

Berkshire Strategic Housing Market Assessment

Overview of Methodology & Housing Market Areas

19th May 2015

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Structure

- Introduction
- Methodology
- Housing Market Areas
- Discussion
- Next Steps

Introduction

Introductions

- Paul McColgan – Project Manager
- Nick Ireland – Project Director

Our Team & Experience

- Integrated Consultancy Team
 - GL Hearn – lead
 - Justin Gardner Consulting (JGC) – demographics, affordable need
 - Wessex Economics – interaction between housing & economy
- National track record of preparing and defending SHMAs
 - Work with over 100 local authorities over last three years

Methodology

Strategic Housing Market Assessment - Key Elements

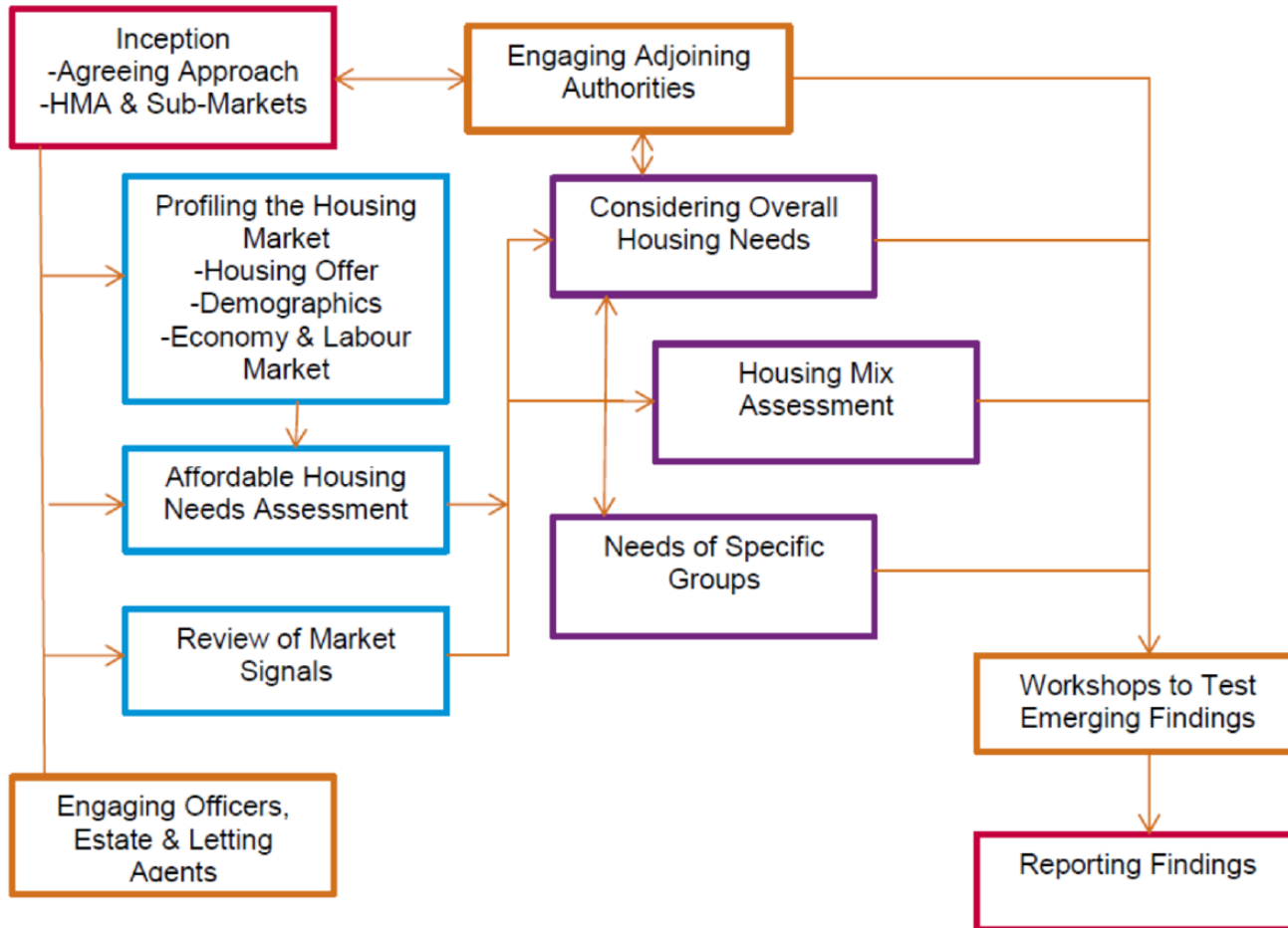
- Objectively-Assessed Need for Housing (OAN)
- Need for Different Types of Homes
 - Size and Tenure
- Needs of Specific Groups within Population
- Policy-off assessment
 - Leaving aside land supply, green belt or infrastructure constraints at this point – these are relevant in drawing evidence together in the plan making process

Housing Need

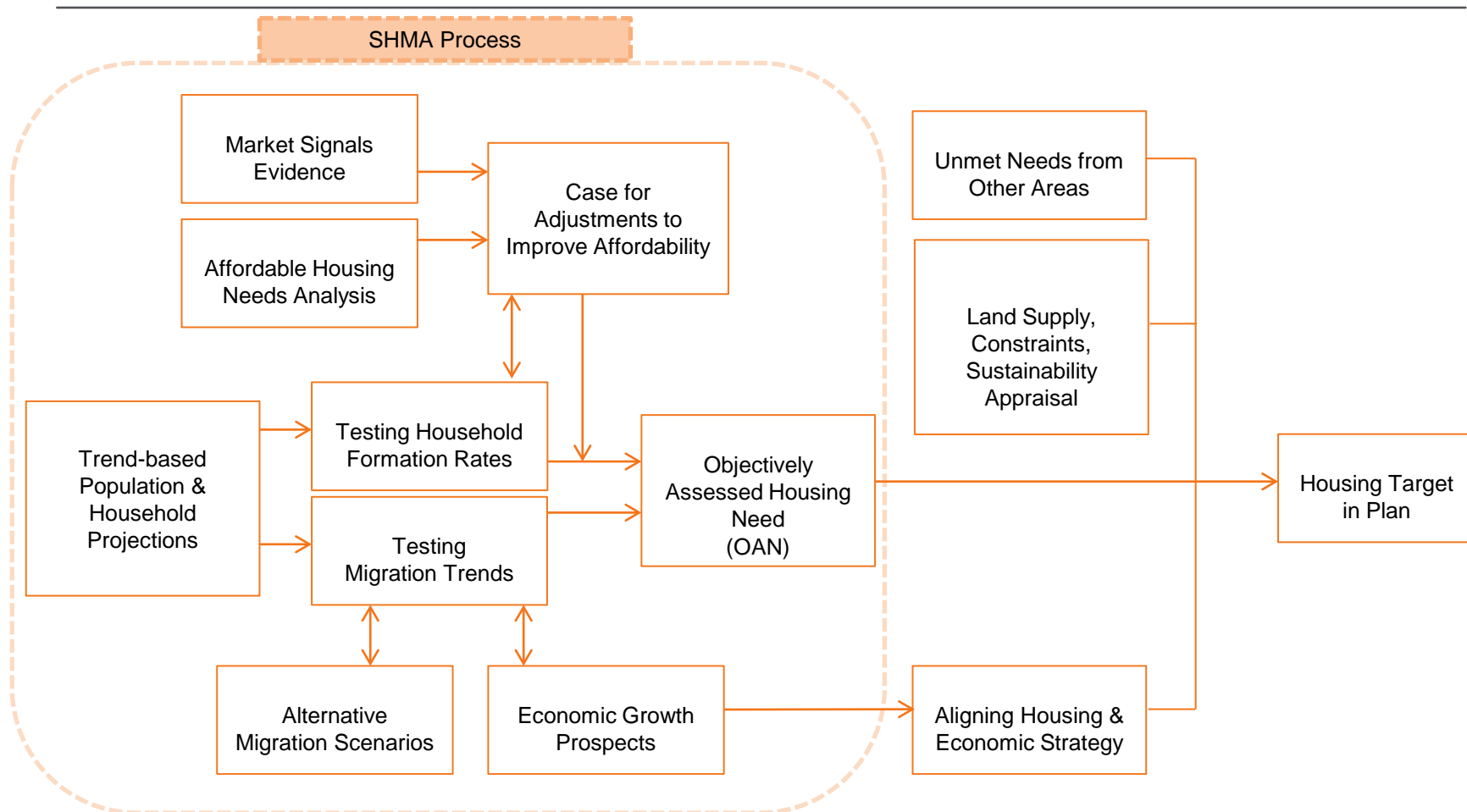
“refers to the scale and mix of housing and the range of tenures that is likely to be needed in the housing market area over the plan period – and should cater for the housing demand of the area and identify the scale of housing supply necessary to meet the demand”

