ROGER TYM & PARTNERS
Planners and Development Economists
Part of Peter Brett Associates LLP

Planning & Development

Birmingham City Council

Strategic Housing Market Assessment 2012

Revised January 2013

Roger Tym & Partners
16 Brewhouse Yard
London EC1V 4LJ

t: 020 75668600
e: london@tymconsult.com
w: www.tymconsult.com

HDH Planning and Development
Bellgate, Casterton
Kirkby Lonsdale, Cumbria LA6 2LF

t: 015242 76205
e: simon@drummond-hay.co.uk
w: www.drummond-hay.co.uk

This report was originally produced in November 2012. In the present version, some minor errors have been corrected.

26548

CONTENTS

APPENDICES

A1 STAKEHOLDER EVENT NOTES

A2 FURTHER DETAIL ON AFFORDABLE RENT

A3 IMPLIED TENURE REALIGNMENT WITHIN LTBHM

A4 DEMOGRAPHIC REVIEW

INTRODUCTION

1 INTRODUCTION

Purpose

1.1 Birmingham City Council commissioned this study in March 2012

'…to enable the Council to develop planning and housing policies and take decisions which encourage the provision of the most appropriate mix of housing (in terms of type, size, tenure, and affordability)[1]*.*

1.2 The study bears directly on two areas of Council policy, housing and planning. It should inform affordable housing policies, by assessing both the total need for affordable housing and the profile of that need in terms of household sizes and types. It should also inform planning policies in the emerging Core Strategy, in particular the housing target, showing how much housing development the Council should provide land for in the next 20 years, in both the market and affordable sectors.

Study method

1.3 Until recently, these two kinds of policy were decided by different layers of government and supported by different evidence base studies. Affordable housing policies were set by local authorities and informed by Strategic Housing Market Assessment Studies (SHMAs). Land provision targets were set by Regional Strategies and informed by regional housing requirements studies. These two kinds of study used different methods and had different time horizons – five years for SHMAs and 15-20 years for housing requirements studies.

1.4 All this is in currently changing as the Government restructures the planning system. Regional Strategies are in the process of being abolished and local planning authorities will set their own housing provision targets, as part of their Core Strategies or Local Plans. The National Planning Policy Framework (NPPF) (March 2012) requires authorities to produce a new kind of evidence base study, which should underpin both these new planning targets and affordable housing policy:

'159 Local planning authorities should have a clear understanding of housing needs in their area. They should… prepare a Strategic Housing Market Assessment [SHMA] to assess their full housing needs, working with neighbouring authorities where housing market areas across administrative boundaries. The Strategic Housing Market Assessment should identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period [preferably covering 15 years] *which:*

- *meets household and population projections, taking account of migration and demographic change;*
- *addresses the need for all types of housing, including affordable housing and the needs of different groups in the community (such as, but not limited to, families with children,*

[1] Birmingham City Council, *Contractors Brief & Invitation to Quote*, February 2012

older people, people with disabilities, service families and people wishing to build their own homes); and

- *caters for housing demand and the scale of housing supply necessary to meet this demand.'*

1.5 The 'new SHMA' described above is quite different from the traditional SHMA - which as noted earlier focused on affordable housing rather than the whole housing market, and looked ahead five years rather than 15. The present study aims to provide this new SHMA, in compliance with the NPPF. At the same time, as required by the Council's brief, it complies with the national Practice Guidance on SHMAs[2] - which was published in 2007 and has not been revised to align with the new planning system and recent housing reforms.

1.6 To meet these combined requirements, the new SHMA should address two related but different questions:

i Like the old SHMA and in line with the Practice Guidance, it must assess affordable housing ***need*** – the quantity and mix of affordable housing that ideally ***ought*** *to* be provided to meet set standards on what constitutes suitable housing. These standards are set out in the Practice Guidance; they cover, for example, numbers of bedrooms and access to amenities.

ii In line with the NPPF, it must assess effective housing ***demand*** – the housing that ***will*** be provided, across both the market and affordable sectors, if the planning authority provides the necessary land. Unlike the old housing requirement studies, it should assess not just the quantity of housing demanded, but also its mix in terms of dwelling size and tenure (market and affordable)[3].

1.7 The two questions relate to different time horizons: affordable need is to be assessed over five years and effective demand over15 years or longer (in this case we consider a 20-year period, 2011-31).

