach great importance to Green Belts and this is one of the factors which must be considered in determining housing targets.
- 1.9 In assessing the need for housing, the Government's Planning Practice Guidance sets out that the starting point should be the latest official ONS population and Government household projections. These are based on past trends. They are particularly influenced by the balance of people moving in and out of an area (migration) and by household formation rates.
- 1.10 As well as demographic considerations the Planning Practice Guidance sets out that the identified need may need to be adjusted to take account of the identified need for affordable housing; to improve housing affordability (taking account of market signals); or to support expected economic growth based on past trends and/ or forecasts for future economic performance. The SHMA has followed the approach in the Planning Practice Guidance. It needs to do this, as the assessment will get tested against this at local plan examinations.

2 FUTURE NEED FOR HOUSING

Projecting Forward Past Population Trends

- 2.1 The latest official population projections are the 2012-based Sub-National Population Projections (SNPP) which were published by the Office for National Statistics in May 2014. These are the first set of population projections which take full account of the 2011 Census¹. GL Hearn has also updated the projections to take account of 2013 Mid-Year Population Estimates issued by ONS.
- 2.2 The latest official household projections are the 2012-based Household Projections published by Government in February 2015. These are based on the first official population projections which take full account of the results of the 2011 Census and what this tells us about recent population trends. These projections project household growth between 2012-37. These projections estimate a housing need of 1,074 dwellings per annum across the HMA (2013-33).
- 2.3 The HMA's population is expected to grow by 9.6% between 2013-33 – a population increase of 32,900 persons. Ashfield's population is expected to grow by 11.3% over this period (13,713 population), Mansfield's by 6.2% (6,531 population) and Newark and Sherwood by 10.9% (12,704 population).
- 2.4 Household formation ('headship') rates are applied to the population to project growth in household numbers. Headship rates describe what proportion of people in different age groups are expected to be a head of a household. How the age structure of the population changes thus influences growth in households.
- 2.5 The SHMA used the household formation rates as set out in the 2012-based household projections. These showed a need for 398 dwellings per annum in Ashfield, 252 in Mansfield, 382 in Newark and Sherwood and 1,031 across HMA. The uplift from households to dwellings takes account of vacancy rates within the existing stock.
- 2.6 The 2012-based subnational population projections (SNPP) look to be a sound demographic projection. Population growth sits in-line with short-term trends but below long-term growth. These short term trends however reflect a period of market failure across the HMA which has reduced migration patterns notably against longer term trends. We therefore undertook sensitivity analysis around three further scenarios. These are as follows:
- 12-year migration trends – this projection looks at the level of population and household/housing growth we might expect if migration levels in the future are the same as seen over the period since 2001. A consideration of longer-term trends is suggested as an alternative scenario in the

¹ Whilst the 2011-based Interim Population Projections took account of the Census population, they were based on pre-census estimates of births, deaths and migration

PAS Technical Advice Note on Housing Targets and Objectively Assessed Housing Need although we would recognise that the approach is unlikely to be as robust as the SNPP as it won't take account of changes to the age structure over time and the impact this might have on migration levels.

- UPC adjustment – as noted earlier there is a notable level of Unattributable Population change in the ONS data for 2001-11 in the Nottingham Outer area. In this instance UPC is positive, this suggests that the components of change feeding into the SNPP may slightly underestimate migration and population growth. Whilst this is a useful scenario to consider (again it is one suggested in the PAS Technical Advice Note²) we do not consider it to be a robust alternative to the SNPP. The main reasons for this are that it is unclear if UPC is related to migration and more importantly, due to changes in the methods used by ONS to measure migration it is most probable that any errors are focussed on earlier periods (notably 2001-6) and therefore a UPC adjustment for more recent data would not be appropriate.

2.7 We have subsequently applied to the 12-year migration trend an adjustment for UPC however we do note that there is in fact a strong link between the two. For example, where UPC is high, it is possible that this is due to migration having been under-estimated. However, it is generally considered that there are a number of factors (as well as migration) that feed into the estimates of UPC (most notably the possibility that population estimates in the 2001 Census were wrong). It is also notable that any UPC is likely to be associated with older data (particularly in the 2001-6 period – prior to ONS 'improving' migration statistics) and would therefore overlap with older data about migration.