Planning Practice Guidance

Overview of Approach



Methodology – Housing Need



Demographic Projections

- Starting from the latest national projections
 - 2012-based Population & Household Projections
- Detailed interrogation of dynamics
 - Migration – 12 year trends
 - UPC Sensitivity Analysis
 - Household Formation Rates
- Overlaying other factors identified in PPG
 - Market signals
 - Affordable housing need
 - Economic prospects/ growth potential

Market Signals

Analysis considering:

- House price & rental trends
- Lower quartile affordability ratio
- Housing delivery
- Overcrowding

But also ...

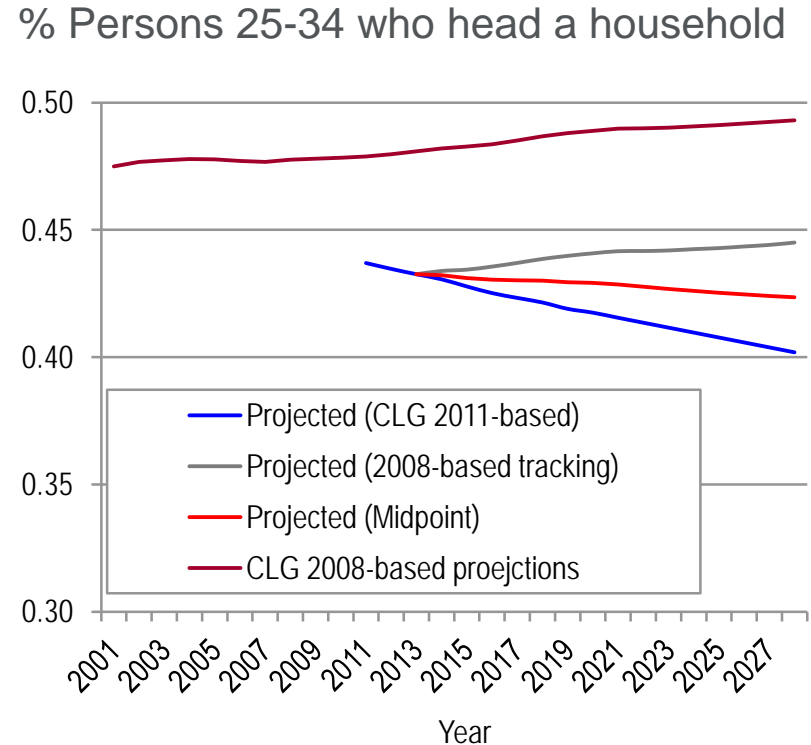
- Houses in Multiple Occupation
- Tenure change
- Sales trends

- These tell us about:
 - Market demand
 - Supply-demand balance
- What impact have macro-economic factors had locally?
- How do these relate to household formation rates?

Relating Market Signals and Household Formation

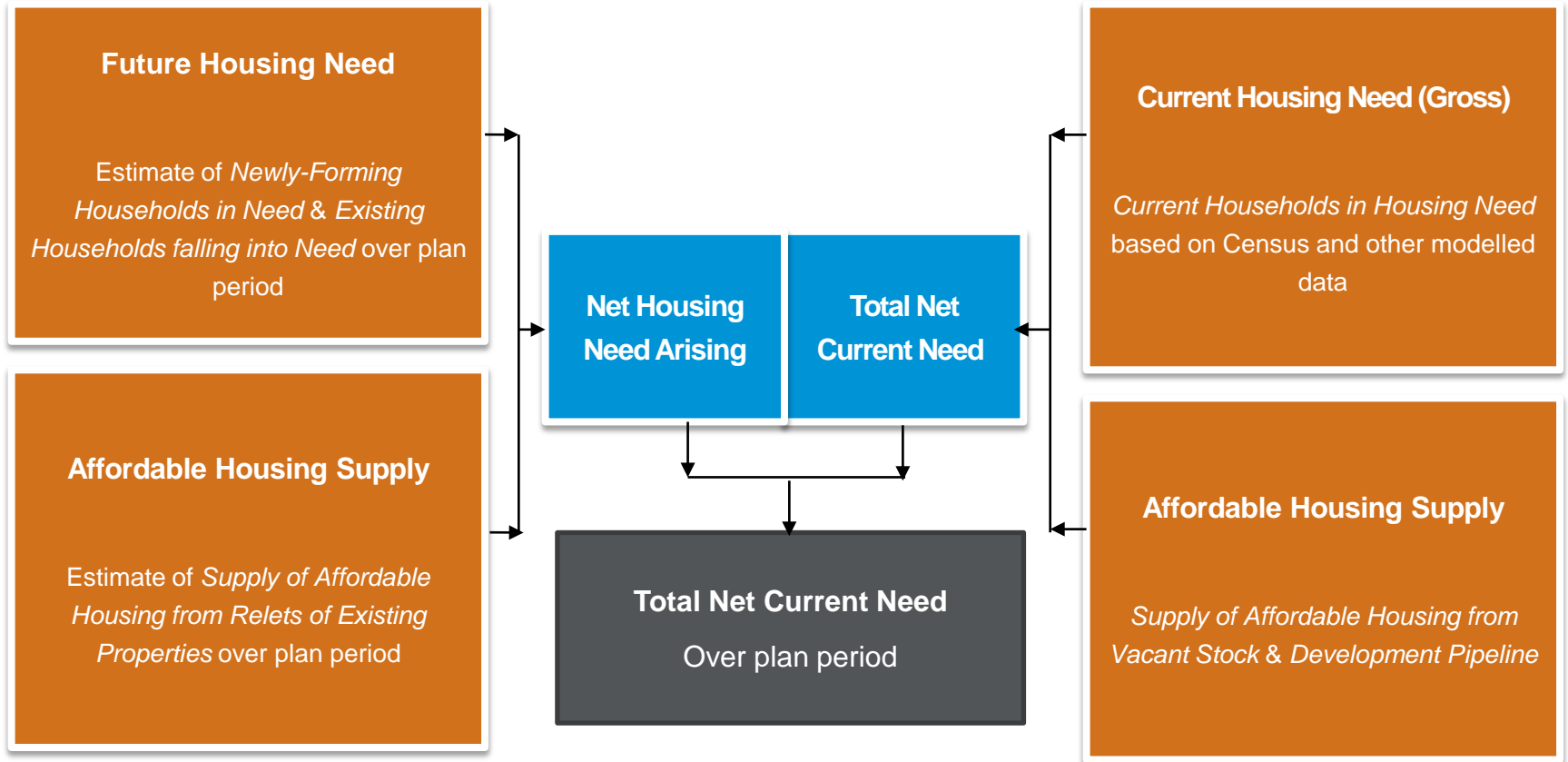
Theoretical Example

- Household formation for younger households has fallen
- Do projections expect this to continue?
- What is a sensible planning assumption?
- Scenarios – modelling implications of improving affordability



