

SECTION C: HOUSING NEED AND DEMAND

This section looks at estimates of the need for affordable housing in the HMA and also the potential future demand for housing. To inform this section, data has been taken from published sources (such as the HSSA) as well as from the most recently completed housing needs assessments/surveys for each local authority.

Chapter 9 – Financial capacity

As noted in the first section (national and regional trends) the fact that over two thirds of households now own their homes, and most have owned them for several decades means that financial capacity (income+savings+equity) is the appropriate measure for assessing the ability to afford housing. This chapter outlines the position in the HMA.

Chapter 10 – Affordability and Housing Need

This chapter looks at a range of information about likely current and future housing needs in the HMA. The chapter looks at price/income ratios (and how these have changed over time), the Housing Register (including homelessness) as well as housing needs survey/assessment data about affordable housing needs. The chapter therefore provides a broad overview of affordability issues in the HMA and the various sub-areas within the area.

Chapter 11 – Patterns of household movement

In considering the wider housing market, it is important to examine the flows of household movements within and between HMAs. This chapter examines not only the patterns of movement, but how the various tenure groups housing movement patterns vary.

Chapter 12 – Housing Market Balance

This chapter mainly uses data presented in housing needs assessments/surveys to assess the likely demand for housing in the future of all tenures. This is contrasted with the likely provision of additional housing to help make suggestions about overall shortfalls in provision (by size and tenure).

9. Financial Capacity

Introduction

- 9.1 An important part of the sub-regional SHMA is an assessment of the financial situation of households, as there is no comprehensive (secondary) source for such data. Data were therefore collected in the survey on a range of financial information (including incomes, savings and equity). The latter combination of statistics, termed 'financial capacity' is essential to assess the ability of households to afford housing.
- 9.2 This chapter looks at the financial situation of households in the whole HMA. The individual Housing Need Surveys (HNS) for each district provide more detailed financial information, and the next chapter, in assessing affordability, looks at household incomes per district.

Financial capacity

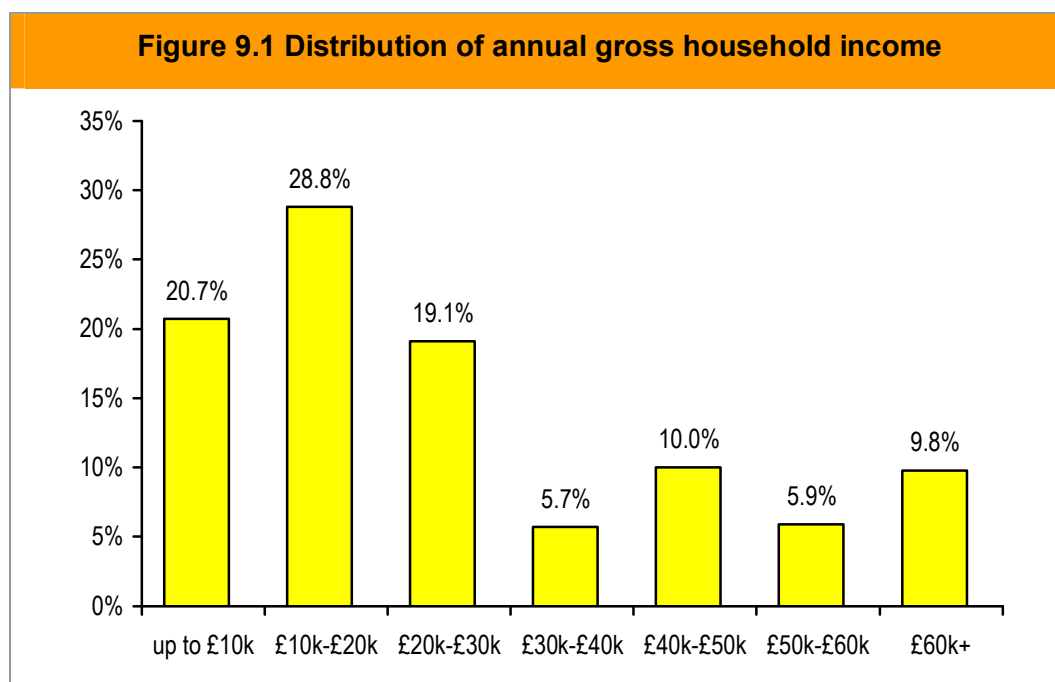
- 9.3 The next chapter examines price income ratios, which are an established measure of affordability. However they do not enable a proper study of housing markets, as they omit two essential elements of affordability that affect most households: savings and owned equity. Since 70% or so of households have owned housing for a decade or more, the dynamics of the housing market can only be understood by looking at all three elements:

Financial capacity: income+savings+equity

- 9.4 This chapter builds up financial data on households in the sub-region to provide information on the financial capacity of key groups of households.

Household income

- 9.5 Survey results for existing household income in the sub-region estimate the median gross household income (including non-housing benefits) to be £20,376 per annum. The mean household income is £27,649 per annum whilst the lower quartile income in the sub-region is £10,250. The figure below shows the distribution of income in the sub-region.



Source: Peterborough sub-regional SHMA 2007 – household survey data

9.6 The median amount of household savings in the sub-region is £2,374. The mean was noticeably higher at £22,694, skewed by a small number of households with a very large amount of savings. The lower quartile value was £0. The figure below shows the distribution of savings in the sub-region.

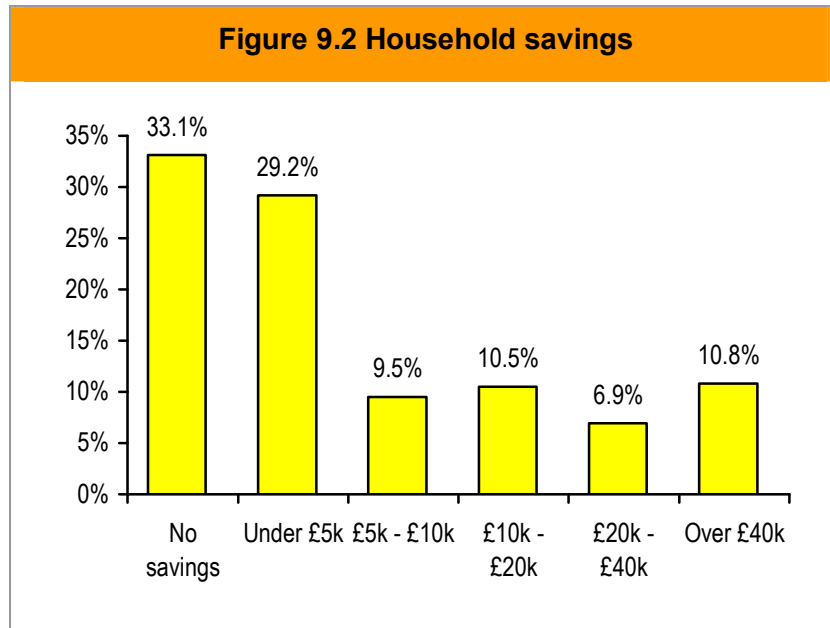
9.7 This can be compared with regional and national figures indirectly through the weekly pay data (Figure 5.8 above). The comparisons (using residence based pay as the appropriate figure) show:

Area	Weekly pay
Peterborough sub-regional HMA	£421
East of England	£470
East Midlands	£427
Great Britain	£450

Source: Figure 5.8 above

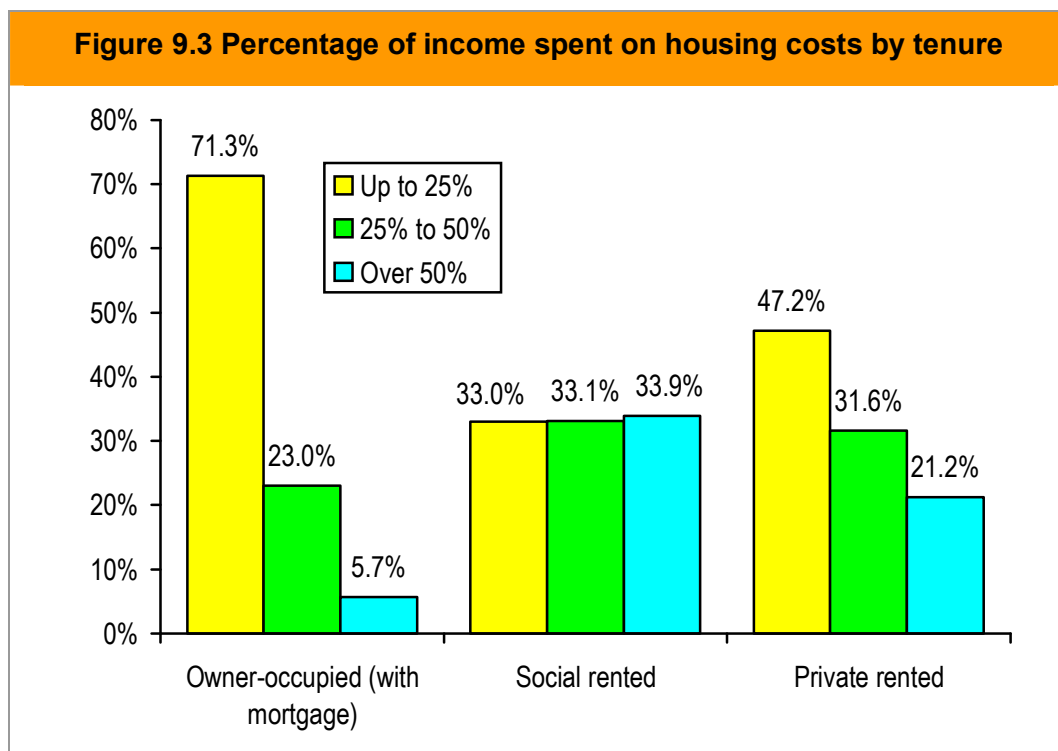
9.8 This table shows that the HMA has earnings of about 94% of the national level, and its average is lower than either of the two regions to which parts of it belong, although it is quite close to the lower average incomes shown by the East Midlands. Earnings in the HMA are clearly at a modest level by national standards.

9.9 An estimated 62.3% of households had less than £5,000 in savings whilst 10.8% had savings of over £40,000. Households with no savings also include those in debt.



Source: Peterborough sub-region SHMA 2007 – household survey data

9.10 It is of interest to study the amount of income that households are spending on their housing costs (whether rent or mortgage). The figure below shows the number of households in each tenure group by what proportion of income is spent on housing. The figure shows that whilst households in the owner-occupied and private rented sector are most likely to spend less than 25% on housing costs there are a number of households spending over 25% and in some instances in excess of 50%. Households paying more than 50% are most likely to be found in the social rented sector.



Source: Peterborough sub-region SHMA 2007 – household survey data

- 9.11 As can be seen, about two thirds of owner occupiers, a third of social renters and just less than half of private renters spend 25% or less of their income on housing. Practice Guidance of March 2007, followed a line of Guidance which suggested that households, especially poorer ones, should not spend more than 25% of their income on housing.
- 9.12 Version 2 of the Practice Guidance has relaxed this rule and allows such bodies as the sub-regional SHMA Steering Group to nominate higher proportions of income to be spent on housing. There are practical problems to using much higher proportions of income on housing when addressing the needs of lower income households. The above figures group all households per tenure. If households on say £15k were considered, and the implications of 35% of income on housing were pursued, it would be found that such a household is unlikely to be able to survive on a proportion much above 25%.
- 9.13 Nevertheless it is clear from the table that the majority of all renters (social and market) have to spend much more than 25% of their income on housing. This is ameliorated in many cases by the subsidy represented by Housing Benefit.

Median financial capacity

- 9.14 The following table provides the median financial capacity figures by tenure. Median is used because it provides a 'typical' figure (the middle household in the range) and is not distorted by there being a few very wealthy households at the top end of the range, as the average is. The overall difference when using average rather than mean is shown above (para 9.5) where the overall mean household income for the HMA is shown to be about £28k, as compared with the median of £20k.

