

Housing Need and Demand Assessment

2011

Executive Summary

1. Introduction

- 1.1 This document is an Executive Summary of the Housing Need and Demand Assessment 2011 completed by Moray Council and the Moray Housing Market Partnership.

1.2 Background

- 1.2.1 The Scottish Government's Scottish Planning Policy (SPP) requires that there are stronger links between assessed housing need and demand, local housing strategies and development planning, and that Local Housing Strategies and Local Plans are developed in tandem and complement each other.
- 1.2.2 Local Plan development requires a Housing Need and Demand Assessment to estimate how much new housing, in all tenures, is required for the next 15 years, which types of housing and their locations.
- 1.2.3 The Scottish Government has published guidance for local authorities on how to carry out a Housing Need and Demand Assessment (HNDA) and has established its Centre for Housing Market Analysis (CHMA) to support local authorities in the process.
- 1.2.4 SPP suggests that planning authorities, developers, service providers and other partners in housing provision should work together to both ensure a continuing generous supply of effective land and to deliver housing.

1.3 What is a Housing Need and Demand Assessment?

- 1.3.1 The Housing Need and Demand Assessment (HNDA) will inform the Main Issues Report required as part of development of the next Local Plan.
- 1.3.2 A HNDA is a strategic assessment of the whole housing system, covering all tenures. It will:
- identify key drivers, pressures and imbalances in the housing market across all tenures and across geographical sub areas (Local Housing Market Areas);
 - assess the relationships and flows between tenures
 - examine trends over a period of 10 years past and forecasts of up to 15 years into the future;
 - be the basis of resource prioritisation for the Local Housing Strategy (via Strategic Housing Investment Plan);
 - be the basis of housing development land allocation for the next Local Plan;

- 1.3.3 The HNDA provides an assessment of any imbalances within Moray's housing market, and an assessment of any shortfall or surplus of housing in Moray. The strategic response to any imbalances or shortfalls is out with the remit of this document. Any strategic or policy responses to the findings of the HNDA will be agreed through the development of the Council's strategic planning and policy documents e.g. Local Plan, Local Housing Strategy, Single Outcome Agreement.