Affordable Housing Need

Basic Needs Assessment Model



Affordable Housing Need

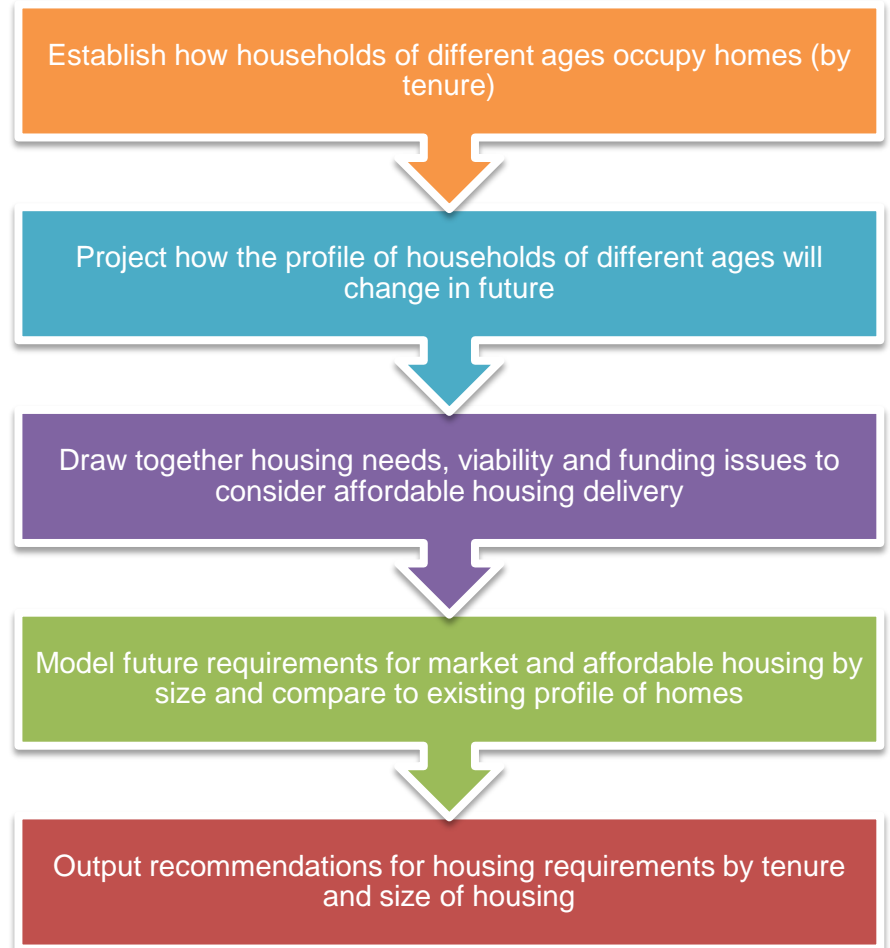
- Guidance-compliant approach
- Triangulating and cross-referencing data sources
 - Registers, Census, CORE, Income data
- Looking at what people need
 - Social rent/affordable rent, intermediate equity-based products
 - Homes of different sizes
- Sensitivity analysis
 - % income spent on housing
 - Housing costs
- Impacts of welfare & benefit reforms
- Examining how the local market actually works

Homes – Jobs Balance

- Employment growth potential
 - Evidence base underpinning Berkshire Strategic Economic Plan
 - Forecasts from Cambridge Econometrics developed to inform this
- Relating to housing need
 - Relationship between jobs and people
 - Commuting patterns
 - Changes to employment rates – overall and by age

Housing Market Model

- Segmentation by tenure
- Need for different affordable products – social/ affordable rent, intermediate



Specific Groups/ Sectors

- Older Persons Housing Needs
 - General Needs; Specialist Provision; Care Homes (C2)
- Student households
- Disabilities/ LLTI
- Private Rented Sector
- Family households
- Young households
- BME households
- Service personnel
- Self/Custom Build

