

**WOLVERHAMPTON**  
**HOUSING NEEDS SURVEY**  
**UPDATE 2004**  
**FINAL REPORT**

report by  
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# 1 INTRODUCTION

## 1.1 Government Guidance

1.1.1 Government Guidance in Circular 6/98 and in the Good Practice Guidance for Local Housing Needs Assessment require that local authorities have robust and up to date assessments of the housing needs in their area. These are required to support the Housing Strategy and bids for resources and Unitary Development Plan policies for affordable housing provision.

## 1.2 The 2002 Study

1.2.1 DCA conducted a wide ranging needs assessment study in Wolverhampton City between March 2002 to February 2003. This study examined housing requirements in both market and social sectors.

## 1.3 The Update Study Objectives

1.3.1 The objectives of this update study were to re-analyse:-

- ◆ the change in the housing market locally to provide current house price and private sector rental costs to be able to re-assess income thresholds for access to market housing;
- ◆ the housing survey database and utilise the information into the Assessment Model recommended in the Good Practice Guidance issued in March 2000;
- ◆ the short, medium and longer term population forecasts for the City;
- ◆ prepare a report to provide an affordable need forecast to 2007;
- ◆ inform on-going Housing Strategy and support Local Plan policies for affordable housing and for negotiation in accordance with Circular 6/98 and PPG3.

## 1.4 Definitions

1.4.1 DCA work to a definition of housing requirements that encompasses demand, need and preferences. Households that can enter the general market without intervention of any sort can be defined as demand, whereas those households unable to enter the general market without some form of intervention can be defined as having a housing need. Our methodology enables us to identify this distinction by asking for both a household's characteristics in terms of size, current property condition and income and a household's views on suitability of current housing and preferences for moving or modification.

1.4.2 Affordability in our view is defined by the relationship between local incomes and the local general housing market. Our definition of affordable housing is as follows:-

*Affordable housing is that provided with subsidy, both for rent and low cost market housing, for people who are unable to resolve their housing requirements, in the general housing market because of the relationship between local housing costs and incomes.*

1.4.3 The definition of affordable housing published in January 2004 by SEERA follows the definition DCA have consistently used since 1998 including reference to subsidy:-

*“housing provided with a subsidy to enable the asking price or rent to be substantially lower than the prevailing market prices or rents in the locality”.*

1.4.4 All definitions vary slightly but the core meaning is the same.

1.4.5 The types of affordable housing which comply with our definition are as follows:-

- ◆ *Units for rent, the major requirement;*
- ◆ *shared ownership with grant;*
- ◆ *shared equity where land value is retained to provide housing for sale at below market levels and where control of the ‘equity discount’ can be retained as long as they are needed;*
- ◆ *discounted market rented housing.*

1.4.6 The issue of affordability is central to our approach. Within the project, we capture a range of data on actual incomes and costs of housing and the likely level of incomes and the accessible costs of housing for moving or newly forming households. We also examine secondary data on incomes, house prices and rent levels. Thus a reliable indicator of affordability is derived that leads towards the identification of real options for meeting housing need.

## **1.5 Methodology**

1.5.1 The study consisted of the following elements:-

- i. analysis of the existing base of primary data gathered in 2002 which gathered information on housing needs to 2005 and is still currently valid;
- ii. A housing market survey utilising the Land Registry and Halifax databases and a telephone survey of estate agents on the cost of access level property and on the supply and cost of private rented housing;
- iii. Secondary data analysis drawing upon HIP and Housing Register data on the flow of social stock and need, 2001 Census, household and population projections and other national research.

1.5.2 As a database therefore the sample achieved in the 2002 survey of 4,262 is very large and over three times the 1,250 minimum level recommended in the DLTR guidance.

## **2 THE WOLVERHAMPTON HOUSING MARKET**

### **2.1 Introduction**

- 2.1.1 This report was commissioned by Wolverhampton City Council to provide an update on house prices in the City. It has been conducted on a slightly different sub-area structure to that in the 2002 Housing Needs Survey, and is based on Wolverhampton's six Housing Market Areas (as described in the City's Housing Strategy). Comparisons in prices over the period and the available data on income change have also been analysed.
- 2.1.2 Three data searches were commissioned to provide information on house price and sales volumes across Wolverhampton:-
- ◆ from the Halifax, as the largest mortgage lender, analysing lending in the Region;
  - ◆ from the Land Registry, providing data on all sales in the area for the past year;
  - ◆ Estate Agents survey to assess access prices for new households in each sub-area.
- 2.1.3 The records include house price information by categories of dwellings, also included in the analysis is information about the volumes of sales of each type of dwelling.
- 2.1.4 As explained in 2.1.2 above, these indices are not absolutely comparable. The Land Registry increase levels tend to be lower because they include cash transactions but they are less reliable on a quarterly basis because they only calculate actual transactions and the figures are affected by changes in the mix of properties between the current and previous periods. Halifax data measures a constant mix of properties by type and size which removes the changing mix factor but does not of course include lower price cash transactions.
- 2.1.5 This information sets the context for the key issue of the affordability of housing in the area, and in particular we can relate the analysis to the problems of low income evaluated through the household postal survey.

### **2.2 National Picture**

- 2.2.1 House price inflation in the second quarter of 2004 accelerated in most regions with an overall increase of 5.9%, above the 5.1% gain in the first quarter of 2004. However, this still remains well below the peak record in 1988 (34%). The overall sound UK economic background and the lowest mortgage rates since the 1950s have boosted housing demand in recent months and this trend should continue throughout the rest of the year.
- 2.2.2 UK house price inflation for the year ending 30<sup>th</sup> June 2004 was recorded by Halifax Index at 21.5% and by the Land Registry at 17.9%.

## 2.3 Regional Picture

**Table 2-1 House Price Inflation**

	Increase over year to 30 <sup>th</sup> June 2004 %	Increase over quarter to 30 <sup>th</sup> June 2004 %
West Midlands Region	20.4	6.3
West Midlands MC	7.0	- 2.0

- 2.3.1 The annual rate of house price inflation recorded in the Halifax Index for the West Midlands Region at 30<sup>th</sup> June 2004 was 20.4%, above the UK average of 21.5%.
- 2.3.2 House prices in the West Midlands Region show an increase of 6.3% during the second quarter of 2004 compared to 5.9% nationally.
- 2.3.3 House prices in West Midlands Metropolitan County rose over the last year by 7.0% as calculated by the Land Registry.
- 2.3.4 The Regional Market is shown in Table 2-2 below, which details the prices paid for the main categories of house types for the whole of the West Midlands Region with comparisons against a different source of house price index data.

