Sheffield Strategic Housing Market Assessment

November 2013

Executive Summary
THE APPROACH TO THE STRATEGIC HOUSING MARKET ASSESSMENT

- Strategic Housing Market Assessments are a development of the ‘housing needs assessment’ approach, expanded to integrate considerations of market processes and demand.
- They are generally required to support housing planning, in particular by assessing the requirement for market and affordable housing in the city, but also inform a range of other policies.
- Six key elements form Sheffield’s approach to the SHMA. These are: (i) a baseline market analysis; (ii) consideration of housing submarkets; (iii) a major survey of 3,363 households; (iv) construction of a housing needs and demand model; (v) the in-depth views of 37 residents and around 40 other stakeholders; and (vi) considering the policy development implications through a series of policy user workshops with 44 delegates and other forms of engagement.
- The key findings from the SHMA are summarised by chapter:

CHAPTER 2: POLICY CONTEXT

National policy context

- The housing landscape nationally and regionally remains challenging.
- There is an overriding concern with dealing with the volatility of the housing market and its impact on national and local economies.
- Ensuring that historically low levels of new housing construction are tackled is a key challenge, as is growing the private rented sector (PRS).
- Despite the recession and downturn, house prices remain high in relative terms and in relation to real incomes. That said, there have been some localised and time-specific falls in prices, further emphasising social and economic divides in the housing market.
- Access to mortgage finance remains tight, underscoring the lack of developer activity. However, recent government schemes such as Funding for Lending and Help to Buy may begin to help financing become more accessible.
- Reforms to the planning system and to social housing rules and accounting policies provide some opportunities for local discretion and flexibility, especially where local resources (e.g. land) can be brought to bear.
- But reforms in other areas – notably Housing Benefit – will have distorting effects and may lead to tenure switching and greater pressure on private rented housing.
- The cumulative impact of these policy changes is difficult to predict, but may in part reflect local policy priorities.
Local policy context

- The City Council's housing strategy has three key aims: (i) to increase supply; (ii) to make best use of the existing stock; and (iii) to help vulnerable households to live independently.
- House-building has slowed to about 900 units p.a., less than half of the Local Plan target. Market conditions have made the Council’s 40% affordable housing target difficult to achieve. The city’s stock increases by less than 1% p.a.
- Land identified in the SHLAA is concentrated in certain areas and is often unviable to develop. The City Council has stated its intention to undertake an early Local Plan review which will seek to identify wider options for land release.
- Around a quarter of the identified land supply is in the City Centre, but the market for city centre apartments has slowed. The City Centre Masterplan envisages greater housing diversity in the city centre.
- The Sheffield Housing Company will deliver 2,300 mixed-tenure homes on council land by 2032.
- The Affordable Homes Programme will lead to around 500 new homes at 80% of market rents by 2015.
- A range of local policies is aimed at making better use of the housing stock. These include the Houses into Homes loan scheme and the new Allocation Policy, which streamlines need categories and introduces a new under-occupation priority.
- A quarter of PRS properties have at least one Category 1 hazard.
- The new Tenancy Strategy emphasizes the importance of tenure security in the social stock, and its contribution to community stability.
- Sheffield's population is increasingly diverse and is living longer.
- Some groups face challenges accessing appropriate housing and services, including students, who represent a significant proportion of the population in particular areas.
- Welfare reforms will have significant impacts on the city and on its vulnerable population groups. The city will lose £170 million in benefit income. Around 7,000 working age social rented tenants will be affected by the so-called ‘bedroom tax’ and it is anticipated that priority homeless cases will rise.
- A more coordinated approach to housing and health should arise from the Council’s new public health responsibilities.
- A Supported Housing Pathway together with new facilities will help support more people to live independently.
- Growth in the PRS reflects the difficulties faced by younger people in particular in accessing home ownership.

CHAPTER 3: DEFINING THE MARKET AREA

The Sheffield Housing Market Area

- Sheffield is one of the largest cities in England and lies at the heart of the Sheffield City Region. But it is a collection of separate settlements, some annexed to the city, and this means that the local authority is ‘over bounded’ – the local authority boundary is larger than the city itself.
• One-third of the local authority area lies within the Peak District National Park, which imposes significant limitations on housing development and density across much of the west of the city.