2.8 Given this, it is considered prudent to utilise a projection which takes account of both longer-term migration trends and UPC – treating each of these equally (i.e. recognising that UPC could be related to migration and so the two will to some extent balance out). The output of this projection provides the following estimates of housing need.

Table 1: Projected household growth 2013-33 – 2012-based SNPP with 12-year migration trends and UPC adjustment and 2012-based headship rates

	Ashfield	Mansfield	Newark & Sherwood	Nottingham Outer
Households 2013	51,956	45,575	49,728	147,260
Households 2033	60,993	52,401	58,267	171,661
Change in households	9,037	6,826	8,539	24,402
Per annum	452	341	427	1,220
Dwellings (per annum)	469	356	446	1,271

² Planning Advisory Service – July 2015 - <http://www.pas.gov.uk/documents/332612/6549918/OANupdatedadvicenote/f1bfb748-11fc-4d93-834c-a32c0d2c984d>

3 HOW THE ECONOMY MIGHT INFLUENCE HOUSING NEED

- 3.1 Following the approach in the Planning Practice Guidance, the demographic-based assessment set out above provides a baseline for housing need. The Guidance recommends that consideration is given to whether economic growth could result in a need for additional housing.
- 3.2 The NPPF clearly sets out that the assessment of, and strategies in local plans for, housing and employment need to be integrated with one another³. The SHMA has considered the Councils' recent evidence regarding economic prospects of the HMA, as set out in emerging Nathaniel Litchfield and Partners (NLP) work examining the County's employment land needs.
- 3.3 The forecasts considered in the employment land needs study being carried out by NLP estimate that employment in Ashfield will grow by 9,836, in Mansfield by 7,496 and Newark & Sherwood by 8,265 between 2013-33.
- 3.4 Considering how economic growth may influence the need for housing is not straightforward. The relationship between jobs and homes will be influenced by changes in the age structure of the population (including for instance improving life expectancy), employment rates (which describe the proportion of people with jobs) and commuting patterns (the relationships between where people live and work). It is difficult to precisely predict how these may change, however the Planning Practice Guidance requires an assessment to be made.
- 3.5 The SHMA seeks to model the relationship between jobs and homes. It models increasing employment rates, linked to an expectation that people will retire later and more women will work. It assumes that commuting patterns will remain stable in proportional terms. It also takes account of evidence that people may hold down more than one job.
- 3.6 The modelling indicates that to support the forecast growth in employment, the following levels of housing provision would be needed:

Table 2: Initial Assessment of Annual Need for Housing based on Economic Forecasts

	Ashfield	Mansfield	Newark & Sherwood	Nottingham & Outer
Annual Growth in Jobs	394	315	372	1,081
Annual Housing Need	409	328	389	1,126

- 3.7 Across the HMA (and for each local authority), the level of housing provision necessary to support economic growth is lower than the baseline demographic trend-based projections. There is therefore no need to increase housing supply above the demographic projections and that these

³ CLG (2012) *National Planning Policy Framework, Paragraph 158*

would support the planned economic growth in the HMA. This is also based on the policy on projections created by NLP and not the baseline projections which would show an even lower housing need.

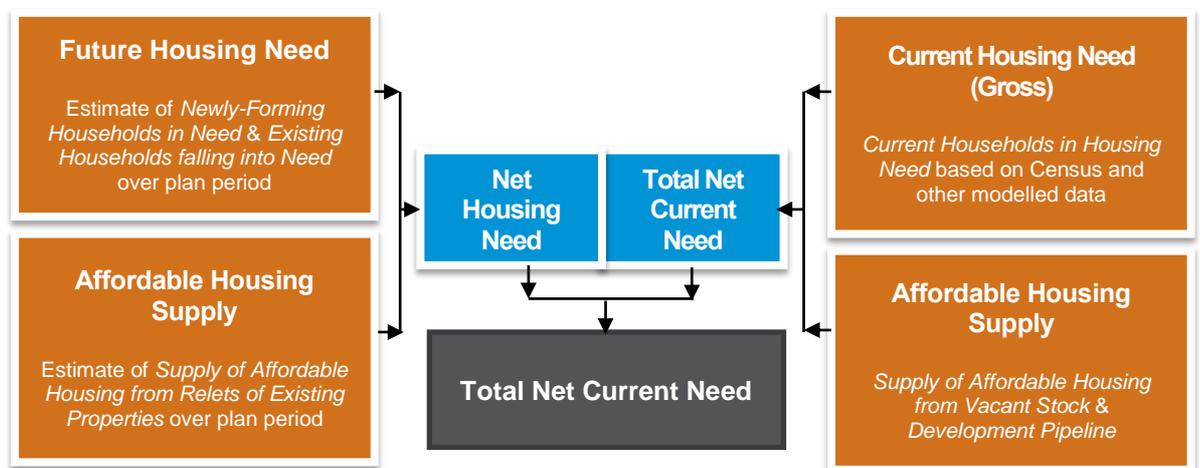
- 3.8 The SHMA adopts a 'policy off' approach which does not seek to change commuting patterns. Clearly however labour markets operate across local authority and indeed across the HMA boundaries. Labour markets are flexible and commuting patterns can change over time.
- 3.9 In the development of local plans, it is important that the Councils consider the alignment of their assumptions regarding economic growth and housing provision, taking account of the potential supply of land suitable for development, infrastructure and other constraints.