Table 9.2 Median financial information by tenure

Tenure	Median annual gross household income	Median savings	Median equity	Financial capacity
Owner-occupied (no mortgage)	£15,999	£16,359	£169,821	£234,176
Owner-occupied (with mortgage)	£33,090	£1,785	£77,189	£178,246
Social rented	£8,416	£339	£0	£25,588
Private rented	£17,778	£631	£0	£53,966
AVERAGE	£20,376	£2,375	£74,634	£138,137

Source: Peterborough sub-region SHMA 2007 – household survey data

- 9.15 The total financial capacity figure is based on a X3 multiple of income for mortgage. However as can be seen from the table, the general conclusion would be similar if a X4 multiple were taken, and for lower income households it is unlikely that they would be much above a X3.5 multiple. With that note, the table shows some striking results:

- i) For owners without mortgage (many of them retired) the proportion of equity and savings in overall financial capacity is about 80%. Even if a 3.5 multiple were used, the non-income element would still be about three quarters of the overall purchasing power of this group.
- ii) For owners with mortgages the proportion of non income elements of financial capacity falls to 44%, and would go down to nearer a third if the income multiple were raised to X3.5.
- iii) In the case of both rented tenures, there is only a small savings figure (it can be much higher in other HMAs) and of course no owned equity (though such households may be able to borrow or gain equity from other family members when considering a purchase). The financial capacity of such households varies considerably with tenure. The private rented households have about twice the financial capacity of the social renting ones. This is normal, as the private rented sector contains both households who are too poor to enter the market (and who depend on Housing Benefit to do so) and those who are aspiring towards buying, (and who have much higher incomes).
- iv) When compared with the price of entry level purchase housing (which can be seen, for instance, from Table 21.2 below) to be about £180 per week (for a second hand two bed dwelling, varying a little by area within the HMA) it is obvious that none of the renting households has any hope of climbing to full scale equity ownership. Even the private renters, on average, have only about a third of the necessary financial capacity, and this would not be materially altered by taking a higher mortgage multiple. Of course within the broad private renting group there will be households on much higher incomes who can consider purchase, with or without the assistance of the 'bank of Mum and Dad'.

9.16 Table 9.2 therefore presents the stark affordability issue: with the inclusion of financial capacity it can clearly be seen that those without a mortgage could on average easily afford the £180 per week of an entry level purchase cost in the HMA. Those with mortgages (financial capacity £178k or more on a higher multiple) will in many cases have bought at lower prices than prevail today but in any case have about the necessary financial capacity to access at today's prices even on a X3 multiple. But both groups of renting households are nowhere near being able to afford to buy.

Financial capacity of moving and non-moving households

9.17 The dynamics of the housing market are driven by those who are moving. The following analysis shows the financial capacity of households (again using a X3 multiple) according to tenure and according to whether they have moved into the HMA, within it, or not moved at all recently.

9.18 The following table presents the financial capacity for owners in the sub-region.

Table 9.3 Financial Capacity of owners				
Moves in the last two years	Median annual gross household income	Median savings	Median equity	Financial capacity
Moved into the HMA	£31,489	£3,511	£82,927	£180,904
Moved within the HMA	£32,330	£2,168	£65,599	£164,757
Did not move home in the last two years	£23,705	£4,885	£124,842	£200,843

Source: Peterborough sub-region SHMA 2007 – household survey data

9.19 As can be seen from the table above, the non-movers show much higher financial capacity than the recent movers, while those who moved into the HMA are wealthier than those who moved within it. Although those who moved in are less wealthy than those who did not move, they have a noticeably higher financial capacity than the internal movers. They also have a slightly higher financial capacity than the all mortgage group shown in the previous table. Hence the in-migrant purchasers, who are mostly likely to be on a mortgage (since the area is not a primary retirement one), are at least maintaining the average financial capacity of their section of owners.

9.20 The internal movers are distinctly less well off than the in-movers. It must again be borne in mind that since they are an average of those who moved in the past two years, they will mostly have done so at lower prices than the current ones. Moreover they may also have done so at a higher multiple than X3. At the same time they are clearly not able to afford much more, on average, than an entry level second hand dwelling, and again on average not able to afford newbuild.

9.21 The following table presents the financial capacity for private renters in the sub-region, by their location of their previous home.

Table 9.4 Financial Capacity of private rented households				
Moves in the last two years	Median annual gross household income	Median savings	Median equity	Financial capacity
Moved into the HMA	£24,569	£895	£0	£74,604
Moved within the HMA	£18,625	£320	£0	£56,194
Did not move home in the last two years	£15,089	£712	£0	£45,980

Source: Peterborough sub-region SHMA 2007 – household survey data

- 9.22 The table for private renters provides an interestingly different pattern from that for owners. Where the highest financial capacity for owners is found among those who have not recently moved, the non-moving private renters showed the lowest financial capacity. The in-moving ones show much higher financial capacity than either internal movers or non-movers. This suggests that private renters (who are in any case much more mobile than any other tenure group) move more in the hope of ascending the housing ladder than for other reasons. The incomers to the area clearly raise the financial capacity of private renters generally.
- 9.23 However it is clear that even the in-moving private renters are well short of being able to buy: even on a X4 multiple they would on average only have £100k of buying capacity. As can be seen from the detailed Land Registry data (Table 7.2) this would not even buy a flat in the cheapest area (South Holland: £102k, while in Peterborough with more job opportunities, flats average £118k).
- 9.24 Within that average, however, there will be those who can rise above the £180 per week general threshold for purchase cost in the sub-regional HMA, while others will benefit from loans or gifts of equity from relatives etc to enable them to make the step into ownership.
- 9.25 The following table presents the financial capacity for social renters in the sub-region, by the location of their previous home.

Table 9.5 Financial capacity of social rented households				
Moves in the last two years	Median annual gross household income	Median savings	Median equity	Financial capacity
Moved into the HMA	£6,782	£558	£0	£20,905
Moved within the HMA	£8,837	-£79	£0	£26,433
Did not move home in the last two years	£8,446	£402	£0	£25,739

Source: Peterborough sub-region SHMA 2007 – household survey data

- 9.26 The profile of social renting movers is almost the opposite of the private renters: the lowest financial capacity is shown by in-movers, while the non-movers and the internal movers both show about the same level. Clearly very few of this group, even allowing for the variations around the average, are likely to be within practical distance of any form of equity ownership.
- 9.27 The fact that incomers are noticeably poorer than the other two groups may indicate that there is social rented housing available within the HMA to a greater extent than elsewhere and hence that there is an attraction factor for this group. As a generality, social renters do not move far, and when they do move for longer distances it is quite possible that the perceived availability of existing social rented housing stock is an attractor.

Summary

- i) The collection of financial information is a fundamental part of any assessment of housing need and future housing demand. The survey estimates that mean annual gross household income (including non-housing benefits) across the HMA is some £27,649 but the median is only about £20k, showing the influence of relatively few high earners on the average. Average earnings, however, are noticeably below the national average (94% of it), and below both of the regional averages to which parts of the HMA belong.
- ii) It is also clear that there is a degree of housing stress, in that only a third of social renters and a half of private renters spend 25% or less of their income on housing. A third of social renters and a fifth of private renters pay more than 50% of their income on housing (though they may also receive financial support). However a third of owners also pay more than 25% of income on housing, and 6% more than 50%, and they are unlikely to receive much subsidy.
- iii) The financial capacity figures (income+savings+equity) show that both types of owners (with and without mortgage) rely more heavily on equity rather than upon income to provide the financial capacity they require when buying. The non-income element of financial capacity varies from half to three quarters of the overall financial capacity.
- iv) When tenure groups are examined, in terms of whether they have recently moved, it is clear that owners coming into the HMA have a higher financial capacity than those moving within the HMA, although both sets of movers are lower than those who have not recently moved. Private renters show a more extreme pattern: the incomers to the HMA have a much higher financial capacity than the internal movers and non-movers. This suggests a search to buy within the HMA on the part of the in-movers, though without equity from relatives they are still far short of being able to buy at the average entry price.
- v) For social renters the reverse pattern is shown: the poorest are those entering the HMA, perhaps drawn by the availability of social rented housing.

10. Affordability and Housing Need

Introduction

- 10.1 This chapter of the report pulls together various sources of information about housing needs and affordability issues in the HMA. This report does not provide a full assessment of housing need as this exercise has been undertaken separately through survey based housing needs assessments (HNA) for each of the individual local authorities. The Practice Guidance suggests an approach based entirely on secondary data, mainly the Housing Register. This has not been followed here, as the primary data offers a much more reliable route. Past analyses by Fordham Research of sets of Housing Registers have suggested that many (often the majority) of those on the register are not in housing need, as defined by CLG, while at the same time a major proportion of the households in housing need are not on any register.
- 10.2 The primary and secondary data based analysis in the individual HNA therefore provides the most reliable evidence on which to conduct the CLG Needs calculation. These individual reports should be examined by those who wish to see the detailed housing needs figures. Data from the various HNAs has been used in this report to provide a background to the analysis undertaken.
- 10.3 Each of the seven local authorities which form part of the HMA have conducted HNA over the past few years (three of which were conducted as part of this assessment with reports provided under separate cover). A summary of the current position for each of the relevant authorities is summarised below:
- Peterborough – HNA 2007 carried out as part of this assessment
 - South Kesteven – HNS 2006
 - Rutland – HNA 2007 carried out as part of this assessment
 - South Holland – HNA 2007 carried out as part of this assessment
 - East Northamptonshire – Survey based assessment carried out as part of the North Northamptonshire SHMA in 2007
 - Huntingdonshire – Survey based HNA carried out in 2002 and updated in 2006
 - Fenland – Survey based HNA carried out in 2003 and updated in 2006
- 10.4 It can therefore be seen that in all of the main four authorities in the HMA (Peterborough, South Kesteven, Rutland and South Holland) there are very up-to-date housing needs assessments. In the other three (partial) local authorities the data is fairly up-to-date. Hence it seems reasonable to rely on this information for some of the analysis conducted.

Price: income ratios

- 10.5 Although price/income ratios alone tell us relatively little about affordable housing requirements in an area (with affordability more properly taking into account the full range of financial capacity (as set out in the previous chapter) it is of interest to briefly chart how this ratio has been changing over time.
- 10.6 As can be seen from the evidence in the previous chapter, income is in the case of some tenure groups only a minor part of overall financial capacity and for all who are owners is not much more than half of the purchasing power of those groups.
- 10.7 For those groups (private and social renters) where income is the main or only element of financial capacity that they have, there is no practical sense in a price/income ratio, as they are far away from being able to buy housing at all. Hence the price income ratio makes little practical sense.
- 10.8 Moreover, as will be seen from the last section of this report and particularly in relation to the discussion of weekly costs (Table 21.2) what actually matters is the relative affordability of different types of housing, not its relationship to income. The judgement as to the affordability of a given type of new housing should be made in relation to its weekly cost, as that is what makes it affordable in whichever of the housing gaps it belongs.
- 10.9 However price income ratios have a long history and have, albeit mistakenly, been used by Government to assess the affordability of housing for many years. As a result it is worth briefly considering the position in this HMA.
- 10.10 The table and figure below show how the price/income ratio has changed over the past four years. Data for income is taken as the mean full-time individual income from the Annual Survey of Hours and Earnings (ASHE) whilst average prices are taken from the Land Registry (4th quarters). The figures for the Southern Fringe should be treated with some caution as these are based on pro-rata figures for the whole district (this is unlikely to have any measurable impact on the figures for the HMA as a whole).
- 10.11 The data shows that there has been some increase in price/income ratios over the past four years. Across the HMA the ratio has increased from 5.3 in 2002 to 6.5 in 2006. The change in this has not however been uniform over time or indeed for individual parts of the HMA. The ratio increased mostly in the period from 2002 to 2004 (rising from 5.3 to 6.4) before dropping slightly in 2005 and increasing again in 2006. Peterborough City appears to show the greatest rise over the four year period (from 4.5 to 6.4) with both Rutland and South Kesteven showing relatively little change over the period.

10.12 The data is also notable for the fact that Rutland has consistently had a higher price income ratio than any of the other areas, in 2002 the ratio in Rutland stood at 8.1 (notably higher than the next highest in South Kesteven at 5.5), by 2006 this had risen slightly (to 8.4) still noticeably higher than the next highest (in South Holland at 7.0).

