

# Nottingham Core Strategic Housing Market Assessment

2006/7

Executive Summary

April 2007



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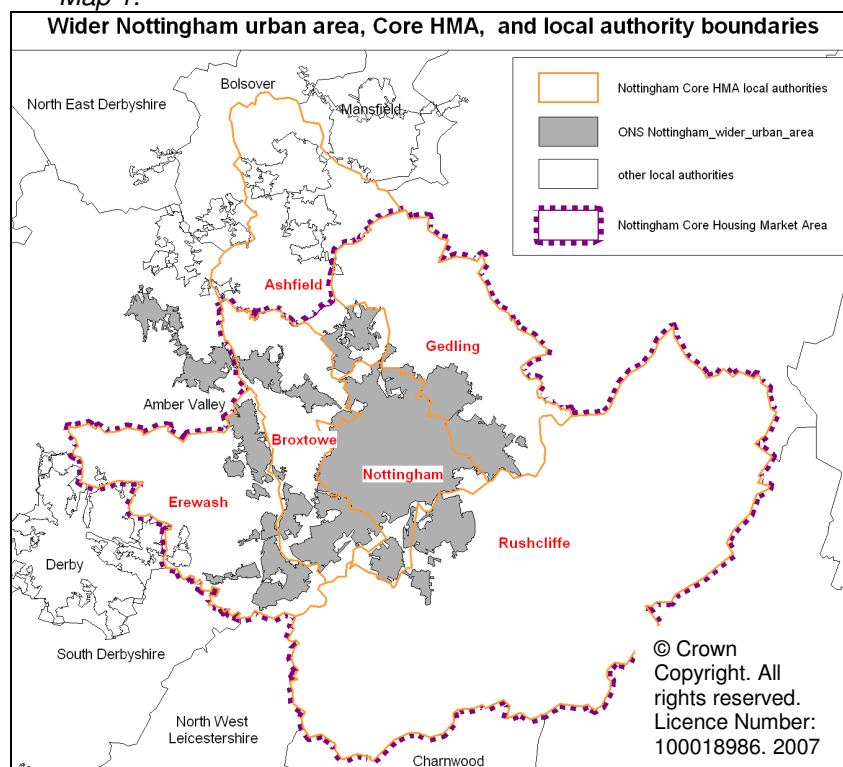
# Nottingham 'Core' Strategic Housing Market Assessment 2006 Executive Summary

The Nottingham core housing market area (HMA), includes Nottingham City, surrounding suburbs outside the city boundary and neighbouring towns. For the Regional Spatial Strategy the HMA was defined, covering whole local authorities, as Nottingham City and the adjacent local authority districts of Broxtowe, Gedling, Rushcliffe, and Erewash, For the purposes of this assessment, however, the Hucknall part of Ashfield district has been included, as it is functionally part of the housing market area. This is recognised by its inclusion as part of the Three Cities Sub-Region in the Draft Regional Spatial Strategy.

This whole area had a population of 746,800 at the 2005 mid year estimate. The Nottingham Urban Area is the largest conurbation in the East Midlands and is often considered to be the region's 'capital', is seventh largest in the UK and the city is a member of the English Core Cities Group.

East Midlands housing markets do not exhibit the extremes of London and the South in terms of being overheated and in high demand, nor do they experience the scale of low prices, low demand and market failures that can be seen in some parts of the North and West Midlands. However, some instances of these more extreme characteristics of the market can be identified within the core HMA on a smaller scale. For this reason, maintaining and improving the 'balance' within housing markets, avoiding mistakes and adverse unintended consequences, enabling more affordable housing and providing for need are key objectives of local and regional government.

Map 1.



### **Keys issues identified in the study:**

- the increasing impact of affluence and choice - but not for all - on the housing market
- problems of affordability in the suburbs and parts of the city,
- the household and tenure projections, and the implications that more private and social renting will be required
- issues of under occupation and utilisation of stock
- stock renewal in the city, and improving neighbourhoods and environments
- prevention and reversal of polarisation in the housing market on several dimensions

Overall affordable housing levels of up to 47% of planned new supply could be justified on the evidence and inputs used, but this varies between local authorities and by submarket, and each should set their own policies accordingly. In some cases more affordable housing may be less important than improvements or changes to existing stock and the environment.

It is also essential that market conditions are monitored for each site, scheme and development so that provision of both market and affordable housing can take account of specific local conditions at the time as far as possible.

### **Methodology**

Housing Market Assessments involve many complex issues, as in reality housing markets operate at a micro-level; ultimately each house is different, as is each person and household, as is the interaction between them. So they involve many interdependent variables and can be very complicated - but this does not mean that general patterns and trends cannot be usefully identified.

Progress has been made possible by the development of large and detailed datasets with a spatial dimension, and the means of handling them using various IT applications, especially Geographical Information Systems (GIS). These methods enable housing market data to be mapped, visualised and analysed at any scale, down to the smallest building blocks of data available – such as Census Output Area level data (about 120 addresses), postcode (about 15 addresses), or even at actual property full address level.

To carry out this study a wide range of data has been used. The majority has been drawn from secondary sources, although primary survey data and the results of stakeholder consultations have also been important. The approach used is based firmly on current government good practice guidance, although this has itself gone through various drafts, versions and developments. The final version was published in March 2007<sup>1</sup>.

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<sup>1</sup> Strategic Housing Market Assessments Practice Guidance (CLG, March 2007)

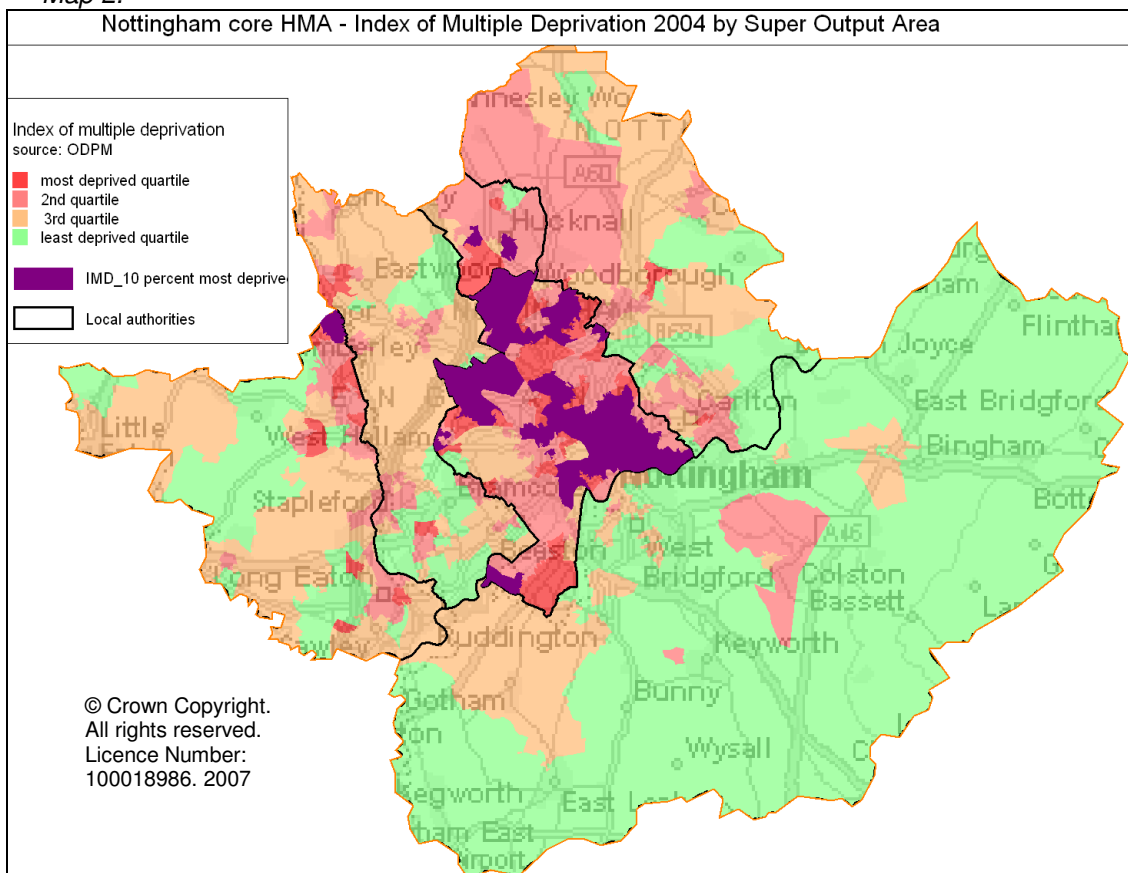
## General Trends

In parts of Nottingham City and a few smaller areas of the suburban authorities, the demographic picture of the current housing market shows significantly large concentrations of:

- lower socio-economic classifications,
- residents on lower incomes,
- younger households,
- households in rented accommodation,
- ethnic minority communities.