4 IMPROVING AFFORDABILITY

Affordable Housing Need

- 4.1 The SHMA includes an assessment of the number of households each year who require some form of subsidy in meeting their housing needs. This is assessed using the Basic Needs Assessment Model and is a statutory requirement to support policies seeking affordable housing in new developments.

Figure 1: Overview of Basic Needs Assessment Model



- 4.2 The model considers households who are currently living in unsuitable housing, the proportion of newly-forming households who cannot afford to buy or rent market housing without financial support, and existing households who fall into housing need. Those deemed as being in unsuitable accommodation includes homeless, overcrowded and concealed households.
- 4.3 These households would be classified as in need of affordable housing. The level of households needing support is compared against the current affordable housing supply, based on re-lets of existing homes. The assessment take account of a range of secondary data sources, including information from the 2011 Census, data on households' incomes, modelling of population trends, and on lettings and the future supply of affordable housing.

Table 3: Estimated level of Affordable Housing Need per annum – by location (30% affordability threshold)

Area	Current need	Newly forming households	Existing households falling into need	Total Need	Supply	Net Need
Ashfield	36	423	236	695	531	164
Mansfield	38	361	395	794	730	64
Newark & Sherwood	32	367	277	676	500	177
Nottingham Outer	106	1,151	909	2,166	1,761	405

Source: 2011 Census/CoRe/Projection Modelling and affordability analysis

- 4.4 The SHMA analysis indicates that 405 additional households per year will require support in meeting their housing needs across the HMA. For Ashfield, Mansfield and Newark & Sherwood it would be 164, 64 and 177 respectively.
- 4.5 The affordable need is around 39% of the need identified in the demographic projections for the HMA. These figures are however calculated in different ways and are not strictly comparable. Firstly, we should recognise that **the affordable housing model includes supply-side factors**. The net need figures derived are influenced by the current stock of affordable housing and turnover of this. This has been influenced by past policies and investment decisions (at both the national and local levels). Funding mechanisms for affordable housing have influenced past delivery, which in turn influence the need today. Secondly and perhaps more critically, it is important to recognise that **the model includes needs arising from both new households and existing households**. Part of the needs included are from households who might require an additional home, such as:
- Newly-forming households;
 - Those in temporary accommodation;
 - Concealed households; and
 - Homeless households.
- 4.6 Some households do not generate a net need for additional homes, as by moving they would release a home for other households. In considering the overall need for housing, only those who are concealed or homeless would result in potentially an additional need for housing. Numbers of newly-forming households in the modelling are established specifically from the demographic projections.
- 4.7 The report identifies 528 concealed and homeless households in affordable need (when using a 30% affordability threshold). This figure can reasonably be used as a minimum uplift to the OAN as a result of affordable housing need and represents around 26 additional dwellings per annum over the 2013-33 period.