Table 10.1 Average full-time incomes in the HMA (2002-2006)

Area	2002	2003	2004	2005	2006
Peterborough	£23,400	£23,339	£24,406	£25,425	£24,702
South Kesteven	£23,818	£25,022	£26,785	£29,876	£29,883
Rutland	£22,816	£25,650	£27,268	£27,093	£28,596
South Holland	£21,640	£22,176	£22,119	£23,363	£23,134
Southern Fringe	£23,449	£24,103	£25,731	£27,137	£28,102
Peterborough HMA	£23,150	£23,856	£25,010	£26,607	£26,523

NB The figures here are means, while those in Figure 5.8 above are medians

Source: Annual Survey of Hours and Earnings (ASHE)

Table 10.2 Average property price in the HMA (2002-2006)

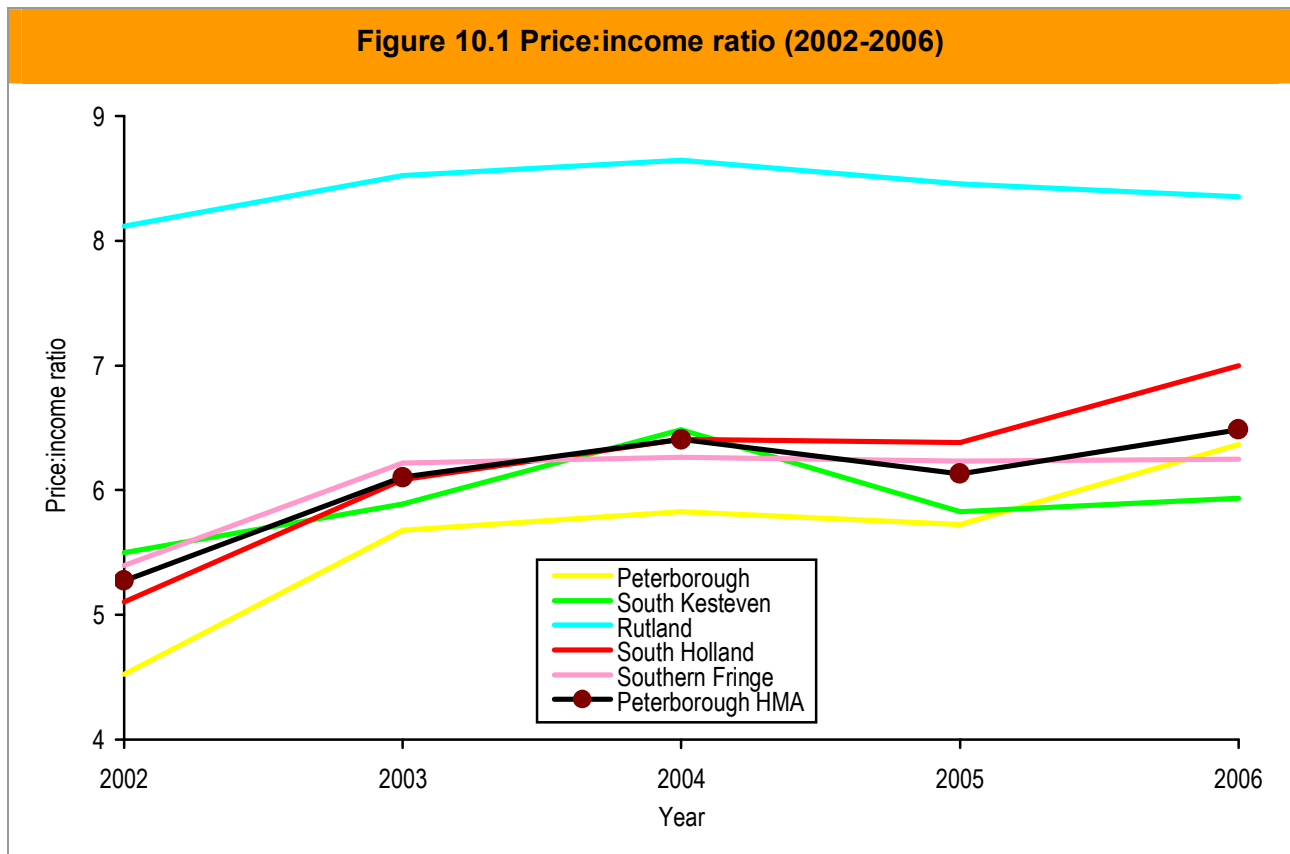
Area	2002	2003	2004	2005	2006
Peterborough	£105,849	£132,465	£142,213	£145,524	£157,226
South Kesteven	£130,966	£147,314	£173,591	£174,079	£177,339
Rutland	£185,239	£218,642	£235,794	£229,047	£238,931
South Holland	£110,399	£134,952	£141,674	£149,022	£161,867
Southern Fringe	£126,436	£149,806	£161,158	£169,086	£175,531
Peterborough HMA	£122,052	£145,565	£160,193	£163,125	£171,976

Source: Land Registry (4th quarters)

Table 10.3 Price:income ratio in the HMA (2002-2006)

Area	2002	2003	2004	2005	2006
Peterborough	4.5	5.7	5.8	5.7	6.4
South Kesteven	5.5	5.9	6.5	5.8	5.9
Rutland	8.1	8.5	8.6	8.5	8.4
South Holland	5.1	6.1	6.4	6.4	7.0
Southern Fringe	5.4	6.2	6.3	6.2	6.2
Peterborough HMA	5.3	6.1	6.4	6.1	6.5

Source: Annual Survey of Hours and Earnings (ASHE) & Land Registry (4th quarters)



Findings from local housing needs assessments/surveys

10.13 Each of the seven local authorities in the HMA have produced housing needs surveys/assessments over the past few years. Although studies were produced at different points in time the results should be comparable. This is due to the fact that all reports have been conducted under the same methodology (as found in published guidance) and whilst more recent CLG Guidance has slightly altered the model for assessing affordable need the differences are expected to be slight.

10.14 The table below shows the estimated annual need from each authority's housing needs assessment/survey. The figures for the Southern Fringe are taken on a pro-rata basis from the most recent data available for each of the three local authorities involved. In purely numeric terms the highest need has been found in Peterborough City (at 808 per annum) with the smallest in Rutland (133 units). If we standardise the data by the estimated number of households in each area (using CLG household projection data) then we find that the highest proportionate need is in South Holland with the lowest in Rutland.

Table 10.4 Annual need for affordable housing			
Area	Annual net affordable need	Estimated number of households	Need per 1,000 households
Peterborough	808	68,000	11.9
South Kesteven	646	55,000	11.7
Rutland	133	15,000	8.9
South Holland	475	36,000	13.2
Southern Fringe	212	19,000	11.2
Peterborough HMA	2,062	193,000	10.7

Source: Local housing needs surveys/assessments

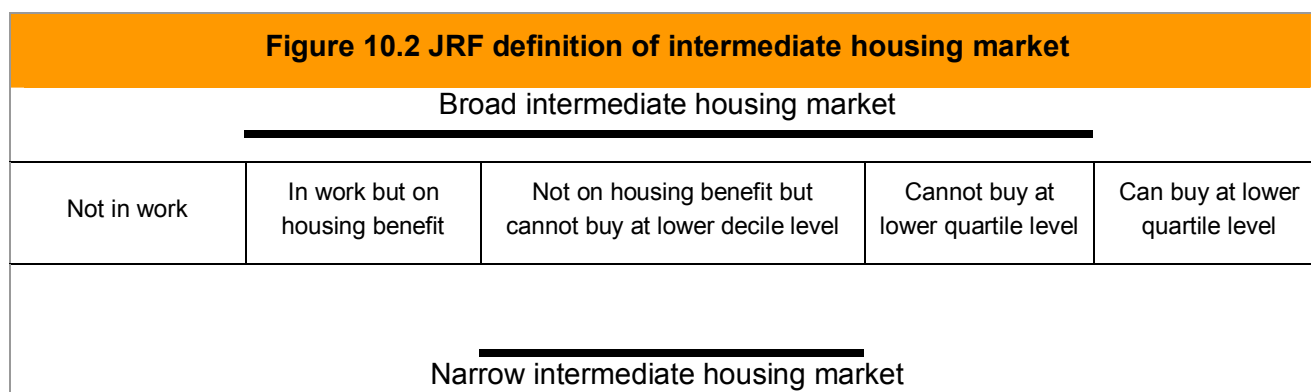
- 10.15 As might be expected there was quite a lively debate at stakeholder consultation sessions about affordable housing provision with representatives from the development industry providing a considerable amount of useful information and insight.
- 10.16 Whilst it was not generally disputed that there is a need for additional affordable housing to be provided in the HMA there was much debate about how this might be delivered and what problems there might be in delivery.
- 10.17 Developers cautioned against having ‘very high’ targets for affordable housing as it was felt that there would be a serious issue of viability on most sites and that landowners would not bring sites forward. Indeed one developer noted that they were having ‘problematic’ discussions with many landowners who are not prepared to accept what they see as a ‘minimal price’ and who are therefore waiting to see if there are planning policy changes.
- 10.18 On the back of viability and landowner expectations it was also noted that the Planning Gain Supplement might be ‘the straw that breaks the camel’s back’ with landowners simply not prepared to pay £4,000 to £5,000 per plot. It should be noted that the Government has since dropped the idea of having a Planning Gain Supplement.
- 10.19 Finally, developers (and indeed some Council officers) agreed that planning restrictions (particularly in rural areas) are restricting newbuild and that if it were to be decided that affordable housing is to be delivered in any great numbers in these areas then a more flexible approach would need to be taken.

Intermediate housing

10.20 Each of the individual local authorities' housing needs assessment reports makes suggestions about the amount of housing need which might be met through the provision of intermediate housing and this information is presented later in this section. However, it should be noted that although broadly consistent in methodology the housing needs assessments are not entirely comparable in their assessment of intermediate needs (mainly due to slightly different time periods). Hence it is of interest to look at other sources of information to provide a broad view of intermediate housing across the whole HMA.

10.21 The Joseph Rowntree Foundation (JRF) published a report in 2005 entitled 'Affordability and the Intermediate Housing Market'. Within this report two distinct definitions of intermediate housing are used. These are:

- Broad definition – the proportion of working households unable to purchase at lower quartile property prices
- Narrow definition – the proportion of working households that can afford to pay a social rent (without the need for housing benefit), but who cannot buy at lowest decile property prices



Note: 'quartile' is the quarter point observation and 'decile' is tenth point observation

10.22 The table below shows the proportion of households in each of the various parts of the HMA along with the whole HMA and other benchmark areas that are able to afford intermediate housing according to the JRF research. The table shows that the proportion in either the broad or narrow definition does not vary greatly across the HMA. Overall it is estimated that around a third (32.2%) could afford intermediate housing using the broad definition and around a fifth (18.6%) using the narrow definition. These figures are broadly in line with those for the East Midlands but noticeably lower than the figures presented for either the East of England or England as a whole.

Table 10.5 JRF intermediate housing affordability		
Area	Broad definition	Narrow definition
Peterborough	32.2%	17.0%
South Kesteven	34.6%	19.3%
Rutland	30.9%	21.8%
South Holland	29.4%	18.5%
Southern Fringe	31.3%	20.3%
Peterborough HMA	32.2%	18.6%
East of England	47.2%	28.6%
East Midlands	33.4%	17.6%
England	43.3%	23.5%

Source: JRF Affordability and the intermediate housing market (2005)

10.23 Having provided data from the JRF report it is of use to contrast this with the latest estimates found in each local authorities' housing needs assessments. The table below shows the figures from these reports. The table shows that the proportion of affordable housing need which can be met through intermediate housing varies from 22% in South Holland to 38% in Peterborough. Overall it is estimated that the average across the whole HMA will be in the region of 35%. This is higher than either of the figures produced in the JRF report.

Table 10.6 Intermediate housing requirements from local housing needs assessments/surveys	
Area	% of affordable need as intermediate housing
Peterborough	38%
South Kesteven	44%
Rutland	24%
South Holland	22%
Southern Fringe	26%
Peterborough HMA	35%

Source: Local housing needs surveys/assessments. The figures for Peterborough, Rutland and South Holland come from the BHM model analysis in Tables 11.2 of the HNA reports for those districts. The figures for South Kesteven (Table 10.8 of the 2006 HNS) and the Southern Fringes come from the CLG Needs model estimates (in the Southern Fringes case weighted by the proportions of each district's HNS (listed in para 10.3 above) in the Peterborough HMA). The overall average is calculated using the proportions of overall household numbers shown in Table 4.5 above.

10.24 Stakeholders generally supported the view of a need for intermediate housing in the HMA and there was particular support for shared ownership. There was however some concern raised about the likely affordability of intermediate housing and in particular attempts to provide low cost market housing – where it was felt that such housing would only be provided at the 'top end' of the low cost spectrum. As a result there was some debate about whether or not low cost market housing would be able to meet any genuine need. See paragraphs 23.11 to 23.13 for more detail.