**Table 2-2 Average Region & County House Prices - All Buyers 2004**

Property Type	West Midlands Region		West Midlands MC	
	Land Registry Average Price	Halifax Average Price	Land Registry Average Price	% of sales
Terraced	106,380	116,034	106,128	36.9
Semi-detached	134,058	146,384	133,708	35.2
Detached	236,729	260,767	238,760	14.4
Bungalows	*	190,244	*	0.0
Flats & maisonettes	113,184	115,676	111,910	13.5
<b>All properties</b>	<b>147,541</b>	<b>163,836</b>	<b>135,659</b>	<b>100.0</b>

Source: Halifax House Price Index, 2<sup>nd</sup> Quarter 2004.  
 Land Registry Residential Property Price Report, 2<sup>nd</sup> Quarter 2004.  
 \* Land Registry figures do not identify bungalows separately.

- 2.3.5 The Halifax data is based on actual sales of mortgaged properties and the information is a real indication of actual prices prevailing in the purchases being made in the West Midlands region. The Land Registry data incorporates all sales transactions in the Region and more specifically in the City.
- 2.3.6 Prices vary between the different data sources and we would expect the Land Registry figures to be lower in all cases given that these figures include non-mortgaged sales.

## 2.4 The Housing Market

2.4.1 The table below examines average house prices for the City recorded by the Land Registry against house prices and also the volume of sales for Wolverhampton in 2004 and 2002.

**Table 2-3 Average House Prices and Sales for the City - All Buyers 2004**

Property Type	Wolverhampton City			
	2004		2002	Increase 2002 / 2004 %
	Land Registry Average Price	Land Registry % of sales	Land Registry Average Price	
Terraced	87,402	29.9	47,971	82.2
Semi-detached	108,880	44.1	68,741	63.1
Detached	199,030	17.2	128,814	54.5
Flats & maisonettes	77,197	8.8	49,629	55.5
<b>All properties</b>	<b>115,144</b>	<b>100.0</b>	<b>69,585</b>	<b>60.4</b>

Source: Land Registry Residential Property Price Report, 2<sup>nd</sup> Quarter 2004 / 1<sup>st</sup> Quarter 2002

- 2.4.2 Whilst the overall house price increase in the City is 60.4% over the last two years, the price of terraced houses and flats - access level stock, have increased by 82.2% and 55.5% respectively. Prices of flats have decreased by 12.4% and prices of terraced houses have increased by 29.3% in the last year to June 2004. The reduction in flat prices will be due to a variation in the scale of new flats a year ago compared to the 2<sup>nd</sup> quarter 2004.
- 2.4.3 The largest volume of sales in the City were for semi-detached houses (44.1%) selling at an average price of £108,880. Terraced houses average £87,402 and are 29.9% of sales. Detached houses average £199,030 and are 17.2% of sales. Flats / maisonettes sell at an average price of £77,197 and account for 8.8% of sales. Due to the average price and higher volume of sales of terraced houses, these are assessed to be the main access property for first time buyers.
- 2.4.4 The sales levels of terraced houses and flat / maisonette properties in 2004, 29.9% and 8.8% respectively are similar to 2002 levels (33.5% and 9.3% respectively). Sales levels of detached houses and semi-detached houses in 2004 are also similar to the 2002 sales levels.

## 2.5 Sub-Area Structure

- 2.5.1 The new structure of the house price sub-areas (based on the six Housing Market Areas) are listed in the table below.

**Table 2-4 Sub-Area Breakdown**

<b>Sub-Areas</b>	
<b>West</b>	<i>includes Tettenhall Regis, Tettenhall Wightwick, Park, Merry Hill, Penn</i>
<b>Centre</b>	<i>includes St Peters, Blakenhall, Graiseley, Heath Town</i>
<b>Bilston</b>	<i>includes Bilston North, Bilston East</i>
<b>Wednesfield &amp; Fallings Park</b>	<i>includes Wednesfield North, Wednesfield South, Fallings Park</i>
<b>South East</b>	<i>includes East Park, Ettingshall, Spring Vale</i>
<b>North</b>	<i>includes Oxley, Bushbury, Low Hill</i>

## 2.6 Entry Level House Prices in the City

- 2.6.1 Access to the market is clearly dependent on availability, a factor, which is particularly critical for low income households who can only enter the market in any numbers where there is an adequate supply of affordable dwellings.
- 2.6.2 First-time buyers as new entrants to the housing market do not purchase houses at average prices as they do not have average incomes. Although average prices are useful for comparisons in general they are not the purchase levels used in assessing the ability of households to access local markets.
- 2.6.3 In broad terms new purchases of either flats or terraced properties buy in the lowest quartile of prices i.e. the bottom 25%. We have therefore made the only comparison available from Land Registry data which is at City-wide level. In Wolverhampton this is £68,000, 41% lower than the average of £115,144 in Table 2-3.
- 2.6.4 DCA have therefore undertaken a survey of the local estate agents to ascertain the cost of the cheapest units available both for private rent and for sale (i.e. the lower quartile stock) in each of the four sub-areas. Due to the lack of supply available in the current housing market, some samples are small and therefore should not be taken as an average.

**Table 2-5 Entry Level Sales in the City – August 2004 (£)**

Property Type	West	Centre	Bilston	Wednesfield & Fallings Park
1-Bed Flat	71,600	78,300	63,650	- nd -
2-Bed Flat	95,550	70,500	83,000	70,800
2-Bed Terraced	75,250	74,200	76,000	74,350
3-Bed Terraced	87,550	84,000	78,100	77,150

Property Type	South East	North	City-wide
1-Bed Flat	91,600	71,800	75,390
2-Bed Flat	- nd -	90,950	82,160
2-Bed Terraced	86,800	87,500	79,016
3-Bed Terraced	77,300	86,700	81,800

Source: DCA House Price Survey August 2004

- nd – no data available

- 2.6.5 Although the average price of flats / maisonettes according to the Land Registry survey is £77,197, entry level sales vary across the City with the lowest entry prices for a 1-bed property starting at around £63,650 in Bilston, £71,800 in the North area, rising to £91,600 in the South East area as can be seen in Table 2-5 above. 2-bed flats can be cost £70,500 in the Centre area, rising to £95,550 in the West area.
- 2.6.6 Terraced properties can be purchased at £74,200 for a 2-bed property in the Centre area, rising to £87,500 in the North area. 3-bed terraced houses start at £77,150 in Wednesfield & Fallings Park, £78,100 in Bilston and £87,550 in the West area.