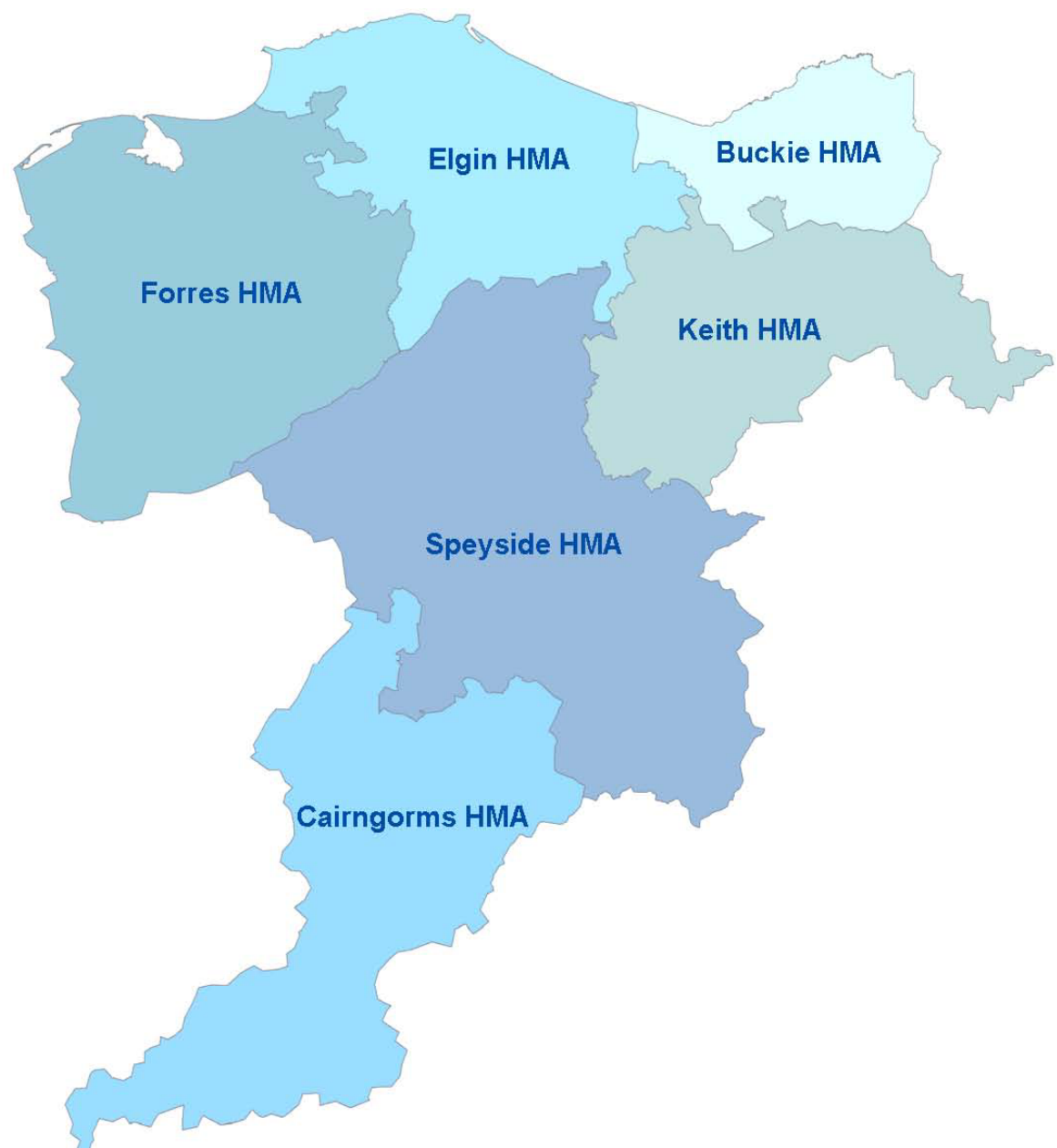
1.4 Developing the HNDA

- 1.4.1 The HNDA has been prepared "in-house", and in accordance with the Scottish Government's guidance. It is required to achieve "robust and credible" status, prior to publication of the Council's Local Plan Main Issues Report in January 2012. The HNDA was appraised as "robust and credible" by the Centre for Housing Market Analysis on 12 September 2011.
- 1.4.2 This HNDA assesses future housing need and demand over a period which covers the term of the current Interim Local Housing Strategy 2010-2013, the current Local Plan 2008, and the next 2 Local Housing Strategies and Local Plans, covering a period up to 2023.
- 1.4.3 The Scottish Government suggests that Councils should establish a Housing Market Partnership (HMP) involving public and private sector partners, so that the HNDA can be undertaken and agreed jointly. The HMP agreed its remit at its inaugural meeting on 10 June 2010 and agreed that its responsibilities should include activities such as sharing information/intelligence as well as signing off the final assessment report.
- 1.5 The HNDA has been completed "in-house" using a variety of secondary data sources. Most data sources are publicly available, many are suggested by the CHMA, and some are locally produced.
- 1.6 The format of this Executive Summary follows that of the full HNDA, structured around 15 sections:
1. Introduction
 2. Functional Housing Markets
 3. Demographic context
 4. Economy
 5. Housing Stock
 6. Housing Market Activity
 7. The Future Housing Market
 8. Estimate of household groups who have specific housing requirements
 9. Estimate of current and future households in housing need
 10. Net need for affordable housing
 11. Net need for market housing
 12. Monitoring and updating
 13. Conclusion

2. Functional Housing Markets

- 2.1 Functional Housing Markets are determined by analysis of patterns in house sales data. Analysis of house sales over the last 5 years shows that, of houses sold in Moray, 73% were bought by a purchaser originating from within Moray. Therefore, Moray Council area continues to be a functional housing market. Similar analysis has also identified 6 sub-market areas or local Housing Market Areas (HMAs); Buckie, Elgin, Forres, Keith, Speyside and CNP, illustrated in Figures 1 below. These are identifiable housing search areas, both in patterns of house sales and in area preferences expressed on the Council's Housing List, and will be used to assist in target setting in the Council's Local Plan, LHS and SHIP.

