GL Hearn
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Ryedale District Council

Strategic Housing Market Assessment – Executive Summary Report

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Prepared by

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1 EXECUTIVE SUMMARY

1.1 This Summary brings together the key findings of the SHMA Report. It is structured to set out GL Hearn's conclusions in turn: regarding the geography of the housing market area; the overall objectively assessed need for housing; and then findings relating to the need for different types of homes and the housing needs of specific segments of the population.

Housing Market Area

1.2 The triangulation of data and evidence supported the definition of Ryedale as a separate HMA in its own right, based on a local authority 'best fit' to HMA boundaries, whilst recognising cross-boundary relationships particularly with Scarborough and York.

1.3 The definition of Ryedale District as an HMA, based on a local authority best fit, is supported by the CURDS research; the strong level of migration self-containment (68-69% excluding long-distance flows) and a house price differential relative to Scarborough. Commuting self-containment is up to 65% which again is very close to the 66.7% sought in the ONS TTWA methodology.

Overall Housing Need

1.4 The latest official demographic projections are the starting point. These are 2012-based and suggest a need for 127 dwellings per annum in Ryedale District. These are considered a technically robust set of projections.

1.5 The SHMA has included a detailed sensitivity testing considering alternative assumptions on migration and household formation rates. Taking migration assumptions first both longer-term and more recent migration trends point to the potentially for higher net migration than projected in the 2012-based SNPP.

1.6 Modelling migration based on recent population trends (over the last 5/6 years) would result in a need for between 160-167 dwellings per annum. Looking at longer-term trends, a potential range of between 125 – 212 dwellings per annum is shown reflecting the impact of using different time periods and uncertainty associated with Unattributable Population Change.

1.7 GL Hearn concludes that it would be appropriate to take a positive approach and adopt a 10 year migration scenario. This shows population growth of 10.1% which is above that projected at both a sub-regional and regional level in the 2012-based SNPP. The average level of net migration in the 10 Year Migration (393 persons per annum) is somewhat higher than the figure seen over the past 5-years (298 per annum average) and is consistent the average seen in the 2001-14 period (390 per annum average) leaving aside any potential UPC impacts.

1.8 In considering household formation rates the 2012-based (Stage 1) Household Projections appear reasonable. There is no substantive evidence that these project forward suppressed household formation based on interrogation of the data. Whilst headship rates for the 25-34 age group could be higher; equally the evidence suggests that from a demographic perspective those for the 35-44 age group and age groups over 65 could be lower.

1.9 Applying the headship rates to the 10 year migration projection results in a demographic-based need for 177 dwellings per annum. This is a significant 39% higher than the starting point demographic need. **A sensitivity analysis considering potential adjustments to headship rates for those aged 25-44 would increase this to 185 dwellings per annum. This scenario in effect assumes that affordability for younger households improves over time. This represents our core conclusion on the demographically-based need.**

Employment Trends

1.10 Following the approach in the PPG, the demographic-based assessment set out above provides a baseline for housing need. Consideration has however been given to whether higher housing provision might need to be considered in order to support economic growth. The evidence does not point clearly to this.

1.11 Two economic forecasts have been considered – one from Oxford Economics and one from Experian (the REM Model). These forecasts suggest an annual job growth of between 65 and 73 per annum; a level of growth which looks to be broadly in-line with past trends (although there are evident issues with recording of employment in Ryedale District).

1.12 GL Hearn has tested the level of housing need which could potential arise from these. Using assumptions consistent with those used by the forecasters where possible, **the main scenario modelling indicates a need for up to 214 homes per year to support the Oxford Economics forecasts** and just 78 dpa for the REM Model. The latter reflects Experian's assumption on local employment rates: if their national assumptions on employment rates are used, a need for 158 dpa is shown. The average of these scenarios is relatively close to the demographically-assessed need.

Market Signals

1.13 The report has then gone on to consider market signals. The NPPF[1] 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*

[1] CLG (2012) *National Planning Policy Framework, Paragraph 17*

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."