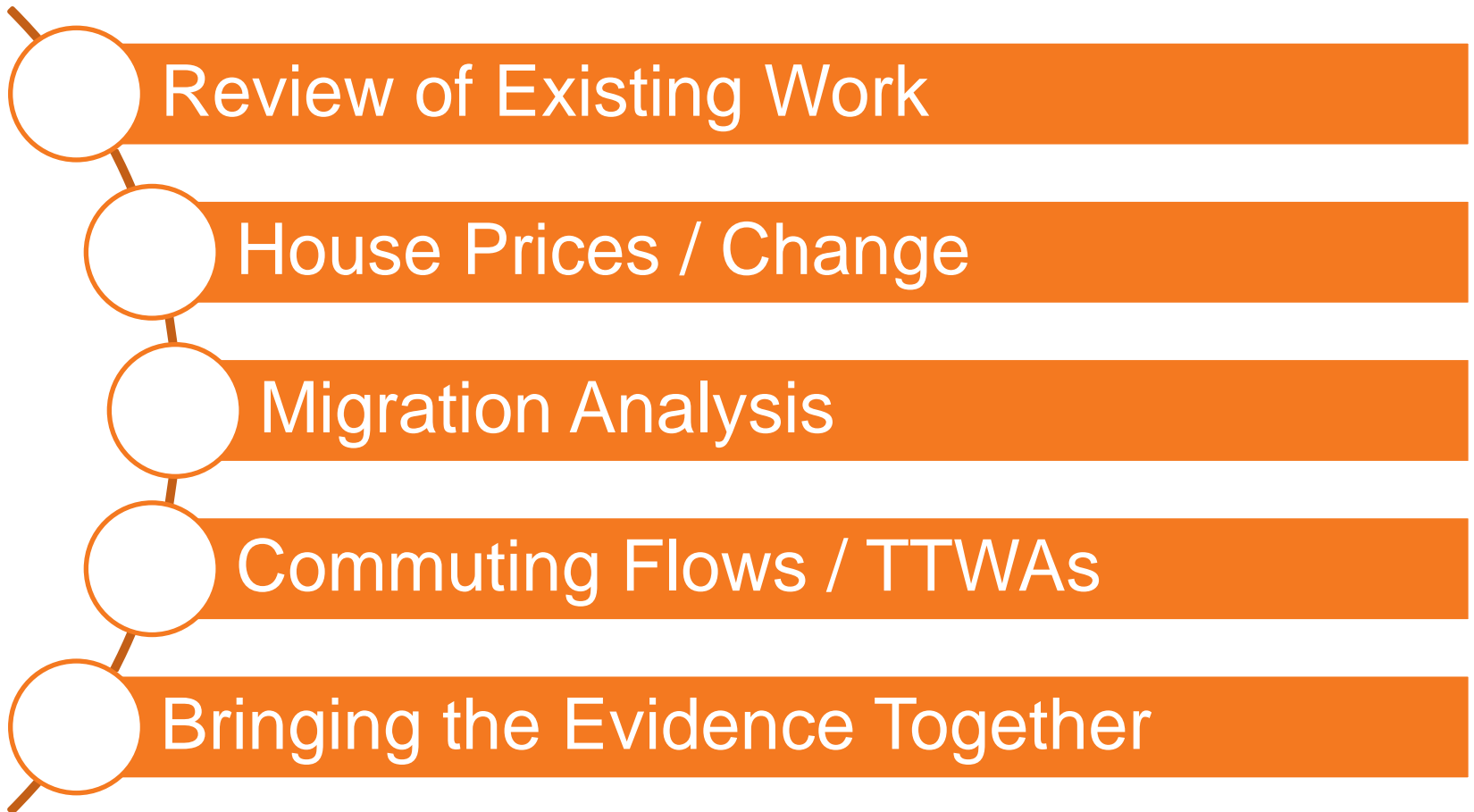
Housing Market Areas

Defining HMAs

“A housing market area is a geographical area defined by household demand and preferences for all types of housing, reflecting the key functional linkages between places where people live and work. It might be the case that housing market areas overlap” (PPG)

- PPG identifies three key sources of information:
 - House prices/ rates of change
 - Migration
 - Contextual information – including commuting patterns
- PAS Advice Note (June 2014) on assessing OAN
 - Starting with a ‘top down’ analysis – the 2010 CLG/ CURDS Research
 - Identifying the “best fit” to local authority boundaries

Our Approach

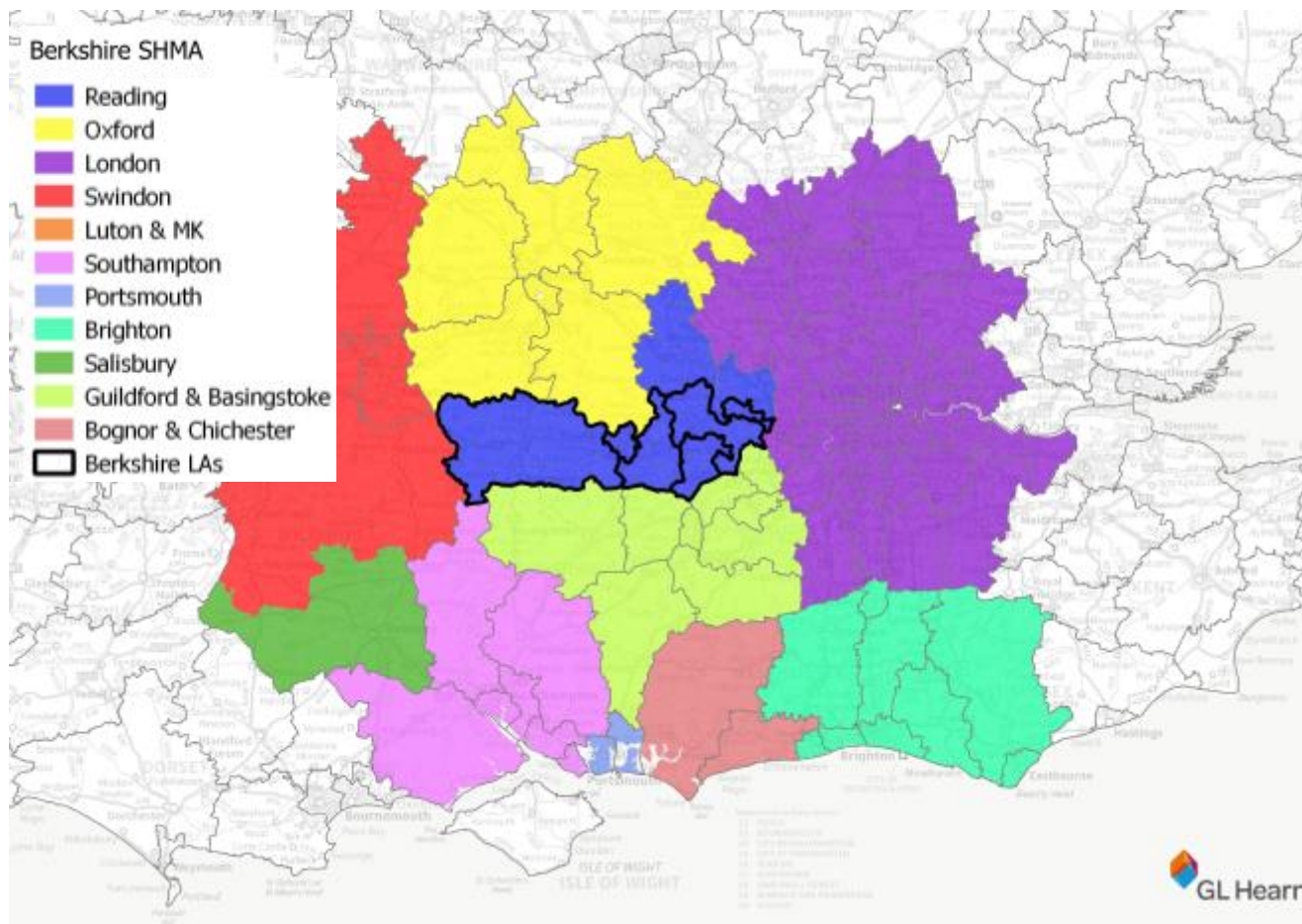


Planning Practice Guidance says ...

“No single source of information on needs will be comprehensive in identifying the appropriate assessment area; careful consideration should be given to the appropriateness of each source of information and how they relate to one another. For example, for housing, where there are issues of affordability or low demand, house price or rental level analyses will be particularly important in identifying the assessment area. Where there are relatively high or volatile rates of household movement, migration data will be particularly important. Plan makers will need to consider the usefulness of each source of information and approach for their purposes. Local planning authorities can use a combination of approaches where necessary.”

CLG/ CURDS Research (2010)

