

Yorkshire & Humber Strategic Housing Market Assessment

Summary Report

June 2008

Prepared for the Yorkshire and Humber Regional Assembly by
a consortium comprising:

ECOTEC

NLA

Sheffield University

► For further details please contact Clare Tostevin

Clare.tostevin@ecotec.com

31-32 Park Row
Leeds
LS1 5JD
United Kingdom

T +44 (0)113 290 4100
F +44 (0)113 290 4119
www.ecotec.com

Contents

PAGE

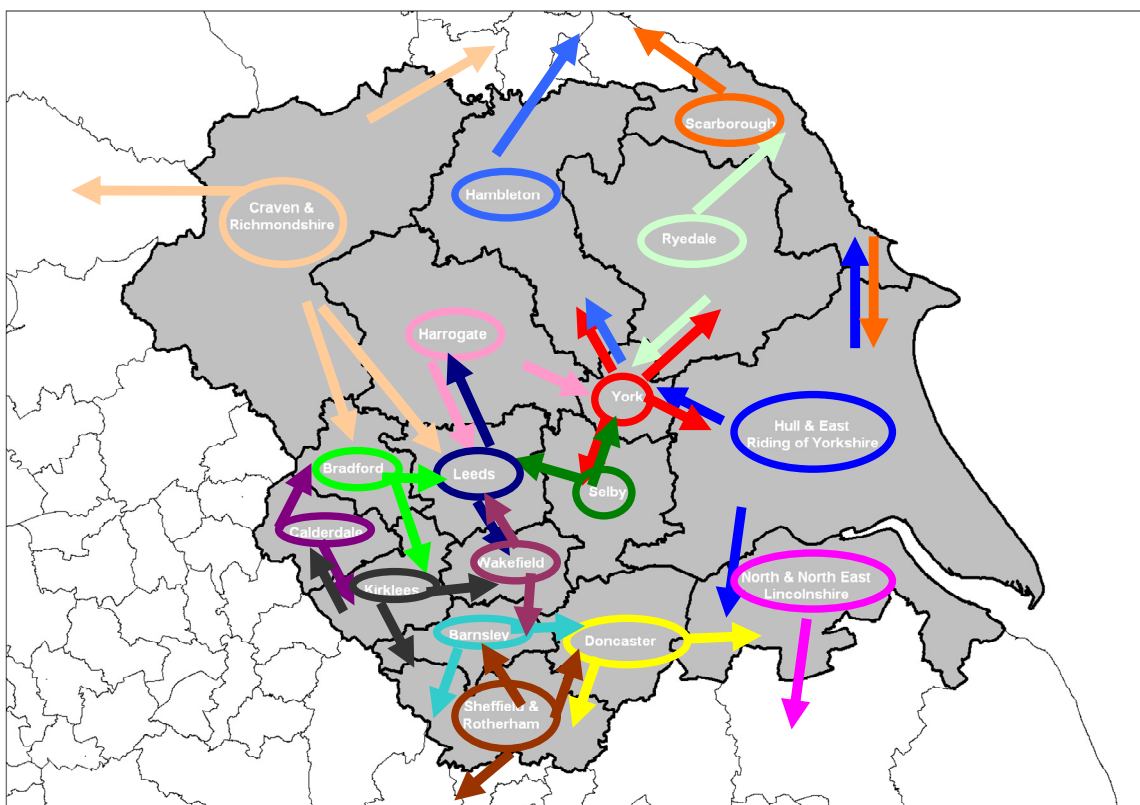
Introduction.....	3
Strategic findings from the assessments	5
Implications for sub-regional markets.....	5
Understanding affordability	9
Implications for housing markets across the region	15
The overall housing requirement.....	16
Affordable housing requirements.....	22
Transforming housing markets.....	24
Key strategic messages for the region	24
Policy implicatons for the region.....	29

Introduction

This report has been commissioned by the Yorkshire and Humber Regional Assembly, together with Government Office for Yorkshire and Humber. It provides a summary of an assignment to produce a Strategic Housing Market Assessment for each of the housing market areas in Yorkshire and Humber.

A phase one report¹ sets out the rationale for the definition of 17 housing market areas within the region and their wider areas of influence, or 'reference area'. These housing market areas and key links to wider areas of influence are shown in Figure One. It should be noted that the reference areas are not bilateral: e.g., an 'area requiring attention' for Barnsley will not necessarily mean that Barnsley is in turn an 'area requiring attention' for it. This relates to the 'direction' in which different housing markets face.

Figure 1 Housing Market Areas and links to wider reference areas



¹ Yorkshire & Humber Housing Market Assessment. Phase 1 Report. ECOTEC, University of Sheffield, NLA, September 2007

Strategic Housing Market Assessments (SHMAs) have been prepared for each of the 17 housing market areas identified in Yorkshire and the Humber and reference should be made to these documents for full details of the findings for each area.

This paper steps back from the individual assessments and draws out some broader conclusions relating to housing markets across the region which are relevant to the ongoing review of housing policies in the Regional Spatial Strategy.

The 17 SHMAs have been produced in accordance with Government guidance for the production of SHMAs.² This study has tested this guidance in terms of the data available to support housing market assessment which can provide comprehensive and consistent regional coverage. This process has highlighted that there is a body of available, comparable data which can be drawn on to meet each element of the core outputs set out in the CLG guidance. This includes data sets available nationally (ONS projections for example) and regionally (such as those from Hometrack and Acxiom).

However, it is recognised that for a finer grained analysis of very local housing markets there is a body of local data, both primary (from specially commissioned household surveys for example) and secondary (from Council Tax records for example) that may provide information that is more up to date and at a lower spatial level than that available across the region. Although such local detail is not consistently available across the region, where local Housing Market Assessments or needs studies do exist these will form an important and integral part of the evidence base supporting LDF preparation and responses to regional strategic consultation.

The 17 SHMAs have been provided to the relevant local authority housing and planning officers on the basis that they are 'living documents.' In total they provide a comparative picture across the region at a point in time. It is intended that they can be refreshed as new data becomes available, either updates of the data sources used within the assessments or with the addition of more detailed local data, where available to add to the SHMA.

