

Colchester Borough Council



Strategic Housing Market Assessment

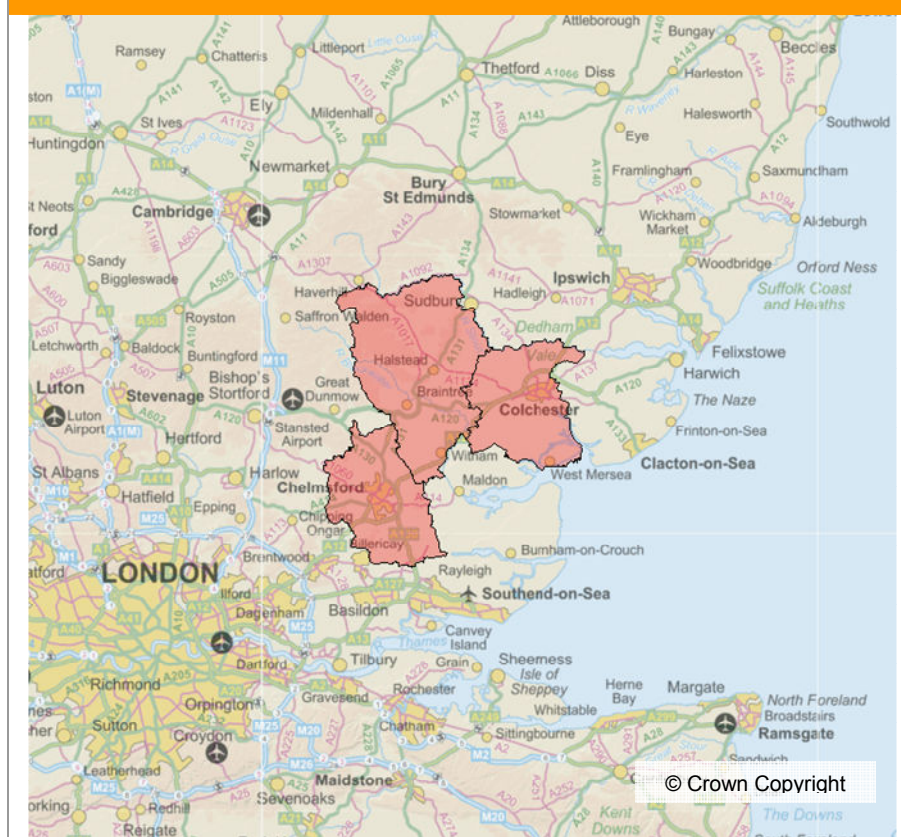
Executive Summary

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Introduction

1. The study relates to three neighbouring local authorities in Essex, as shown in the map below. Each is related both to London in terms of both flows of people and travel to work, and in varying degrees to the major future expansion area of the Haven Gateway to the north.
2. Colchester Borough is one of twelve within the county of Essex. Two other districts within Essex, Braintree and Chelmsford, are included within the scope of the study;..
3. While Colchester Borough is dominated by the town of Colchester, there are also a number of other notable settlements in the Borough, the main ones being West Mersea, Wivenhoe and Tiptree.

Figure S1 Study Area



4. The work involves a wide range of concepts, and a glossary is provided at the end of this summary and of the report, to which reference may be made if a term is not immediately clear.

What is a Strategic Housing Market Assessment?

5. A Strategic Housing Market Assessment (SHMA) is defined in Planning Policy Statement (PPS)3: Housing (November 2006 as a process, carried out within a Housing Market Area (HMA).
6. PPS3 indicates that there are specific outputs that such an assessment must produce. These are detailed at the end of this summary.
7. The work of producing an SHMA involves the compilation and understanding of secondary information as well as the generation and analysis of primary data if the key PPS3 outputs are to be produced. This report uses information from a large range of sources to provide an understanding of how the local housing market works and outline potential policy considerations.

The Housing Market Partnership and stakeholder involvement

8. In line with the Guide this project has been carried out under the supervision of a Housing Market Partnership made up of Council officers from a range of backgrounds including housing and planning and representatives of the Home builders Federation and Housing Associations.
9. In addition, a number of other organisations were involved in the project through participation at stakeholder events. These organisations included developers, Housing Associations, estate/letting agents and voluntary agencies as well as Council members and officers.

The research process

10. In mid-2006 the three Councils decided to commission a *'thorough assessment of housing needs and a housing market review of their respective areas'* (page 1 of Brief). This was before publication of PPS3 and the formal Guidance requirements (discussed below)

11. The Brief contained a general set of requirements, and then specific requirements for the three authorities. The general requirements included appraisal of the housing markets with a variety of market and affordable housing outputs which are reflected in this summary and in the main report.
12. The research process was highly interactive with feedback from both the steering group and stakeholders sought throughout the project. The consultation, in general, went well and encouraged participation from a wider range of groups than would have been typical in previous Housing Needs Assessments. It is hoped that the level of interaction with stakeholders will have increased the understanding of the results and ultimately improve communication between different parties. The output of the study is an important input into the Affordable Housing Supplementary Planning Documents (AHSPD) for each council.