Figure 1 Moray Local Housing Market Areas (LHMAs)



3. Demographic context

3.1 The HNDA is required to gather detailed contextual information on Moray's demographics, economy and housing markets, to develop an understanding of how the housing system functions. The key factors affecting Moray housing system are:

1.1.1. Moray's population is projected to grow slowly between 2008 and 2023, but the rate of household formation is projected to be much faster. Between 2008 and 2023 there are projected to be :

- 9% more households
- 30% more single adult households
- 22% fewer families with children
- 15% more households aged 60-74
- 59% more households aged 75+
- 166% more single adult households aged 90+

3.1.1 There is a projected increase in single adult households, an ageing population and a projected reduction in families with children, particularly in rural areas. In 2011, 32% of Moray's households are single adult households, and NRS project this proportion to increase to 37% by 2023. In 2011, 14% of Moray's households are headed by someone aged 75+, and NRS project this proportion to increase to 20% by 2023. This means there will be increasing demand for smaller accessible housing, and services for older people.

3.1.2 NRS migration data show that on average between 2007 and 2009, approximately 13% of 18-19 year olds moved away from Moray. It is likely that Moray's young people move away to undertake higher or further education, or to seek better employment opportunities.

3.1.3 The number of households arriving from A8 Nations has decreased dramatically since 2007/8.

4. Moray's Economy

4.1 21% of the Moray economy is reliant on the RAF bases at Lossiemouth and Kinloss (Moray 2020). Highlands and Islands Enterprise's most recent study (August 2010) found that "the bases collectively support 5,711 FTE jobs in the local economy. This equates to around 16% of all FTE jobs within Moray. The associated gross income is slightly over £158 million. These are clearly very significant impacts." Public sector jobs, Moray Council, NHS and MOD, dominate the employment structure.

4.2 Although unemployment is lower in Moray than the Scottish average, there are fewer professional and managerial employment opportunities available in Moray than almost anywhere else in Scotland. This contributes to Moray's comparatively low average earnings and the trend for young people to leave the area to enter further/higher education or to seek employment.

- 4.3 The Scottish Indices of Multiple Deprivation 2009 shows that 1 datazone in Moray falls within the 15% most deprived in Scotland (South Lesmurdie, Elgin) and 2 datazones fall within the 20% most deprived in Scotland (Millbank area, Buckie and the West Thornhill area of New Elgin). However, none of these areas are deprived under the Housing Domain.
- 4.4 HIE report that Moray College and NHS Grampian have sought to increase its student numbers by attracting overseas students, but finds the lack of student accommodation of sufficient quality is inhibiting this expansion. HIE estimate that there is sufficient demand from Moray College and NHS Grampian students for a 100-bed residential unit for students in Elgin.

5. Housing Stock

- 5.1.1. This section presents information in current housing stock in all tenures, and how the housing stock has changed since Census 2001. In April 2010 there were 42,115 properties in Moray, 95% of which were occupied.
- 5.1.2. Since 2001:
- 1,323 properties have transferred from Council ownership to owner occupation through Right to Buy.
 - The proportion of affordable rented stock has reduced despite investment in new stock from the Scottish Government and RSLs.
 - The number and proportion of occupied stock has increased
 - Defence Executive (DE) has reduced its stock by approximately 2% per year since 2001. Some stock transferred to RSL ownership, some to owner occupation but some remains vacant.
- 5.1 The key points from this section are:
- Moray has a higher proportion of detached /semi-detached properties than Scotland as a whole, and fewer flats.
 - Moray has low levels of ineffective housing stock with 95% of dwellings occupied.
 - The numbers of second homes have reduced since 2001, but remain most prevalent in CNP area of Moray.
 - The Council has lost more an half its housing stock since 1980 through Right to Buy sales, predominantly larger sized, family housing, of traditional construction.
 - An estimated 24% of private sector housing is in urgent disrepair. Urgent disrepair is most prevalent in the private rented sector.
 - The Council is aware of 372 properties that are current below tolerable standard (BTS), approximately 1% of current private sector stock, a reduction from 2.7% in 1998.