This is reflected to a large extent in the range of indicators used to inform the Index of Multiple Deprivation 2004<sup>2</sup>, illustrated in the map below.

Map 2.



Source: DCLG - Office of the Deputy Prime Minister, Indices of Deprivation 2004

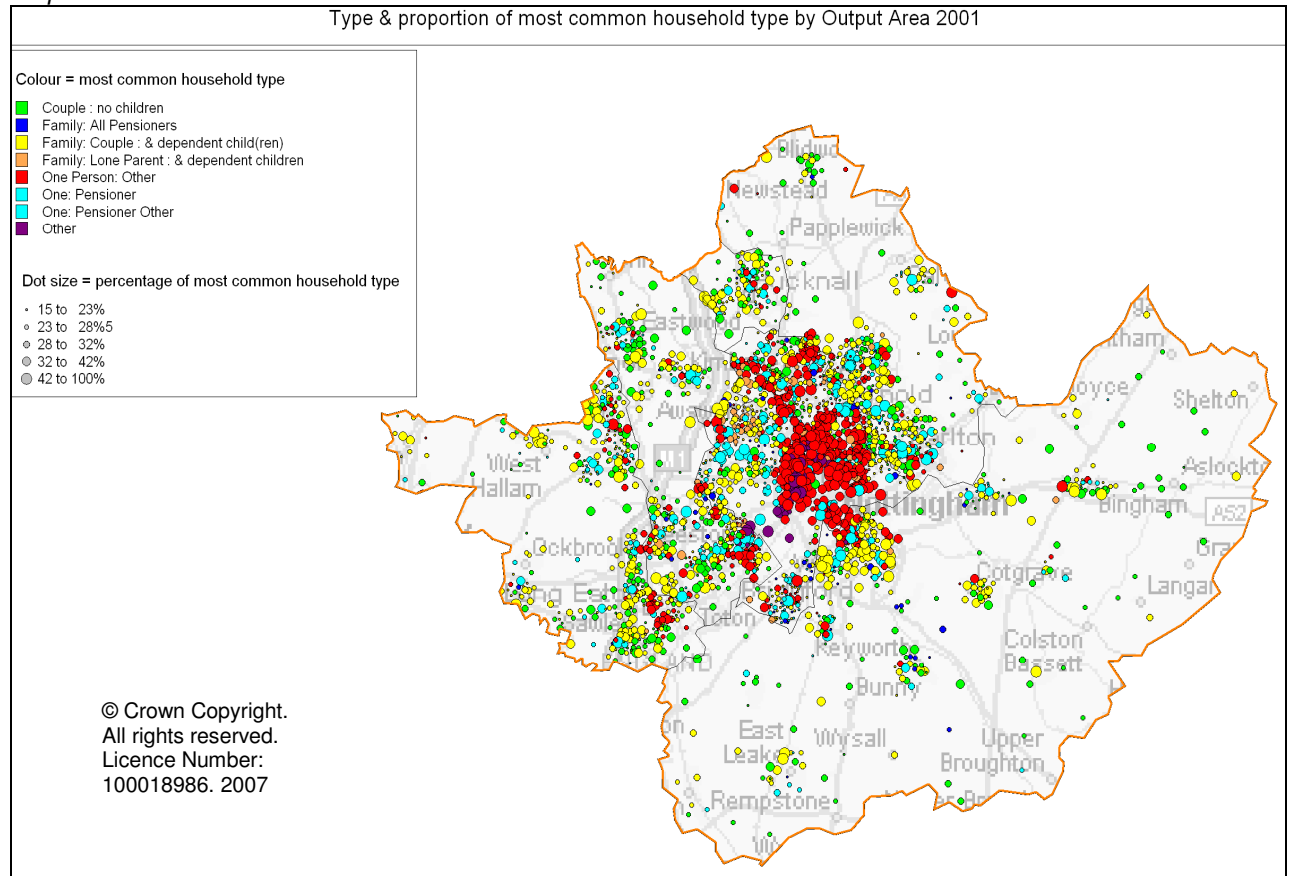
In particular the evidence suggests an inner market area where the proportion of younger singles, students, lower incomes and some ethnic minorities is substantially higher than in the rest of the HMA. Conversely, the proportion of families with children is noticeably lower in the inner market area and higher in outer city and suburban areas.

<sup>2</sup> The Index of Multiple Deprivation combines distinct dimensions of deprivation which are recognised and measured separately into a single overall measure.

The inner market area also exhibits more private renting, higher proportions of young singles, and greater numbers of flats and terraced houses. Some suburban centres and satellite towns also show some similar patterns on a smaller scale in their centres.

The map below shows the most common type of household for each census output area (approximately 120 addresses). This shows the extent to which central areas of the city and some other areas such as along main routes have become populated by non-pensioner single person households.

Map 3.



Source: 2001 Census - table KS20

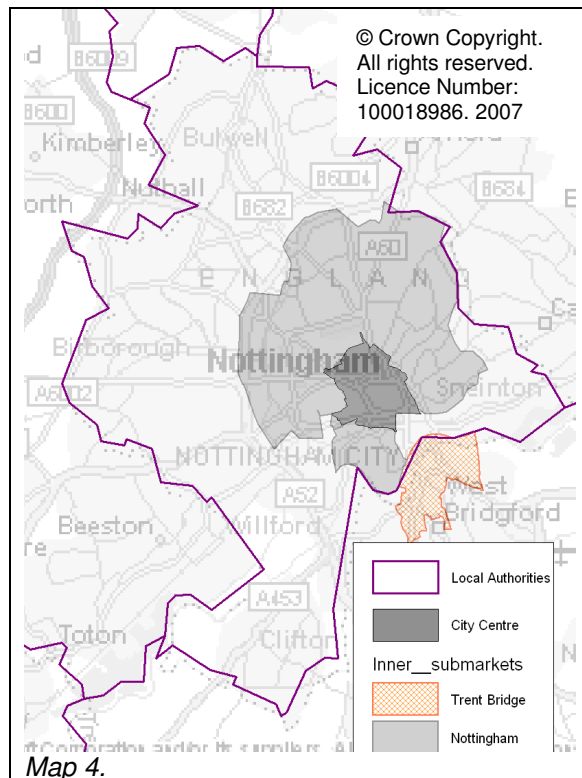
Higher proportions of couples with children are noticeable in the outer areas of all settlements or satellite centres of any size, not just the city; but in the main urban area these also tend to fall mainly within the suburban local authorities. Also noticeable are pensioner households in the outer areas of the city and suburbs.

It should be emphasised that these patterns do not mean that areas are anything like completely ‘taken over’ by particular household types, and most areas are still very mixed. However, when we look at this data in conjunction with information on population age, the following general patterns can be discerned:

- Younger households are substantially more prevalent in the city centre and recognised student housing areas.
- Mixed older adult (30 to 59) and younger (under 15) households, which are likely to be families, are more prevalent in the outer city and suburban areas.
- There are proportionately more younger children in the north and west.

The map to the right illustrates the core city centre area and a wider ‘inner Nottingham’ sub-market area, which can be identified from house price, census and migration data.

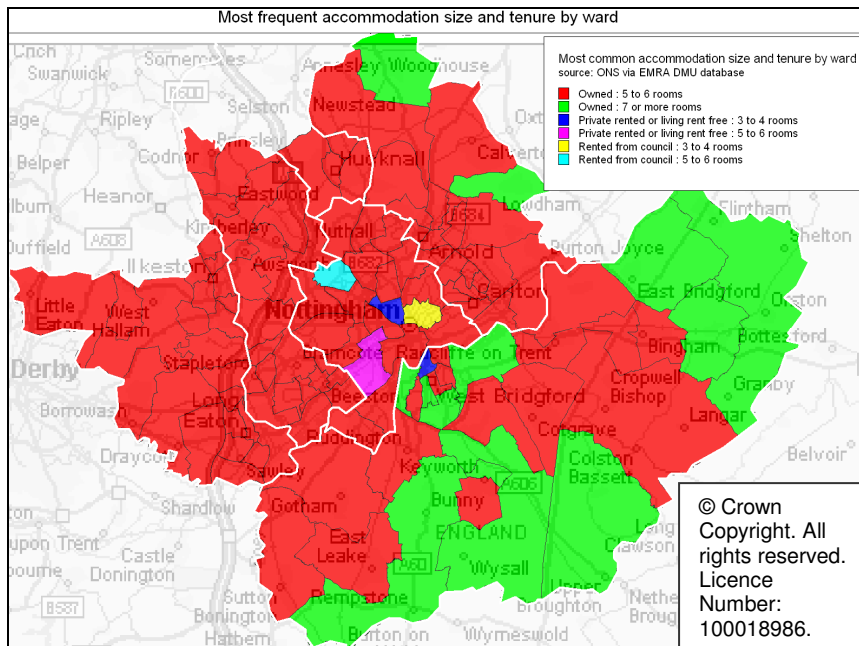
The evidence would seem to suggest that in the present circumstances efforts to induce families to move to some of these inner areas, especially by providing larger new properties with a price premium on them, would probably be attempting to ‘buck the market’ too much to succeed. Policies and investment into the area of Nottingham city outside this inner area to encourage economically active families would appear to have a greater chance of success.