² Communities and Local Government (2007) Strategic Housing Market Assessments: Practice Guidance. August 2007.

Strategic findings from the assessments

This is a very difficult time to summarise housing market trends and draw conclusions about further market trajectories. After a prolonged period of rising prices and worsening affordability across the region from 2002-2007, the market is entering a period of uncertainty.

There is emerging evidence that prices are falling, but it is not clear whether this is a short term loss of confidence to be followed by more stability or the beginning of a significant and sustained housing market recession like that which occurred in the early 1990s. Migration has been a key driver of household growth in the region and the same uncertainties surround the wider economy, and have led to some questioning of the extent to which recent trends in migration will continue.

The 'credit crunch' has already affected access to mortgage finance, and for some households has led to increased housing costs and the risk of mortgage default, but again it is as yet unclear whether this is a short term phenomenon or a potentially widespread and serious crisis. These uncertainties have already affected the housing development industry and if sustained will feed through to a reduction in output levels in the short and medium term. Figures for unit starts show less than 3,000 for the first quarter of 2008 compared to a total of 18,000 for the 2007 year.

The work on housing market assessments cannot cast light on these issues, but the result is that significant risks and uncertainties surround any conclusions relating to the overall level of housing provision required in the region, the requirements for affordable and market housing, the ability of households to access home ownership, and likely levels of output. More than ever there is a need for close monitoring of trends and the development of mechanisms to ensure that policies can be responsive to emerging trends.

Implications for sub-regional markets

This report now sets out by sub-region the key findings in relation to the housing markets operating within and across each.

North Yorkshire

North Yorkshire stands out within Yorkshire and the Humber as an area of generally high affluence with high house prices and continuing high

demand. The housing markets in this area have high average prices, which not surprisingly need a population with a high average income to sustain them, or in the case of retirees lower incomes but sufficient equity to buy outright. This picture of course masks a significant population on lower incomes employed locally in relatively poorly paid employment which struggles to compete and is heavily dependent on social rented or otherwise affordable housing.

In these areas there is effectively a dual market with an upper tier which functions over a wide area, limited to some extent by major roads and other transport networks which influence commuting patterns, and a lower tier which may be far more local, limited by low income and an inability to afford long distance commuting costs. It is hard to envisage a radically different future in these markets unless transport costs rise dramatically. External demand will remain high, lower income households will continue to struggle to compete, and an increased supply of social rented or protected affordable housing provides the only prospect for meeting local needs. Achieving this through planning agreements will require skilled negotiations to secure the maximum practical contributions from developers (and in the short term this may be increasingly less in current market conditions). Logically, the overall level of housing provision in what are often areas of restraint will have to increase significantly if developers are to make a significant contribution to affordable provision. It will also be important to identify larger sites for housing that can deliver proportionately more affordable homes than an equivalent yield from the sum of a number of smaller sites.

West Yorkshire

To the south of the remoter areas of North Yorkshire, West Yorkshire has been dominated by the economic driver of the Leeds city region. The area of influence extends northwards into Harrogate and eastwards to York. Economic growth in this region has brought an increase in overall demand, and increased polarisation in markets, with some localised areas of high demand but other areas characterised by weaker demand, high levels of turnover or instability, and continuing concentrations of deprivation and worklessness, sometimes associated with concentrations of social rented housing. The key issue for the future is the extent to which the growth generated in and around Leeds/York/Harrogate can be sustained in a less favourable economic

climate and the extent to which these benefits will spread to other parts of the sub-region.

Increased prices generally have resulted in the emergence of problems of affordability even in lower value areas. There is a dilemma here between policies seeking to deliver affordable housing to meet these immediate needs and measures to diversify markets in these areas to provide more high quality housing and to diversify tenure patterns. In parts of the sub-region, large BME communities also have particular needs which policies should address, including high natural growth rates and low incomes. Housing policies in the sub-region need to contribute to and support wider measures to facilitate economic growth and wider regeneration including bringing forward sites for housing and improving neighbourhoods and services. In the medium and longer term, creating places where a wider mix of households will wish to live is of great importance as well as meeting affordable housing needs. Creating places of choice will also help reduce out migration from the sub-region to North Yorkshire.

South Yorkshire

South Yorkshire is a complex sub-region made up of the Sheffield-Rotherham housing market area and the relatively self-contained market areas of Doncaster and Barnsley. Sheffield has performed a similar function to that of Leeds in generating economic growth within a wide area of influence extending in some cases outside the region to the south, and as in West Yorkshire, this process has seen differential growth levels, variations in the extent of price rises, and the continuation of concentrations of deprivation. An ongoing process of economic transformation is underway to tackle the legacy of industrial upheaval and decline with significant resources invested in the area to support economic regeneration and transformation of the housing market. There is still a lot of ground to make up to increase home ownership levels to modern-day norms, but at the same time there are pressures for affordable housing provision as a result of recent house prices. As in West Yorkshire, sustaining and supporting economic growth, improving environments and transforming housing markets should be the key long term objectives of housing policies. The Transform HMR Pathfinder has a key role in creating attractive places in the sub-region.

Doncaster and Barnsley may gain benefits from their proximity to Sheffield and Rotherham, but also need to generate economic growth to revive their economies and transform housing markets in their own right. Both have significant areas of market weakness, and care is needed to ensure that new housing growth does not have an adverse impact on demand for housing these areas and on adjoining conurbations. Although affordability is a concern the problem is less acute than elsewhere in the region.

Humberside

Humberside is also a complex area, dominated by Hull and its area of influence. The structure of the city's economy, and its geographical position have led to the higher levels of population and economic decline than elsewhere in the region and made the process of recovery more difficult to generate.

Some parts of the sub-region, within East Riding, have benefited from proximity to York but others, especially North and North East Lincolnshire, are remote from significant growth areas. In a more difficult economic climate nationally, it is likely that this sub-region will experience greater difficulties than West and South Yorkshire.