Reading-based Housing Market Area – ‘Silver’ Standard Single Tier



Other Studies

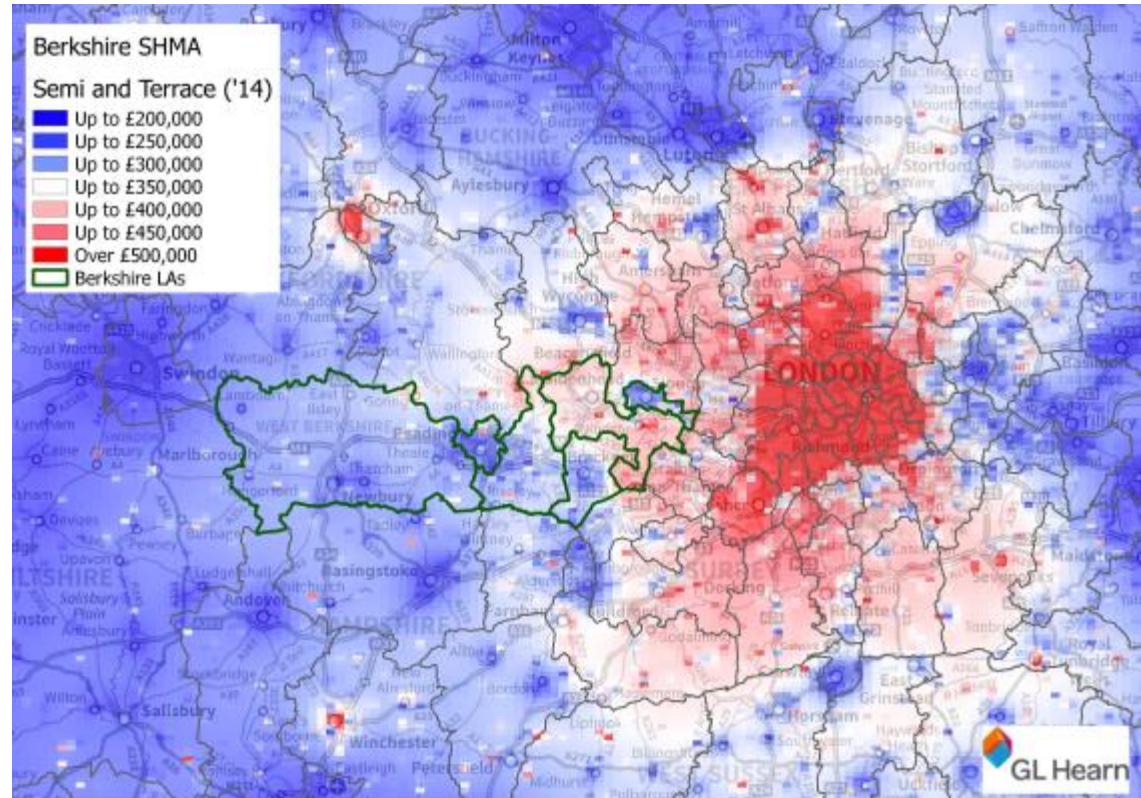
- South East Plan
 - Reading M4 West HMA
 - Inner West “Slough and Hounslow” HMA
- Berkshire SHMA 2007
 - West Central Berkshire HMA
 - West Berkshire, Reading, Wokingham, Bracknell Forest
 - East Berkshire Plus HMA
 - Slough, Windsor & Maidenhead, South Bucks

Other Studies (cont.)

- Oxfordshire SHMA (2014)
 - “best fit” HMA geography follows county boundaries
 - Recognises link between Reading and parts of South Oxfordshire
- Wiltshire SHMA (2011)
 - Defines Eastern Wiltshire HMA – but no strong links into Berkshire
- Central Hampshire SHMA (2007)
 - Basingstoke & Deane plus northern parts of Test Valley, Winchester & E. Hants
- Hart, Rushmoor & Surrey Heath SHMA (2014)
 - Three authorities strongly relate to one another. Complex inter-relationships
- Runnymede & Spelthorne SHMA (2015)
 - Quadrant within a “London fringe” area
- Buckinghamshire HMA & FEMA Study (2015)
 - Strong link between South Bucks and Slough/ Windsor
 - Reading & Slough HMA based on lower self-containment of East Berks group
- London SHMA (2013) / FALP – London constitutes a single HMA
 - Influence over hinterland varies depending on thresholds used

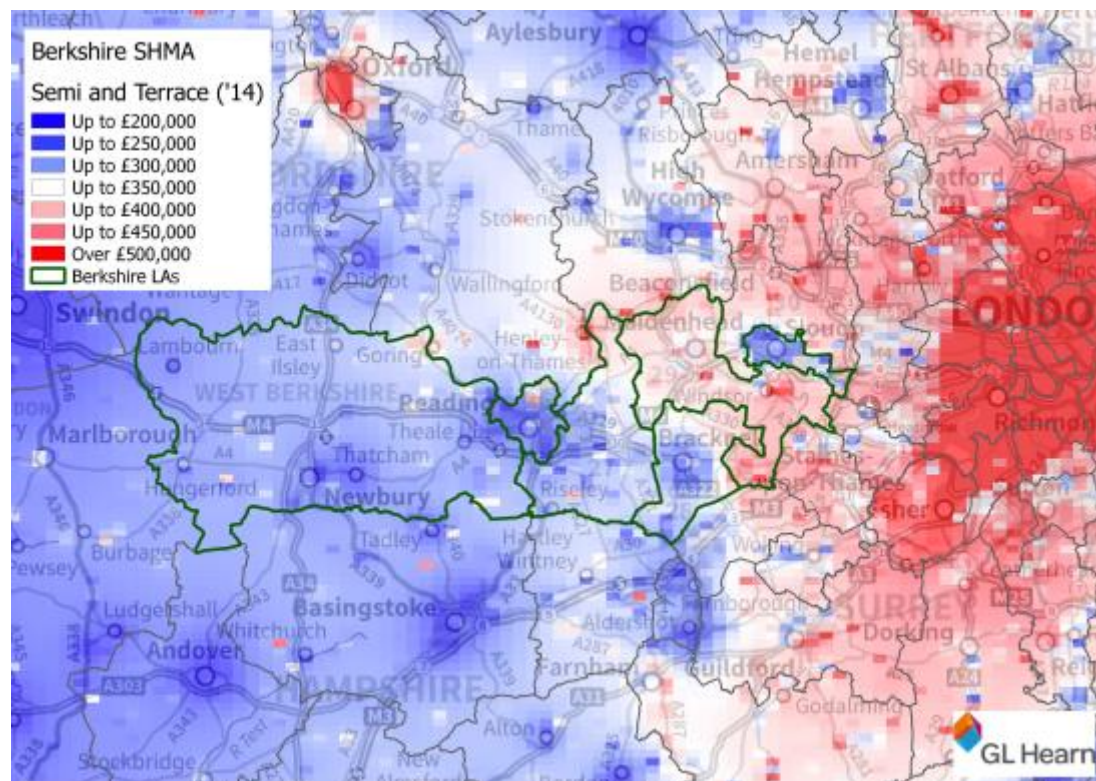
House Prices

- Using most recent data released by HMLR
- Looking at prices for similar sized-homes
- Influence of London