The Housing Market Area (HMA)

13. The commission was for the three local authority areas, which clearly have many common features in terms of their housing markets. Consideration was, however, given to their market position and linkages. Chelmsford has been seen more as part of the London commuter belt, while Braintree and Colchester are within the Greater Haven Gateway based on the ports and coastal areas.
14. The CLG advice note 'Identifying sub-regional housing market areas' (March 2007) notes that *"...housing market areas are geographical areas defined by household demand and preferences for housing. They reflect the key functional linkages between places where people live and work."* (p 6, para. 6).
15. Census and survey data however suggests that in terms of household and population moves Colchester Borough is somewhere between 54% and 60% self-contained. This is not a high level of self containment in relation to the test in guidance of 70% for an HMA, but is quite typical for a single district. Travel to work patterns suggest a higher level of self-containment (over 70%) although strong links are shown with the four adjoining local authority areas (i.e. Braintree, Maldon, Tendring and Babergh).
16. Overall, and for the purposes of this research we suggest that it is reasonable to consider the whole study area (Braintree, Chelmsford and Colchester) as an HMA, if not Colchester as a stand-alone market.

Background

17. A large amount of valuable information exists both about the general and specific housing and planning context. The material in the study is briefly summarised here. The East of England Assembly (EERA) is the source of much information as are general ones such as the 2001 Census and the Land Registry. A primary survey was also carried out. The overall population numbers and survey size were as follows:

Table S1 Number of households in each tenure group

Tenure	Total number of households	% of households	Number of returns	% of returns
Owner-occupied (no mortgage)	23,100	33.6%	1,190	37.2%
Owner-occupied (with mortgage)	29,500	42.9%	1,336	41.8%
Social rented	9,200	13.4%	415	13.0%
Private rented	5,900	8.6%	218	6.8%
Other rented	1,100	1.6%	41	1.3%
TOTAL	68,800	100.0%	3,200	100.0%

Source: Table 10.1 of the Colchester SHMA Fordham Research 2008

18. As can be seen, about 77% of all households are owners, well above the 70% national average. The social rented and particularly the private rented sectors are proportionately below their national averages. The primary survey sample size of 3,200, when weighted to make it correctly representative of the Borough, is fully capable of yielding robust evidence for the key outputs.
19. One of the main contextual figures is the planned newbuild target for housing. The Regional Spatial Strategy (RSS: Draft Changes Dec 2006) points out that:
- ‘Housing markets vary but there are affordability problems in most parts of the East of England. Provision of sufficient high quality housing to meet the needs of the region’s growing population is a key priority’ (para 5.2).*
20. It provides targets set out below. Unlike other regions of England these are seen as minima, not general targets or maxima as elsewhere. This gives the flavour of the document: where possible it encourages housing growth.

Table S2 Draft RSS minimum targets (annual rates in brackets)

Council area	Total to be built	Of which built	Minimum still to be built April 2006 to March 2021
Braintree	7,700	3,360 (670)	4,340 (290)
Chelmsford	16,000	3,580(720)	12,420(830)
Colchester	17,100	4,630(930)	12,470(830)
Total East of England	508,000	105,550(21,120)	402,450(26,830)

Source: Table 2.1 of the SHMA Report

21. The table below shows the projected increase in households in Colchester Borough, BCC, Essex, the Eastern region and England from 2006 to 2021. The data shows that the number of households in Colchester is projected to increase by around 15,000 over the next 15 years (21.7%).
22. The growth of 15,000 households represents an average of 1,000 per year. This figure is slightly above the figure for new dwelling set out in the RSS of 855 per annum. As can be seen, the projected growth rate for Colchester is higher than for either the HMA, the region or nationally.

Table S3 Household projections

Date	Households (thousands)				
	Colchester	BCC	Essex	Eastern region	England
2006	69	196	572	2,357	21,519
2011	74	208	601	2,489	22,646
2016	79	222	633	2,630	23,837
2021	84	235	664	2,766	24,973
Change 2006-21	15	39	92	409	3,454
% change 2006-21	21.7%	19.9%	16.1%	17.4%	16.1%

Source: Table 4.1 of the Colchester SHMA Fordham Research 2008

23. Colchester Borough has seen 9% employment growth over the last decade or so – a figure which is below national and regional averages. There has however been a notable growth in VAT registered businesses in the Borough over the same period. Unemployment levels are generally low (particularly when compared with the average for Great Britain and have declined significantly over the past few years (from around 6.4% in 1996 to 3.7% in 2006).