As in the rest of the region with the exception of North Yorkshire, sustaining and supporting economic growth and the transformation of environments and housing markets is a key task for housing policy. At the core of this are policies to deal with housing market renewal in Hull, and to ensure that this is not undermined by growth in the more attractive rural areas to the north of the city. There are also weak markets south of the Humber identified in the North and North East Lincolnshire SHMA. It will be important to maintain close monitoring to keep the issues of increased affordable housing supply and weak housing markets in balance. However, as in West and South Yorkshire, within this sub-region weak housing markets remain the key imperative across most of the sub-region.

Understanding affordability

As part of developing the SHMAs for Yorkshire the research team developed an approach that could be applied consistently across the region to analyse affordability.

The important role of intermediate market products in the context of creating mixed communities is set out in PPS3. As set out in the Practice Guidance, although affordable housing is tightly defined (specifically excluding low cost market housing) this overall mix of homes could include low-cost market housing, or intermediate affordable housing, including homes for specific groups such as key workers³.

The approach developed for this study provides an indication of the number of households within each housing market area that may be seeking to but would be unable to achieve owner occupation. This approach is specifically not intended to be used to contradict local analysis which may be more detailed and hence, where available, should be given precedence. However the analysis does provide a tool that can be used for comparison across the region.

There is particular difficulty in interpreting affordability pressures in terms of the need for specific forms of policy action. 'Affordable housing' takes many forms and the particularities of these mean that some intermediate market models – such as shared ownership – essentially fill a gap between renting and ownership. Calculating the potential need for such provision is difficult because it is sensitive to wider market fluctuations.

Conventional approaches to measuring affordability tend to express average or median prices as a ratio of earnings or income. While useful in determining the disconnection between prices and incomes, this approach cannot easily be used to estimate the scale of affordability problems. Specifically, it is difficult to convert a ratio into a meaningful estimate of the number of households that might be affected.

The approach we have used instead is based additionally on examining the distribution of household incomes across the HMA and comparing this with properties that are likely to be available.

The approach thus compares the number of households at each point on the income scale with the cumulative number of properties that might be affordable at that point on the income scale that are likely to become available to households in each income band. (i.e. if your

³ CLG Practice Guidance. Strategic Housing Market Assessment. August 2007.

income band is higher then more properties would be available to your household to purchase).

For the purposes of this model account can also be taken of the number of social housing relets within each local authority (based on CORE and HSSA data). These households have been deducted from the overall numbers given for those seeking a home. While some of those accessing social housing may also have an aspiration to achieve home ownership (and each chart shows the number of re-lets as well as the overall number of households) this helps to give a stronger indication of the number of the likely number of households seeking to access owner occupation each year. The number of households likely to move each year has been based on percentages moving home in different income bands (derived from the Survey of English Housing)

The overall difference between the number of households who will potentially be seeking housing and the number of homes available to them within is an indication of the gap that intermediate housing products could seek to address.

For Yorkshire and Humber the overall number of households likely to be seeking owner occupation compared to the number of homes likely to be available for sale is shown in table 1 below. This is ranked by the percentage shortfall within each District.

Table 1 Potential achievability of owner occupation in Yorkshire and Humber

	Households likely to be seeking Owner Occupation	Number of properties available	Difference	Shortfall %
Wakefield	15,123	6,397	8,726	58
Richmondshire	1,963	889	1,074	55
Ryedale	2,130	1,008	1,122	53
Hambleton	3,534	1,719	1,815	51
Rotherham	9,558	4,662	4,896	51
Doncaster	12,037	6,045	5,992	50
Craven	2,480	1,362	1,118	45
Sheffield	18,712	10,383	8,329	45
North Lincolnshire	6,388	3,549	2,839	44
Barnsley	9,175	5,191	3,984	43
Scarborough	4,949	2,882	2,067	42
Kirklees	15,563	9,446	6,117	39
North East Lincolnshire	6,666	4,175	2,491	37
Harrogate	6,522	4,097	2,425	37
York	7,410	4,756	2,654	36
East Riding of Yorkshire	13,835	8,888	4,947	36
Leeds	28,378	18,438	9,940	35
Calderdale	8,618	5,606	3,012	35
Bradford	19,241	13,105	6,136	32
Selby	3,105	2,115	990	32
Kingston upon Hull	8,733	6,580	2,153	25
YORKSHIRE & THE HUMBER	204,121	121,293	82,828	41