## 2.7 Private Sector Rent Levels

2.7.1 We approached some of the main private renting agencies operating in the City.

2.7.2 From the estate agency sources approached, we set out below the prevailing private sector rent levels.

**Table 2-6 Average and Entry Level Rents in the City (£/month) – August 2004**

Property Type	West		Centre		Bilston		Wednesfield & Fallings Park	
	Average	Entry	Average	Entry	Average	Entry	Average	Entry
1-Bed Flat	391	<b>300</b>	345	<b>200</b>	350	<b>295</b>	388	<b>350</b>
2-Bed Flat	525	<b>375</b>	433	<b>260</b>	381	<b>300</b>	420	<b>375</b>
2-Bed Terraced	510	<b>450</b>	434	<b>375</b>	432	<b>360</b>	376	<b>350</b>
3-Bed Terraced	508	<b>425</b>	428	<b>360</b>	475	<b>450</b>	447	<b>365</b>
2-Bed Semi-detached	518	<b>425</b>	497	<b>425</b>	490	<b>450</b>	419	<b>350</b>
3-Bed Semi-detached	581	<b>450</b>	545	<b>450</b>	591	<b>500</b>	538	<b>465</b>

Property Type	South East		North		City-wide	
	Average	Entry	Average	Entry	Average	Entry
1-Bed Flat	361	<b>300</b>	409	<b>325</b>	374	<b>295</b>
2-Bed Flat	394	<b>325</b>	432	<b>350</b>	431	<b>328</b>
2-Bed Terraced	400	<b>330</b>	475	<b>375</b>	438	<b>373</b>
3-Bed Terraced	448	<b>375</b>	456	<b>400</b>	460	<b>396</b>
2-Bed Semi-detached	441	<b>350</b>	461	<b>395</b>	471	<b>399</b>
3-Bed Semi-detached	471	<b>400</b>	504	<b>440</b>	538	<b>451</b>

Source: DCA House Price Survey August 2004

- 2.7.3 Entry rental costs in the private rented sector vary significantly by location within the City. The private rented sector can be accessed at £200 a month in the Centre, £300 in the West and South East areas and £350 in Wednesfield & Fallings Park (see Table 2-6 above) for a one bedroom flat, the smallest unit. For a 2-bed flat, rents range from £260 per month in the Centre area to £375 in West and Wednesfield & Fallings Park.
- 2.7.4 In the case of 2-bed terraced houses, we found that the entry rent levels were £330 p.m. in the South East area, £375 p.m. in Centre and North, rising to £450 in the West area. 3-bed terraced houses can be accessed at £360 p.m. in Centre, rising to £450 in Bilston. Semi-detached properties can be rented from £350 (for a 2-bed property), to a maximum of £500 (for a 3 bed property).
- 2.7.5 There is evidence to suggest that landlords would not accommodate Housing Benefit / Income Support cases, however the decision does rest with the individual landlord concerned.
- 2.7.6 A range of property types are available in the sector as a whole and are found in a variety of locations within Wolverhampton. It would appear that the difference in recent level between furnished and unfurnished property is marginal with respondents indicating they do charge only slightly more for furnished accommodation. They indicated that the difference in cost was marginal, although many agencies do not deal with furnished property due to the fire regulations involved.

## 2.8 Conclusions

- 2.8.1 The annual rate of house price inflation recorded in the Halifax Index for the West Midlands Region at 30<sup>th</sup> June 2004 was 20.4%, below the UK average of 21.5%.
- 2.8.2 The Land Registry data for average price for all dwellings in City during the year was £115,144.
- 2.8.3 The largest volume of sales in the City were for semi-detached houses (44.1%) selling at an average price of £108,880. Terraced houses average £87,402 and are 29.9% of sales. Detached houses average £199,030 and are 17.2% of sales. Flats / maisonettes sell at an average price of £77,197 and account for 8.8% of sales. Due to the average price and higher volume of sales of terraced houses, these are assessed to be the main entry level property for first time buyers.
- 2.8.4 The increase in the price of terraced houses (82.2%) and flats / maisonettes (55.5%) is massively in excess of wage inflation in the two year period. Incomes in the Region are assessed in the New Earnings Survey to have increased by an average of 5% a year between the years 2000 to 2003 and it is reasonable to conclude that there was a similar increase in 2003 / 2004.
- 2.8.5 House price have risen significantly by between 55.5% for flats / maisonettes to 82.2% for terraced houses in the last two years since 2002. An income of around £20,150 is needed to buy a one bedroom flat in Bilston and a two bedroom flat in Centre would require an income of £22,300. These are the cheapest locations in the City.
- 2.8.6 Mortgage interest rates have been at their lowest level for over 45 years and people who cannot enter the market under these circumstances may never be able to do so, short of some collapse in the market or a significant change in their income level. Further house price increases above wage inflation in 2004 would make entry to market housing more difficult to achieve and would impact on households with marginal incomes significantly.
- 2.8.7 Entry to market housing has therefore become more difficult for new households than it was in 2002, increasing the need for subsidised housing especially in the much higher priced areas.
- 2.8.8 Similar cost variation applies in the private rented sector across Wolverhampton City. Based on rent at 30% of net income a one bed flat in Centre requires £9,600 per annum and £16,800 in Wednesfield & Fallings Park. A 2-bed flat requires an income of £14,400 in Bilston rising to £18,000 in West and Wednesfield & Fallings Park. To rent a 2-bed terraced house would require an annual income of £18,000 in Centre and North.

### 3 HOUSING COSTS AND INCOME

#### 3.1 Income Data

3.1.1 The ability of a household to satisfy its own housing requirement is fundamentally a factor of the relationship between local house prices and household income. This section of the report assesses the income levels required to access the cheapest units available in reasonable supply from the research detailed in Section 1 and the change in incomes from the previous survey in 2002 utilising national secondary data.

#### 3.2 Purchase Income Thresholds

3.2.1 The cheapest entry prices of the smallest units were assessed to enable threshold income levels to be calculated. These are based on 95% mortgage availability and a 3x gross income lending ratio. Table 3-1 below outlines the income ranges needed to enter the market through the cheapest available units in reasonable supply in each of the main settlements in Wolverhampton City.

**Table 3-1 Purchase Income Thresholds**

Area	Income Thresholds		
	1 bed Flat	2 bed Flat	2 bed Terrace
West	26,700	30,250	23,800
Centre	24,800	22,300	23,500
Bilston	20,150	26,300	24,050
Wednesfield and Fallings Park	-nd-	22,400	23,550
South East	29,000	-nd-	27,500
North	22,700	28,800	27,700

-nd- no data available

3.2.2 The change in income requirements between 2002 when the original survey was conducted and the date of the Update Survey have been compared in Table 3-2 below. The City-wide level of incomes needed to buy the smallest units in the housing stock based on the average price in the Land Registry Quarterly Reports have increased significantly since 2002.

3.2.3 The income needed to buy the average priced terraced property has increased from £15,200 to £27,700 (82.2%) and to £15,700 from £24,450 an increase of 55.7% to buy average priced flats / maisonettes.

**Table 3-2 Increase in Income Requirements 2002 – 2004 (£)**

Property Type	March 2002 (£)	June 2004 (£)	Increase %
Terraced	15,200	27,700	82.2
Flats	15,700	24,450	55.7

March 2002 average prices - Land Registry 1<sup>st</sup> Quarter 2002

June 2004 average prices - Land Registry 2<sup>nd</sup> Quarter 2004

### 3.3 Rental Income Thresholds

- 3.3.1 We assessed the cheapest rental prices of the smallest units in order to calculate the rental income threshold levels. These are based on rent at 25% of gross income, equivalent to around 30% of net income at this level. We believe that this is more appropriate to private rent, but support the NHF level of 25% for the social housing market. Table 3-3 below shows the income levels needed to enter the private rented market in the City.