Table S4 Employment change 1995-2005				
Area	Employment 1995	Employment 2005	Absolute change	% change
Colchester	64,908	70,900	5,992	9.2%
BCC	168,092	197,300	29,208	17.4%
Essex	420,839	505,400	84,561	20.1%
Eastern region	2,012,300	2,353,000	340,700	16.9%
Great Britain	22,728,869	26,503,100	3,774,231	16.6%

Source: Table 5.1 of the Colchester SHMA Fordham Research 2008

24. Generally the workforce in Colchester Borough is less well qualified than is found across the region in general with more than 20% of the workforce having no formal qualifications (compared with 13% in the Eastern region) although residence based incomes are above the average for Great Britain.
25. Overall, the economic situation in Colchester Borough looks good. There are low levels of unemployment and the number of businesses operating locally has been on the increase helping to generate employment opportunities in the local economy.

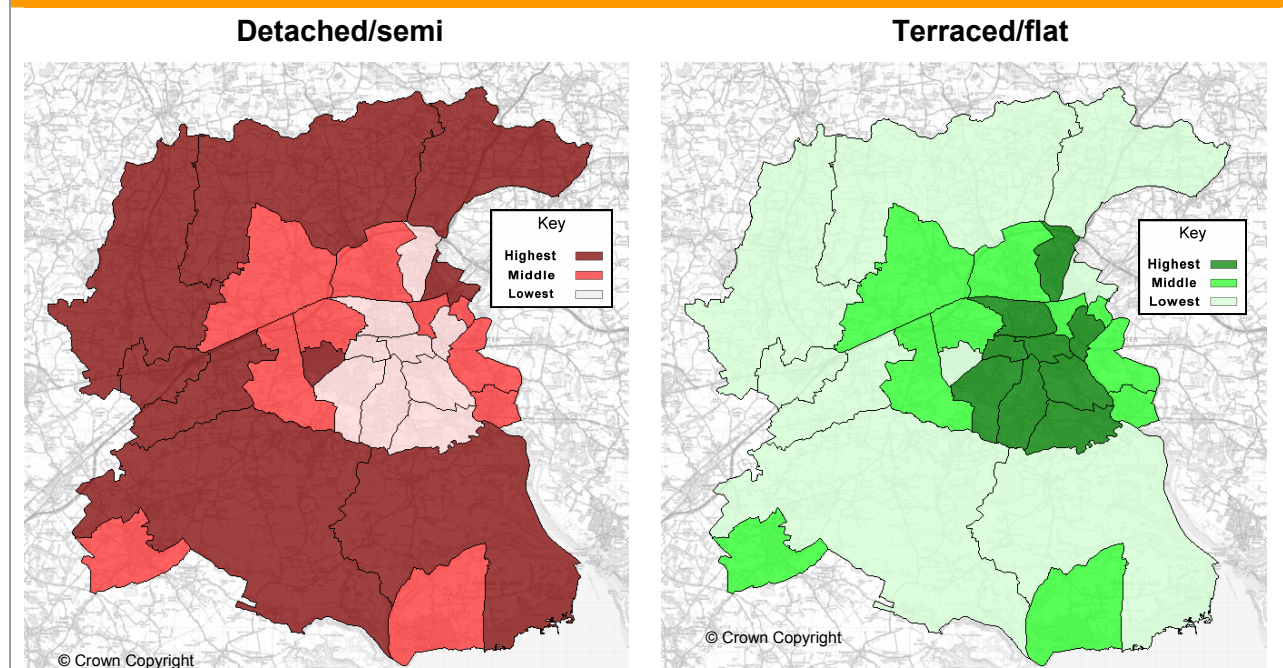
Features of the current housing market

26. As can be seen from the table below, the housing stock has grown at much the same rate as the HMA, region and nationally.

Table S5 Change in housing stock 1995-2006					
Area	1995	2006	1995-2006 change	Annual change	Total % change
Colchester	62,937	69,893	6,956	11.1%	696
BCC	177,989	198,084	20,095	11.3%	2,010
Eastern region	2,203,355	2,423,286	219,931	10.0%	21,993
England	20,493,039	22,102,349	1,609,310	7.9%	160,931

