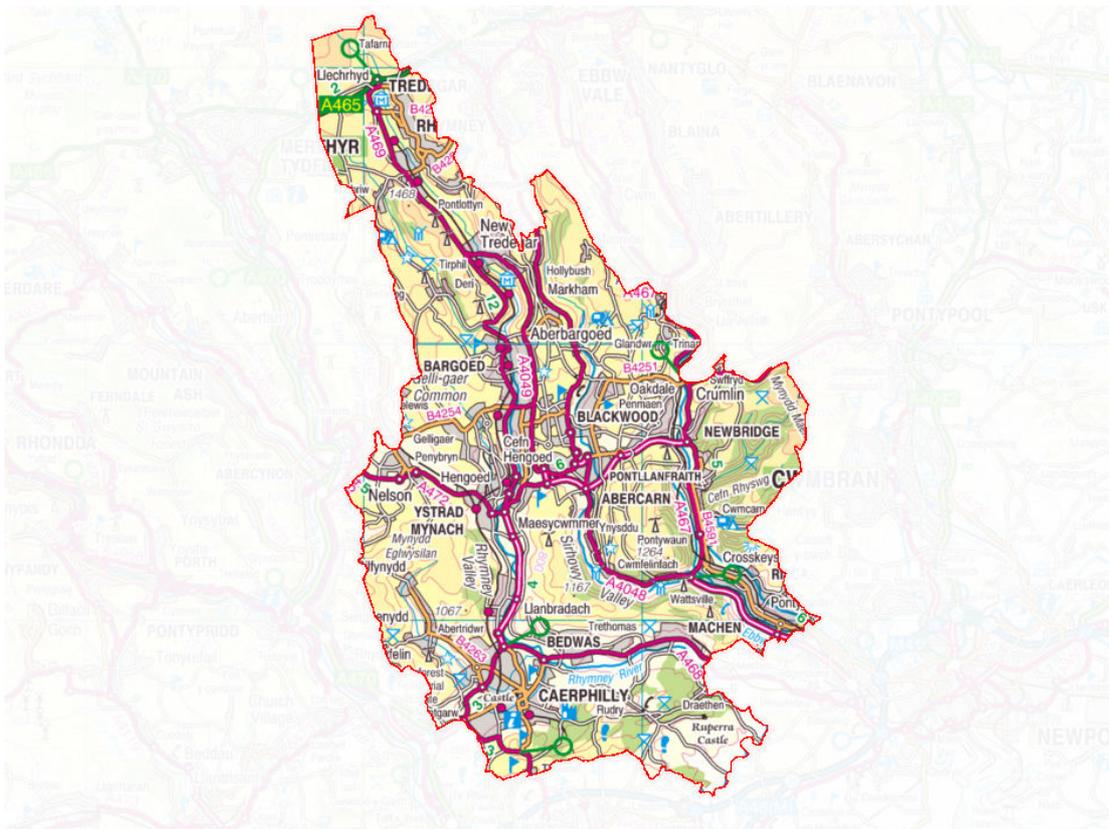




Caerphilly County Borough Council



Local Housing Market Assessment Update 2008

December 2008



Table of Contents

Introduction.....	1
Nature of this update report.....	1
Base household figures and weighting procedures.....	2
Survey of estate and letting agents	3
Updating financial information	4
Assessing affordability	5
Estimate of net annual housing need	6
Types of households in need	8
Balancing Housing Markets model	8

Introduction

- 1.1 During 2007, Fordham Research carried out a Local Housing Market Assessment (LHMA) for Caerphilly County Borough Council – the report was completed in December 2007. The main analysis was based on primary research which took place in spring 2007, collected via postal questionnaires. In total, 1,352 completed responses were received. This is sufficient to provide reliable estimates of need in accordance with the Welsh Assembly Government (WAG)'s LHMA Guide published in March 2006.
- 1.2 The survey was designed to cover all tenure groups and all areas within the County Borough and enabled the assessment of the need for additional affordable housing following the approach set out in the WAG Guide. This report has been commissioned to update the results of the 2007 Survey.