1.8 To create the new SHMA, we use an innovative tool, the Long Term Balancing Housing Markets (LTBHM) model. The model takes any total housing requirement and breaks it down into tenures and housing types, to show what mix of dwellings would be required to ensure that all households are adequately housed and the public sector stock is used as efficiently as possible. We use the model to disaggregate total demand over the plan period into tenures and types as required by paragraph 159 of the NPPF.

1.9 The study incorporates the views of stakeholders, as expressed at two consultation events. Notes from these meetings are at Appendix A1. The study has been an iterative process; the views of stakeholders have helped the research evolve.

[2] Communities and Local Government (CLG), *Strategic Housing Market Assessments – Practice Guidance*, March 2007

[3] The distinction between need and demand will be discussed in detail in Chapter 2. NPPF does not make this distinction, but uses 'need' and 'demand' interchangeably.

The report

1.10 Following this Introduction:

- Part A is a traditional SHMA in line with the 2007 Practice Guidance, focusing on affordable housing need in the next five years, and advises on affordable housing policy.
- Part B assesses the total effective demand for housing over the plan period to 2031 and advises on the Core Strategy housing target.
- Finally Part C estimates the mix of that demand in terms of housing type and tenure, as required by paragraph 159 of the NPPF.

PART A
HOUSING NEED 2012-17

2 OVERVIEW

2.1 This part of the SHMA provides an update of the first Birmingham City Council Strategic Housing Market Assessment (2008), in the light of current market conditions and the new policy landscape. Most of the data used in the 2008 SHMA originated from before the economic downturn (in the autumn of 2007); therefore we focus on how the housing market has changed since. The update is also timely because the Coalition Government is making major changes to affordable housing. We provide a comprehensive assessment of the impact of these changes, including the new LHA cap and the introduction of a new tenure (Affordable Rent).

2.2 Below, Chapter 3 transparently explains the method and data sources we have used. Chapter 4 provides socio-economic context, based primarily on secondary data. The chapter presents the latest background information available on the local population and the labour market in the City. In particular, it examines the changes that have occurred since the economic downturn.

2.3 Chapter 5 examines the housing market in Birmingham in considerable detail. The chapter establishes the cost of different tenures of housing and how it varies across the City. Chapter 5 also profiles the new tenure of Affordable Rent and considers at what level it might be set in Birmingham. Chapter 6 assesses the current financial capacity of households and their ability to afford market housing in the City.

2.4 Chapter 7 assesses housing need in Birmingham, based on the CLG housing model, looks at the size of units required and assesses the ability of Affordable Rent to meet housing need. Finally Chapter 8 summarises conclusions and provides policy advice.

3 METHOD

Introduction

3.1 In accordance with Practice Guidance, a range of data sources was used to create a robust and diverse evidence base for this study. Secondary data available at the local, regional and national level has been used to provide detail on the housing market in Birmingham and how it is changing. The secondary data sources contain valuable information for discrete geographies, but do not provide data at household level to measure households' housing requirements (how much space they need) and what they can afford. To assess this, in addition to studying published secondary data sources, a household level dataset has been created to assess some of the key requirements of this SHMA.

3.2 This household dataset is formed principally from the recent Private Sector Stock Condition Survey[4] data collected in Birmingham in early 2010. This survey was however limited to the private sector (owner-occupied and private rented homes); therefore the profile of affordable households has been derived from the dataset that accompanied the Housing Demand Study[5] undertaken in the City. As this data is older than the Private Sector Stock Condition Survey, information from the Council's current Waiting List records has been used to ensure that the profile of this sector is an accurate representation of the situation in Birmingham.

3.3 The combined dataset that has been created through this process facilitates a new analysis of the local housing market. The total sample used within this dataset is 2,744 responses. This is significantly in excess of the 1,500 per local authority recommended by the Practice Guidance. The sample used within this dataset was drawn at random from the Council Tax Register, although the sample was stratified to ensure a sufficient response in all parts of the City. The dataset includes detail of the households' existing home, a profile of the household (age, sex etc) and the households' financial circumstances (income, equity, savings etc).

3.4 Two measures have been used to update this dataset so that it represents the household population in Birmingham in spring 2012 – re-weighting the data to take account of the latest information on the structure of households in Birmingham and updating the financial profile of households to reflect the current economic circumstances in the City. This chapter will describe the approach used for these two processes.