1.14 Their evidence indicates that there has been a fundamental shift in housing market conditions nationally since 2007. Housing market conditions have been relatively stable over the past few years. House prices have remained fairly consistent during this period in nominal terms; and have fallen in real terms. Sales volumes in Ryedale have now recovered, and in 2015 were modestly above pre-recession levels. Key indicators suggest the following:

- **Land Values**: comparative land values for Ryedale District are low, pointing to little shortage of residential development land;
- **House Prices**: Housing costs in Ryedale, for both purchasing and renting, are generally below the other commissioning authorities and the ONS comparable authorities. Sales values reached £190,000 in 2015, which is £16,500 below Hambleton (£206,500) and £21,500 lower when compared to York (£211,500). They are above the regional values (£140,000) consistent with many predominantly rural areas.
- **Rental Costs:** Median rents in Ryedale in 2015 were the lowest across the three local authorities (£535 pcm) as York and Hambleton had £675 pcm and £550 pcm respectively.. Compared to the national levels, Ryedale had £65 pcm lower median rents than England (£600), although rents are £40 pcm above the regional average. Rental growth over the period since 2011 shows that median rental values in Q1 2015 have grown by 7%. This represents a modest real-term growth. Rental growth has been modestly higher than a number of wider benchmarks.
- **Affordability Ratios:** The lower quartile price-to-income ratio at 7.4 is above the national average of 6.5, but below other parts of the region. Notably the ratio has been improving over the period since, falling from 10.35 in 2007 to 7.36 in 2013;
- **Housing Delivery:** housing delivery over the last few years has been above target; but considered over the last decade there has been a shortfall in delivery with completions falling 16% short of development targets. The evidence suggests that this is likely to have been influeenced by both demand-side and supply-side factors;
- **Wider Evidence:** there is some evidence of contraints for younger households forming, and in particular being able to buy a home. Levels of over-occupation of housing have increased modestly; there has been growth in private renting; and levels of concealed households have grown. This said levels of concealed households, overcrowding and private renting all remain very low relative to wider comparators.

1.15 Overall the analysis of market signals points towards some modest affordability pressures. The demographic evidence points to some fall in household formation amongst younger households. This may reflect a range of issues. Some adjustment has already been made for this within the demographic analysis. It would be appropriate to consider a *modest* upward adjustment to the demographic assessment of housing need to improve affordability over time, in line with the approach outlined in the Planning Practice Guidance.

1.16 A 10% upward adjustment to the starting point demographic projection (127 dwellings per annum) would result in a need for 140 homes per year. **A 10% adjustment to the 10 year migration trend (with adjusted HFR) scenario would result in a need for 203 homes per year.** These adjustments would deliver both additional market and affordable housing.

Affordable Housing Need

1.17 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.

1.18 Overall, in the period from 2014 to 2035 a net deficit of 79 affordable homes per annum is identified (based on a 30% affordability threshold). There is thus a requirement for new affordable housing in the District and the Council is justified in seeking to secure additional affordable housing.

1.19 Once account is taken of the range of outputs with the modelling (for different affordability thresholds), the fact that many of the households in need are already living in accommodation (existing households) and the role played by the private rented sector, the analysis does not suggest that there is any strong evidence of a need to consider additional housing over and above that suggested by demographic projections to help meet the affordable need.

1.20 However, in combination with the market signals evidence some additional housing relative to the demographic-based need might be justified to help improve access to housing for younger people.

1.21 The identified affordable housing need represents 45% of the need arising through the demographic projections based on 10-year migration trends. The Council consistently achieves 35-40% affordable housing on eligible sites; whilst in the National Park the policy seeks 40% delivery. Rural exception schemes can deliver higher levels of provision still. The evidence however suggests that modestly higher housing provision might be considered.

1.22 However, in considering this relationship, it is important to bear in mind that the affordable housing needs model includes existing households who require a different size or tenure of accommodation rather than new accommodation *per se*. Additional need for housing potentially will only arise from concealed and homeless households and the scale of this is already captured in upward adjustments to household formation rates as part of the demographic need.

Drawing the Evidence Together

1.23 The evidence points to a demographically based need for 185 homes per annum. If a 10% adjustment above this is included to improve affordability, 203 homes would be required. In both cases these are significantly above the ‘starting point’ need arising from the official projections.