Nature of this update report

- 1.3 In making assessments of housing need in compliance with Government Guidance primary research is essential. Principally, this is because information on housing suitability and market affordability (the two elements central to the definition of need) are not available from secondary data sources for the same group of households. It is however costly to undertake primary fieldwork and consequently Fordham Research have devised a cost-effective update approach that uses the original survey data collected and updates it to take account of changes to key variables affecting the overall assessment.
- 1.4 This report is therefore intended to provide an updated and robust estimate of the need for affordable housing in the context of changes that have occurred since the time of the original survey. The main changes are as follows:
 - i) Changes in market prices/rents and income levels which have occurred since the original survey
 - ii) Changes in the supply of affordable housing (relets excluding transfers within the social rented sector)
 - iii) A re-basing of household figures to take full account of latest data from Welsh Housing Statistics and the Local Government Data Unit – Wales as well as the most recently published household estimates.

Base household figures and weighting procedures

- 1.5 The 2007 LHMA estimated a total of 72,800 households in Caerphilly. Given that we want to estimate the number of households at a base date of December 2008 (i.e. almost 2 years later), it is necessary to provide a more up to date estimate. We have considered a number of different sources of information including the latest available dwelling stock estimates from Welsh Housing Statistics and household estimates for Wales and as at December 2008 it is estimated that there are 73,900 households in the County Borough.
- 1.6 Survey data was weighted to match the suggested current tenure profile shown below. An important aspect of preparing data for analysis is 'weighting' it. As can be seen from the table below, social survey responses never exactly match the estimated population totals. As a result it is necessary to 'rebalance' the data to correctly represent the population being analysed. Information from the Welsh Housing Statistics and the 2001 Census was used to formulate the estimated tenure breakdown. The table below shows an estimate of the current tenure split in Caerphilly along with the sample achieved in each group.

Table 1 Number of households in each tenure group

Tenure	Total number of households	% of households	Number of returns	% of returns
Owner-occupied (no mortgage)	23,393	31.7%	487	36.0%
Owner-occupied (with mortgage)	31,912	43.2%	553	40.9%
Council	11,043	14.9%	194	14.3%
RSL	3,096	4.2%	54	4.0%
Private rented	4,457	6.0%	64	4.7%
TOTAL	73,900	100.0%	1,352	100.0%

Source: Caerphilly County Borough LHMA Update 2008 (updated from 2007 survey)

- 1.7 Data was also weighted to be in line with the estimated number of households in each of various groups:
- Thirty-three wards (from Council Tax Register)
 - Council tax band (from Council Tax Register)
 - Number of people in household (2001 Census)
 - Household type (2001 Census)
 - Accommodation type (2001 Census)
 - Car ownership (2001 Census)

Survey of estate and letting agents

- 1.8 As part of the update process, information on purchase prices and private rental costs within Caerphilly County Borough was collected through an online survey of estate agents during December 2008. Entry-level housing costs were derived for each of the three sub-markets identified in the 2007 LHMA: South, Middle and North. One bedroom properties both to buy and to rent were found to be in relatively short supply, therefore two bedroom market dwellings are considered to be the smallest market sector property size available in the County Borough, for the purposes of the assessment.
- 1.9 The cost of social rented properties was obtained from Welsh Housing Statistics and is presented in the table below. The cost of intermediate housing is also presented: this is based on the mid-point between the cost of social rent and the cost of entry-level market housing. To derive a cost for one bedroom intermediate dwellings, the social rent/intermediate cost ratio for two bedroom dwellings in each sub-market was applied to the cost of a social rent for a one bedroom dwelling.

Table 2 Comparative outgoings by tenure					
Sub-market and property size	Social rent*	Inter-mediate**	Entry-level private rent***	Entry-level purchase ***	
	£ weekly	£ weekly	£ weekly	£ weekly****	£ price
South					
1 bed	£50	£76	-	-	-
2 bed	£54	£82	£110	£113	£85,500
3 bed	£58	£88	£118	£137	£103,500
4 bed	£64	£113	£162	£227	£171,000
Middle					
1 bed	£50	£73	-	-	-
2 bed	£54	£79	£105	£109	£82,500
3 bed	£58	£84	£110	£119	£90,090
4 bed	£64	£96	£128	£202	£152,520
North					
1 bed	£50	£65	-	-	-
2 bed	£54	£70	£87	£102	£77,000
3 bed	£58	£79	£100	£109	£82,000
4 bed	£64	£111	-	£159	£120,000

Sources: *Welsh Housing Statistics 2007

** Based on the mid-point of the weekly cost of social rent and entry-level market housing (except for 1 beds – see note above table)