Provision of attractive and affordable family housing in these outer city areas, with good transport, education, and services available, would seem to be an obvious but optimum goal for policy.

A useful summary indication of the overall housing market area is given by combining the most frequent types of accommodations and tenure for each ward, shown in the map below.

Map 5.

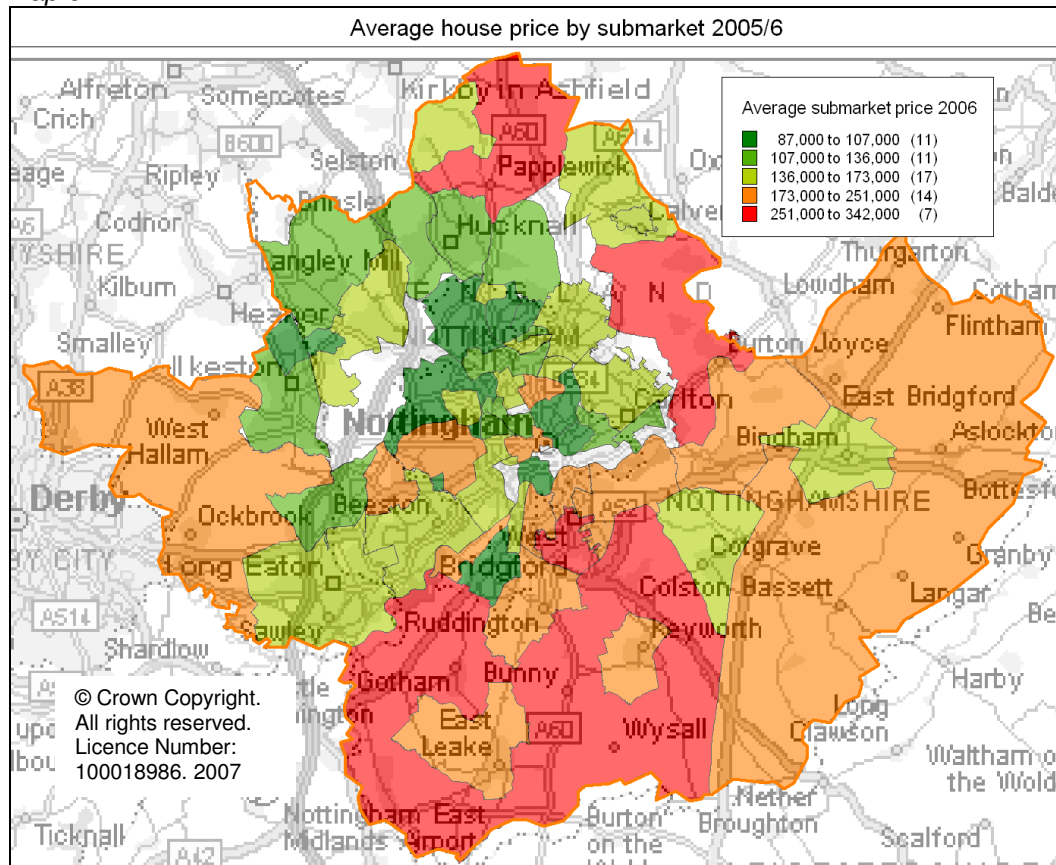


Source: East Midlands DMU database – Table 4.2, from Census 2001 table CAS51

## House Prices

House prices vary by type, size and quality, but variation due to location is often greater, with average prices in some areas more than three times that in the lowest. Capturing the reasons for these differences is considered by economists to be key to understanding housing markets, and so this study has identified fifty nine submarkets within the HMA to aid in analysis and to allow better targeting of policy. The pattern of average house prices by these submarkets is shown in the map below<sup>3</sup>.

Map 6.



Source: © Crown copyright material reproduced with the permission of Land Registry. Last updated on 2/8/06. It covers the period from July 2005 to June 2006.

A Private Sector Stock Condition Survey has been carried out in some of the participant local authorities, which collected data on estimated current property values and outstanding mortgages and loans, from which crude estimates of equity available can be derived.

House owners have estimated the increase in value since their property was originally purchased. The result varies by local authority, with the increases in absolute numerical value in the suburban authorities being almost twice that in the city. However the percentage increases are mostly similar – with the Borough of Broxtowe having the largest percentage increase by some way, even with a similar absolute change.

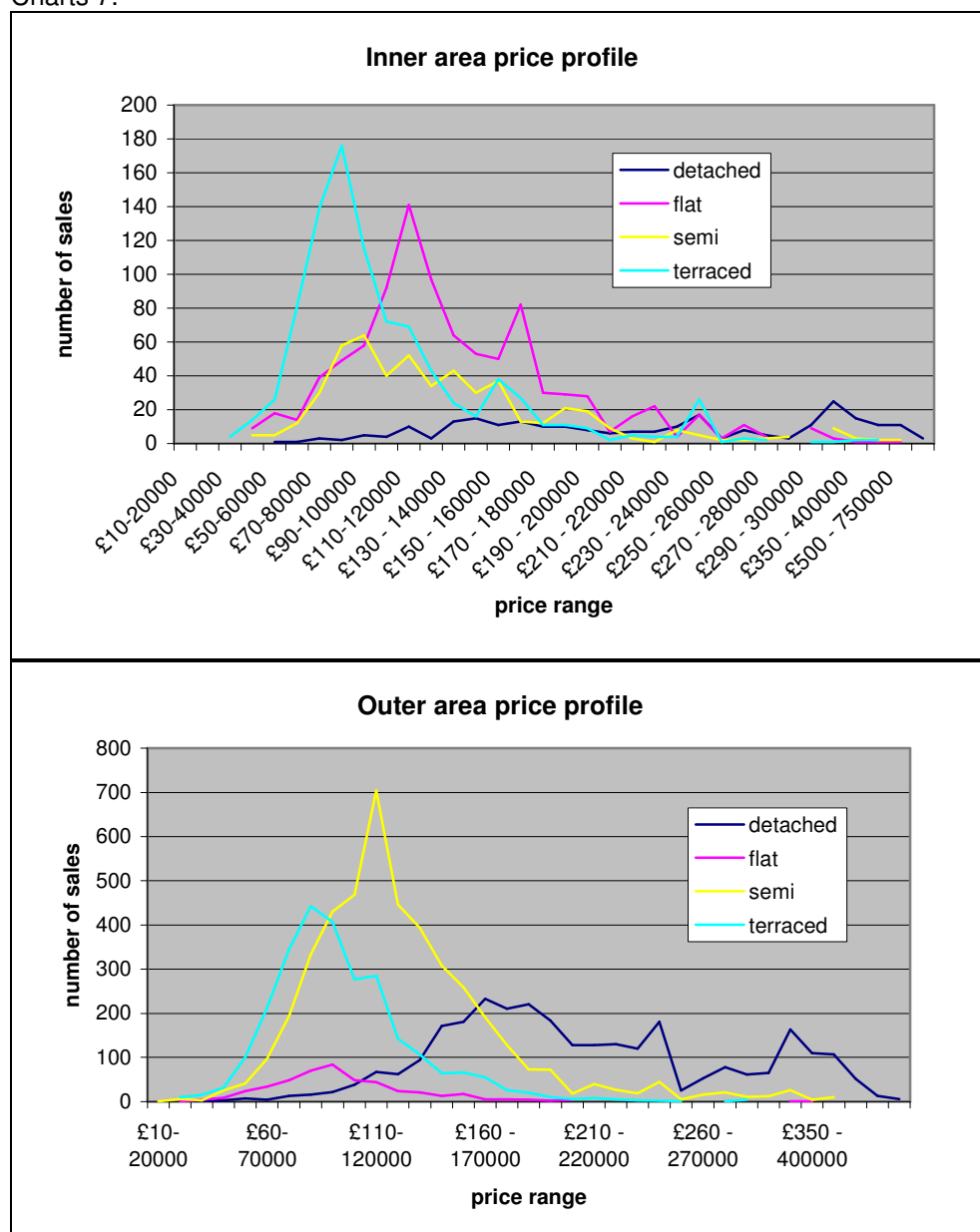
<sup>3</sup> Areas shown in white on the map are allocated to any submarket due to the low numbers of houses there.