**Table 3-3 Rental Income Thresholds**

Area	Income Thresholds		
	1 bed Flat	2 bed Flat	2 bed Terrace
West	14,400	18,000	21,600
Centre	9,600	12,400	18,000
Bilston	14,200	14,400	17,300
Wednesfield and Fallings Park	16,800	18,000	16,800
South East	14,400	15,600	19,200
North	15,600	16,800	18,000

- 3.3.2 There is no comparable data for 2002 for which to compare the rental income requirements of the City.

### 3.4 Secondary Research

#### 3.4.1 New Earnings Survey

- 3.4.2 Income data is always difficult to gather at local level. Most data is regionally based and we have used the Labour Market New Earnings Survey 2003 prepared by the Office of National Statistics. This provides data at Metropolitan County and City wide-level. The New Earnings Survey 2003 shows an average income of £22,310 for Wolverhampton, a 4.5% increase on the average across the three years from 2000 to 2003.
- 3.4.3 The figures for Wolverhampton from the 2003 Survey contain the third highest levels of overtime pay of 7 Authorities in the West Midlands Metropolitan County at 20% of earnings, not all of which would be taken into account by a mortgage tender.
- 3.4.4 It is particularly important to examine the distribution of income rather than the average figure especially in relation to the proportions of households with the capacity to access the private sector market for rent or sale.

3.4.5 There is a wide distribution of earnings as detailed in Table 3-4 below:-

**Table 3-4 Distribution of Earnings**

Income (per week / per annum)	%	Cum %
Up to £208.1 / £10,821	10.0	10.0
£208.1 to £250 / £10,821 to £13,000	10.2	20.2
£251 to £350 / £13,001 to £18,200	22.8	43.0
£351 to £460 / £18,201 to £23,920	21.7	64.7
£461 to £661.3 / £23,921 to £34,388	25.3	90.0
More than £661.3 / £34,388	10.0	100.0

Source: New Earnings Survey 2003

3.4.6 Analysis shows that:-

- the bottom 10% earn below £10,821
- 10.2% earn under £13,000
- 22.8% earn under £18,200
- 21.7% earn under £23,920
- 25.3% earn under £34,388
- the top 10% earn over £34,388

3.4.7 The New Earnings Survey provides data on the spread of incomes, important in any City with diverse house prices and markets and shows that for Wolverhampton, at April 2003, 21.7% of households earned less than £23,920, 22.8% less than £18,200, 10.2% less than £13,000 and 10.0% below £10,821 per annum.

3.4.8 The increases in house prices over the last two years have excluded a large proportion of 'first-time buyers' from the owner occupied market. We believe therefore that the proportion of affordable housing provided on new sites should encompass more subsidised low cost market housing than would have been the case two years ago when it was a more marginal element of affordable need.

3.4.9 This assessment utilises all of the data from the 2002 survey of 4,262 households which incorporated income data from 3,068 households. This compares with a sample of 451 in the New Earnings Survey for Wolverhampton, which is also based on those working in Wolverhampton but not necessarily resident in the Borough.

3.4.10 Entry to the market has been based in the updated house price information detailed in Section 2. We have also undertaken an update analysis of the income levels of local households to be able to assess the proportion of people now able access market housing.

- 3.4.11 As the average incomes between the years 2000 and 2003 have increased by 4.5% each year, as highlighted by the New Earnings Survey, an increase of 9% has been applied to both existing and concealed household incomes to cover the two year period to April 2004.
- 3.4.12 The model utilises all of the data from the 2002 survey of 2,349 households who provided income information. Table 3-5 and Table 3-6 highlight the revised incomes of existing and concealed households taken from the 2002 survey, with the increase of 9% applied to these incomes in order to determine the proportion of people now able to access market housing.

**Table 3-5 Incomes of Existing Households 2002 & 2004**

Annual Income 2002		Annual Income 2004		%
Below	£10,000	Below	£10,900	39.4
£10,001 - £20,000		£10,901 - £21,800		28.6
£20,001 - £30,000		£21,801 - £32,700		16.1
£30,001 - £40,000		£32,701 - £43,600		7.9
£40,001 - £50,000		£43,601 - £54,500		3.9
£50,001 - £60,000		£54,501 - £65,400		2.1
£60,001 - £75,000		£65,401 - £81,750		0.9
£75,001 - £100,000		£81,751 - £109,000		0.5
Above	£100,000	Above	£109,000	0.6
<b>Total</b>				<b>100.0</b>

*N.B Incomes for 2002 have been updated by 9% inflation (calculated from an average over the three years from 2000 to 2003)*

**Table 3-6 Incomes of Concealed Households 2002 & 2004**

Annual Income 2002		Annual Income 2004		%
Below	£10,000	Below	£10,900	40.5
£10,001 - £12,500		£10,901 - £13,625		15.8
£12,501 - £15,000		£13,626 - £16,351		6.7
£15,001 - £17,500		£16,351 - £19,075		8.5
£17,501 - £20,000		£19,076 - £21,800		11.3
£20,001 - £22,500		£21,801 - £24,525		4.2
£22,501 - £25,000		£24,526 - £27,250		4.3
£25,001 - £30,000		£27,251 - £32,700		6.0
£30,001 - £40,000		£32,701 - £43,600		1.9
Above	£40,000	Above	£43,600	0.8
<b>Total</b>				<b>100.0</b>

*N.B Incomes for 2002 have been updated by 9% inflation (calculated from an average over the three years from 2000 to 2003)*

3.4.13 Table 3-7 below outlines the incomes needed by concealed households to access the market through owner occupation, and the percentage of concealed households within Wolverhampton that are able to purchase.

**Table 3-7** *Concealed Households – Incomes Needed to Access the Market Through Owner Occupation and % Unable to Access*

	(£) income needed	% of concealed households unable to purchase
Flats	20,150 – 30,250	75.9 – 94.6
Terraced	23,500 – 27,700	85.4 – 91.8

3.4.14 Using the income requirements outlined in Table 3-1 and Table 3-7 above shows that 75.9% of concealed households cannot access a 1-bed flat in Bilston and 94.6% of concealed households cannot access a 2-bed flat in the West area. Ability to purchase more expensive terraced houses is more limited. In Centre 85.4% cannot afford to buy, this rises to 91.8% of concealed households in the North area.

3.4.15 Table 3-8 below outlines the incomes needed by concealed households to access the market through private rented accommodation.

**Table 3-8** *Concealed Households – Incomes Needed to Access the Private Rented Market and % Unable to Access*

	(£) income needed	% of concealed households unable to rent
Flats	9,600 – 18,000	35.6 – 68.1
Terraced	16,800 – 21,600	64.4 – 82.0

3.4.16 Using the income requirements outlined in Table 3-3 and Table 3-8 above shows that 35.6% of concealed households in the Centre area cannot rent a 1-bed flat and 68.1% cannot rent a 2-bed flat in West or Wednesfield and Fallings Park. Ability to rent terraced houses is more limited. In Wednesfield and Fallings Park 64.4% cannot afford to rent, rising to 82.0% in the South East area.