- The Home Energy Efficiency Database (HEED) shows that approximately one third of properties in Moray have less than 250mm loft insulation.¹

6. Housing Market Activity and Affordability

- 6.1 This section looks at house price changes, housing costs and affordability across all tenures. The Scottish Government's guidance suggests that other indicators of demand are considered, including overcrowding, under-occupancy, vacancies and turnover rates.
- 6.2 There were 50% fewer second hand sales and approximately 40% fewer new build sales in 2009 than in 2008. There has been a contraction in the local buy-to-let market, post "credit crunch".
- 6.3 Renting from the Council is the lowest cost housing option in Moray. Moray Council rents have been amongst the lowest in Scotland for many years. RSL rents in Moray are broadly similar to Scottish averages.
- 6.4 Lower quartile house prices in Moray increased by 137% between 2000 and 2008, but fell by 5% between 2008 and 2009. Since 2003, house prices have increased at a rate which far exceeds increases in earnings.
- 6.5 Affordability in Moray is helped by the sustained period of low mortgage interest rates. Moray's low wage economy makes housing in all tenures less accessible, particularly to single earner households and newly forming households. The lack of availability of mortgage credit and the requirement for large deposits, is inhibiting house sales, and disadvantaging first time buyers in particular.

6.6 Vacancy rates and turnover

- 6.6.1 Turnover of owner-occupied housing has fallen between 2001 (5.8%) and 2008 (4.3%). The size of owner occupied housing for sale does not match the future demographic profile of Moray. During 2003-2008, 32% of house sales were for 1 or 2 bed properties, but in 2011, 76% of households are 1 adult or 2+ adult households, and by 2023, 82% will be 1 adult or 2+ adult households.
- 6.6.2 The relet rate of affordable rented housing has been stable over 2006/7 to 2010/11 recent years. However relet rates are not uniform across house sizes, 1 bed properties are re-let twice as often as 3 or 4 bed properties.
- 6.6.3 The size and type of affordable housing stock, and the varying relet rates, result in imbalances between the relets generated and housing need. The

¹ HEED coverage in Moray was 24% at the time of writing, available from <http://www.energysavingtrust.org.uk/business/Business/Information/Homes-Energy-Efficiency-Database-HEED>

ratio of Council Housing List applicants to relets is highest for 4+ bed properties and wheelchair accessible properties.

- 6.6.4 Most Council tenancies end because the previous tenant died (26%) or was admitted to hospital/residential care (10%). A greater proportion of Moray Council relets are allocated to homeless households (47%) than RSL relets (37%)

7. The Future Housing Market

- 7.1 This section provides estimates of the scale of future demand across the housing market in Moray and considers how the current drivers of housing markets could shape future changes in housing demand. The key inputs considered are the total number of new households that are likely to form in the future in Moray, and the ability and willingness of these households to pay for housing. These inputs are considered in the context of an estimate of the future economic performance of the area.
- 7.2 NRS household projections (2008 based) indicate that by 2023 there are likely to be between 42,480 and 45,733 households in Moray. This is an increase of between 9.46% and 17.84% in the number of households between 2008 and 2023.
- 7.3 To gain an understanding of future affordability the Housing Market Partnership has carried out scenario testing using information on current housing costs, current mortgage interest rates and current earnings. Assumptions used throughout these scenarios are:
- younger employees earn less than average;
 - mortgage providers will require a 10% deposit;
 - mortgage interests rates are 5%;
 - mortgage providers apply a multiplier of 3.5 to earnings for single earner households and 2.87 for dual earner households, when determining lending parameters;
 - households should not pay more than 25% of their income in housing costs.
- 7.4 The Housing Market Partnership considers the following to be affordable to households on modest² incomes:
- a weekly rent of between £75-£85.
 - a purchase price of £56K would be affordable to lower quartile, single, full-time earner households³ aged <30 while interest rates remain at around 5%⁴ using 3.5 multiplier, if they have access to a 10% deposit.