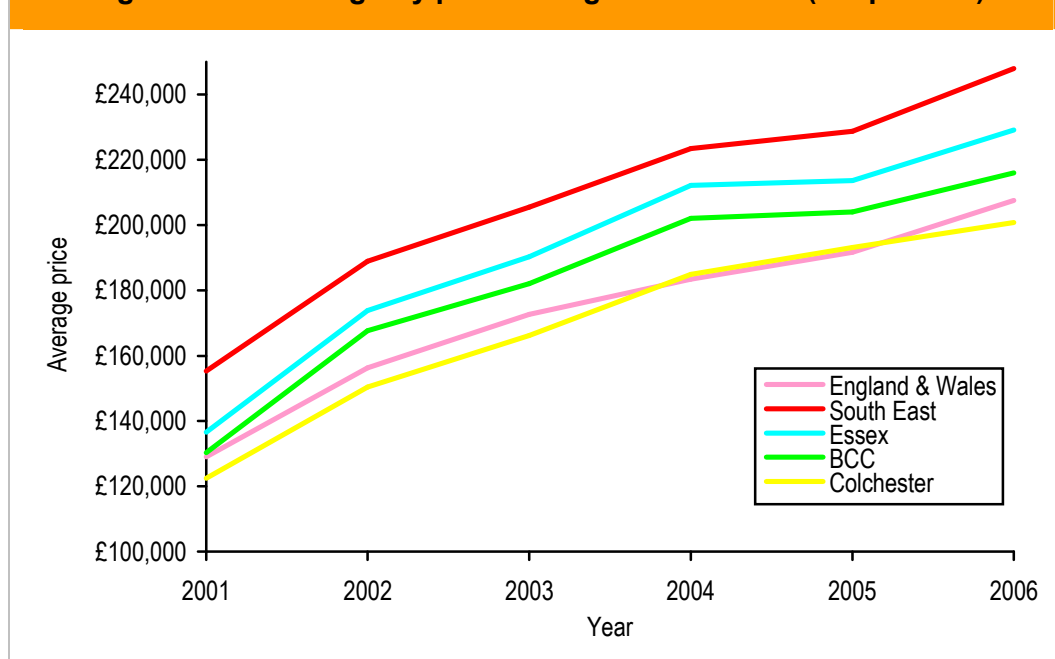
Source: Table 6.1 of the Colchester SHMA Fordham Research 2008

27. The following maps indicate the frequency of dwelling types. As can be seen, there is a typical pattern where detached homes dominate the more rural areas, and terraced dwellings are found only in the more urban ones.,

Figure S2 Dwelling type by ward

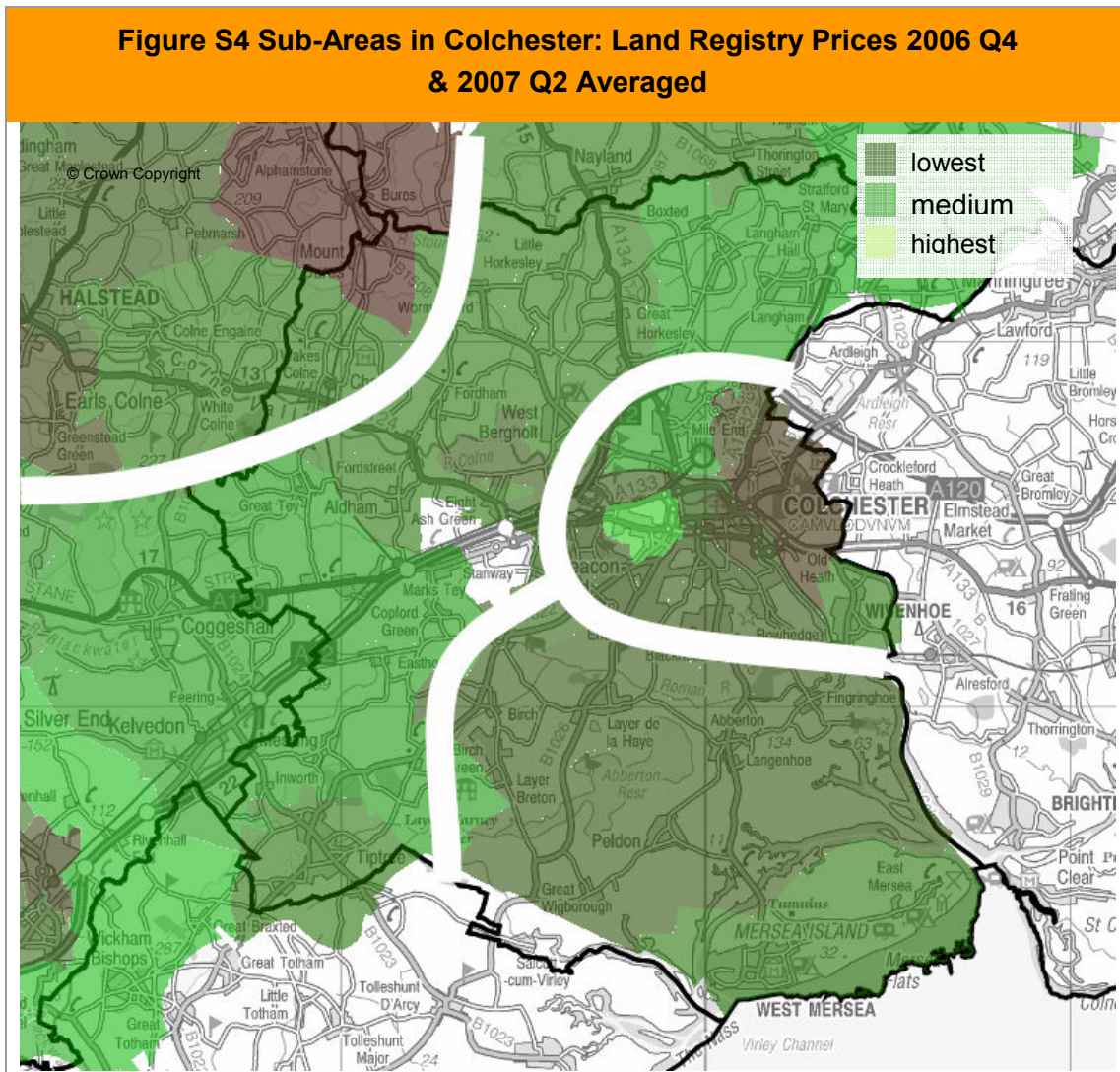
Source: Figure 6.3 of Colchester SHMA Fordham Research 2008