### **3.5 Summary**

- 3.5.1 An income of around £20,150 is needed to buy a one bedroom flat in Bilston, rising to £29,000 in the South East area. A two bedroom flat requires an income of £22,300 in the area, rising to £30,250 in the West area. On average the incomes needed to purchase flats and terraced properties have increased by 56% and 82% respectively over the last two years.
- 3.5.2 Similar cost variation applies in the private rented sector across the City. Based on rent at 25% of gross income a one bed flat in the Centre area requires £9,600 per annum, £14,400 in the West and South East areas rising to £16,800 in Wednesfield and Fallings Park. A 2-bed flat requires an income of £12,400 in Centre rising to £18,000 in Wednesfield and Fallings Park and West. To rent a 2-bed terraced house would require an annual income of £17,300 in Bilston, rising to £21,600 in the West area.
- 3.5.3 The Labour Market New Earnings Survey 2003 shows an average income of £22,310 for Wolverhampton, a 4.5% annual increase, based on the three years from 2000 to 2003.
- 3.5.4 The New Earnings Survey data on the spread of incomes, important in any area with diverse house prices and markets, shows that for Wolverhampton, at April 2003, 64.7% of households earned less than £23,920, 43% less than £18,200, 20.2% less than £13,000 and 10% below £10,821.
- 3.5.5 Relative to the huge rise in house prices, the implication of incomes having risen by 9% since 2002 directly impacts concealed household's ability to enter the market through owner occupation. Updating the incomes of concealed households from the 2002 survey; shows that 75.9% of concealed households cannot access a 1-bed flat in Bilston and 94.6% of concealed households cannot access a 1-bed flat in the West area. In the Centre area 85.4% cannot afford to buy 2-bed terraced houses, this rises to 91.8% in the North area.
- 3.5.6 A similar pattern is found when looking at concealed household's ability to enter the market through private rented accommodation. 35.6% of concealed households cannot rent a 1-bed flat in Centre and 68.1% cannot rent a 2-bed flat in West or Wednesfield and Fallings Park. Ability to rent terraced houses is also limited, 64.4% of concealed households cannot afford to rent in Wednesfield and Fallings Park, with this rising to 82.0% in the South East area.

## 4 POPULATION GROWTH AND HOUSEHOLD FORMATION PROJECTIONS

### 4.1 Introduction

4.1.1 In this section of the report we provide a short background commentary to the demographic element in housing demand in Wolverhampton. The purpose is two-fold. First, to provide a context in which the results of the postal questionnaire can be interpreted. Secondly, to give a more specific focus on the demand for affordable housing provision and to make projections for five and ten year periods.

4.1.2 Modelling housing needs is a very complex procedure and it is only very recently that attempts have been made to model local housing needs. Most of the established procedures are aimed at the provision of national level estimates of housing need, including:-

- ◆ simple estimates such as those provided by the ODPM, which measured the crude dwelling to household surplus (and concluded no additional building was necessary to meet need);
- ◆ a second approach by the Audit Commission measured household growth minus expected private sector output;
- ◆ Glen Bramley's work focused on local supply and demand to calculate for a particular point in time the proportion of new households unable to buy in the market (minus social sector re-lets);
- ◆ Steve Wilcox described a 'Net Stock' approach which calculates net household increase and adds a factor for concealed households before deducting new private sector output to arrive at estimates of need in the social sector.

4.1.3 Kleinman and Whitehead have devised a so-called 'Gross Flows' approach which looks at gross household formation, tenure choice, demand from in-migrants and deducts these from new social output and re-lets to yield a measure of social housing requirements.

4.1.4 How these national models translate to the local level is not at all clear. Kleinman and Whitehead have attempted a 'Gross Flows' analysis for Cambridge but relied entirely on secondary data for their estimates. This is a problem in the model particularly for the incorporation of measures of concealed households and factors relating to affordability are not considered directly but by modelling the tenure propensities of new households.

4.1.5 Our method emphasises the affordability issue and gives much greater weight to the issue of concealment of households than most of the 'national' level studies.

4.1.6 The affordability measure is derived from primary data collected in the household's surveys and from access to the Land Registry database on house prices and the concealment issue is also addressed through the survey findings. We are mindful that because our study is targeted at the Wolverhampton, there are inevitable limitations because local housing markets encompass much wider areas than a single Council area.

## 4.2 Demographic Analysis

- 4.2.1 There are four basic components to changes in the number and composition of households. The aim of this section of the report is to highlight the issues which are relevant to the evaluation of housing needs in the City particularly the changes in:-
- ◆ the age distribution of the population arising from births, deaths and ageing of the indigenous population;
  - ◆ family units such as marriage, divorce and child bearing patterns;
  - ◆ the number and composition of households arising from migration, particularly due to employment opportunities in the area;
  - ◆ the probabilities that family units form a separate household, particularly in response to changes in incomes in the labour market area.
- 4.2.2 In local area forecasting new household formation is mainly due to responses to income and employment opportunities. New household formation is also affected by life cycle patterns. This purely demographic influence on the number of households contributes to about 40% of the growth in the number of new households at any one time (Dicks, 1988; Ermisch, 1985).
- 4.2.3 The general demographic forecasts in the tables in this section contain the most up-to-date figures available, and have been provided by Wolverhampton City Council and follow the ONS population projections (1996-based). These revised estimates project to 2021 compared to the 2011 timeframe in the data available at the timing of the 2002 survey, but do not yet take account of the 2001 Census data.
- 4.2.4 The factors which combine to produce the population forecasts are:- population age-sex structures, headship rates, survival factors, infant mortality, fertility rates, base numbers of dwellings, vacancy rates, building / demolition programmes and the age-sex structure of migrants. The summary of this data is provided in the following tables with the population changes disaggregated for 5 year intervals from 2001 - 2021.

## 4.3 2001 Census

- 4.3.1 Population data has been published by the Office of National Statistics following completion of the 2001 Census. We are therefore outlining the age band population numbers from the Census for 2001 along side the population model in Table 4-1.
- 4.3.2 We have discussed the updating of the population model with Wolverhampton City Council and they, like all other Unitary Authorities and County Councils, will not be in a position to update the model to reflect the actual figures at 2001 from the Census for some time. The base model used is a national model maintained at Anglia University, and there are a range of issues that need to be taken into account, particularly headship rates, before longer term projections can be prepared.
- 4.3.3 Whilst there is variance in the actual population numbers we would not expect any major difference in the longer term trends in population change within age groups, which in our view is the critical issue for household formation and its impact on stock requirements.