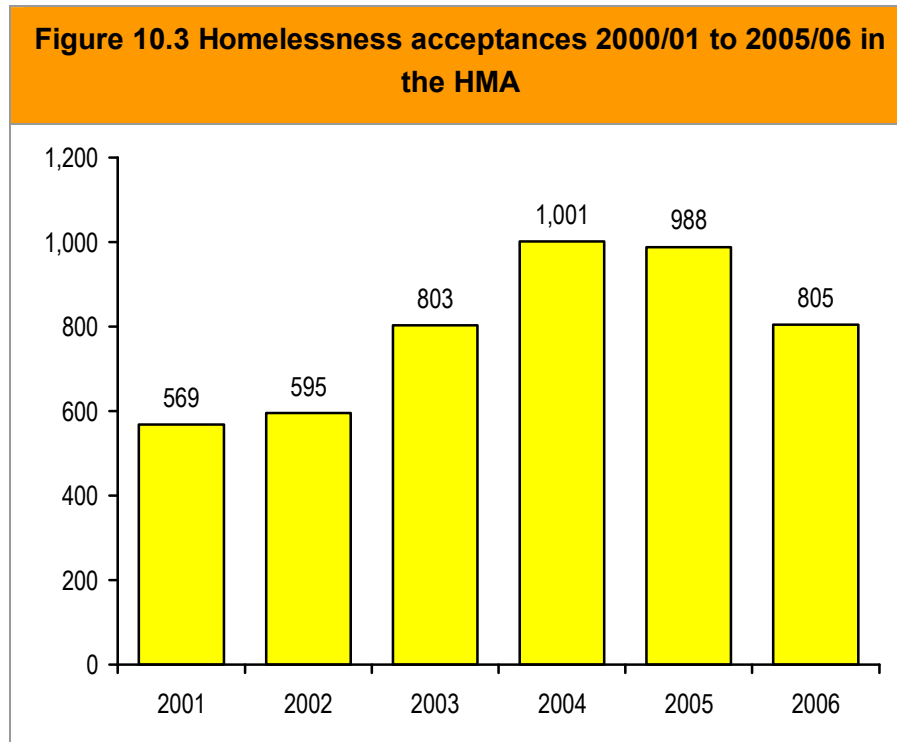
- 10.25 A further issue raised by stakeholders in relation to intermediate housing was the ability of households in the social rented sector to access such housing. It was generally agreed that very few households in the social rented sector are now in a position to access the owner-occupied sector although many would like to. If a product were made available to allow such households to access home ownership then this would have the added benefit of freeing-up a social rented home for use by a household in need.
- 10.26 Intermediate housing discussions also suggested the need to look at products such as HomeBuy. It was suggested that such a product should be offered to a broader range of households than at present and consideration should be given to providing affordable housing options through the second-hand market. Do-it-yourself shared ownership (DIYSO) was raised as previously having been popular although it was noted that DYSO has been abolished (HomeBuy has itself been shelved).

Homelessness and the Housing Register

- 10.27 Trends in homelessness and the Housing Register can provide some indication of the need and demand for social rented housing. The table and figure below show the number of homeless acceptances over the past five years. They also show that there has been considerable variation in the number of homeless acceptances over the past few years rising from a low of 569 in 2000/01 to reach over 1,000 in 2003/04. Since then the figure has again dropped and the level of homeless acceptances in 2005/06 has been recorded as 805.
- 10.28 It is difficult to know what to read into these figures as they are somewhat variable and only represent a small fraction of the population. In addition, it is quite possible that the most recent decrease in homelessness can be attributed to local authorities providing better preventative measures for potentially homeless households (as has been seen nationally). That said there are still a significant number of homelessness acceptances each year which will put pressure on the current affordable housing stock in the HMA.

Table 10.7 Number of homelessness acceptances in the HMA (2001-2006)						
Area	2001	2002	2003	2004	2005	2006
Peterborough	170	189	345	469	440	449
South Kesteven	301	234	238	290	295	199
Rutland	10	10	7	10	24	38
South Holland	44	118	164	175	173	70
Southern Fringe	44	44	49	57	56	49
Peterborough HMA	569	595	803	1,001	988	805

Source: HSSA data 2001-2006



Source: HSSA data 2001-2006

- 10.29 The table and figure below show the number of households on the Housing Register. The data shows that the number of households on the Housing Register is somewhat variable over time. Across the whole HMA it is estimated that in 2001 there were 10,135 households registered, this declined to 9,518 in 2003 before rising to 16,370 in 2005 and dropping again (in 2006) to 12,163.
- 10.30 Much of this variation can be explained by the large jump in numbers in Peterborough and South Kesteven between 2003 and 2005 and a subsequent large drop in South Kesteven from 2005 to 2006. Overall the data suggests that it is hard to rely on the Housing Register as a serious source of information about either current housing needs or how those need change over time. However the data does suggest that at any point in time there are a significant number of households seeking social rented housing and that demand for such housing remains high.

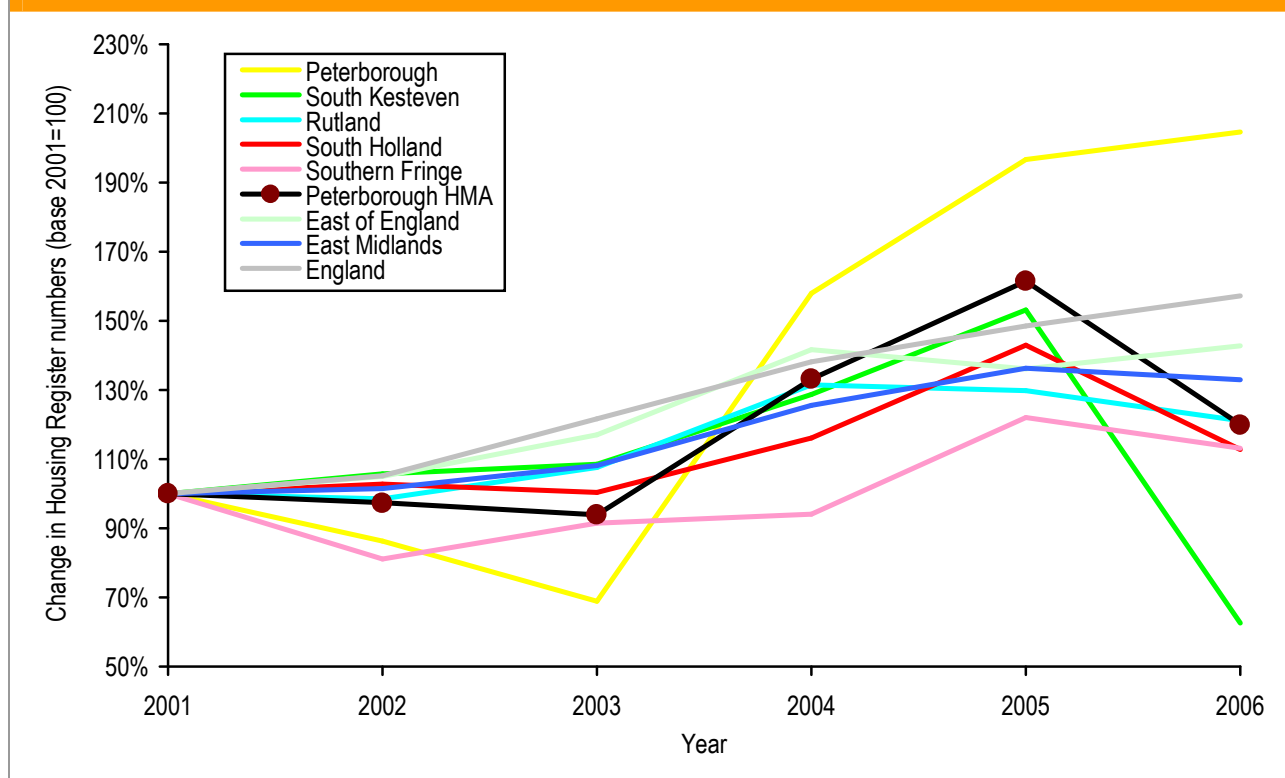
Table 10.8 Number of households on Housing Register (2001-2006)

Area	2001	2002	2003	2004	2005	2006
Peterborough	3,072	2,648	2,113	4,853	6,044	6,287
South Kesteven	4,249	4,493	4,611	5,469	6,509	2,661
Rutland	451	444	485	593	586	546
South Holland	1,650	1,696	1,657	1,918	2,360	1,862
Southern Fringe	713	577	652	671	871	807
Peterborough HMA	10,135	9,858	9,518	13,504	16,370	12,163
East of England	94,846	99,492	110,968	134,305	129,184	135,444
East Midlands	100,611	102,050	108,848	126,404	137,095	133,823
England	1,039,265	1,093,342	1,263,931	1,434,874	1,543,337	1,634,301

Source: HSSA data 2001-2006. NB the South Kesteven figure for 2006 is not now regarded as realistic.

10.31 The figure below shows the above figures standardised to a 2001 base. The figure helps to show the large variation in Housing Register numbers in many of the constituent parts of the HMA.

Figure 10.4 Change in Housing Register numbers (2001-2006)



Source: HSSA data 2001-2006

Summary

- i) Various sources of information point towards an affordability issue in the HMA. As of 2006 the price/income ratio stood at 6.5 having risen from 5.3 in 2002. In addition local housing needs assessments/surveys show a high level of affordable need across the whole HMA.
- ii) Both homelessness and Housing Register data (whilst not showing clear trends over time) also suggest an ongoing need and demand for social rented housing.
- iii) Within the affordable spectrum there is a clear requirement for intermediate housing to be provided. Data from JRF suggest that intermediate housing would be affordable for between 19% and 32% of households in the HMA (depending on definition) whilst results from housing needs surveys/assessments suggest this might be as high as 35%.

11. Patterns of movement

Introduction

11.1 This chapter examines the dynamics of the housing market as it now is. As a prelude, it looks at the 2001 census flow. This chapter also seeks to understand the types of households which are moving into and out of the HMA, and the overall balance of migration flows. This will lead into a look at the future expectations of moving households in the next chapter. The chapter after that brings this information together in the Balancing Housing Markets (BHM) model calculations.

Migration flows in 2001

11.2 The tables below show firstly the flows of persons (not households) within the HMA's districts (bearing in mind the partial inclusion of some of them). The tables also include a list of neighbouring areas and major urban areas in order to examine the main flows into and out of the HMA from them.

11.3 Tables 11.1 and 11.2 show the gross migration flows. Tables 11.3 and 11.4 show the net figures. This refers to the movement of individuals, not of households. The last section of this chapter, related to annual flows, does refer to households.

11.4 Tables 11.3 and 11.4 show the following key features:

Movement within the HMA

- A substantial net outflow from Peterborough to the rest of the HMA, mainly directed to South Holland and South Kesteven
- Positive flows into most of the other districts of the HMA, the largest to South Holland and South Kesteven, and particularly from Peterborough (though Rutland is self contained)
- Overall negative flows from Fenland and Huntingdonshire, but only relatively small parts of these districts lie within the HMA

Movement between the HMA and neighbouring areas

- A small negative outflow from Peterborough, mainly to Nottingham and Cambridge
- Small positive flows into Rutland and South Holland, and a negative flow from South Kesteven (the latter mainly to Nottingham)

- No major net flows in the case of East Northants and Huntingdonshire, but a substantial inflow into Fenland from Cambridge and South Cambridgeshire (though again it must be noted that only a small part of that district lies within the HMA)

Table 11.1 Migration - the HMA (persons)

	Peterborough		Rutland		South Holland		South Kesteven		Northamptonshire		Fenland		Huntingdonshire		Total	
	Outward	Inward	Outward	Inward	Outward	Inward	Outward	Inward	Outward	Inward	Outward	Inward	Outward	Inward	Outward	Inward
Peterborough	0	0	136	71	268	209	524	409	127	81	328	371	522	510	1905	1651
Rutland	71	136	0	0	22	13	286	196	36	49	9	18	15	29	439	441
South Holland	209	268	13	22	0	0	112	181	6	10	71	119	28	39	439	639
South Kesteven	409	524	196	286	181	112	0	0	62	71	31	46	47	68	926	1107
East Northamptonshire	81	127	49	36	10	6	71	62	0	0	10	16	92	158	313	405
Fenland	371	522	18	9	119	71	46	31	16	10	0	0	206	278	776	727
Huntingdonshire	510	639	29	15	39	28	68	47	158	92	302	206	0	0	1106	910
South Cambridgeshire	38	58	17	9	9	6	9	12	14	15	109	49	385	302	581	425
Cambridge	69	81	0	4	3	4	20	25	10	20	73	33	187	186	362	330
Leicester	28	62	81	60	10	10	21	28	4	19	16	38	23	28	183	245
Nottingham	32	101	41	39	19	17	44	106	6	38	7	13	19	65	168	379
Milton Keynes	22	27	11	3	14	3	3	12	86	43	24	6	79	68	239	162

Source: Census 2001. Note: in reading this table it should be borne in mind that the row names are the main focus: thus the figure of 239 persons moved outward from Milton Keynes to the HMA, while 162 moved from the HMA to Milton Keynes

Table 11.2 Migration – the HMA (cont.)