• Consequently, Sheffield is a self-contained housing market area. 73% of moves take place within the city boundary, but there are important links with neighbouring authorities for certain household types such as those seeking family housing.

Migration links with neighbouring districts

• The Sheffield housing market has important links to neighbouring districts, especially Rotherham.

• Sheffield loses population to surrounding districts, but gains population from those undertaking long-distance moves and international migrants.

• Although numbers fluctuate each year, Sheffield receives around 6-7,000 net international migrants per year. This number includes students, although the numbers of international students leaving the city at the end of their studies will more or less balance out students arriving.

• Travel to work links between Sheffield and neighbouring areas show that Sheffield’s employment areas are the most significant economic drivers in the city region. This is significant in attracting people to the city’s housing market and we need to ensure that the housing offer continues to support economic growth.

Sub-markets and housing market sectors

• The number of sub-markets, termed Housing Market Areas (HMAs), in the city has increased from the 12 identified in 2007 to 13 today, identified in Figure 1.

• Sheffield remains a divided city in terms of its income distribution, with distinct characteristics across different parts of the city. These are reflected in the distinctive nature of each HMA.

• Internal migration patterns are quite localised. There is a high degree of ‘place attachment’ in Sheffield’s housing market, which means movers often seek to remain within the same neighbourhood.

• Housing search data reveals distinct search patterns in sub-markets and the difference in activity levels of the private market between HMAs.

• The city centre remains a complex market, with concern from residents about its night-time vibrancy with an over-supply of apartments.

• The student market remains strong with large numbers of students supporting the private rented sector in the City Centre West and City Centre HMAs in particular.

• Private sector rents have fluctuated over the last five years and vary by location with growth in the rent of properties in the South West by 31%, which may be causing access problems for lower income households.

• The South West of the city is widely acknowledged as an area of very high market pressure, although some types of housing have fallen in price over recent years, the area remains the most popular part of the market.
CHAPTER 4: THE CURRENT HOUSING MARKET

Demographic and economic context
- Sheffield population has been growing and is increasingly diverse.
- Nearly one-third of households are single person households.
- Skills levels and rates of economic activity have been improving, although there is evidence that this experience is not shared by all, notably younger people.

Demand processes
- House prices in Sheffield are among the highest in the sub-region, although they have fallen by 17% since the market peaked in 2007.
- There is great variation in house price levels across the city.
- Gross household incomes have failed to keep pace with the rises in housing costs.
- Although price-to-income ratios have fallen in theory (from 6.6 in 2007 to 4.9 in 2012), there remain problems with the accessibility of finance for home purchase.
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- Access prices have fallen by on average 27%, but there is huge variation between HMAs and access to finance is difficult.
- The average deposit required for owner occupation is just over £13,000. It is estimated that 15% of current households not in owner occupation have access to the required deposit.
- Private rents have increased on average by 14% since 2007. 45% of households can afford the average monthly rent.
- Despite falling prices, the consequent overall impact on affordability is only marginal.
- Households continue to seek to ‘trade up’ to larger housing, frequently citing problems with the size of their housing. There is a large demand for family housing in the city.
- Neighbourhood satisfaction and preferences drive search and market activity, and the perceptions of neighbourhood quality vary considerably across the city.

Housing stock and supply

- Sheffield's housing stock has grown at a relatively slow rate - just over 1,000 dwellings per annum, mainly flats and apartments.
- The housing stock is relatively old.
- There are specific problems with poor conditions in the private sector.
- 3% of dwellings may be overcrowded. Overcrowding is worst in the social rented sector.
- The majority - 71% - of properties are technically under-occupied, although this is predominantly the case in the owner-occupied sector. 40% of properties in the social rented sector are under occupied which will affect working age tenants claiming Housing Benefit.