Re-weighting the dataset

3.5 The dataset is weighted so that it best reflects all households in the area studied. Weighting a dataset is a process whereby every response to the survey is assigned a number,

4 CPC, *Birmingham Private Sector House Condition Survey 2010*

5 CSR Survey Ltd, *Housing Demand in Birmingham,* ,April 2006 (data collected in late 2005)

equivalent to the number of real households in the City it is taken to represent. This process uses secondary data to determine the real numbers of households in particular categories.

3.6 It is particularly important to determine the total number of households in the City. To determine the number of households in 2012, we used the CLG 2008-based Household projections (published in 2010). The estimated total number of households in 2012 in Birmingham used by the report is therefore 420,400.

3.7 The data also has to be weighted by a number of variables so that it is representative of the characteristics of the household population. The variables used to weight the data are listed below.

- Tenure
- Household type
- Age of resident population
- Employment profile of resident population
- Constituency
- Ethnicity of household head
- Accommodation type

3.8 Table 3.1 shows an estimate of the current tenure split in Birmingham with the sample of responses in each tenure. 58.4% of households are owner-occupiers with 24.7% in the social rented sector and 12.4% resident in private rented accommodation.

Table 3.1 Number of households in each tenure group

Tenure	Weighted data		Unweighted data	
	Total No of households	% of households	Total No of households	% of households
Owner-occupied (no mortgage)	136,488	32.5%	890	32.6%
Owner-occupied (with mortgage)	108,888	25.9%	518	19.0%
Social rented	103,634	24.7%	977	35.6%
Shared ownership	4,025	1.0%	16	0.3%
Private rented	67,364	16.0%	343	12.6%
Total	420,400	100.0%	2,744	100.0%

Source: Birmingham Strategic Housing Market Assessment household dataset (all households), 2012 base.

Updating the financial profile

3.9 As the original survey data was collected before 2012, it has been necessary to make an estimate of the likely change in income levels since the data was obtained (and indeed changes in savings and equity). The principle of updating the financial profile is not to update the situation of the particular household that responded to the initial survey, but to present an accurate representation for an equivalent household that exists currently. Financial information was updated via an indexing approach, as there are time-series secondary data available at a local level that record changes in the relevant variables.

Separate methods were used for the three variables that were updated – income, savings and equity.

3.10 The Annual Survey of Hours and Earnings (ASHE) was used to update the earned income of private sector households with an employed member. The change recorded by ASHE over the last two years was applied to the dataset to generate a profile for spring 2012. As ASHE provides values at a range of points on the earnings distribution, it is possible to update income depending on the change recorded for the particular quartile the original earned income of 2010 was in.

3.11 The incomes of retired households in market housing were assumed to increase with inflation (CPI), while the income of benefit dependent private sector households were obtained by summing the value of each of the benefits received by the household (account was taken for where there were multiple claimants of a benefit within the household). The value of the benefit was that recorded for the particular household characteristics indicated by the Department for Work & Pensions or by calculating the average claim received in Birmingham for the benefit type.

3.12 Current income data for households resident in the affordable sector was obtained from an income profile for this sector in Birmingham produced by Experian. The data was disaggregated by socio-economic situation to provide fine-grained detail.