² For this purpose, modest equals lower quartile i.e. the value below which one quarter of the cases falls. In relation to earnings, it means the earnings that are one-quarter of the way up the ranking from the lowest to the highest.

³ http://www.statistics.gov.uk/downloads/theme_labour/ASHE-2009/2009_res_la.pdf

- a purchase price of £103K would be affordable to lower quartile dual full-time earner households while interest rates remain at around 5%, using a 2.89 multiplier, if they have access to a 10% deposit.
- limited availability of mortgage credit, the requirement for large deposits, and Moray's low wage economy are the most significant inhibitors to house purchase.

7.5 In general, home ownership is unaffordable to many households with modest incomes. The Housing Market Partnership has concluded that 40% of newly forming households could afford to meet their housing needs from the market without assistance. Households on modest incomes are particularly vulnerable to changes in mortgage interest rates and/or unemployment. Mid-market rent is more likely to be affordable to Moray households than low cost home ownership (NSSE/LIFT).

⁴ Bank of England CFMHSDE

8. Estimate of household groups who have specific housing requirements

8.1 Scottish Government guidance requires Housing Market Partnerships to estimate the housing needs of “household groups who have specific housing requirements e.g. families, older people, minority ethnic groups, disabled people, young people, etc.”

8.2 This section considers the distinctive housing requirements of:

- Ethnic minority households;
- EU migrant workers;
- Gypsies/Travellers;
- Homeless Households including young vulnerable adults, especially those under 17 years leaving care and those households fleeing domestic violence or abuse.

8.3 This section is also intended to provide an evidence base for Equality Impact Assessments on policies and services relating to housing. For this reason, this section is structured around equality strands:

- Race
- Gender
- Disability
- Religion/Faith
- Older people
- Children and young people
- Lesbian, Gay, Bisexual and Transgender

8.4 Given the projected demographic profile of Moray, the Housing Market Partnership has taken care to assess the needs of older people and people with disabilities. The Housing Market Partnership has also used the findings of recent research to assess the need for specialist housing to meet the needs of specific household groups. The main findings are:

- There is a current and future need for appropriately designed, appropriately supported housing for older and/or vulnerable people using a combination of amenity/ medium dependency housing and sheltered or very sheltered/ extra care housing.
- There is a current and future need for disabled adaptations across all tenures
- There is a need for increased supply of supported housing for people with learning disabilities.
- There is a need for increased supply of supported housing for women fleeing domestic violence or abuse.
- Recent research has identified a shortfall in supply of pitches for gypsies/ travellers.

9. Estimate of current and future households in housing need

- 9.1 The HNDA is required to provide an estimate of current and future households in housing need (Core Outputs 5 and 6).

Current housing need

- 9.2 The Housing Market Partnership has based its estimate of current need on data from the Council's Housing List, and has based its estimate of future households on household projections published by the National Records of Scotland (NRS) (2008 based) Principal Projection.
- 9.3 The Housing Market Partnership has agreed to exclude households in housing need who are currently occupying social housing from this part of the estimate, in an effort to generate a net estimate of housing need.
- 9.4 The Housing Market Partnership has agreed to exclude households aged under 30 years from current housing need to minimise double counting with future housing need/ newly forming households.
- 9.5 The Housing Market Partnership has agreed to exclude households originating from out with Moray to minimise double counting with the net estimates of housing need generated by other Local Authorities/ Housing Market Partnerships.
- 9.6 The Housing Market Partnership has agreed that 1,161 households in Moray are in current housing need.