1.24 The economic evidence points to provision of between 158 – 213 homes per annum, with some scenarios indicating slightly higher figures. A positive approach would be to provide housing towards the higher end of this range, recognising that this would not constrain economic growth based on the evidence available; and could support enhanced delivery of affordable housing.

1.25 **GL Hearn would therefore conclude that an appropriate OAN would fall between 195 – 213 dwellings per annum, but would place greater weight in “positively planning” on the higher end of this range. This is an assessment of need for the District as a whole.**

1.26 This assessment of housing need is a “policy-off” assessment and does not take into account constraints to delivery, nor does it take into account any aspirations of the local council to provide more housing than this assessment level of need should they wish to do so.

1.27 As part of plan-making, planning judgements will be necessary to assess whether meeting the full objectively assessed needs identified in this SHMA can be met, whilst avoiding adverse impacts which would significantly and demonstrably outweigh the benefits or conflicting with the policies of the National Planning Policy Framework (NPPF).

1.28 There is also no requirement for the District to increase their OAN figure to take account of any notional under-supply before the 2014 base date. This is taken account of through the market signals adjustments. This is in line with the recent Winchester V Zurich High Court decision.

Need within the Plan Area

1.29 As noted earlier in this report Ryedale is not the planning authority for the entire district. Those parts of Ryedale which fall within the North York Moors National Park are covered by the SHMA GL Hearn has undertaken for the National Park authority.

1.30 For the North York Moors National Park area we assessed overall housing need to be 29 dwellings per annum. This was calculated based on maintaining a constant population, which in itself ensured that the working age population was also maintained, indeed it grew.

1.31 In modelling this need GL Hearn took a best fit of the National Park wider area and then constrained this data relating to that wider area to the know National Park population. The constrained model assumed that 21.5% of the National Park’s population was in Ryedale District and thus 21.5% of the housing need i.e. 6 dwellings per annum from the 29 dpa would be required in the Ryedale part of the National Park.

1.32 In considering a housing target for the plan area the level of need identified for the National Park can be netted off the OAN figure for Ryedale District as set out above. This would reduce the need in Ryedale (outside the National Park) to 204 dwellings per annum assuming we take the higher end of the OAN range.

Need for Different Types of Homes

Conclusions on Housing Mix

1.33 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.

1.34 The SHMA identifies that there is a need for a mix of house sizes across the District, as the table below illustrates. The conclusions drawn take account of how the structure of the population and households are expected to change over the period to 2035 and how people occupy homes.

1.35 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 district-wide level.

Table 1: Need for Different Sizes of Homes across Ryedale

	1-bed	2-bed	3-bed	4+ bed
Market	0-5%	35-40%	40-45%	15-20%
Affordable	25-30%	40-45%	20-25%	5-10%
All dwellings	10%	40%	35%	15%

Source: Derived from Housing Market Model

1.36 It should be noted that this analysis is aimed at informing strategic 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. There is also a geographical dimension and the specific mix of housing needed at a local level will be influenced in part by gaps in the existing housing offer locally (such as differences between the urban and rural areas).

1.37 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.

1.38 The assessment of affordable housing needs indicates that, in delivering affordable units, a district-wide mix target of 20% intermediate, 20% starter homes and 60% social or affordable rented homes would be appropriate. Any strategic policy should however retain a degree of flexibility both to take account of local level variations which we have identified, as well as any site specific issues.

1.39 In the affordable sector, GL Hearn recommends that the focus of provision is on smaller properties. However, the recommended mix also recognises the potential role which delivery of larger family homes (3 and 4 bedrooms) can play in releasing supply of smaller properties for other households together with the limited flexibility which one-bed properties offer to changing household circumstances, which feed through into higher turnover and management issues. These have been balanced against the recent Government reforms to social housing and welfare, including issues associated with the changes introduced by Government to housing benefit eligibility for working-age households in the social housing sector.

1.40 For market housing, GL Hearn recommends 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.

1.41 The mix identified above should inform strategic district-wide policies and help to inform the 'portfolio' of sites which are considered and ultimately allocated through the Local Plan process. However, we would again recommend that strategic policy retains a reasonable degree of flexibility to ensure that, in applying mix to individual development sites, appropriate regard can be given to the nature of the development site, the character and existing housing stock of the area as well as the most up-to-date evidence of need/demand.