	South Cambridgeshire		Cambridge		Leicester		Nottingham		Milton Keynes		Total	
	Outward	Inward	Outward	Inward	Outward	Inward	Outward	Inward	Outward	Inward	Outward	Inward
Peterborough	39	38	42	26	18	28	69	32	9	22	177	146
Rutland	9	17	0	6	60	81	39	41	3	11	111	156
South Holland	6	9	3	8	10	10	17	19	3	14	39	60
South Kesteven	12	9	3	8	28	21	106	44	12	3	161	85
East Northamptonshire	15	14	0	9	19	4	38	6	43	85	115	118
Fenland	49	109	75	156	38	16	13	7	6	24	181	312
Huntingdonshire	302	385	113	87	28	23	65	19	68	79	576	593
South Cambridgeshire	0	0	438	208	18	31	69	44	9	40	534	323
Cambridge	208	438	0	0	12	9	16	9	0	13	236	469
Leicester	31	18	9	12	0	0	252	138	50	31	342	199
Nottingham	44	69	9	16	138	252	0	0	47	66	238	403
Milton Keynes	40	9	13	0	31	50	66	47	0	0	150	106

Source: Census 2001. Note: in reading this table it should be borne in mind that the row names are the main focus; thus the figure of 150 persons moved outward from Milton Keynes to the places identified in the top row of the table, while 106 moved into Milton Keynes

Table 11.3 Migration – the HMA - Net Flow (persons)

	Peterborough	Rutland	South Holland	South Kesteven	Northamptonshire	Fenland	Huntingdonshire	Total
Peterborough	0	-65	-59	-115	-46	43	-12	-254
Rutland	65	0	-9	-90	13	9	14	2
South Holland	59	9	0	69	4	48	11	200
South Kesteven	115	90	-69	0	9	15	21	181
East Northamptonshire	46	-13	-4	-9	0	6	66	92
Fenland	-43	-9	-48	-15	-6	0	72	-49
Huntingdonshire	12	-14	-11	-21	-66	-96	0	-196
South Cambridgeshire	-6	-8	-3	3	1	-60	-83	-156
Cambridge	-11	4	1	5	10	-40	-1	-32
Leicester	34	-21	0	7	15	22	5	62
Nottingham	69	-2	-2	62	32	6	46	211
Milton Keynes	5	-8	-11	9	-43	-18	-11	-77

Source: Census 2001. Note: in reading this table it should be borne in mind that the row names are the main focus: thus there was a net loss from Milton Keynes to the HMA of 77 persons.

Table 11.4 Migration - the HMA - Net Flow (cont.) (persons)

	South Cambridgeshire	Cambridge	Leicester	Nottingham	Milton Keynes	Total
Peterborough	-1	-16	10	-37	13	-31
Rutland	8	6	21	2	8	45
South Holland	3	5	0	2	11	21
South Kesteven	-3	5	-7	-62	-9	-76
East Northamptonshire	-1	9	-15	-32	42	3
Fenland	60	81	-22	-6	18	131
Huntingdonshire	83	-26	-5	-46	11	17
South Cambridgeshire	0	-230	13	-25	31	-211
Cambridge	230	0	-3	-7	13	233
Leicester	-13	3	0	-114	-19	-143
Nottingham	25	7	114	0	19	165
Milton Keynes	-31	-13	19	-19	0	-44

Source: Census 2001. Note: in reading this table it should be borne in mind that the Row names are the main focus: thus there was a net loss from Milton Keynes to the places named in the top row of 44 persons.

11.5 The overall result of these figures is to suggest that the HMA is fairly self contained. The net flows into and out of the HMA shown in Table 11.4, and excluding the whole districts outside the HMA in the bottom five rows, show only a small net movement.

11.6 The most noticeable pattern is seen in Table 11.3, with Peterborough, as the main urban area, losing population to the surrounding more rural districts, especially South Holland and South Kesteven, which therefore show a net gain. Rutland is shown to be self contained within the HMA.

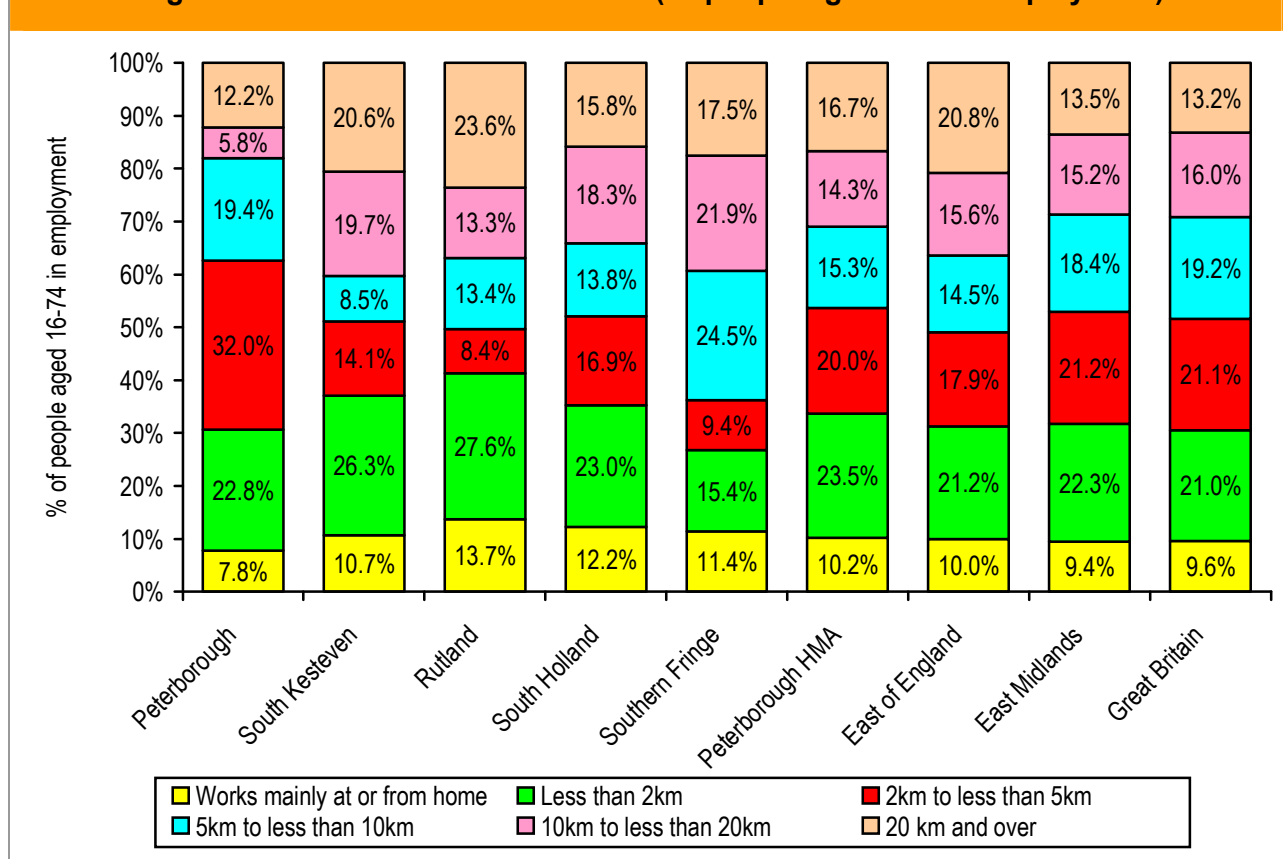
Travel to work in 2001

11.7 It is interesting to compare the home move patterns shown by migration with the daily Travel To Work (TTW) patterns. Clearly they are related, in that if a household can see a way of reducing commuting trips by moving, it often will, whereas if house prices are very high in the work location, there may well be a trade-off where the household accepts a degree of commuting cost in order to achieve a better quality of housing but further away from the workplace.

11.8 The figure below shows travel to work patterns of residents in terms of the distance travelled. It is worth pointing out that, from analysis carried out by Fordham Research across many HMAs, that there is a strong correlation between household income and commuting distance. Households with incomes below £20k tend not to travel more than about 10-15 miles, whereas those with incomes over £40-50k average 20-30 miles or more. This cannot be read from the census data, since that does not contain financial information, but it should be borne in mind when interpreting it.

- 11.9 The data shows that compared with Great Britain and the East Midlands people are more likely to travel longer distances. An estimated 16.7% of people travel more than 20 km to get to work, this compares with only 13.2% travelling this distance nationally. However, this proportion is lower than the comparative figure for the East of England (20.8%).
- 11.10 For the sub-areas within the HMA the data shows that Peterborough City has the smallest proportion of people working from home and also the smallest proportion travelling large distances to work (only 18.0% travel more than 10km to work in Peterborough compared with 31.0% across the HMA). Rutland has the highest proportion of people working from home and also the greatest proportion travelling more than 20km to work. In total nearly a quarter (23.6%) of working people in Rutland travel more than 20km to work.

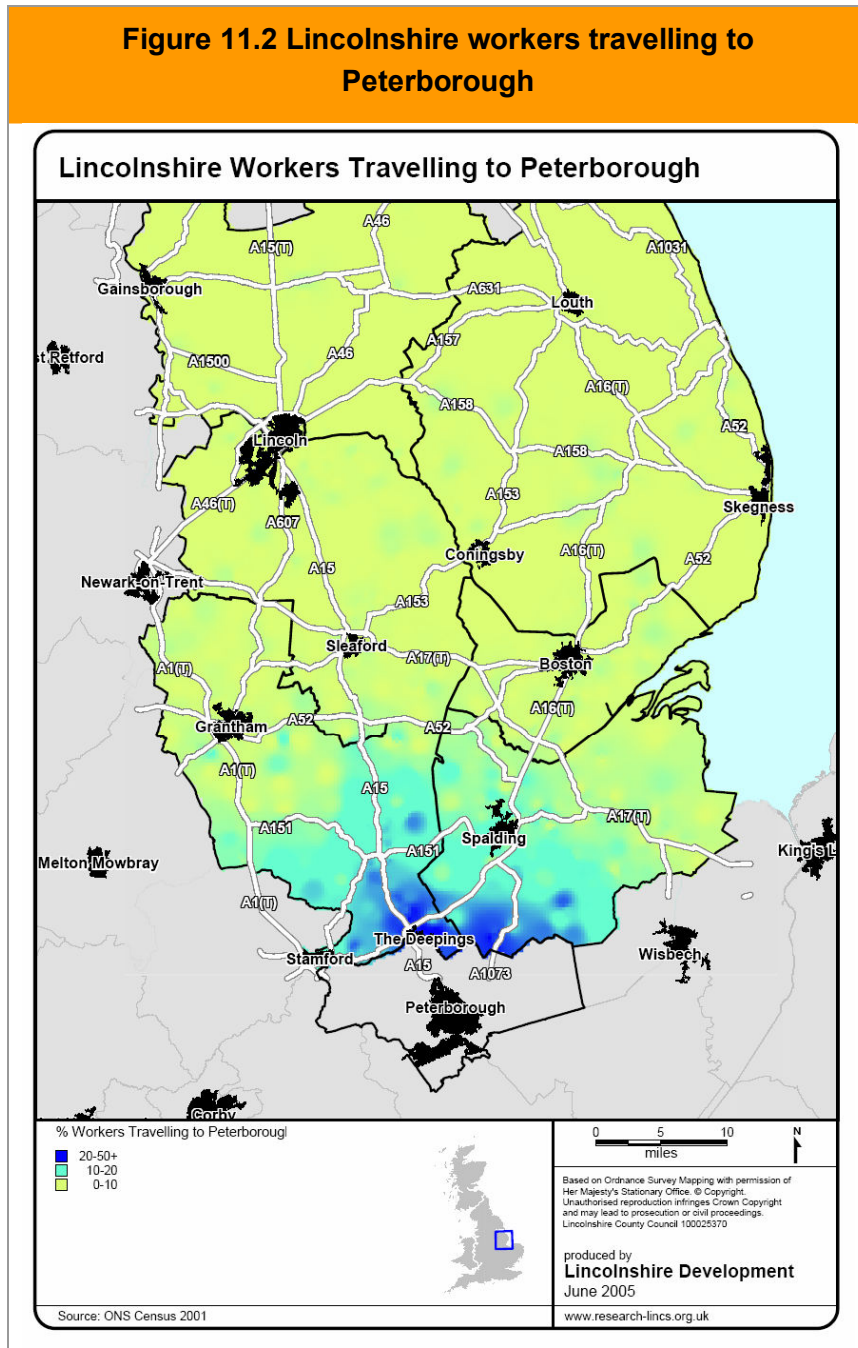
Figure 11.1 Travel to work distances (all people age 16-74 in employment)