Future Housing Need – Newly forming households

- 9.6.1 This section includes an estimate of the number of newly forming households per year over the next 10 years with an estimate of the proportion of those households who will be unable to buy or rent from the market without assistance. This section also includes an estimate of the number of existing households expected to fall into housing need over the next 10 years.
- 9.6.2 The Scottish Government's guidance requires that gross household formation should be considered, as opposed to the net household growth projections produced by the National Records of Scotland (NRS).
- 9.7 Bramley et al (2006) have found that at in any year between 2.4% and 2.14% of households are newly forming. This means that between 870 and 975 households per year are newly forming households, depending on the rate applied.

Gross Household Formation in Moray					
Projected No of households			Avg gross newly forming households per year (2008 – 2023)		
			GHF rate (Scotland)	GHF rate (accessible rural)	GHF rate (deep rural)
Variant	2008	2023	2.40%	2.24%	2.14%
Principal	38,810	42,480	975	910	870
1	1	1	2	2	2

Sources:

1. NRS Household Projections (2008 based) (see Table 3.7)
2. Bramley et al (2006) (see Table 9.1)

9.8 The Housing Market Partnership's agreement has been sought that the Principal Variant household projections, and that the Accessible Rural Gross Household Formation rate of 2.24% should be used. Therefore 910 households should be included in this part of the assessment. However if 870 households were included a minimum scenario could be generated, and if the 975 units were included a maximum scenario could be generated.

9.9 Using the results of the affordability scenario testing, the HMP estimates that, of the 910 projected newly forming households in Moray each year, 60% will be unable to meet their housing need from the housing market without assistance, mainly because Moray's trend for low earnings does not generate sufficient income for new households to access mortgages. 546 newly forming households each year will be unable to meet their housing need from the housing market.

Future Housing Need – existing households falling into need

9.10 The Council receives approximately 800-900 new housing applications per year from households found to be in housing need. Over the last 3 years, 41% of applications were cancelled, in part as a result of the Housing and Property Service's ongoing contact with applicants, and cleansing of Housing List data. Using this data and the same assumptions as for current housing need, i.e. the exclusion of applicants aged <30 years and, all current social renters and all households originating from out with Moray, the Housing Market Partnership has agreed that 337 existing households are likely to fall into housing need each year. This figure does not include any household choosing to apply to any or all of the RSLs operating in Moray and not to the Council, and so is likely to be an under-estimate.

9.11 It should be noted that this HNDA is being prepared at time of great economic uncertainty in Moray, due to the uncertainty surrounding the closure of RAF Lossiemouth. Moray's economy is highly dependant on the presence of the RAF. The Housing Market Partnership has been unable to quantify the potential impacts any closure would have on the housing system, but will carry out annual updates of the HNDA to maintain an accurate estimate of current housing need.

9.12 Estimate of affordable housing supply

- 9.12.1 This part of the assessment is required to consider the level of existing and future supply of affordable housing to meet housing need.
- 9.12.2 Moray has benefited from record allocations of AHIP investment in recent years. At the time of writing, local RSLs were in the process of delivering Moray Volume Procurement Initiative 3 (MVPI3). Moray Council has successfully secured grant funding for Council New Build. Grampian Housing Association have procured and renovated ex-DHE properties at Kinloss.
- 9.12.3 The Housing Market Partnership has estimated that there will be 451 re-lets of affordable housing per year for the next 10 years, based on current Council and RSL relet rates, and generated from current affordable rented stock and planned new build affordable rented new stock, where funding is in place.

10. Net current need for affordable housing

- 10.1 The estimate is based on the formula suggested by the Scottish Government which requires inputs of numbers of households in current housing need, plus an estimate of the number of newly forming households per year who will not be able to afford to meet their housing need without assistance; minus an estimate of the number of expected relets from current affordable rented stock per year, minus the expected new supply of affordable rented units per year; resulting in an estimated number of housing units required each year, for the next 10 years, to meet current and newly arising housing need.
- 10.2 The Housing Market Partnership estimates there is a need for 424 units of affordable housing per year for the next 10 years, delivered in a variety of housing types and designs.