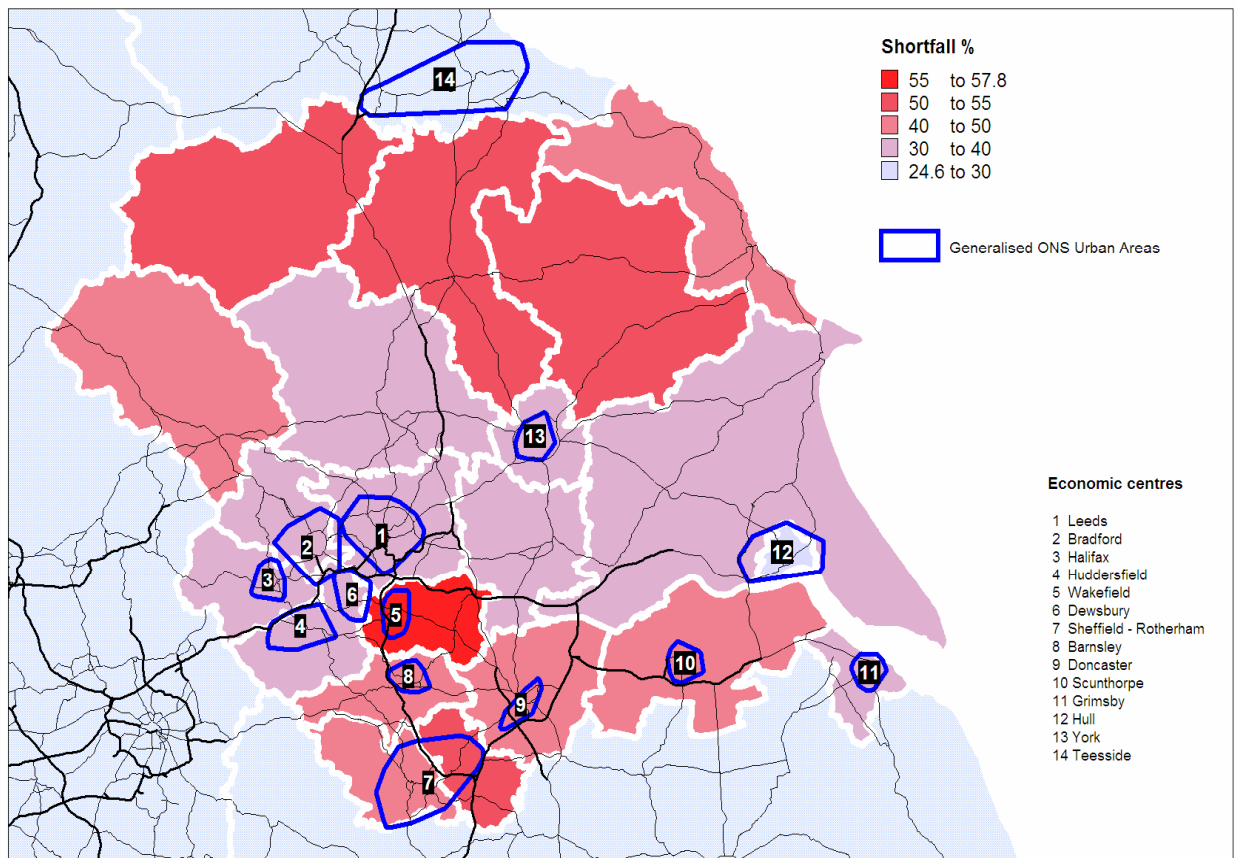
Note: the calculation of the number of households likely to be seeking owner occupation is not the same as the overall need for affordable housing. Rather, it is an estimate of the scale of a potential affordability problem. The model is not able to account for different levels of equity. The precise need for affordable housing of different sorts is dependent on a number of additional factors, including the size and structure of the private rented sector; local affordable housing policies; local labour market attachments; the new housing supply 'pipeline'; and variations in local householder circumstances and aspirations. These issues need to be considered at the HMA level with reference to local studies that draw on detailed administrative data sources or surveys.

However, underpinning the overall difference in households likely to be seeking owner occupation and the number of homes available is more detailed data on the number of homes available to those seeking to achieve owner occupation by income band. This is based on homes available on a mortgage which is four times household income (in line with Hometrack data used in the SHMAs). The individual charts and tables are set out in the relevant SHMAs.

Mapping the shortfall (Figure 2) shows a pattern across the region of high levels of shortfall in North Yorkshire and in a belt encompassing Wakefield, South Yorkshire and North Lincolnshire. This highlights a dual problem with lack of affordability driven by restricted supply (as in parts of North Yorkshire for example) and in other parts of the region local incomes being the determining factor.

The greatest shortfall in the region is exhibited in Wakefield. This is an area with an attractive place offer and strong links to the Leeds economic centre. There is continuing population and household growth, however, incomes remain below the regional average. More importantly, some areas like Wakefield are particularly over-represented by those on the lowest incomes. It is precisely these uneven distributions that can lead to local affordability problems being masked by 'average' measures.

Figure 2 Potential achievability of owner occupation in Yorkshire and Humber



The difference between households likely to be seeking a home and homes available is also ranked by income band for each local authority within each SHMA. These rankings consistently show that it is the highest income bands where the difference in homes and households seeking to access them is smallest (i.e. ranked 11 or 12).

The tables also show those income bands where there looks to be the greatest pressure in terms of achievability of occupation. In the higher priced areas of North Yorkshire this tends to be in the £20-25k income band. For Leeds, North East and North Lincolnshire the lowest income band (£0-5k) is ranked highest. However for most districts the greatest differential is within the £5 – 10k income band. Although the model is not able to account for differing levels of equity (some of those households on low incomes may be home-owning pensioners with high levels of existing equity for example) these bands do give an indication within each HMA of where the greatest gap lies and help to inform the income level at which affordable housing products (rented or low cost

home ownership) may most effectively be targeted. The additional value of this analysis is in understanding the relative capacity to purchase of first time buyers in different housing markets in the region.

Implications for housing markets across the region

The housing market assessments collectively paint a picture of a region which still, despite across-the-board increases in dwelling prices, contains a spectrum of markets from those with high demand to those with weaker demand and continuing uncertainties into the future, especially in a context of price uncertainties.

On the one hand the well established differences between North Yorkshire and the other sub-regions remain, and there are no signs that the underlying factors which have brought these differences about are weakening or changing fundamentally. They include drivers pushing people to migrate out from the larger centres and factors attracting them to more rural areas. But economic uncertainties and notably the price of oil could yet have a major impact on this. There is also the potential impact of public policy intervention set out in the RSS and RES which aims to support the transformation of urban areas and reduce trends of outward migration. However there are also increasingly finer-grained variations within housing market areas which it will be important for local assessments to bring out.

The main implication of rising prices in the last five years is that even in areas of *relatively* low prices, the affordability of housing is much less favourable than it was in the early 2000s. Underlying preferences for home ownership have been strengthened by this but in the short and probably medium term, households have been forced back into the rented sectors and into less attractive areas of private housing which in the early 2000s were characterised as 'low demand'.

Many factors have contributed to this shift and it is not possible to quantify their impact, but they include:

- An improved demographic picture across most of the north of England, with net in migration (driven mainly by economy-related migration from abroad) even in areas with long established population decline.
- A highly positive economic growth picture in many areas, driven particularly by the city regions, but with benefits sometimes more widely spread across the region.
- Some general 'catching up' in price levels towards a notional long term equilibrium relationship with incomes.

- A large influx of investor capital into the housing market, driven by high short term rates of return and by adverse developments in rates of return obtainable elsewhere.
- The development of vehicles and mechanisms to encourage investment, including larger scale apartment provision by developers.
- Ready availability of finance for house purchase with weaker assessments of asset value and borrower credit-worthiness.
- Restoration of confidence in low demand areas as a result of market renewal initiatives.