28. The diagram below shows that the level of house prices in Colchester was below the national and other levels, but all have risen and the Colchester one is now more similar to the national level.

Figure S3 Land Registry price changes 2001 - 2006 (4th quarters)

Source: Figure 7.1 of the Colchester SHMA Fordham Research 2008

29. The map below indicates the variations for a typical three bedroom dwelling price across the district. The urban areas show the lower prices, as is commonly the case.



Source: Figure 7.4 of the Colchester SHMA Fordham Research 2008

30. The table below indicates the relative stability of the owner occupied and social rented sectors and the dynamism of the private rented sector, where nearly 40% of households have been in their current home for a year or less. It is typical to find this pattern, but Colchester's is the most extreme in the HMA.

Table S6 Length of residence of household by tenure

Tenure	Length of residence				Total
	Less than 1 year	1 to 2 years	3 to 5 years	Over 5 years	
Owner-occupied (no mortgage)	3.0%	4.5%	9.9%	82.5%	100.0%
Owner-occupied (with mortgage)	12.4%	11.1%	22.9%	53.6%	100.0%
Social rented	13.1%	9.7%	19.8%	57.5%	100.0%
Private rented	37.8%	24.3%	22.1%	15.7%	100.0%
Total	11.9%	10.1%	18.0%	60.0%	100.0%

Source: Table 10.4 of the Colchester SHMA Fordham Research 2008

Financial capacity

31. One of the key features of the modern housing market is the importance of 'financial capacity'. This is the label given by Fordham Research to the collective ability to buy represented by household income, savings and owned equity. In past decades it was possible to measure a housing market by relating income to house price (the price/income ratio). This has not been a practical approach for some time: owner occupation has now been normal for about two thirds (and more in this HMA) of the population for several decades and during periods of rapid price rise.
32. The consequence, as can be seen from the table below, is that the overall ability to buy of those already owning property is often made up to more than half its value by equity and savings. Thus it is not possible to consider the future of the housing market without data on financial capacity.
33. As can be seen from the table below, using a typical 3 to 4 times multiple, the value of equity and savings is much greater than the value of income in the case of households without mortgage (typically older ones) and roughly similar for owners with mortgages. Social tenants have incomes less than half those of private tenants, and very little savings. None of the renters has a financial capacity within reach of buying. This is an average picture: there are wide variations and private renters do in fact in many cases buy.