Evidence from Market Signals

- 4.8 The NPPF⁴ sets out that plans should take account of market signals, such as land prices and housing affordability. The Planning Practice Guidance clarifies this and outlines that “*the housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance of the demand for and supply of dwellings. Prices or rents rising faster than the national/ local average may well indicate particular market undersupply relative to demand.*” Relevant market signals identified include land prices, house prices, rents, affordability ratios, levels of development compared to targets, as well as levels of overcrowded, shared or concealed households. The Government’s Guidance outlines that where market signals indicate a worsening trend, a reasonable upward adjustment to planned housing numbers compares to those based on household projections should be made.
- 4.9 Whilst not as substantive as the national pressure the SHMA evidence indicates that affordability pressures in the Nottingham Outer HMA are evident. Nationally, the ratio of lower quartile house prices to earnings peaked in 2006. It fell modestly over the 2007-9 period. Affordability ratios have since plateaued with current affordability ratios lower than the 2007 peak.
- 4.10 The Nottingham Outer local authorities follow the national trend, albeit with a consistently lower affordability ratio, indicating a lesser gap between lower quartile house prices and incomes. Newark and Sherwood have the highest affordability ratio in the HMA with Ashfield the lowest. Arguably house prices in Mansfield and Ashfield are manageable compared to the National figures.
- 4.11 House prices are below the East Midlands average although Newark and Sherwood does have notably different house prices to Mansfield and Ashfield. Entry level house prices are around five times the typical earnings of younger households compared to a ratio of 6.4 nationally.
- 4.12 However, housing costs have increased in absolute terms and relative to earnings; whilst household formation and home ownership both fell. An increasing number of households have been living in rented accommodation, shared homes and with parents.

⁴ CLG (2012) *National Planning Policy Framework, Paragraph 17*

4.13 Table 4 considers relative market signals relating to the Nottingham Outer HMA:

Table 4: Review of Market Signals

Signal	Commentary
House Prices	House prices in the HMA are below the national average and in Mansfield and Ashfield also below the county. Prices increased notably, and affordability deteriorated, between 2001-8 – as was the case nationally. However dynamics since 2008 have been very different. House prices have been stable in Ashfield, but have fallen in Mansfield and Newark and Sherwood.
Rents	Rents in the HMA are about average compared with the wider region. Although rents have grown since 2011, this has been below inflation. And in Mansfield there was an actual decline.
Affordability Ratios	The lower quartile house price to income ratio is modestly above region in Newark and Sherwood and below in Mansfield and Ashfield and below the national averages in all three, it has been fairly stable over the last decade, although over the longer term there has been a notable increase.
Rates of Development	Housing delivery has fallen since 2008, as is the case across the region and nationally. The evidence points to this being a function of effective demand and market circumstances. Market conditions however improved in 2014 and we would expect completions to begin to pick-up. Sales volumes for market homes however remain notably below pre-recession levels.
Overcrowding & HMOs	Looking at wider evidence, there are some signs of affordability pressures, with the evidence suggesting that over the 2001-11 period the number of people renting increased, as did house sharing and levels of overcrowding. The evidence however is inconsistent and provides only a modest case for considering an adjustment to housing provision relative to the demographic-led projections.
Tenure Change	There was a significant shift towards the private rental sector across the HMA.

4.14 Taking account of the evidence relating to affordable housing need and market signals there is justification for considering an adjustment to the assessed housing need to address the needs of these households. We return to consider the scale of adjustment appropriate later in the report.

4.15 The evidence from market signals indicates that market housing is relatively unaffordable. This is also borne out in clear evidence of a significant number of households who cannot afford market housing without support. In such circumstances, the Planning Practice Guidance sets out that the assessment of overall housing need should be adjusted upwards – in effect seeking to improve housing affordability.

4.16 The Planning Practice Guidance sets out that the scale of adjustment should relate to the evidence of market demand and of affordability constraints. It is not specific in how this should be calculated.

4.17 GL Hearn consider that the key impacts of improving affordability would be to improve younger people's ability to form a household, reducing the numbers of younger people forced to live with

parents or in shared accommodation. The impact of this has been modelled by adjusting household formation rates of those aged 25-34, increasing levels of household formation for this age group over time such that it reaches the 2001 levels (in each authority) by 2033.

