APPENDIX 5

AFFORDABLE HOUSING

ASSESSMENT OF HOUSING NEED - HOUSING STATEMENT IN RELATION TO AFFORDABLE HOUSING

Housing Needs Assessment 2000

1. Introduction

1.1 This appendix provides information regarding HP2.1 Provision of Affordable Housing. In sections 1-7 information from the Housing Needs Assessment carried out in 2000 is presented. In sections 8-11 this is updated by the information from the 2005 Housing Needs Assessment.

1.2 The advent of housing associations and, in support of them, the Housing Corporation, though to be welcomed, has not been enough to keep up with the growing problem of lack of affordable housing and affordability. The sharply rising cost of owner occupation widened the affordability gap and increased the need for affordable housing. Residents in Stockport have much higher housing costs than most parts of the North West Region.

1.3 Circular 6/98 "Planning and Affordable Housing" defines "affordable housing" as including both low cost market housing and subsidised housing (irrespective of tenure) that will be available to people who cannot afford housing generally available on the open market. Though the circular regards the two as virtually interchangeable, in reality they are largely separate sectors of demand with only a small overlap though providers of the two sectors are likely to compete for many of the same sites. A quantity of relatively low cost market housing has been and continues to be built in Stockport as part of the general market housing largely in the inner and northern wards. However the main problem relates to people whose income will not support mortgage repayments in the general housing market and the need to subsidise their housing provision. Even within subsidised affordable housing there are major differences between types of provision and the sector of the market they serve. For example, discounted sale housing units generally require purchasers to have much higher incomes to service a mortgage than purchasers of equity share dwellings occupants. Furthermore, there tend to be more opportunities for purchasers of discounted sale housing to satisfy their housing needs within the second hand market compared with equity share purchasers and tenants.

2. Rents and demand for rented housing

2.1 The Housing Needs Assessment (HNA) conducted for SMBC by Oldfield King Planning and Market Research UK Ltd found that as at April 1999 local authority rents in Stockport were below the Greater Manchester average and that, on the other hand, as at 1997 registered social landlord (RSL) and private rented sector rents in Stockport were the highest in Greater Manchester. Demand for social housing in Stockport remains buoyant.

Total number of households on the housing waiting list at 1st April 2001	7151
This includes**:**	
Households with or expecting children	1771
Households requiring specialist dwellings (e.g. elderly or disabled)	746
Other households	4634
Source**:** Stockport MBC Housing Waiting List	

3. Local market prices

3.1 The online service provided by HM Land Registry (Crown Copyright 2001) shows that in 2001 average house prices in Stockport remain high in comparison with the rest of Greater Manchester.

April – June 2001	**Stockport**		**Greater Manchester**	
	Average price £	**No. of sales**	**Average price £**	**No. of sales**
Detached house	173813	192	132408	1556
Semi-detached	93019	531	74072	3869
Terraced	61568	402	43154	4396
Flat/maisonette	72425	113	75411	710
Overall	93457	1238	69875	10531
Source**:** HM Land Registry				

3.2 The HNA found that in 1998 the loan to income ratio for first time buyers in Stockport was 2.88 in Stockport compared to 2.68 in the rest of Greater Manchester.

3.3 DTLR provided bidders for funding under the *Starter Homes Initiative* with lower quartile as well as median house prices, by local authority area *(*DTLR October 2001 *Housing and Housing Policy: The Starter Home Initiative,*).

3.4 Given Stockport’s higher than average house prices and loan to income ratios within Greater Manchester, the lower quartile of house prices represent a more appropriate benchmark for affordable housing for home ownership in this borough than either average or median house prices.

4. Tenure

4.1 The HNA confirmed owner occupation as the dominant tenure in Stockport. In addition, the majority of households expecting to move within the next three years intend to buy, rather than rent their new home.