***Survey of Estate and Lettings Agents (2008)

**** Note: Outgoings for purchase options assume a variable rate 25 yr repayment mortgage

- 1.10 Following the approach recommended by the WAG Guide it is possible to determine the incomes that households accessing intermediate housing would require and the price it should be available at. The Guide states that the income required is calculated by annualising the weekly cost and multiplying it by 4 (using a quarter of gross income as the indicator for what is affordable). The cost of the property is then derived in the Guide by assuming that the applicable household would be able to acquire a mortgage based upon a 3.5 times multiplier. This information is presented for the three sub-markets in Caerphilly in the table below:

Table 3 Derivation of the price of intermediate housing		
Sub-market and property size	Weekly cost of intermediate housing*	Implied price of intermediate housing
South		
1 bed	£76	£55,328
2 bed	£82	£59,696
3 bed	£88	£64,064
4 bed	£113	£82,264
Middle		
1 bed	£73	£53,144
2 bed	£79	£57,512
3 bed	£84	£61,152
4 bed	£96	£69,888
North		
1 bed	£65	£47,320
2 bed	£70	£50,960
3 bed	£79	£57,512
4 bed	£111	£80,808

*Based on the mid-point of the weekly costs of social rent and entry-level market housing

Sources: Survey of Estate and Lettings Agents (2008) and Welsh Housing Statistics

Updating financial information

- 1.11 The Annual Survey of Hours and Earnings (ASHE) was used to update the earned income of employed household members. Incomes were updated according to the increase recorded by AHSE: since the previous survey the estimated increase in earned income levels was around 1.1%. The Family Spending Survey was used to update the income of households who were not working: the increase in the income levels of these households was estimated to be around 4.7%.
- 1.12 Savings were updated assuming an annual increase of 3.8%, which is the approximated average interest paid on a savings account over the period.

- 1.13 The amount of equity available to households has also been updated to take account of the changes in property prices over the period since the survey was carried out. Analysis of Land Registry data suggests that overall average house prices within Caerphilly have decreased by approximately 5.8% since the second quarter of 2007. As the Land Registry collects price information by property type, it is possible to update the amount of equity owner-occupiers have by the change in prices recorded for the type of dwelling they own. For example, the Land Registry data indicates that average purchase price of a detached house in the County Borough has decreased by 8.4%; owners of detached houses have therefore had their equity levels adjusted accordingly.
- 1.14 The updated survey results indicate that the average (mean) gross household income (including non-housing benefits) in Caerphilly is £22,231 per annum. The median income (i.e. the middle value if all households' incomes were listed in ascending or descending order) is noticeably lower than the mean (at £16,876 per annum).
- 1.15 Households have an average of £11,916 in savings. The survey also collected information about the amount of equity owner-occupiers have in their property; the updated average amount of equity is £85,804.

Assessing affordability

- 1.16 All households were tested for their ability to afford either a mortgage or private rented housing priced at the entry-level in the local area. These two measures were then combined to estimate households unable to afford either form of private sector housing.

Combined affordability:

A household containing one person in employment is not eligible for a mortgage if the gross household income multiplied by 3.5 is less than the cost of the mortgage requirement. A household containing more than one person in employment is not eligible for a mortgage if the gross household income multiplied by 2.9 is less than the cost of the mortgage requirement.

AND

A household is unable to afford private sector housing if renting privately would take up more than 25% of its gross household income.

- 1.17 The table below shows affordability by tenure (for all households in the County Borough).

Table 4 Affordability and tenure			
Tenure	Unable to afford market housing	Number of households in tenure	% of h'holds unable to afford
Owner-occupied (no mortgage)	1,140	23,393	4.9%
Owner-occupied (with mortgage)	3,920	31,912	12.3%
Council	10,585	11,043	95.9%
RSL	2,770	3,096	89.5%
Private rented	3,818	4,457	85.6%
TOTAL	22,233	73,900	30.1%

Source: Caerphilly County Borough LHMA Update 2008 (updated from 2007 survey)

Estimate of net annual housing need

1.18 The table below shows the figures in housing needs assessment model.

Table 5 Detailed affordable housing requirement table for Caerphilly County Borough