Source: Office for National Statistics 2007 (from 2001 Census data)

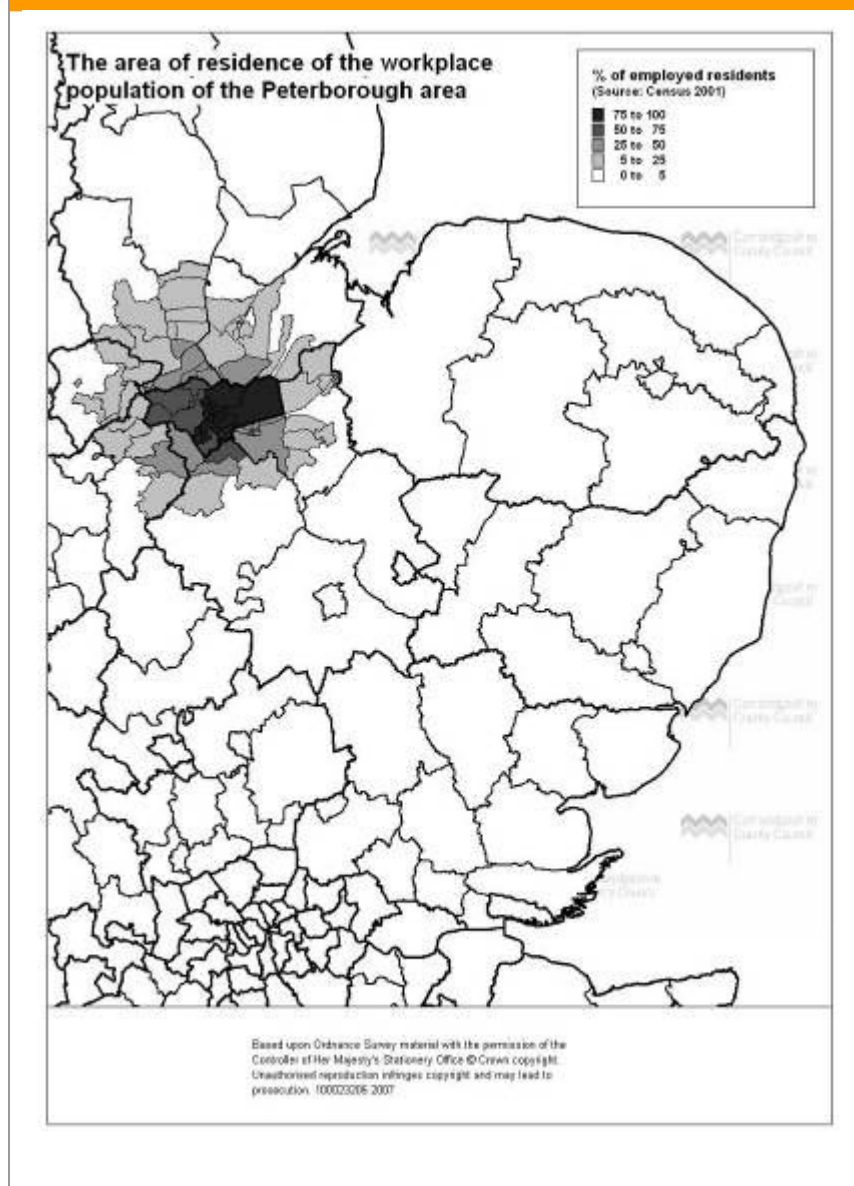
Overall view of travel to work

11.11 There are secondary sources which provide helpful information on the patterns of travel to work:



Source: Lincolnshire Development

Figure 11.3 Distribution of employed residents



Source: Cambridgeshire County Council

11.12 From these two travel to work diagrams it can be seen clearly that:

- i) The Peterborough TTW is particularly focussed on an East/West axis from the City, particularly from the East: i.e. Fenland, though there is an overall radial attraction.
- ii) The Lincolnshire diagram is helpful in relation to the HMA, since it shows clearly that the influence of the City does not extend to Grantham, and is quite weak even to Spalding. The range of commuting does not really extend into the northern parts of the HMA at all.

11.13 This relates back to the discussion of the HMA area in Chapter 3, and to the separate chapter on Grantham (Chapter 24). The argument for the HMA's extent is at least partly that there is no competing sphere of influence to that of Peterborough, however weak that may actually be.

Method of travel to work

11.14 The main method of travel to work in the HMA is as a driver in a car or van. This must be read in the context of the relatively poor levels of public transport availability outside the City of Peterborough itself.

11.15 The proportion of people travelling to work by train is noticeably higher than the equivalent figure for England & Wales and also the East of England region but noticeably lower than the average in the East Midlands. It should be noted that the proportions in the category 'mainly working from home' differ slightly from the figure above; this is due to the exclusion from the distance analysis of the group of employed people for whom no travel to work distance was recorded (but who did not mainly work from home).

11.16 The finding of relatively high car/van usage for travel to work is consistent with the views of stakeholders; one of which describe the area as having a 'car economy'.

Table 11.5 Method of transport to work (2001)

Mode of transport	Peterborough HMA	East of England	East Midlands	England & Wales
Work mainly from home	9.8%	9.4%	9.0%	9.2%
Underground, Metro, Light Rail or Tram	0.1%	0.8%	0.1%	3.2%
Train	1.6%	6.1%	1.0%	4.2%
Bus, Mini Bus or Coach	3.9%	4.0%	7.0%	7.5%
Motorcycle, Scooter or Moped	1.1%	1.1%	1.0%	1.1%
Driving a Car or Van	61.0%	58.9%	60.4%	54.9%
Passenger in Car or Van	7.0%	5.8%	6.9%	6.1%
Taxi or Minicab	0.4%	0.5%	0.4%	0.5%
Bicycle	5.6%	3.9%	3.3%	2.8%
On foot	9.1%	9.1%	10.5%	10.0%
Other	0.4%	0.5%	0.4%	0.5%
TOTAL	100.0%	100.0%	100.0%	100.0%

Source: Office for National Statistics 2007 (from 2001 Census data)

11.17 When looking at the individual parts of the HMA we see that car use is greatest in the Southern Fringe (closely followed by South Kesteven) with the lowest proportion being in Peterborough City.

Table 11.6 Method of transport to work (2001)

Mode of transport	Peter- borough	South Kesteven	Rutland	South Holland	Southern Fringe	Peter- borough HMA
Work mainly from home	7.5%	10.2%	13.1%	11.6%	10.8%	9.8%
Underground, Metro, Light Rail or Tram	0.1%	0.1%	0.1%	0.0%	0.1%	0.1%
Train	2.2%	1.5%	1.4%	0.7%	1.6%	1.6%
Bus, Mini Bus or Coach	6.5%	3.0%	1.1%	1.7%	3.2%	3.9%
Motorcycle, Scooter or Moped	1.0%	1.1%	0.9%	1.2%	1.0%	1.1%
Driving a Car or Van	57.7%	61.7%	59.1%	64.3%	66.4%	61.0%
Passenger in Car or Van	7.9%	6.6%	4.9%	7.2%	6.9%	7.0%
Taxi or Minicab	0.5%	0.5%	0.2%	0.1%	0.2%	0.4%
Bicycle	7.7%	4.1%	4.9%	5.7%	3.4%	5.6%
On foot	8.5%	10.7%	13.8%	6.9%	6.1%	9.1%
Other	0.3%	0.4%	0.7%	0.5%	0.4%	0.4%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Office for National Statistics 2007 (from 2001 Census data)

11.18 Stakeholders raised the issue about possible changes to commuting and travel to work patterns as a result of growth in the Corby area. Whilst we are not able to provide any detail on this it was felt that there might be some impact on the South of Rutland in particular. There was a view expressed on this topic that the employment change in Corby might also impact on housing demand in Rutland and there was concern expressed to ensure 'a balance between job, housing and travel to work'.

Current annual flows of moves

11.19 The analysis which follows is based on questions in the primary survey about movements of households over the past two years. The figures are distinguished according to the types of household, to match the requirements of PPS3 (para 22). Account is also taken of newly forming households and dissolutions (mainly through death).

Table 11.7 Current annual flows of moves

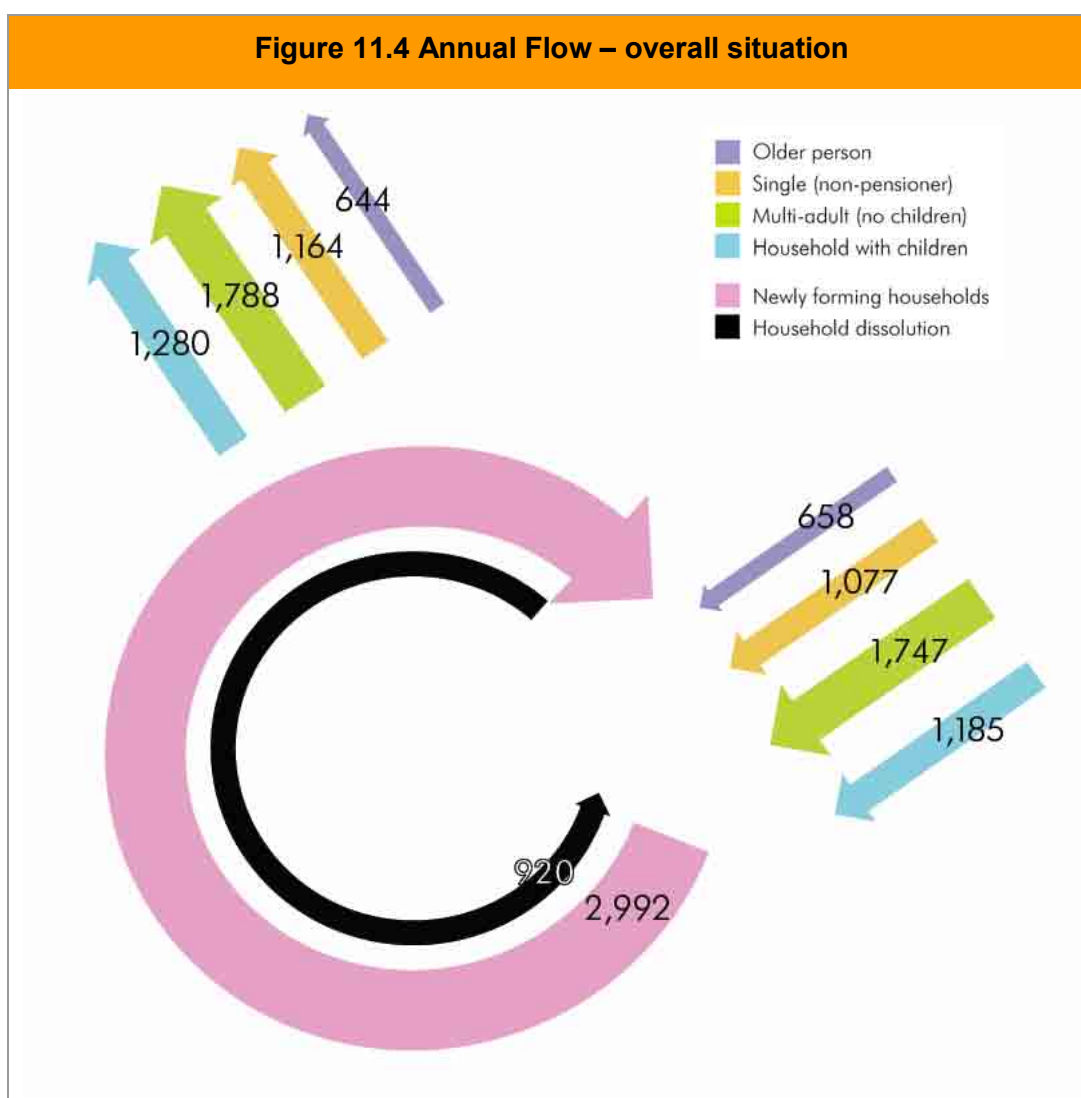
	Older person	Single (non older)	Multi-adult no children	Households with children
Moved into the HMA	658	1,077	1,747	1,185
Moving within the HMA	1,181	1,784	2,269	2,886
Moved out of the HMA	644	1,164	1,788	1,280
Net movement	+14	-87	-41	-95
Household dissolution			920	
Newly forming households			2,992	
Net annual change			+ 1,863	

Source: Primary survey data for the HMA

11.20 From the table and diagrams it can clearly be seen that there is a net out-migration (or approximate balance) in all four categories of households shown. No group (whether retired, or young households, or any other family type, shows a substantial net inflow (or for that matter outflow).