The data needs to be interpreted to explain this. One hypothesis could be that the Broxtowe Borough area has moved 'up market' more, resulting in greater proportionate price increases.

These patterns of increase also means that home owners in the suburban authorities have more equity available to them; the average equity in the suburban authorities is just under £120,000, compared to £63,000 in the city.

The above suggests an ongoing polarisation between the city, (or at least certain parts of it), and the suburbs, despite and within substantial overall price increases across the whole HMA, along, of course, with general UK house price inflation. This appears to further confirm that while the whole market has risen nevertheless some parts of it are falling in price relative to others.

Charts 7.



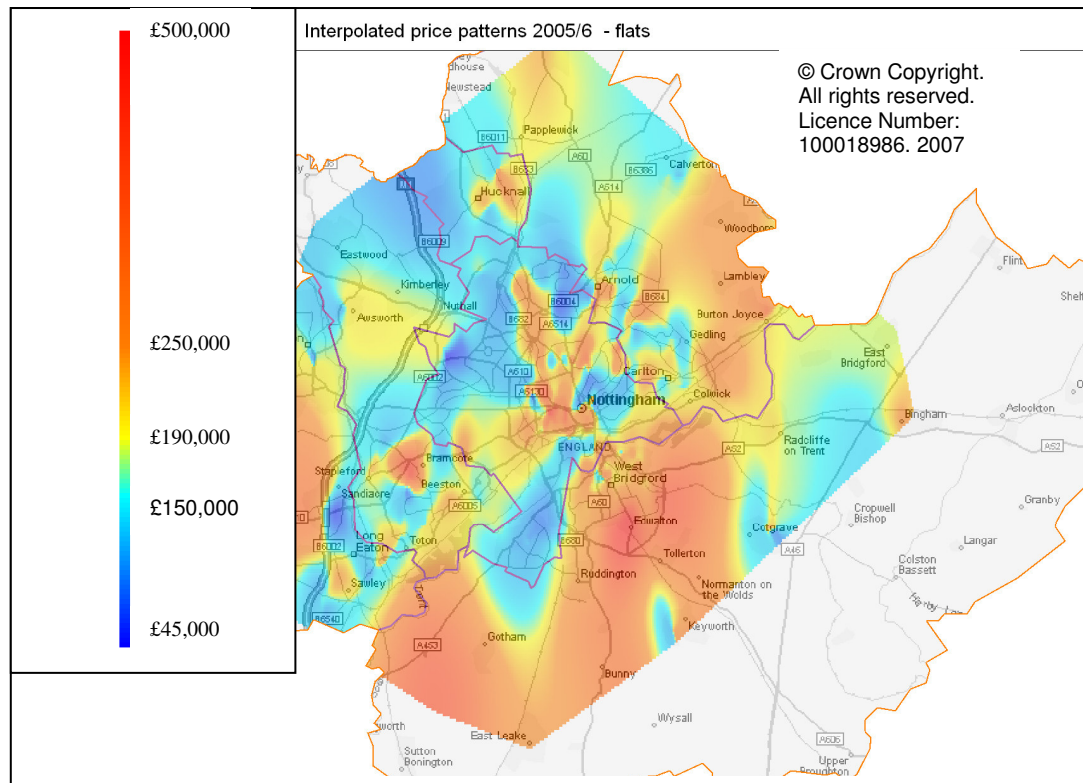
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The graphs above show the difference in house price profiles between the inner and outer Nottingham area as shown in Map 4 above.

Flats in particular also show different spatial price patterns to other property types, perhaps reflecting recent development patterns. Higher priced areas can be seen in the city centre and within Nottingham along the A611 and A60 north and into Arnold in Gedling. Higher priced flat hotspots can also be seen in West Bridgford, Bramcote and Hucknall.

The map below uses another way of visualising the price data for flats by converting the pattern of points generated from Land Registry sales data into generalised price patterns, rather like ‘weather maps,’ by interpolation<sup>4</sup> of the data in GIS. This allows a picture closer to the ‘real’ patterns, which cut across any administrative or conceptual boundaries, to be seen more clearly

Map 8. Interpolated pattern of sale prices for flats 2005/6



Source: Crown copyright material reproduced with the permission of Land Registry

The housing market now appears to be largely driven by affluence and choice. Although not everyone has this by any means, the cumulative choices of those who **do** have implications for those who **do not** in the wider market picture, with the general effect of increasing polarisation and exacerbating imbalances.

<sup>4</sup> Interpolation is the estimation of values between the values already known ( i.e. the point data)

## Economic Drivers

The table below shows the stark decline in manufacturing as against the sharp rise in the energy and transport/communications sectors. Overall employment growth for the period 1998 to 2004 ranges from 1% (HMA) to 2% (GNP)<sup>5</sup>. The sector with the highest number of employees was public administration, education and health. This sector made up nearly 31% of employees jobs in 2004.

Table 9.

Nottingham Core HMA – Changes in employment by industry, 1998 -2004								
Industry	1998	1999	2000	2001	2002	2003	2004	Change %
1 : Agric & Fishing	1,100	1,000	1,000	1,000	1,000	900	1,000	-9%
2 : Energy and water	3,200	3,300	4,200	3,700	4,300	4,200	3,800	19%
3 : Manufacturing	58,200	54,100	50,300	45,900	45,600	40,400	37,000	-36%
4 : Construction	13,800	11,700	12,400	13,400	12,700	13,300	12,800	-7%
5 : Distr; hotels	72,300	71,850	77,100	79,700	81,500	78,800	77,600	7%
6 : Transport & comms.	13,100	14,700	16,000	14,800	15,000	15,300	15,500	18%
7 : Bank; profs	53,300	48,500	51,800	53,400	54,800	56,300	57,700	8%
8 : Public admin	86,900	86,100	85,500	90,700	89,900	94,700	98,300	13%
9 : Other services	14,000	15,500	14,700	15,200	19,700	15,600	15,400	10%
Total	315,900	306,750	313,000	317,800	324,500	319,500	319,100	1%

Source: Annual business inquiry (ONS) with Nottingham City Council amendments

Surprisingly, in the relatively buoyant housing and property market, jobs would also appear to have been lost in the construction sector. The fall in the number of employees is not as radical as in the manufacturing sector (less than 10%), but nevertheless may be a cause for concern given the expectation that the industry had steady demand in particular for house building in the future.