Estimates of net annual housing need by house type	
Type of Housing	Net need per year (no of units)
Self-contained general needs/ mainstream housing	322
Amenity/ medium dependency housing (1, 2 or 3 bed)	32
Sheltered housing/ Very sheltered/ extra care housing	63
Subtotal	418
Supported housing for people with learning disabilities	5
Supported housing for women fleeing domestic abuse	1
Total	424

11. Net need for Market Housing

- 11.1 The Centre for Housing Market Analysis (CHMA) has assisted the Housing Market Partnership with a methodology for assessing the need for market housing. This methodology focuses on the need for lower quartile priced market housing.

Annual estimates for market and affordable housing by HMA						
HMA	Net annual need for affordable housing		Net annual demand for market housing		Total land requirement	
	units	%	units	%	units	%
Buckie	70	85.4%	12	14.6%	82	100%
Elgin	193	80.4%	47	19.6%	240	100%
Forres	87	75.7%	28	24.3%	115	100%
Keith	34	66.7%	17	33.3%	51	100%
Speyside	40	83.3%	9	18.8%	48	100%
CNP	1	50.0%	1	50.0%	2	100%
Moray	424	78.8%	114	21.2%	538	100%

12. Monitoring and updating

- 12.1 Key drivers of the housing market and therefore key indicators in this HNDA can change very quickly i.e. changes in the national and/or local economy, changes in house prices and affordability. It is vital that the Council and its partners have access to an accurate and up to date evidence base to support its strategic decision making.
- 12.2 The Scottish Government requires HNDAs to be updated on a 5 year cycle to support development of each Local Plan and Local Housing Strategy. However, the Housing Market Partnership has agreed that key indicators should be updated annually as new secondary data becomes available, and in time to support development of each SHIP, each November.
- 12.3 The HNDA will be monitored through the monitoring processes associated with the strategic documents it supports e.g. the Local Plan, Housing Land Audit, Local Housing Strategy and SHIP.

13. Conclusion

13.1 The HNDA has been produced using the Scottish Government's Housing Need and Demand Assessment Guidance, March 2008, by the Council and its partners through the Housing Market Partnership.

13.2 It has been produced "in house" using a variety of relevant secondary data sources.

13.3 The findings of the HNDA are:

- A land allocation of 538 new housing units will be required each year, for the next 10 years, to provide a supply of housing land that will meet Moray's housing requirements.
- 424 new housing units will be required each year, for the next 10 years, to meet the need for affordable housing.
- 78% (424/538) of the future land allocation will be required to meet the need for affordable housing, although this varies across Housing Market Areas.
- The continuing shortage of affordable housing is the key imbalance in the local housing market. The supply of affordable housing in Moray needs to increase significantly to meet the projected shortfall.
- The Supplementary Planning Guidance Affordable Housing Policy is unlikely to be able to deliver all the affordable housing required through Section 75 agreements. Local planning policy needs to consider how it can best support the delivery of affordable housing to meet the high level of housing need within the estimate of future housing requirements. The Council may need to consider revising the Affordable Housing Supplementary Planning Guidance to remove/revise the 10 unit threshold, to better facilitate delivery of affordable housing, especially in rural areas.
- Moray is a low wage economy and a large proportion of the population cannot afford to access housing in the private market. Housing need in Moray would be best addressed by increasing the supply of social rented housing.
- The potential for intermediate tenure housing i.e. mid-market rent or low cost home ownership, to address housing need in Moray is limited due to affordability
- Household projections indicate that the supply of housing will need to address demand from 1 or 2 adult households and the ageing population.
- There is a sustained current and future need for specialist housing for households with particular needs:
 - a range of appropriately designed or adapted affordable housing options, in all tenures, for older people, delivered with a range of support options.
 - supported housing for people with learning disabilities.
 - affordable housing for larger households and households requiring wheelchair accessible accommodation.
 - housing with support for women fleeing domestic abuse.
 - There is a shortfall in supply of halting sites for gypsies/ travellers.