Table S7 Financial information by tenure

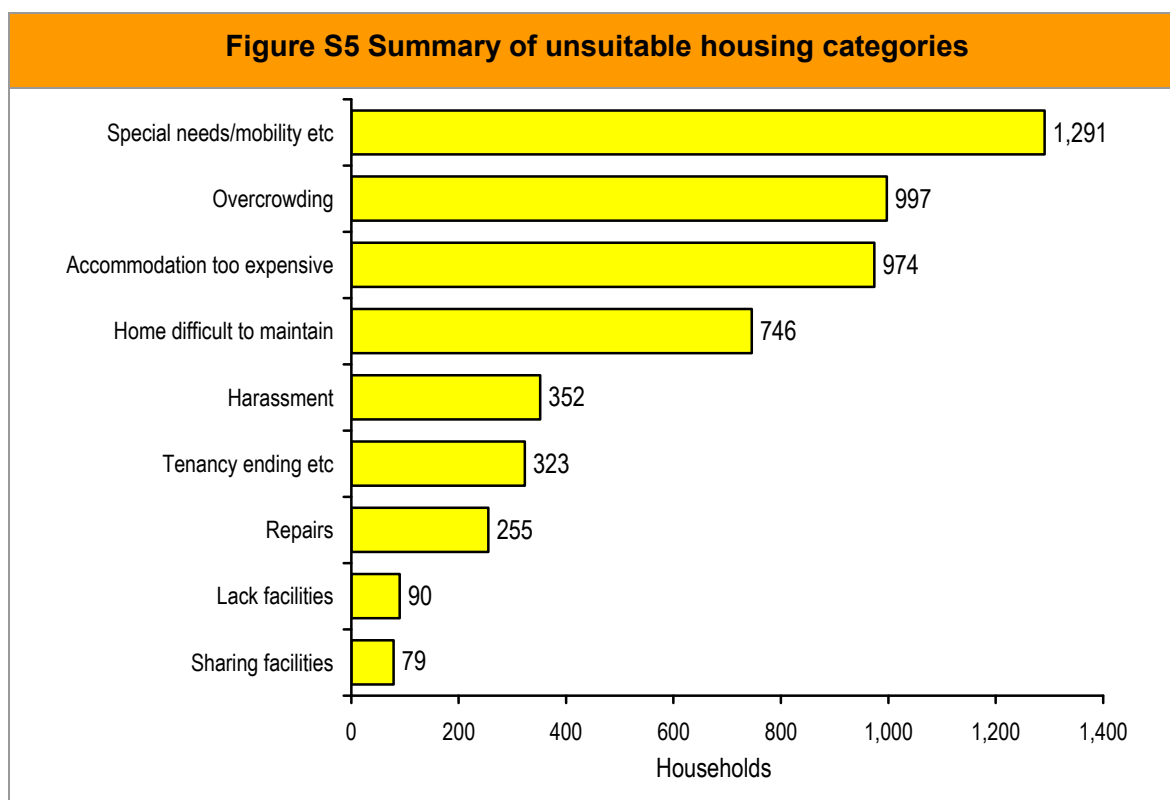
Tenure	Average annual gross household income	Average savings	Average equity
Owner-occupied (no mortgage)	£26,120	£61,346	£246,108
Owner-occupied (with mortgage)	£43,972	£14,807	£122,763
Social rented	£10,158	£1,611	-
Private rented	£23,721	£11,867	-
AVERAGE	£31,396	£28,369	£176,932

Source: Table 11.1 of Colchester SHMA Fordham Research 2008

34. Survey results for household income in Colchester Borough estimate the average (mean) gross household income level to be £31,396 per annum. The median (most frequently found) income is noticeably lower than the mean (at £23,874 per annum).

Housing Need

35. The traditional way to measure this is by the CLG Needs model whose latest slightly revised format is in the Practice Guidance. This is a linear calculation of a series of stages which results in an estimate of the number of households in unsuitable housing who cannot afford the housing market to rent or buy (and as will be appreciated, it is much cheaper to rent in the present housing market). An alternative, based more directly on the realities of the market, is presented in the Balancing Housing Market (BHM) analysis below.
36. As can be seen the most numerous problems related to special needs, overcrowding and affordability.



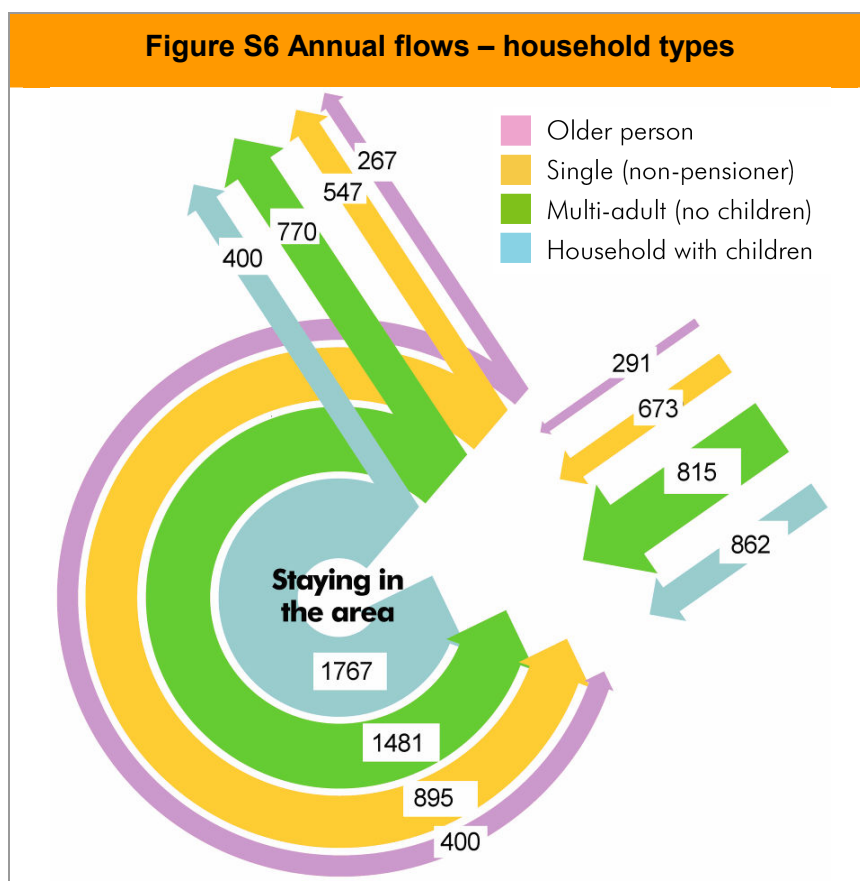
Source: Figure 12.1 of the Colchester SHMA Fordham Research 2008