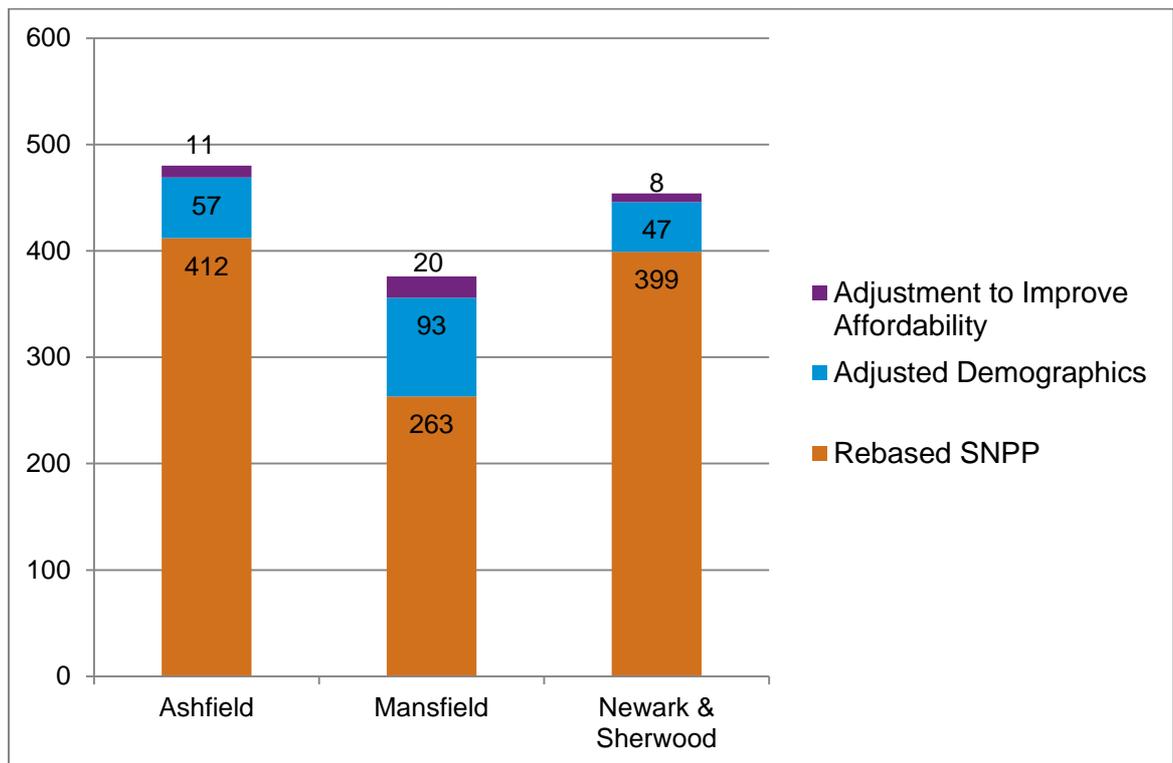
4.18 **Taking account of these adjusted household formation rates for younger households, the SHMA draws the following conclusions on the overall need for housing:**

- **480 dwellings per annum for Ashfield,**
- **376 dwellings per annum for Mansfield,**
- **454 dwellings per annum are recommended for Newark and Sherwood.**

5 OBJECTIVELY ASSESSED NEED

5.1 Taking account of these adjusted household formation rates for younger households and adjustment for UPC and longer term trends, the SHMA concludes on the overall need for housing over the 2013-33 period of 1,310 homes per annum (Ashfield 480, Mansfield 376 and 454 in Newark and Sherwood). The derivation of the conclusions on housing need is shown below, in Figure 2.

Figure 2: Conclusions on Full Objectively-Assessed Housing Need, 2013-33



5.2 In the absence of development constraints this could potentially be considered to represent the full ‘objectively assessed need’ (OAN) for housing. This represents in total an annual need for 1,310 homes per year across the HMA.

5.3 The National Planning Policy Framework sets out that local authorities should seek to meet housing need within their areas where it is sustainable to do so and consistent with policies within the Framework. The Framework however affords significant protection to Green Belt and other environmental constraints including land designated as Local Green Space, Area of Outstanding Natural Beauty, SSSI, SPA, SAC and RAMSAR.