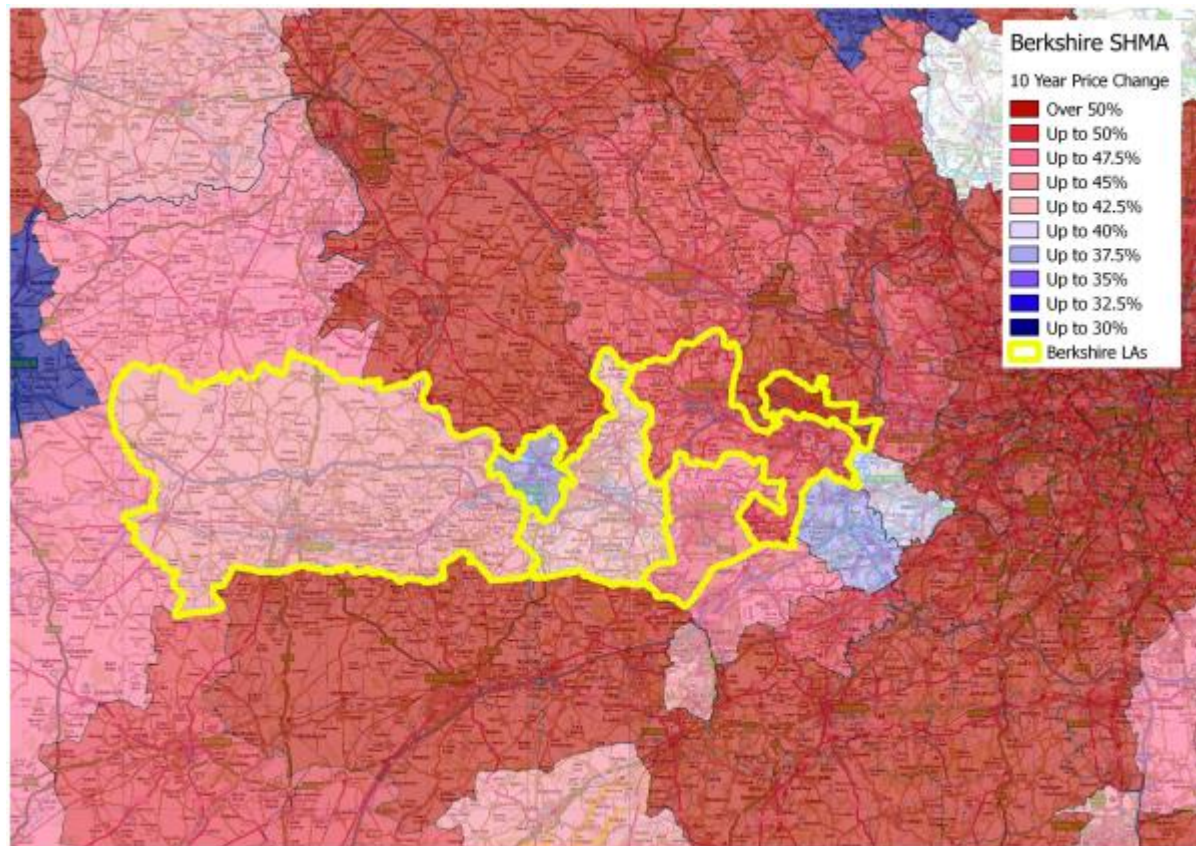
House Prices (cont.)

- East / west distinction in prices fairly clear



House Price Change

- Similar east / west split when looking at long-term price growth (10 years to 2012)



Broad Rental Market Areas

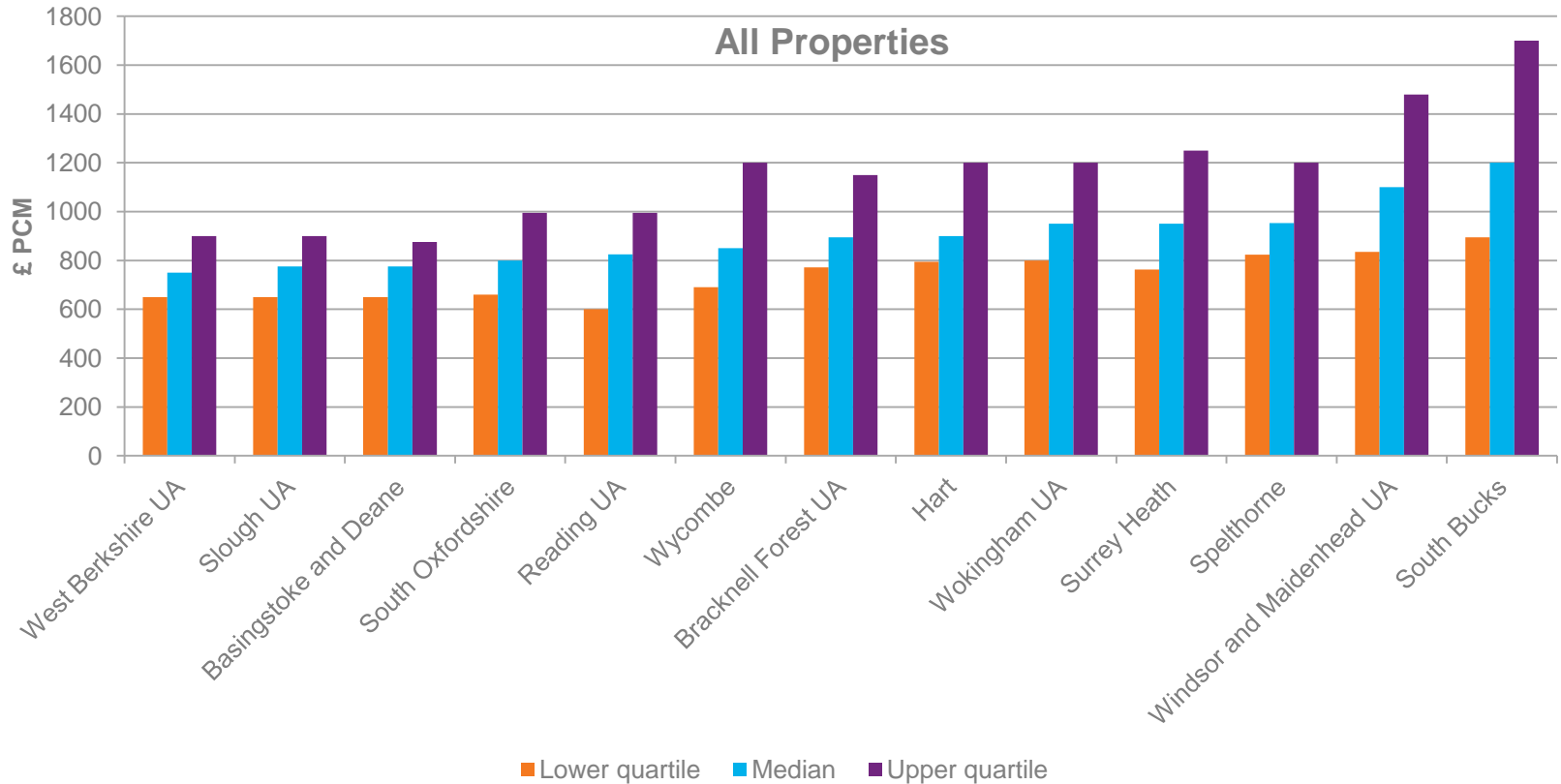
- VOA BRMAs reflect area '*within which a person could live having regard to facilities & services for the purposes of health, education, recreation, and shopping, taking account of public and private transport.*'
- Three BRMA identified
 - Newbury
 - Reading
 - Includes parts of West Berks
 - East Thames Valley
 - Includes parts of S Bucks