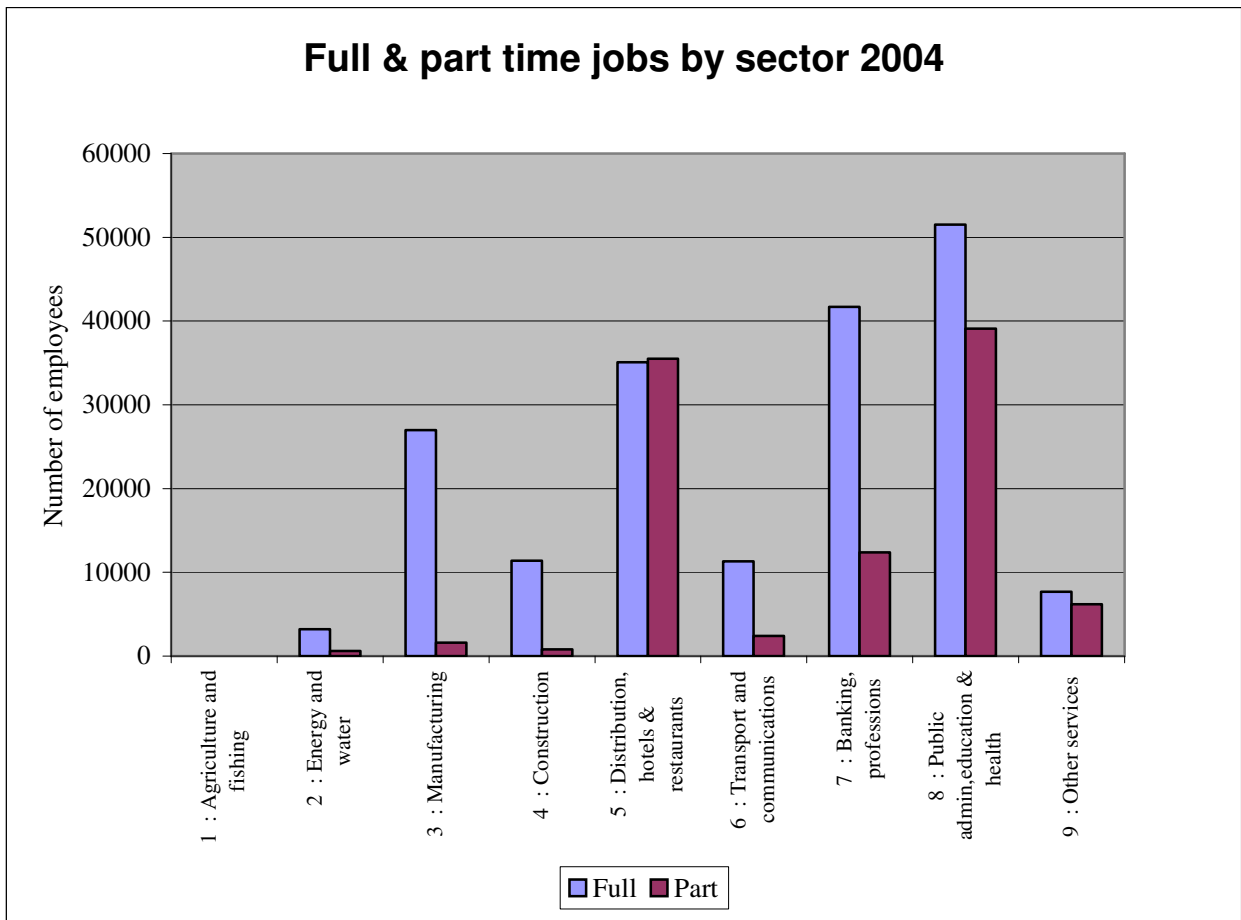
The chart below shows the number of persons employed in a full and a part time capacity in each of the employment sectors (for 2004).

Some sectors are predominantly full time; namely manufacturing, construction and banking and the professions. The distribution, hotels and restaurant sectors along with the public administration, health and education sectors have jobs shared fairly evenly across the full and part time sectors.

Overall, between 1998 and 2004, 4,200 full time jobs were lost, whilst 9,000 part time jobs were created.

<sup>5</sup> GNP stands for the Greater Nottingham Partnership area. This consists of all of the HMA that is located within Nottinghamshire (i.e. the HMA minus Erewash Borough).

Chart 10.



Source: Annual business inquiry (ONS) with Nottingham City Council amendments

Longer term local and national economic trends suggest that house prices seem likely to continue to rise, although this will probably undergo periodic fluctuations and collapse, especially if affected by economic factors such as high unemployment or interest rates. If the local employment and demographic trends continue, house prices are likely to rise beyond the affordability range of a significant proportion of the HMA population who might otherwise be engaged in the owner occupied market.

Affordability will therefore worsen for households trying to enter the owner occupied market, although assets will increase for those already in it. Increasing amounts of this will be recycled to help family members afford through loans, gifts, legacies and other support.

Further polarisation between owners and renters will be the outcome, and any influence on the housing market or attempts at more egalitarian distribution by government or planning will become increasingly difficult.

## Household Projections

Household projections based on past trends suggest that the number of single households will increase considerably, while cohabitation will grow and marriage decline.

Table 11. Projections of household by type, 2001 - 2016

household type	Year 2001	2006	2011	2016	change	All % change	annual change
Married couple	138,000	131,000	125,000	121,000	-17,000	-12%	-0.80%
Cohabiting couple	28,000	34,000	40,000	45,000	17,000	60%	4.00%
Lone parent	24,000	27,000	28,000	29,000	4,000	20%	1.40%
Other multiperson household	23,000	24,000	26,000	27,000	4,000	18%	1.20%
One person household	97,000	106,000	115,000	124,000	27,000	28%	1.90%

Source: derived from DCLG 2003 based household projections

This means not only an increase in the total number of households, but if tenure propensities based on Census data are linked to this trend, the implication is that fewer households will be able to afford to buy, or may choose to delay it longer, and the tenure pattern may be more as shown below (for comparison, the 2001 tenure profile is also shown).

Table 12.

Nottingham core HMA – tenure profile 2001 and estimated projected tenure profiles 2016				
tenure	total main types of households 2001	% of total 2001	total main types of households 2016 (projected)	% of total 2016 (projected)
own	211,199	68%	205,556	59%
social rent	62,880	20%	77,286	22%
private rent	37,511	12%	65,453	19%
Total	311,589	100%	348,295	100%

Source: estimated from extrapolated 2001 Census age and tenure profiles

These crude estimates suggest that if these trends continue in the same way social renting should increase from its current level of around 64,500 across the HMA in 2005 to some 77,000 in 2016, an increase of 12,500 or 19% on current totals, at a rate of 1,250 additional social rented units per year in the Nottingham core HMA. Private renting could also increase by some 28,000, or around 75%, over this period.

Assuming that cohabiting couples are likely to live in the family units, while the growth of single person and shared households is reflected in an apparent increase in the need for smaller and multi-person accommodation, we can produce crude calculations for provision within each local authority on the basis of household trends and projections. This is shown in the table, below:

Table 13. Crude projections of necessary changes in housing provision by authority and dwelling type

change 2001 to 2016	Medium and larger family units	multiperson provision, student housing, flats, etc	smaller and medium sized units
Ashfield(Hucknall)	35%	4%	61%
Broxtowe	10%	7%	83%
Erewash	26%	4%	70%
Gedling	1%	5%	94%
Nottingham	1%	23%	76%
Rushcliffe	27%	7%	66%
Total	14%	11%	75%

Source: Extrapolated from DCLG 2003 based household projections and Census household dwelling patterns.

These crude calculations result in low numbers of additional medium and larger family units required in many of the HMA districts because they are projected to undergo a loss of married couple households, offset in part by an increase in cohabiting couples, and these districts already have bigger proportions of medium and larger family units.

**However**, this is a crude approach, and to properly take account of reality a whole range of questions and judgments on likely behaviour patterns, housing propensities, preferences, expectations and market positions of these households must be considered. The more detailed evidence base and understanding in a housing market assessment shows that in reality projecting housing need and demand is much more complex, because the HMA highlights the imbalances and polarisation in the market, including that many households 'consume' more housing than they 'need' while others struggle to achieve the type, size and tenure that they both need and would like. Assessing the number and proportion of smaller sized units required in this way is particularly problematic.

Despite the crude nature of such trend based projection and the uncertainty that trends will continue in the same way in the future, they also do not take account of the planning intentions, objectives and vision for the area, and could tend to perpetuate existing divisions and polarisation. There may be good reasons for establishing planning policies which do not follow such crude trend projections, for example, in the interest of achieving mixed and balanced communities.

A striking statistic is levels of under-occupation, although this is by no means out of the ordinary within the UK.