6 MIX OF HOUSING NEEDED

- 6.1 In addition to considering the overall need for housing, the SHMA considers what types and sizes of homes – both market and affordable – will be needed.
- 6.2 There were just over 144,536 homes in the Nottingham Outer Housing Market Area in 2011. 69% of households owned their own home, with 13% renting privately and 16% living in social rented housing. The remaining 2% were living rent free or in shared ownership accommodation.
- 6.3 Within Ashfield home ownership is around 69% with 13% renting privately and 17% living in social rented housing. The remaining 1% were living rent free or in shared ownership accommodation.
- 6.4 In Mansfield, home ownership is slightly below the HMA averages and accounts for 67%. Around 14% is renting privately and 18% is living in social housing. 1% is living rent free or in shared accommodation.
- 6.5 Within Newark and Sherwood home ownership is around 71% with 13% renting privately and 14% living in social rented housing. The remaining 2% were living rent free or in shared ownership accommodation.
- 6.6 Each of the Local Authorities and subsequently the HMA as a whole has a percentage of detached houses consistently above the national average with the district of Newark and Sherwood falling at 38% some 15% above the national average. Conversely the percentage of flats in the HMA (8.1%) falls greatly below the National Average of 21.1% with the highest proportion of flats falling within Mansfield at nearly 9%.
- 6.7 Overall the HMA has a notably high percentage of 3 bedroom properties (51%) in comparison to the National figure (41%). This is driven by a high percentage in Ashfield and Mansfield.
- 6.8 Conversely the HMA has a low percentage of 1 and 2 bedroom properties (33%) compared to the East Midlands (35%) and National figures (40%). Newark and Sherwood in particular has a low percentage of these sizes of property (28%).
- 6.9 The SHMA identifies that there is a need for a mix of house sizes across the HMA, as Table 5 indicates. The conclusions drawn take account of how the structure of the population and households are expected to change over the period to 2033 and how people occupy homes.
- 6.10 In terms of size mix, our analysis (taking account of demographic trends and market evidence) concludes that the following represents an appropriate indicative mix of affordable and market homes at a HMA-wide level. It should however be noted that this analysis is aimed at informing policies over the plan period and there will be a range of factors which will influence demand for

different sizes of homes over time, particularly demographic changes, growth in real earning/savings, housing affordability and wider economic performance.

Table 5: Need for Different Sizes of Homes across the Nottingham Outer HMA

	1-bed	2-bed	3-bed	4+ bed
Market	5%	35%	50%	10%
Affordable	35%	35%	25%	5%
All dwellings	10%	35%	45%	10%

- 6.11 For market housing, we recommend that the focus of new provision is on two and three-bed properties. This would serve to meet the needs of newly forming households and younger families in the District as well as demand from older households downsizing and looking to release equity in existing homes, but still retain flexibility for friends and family to come and stay. There is however likely to be a notable level of continued need for larger family properties arising from existing growing households and those migrating into the District.
- 6.12 Policies for what proportion of homes in new development schemes should be affordable need to take account of evidence both of housing need and of the viability of residential development. The NPPF sets out that percentage targets for affordable housing need to take account of viability evidence.
- 6.13 The SHMA considers the need for different types of affordable housing. It indicates that, in delivering affordable units, a HMA-wide mix target of 20% intermediate and 80% social or affordable rented homes would be appropriate. The types of intermediate housing could include products such as shared ownership or shared equity, although the cost of such products should be carefully considered to ensure they are genuinely affordable – this will need to include consideration of any deposit requirements which may be a barrier to access for a number of households as well as the current supply of such housing.
- 6.14 Over the period to 2033 the population of older persons in the HMA is expected to grow, with the population aged over 65 expected to increase by 53%. Many older households will remain in homes which they have lived in for many years. However some may wish to downsize, and this has been taken into account in the conclusions drawn on the mix of homes needed.
- 6.15 Some older households will require specialist housing or support. Others may need to adapt their homes to meet their changing needs. In particular there is projected to be a large rise in the number of people with dementia (up 86%) along with a 73% increase in the number with mobility problems. Newark & Sherwood is likely to see the most significant increases.

- 6.16 Some older households will require specialist housing solutions. The SHMA identifies a need for a 3,803 additional specialist units of housing for older people between 2013-33, including sheltered and extra care homes – this represents about 15% of the need shown through the conclusions on OAN. This need forms part of the OAN.

Table 6: Need for Specialist Housing for Older Persons, 2013-33

	2013-33	Per annum
Ashfield	1,279	64
Mansfield	1,034	52
Newark & Sherwood	1,489	74
Nottingham Outer	3,803	190

- 6.17 In addition, the SHMA indicates a need for 1,824 bedspaces in residential care homes (Ashfield-650, Mansfield-437 and Newark and Sherwood-737). This does not form part of the household population and so is separate to the need identified for housing. It falls within a C2 use.