11.21 This is an unusual pattern. Normally there is some trend both inward and outward. The pattern shown here does contain significant flows. It is not like some of the weak market areas, where there is little flow in or out (as for instance is the case in parts of Manchester). There are significant flows, but a small net (out) flow in most cases. This agrees with the 2001 census analysis above.

11.22 It is only the natural increase that produces a net growth in household numbers. If this pattern is maintained, it suggests difficulties for the housing market, as newly forming households seldom can afford to buy immediately and in some cases may never have the financial capacity to buy, unless they have relatives who are owners.



Source: Fordham Research Peterborough sub-regional SHMA 2007

Summary

- i) The Census patterns of migration for the HMA show a housing market area that is substantially self-contained: there are no major in- or out-flows to other centres. Inside the HMA there is a net outflow from Peterborough, mainly matched by inflows to South Holland and South Kesteven.
- ii) Travel to work is related to migration, in that moving daily to a job is, to some extent, an alternative to moving to live closer to that job. In terms of travel to work, the SHMA shows a similar pattern to the national one: about 30% of trips are in excess of 10 kms. However there is a wide variation between the City of Peterborough (only 18% of whose inhabitants travel more than 10km to work) and the Cambridge and London orientated Southern Fringe where 39% of workers travel more than 10kms.
- iii) The primary surveys show flows of migration by types of household (not available from the Census). This also suggests that the HMA is rather self contained. There are no major flows in or out, and the general net trend is outwards. This is cancelled by newly forming households, so that there is overall net growth.

12. Balancing Housing Markets

Introduction

- 12.1 A 'Balancing Housing Markets' (BHM) assessment looks at the whole local housing market, considering the extent to which supply and demand are 'balanced' across tenure and property size. It works at the simplest level by establishing the likely demand for housing of particular types by the expected supply arising from vacancies in the existing stock so as to provide a broad indications of the shortages (and in some cases surpluses) of particular types of dwelling.
- 12.2 The BHM approach produces estimates for all tenures (market and affordable) and sizes of dwellings required. Data used in this chapter has been drawn on information provided to individual local authorities as part of their most recent housing needs surveys/assessments.
- 12.3 This chapter is derived from the BHMs carried out in the three current HNS (Peterborough, Rutland and South Holland) and the three that are derived from updated older HNS (South Kesteven, East Northants, Huntingdonshire, and Fenland). In order to assemble the present sub-regional SHMA version of the BHM the individual ones have been amalgamated by pro-rataing the household sizes of the districts and parts of districts involved.
- 12.4 The BHM figures are stated in annual terms, so as to be consistent with the CLG Needs model which is also stated in annual terms. Such figures can, of course, be added to produce totals for such things as plan periods.
- 12.5 The following section describes the relationship between the BHM process and the CLG Needs model analysis described in Chapter 9 above.

Relationship of BHM, CLG Needs Model and Policy implications

Key requirements of Guidance

- 12.6 The Guidance (PPS3: Housing, Nov 2006) makes very specific requirements of Strategic Housing Market Assessments (SHMAs). It goes much further and into more detail than any previous guidance on the evidence base. For the reader's convenience the key requirements are repeated here:
- *The likely overall proportions of households that require market or affordable housing, for example, x% market housing and y% affordable housing*

- *The likely profile of household types requiring market housing e.g. multi-person, including families and children (x%), single persons (y%), couples (z%)*
- *The size and type of affordable housing required' [PPS3 para 22]*

12.7 The Practice Guidance issued by CLG to support PPS3 (March 2007) sets out a slightly revised method for estimating housing need (the original is in the 2000 Guide to Local Housing Needs Assessment), but is quite relaxed about the technical methods that may be used to achieve the PPS3 outputs:

'No one methodological approach or use of a particular dataset(s) will result in a definitive assessment of housing need and demand' (Practice Guidance p 11)

The CLG Needs Model

- 12.8 The CLG Needs Model produces a number for the annual amount of extra affordable housing which would, after a period, mean that there is no further need for affordable housing in an area. The presence of households living in unsuitable housing, or in the private rented sector on housing benefit would stop. Since in most parts of Britain it is clear that housing need will exist for many decades (at the present rate of production of new affordable housing) it can be seen that this model is geared to an ideal state of affairs not the day to day real world.
- 12.9 One particular assumption that affects the estimates is that no more than 25% of income should be spent on housing. However the reality is that many households will be spending more like 50% of their income on housing (whether low or high income), sometimes because they are forced to, but sometimes because they prefer to achieve a particular type or location of housing and are prepared to make sacrifices to achieve it.
- 12.10 Many households will be found in the private rented sector who cannot afford market rents at 25% of income on housing. Of these a proportion will be on Housing Benefit, but a substantial proportion will not be. In both cases, the private rented sector on shorthold tenancies does not provide affordable housing in the CLG definition, and does not provide long term security for often vulnerable households.
- 12.11 Fordham Research has carried out some 300 Housing Needs Assessments over the past decade and a half, and in all regions of Britain. We have developed an index which standardises the level of housing need by dividing the numbers of affordable dwellings required per annum (according to the CLG Needs Model) by the numbers of thousands of households in the district in question. As can be seen from the figure, the average for England is about 16. If there are 40,000 households in a typical district, this means that

40 x 16 = 640 new affordable dwellings needed per annum

- 12.12 In reality most districts are producing less than 100 new affordable units per annum, and so it can be seen that the needs estimates based on the CLG model are a long way away from being realised.
- 12.13 The CLG model is an important part of Guidance and so the calculation must be done as part of any SHMA. In order to provide realistic outputs for the three key PPS3 requirements stated above, it is necessary to use a different and more pragmatic approach to analysing the housing market.

Balancing Housing Markets model (BHM)

- 12.14 Over the past four years Fordham Research has developed the BHM as a practical tool to show what sizes, tenures and types of housing are most needed to balance the housing market of an area. The following box summarises the way in which it works

Figure 12.1 Summary of the BHM process

The BHM process involves matching size, type and tenure of dwelling supply against both housing demand (i.e. housing that the household involved can afford) and housing need (in cases where the household cannot afford the size/location of housing that it requires). So far as possible expectations of future moves are used. The main area where this is not possible is net in-migration, since clearly future in-migrants are not surveyed. Hence in-migration is estimated from recorded recent in-migrants.

The process of arriving at an allocation of sizes and tenures of housing, matching supply with demand, is complex. It typically involves upwards of 20 iterations. The combination of technical analysis and judgement involved is informed by the stakeholder comments gathered at the start of the SHMA, and by secondary data on the area. However the process cannot, if it is to be a reliable guide to that market, be based on a simple formula. The nature of the interactions between supply and demand across five subgroups of tenures and four sizes of dwelling cannot be made into a mechanical analysis without losing practical relevance to the market(s) in question.

The combination of quantitative and qualitative analysis in one calculation process is a novel one. It is prompted by the complexity of the task. As a result of its origin, the process cannot be made completely transparent (as can an arithmetic calculation) but enough cross checking can be done to reassure a detached observer. In most cases the obvious cross-check for the affordable part of the calculation is the CLG Needs Model discussed above. The market side of the calculation is more easily checked against stakeholder evidence.

Source: Peterborough sub-regional SHMA Fordham Research 2007

- 12.15 Using the combination of primary data (for financial capacity, flows between tenures, and movement histories and intentions) and secondary data (for general context data on housing stock and populations, and for migration and population forecasts) a good approximation can be gained to the direction of a housing market.

- 12.16 There are still difficulties: in particular although the overall tenure mix and type of dwelling can be forecast using the BHM, it is very hard to get the size mix right. That is because upwards of half of most populations can afford to buy more housing than their household size actually requires. The outcome does not match any logical size related requirements. Hence there is a problem about forecasting the size mix. This is not resolved by using household projections. The household projections do not contain any allowance for the housing market dynamics that, for example, control levels of in- and out-migration and also affect future household sizes.
- 12.17 The BHM model produces the three key outputs listed in PPS3. Its outputs produce policy relevant figures which can then be subject to wider policy debate. The CLG Guidance emphasises that SHMAs should not produce direct policy statements, but rather evidence which enables an informed policy debate and policy making.

Summary description of the BHM process

- 12.18 There are six stages of analysis in the Balancing Housing Markets Model (three for supply and three related to demand. All of these are based upon information derived from primary data except where stated. The six stages in detail are:
- **Stage 1. Supply from household dissolution:** Assessing the size, type and tenure of dwellings likely to become available from household dissolution (using national mortality rates in combination with information from primary data).
 - **Stage 2. Supply from out-migrant households:** Assessing the size, type and tenure of dwellings existing households moving away from the HMA are going to make available.
 - **Stage 3. Supply from existing households:** Assessing the size, type and tenure of housing that existing households moving within the HMA are going to make available.
 - **Stage 4. Demand from in-migrant households:** Assessing the size, type and tenure of accommodation secured by households that recently moved into the HMA.
 - **Stage 5. Demand from newly forming households:** Assessing the likely sizes, types and tenures of housing required by newly forming households moving to a property within the HMA.
 - **Stage 6. Demand from existing households:** Assessing the likely sizes, types and tenure of accommodation required by existing households moving from one property in the HMA to another.

The annual flows of moves

- 12.19 A key element of the 'balance' in the housing market is an understanding of the flow of households within the housing system (summarized in the last part of the previous chapter). We begin by looking at expected household change through both migratory changes (i.e. households moving into and out of the HMA) and natural change (i.e. the difference between the number of new households) and household dissolution (normally death).
- 12.20 The table below shows estimated movement of households into and out of the HMA (based on annualised survey data over a two year period) as well as estimates of natural change. Data for in-migration is based on past trends whilst information about out-migration is based on household's future expectations.
- 12.21 The data suggests that 6,875 households are expected to move into the HMA per annum in the future with an estimated 6,360 moving out. This suggests that the HMA can expect an increase of 515 households per annum due to migration. As can be seen, and consistent with the flows discussed in the previous chapter, this inflow is small compared with the overall levels of movement, and confirms the relative self-containment of the HMA. Due to the general inability to collect information from migrant worker households, this element of the likely net inflow is not included here, but is addressed from the qualitative point of view in Chapter 16 below.
- 12.22 In addition the table shows, based on the primary survey, that there are expected to be 4,085 new households forming within the HMA per annum in the near future with an estimated 1,560 household dissolutions due to death. Therefore the natural increase in households is estimated to be 2,525 per annum. The net change due to newly forming households is therefore a much larger element of the overall change than the net in-migration.

Table 12.1 Movements into and out of the HMA			
	Moving in	Moving out	Net movement
Migration – households moving to/from the HMA	6,875	6,360	515
Natural change – new households forming minus household dissolutions	4,085	1,560	2,525
Existing households moving within the area	11,061	11,061	-
Total	22,021	18,981	3,040

Source: Fordham Research Peterborough sub-regional SHMA 2007

12.23 The table also shows that an estimated 11,061 households will move home per annum within the HMA. These households do not affect the total change in the number of households in the area (as they will release a dwelling on moving) but can make a substantial impact on the balance of the housing market (particularly where households are seeking to change tenures or sizes/types of dwellings occupied).

12.24 Overall therefore the data suggests a **net change in households in the HMA of 3,040 per annum** (515+2,525).

Supply of housing

12.25 This section looks in detail at the three aspects of supply noted above. The fourth table below combines the data from each of the three potential sources of supply to provide an overall estimate of likely housing availability by size and tenure of dwelling. All tables show the annual figures.

Stage 1 – Supply from household dissolution

12.26 The table below provides an estimate of the likely future supply of accommodation (by tenure and size) from household dissolutions (i.e. death). The table is based on applying age specific national mortality statistics (2001) to the local population to estimate the proportion of households who are likely to wholly dissolve each year. The vast majority of supply through household dissolution is expected to come from market housing (mainly older owner-occupiers) although a significant supply also arises in the affordable sector.