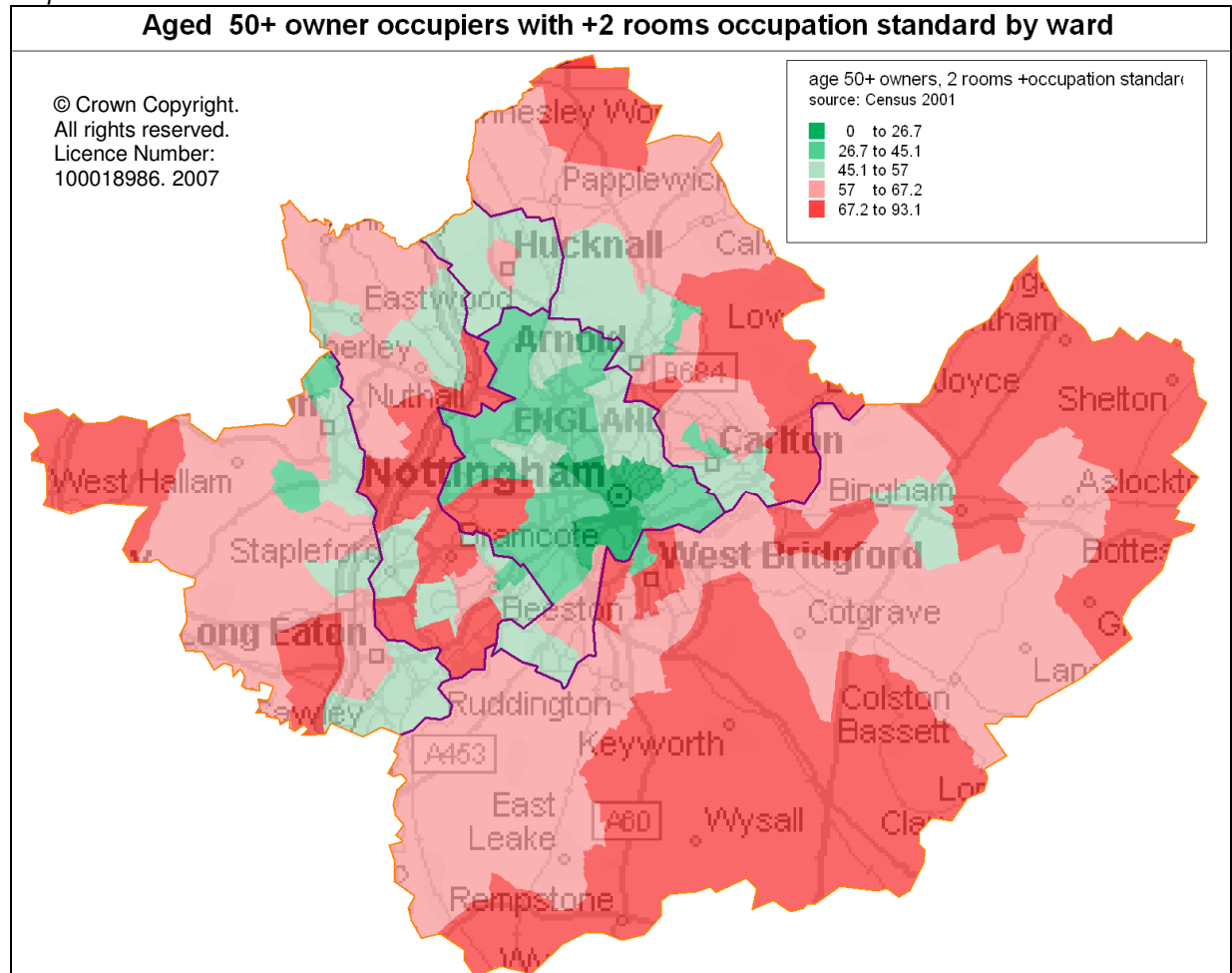
Table 14. Under occupation by number of rooms per Local Authority<sup>6</sup>

local authority	1 person 5/6 rooms	1 person 7+ rooms	2 people 7+ rooms	Total higher level under- occupation
Nottingham	14%	2%	3%	18%
Erewash	14%	2%	5%	20%
Hucknall (Ashfield)	12%	1%	3%	17%
Broxtowe	13%	2%	6%	21%
Gedling	13%	2%	7%	22%
Rushcliffe	11%	3%	12%	26%

Source: 2001 Census table CAS51

This is highest among owner occupiers aged over 50, with some wards having well over half of this group with 2 rooms higher than the occupation standard<sup>7</sup>.

Map 15.



Source: Census 2001. Commissioned table CO619

<sup>6</sup> All percentages listed are the percentage of total stock of all sizes in each authority.

<sup>7</sup> In this example under occupation is shown as 1 person in 5 or more rooms and 2 people in 7 or more rooms.

This is an essential dimension in understanding the way the housing market currently operates. It is a potentially difficult area but, if possible, sensitive and sophisticated policies should be developed to address it. The evidence shows that imbalances within the housing market are partly caused by problems of affordability on *entering* it, but also by difficulties and disincentives in *re-adjusting* or *leaving* it in later life.

The strong position of older, owner-occupied households within the housing market needs to be recognised in developing policy. It certainly should not mean that any pressures or persuasion should be applied to older households living in houses which are now considerably larger than they 'need'; rather that the quality and price differentials and lifestyle incentives between housing which is attractive to older 'empty nester' households and their current large family housing should be considered very carefully and developed such that they will want and choose to move to more suitably sized accommodation.

There are already many 'retirement housing' providers and specialists, in both the private and social sectors; however, an on line search reveals that most of the properties currently offered are one bedroom flats, and the schemes still have a strong 'care for the elderly' flavour<sup>8</sup>. Plans are currently being developed and considered for 'retirement villages', including possibly on land south of Clifton in the Nottingham core HMA, which could begin to address these issues; but it will require careful market research and consultation to ensure that it does meet the expectations of its potential customers, or they will simply stay in their family houses.

One way of doing this could be to use Section 106 planning gain requirements for affordable housing to bring down the market price of housing for older people, and hold it lower in perpetuity. Older owner-occupiers usually have substantial equity, and will not accept social rented housing<sup>9</sup>; but at the same time many will not easily pay inflated prices just because they have built up the equity resources to be able to do so. Housing products for older households must therefore also be more competitively priced compared to family housing. Section 106 agreements must be robust enough to resist the inevitable market pressures and devices to push sale prices up again, especially by inheritors. This would be complementary to general needs affordable housing; but with the wider aim of accelerating the Barker agenda and bringing down the overall price of owner occupied housing for older households.

More suitable and attractive owner-occupation is essential, but it could also include various forms of full or part rental, with optional services available. Access based on housing 'need' as frequently applied in the social sector would have to give way to criteria based more on releasing larger properties **and** the owner's equity, thus improving the overall operation of the housing market.

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<sup>8</sup> See

[http://www.retirementhomesearch.co.uk/results\\_properties.asp?pg=1&country=englandwales](http://www.retirementhomesearch.co.uk/results_properties.asp?pg=1&country=englandwales)

<sup>9</sup> For an illuminating sample case study see

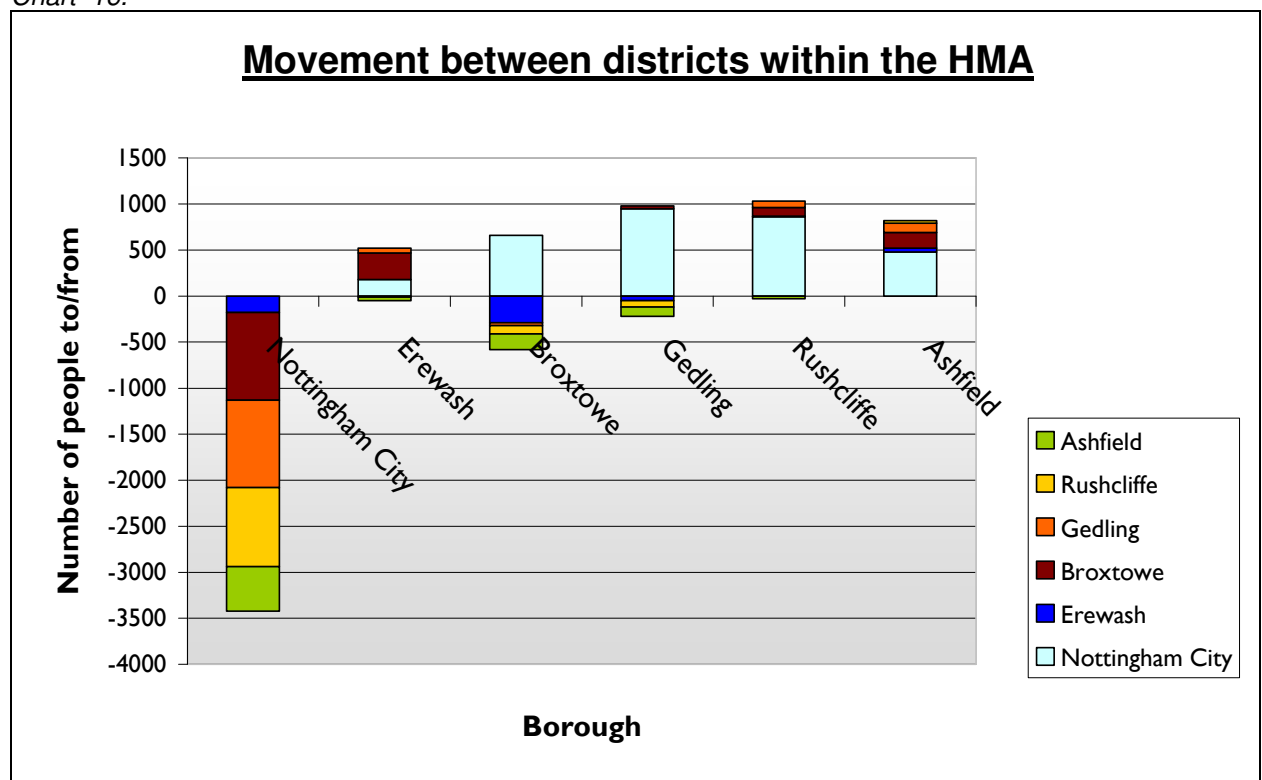
<http://www.housingcare.org/downloads/eac/kenilworth.pdf>

## Movement and Migration Patterns

Moves & migrations in the housing market area show a typical 'escalator' model by which younger people and immigrant households tend to move into the inner areas, then later move to outer areas and suburbs when their life stage changes and financial circumstances improve and settle. The inflow to the city is from a wide range of areas, including much 'city hopping', while the flows to outer areas are much more from adjacent districts, and especially from Nottingham City.