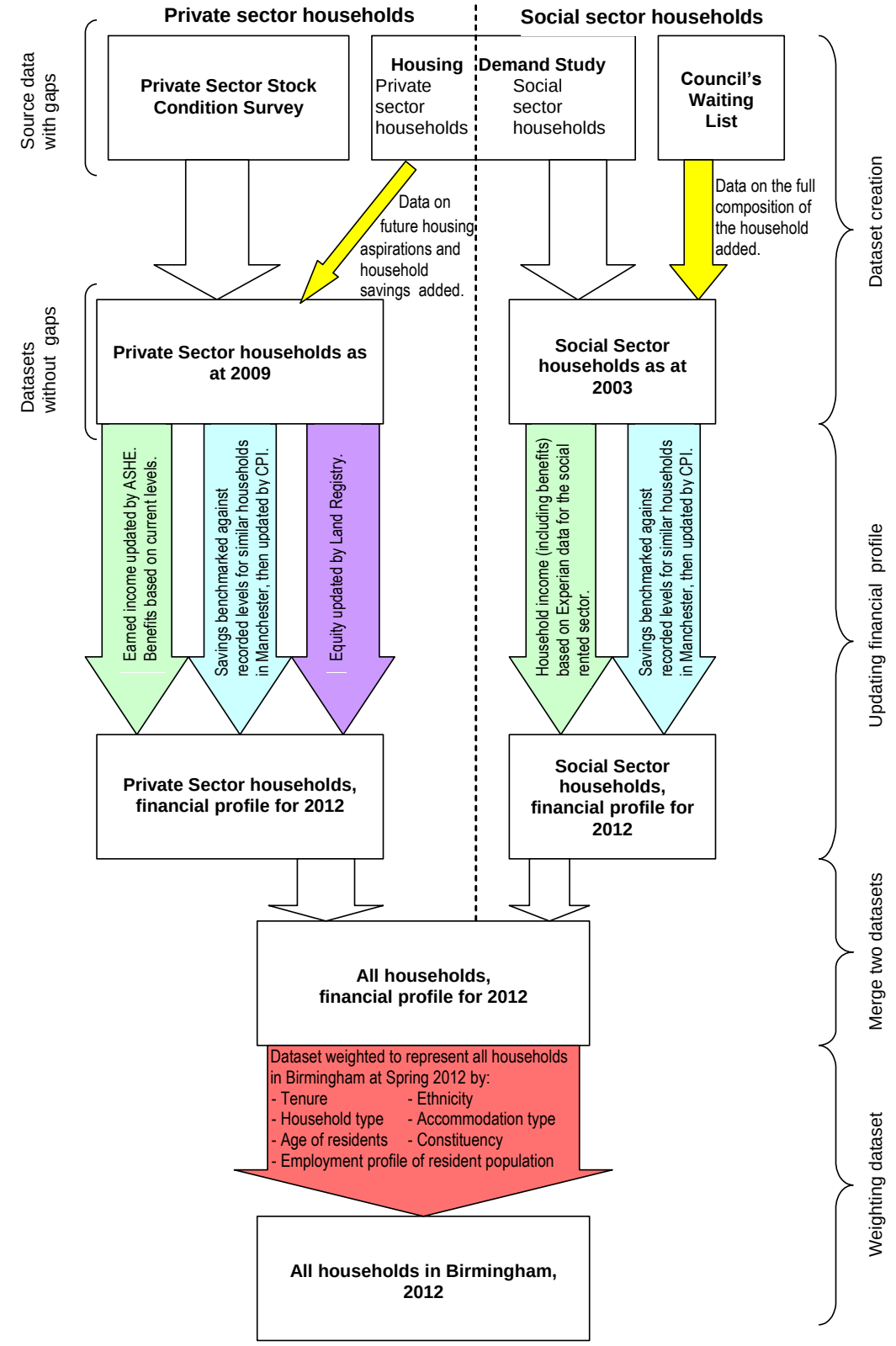
3.13 In the absence of any secondary data on the average level of savings in the UK, savings were updated only according to inflation (CPI). This indicated an increase of 21.8% since 2005. This increase has been applied to the survey data to bring it up to a spring 2012 base. Whilst this increase may appear large, an analysis by the Office of National Statistics on the proportion of income that households use for savings indicates that households are saving twice as much of their income (proportionally) now than they were in 2005.

3.14 For affordability purposes it is also important to consider changes in household equity. The Land Registry provides the best source of information on the value of property at a local level, with data on the price of all home sales for every quarter of the year. Analysis of Land Registry data suggests that overall, median house prices within Birmingham have decreased by 5.9% over the past two years. As the Land Registry presents data for a range of points on the price distribution, it is possible to update the value of owner-occupied homes by the change in prices recorded for the appropriate price level.

3.15 These figures have been applied to survey data about property values – this in turn has enabled us to make an estimate of likely equity levels. For example, a household living in a house worth £100,000 and with £50,000 of equity (in 2010) would now be assumed to be living in a house worth £94,100 and with £44,100 of equity.

3.16 The flowchart in Figure 3.1 illustrates the process used to form the household dataset used in this report.

Figure 3.1 Formation of the household dataset



Source: HDH

4 SOCIO-ECONOMIC SITUATION

Introduction

4.1 Housing demand is driven by demographic, social and economic factors. This chapter documents Birmingham's current demographic and socio-economic profile and how it has changed since the economic downturn. The information presented compares the circumstances in the City to national and regional benchmarks. This provides useful background before the local housing market is examined in more detail in subsequent chapters.