37. When all the calculations were done according to the CLG Needs model, the resultant annual need for new affordable housing was:

1,082 new dwellings per annum

Household mobility and balancing the market

38. Using the survey data it was possible to assess the flows of households of different types into, out of and within the local authority area. It was also possible, using the expectations stated by the respondents, to assess the future direction of the housing market, and the tenures and sizes of new housing required to balance the housing market.
39. The flow of households into and out of the area are as follows:



Source: Figure 14.2 of the Colchester SHMA Fordham Research 2008

40. When these figures are examined, as in the table below, it can be seen that there are substantial inflows of all types of household. When allowance is made for internal newly forming households and dissolutions/deaths, the overall growth is 1,425 new households per annum.

Table S8 Movements into & out of Colchester			
	Moving in	Moving out	Net movement
Older person households	291	267	24
Single (non-pensioners)	673	547	126
Multi-adult (no children)	815	770	45
Households with children	862	400	462
Total	2,641	1,984	657

Source: Table 14.4 of the Colchester SHMA Fordham Research 2008

41. In terms of more detailed information on household movements the following statistics emerge. An estimated 19.0% of existing households state a need or likelihood of moving home over the next two years (13,055 households). Some 62.4% of these households would like to remain in Colchester borough although a slightly higher proportion would expect to do so. Many more moving households would like owner-occupied accommodation than expect it. In the same spirit, many more moving households would like a detached home than expect it. The survey estimates that there are 4,408 households who need or are likely to form from households in the Borough over the next two years. In total an estimated 68.5% of newly forming households would like to move to owner-occupied accommodation, however, only around a third expect to secure such accommodation (37.4%).
42. The Balancing Housing Markets (BHM) analysis shows the following results:

Table S9 Balancing Housing Markets results for Borough of Colchester (per annum)

Tenure	Size requirement				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Market housing	159	442	132	171	904
Intermediate	73	83	38	0	193
Social rented	71	9	89	158	328
TOTAL	303	534	259	329	1,425

Source: Table 16.11 of the Colchester SHMA Fordham Research 2008

43. This suggests that 63% of figure housing should be market and 37% affordable. Of the affordable housing about 37% could be intermediate in the BHM perspective.

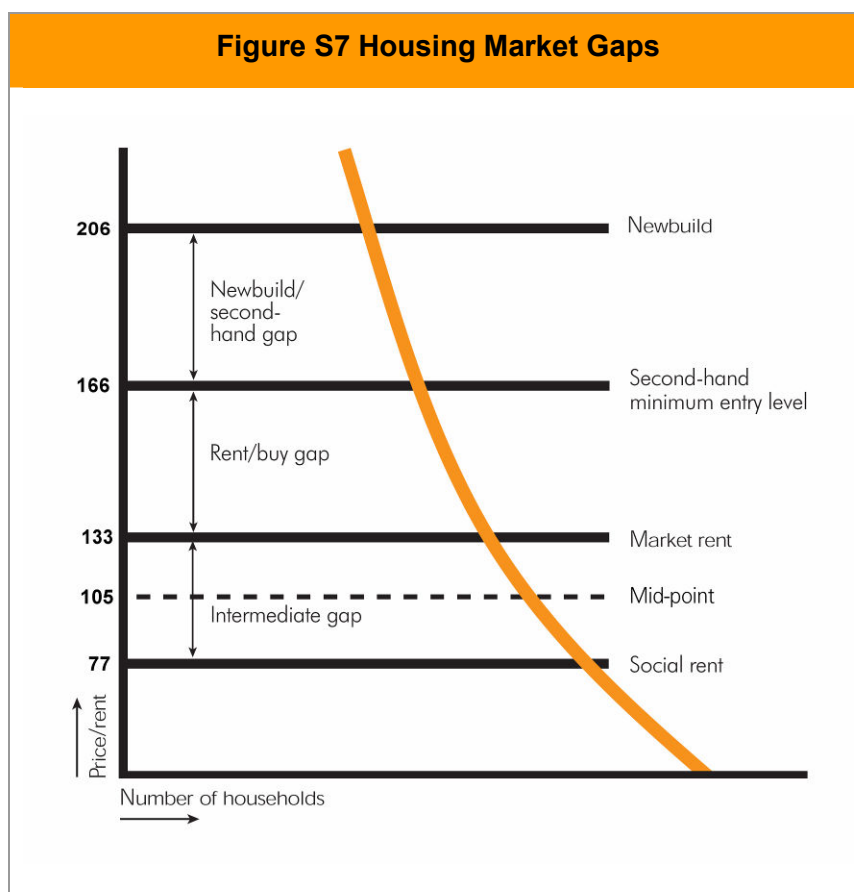
The needs of particular groups

44. A wide range of particular groups was investigated. The following are brief summary results of the extensive analysis in the report:
- (i) BME households amount to 6.85% of the population, mainly 'white other'. They show slightly larger households and are at least as well off as the average for the population (not true at the national level, where they are poorer).
 - (ii) Nearly 17% of all households have a support need, and 40% of them live on their own. A wide range of support needs was stated.
 - (iii) Nearly 16% of all households are classed as key worker. Their incomes are about the same as the average for the population.