The graph below shows movement between local authority areas within the Housing Market Area. Please note that the figures for Ashfield are for the whole of Ashfield district and not for the Hucknall area alone.

Chart 16.



Source: ONS Patient register data, July 2004-June 2005.

For outgoing moves proximity tends to be paramount, with many households moving quite short distances and within the quadrant of the HMA or often the housing submarket in which they already live.

There is also a financial and equity dimension to this pattern, with poorer and cheaper areas tending to be more self contained. This may be partly due to stronger community ties in these areas, but also to being less able to afford to move to higher priced areas.

It is likely that this aspect of the city's role in the HMA is a necessary one, but also that it may become polarised and extreme, and cause market dysfunction in certain circumstances, specific locations, or by creating apparent imbalances between the current administrative and political demarcations.

Whether these patterns result in 'real' problems for households and how they have to operate in the housing market is a matter for closer empirical investigation. Possible symptoms could include:-

- increased travel times and congestion
- housing shortages in popular areas while others have low demand
- prices in some areas rising faster than they would otherwise,
- other areas stagnating and declining.

Some of the evidence shows apparent imbalances, but this is not yet conclusive proof of dysfunction, but merely helps create a backdrop against which to make evidence based policy judgments on specific policies or interventions.

Where possible dysfunction appears most likely is in the inner market area identified in the submarkets analysis. What may be occurring is not 'city flight' based on the administrative area, but 'inner area flight' based on housing submarkets, and the prevalence of particular lifestyles and life stages within this.

### **Housing Need**

Housing need has been estimated based on the 'Bramley model', which was considered in the Cambridge University<sup>10</sup> work on an approach to affordability for the region as *potentially one of the most robust methods that could be used at regional, HMA and local levels*. The model can use standardised, official or commercial data such as DCLG household projections, Land Registry house prices, CACI Paycheck incomes data and LA Housing Strategy Statistical Appendices, and takes account of future needs due to household changes and existing backlog from Housing Registers. The more detailed data available or modelled for the HMA also allows a form of it to be applied at various spatial scales.

Judgements must be made on a few key input variables which **cannot** be wholly determined by evidence, notably the income: mortgage multiplier, the amount of deposit required to afford entry level owner occupation and the policy period over which to address backlog need (e.g. local authority housing waiting lists). Guidance does make suggestions for some of these, but other scenarios have also been considered and locally appropriate values decided by the HMA steering group.

Using the figures recommended or suggested by the guidance of a mortgage multiplier of 2.9 times income, average first time buyer deposit of 17%, and a 5 year period to address the backlog need, gives very high levels of annual housing need, at more than 100% of total planned supply for the whole HMA.

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<sup>10</sup> An Approach to Affordable Housing to Inform the East Midlands Regional Plan, Cambridge Centre for Housing and Planning Research, August 2006.

This has become common over recent years as house prices have risen, because affordability and housing need is based mainly on prices in the resale market, and there is no direct logical connection between short term new supply levels and housing need - although there may be a longer term connection through market mechanisms of supply and demand as set out in the Barker Report of 2004.

However, in order to move towards a more sensible and deliverable estimate, more conservative input variables were therefore agreed as:

- 3.5 times incomes, (to reflect standard market assumptions)
- 17% deposit (to reflect market averages)
- addressing the backlog need over 7.5 years (as a realistic period for addressing backlog)

This gives an estimated need for each local authority of :-

*Table 17.*

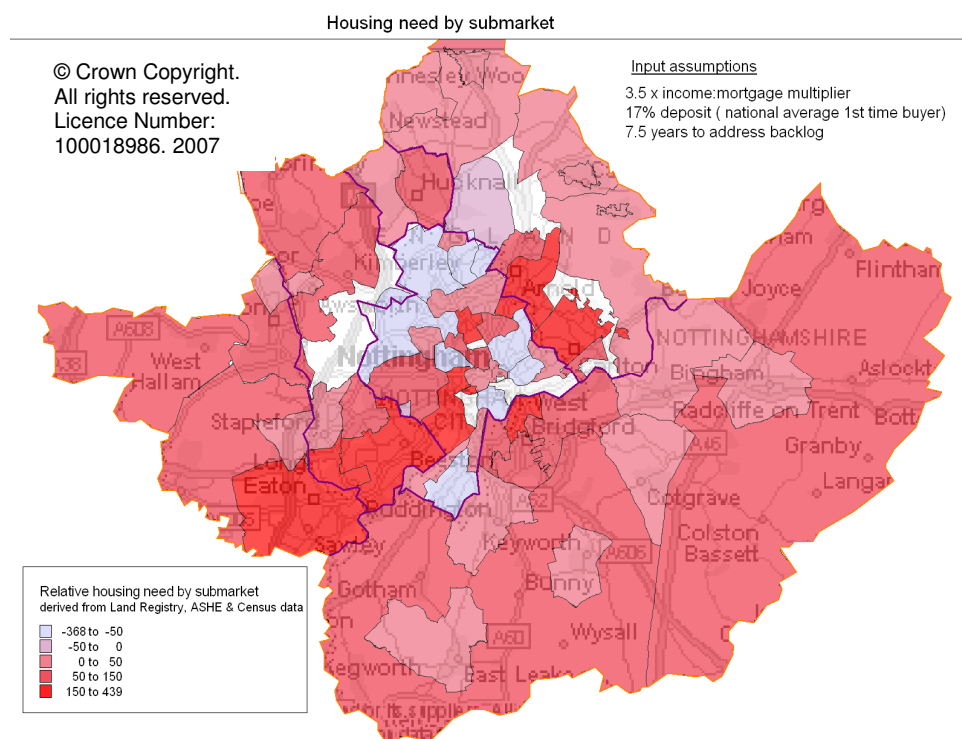
<b>Local authority</b>	<b>Net annual need</b>	<b>LA planned annual new supply</b>	<b>Need as % of new supply</b>
Hucknall	51	120	43%
Broxtowe	198	270	73%
Erewash	246	290	85%
Gedling	143	310	46%
Nottingham	203	945	21%
Rushcliffe	334	555	60%

Source: derived from Land Registry, CACI Paycheck, Chelmer projections, Components of Population change

The overall estimated proportion of affordable housing required across the whole HMA on this basis is 47%. However, it must be emphasised that this varies substantially in different parts of the HMA, and policy targets for the percentage of affordable housing must be developed by each local authority, and the actual negotiated proportions agreed for each scheme on the basis of its overall viability, specific characteristics, and site development economics.

Need has also been estimated by housing submarket, which ought to be a more recognisable and meaningful way to analyse and display housing market patterns, which more accurately capture the perspectives of households and what influences their choices and trade-offs.

Map 18.