Most, if not all, of these factors are now, at the very least, in question. They all point, at best, to a period of static prices, low turnover, and weak demand in the housing market, driven by a general lack of confidence and by the inability of first time buyers to gain access to mortgage finance at current price levels. This will have an increasing impact also on new housing completions. At worst it is possible to envisage a scenario of falling prices and sharply reduced demand. In the end, the picture in the wider economy is the factor most likely to determine the scale and duration of any housing market recession.

The overall housing requirement

Setting aside these more recent developments, the government has rightly given a high priority to action to address the worsening problems of affordability in the housing market in the last five years. Fundamentally, affordability problems have been seen as arising from inadequate supply set in the context of increased net international migration, stronger natural population growth than has been the case for many years, and continuing growth in the number of single person households. The policy response to this has been a proposal for an increased level of new housing provision nationally which has in turn fed through to pressure at regional level to review RSS to accommodate additional growth based on higher population and household projections. At the same time other measures such as the growth point initiative have been developed to assist in the delivery of increased growth.

A response⁴ to the proposals set out in the Government Green paper by the National Housing and Planning Advice Unit has prompted a dialogue with each of the regions on stepping up delivery of homes to

⁴ Developing a target range for the supply of new homes across England. NHPAU. 2007

improve overall affordability in the market. The paper indicates that, based on current plans for new homes, the ratio of lower quartile house prices to earnings in England could rise to over 10 by 2026. It also recognises that as well as an overall increase in supply, it will be essential to ensure that the right types of homes are built in the right place.

For the country as a whole the response paper notes an imbalance in supply that applies at the higher as well as the lower end of the housing market. It indicates a demand for larger homes as people become more prosperous and an undersupply of homes on the higher rungs of the housing ladder meaning increased competition at the lower end of the market with those unable to move up the ladder not releasing supply to first time buyers. However, the connections identified between housing markets set out in the SHMAs for Yorkshire and Humber indicated the complexity of a response to this. For example a home at the more affordable end of the market 'freed up' by a household moving to a larger property may be within a connected market rather than within the same housing market area. In particular there is a tendency for those to be accessing the highest value properties to be searching across the widest market tiers with North Yorkshire as a notable example.

For Yorkshire and Humber the indicative figures from the NHPAU suggest that a regional target of 26,100 new homes a year by 2016 would be needed for Yorkshire and Humber to meet the Government target of 240,000 new homes. The figure for the region would need to be 30,000 to reach a national figure of 270,000 new homes. This represents an increase of 22% (minimum of supply range) to 40% (high point of supply range) compared to RSS for the region. The region will be carrying out further testing of the NHPAU advice regarding the scale of provision as part of the review of RSS when NHPAU issue their more definitive figures.

Regional Spatial Strategy

RSS for Yorkshire and Humber was published in May 2008, following public consultation and an Examination in Public, and Secretary of State Proposed Changes for consultation. The final RSS includes an increase in housing growth in the region to 22,260 homes a year from 2008 to 2026. This increase reflected the Government's increased target for new homes set out in the Green Paper.

Most of the additional growth set out in RSS and Proposed changes is in the Leeds City region. Increases are also proposed in South Yorkshire.

There are also smaller proposed increases for Scarborough, Selby, York, Hull, North East Lincolnshire and North Lincolnshire.

Changes to household growth projections have had a greater impact on Yorkshire and Humber than on other regions, with a more positive economic trajectory and in migration both helping to place average annual growth in households at a higher level than the projections published in 2006.

However, growth needs to be placed in the policy context. Regional strategies emphasise the transformation and the renaissance of towns and cities in the region as well as the importance of building in sustainable locations with access to employment.

It will be important to be clear that at the regional level the approach to accommodating growth will be led by strategic priorities. These provide a potential tension here with the emphasis at national level in the NHPAU response of the greatest impact on overall affordability being on increasing supply in the least affordable markets.

Analysis of the latest household projections⁵ and the published RSS suggest that the revised housing numbers will deliver a quantum of housing that is much closer to that required based on the household projections. This is set out in table 2 below.

Table 2 – Comparison between RSS and trend based projected households (totals 2008-2026)

LOCAL AUTHORITY	Difference between RSS and household projections	% Difference between RSS and household projections
East Riding	21,500	104
Kingston-upon-Hull	-840	-5
North East Lincolnshire	-380	-4
North Lincolnshire	1,900	14
Craven	100	2
Hambleton	2,760	55
Harrogate	9,380	134
Richmondshire	3,600	100
Ryedale	1,000	28
Scarborough	-280	-3
Selby	280	4
York	4,300	28
Barnsley	-270	-1
Doncaster	-5,140	-23
Rotherham	-3,880	-19