	Housing tenure in Stockport as at 1 April 2001		**Housing tenure nationally as at 31 March 2000**	
Tenure	Number	Percent	Number	Percent
Council	13,305	10.8	} 4,300,000	20.5
RSL#	4,831	3.9		
Other Public sector*	1,373	1.1	..	..
Owner occupied	98,506	80.0	14,300,000	68.1
Private rented	5,185	4.2	2,400,000	11.4
Total	123,200	100.0	21,000,000	100.0
*Manchester City Council # Registered Social Landlord	Source**:** HIP 2001 Housing Strategy Statistical Appendix		Source**:** Housing Statistics 2000, DETR 12 December 2000	

5. Household incomes and economic circumstances

5.1 The data in this section is drawn from a Housing Needs Assessment commissioned by Stockport Metropolitan Borough Council and carried out by Oldfield King Planning and Market Research UK Ltd in 2000. The first stage of the assessment comprised a postal survey**:** the overall sampling error was within =/- 1.9%. Figures may not add up to 100 as some categories overlap

Household income (10% of respondents refused to provide details)

Gross weekly income	Percent
Less than £ 80 per week	6%
£80 - £180 per week	23%
Sub-total	29%
£180 - £400 per week	38%
£400 - £500 per week	11%
£500 per week plus	22%

Economic status of head of household	Percent of heads of households
Full time employment/self employed	49%
Employed part time	5%
Registered as unemployed	2%
Retired	36%
Permanently sick/disabled or not working	12%

5.2 As the figures presented above show, 29% of Stockport households have a weekly income of £180 or less. High average house prices and the proportion of households on relatively low incomes are a clear indication of the need for affordable housing for rent and for sale.

6. Future housing needs

6.1 Stage 1 of the HNA revealed that 6187, or 23%, of existing households are likely or very likely to move within the next three years. Of these, 63% would prefer to buy their next home. The maximum house price such households could afford and the maximum monthly rent or mortgage that would be movers could afford are outlined below.

Existing households **Owner occupation: maximum price**	**Percent of households**
Less than £70,000	17%
£70,000 - £100,000	18%
£100,000 - £140,000	20%
£140,000 +	17%
Don't know/refused	28%

Existing households: Maximum monthly rent or mortgage that households could afford	**Percent of households**
Less than £350 per month	37%
£350 - £800 per month	17%
£800 + per month	2%
Don't know/refused	31%

6.2 Again these figures indicate demand for affordable housing in Stockport.

7. Determining affordability levels

7.1 The National Housing Federation (NHF) suggest that rent levels in the social housing sector should not be greater than 25% of tenants' net income. However the Housing Corporation have adopted a figure of between 30% and 35%. The HNA developed an affordability model based on 20%, 25%, 30% and 35% of national average incomes. Given the high cost of owner occupation in Stockport an affordability model based on the lower quartile of house prices and incomes may be more appropriate, 35%, and even 30% are not likely to be affordable in Stockport. The model assumes that the number of lettings by the Council and RSL partners will remain constant at 1500 lettings per annum.

7.2 Whichever model is adopted, there is a clear affordability gap in Stockport. In addition, the shortage of sites for house building means that there will also be a gap between the number of affordable housing units required, and those that can be provided.

7.3 As the HNA showed, a conservative estimate of the demand for affordable housing over the next three years gives a minimum number 375 of units required per annum. If the figure is expressed over a 5 year period in line with DTLR thinking, the deficit would be 288 units at 20% of NAI, and 225 units at 25% or 30% of NAI per annum.