Source: Derived from Land Registry, ASHE, Census table CAS 46

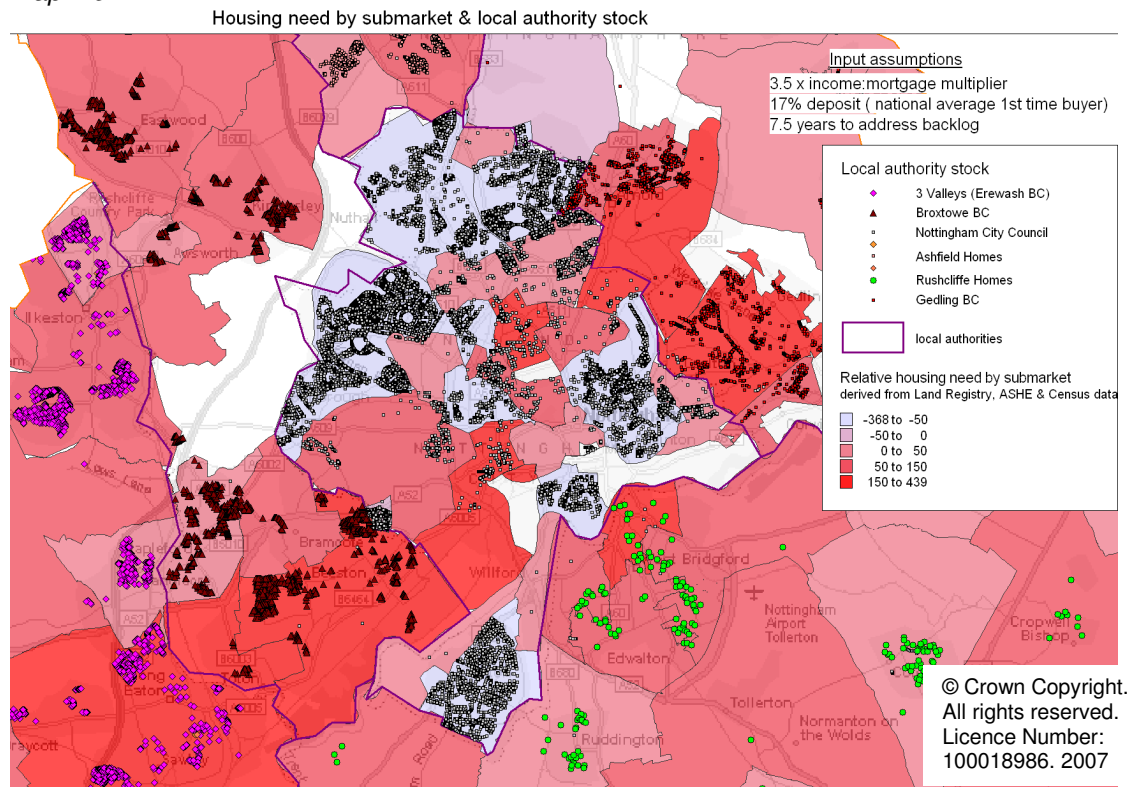
This shows that some submarkets have no need or a surplus of affordable housing because they have a large existing supply and turnover of social housing. These are mainly areas which contain high proportions of social rented stock.

Indeed housing needs in Nottingham City in particular are not so strongly related just to affordability problems as in the suburban authorities, but are driven much more by homelessness, 'churning' (where a low demand property will repeatedly become available for reletting) in existing social and private rented housing, overcrowding in council stock, and social needs.

Large areas of the city and a few smaller parts of suburban districts by their nature and position in the overall housing market area tend to attract and carry higher proportions of the population who are transitional, have unsettled lifestyles, or face other problems of income, debt and disadvantage. This is an important role within the HMA, but can also become extreme and problematic and cause greater polarisation if unfettered and undirected market forces dominate too much. This could be seen as particularly problematic in light of the governments mixed and balanced communities agenda.

The map below shows the relationship between submarkets with low levels of need and local authority social rented housing stock.

Map 19.



Source: Derived from Land Registry, ASHE, Census table CAS 46, and LA and LSVT stock records

‘Intermediate affordable housing’ is defined in Planning Policy Statement 3 as: “housing at prices and rents above those of social rent but below market price...these can include shared equity products, other low cost homes for sale and intermediate rent.”<sup>11</sup>

One method of estimating potential demand for intermediate affordable housing is based on the proportion of the entry level price at which a typical share in the property is set.

<sup>11</sup> Planning Policy Statement 3: Housing, Annex B. DCLG, November 2006,

The table below shows the percentage of affordable housing which could be justified as Intermediate Housing depending on whether it can be delivered, and attractive to potential buyers, at a cost of 60, 65, 70 or 75% of the open market entry level (lower quartile) price for that area. The remaining proportion would need to be social rented housing.

Table 20. Intermediate affordable housing proportion of all affordable provision estimated at different values compared to lower quartile entry level price

Local authority	Price of typical share of intermediate affordable housing as % of local entry level price			
	@60%	@65%	@70%	@75%
Hucknall	64%	28%	28%	28%
Broxtowe	30%	30%	30%	0%
Erewash	65%	29%	29%	29%
Gedling	30%	30%	30%	0%
Nottingham	64%	64%	27%	27%
Rushcliffe	38%	38%	13%	13%

Derived from LA Bramley affordability model, 3.5 x income: mortgage multiplier, 10% deposit, no resources from other sources

It is suggested that the RSS and Planning policy targets for the proportion of Intermediate Housing are based on the 70% to 75% proportions of open market entry level values in the table above, because lower levels are likely to be financially difficult for RSLs to develop. In practice this would mean targets for Intermediate Housing of up to :-

Table 21.– suggested targets for Intermediate Housing by local authority as a proportion of all affordable housing

Local authority	IH target ( @70% of open market entry level price) - up to :-
Hucknall	28%
Broxtowe	30%
Erewash	29%
Gedling	30%
Nottingham	27%
Rushcliffe	13%

Derived from LA affordability model, 3.5 x income: mortgage multiplier, 10% deposit, no resources from other sources

In the HMA as whole, 24% of affordable housing (and 11% of all new housing) could therefore be Intermediate Housing.

However this only partly justifies intermediate affordable housing provision, which also depends on the total costs including mortgage repayments, rent, service charges and any other costs; plus the type and location of the products, which must be seen as attractive and good value by potential buyers. Houses are widely reported as more popular as intermediate affordable housing, and flats and apartments considerably less so, unless the location is right – for example in parts of the city.

Housing supply consists of full market and intermediate affordable housing (e.g. shared ownership) sales, plus private and social lets. There were 14,000

sales in 2005/6, which represents only 5% of the overall owned stock in the HMA. This is low in comparison to overall turnover in all tenures for the UK of about 11%<sup>12</sup>. However, owned properties often have lower turnover while other tenures increase the average with much higher rates of turnover, especially the private renting sector.

Local authority social rented turnover is typically closer to the UK average, at 12% of stock over the past 4 years; but this also alters with changes in the market - typically declining when house prices increase. Turnover rates also vary both between and within local authorities, and some of this is related to transfer activity for households moving within the social sector. Housing association lets are about 12.5% across the whole HMA, but variations in the turnover of stock are not as great.

The private rented sector has the largest turnover rate, and although this cannot be determined specifically for the Nottingham core HMA, national figures show that 38 per cent of private renters had been in their current accommodation for less than a year, and the national average turnover rate is some 22%, and can be much higher in some areas.

Especially with regard to the private rented sector, the level of empty properties is an important indicator of housing market trends, and is looked at in some detail in the main report.

Interviews and consultations also confirmed this increase in the numbers of properties empty, with particular concern expressed through the landlords' representative organisation East Midlands Property Owners.

This may be part of market transition and adjustment, especially as students move to purpose built accommodation. There would appear to be sufficient demand within the overall HMA to absorb this supply, if it is of the right type and quality; but the situation needs to be monitored in case it causes low demand and damaging price falls in particular submarkets.

Demographic profiles, prevalence rates and the results of various surveys give indications of the extent and requirements for housing for particular groups and for residents with special needs. Much of this is concentrated in social housing, and in the city.

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<sup>12</sup> Survey of English Housing

## **Rural Issues**

Whilst the Nottingham Core Housing Market Area contains the Principal Urban Area of Nottingham, the majority of the land area which lies within the HMA is rural. This area also contains a significant population with their own needs and demands. The rural areas are located within the Boroughs of Broxtowe, Erewash, Gedling and Rushcliffe.

## **Overall Rurality**

The data provided by the Countryside Agency (now part of Natural England) suggests that a number of parishes contain a degree of rurality, and residents of such parishes will have to travel elsewhere for key services. Based upon data supplied from the Countryside Agency, it is evident that a number of parishes within the rural area suffer from a lack of basic facilities such as a general store, a doctors surgery, access to a primary school or a post office. This is especially evident within the eastern part of Rushcliffe and west Erewash. Most of the rural area is served by some form of public transport, however quite often the services are infrequent. Most of the rural areas have a variety of sports and social events on offer within a parish or within an adjacent parish.

Inhabitants within rural Rushcliffe will probably travel to rural service centres such as Bingham. Within west Erewash, people may travel to Derby for their key services. Elsewhere, people are likely to travel to the Principal Urban Area of Nottingham due to its proximity. Parishes located close to the Nottingham Principal Urban Area often have high overall rurality, as they are least well served by services and facilities.

## **Rural Affordability**

Applying the Bramley model to rural areas demonstrates that there is a degree of rural housing need within most rural parishes that have a population of less than 3,000 across the HMA. The level of need does however vary considerably and there is no set pattern. The model has not been run for those rural parishes that contain a population of between 3,000 and 10,000. The rural Bramley model suggests that there is a need to deliver between 60 and 100 affordable dwellings a year, depending on input values such as level of deposit and the mortgage multiplier.

The model does not take into account individual needs assessments that would be required to support the rural exception policy outlined within paragraph 30 of Planning Policy Statement 3. In particular, the Bramley model does not take into account the full needs of a parish as it does not make allowance for people who live outside of a parish but have family ties with it, or those with a local employment connection.