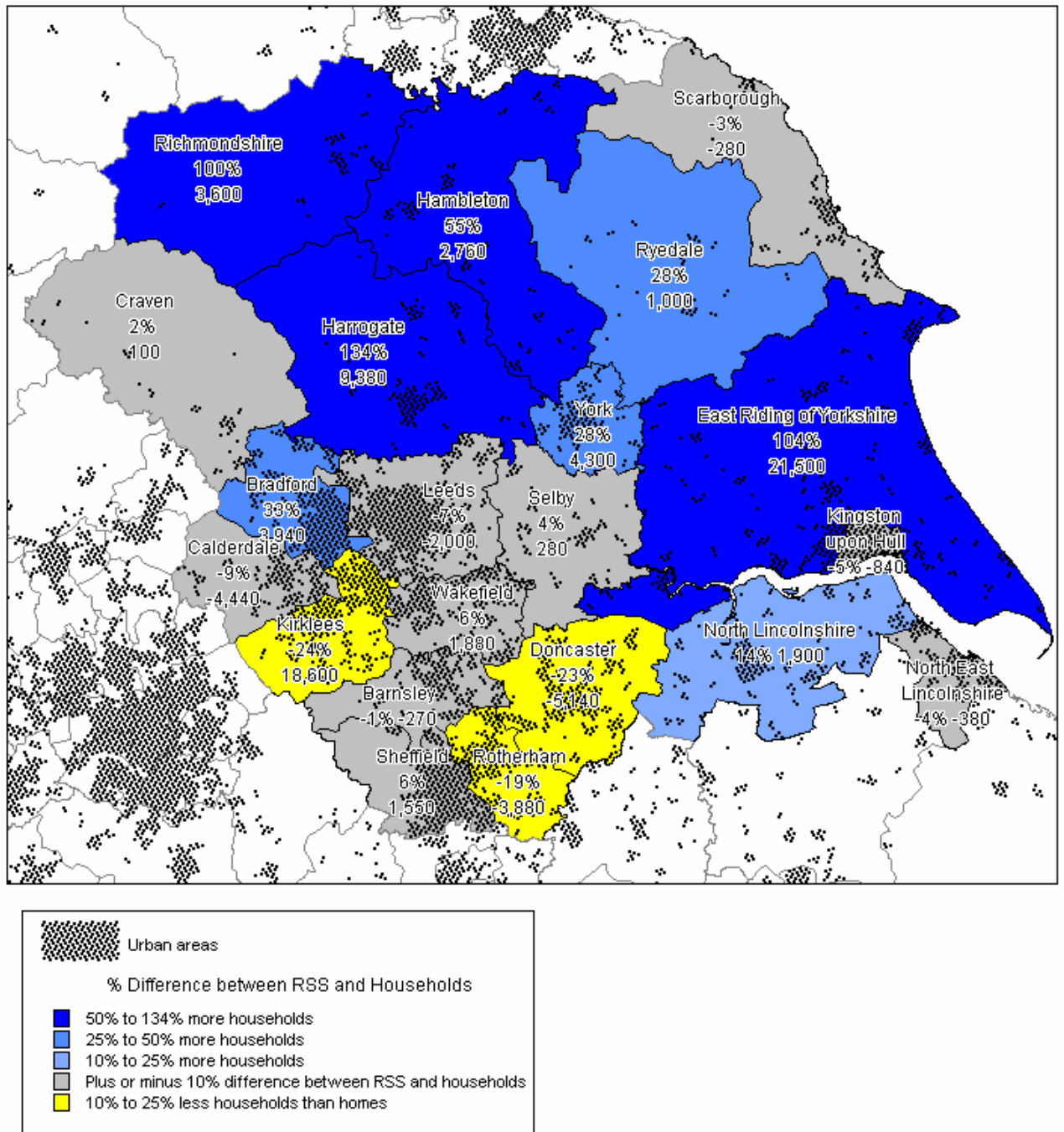
⁵ 2004 Household projections. Revised February 2008

Sheffield	1,550	6
Bradford	-4,400	-9
Calderdale	3,940	33
Kirklees	1,800	6
Leeds	-18,600	-24
Wakefield	-2,000	-7

It should also be noted that a significant proportion of the additional household growth is expected in North Yorkshire and Humberside. RSS does not aim to accommodate this. Rather, policy is to accommodate growth in South Yorkshire and West Yorkshire where the majority of job growth is expected as well as to support urban transformation. Figure 3 sets out the comparisons between RSS and household projections by district. Those shaded grey have projections for additional households and RSS figures within plus or minus ten percent of each other.

There is a band of local authority districts (those shaded blue) primarily within North Yorkshire and extending into East Riding (and also including Bradford and North Lincolnshire) where the number of new households is projected to exceed the number of net additions to the dwelling stock by more than 10% between 2008 and 2026. Conversely Kirklees, Doncaster and Rotherham have a figure for additions to the dwelling stock set out in RSS which is more than 10% higher than the projected household growth for each district.

Figure 3 Comparison between RSS and trend based projected households (totals 2008-2026)



It will be important to continue to monitor the relationships between the different markets including those outside the region such as Teesside or parts of the East Midlands. There is also a need to understand the extent to which it is possible to "tilt" growth within and between markets. For example forecast household projections show increasing pressure on

housing markets towards the north of Leeds. The extent to which improving the housing offer in other parts of the wider housing market, or adjacent markets to the south of Leeds can help deflect pressure to currently weaker markets is still to be fully tested. While public policy is supportive of balancing different markets in this way there are long standing historic patterns of migration out of urban areas and the impact of intervention on these trends will need to be carefully monitored. The SHMAs with their identified wider reference areas can help support analysis of where projected household growth in one market may, with the right housing offer, be accommodated in a connected market.

A note of caution should be set out in relation to household projections. These projections are based on a forward extrapolation of trends observable in the base year. They do not take account of actual or expected changes to policy. However, policies that have had an impact by the base year will affect the trends observed on that year. Similarly, other characteristics of household change observable at the base year will be assumed to continue throughout the projection period.

There is no doubt that levels of population growth linked particularly to EU accession-related economic migration have impacted on household growth and hence on demand and price levels. The limitations of data sources on these trends mean that official population and household projections have struggled to reflect them until recently. But there are key uncertainties relating to the implications of these developments for housing markets:

- To what extent will these processes of population and household growth continue in the future – including in the medium as well as the long term.
- What is the nature of the housing demand which has emerged and which will in future emerge from this process. Is this demand short or longer term – what proportion of migrants will stay on in the UK and what proportion will return to their countries of origin or go elsewhere to countries where the economic potential is greater? Is the majority of demand for minimum cost/standard accommodation? Is it for privately rented, social rented or owner occupied housing? Is the demand spatially focussed?
- Will a strategy of improving affordability by boosting overall housing supply be effective, and if it is, are the other costs associated with this so great as to undermine the benefits? The

complexities of the housing market and in particular the availability of investment capital may mean that any increase in supply would have to be very large indeed to have a significant impact on price levels. This would have adverse impacts on regeneration programmes if it is necessary to develop Greenfield or peripheral sites to create sufficient supply, or if this policy leads to higher void levels in weaker markets with obvious negative impacts on these areas.