	Affordable housing units required	Less local authority and RSL lettings	Gross deficit over 3 years (units)	Annual deficit (units)
20% of NAI*	5939	4500	-1149	480
25% of NAI	5621	4500	-1121	375
30% of NAI	5621	4500	-1121	375

*National Average Income

7.4 Overall housing provision in Stockport is unlikely to exceed significantly 250 dwellings per annum in the period to 2011. The borough-wide need for affordable housing justifies the Council in seeking a 60% ratio of affordable housing. To this end the authority will therefore seek to negotiate up to 35% of affordable housing on suitable sites, with a minimum of 25%. A site size threshold for negotiating affordable housing, of 15 dwellings or 0.5 hectare, as set out in paragraph 10 of Circular 6/98 will be applied. The proportion of affordable housing on suitable sites and low threshold size are justified by reason of the tight housing supply in Stockport and that most sites coming forward are small and are under the 1 ha. or 25 thresholds. The HNA supports the SMBC view that the emphasis with regard to affordable housing should be on providing more subsidised social rented housing and tapping the potential for shared ownership and other low cost home ownership initiatives including “key workers” housing.

8. Housing Needs Assessment 2005

8.1 A further Housing Needs Assessment (HNA) commissioned by Stockport Council was published in 2005. It was carried out by Fordham Research and the information below is drawn from the study. In total 1,341 households took part in the study, either by completing a questionnaire or being interviewed.

9. Local market prices

9.1 Average house prices in Stockport have increased significantly in recent years. In the second quarter of 2001 the average price of a dwelling was £93,457 (see para 3.1 above). In the third quarter of 2004 the average price was £172,192.

July – Sept 2004	Stockport		North West	
	Average price £	% of sales	Average price £	% of sales
Detached house	295,412	20.7	252,176	16.2
Semi-detached	169,787	44.5	138,969	32.2
Terraced	118,746	28.3	86,092	41.5
Flat/Maisonette	124,290	6.5	137,414	10.1
Overall	172,192	100	130,212	100
Source: HM Land Registry				

9.2 Prices in Stockport continue to be high in comparison with the rest of the North West and the rest of Greater Manchester.

10. Household income and affordability

Household income (14% of respondents refused to provide details)

Net weekly income	Percent
Up to £100 per week	6.7%
£100 - £200 per week	16.1%
Sub-total	22.8%
£200 - £400 per week	26.9%
£400 - £600 per week	20.2%
£600 per week plus	30%

10.1 The above figures indicate that household incomes have increased since 2000. However, 22.8% of households still have a weekly income of less than £200. When you consider the increase in house prices and the minimum cost of housing in Stockport, there is clearly a need for affordable housing. The HNA assumed that households are able to spend between 25-35% of their net household income on housing. A household is unable to afford private sector housing if more than 35% of their income is spent on housing. Therefore, 22.8% of households cannot afford housing in any area, even if they spend 35% of their income on housing (35% of £200 = £70).

Minimum cost of housing in Stockport (per week)					
Property size	**Owner occupation**				**Private rent**
	Bramhall, Gatley & Heatons sub-areas	**Cheadle, Reddish & Town Centre sub-areas**	**Brinnington sub-area**	**Bredbury, Marple & Hazel Grove sub-areas**	
1 bed	£105	£78	£81	£108	£85
2 bed	£142	£101	£81	£128	£104
3 bed	£194	£147	£94	£152	£129
4 bed	£284	£156	£104	£223	£180

(Owner occupation costs based on an interest only mortgage over 25 years at a rate of 5.99%)

11. Housing need

11.1 The 2005 HNA used the 'Basic Needs Assessment Model' to estimate the need for affordable housing in Stockport. This is the main method suggested in the ODPM 'Local Housing Needs Assessment**:** A Guide to Good Practice' (2000). This involves estimating the 'Backlog of existing need', 'Newly arising need' and future supply to estimate the current surplus or shortfall of affordable housing. Using this model it is estimated that for the next five years there will be a shortage of 1,639 affordable housing units per annum in the Borough. This is more than six times Stockport's annual RSS housing requirement. The data suggests that the shortfall is most acute for smaller (one and two bed) properties. The 2005 HNA justifies the Council's UDP Affordable Housing policy which seeks up to 35% of affordable housing on suitable sites of 0.5 or more hectares, or 15 or more dwellings.