Rental Costs

£ Per Calendar Month – All Properties, Apr 2013 – Mar 2014

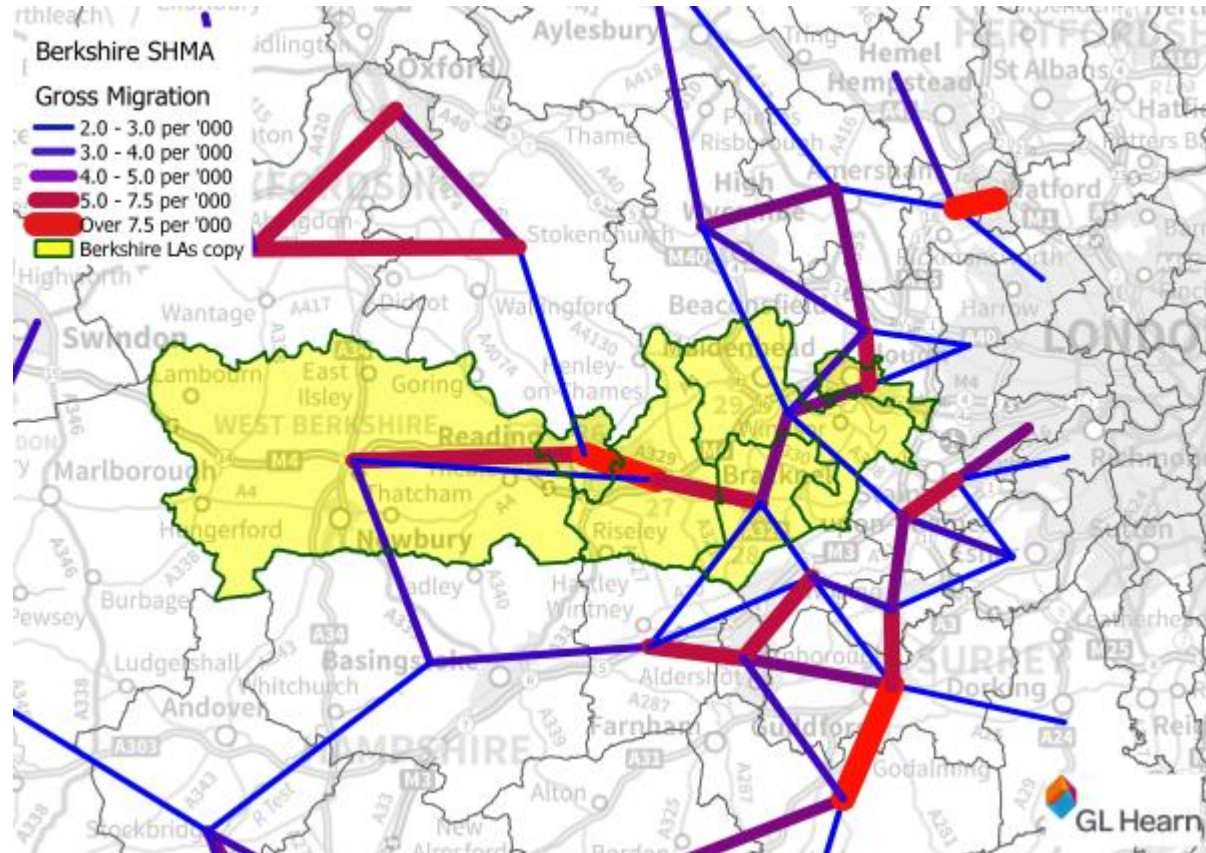
- Wide range – prices in South Bucks are 60% above those in West Berks



Gross Migration Flows

Flows per 1,000 combined population

- Gross migration illustrates key relationships
- Weighted to reflect relative population size
- Clear links with South Bucks and Slough
- Bracknell Forest linked more closely with Wokingham than RBWM



Migration Self-Containment

- PPG suggests consideration is given to areas in which a relatively high proportion of moves are contained within – typically 70% excluding long-distance moves
- Self-containment thresholds in Berkshire (and other areas surrounding London) will be influenced by relationships to the Capital
- Data currently published to local authority level only
- Analysis excluding long-distance flows – as per PPG
- Individual authorities have low self-containment levels
 - 41% in Wokingham to 63% in Slough

Migration Self-Containment (cont.)

- Individual local authorities have relatively low self-containment levels
- Strong set of migration links between Western Berkshire authorities
 - West Berkshire, Reading, Wokingham and Bracknell Forest
 - Self-containment of 76 – 78% - sufficient to be regarded as an HMA
 - Relationship with London is less strong
- Links between Eastern Berkshire authorities, South Bucks and London
 - 69-70% self-containment with RBWM and Slough
 - 69% including South Bucks
 - 78-86% if migration to/from London is excluded

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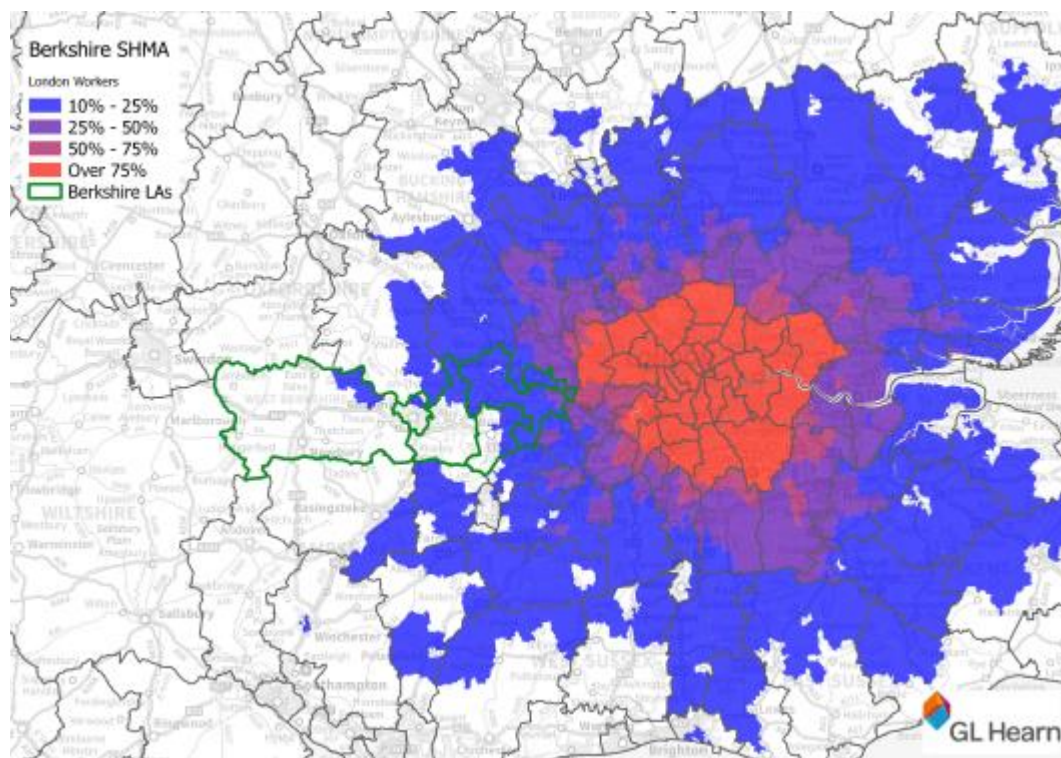
Implications

- Core indicators in the PPG would support east/ west distinction in Berkshire
- South Bucks would form part of Slough/Windsor HMA if London influence is excluded