## 4.4 Population Projections

4.4.1 The projections in Table 4-1 are based on the on predictions made by Wolverhampton City Council (1996-based) and are the most up-to-date forecasts available. These figures are based on the assumptions outlined in paragraphs 4.2.1 to 4.2.3 regarding mortality, fertility and migration etc, and are contained in population projections for the City for the period 2001 to 2021, provided by Wolverhampton City Council.

**Table 4-1 Population Change in Wolverhampton , 2001 - 2021**

	<b>2001 Census</b>	<b>2001</b>	<b>2006</b>	<b>2011</b>	<b>2016</b>	<b>2021</b>	<b>Change</b>
Total Population	236,582	241,900	240,000	238,700	237,400	236,300	
Change	- 5,318		- 1,900	- 3,200	- 1,300	- 1,100	- 5,600
% Change	2.2		- 0.8	- 1.3	- 0.5	- 0.5	- 2.3

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4.4.2 The table shows a fall in the population of the City of 5,600 over the forecast period. Figures fall throughout the forecast period, with the main decline occurring between 2006 and 2011 (3,200; 1.3%).

## 4.5 Age Structure Forecast 2001 - 2021

4.5.1 The next stage in the forecast is to disaggregate the population data into age bands because there may be changes in the population structure with significant housing implications. Table 4-2 is based on the net migration model and for this purpose best represents the position.

**Table 4-2 Population Age Band Forecast, Wolverhampton 2001 – 2021**

	<b>2001 Census</b>	<b>2001</b>	<b>2006</b>	<b>2011</b>	<b>2016</b>	<b>2021</b>	<b>Change</b>
0 - 15	49,493	52,300	50,400	48,200	47,700	47,400	- 9.4
16 - 24	27,397	31,400	32,100	32,900	31,000	29,600	- 5.7
25 - 44	66,834	65,400	62,400	57,600	56,400	56,100	- 14.2
45 - 64	52,876	53,400	56,100	60,500	60,700	60,100	+ 12.5
65 +	39983	39,500	39,100	39,400	41,600	43,100	+ 9.1
<b>Total</b>	<b>236,582</b>	<b>241,900</b>	<b>240,000</b>	<b>238,700</b>	<b>237,400</b>	<b>236,300</b>	<b>- 5,600</b>
% Change	- 2.2		- 0.8	- 1.3	- 0.5	- 0.5	- 2.3

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*Percentage change is measured between year bands, not the base population. This is a better representation of the incremental change.*

*Figures are rounded to the nearest 100.*

- 4.5.2 As shown above there will be an average fall in the population of the City of approximately 0.1% per annum over the forecast period according to the forecast model. There is projected to be 5,600 less people in Wolverhampton in 2021 than in 2001.
- 4.5.3 The 0-15 age range shows a decrease overall (4,900; 9.4%). Numbers fall throughout the forecast period with the largest fall occurring between 2006 and 2011 (2,200; 4.4%).
- 4.5.4 The 16-24 age range comprises new households forming and will have implications for future affordable housing need both in the short and longer term. Overall this age group shows a decline (1,800; 5.7%). Numbers fluctuate throughout the forecast period with the largest fall occurring between 2011 and 2016 (1,900; 5.8%).
- 4.5.5 The most significant feature here is the fall in the 25-44 age group. The main economically active group shows a significant decrease over the forecast period (9,300; 14.2%). Numbers fall throughout the forecast period, with the largest fall occurring between 2006 and 2011 (4,300; 7.7%).
- 4.5.6 The 45-64 age group shows a significant rise in numbers. Over the forecast period there is an increase of 6,700 people (12.5%). Numbers rise throughout the forecast with the largest increase occurring between 2006 – 2011 (4,400; 7.8%).
- 4.5.7 An increase of 3,600 individuals is seen over the forecast period (9.1%) in the over 65 age group. A fall is seen up to 2006 (400; 1.0%) with a rise seen for the remaining forecast period (4,000; 10.2%).
- 4.5.8 Numbers in the 75+ age group increase by 1,600 (8.9%) up to 2021. The greatest rise proportionately in percentage terms occurring between 2016 and 2021 (4.3%). Given the resource demands often associated with very elderly people, these are significant figures.

**Table 4-3 Numbers of 75+ in Wolverhampton, 2001 – 2021**

	<b>2001 Census</b>	<b>2001</b>	<b>2006</b>	<b>2011</b>	<b>2016</b>	<b>2021</b>	<b>Change</b>
75+	18,475	18,000	18,500	18,400	18,800	19,600	
Change	+ 475		+ 500	- 100	+ 400	+ 800	+ 1,600
% Change	+ 2.6		+ 2.8	- 0.5	+ 2.2	+ 4.3	+ 8.9

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## 4.6 Summary

4.6.1 The forecasts to 2021 are based on the assumptions outlined in paragraphs 4.2.1 to 4.2.3 regarding mortality, fertility and migration etc, and are contained in population projections for the City for the period 2001 - 2021 provided by Wolverhampton City Council.

- ◆ These revised estimates project to 2021 compared to the 2011 timeframe in the data available at the timing of the 2002 survey, but do not yet take account of the 2001 Census data. The 2001 Census Data shows that the population of Wolverhampton is currently 236,582 people approximately 5,318 less than the forecast at this point. We would not however expect the following trends within age bands, taken from the existing population and housing model which are outlined below, to alter in any significant way.
- ◆ The total population is projected to decrease by 5,600 people, 2.3% over the 20 years to 2021.
- ◆ The 0-15 age range shows a decrease overall (4,900; 9.4%). Numbers fall throughout the forecast period with the largest fall occurring between 2006 and 2011 (2,200; 4.4%).
- ◆ Numbers in the 16-24 age group are projected to decline overall (1,800; 5.7%). As this age range comprises new households forming this will have implications for future affordable housing need both in the short and longer term.
- ◆ The most significant feature here is the fall in the 25-44 age group, the main economically active group, which falls significantly in numbers, with 9,300 (14.2%) less individuals. Numbers fall throughout the forecast period with the largest fall occurring between 2006 and 2011 (4,300; 7.7%).
- ◆ The 45-64 age group shows a significant rise in numbers. Over the forecast period there is an increase of 6,700 people (12.5%). Numbers rise throughout the forecast with the largest increase occurring between 2006 – 2011 (4,400; 7.8%).
- ◆ An increase of 3,600 individuals is seen over the forecast period (9.1%) in the over 65 age group. A fall is seen up to 2006 (400; 1.0%) with a rise seen for the remaining forecast period (4,000; 10.2%).
- ◆ The "older" retirement group, those 75 and over grows by 8.9%, 1,600 more people by 2021. This group represents 19,600 people in the area by 2021 who are much more likely to have care and support needs.

4.6.2 These revised projections confirm the scale of continuing growth in the older population in the decade beyond 2011, even although the total population numbers reduce, impacting on the requirement for housing to meet the needs of older people.