CHAPTER 5: THE FUTURE HOUSING MARKET

Demographic change

- Sheffield's population continues to increase as a result of demographic (natural) change and net international migration. The city loses a small proportion of its population each year through net internal (domestic) migration.
- The largest net contribution to Sheffield’s population growth was from international migration, which is in contrast to the surrounding areas.
- The rate of new household formation over the next five years is projected to be between 1,500 and 3,000 households per annum, depending on the assumptions made in the household projections. Therefore throughout the report we refer to a conservative estimate of 2,270 households per annum.
- The student population represents an important group. Graduate retention contributes to a relatively significant population in their late 20s and 30s, which is projected to age in situ. This presents a challenge to ensure that there is an adequate supply of affordable family housing in popular neighbourhoods for this growing group.
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- The population profile by HMA shows marked difference between absolute numbers of people in different groups across the HMAs. There is greater harmony proportionally between HMAs when the city centre is set aside.

Household preferences and choice

- 28% of existing households think they need to move to a different home within the next five years, whilst 50% think they will not need to move over the same period. 23% of households do not know if they will need to move.
- More than 40% of couples with dependent and non-dependent children expect to move within five years, suggesting potentially very high levels of demand for family housing.
- 67% of households who expect to move within the next five years would like to be owner occupiers. Only 55% of movers expect to own their home.
- 11% of households would like to be in the private rented sector and 21% of households expect to be renting privately.
- 16% of households would like to be renting from the council or housing associate and 19% expect to do so.
- The most popular neighbourhoods are those in the City Centre West and South West HMAs and the least popular are those in the Manor, the East and the North West. There are notable differences between where households would like to live and where they expect to live.

Newly forming and suppressed households

- 21,000 households contain concealed households looking to form in the next three years.
- The two most frequent types of households most likely to form are single adult and couple households, both without children.
- 65% of newly forming households were estimated to have an income of less than £15,000. 90% have access to less than £10,000 in savings.

Impact of migration flows

- Out-migrant household types are dominated by families. These households dominate the flow into Rotherham, Chesterfield and Worksop.
- Potential migrants to neighbouring areas aspire to move to large homes. 70% of households expect to move to three or more bedrooomed homes.

Effective and new demand levels

- The largest contribution to latent (potential) demand comes from existing households with 63,278 potential movers. A further 21,000 comes from concealed households.
- Only 62% of existing households who expect to move have the income to afford to purchase a home at the lower quartile price.
- Additional market demand from existing households, newly forming households and migration would suggest that we would need 1,748 new homes per annum, over and above those required to meet housing need.
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- This leaves a total five-year net (new) effective demand figure of 8,740 or approximately 1,748 per annum. These households will potentially add to the new housing requirement, and should be viewed as being additional to those in housing need.
- These figures should be considered an upper limit. We would recommend planning for a market housing requirement in the range 1,250-1,700 per annum.

CHAPTER 6: HOUSING NEED

- Our approach to estimating housing needs follows DCLG’s practice guidance in that it estimates the net balance of a backlog of needs, newly arising needs, and new affordable housing supply using a blend of national sources and local survey evidence.
- Housing need is defined as those households who for a variety of reasons are (or will probably be) unable to secure adequate market housing.

Backlog of housing need

- The backlog of housing need is comprised of households in unsuitable housing for a range of reasons, including a technical assessment of overcrowding according to the bedroom standard used in Sheffield’s revised Allocations Policy. An adjustment is made for households whose needs can be met by changes to their household circumstances or through a move out of Sheffield.
- We also adjust for those households likely to be able to afford their own housing in the market. We estimate that the proportion of those in unsuitable housing requiring affordable housing is approximately 67%.
- In sum, we estimate a total requirement to clear the backlog of needs of 1,578 units per annum.

Newly arising need

- Newly arising need results from the formation of new households, again adjusted for those unlikely to be able to afford in the market, and existing households falling into priority housing need. We estimate annual newly arising need of 3,028 units.

Supply of affordable housing

- The supply of affordable housing through the re-lets that can be expected to arise in the city’s council and housing association stock, shared ownership resales, and the completion of programmed new construction, is netted from anticipated demolitions and other reductions to the stock (e.g. through RTB). We estimate annual supply of affordable housing of 3,881 units.