Travel to Work Patterns

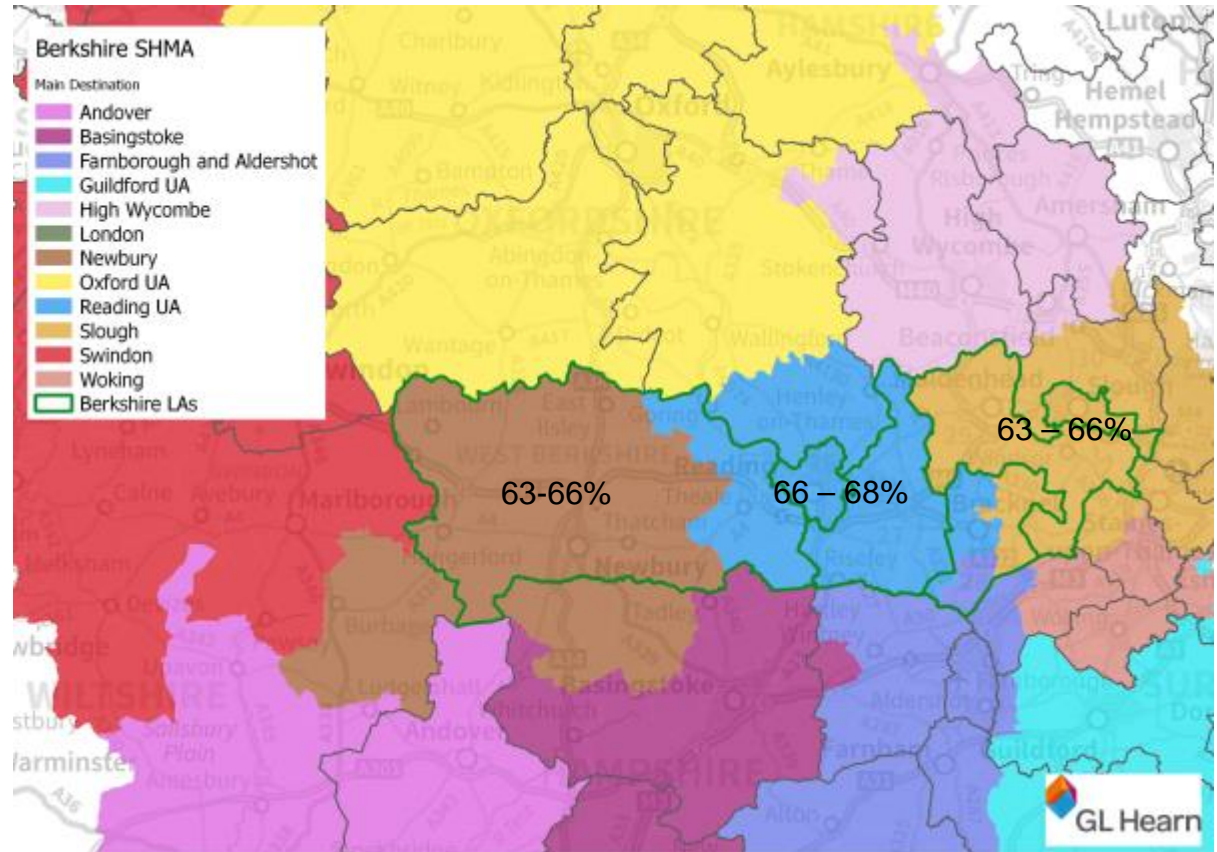
2011 Census

- Commuting flows are identified as contextual data in PPG – but an expectation that will relate reasonable well to HMA geographies
- Strong commuting relationship from Eastern Berkshire to London



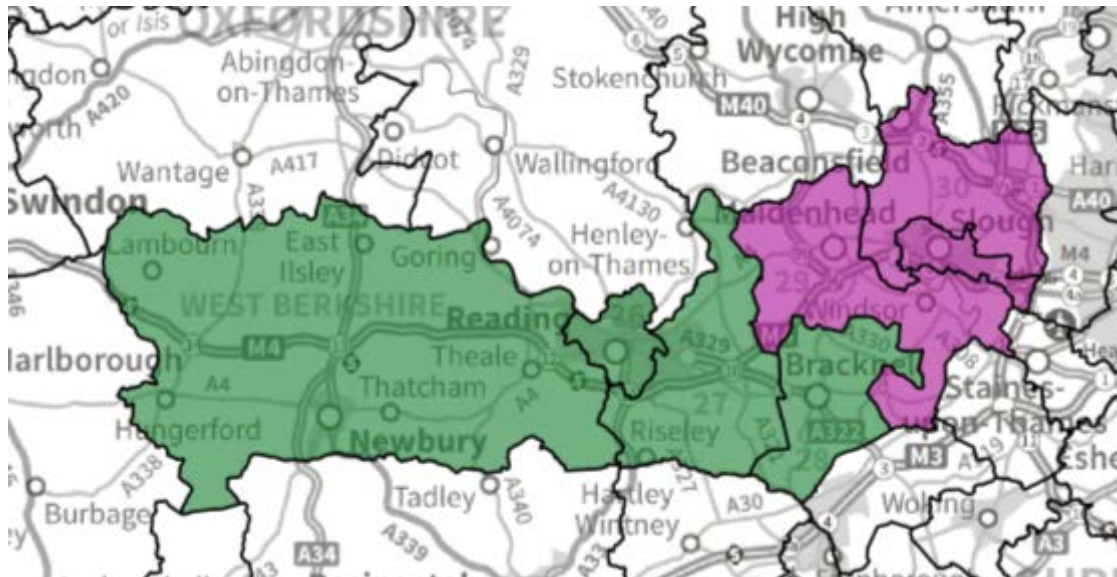
Travel to Work Patterns

- Excluding London we see three key employment locations
 - Newbury
 - Reading
 - Slough
- Further proof of a East/West Split in the County
- Relationship between Eastern Berkshire and Heathrow/ West London



Draft Conclusions on HMA Geographies

- Looking principally at defining “best fit” geography
 - Limited availability of key data below local authority level
- Key evidence continues to emphasise east / west distinction recognised in previous SHMA



Conclusions (cont.)

- Western Berkshire
 - Bracknell Forest, Wokingham, Reading, West Berkshire
 - Migration self-containment of 76-78%
 - Median house price of £257,775
 - Commuting self-containment of 69%-70% (71%-76%)
- Eastern Berkshire
 - Slough, Windsor & Maidenhead and South Bucks
 - Migration self-containment of 69-70%
 - Median house price of £325,000
 - Commuting self-containment of 50% to 54% (57%-71%)

Cross-boundary Links

- Towards the edges of any defined HMA there will be cross-boundary relationships
 - Bracknell Forest with Surrey Heath and Hart
 - West Berks and Basingstoke and Deane
 - South Bucks and Chiltern
 - Eastern and Western Berkshire
- Links with London – particularly from Eastern Berkshire
- Implications of Crossrail
- Intended to prepare a SHMA which deals with two HMAs together
- Any unmet need issues in one HMA will have implications for adjoining HMAs

Discussion

Discussion – Questions for LAs

- Do you have any comments on the methodology?
- Do you agree with the HMA definitions?
- How have you defined your HMA?

- What stage are you at with your local plan?
- Your policies for housing provision
 - Relationship to housing need
 - Housing needs evidence

- What are your strategic employment/housing sites

- Are there any other cross-boundary issues?

Discussion – Questions for Stakeholders

- Do you have any comments on the methodology?
 - Demographics
 - Economic Growth
 - Market Signals
 - Affordable Need
- Do you agree with the HMA definitions?
- What are the implications of:
 - Crossrail
 - Heathrow options

Discussion – Questions for Stakeholders (cont.)

- What are the key characteristics / demand drivers of the two HMAs?
- What is the profile of demand?
 - Rental Market
 - Sales Market
- What gaps do you see in the market in different areas?

Next Steps

Next Steps

- Please come back to us with any comments by the 2nd of June
- Agreeing HMA Geography – by mid June
- Preparation of full SHMA
- Considering interaction with the economy
- Final Report – Summer 2015

Contact Details

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Create / Develop / Protect / Enhance

Rental Costs – 3-bed Comparison