Stage and step in calculation	Notes	Output
STAGE 1: CURRENT NEED (Gross)		
1. Existing households in need of accommodation		3,838
2. Homeless households and those in temporary accommodation		42
3. minus cases where they can afford to meet their need in the market		948
4. equals Total current housing need (gross)	1+2-3	2,932
STAGE 2: AVAILABLE STOCK TO OFFSET NEED		
5. Current occupiers of affordable housing in need		1,500
6. plus Surplus stock		0
7. plus Committed supply of new affordable units		176
8. minus Units to be taken out of management		0
9. equals Total stock available to meet current need	5+6+7-8	1,676
10. equals Total current unmet housing need	4-9	1,256
11. times annual quota for the reduction of current need		20%
12. equals annual requirement of units to reduce current need	10×11	251
STAGE 3: NEWLY ARISING NEED		
13. New household formation (gross per year)		1,124
14. Proportion of new households unable to buy or rent in the market		38.1%
15. Existing households falling into need		950
16. Potential out-migrants unable to afford market housing		28
17. In-migrants unable to afford market housing	(included in steps 13-15)	-
18. Total newly arising housing need (gross per year)	(13×14)+15-16	1,350
STAGE 4: FUTURE SUPPLY OF AFFORDABLE UNITS		
19. Annual supply of social re-lets (net)		865
20. Annual supply of intermediate housing available for re-let or resale at sub-market levels		30
21. Annual supply of affordable housing	20+21	895
NET SHORTFALL OR SURPLUS OF AFFORDABLE UNITS		
Overall shortfall or surplus	12+18-21	706

Sources:

1, 3, 5, 13-17, 20: Caerphilly County Borough LHMA Update 2008 (updated from 2007 survey)

2: WHO12 Q2 2008 (from Local Government Data Unit – Wales)

6: Welsh Housing Statistics 2007

7: Caerphilly County Borough Council Joint Housing Land Availability Study 2007 (April 2008)

19: WHO4 2007- 2008 (from Local Government Data Unit – Wales)

1.19 The (net) current need assessment suggests a requirement for 251 units per year. Added to this is the figure for newly arising need (1,350), which gives a total of 1,601. The estimated future supply to meet this need is 895 units per year. This therefore leaves an annual requirement of 706 units per year in Caerphilly County Borough.

Types of households in need

1.20 The below table gives a breakdown of gross households in need by household type.

Table 6 Need requirement by household type					
Household type	Need requirement				
	In need	Not in need	Total Number of h'holds	% of h'hold type in need	As a % of those in need
Single pensioners	83	10,372	10,455	0.8%	4.3%
2 or more pensioners	41	6,568	6,609	0.6%	2.1%
Single non-pensioners	376	8,786	9,162	4.1%	19.4%
2 or more adults - no children	282	24,568	24,850	1.1%	14.6%
Lone parent	476	4,119	4,595	10.4%	24.6%
2+ adults 1 child	206	8,553	8,759	2.4%	10.7%
2+ adults 2+ children	471	8,998	9,469	5.0%	24.3%
Total	1,936	71,964	73,900	2.6%	100.0%

Source: Caerphilly County Borough LHMA Update 2008 (updated from 2007 survey)

Balancing Housing Markets model

1.21 The table below is an overall summary of the (gross) demand situation.

Table 7 Gross demand by tenure and accommodation type/size					
Tenure	Accommodation requirement				TOTAL
	1 bed	2 bed	3 bed	4 bed	
Owner-occupation	183	1,248	1,996	555	3,981
Private rented	139	487	416	25	1,065
Intermediate	0	92	22	70	184
Social rented	359	759	771	35	1,924
TOTAL	680	2,586	3,204	684	7,154

Source: Caerphilly County Borough LHMA Update 2008 (updated from 2007 survey)

1.22 The table below is a summary of the total estimated annual supply, split by tenure and dwelling size.

Table 8 Total supply by tenure and accommodation type/size					
Tenure	Accommodation supplied				TOTAL
	1 bed	2 bed	3 bed	4 bed	
Owner-occupation	41	939	2,396	305	3,681
Private rented	62	362	485	55	964
Intermediate	0	0	3	0	3
Social rented	304	619	782	24	1,728
TOTAL	407	1,920	3,666	384	6,377

Source: Caerphilly County Borough LHMA Update 2008 (updated from 2007 survey)

- 1.23 The following table shows the overall results of the annual net imbalance between demand and supply. The results are driven by demand and are not constrained by any target.

Table 9 Total annual shortfall or surplus for Caerphilly County Borough					
Tenure	Size requirement				TOTAL
	1 bedroom	2 bedroom	3 bedroom	4 bedroom	
Owner-occupation	142	309	-400	250	301
Private rented	77	125	-70	-31	101
Intermediate	-0	92	18	70	180
Social rented	55	140	-11	11	195
TOTAL	273	666	-462	300	777

Source: Caerphilly County Borough LHMA Update 2008 (updated from 2007 survey)