## 5 HOUSING NEEDS ASSESSMENT MODEL

- 5.1.1 When the 2002 Model was prepared it was impossible to provide accurate resident household data at local level because data was not available on the distribution of vacant stock and second homes across the City and the survey was grossed to dwellings. The 1991 Census was eleven years old and the only known tenure data available was that for social stock. All other tenure figures were eleven years old. The survey data was weighted at sub-area level to be accurate for social tenure.
- 5.1.2 In undertaking this update we have therefore re-run the data file based on 2004 resident household numbers, using 2001 Census tenure proportions (adjusted by three years new dwellings) to draw key data used in the Model.
- 5.1.3 The 2002 tenure balance over represented owner occupiers with no mortgage, households who do not normally create affordable housing need and under-represented private sector tenants who might well have needs. The Census data however provides useful data on private tenants. They now represent 10,260 households (10.4%) but only 6,510 (6.6%) rent from a private landlord. A further 3,750 (3.8%) rent from an employer, relative or friend and 3,110 (3.2%) live rent free.
- 5.1.4 The total resident households in the 2004 Assessment are 4,260 (4.1%) less than the dwellings based numbers of 102,890 used in 2002. The nature of the households in the tenure adjustment, fewer outright owner occupiers and more private tenants, has made only a marginal impact on key data. The increase in concealed households is only 4 per annum (944 – 940) as neither group tend to contain these important households.

**Table 5-1 Tenure of Present Households**

Question 1

Tenure	%	Group %	N <sup>os</sup> implied	Local Area Census 2001
Council Rented	25.9	32.1	25,589	24.9
HA Rented	5.6		5,530	4.2
Shared Ownership	0.6		545	0.6
Private rented	6.6	10.4	6,510	6.6
Other / tied to employment	3.8		3,750	3.7
Owner occupier - mortgage	26.5	57.5	26,140	32.4
Owner occupier - outright	31.0		30,570	27.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>98,634</b>	<b>100.0</b>

## 5.2 Affordable Housing Needs Requirement

- 5.2.1 In this section, we calculate the overall affordable housing needs requirement on an annual basis. The need requirement calculation is structured from the survey data to take account of the key demand sources, households requiring subsidised housing, homeless households not assessed in the survey, households living in unsuitable housing whose needs can only be resolved in a different dwelling and concealed household formation emanating from demographic change.
- 5.2.2 Each category has been adjusted to ensure that proper account is taken of households who can access the owner occupied market without assistance (income (£20,150 / £27,500) and to eliminate any double counting between categories. The Private Rent Sector costs significantly exceed those in social rent. These are estimated at an access cost of £295 / £375 per month for the vast majority of households in this sector, requiring an annual income of at least £14,000 / £18,000 per annum.
- 5.2.3 The model has been prepared in accordance with the ODPM Good Practice Guidance.

	<b>The Backlog of existing housing need is as follows:-</b>	
1.	Households living in unsuitable housing in Wolverhampton who are planning to move in the next three years.	HNS
2.	Council / RSL tenant households living in unsuitable housing are excluded because a move would release a unit of affordable housing and it is therefore assumed that there would be no overall net effect.	HNS
3.	Households in unsuitable housing who can have their need resolved in situ, including private tenants.	HNS
4.	Proportion of existing households unable to buy or rent (HNS income data) i.e. income <£20,150 / £27,500 depending on location and need to move.	HNS 2004 update
5.	Priority homeless in temporary accommodation.	WCC
<b>6.</b>	<b>Total Backlog need.</b>	
7.	Quota to progressively eliminate backlog over a 5-year period (20%) as recommended in ODPM guidance.	ODPM Guidance
<b>8.</b>	<b>Total net annual need.</b>	
	<b>Newly Arising Need is as follows:-</b>	
9.	Concealed households identified in the survey, forming in the next year.	HNS
10.	Percentage of households forming with a partner living elsewhere in the City	HNS
11.	Percentage of households registered on Waiting List	HNS
12.	Proportion unable to buy (i.e. income < £20,150 / £27,500) or rent (i.e. income <£14,000 / £18,000)	HNS 2004 update
13.	Ex-institutional population moving into community p.a.	WCC
14.	Housing Register new applications 2003-2004 less cancellations from the register.	WCC
15.	In-migrant households over the last year who live in social housing.	HNS
<b>16.</b>	<b>Total newly arising need.</b>	
	<b>Supply of Affordable Units is as follows:-</b>	
17.	Existing social stock re-lets from RSL's and the local authority net of transfers.	WCC
18.	Increased vacancies and units taken out of management (demolition and Right To Buy).	WCC
19.	Future new supply each year based on average level over next three years.	WCC
20.	Total affordable supply per annum.	
21.	Total affordable need per annum.	
<b>22.</b>	<b>Overall annual shortfall.</b>	

### 5.3 Affordable Housing Needs Assessment Model

		2004	2002
1.	Households in unsuitable housing planning to move	3,222	15,541
2.	MINUS – RSL / Council tenants	1,739	8,295
3.	Cases where in-situ solution most appropriate	<u>554</u>	4,375
		2,293	12,670
		<u>929</u>	<u>2,871</u>
4.	TIMES - Proportion unable to afford to buy or rent	64%	(39%) 1,120
5.	PLUS - Backlog (non-households)	<u>226</u>	<u>143</u>
<b>6.</b>	<b>TOTAL BACKLOG NEED</b>	<b>821</b>	<b>1,263</b>
7.	TIMES - Quota to progressively reduce backlog	20%	(20%)
<b>8.</b>	<b>ANNUAL NEED TO REDUCE BACKLOG</b>	<b><u>164</u></b>	<b><u>253</u></b>
<b><u>Newly Arising Need:</u></b>			
9.	New household formation (gross p.a.)	940	944
10.	MINUS - Two person formation (28.5%) x 0.5	<u>134</u>	134
		806	710
11.	MINUS - Households registered on waiting list (33%)	<u>266</u>	234
		540	476
12.	TIMES - Proportion unable to buy (85%) or rent (59%) in market	59	319
13.	PLUS - Ex-institutional population moving into community	7	0
14.	Existing households falling into priority need	2,508	2,600
15.	In-migrant households unable to afford market housing	<u>365</u>	<u>316</u>
<b>16.</b>	<b>TOTAL NEWLY ARISING NEED</b>	<b>3,199</b>	<b>3,202</b>
<b><u>Supply of Affordable Units:</u></b>			
17.	Supply of social re-lets p.a.	3,100	3,255
18.	MINUS - Increased vacancies (if applicable) and units taken out of management. Right To Buy	815 x 9.7%	<u>79</u>
		3,021	3,239
19.	PLUS – Committed units of new affordable supply (not able to predict)	<u>0</u>	<u>0</u>
<b>20.</b>	<b>AFFORDABLE SUPPLY</b>	<b>3,021</b>	<b>3,239</b>
	Annual need to reduce backlog	164	253
	Newly arising need	<u>3,199</u>	3,202
<b>21.</b>	<b>TOTAL AFFORDABLE NEED</b>		<b>3,455</b>
	MINUS - Affordable supply	3,021	3,239
<b>22.</b>	<b>OVERALL ANNUAL SHORTFALL</b>	<b><u>342</u></b>	<b><u>216</u></b>

\* Elimination over a five year period is recommended in the Guidance for model purposes but the Council can make a Policy decision to do so over a longer period.