- (iv) Older households are about 25% of the total number of households, slightly above average. (they are 15% of the population but comprise 25% of households) They tend to be concentrated in owner occupied and social rented housing and to be in smaller household units. Not surprisingly many have a medical condition.
- (v) Some 32% of the Colchester households are classed as rural. They have much higher incomes, and there is less housing need in rural areas than in urban ones.
- (vi) About 26% of households have children living at home. They are more likely than other owners to have a mortgage (being on average younger). One parent families live in much smaller dwellings, and much more likely to be in social rented housing.
- (vii) The private rented sector is the most dynamic. A fifth of its household are on Housing Benefit, and so are an extension of the social rented sector, in that they could not afford the market without subsidy. They do not have the same security of tenure as social tenants.
- (viii) The results suggest that 1.4% of all households are overcrowded and 37.7% under-occupy their dwelling.

Policy implications

45. A wide range of policy implications can be drawn from the analysis. The first is that there are very large housing gaps in the local authority. The example below is for 2 bed dwellings, and shows the weekly costs of various tenures. The major differences between tenures speak for themselves. The mid-point of the intermediate gap is where intermediate housing should be priced if it is to help a reasonable proportion of those in that category of need.



Source: Figure 24.1 of the Colchester SHMA Fordham Research 2008

46. The Draft RSS minimum target for Colchester Borough is 855 new dwellings per annum. This is below annual rate of newbuild for the past few years, and well below the 1,400 plus indicated by the BHM as the potential demand/need (ignoring the constraints which in reality are likely to reduce it).s
47. What can be said for certain, therefore, is that whatever level of newbuild seems wise in the context of the constraints should easily be possible, as the demand exceeds recent performance and far exceeds the proposed minimum target number.

Table S10 Meeting the PPS3 Requirements																	
Item	Source	Comment															
a) Proportion of market and affordable housing	Table 16.10	The BHM suggests a ratio of about 63% market housing and 37% affordable housing.															
b) Profile of households requiring market housing (and from the Practice Guidance the additional requirement for dwelling types	Tables 16.10 and 14.4 Figure 15.2	In terms of size: owner-occupied housing of all sizes except one-bed; no net demand for private rented housing. From the point of view of types of household: the main net inflow is households with children, followed by single people without children. There is a net inflow of all four types of household examined and a substantial net growth (1,425 households per annum).															
c) Size and type of affordable housing required	Chapter 25 and Table 16.10	Of the affordable housing about 37% should be intermediate and 63% social rented. The need for affordable housing exists across the size range, with greater net need for larger social rented units and smaller intermediate ones. <div> <p>Sizes estimated by each model are:</p> <table> <tr> <th></th><th>BHM</th><th>CLG</th></tr> <tr> <td>1 bed</td><td>28%</td><td>60%</td></tr> <tr> <td>2 bed</td><td>18%</td><td>25%</td></tr> <tr> <td>3 bed</td><td>24%</td><td>1%</td></tr> <tr> <td>4 bed</td><td>30%</td><td>14%</td></tr> </table> </div>		BHM	CLG	1 bed	28%	60%	2 bed	18%	25%	3 bed	24%	1%	4 bed	30%	14%
	BHM	CLG															
1 bed	28%	60%															
2 bed	18%	25%															
3 bed	24%	1%															
4 bed	30%	14%															

Source: Table 27.1 of Colchester SHMA Fordham Research 2008

48. The table above lists, in the first column, the three key requirements of PPS3 (para 22) and in the last column shows the results from this SHMA. The middle column lists the tables in the main report which contain the relevant information.

Table S11 Comparative outgoings by tenure					
Dwelling size	Tenure				
	Social rent	Intermediate	Private rent	Owner-occupation	Newbuild
	Cost per week	Minimum cost per week	Minimum cost per week	Minimum cost per week	Approx min. cost per week
1 bedroom	£63	£84	£104	£125	£171
2 bedrooms	£77	£105	£133	£166	£206
3 bedrooms	£90	£124	£157	£201	£275
4 bedrooms	£103	£161	£219	£290	£356

Source: Table 28.4 of Colchester SHMA Fordham Research 2008

49. In order to ensure that housing actually helps those involved, the table above is crucial. It ensures, for example, that intermediate housing actually is intermediate. It can be updated, using the procedure specified in the main report. It can be inserted into S106 Agreements again to ensure that the housing actually does meet the section of the market/non-market that is intended.