Ultimately these questions can only be resolved by frequent monitoring and revisions to projection and policies, and by research to develop a better understanding of the changing nature of demand. However they pose some major risks for Regional Spatial Strategies. There is the potential for over-provision with the consequent risk to strategies for the regeneration of weaker markets. In the short term this might not have a major impact, especially in a market where output levels are falling, but as demand recovers in the future it is most likely to pick up in the most attractive areas with the greatest potential for growth. The housing market assessments for North Yorkshire for example show levels of demand from external sources which are unlikely to be met by any acceptable level of new supply.

Affordable housing requirements

The second element of policy is a drive to create higher levels of affordable housing in order to improve access to home ownership. The housing market assessments across the region show how serious and widespread affordability problems have become and these are reflected in our conclusions. Proportionately, affordability problems are greatest in the highest priced areas but these problems have spread more widely, not least as increased investment in private rented sector provision provides competition to first time buyers in the lower-priced sectors of the market. Indeed, the proximity of lower priced areas to the economically growing city regions is arguably driving affordability pressures in these areas, as their base of low income households finds it increasingly difficult to outbid in-migrating or internally mobile households.

This evidence has already been reflected in regional and local pressures to secure higher levels of affordable housing in new developments. There is clearly scope for this as local authorities have shown significant variations in their ability to secure affordable housing through planning policies in the past. But in a weaker market the potential for securing

affordable housing through planning agreements is reduced, and even in a future and stronger market, there are limits to the potential for meeting affordable housing requirements in this way. Other approaches are required, including the direct provision of social rented housing in the areas where its supply is lowest, but most significantly through measures to make the existing lower cost housing stock more attractive and to improve the quality of service provided by the private rented sector. In the longer term, investors may continue to out-compete lower income entrants to the housing market and more people may need to expect to live in private rented rather than owner occupied housing for longer periods. Issues of quality and management therefore need greater emphasis. Affordable housing provision through the planning process will play an important part although it is far from clear that this channel will be able to provide the level of supply required to meet affordable needs.

The National Affordable Housing Programme (NAHP) announced in February 2008 set out investment of £315 million in grant funding for affordable homes in the region. This equates to £105 million per year compared to £65 million per year for the 2006 to 2008 programme and represents a significant increase.

The SHMAs indicate that historically acquisition of existing properties has been a significant element of the additional affordable homes in the region. However the allocations for 2006 to 2008 indicated a strong focus on new build with 91% of the grant funded units newbuild and 9% acquisition of existing homes for refurbishment as affordable housing provision. The detail of the 2008 to 11 allocation for the region was not available at the time of writing.

However, even with the additional grant and increasing emphasis on new build via the NAHP the SHMAs show that levels of new affordable housing provision via grant funding will continue to be insufficient to meet affordable housing requirements. The additional affordable homes provided via negotiations with the private sector continue to provide the primary component of future affordable housing in Yorkshire and the Humber and as outlined above it is doubtful whether this will be sufficient to meet identified needs.

Transforming housing markets

The housing market assessments also suggest that the transformation of existing housing markets remains *the* key task for housing policy in much of the region. A long run over-supply of social rented housing (when set against today's aspirations and expectations), an ageing and sometimes unattractive housing stock set in neighbourhoods which still need investment to assist them in recovering from past economic decline, and measures to overcome concentrations of poverty and deprivation, are essential to sustain existing communities and reverse the long standing pressures for decentralisation to suburban and rural areas. In the long term this is the only way to address affordability problems across the board, and to respond to shortages in overall supply in a way which is sustainable.

Key strategic messages for the region

This section sets out a summary of key strategic findings followed by the policy implications flowing from these.

A mixed region

The region still includes both high demand and weaker housing markets. This mix is exhibited within the strategic housing market areas as well as between different parts of the region. There continues to be a trend of out migration from larger urban areas to more rural areas, although the long term trajectory of this may be mitigated in future by increasing costs of personal transport. This picture of contrasting markets within the region clearly presents a policy challenge in terms of both managing high demand and supporting weaker housing markets. Making cities and towns more attractive places to live and making those less popular areas housing market destinations of choice, particularly where existing transport infrastructure is in place, will be key to addressing the twin challenges of contrasting markets.

Need for affordable housing provision

The SHMAs provide a picture of need for affordable housing which is acute across all sub-regions. This affects not just the highest priced areas but housing markets where it is lower incomes that are driving an increasing affordability gap.

A review of identified need based on local studies (ranging from 2004 to 2007) shows that significant housing need is an issue across HMAs in all sub-regions.

Table 3 – Identified local shortfalls in housing need by HMA

	Identified Annual Shortfall
Hull and East Riding	1,648
North and North East Lincolnshire	711
Humberside	2,359
Craven and Richmondshire	347
Hambleton	113
Harrogate	830
Ryedale	292
Scarborough	640
Selby	294
York	1,218
NORTH YORKSHIRE	3,734
Barnsley	275
Doncaster	369
Sheffield and Rotherham	1,140
SOUTH YORKSHIRE	1,784
Bradford	1,132
Calderdale	720
Kirklees	1,473
Leeds	1,889
Wakefield	971
WEST YORKSHIRE	6,185

These are not directly comparable, with studies carried out at different points in time and using different approaches to the calculation of housing need. As set out in the Practice Guidance⁶ no one methodological approach or use of particular datasets will provide a definitive assessment of housing need and demand. However, the studies all follow an approach set out in CLG guidance which takes account of vacancies and projected supply as well as existing and future households indeed. The studies identify what is, cumulatively across the region, a significant shortfall in supply to meet need. This evidence of need is just one of a range of factors that the regional planning body and local planning authorities will need to consider in reviewing housing provision figures.

⁶ Strategic Housing Market Assessment Practice Guidance. CLG. 2007

Those areas with the biggest affordability challenge may not coincide with those areas where significant new housing is planned. The location of new homes needs to continue to be considered in the context of future settlement patterns, current and future infrastructure and policy aspirations both to meet long term demand and to ensure that investment in more fragile markets is not undermined.

The need for this level of increase in affordable provision suggests that it will be difficult to deliver through the planning process alone. As well as for local practitioners the future Homes and Communities Agency may need to emphasise site delivery for affordable homes as well as levels of grant support.

There is also a need to ensure that overall levels of provision are maintained with sufficient market provision to support economic and demographic trends. An affordable housing target that is too ambitious may place a risk to overall market delivery in less robust housing markets.