## 5.4 Model Structure

- 5.4.1 The model we utilise is the Basic Assessment Model in the Good Practice Guidance although there are still a number of different ways of calculating backlog and newly emerging need. The table in 5.3 shows the current assessment alongside the figures for 2002.
- 5.4.2 The model is structured on a 'flows' basis, taking account of recent experience over the previous three years and examining projections over the next two years. It has to be assumed that this 'annualised' data will occur each year to 2011. The primary data gathering will of course be undertaken again twice by 2011, but unless there are major changes, up or down, in house prices and incomes it is unlikely that there will be much variation in the overall situation.
- 5.4.3 The data from HIP returns for the three years to 31/3/2004 shows the following trends:-

**Table 5-2 2002 to 2004 Affordable Supply**

Supply	2002	2003	2004	Average
Council Re-lets	2,327	2,428	2,414	2,390
RSL Re-lets	918	604	609	710
Total	3,245	3,032	3,023	3,100
New Supply	74	117	104	98
Total Supply	<u>3,319</u>	<u>3,149</u>	<u>3,127</u>	<u>3,198</u>
Right to Buy / Demolitions	530	767	1,147	815

- 5.4.4 New supply in 2003 / 04 was 104 units, higher than the three year average of 98 units but these have been 717 units less than the average level of Right to Buy / Demolitions each year, resulting in a net decrease in the affordable stock.
- 5.4.5 Although an average of re-lets and new supply total has been 3,198 units, the 2004 figures are lower at 3,127 units due to the trend of reduced relet rates in both Council and RSL stock and the future new unit forecast is only 63 units in 2005/06. These lower supply levels will need to be monitored in 2005.

## 5.5 Needs Assessment

- 5.5.1 The total affordable housing need annually is now 3,363 units. Net re-lets of the existing social stock after the RTB impact average 3,021 units, based on the average of recent years.
- 5.5.2 Even after allowing for this level of supply, there will still be an annual affordable housing shortfall of 342 units a year. These units will need to come from new sites, conversions and market purchase by RSL's to reduce the shortfall figure each year.
- 5.5.3 The overall shortfall is 126 units greater than in 2002 and future strategies and Plan targets will need to monitor annual change and adjust overall target levels and tenure balance within the affordable requirement.

## **6 KEY FINDINGS**

### **6.1 The Housing Market, Costs and Incomes**

- 6.1.1 The house price inflation increase for Wolverhampton over the last two years is 60.4%.
- 6.1.2 The access level stock, (terraced houses and flats / maisonettes) has increased by 82.2% and 55.5% respectively. Average house prices for terraced properties have increased by 29.3% in the last 12 months to June 2004.
- 6.1.3 In terms of the access level stock, terraced houses are assessed to be the main access property for first time buyers, due to sales levels being around 30% all sales in the City and the average price for terraced properties at £87,402. In some areas however, there is a reasonable flat supply.
- 6.1.4 The sales levels of terraced houses and flats / maisonettes in 2004, 29.9% and 8.8% respectively are similar to 2002 levels (33.5% and 9.3% respectively).
- 6.1.5 The increase in the price of terraced houses (82.2%) and flats / maisonettes (55.5%) is significantly in excess of wage inflation in the two year period. An average of incomes between 2000 and 2003 show that in Wolverhampton, incomes are assessed independently to have increased by 5% in the year to April 2003 and it is reasonable to conclude that there was a similar increase in 2003 / 2004, still 72% below the level of the increase in terraced house prices.
- 6.1.6 The Rowntree Foundation Study examined the house price / income relationship for the lowest quartile properties at December 2002 prior to the major house price increases. The ratios across 7 West Midlands authorities range from 2.54 to 3.27.
- 6.1.7 Access to market housing has therefore become more difficult for new households than it was in 2002, increasing the need for subsidised housing.

### **6.2 Population Change**

- 6.2.1 The most significant feature here is the growth of the population in the over 65 age group. An increase of 3,600 individuals is seen over the forecast period, the largest increase is seen between 2001 and 2021 (2,200; 5.6%).
- 6.2.2 The "older" retirement group, those 75 and over grows by 8.9%, 1,600 more people by 2021. This group represents 18,000 people currently, rising to 19,600 people in the area by 2021 who are much more likely to have care and support needs which should now be assessed in detail.
- 6.2.3 The demographic change will impact on the need for support services and dwelling adaptations for older people with mobility problems.
- 6.2.4 The 198 unit requirement for specialist accommodation for sheltered and supported housing identified in the 2002 survey remains unchanged.
- 6.2.5 These revised projections confirm the scale of continuing growth in the older population in the decade beyond 2011, even although the total population numbers reduce, impacting on the requirement for housing to meet the needs of older people.

### **6.3 Affordable Housing Needs Requirement**

- 6.3.1 The total affordable housing need annually is now 3,363 units. Net re-lets of the existing social stock after the RTB impact average 3,021 units, based on the average of recent years.
- 6.3.2 Even after allowing for this level of supply, there will still be an annual affordable housing shortfall of 342 units a year, an increase of 126 p.a. since 2002. These units will need to come from new sites, conversions and market purchase by RSL's to reduce the shortfall figure each year.
- 6.3.3 This level of demand exceeds the number of units likely to be able to be delivered resulting in growing levels of unmet need each year. 98 units a year has been the average delivery over the last three years. The immediate future level of new affordable unit delivery is expected to reduce to an average 77 units per annum over the next two years.
- 6.3.4 The outstanding need is over three times the scale of delivery based on the last three years experience and over four times the future projected level. This suggests that the target of new units negotiated will need to be increased at the next review to address the need for both affordable housing for rent and subsidised low cost market housing.
- 6.3.5 Essentially planning should be providing for balanced communities, which acknowledge the need for social compatibility if the problems of housing in the past are not to be repeated. The increases in average house prices of between 55% and 82% for flats and terraced houses over the last two years have excluded a large proportion of 'first-time buyers' from the owner occupied market.
- 6.3.6 We believe therefore that the proportion of affordable housing provided on new sites in future should encompass more subsidised low cost market housing than would have been the case two years ago when it was a more marginal element of affordable need, even although there was only a limited expressed need from respondents in 2002.
- 6.3.7 In 2002 we assessed there was a need for 30 unsubsidised small units each year in the general market to 2005, required to meet the needs of households whose incomes were sufficient to enable them to access the market without any subsidy or discount. The changed relationship between incomes and prices will mean that the number who can access housing in the private sector without subsidy will have reduced, resulting in an increase in the requirement for subsidised low cost market units.