Overall annual shortfall

- In sum, we consider that there is an overall annual shortfall of affordable housing of 725 units.
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- It should be noted that this estimate is sensitive to changes in assumptions about future housing market and economic conditions and the influence of policy interventions.
- Based on the likely levels of demand revealed by the survey, the overall annual shortfall of need should be met through an affordable/intermediate housing ratio of 70/30.

CHAPTER 7: HOUSING REQUIREMENTS BY GROUP

Households and residents with disabilities or long term limiting illnesses

- The survey suggests that 57,468 households contain at least one household member suffering from disability or LLTI.
- The distribution of these households is spatially uneven as is the inadequacy of housing for these residents. Approaching 32% of households with members who are disabled or have long term limiting illnesses in the Manor/Arbourthorne/Gleadless HMA believe their housing is not adequate given their circumstances.
- The incidence of households living in inadequate housing is part of the rationale for 25% of these households considering moving home.
- These households have serious concerns about the likely impacts of welfare reform which will need to be monitored carefully and might have pronounced consequences for housing need.

Students

- There are 62,000 students at the City’s two Universities. Their housing requirements are met by approximately 16,500 PBSA bed spaces and the private rented sector.
- Student households express high levels of dissatisfaction with the PRS. They highlight: sub-standard conditions; overcrowding; poor levels of repair and maintenance; and security and safety concerns.
- There is some suggestion that demand for ‘traditional’ PRS student accommodation is weakening.

High Net Worth Households

- The preferences of high net-worth households are significantly shaped by the quality of school provision. Demand is highly concentrated in particular school catchment areas in the South West of the City.
- Despite high demand, there is no clear evidence that the very ‘top’ end of the market is constrained.

BME households

- BME households are found throughout the city but are most highly concentrated in particular neighbourhoods. These neighbourhoods are viewed positively as sources of social support, and due to the clustering of religious and cultural amenities.
- Strong preferences for these areas has begun to drive property values. ‘New communities’ are thought to be emerging in Page Hall and Fir Vale.
Older households

- Sheffield's population is ageing. The city also acts as a net attractor to older households who need support.
- There is a significant group of active older households for whom the market does not cater.

CHAPTER 8: CONCLUSION

- The final chapter synthesises the evidence from the range of qualitative and quantitative sources. This evidence and the policy workshops conducted (see Appendix 2) help highlight key questions and policy issues for the housing market in Sheffield from 2013.

- The policy challenges for family housing are:
  **Place-making.** How might the features of high demand submarkets be replicated in other parts of the city?
  **Viability.** How might the market be stimulated to deliver family homes throughout the city, particularly where developers have concerns about demand levels and viability?

- For the City Centre market key questions include:
  **Demand diversification.** Can a more balanced demographic profile be achieved in the City Centre?
  **Supply diversification.** Can the market be stimulated to develop new family homes and, if so, can the infrastructure support the different demands (e.g. for schools, doctor surgeries, etc.) that this might bring?
  **Older households.** Can the market design and deliver new products for active, older households? Can the amenities support increased demand from this household type?

- Challenges emerging for the private rented sector are:
  **Standards.** How can the need to raise the standards of properties and management be balanced with the impact on landlord investments?
  **Impact on supply.** Will this impact on the supply and further increase rents?
  **New institutional landlords.** What is the potential for social rented landlords and institutions to enter the market to improve standards?

- Issues surrounding the student market include:
  **Consolidation.** How can the relationship between PBSA and ‘traditional’ student areas be managed? How can traditional housing meet needs?
  **Resilience.** What models are there to ensure the resilience of major PBSA developments and neighbourhoods in the face of any future changes to student numbers? How can PBSA and its owning institutions diversify the uses to which it is put?

- Finally, policy issues for shared housing markets are:
  **Capacity.** What capacity is there for neighbouring authorities to meet the extra housing requirements arising in Sheffield that might be associated with levels of economic growth above that implied by the current household projections?
**Infrastructure.** How will future infrastructure, such as improving transport links with Rotherham, shape demand and open up the possibility of a larger cross-boundary flow? Might Sheffield’s current status as a self-contained housing market area hold true in the future?