Importance of housing to the economic future of the region

It will be essential in terms of supporting economic growth to ensure that there is a housing stock that can attract and retain population.

There has been an improved demographic picture with net in migration to the region, and in particular international migration. The SHMAs support a collective picture of positive economic growth which is being driven by strong City Regions.

There is also a positive impact of sustained public policy intervention with market renewal initiatives in three of the four sub-regions playing a key role in restoring confidence in areas of previous low demand.

A lack of affordable homes may be acting as a constraint on the economy in the North Yorkshire sub-region, as well as parts of East Riding and the Leeds City Region. However, it needs to be recognised that different markets will have different requirements in supporting the economy, in Hull for example there is a clearly identified need for more aspirational housing.

New eco-towns⁷ could also support the housing and economic needs in the region. Two locations in Yorkshire and Humber were in the shortlist of 15 potential eco towns announced by the Government for consultation. These are Rossington in South Yorkshire, where up to 15,000 homes could regenerate the former colliery village, and Leeds City Region, where a partnership of 11 authorities is focusing on several areas, principally between Leeds and Selby.

These two shortlisted eco-town locations have reached the first stage and now need to develop proposals further before further examination including public consultation and a detailed Sustainability Appraisal which will test the merits and challenges of each bid.

The region is also awaiting an announcement from Government on which bids have been successful in attaining Growth Point status. This will mean a local authority (or partnership of authorities) has committed to delivering additional housing growth through a package of measures, usually including both new housing development and the regeneration of existing neighbourhoods. Those attaining Growth Point Status will then be eligible to bid for Government funding to support infrastructure improvements. In Yorkshire and the Humber, three bids were received for Leeds City Region, Sheffield City Region and North Lincolnshire Council.

The update of the Regional Spatial Strategy we will test any Ecotown or Growth Point proposals that are announced by the Government.

Economic and demographic change

While the SHMAs collectively highlight recent economic and demographic change in the region, including positive economic and household growth there is, as always, less certainty regarding future projections.

The ONS projections are based on past trends and the latest thinking in terms of likely future trends. However there are a number of uncertainties in projections on this basis for example:

⁷ Eco-towns will be zero-carbon sustainable developments of between 5,000 and 20,000 homes, which help address the twin challenges of a major shortfall in housing and tackling climate change by cutting the carbon emissions of housing. Ministers will make the final decision on locations for Eco-town development based on the quality of bids and with reference to the criteria set out in the Eco-town Prospectus.

- The possible impact of proactive policy intervention is not factored in to projections.
- ONS projections take account of recent higher levels of international migration however there is uncertainty, particularly regarding economic migration from the EU as to whether economic change, a relative shift in currency markets or long term aspirations will have on whether levels of migration are sustained and the extent of longer term settlement of migrants.
- Internal migration has been increasing however adjacent regions also have policy aspirations to grow both the population and the economy. There may be a future ceiling on the extent that in migration from other parts of the country can be captured.
- The future needs and housing aspirations of an increasingly older population are not fully understood.

The way that the population organises itself into households and thus expresses demand in the housing market is subject to variability. For this reason, household projections are even more sensitive to future policy and market change than population projections.

There will be an ongoing need to monitor trends closely and in particular the extent to which current economic and demographic projections are played out. It will also be important to develop policy responses that are flexible to changing circumstances and tailored to differences in different parts of the region. For example RSS may need to be adjusted in future to take account of trends.

Potential negative market developments

In addition to the uncertainty around trend based projections this summary report has been compiled at a point in time where there is an environment of uncertainty for housing markets in particular but also the wider economy. Current analysis regarding the impact of the 'credit crunch' and changes in access to mortgage finance on the housing market and affordability varies considerably in terms of estimations of both severity and longevity.

In terms of the overall fundamentals of the market cycle the underlying indicators look to support the findings set out earlier in terms of pressure on affordability. Recent increases household numbers, notwithstanding

future projections, suggest that there will be a continued need to increase overall supply. Furthermore levels of 'unaffordability' are such that a short term reduction in house prices would not have a significant impact on long term affordability pressures.

However, what is clear is that there is potential for negative short term market developments. In particular a decline in overall supply as developers review their delivery may mean it is harder to secure sufficient affordable provision.

There is a need to monitor carefully to assess whether changes in the market represent a short term adjustment or a major medium term shift. This demands an approach which provides short term solutions for the here and now as well as stepping back to review overall market trends.

Policy implications for the region

The current Regional Housing Strategy (RHS) sets out both the importance of affordable provision and support for Housing Market Renewal. The strategic themes set out in the RHS support this understanding of difference in housing markets operating within the region and the need to respond with delivering an improved housing offer and improving access to quality homes.

National Government has given high priority to action to address worsening affordability, which is seen as arising from inadequate supply. The Regional Spatial Strategy (RSS) is seen as key plan in supporting additional supply. As well as the increased housing figures set out in RSS Growth Point and Eco Town initiatives, the detail of which are still to be confirmed, have potential to support a further increase in supply in key parts of the region. The Plan, Monitor, Manage approach to housing delivery set out in RSS will continue to be key. Given the uncertainties set out in the key findings it will be essential for the RSS to continue to monitor and review both overall provision and the amount of affordable housing provided in different housing market areas.

The Regional Economic Strategy (RES) sets out a strategy to grow the region's economy based on high quality sustainable growth with a programme of urban and rural renaissance supporting this. The current and future economic profile of the region and constituent housing markets will have a significant influence on future housing demand. The RES explicitly sets out this strong link to the RHS and in particular an emphasis on key priority locations for housing and employment renaissance means that it will be essential to sustain investment in the

more fragile housing markets through the Housing Market Renewal Pathfinders and other regeneration initiatives.

The move towards a Single Regional Strategy should help to ensure that these strategic plans are effectively co-ordinated. For example it will be essential to make sure that infrastructure investment is planned to ensure that growth takes place in a sustainable way. It will also support a common evidence base which will be a vital element of monitoring change and ensuring sufficient flexibility in policy responses.