Table 12.2 Supply I: Supply from household dissolution					
Tenure	Size released				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+bedrooms	
Market	93	459	437	113	1,102
Affordable	176	210	71	2	458
TOTAL	268	669	508	115	1,560

Source: Peterborough sub-regional SHMA 2007 (combination of data sources)

Stage 2 – Supply from out-migrant households

12.27 The table below shows an estimate of the supply of housing that would be released when households who expect to move from the HMA do so. For example a household out-migrating from a four bedroom owner-occupied dwelling is assumed to free-up a four bedroom owner-occupied dwelling for use by another household. The data is annualised and based on moves that respondents stated they were likely to make over the next two years. The vast majority of the out-migrant supply is in the market sector with three bedroom homes the main size of accommodation released.

Table 12.3 Supply II: Supply from out-migrant households

Tenure	Size released				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+bedrooms	
Market	263	1,567	2,379	1,537	5,746
Affordable	117	315	176	6	614
TOTAL	380	1,882	2,555	1,543	6,360

Source: Peterborough sub-regional SHMA 2007 (combination of data sources)

Stage 3 – Supply from existing households

- 12.28 The table below shows estimated future supply from existing households moving within the HMA. As with the above data figures are based on the type and size of accommodation that would become available if a household moved to alternative accommodation within the HMA. Figures are annualised from data for two years. Data includes transfers within the social rented sector.
- 12.29 Again there is a significant supply in the owner-occupied and private rented sectors (the market), although the figure for affordable housing is notably higher than the equivalent figures for dwellings released through out-migration or household dissolution. The main supply in the market sector is again three bedroom homes.

Table 12.4 Supply III: Supply from existing households

Tenure	Size released				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+bedrooms	
Market	638	2,785	3,849	1,538	8,810
Affordable	848	748	613	41	2,251
TOTAL	1,487	3,533	4,462	1,579	11,061

Source: Peterborough sub-regional SHMA 2007 (combination of data sources)

Overall supply

- 12.30 The table below is the sum of the three previous tables and shows the overall estimated annual supply for each tenure and size group. The table shows that there is expected to be an annual supply of 18,982 dwellings from the current stock of housing. Of these around 82% are expected to be market dwellings with 18% in the affordable sector.
- 12.31 In terms of the sizes of accommodation likely to become available it is notable that there are relatively few one bedroom dwellings in the market sector (the main supply in this sector being three bedroom homes). The affordable housing sector is dominated by one and two bedroom homes. Overall, 37% of market supply is estimated to be one and two bedroom homes with a figure of 73% in the affordable sector.

Table 12.5 Supply IV: Total supply					
Tenure	Size released				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+bedrooms	
Market	994	4,811	6,665	3,188	15,658
Affordable	1,141	1,273	861	49	3,324
TOTAL	2,135	6,084	7,526	3,237	18,982

Source: Peterborough sub-regional SHMA 2007 (combination of data sources)

Demand for housing

Stage 4 – Demand from in-migrant households

12.32 The table below shows the estimated demand from in-migrant households. This is largely based on the profile of households who have moved into the HMA over the past two years (in terms of the size and type of accommodation secured). Figures are again annualised. The table shows that the vast majority of in-migrant households have secured some form of market housing. In total it is estimated that around 10% of in-migrant households have secured an affordable housing solution.

Table 12.6 Demand I: Demand from in-migrants by tenure and size required					
Tenure	Size requirement				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+bedrooms	
Market	519	1,704	2,531	1,416	6,170
Affordable	215	300	178	11	705
TOTAL	735	2,004	2,709	1,427	6,875

Source: Peterborough sub-regional SHMA 2007 (combination of data sources)

Stage 5 – Demand from newly forming households

12.33 The table shows an estimate of the housing requirements of newly forming households. The table is based on the number of newly forming households who need or expect to form over the next two years within the HMA. Figures are annualised. Approaching a third (28.4%) of the demand is expected to be for affordable accommodation. Compared with the sizes of accommodation secured by in-migrant households it is notable that newly forming household demand is more biased towards smaller dwellings.

Table 12.7 Demand II: Household formation by tenure and size required

Tenure	Size requirement				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Market	934	1,473	512	6	2,925
Affordable	384	584	193	0	1,160
TOTAL	1,317	2,057	705	6	4,085

Source: Peterborough sub-regional SHMA 2007 (combination of data sources)

Stage 6 – Demand from existing households

12.34 The table below shows estimated future demand from existing households in the HMA. The figures are based on what tenure and size of accommodation households expect to move to in the future (next two years). Figures are annualised. The data suggests that around 24% of existing household demand is for affordable accommodation (this compares with 20% of dwellings released by existing households).

Table 12.8 Demand III: Demand from existing households by tenure and size required

Tenure	Size requirement				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Market	431	2,080	3,593	2,276	8,381
Affordable	564	1,140	722	254	2,680
TOTAL	995	3,220	4,316	2,530	11,061

Source: Peterborough sub-regional SHMA 2007 (combination of data sources)

Overall demand

12.35 The table below is an overall summary of annual demand, calculated as the sum of the three previous tables. The table shows an estimated demand for 22,021 dwellings of all sizes and tenures. The majority of this demand is for market dwellings (79%). Therefore around 21% of the demand is for affordable dwellings.

12.36 The market demand is greatest for three bedroom homes with two-bed accommodation showing the highest figure in the affordable sector.

Table 12.9 Demand IV: Total demand by tenure and size required

Tenure	Size requirement				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Market	1,884	5,257	6,636	3,698	17,476
Affordable	1,163	2,024	1,093	265	4,545
TOTAL	3,047	7,282	7,729	3,963	22,021

Source: Peterborough sub-regional SHMA 2007 (combination of data sources)

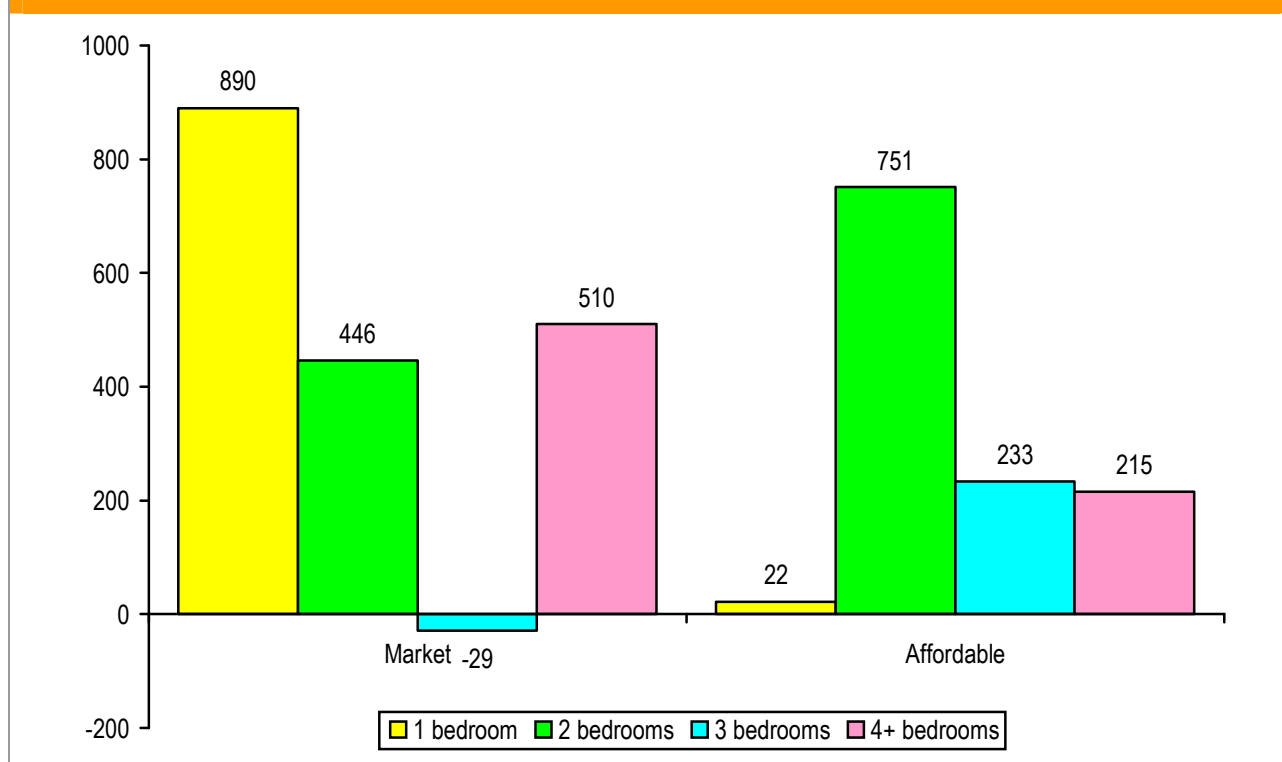
Net housing demand

12.37 A table bringing together all of the demand and supply information is presented below. The table shows that overall there is expected to be a greater demand for housing than the current stock of housing can meet. Overall, across all tenures there is an apparent shortfall of 3,040 dwellings per annum (excess demand over supply).

Tenure	Size requirement				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+bedrooms	
Market	890	446	-29	510	1,818
Affordable	22	751	233	215	1,222
TOTAL	912	1,198	204	726	3,040

Source: Peterborough sub-regional SHMA 2007 (combination of data sources)

Figure 12.2 Estimated shortfalls and surpluses of housing by tenure and size



Source: Peterborough sub-regional SHMA 2007 (combination of data sources)

12.38 The above table and figure have provided demand shortfalls and surpluses by tenure and it is worthwhile to briefly describe the findings in each of these groups.

Market housing

- 12.39 In the market sector there is an apparent shortfall of 1,818 units per annum (60% of the overall shortfall). The greatest shortfall is for one bedroom homes although shortages of two and four bedroom homes are also shown. There is an apparent surplus of three bedroom accommodation. This finding makes some sense when we consider that the market stock in the HMA is dominated by three bedroom semi-detached and terraced homes. When looking back at the gross demand for housing we see that 38% of the market demand is for three bedroom homes, however, 43% of the estimated supply in this sector is also three bedroom accommodation.
- 12.40 We also need to consider the reality of a surplus of three bedroom homes in the HMA. The finding of the BHM does not suggest that these homes will be left vacant. It is more likely that some of the households seeking two or four bedroom accommodation will actually end up living in three bedroom homes so the finding of surplus will not manifest itself in reality.

Affordable housing

- 12.41 The requirement for affordable housing makes up around 40% of the net shortfall of housing in the HMA and there are shortages shown for all sizes of accommodation (albeit the figure for one bedroom homes is very small). The main shortfall is for two bedroom homes. The net demand for four bedroom homes appears quite high; however, this is against a backdrop of a relatively small supply of such accommodation across the HMA.

Overall view on the BHM results

- 12.42 The results of the BHM analysis suggest a significant net demand for housing in the HMA with a total estimated excess of demand over supply equating to 3,040 units per annum. This is well above the level of increase shown in the household projections (Table 4.4 above).
- 12.43 The model generally shows surpluses of three bedroom accommodation in the market sector and shortages of all other sizes of accommodation. The finding of a surplus of three bedroom homes arises due to the large proportion of the current housing stock which is of this size.
- 12.44 Overall the model suggests that around 40% of the net demand for housing will be in the affordable sector. This figure is lower than would be found if the data from the affordable housing needs model (previous chapter) is used but confirms an ongoing requirement for more affordable housing to be provided.

Summary

- i) A 'Balancing Housing Markets' (BHM) assessment looks at the whole local housing market, considering the extent to which supply and demand are 'balanced' across tenure and property size.
- ii) This HMA contains the combined results of BHMs for each of the constituent districts. For district level figures the individual HNA identified at the beginning of Chapter 10 should be examined.
- iii) The analysis reveals that there is an ongoing net requirement for both market (owner-occupied and private rented) and affordable (intermediate and social rented) housing.
- iv) In terms of the size of property required, the model suggests that the main shortfall in the market sector is for smaller (one and two bedroom) units whilst in the affordable sector the main requirement is for two bedroom homes.
- v) The data suggests that there is a small surplus of three bedroom homes in the market sector (this finding should be considered in line with the fact that much of the housing stock in the HMA is three bedroom homes).
- vi) Overall it is estimated that there is a potential demand for 3,040 additional units of housing (of all tenures) per annum. This is above the level of increase shown in the household projections.