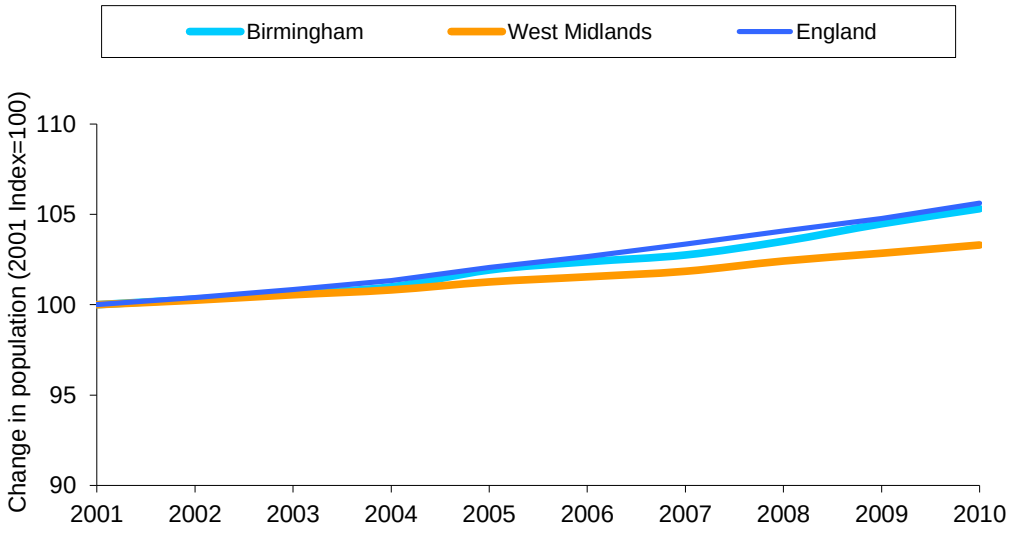
Demography

4.2 A range of data has been published recently that informs how the population in the City has changed since the market downturn.

Population

4.3 Revised 2010 Mid-Year Estimates were published by the Office of National Statistics (ONS) in 2011. These show the population in each authority up to 2010. Figure 4.1illustrates the change Birmingham's population since 2001. They show that the population of the Birmingham has increased at a faster rate than the region as a whole but slightly slower than the national total. The population estimates suggest that the population of the City in 2010 was 1,036,900 and that since 2001 the population has increased by 5.2%, while in the West Midlands the population increase was 3.3% and across England it was 5.6%.

Figure 4.1 Population change in Birmingham, 2001-10



Source: ONS, Revised Mid-Year Population Estimates

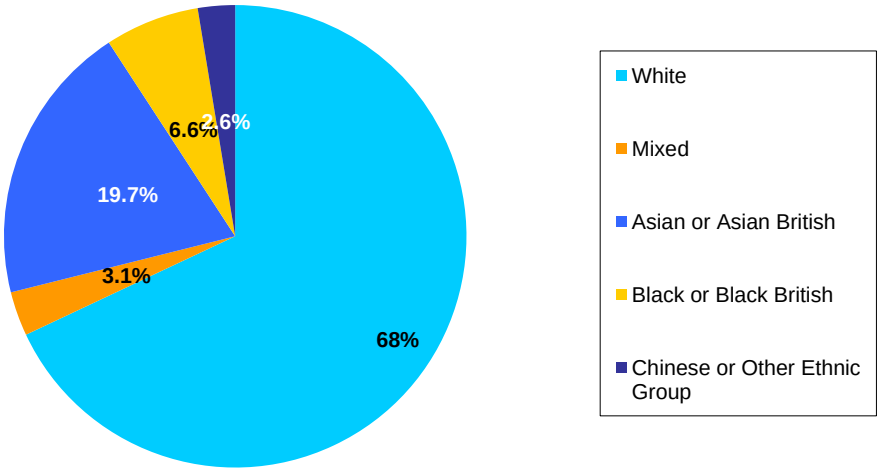
4.4 The Mid-Year Estimates also indicate that Birmingham contains a higher proportion of the population of working age than is found regionally; 64.9% in Birmingham compared to 63.5% across the West Midlands (and 64.8% nationally).

Ethnicity

4.5 According to the 2001 Census, the proportion of Black or Minority Ethnic (BME) (non-White) groups in Birmingham was 29.6%, higher than in the West Midlands (11.3%) and nationally (13.0%). ONS have produced some estimates of the changes in population by ethnicity to 2009, although these are classed as experimental statistics and should be treated with caution. They suggest that the BME population of Birmingham increased to 32.0% of the total population since the 2001 Census. This amounts to an increase from 289,681 to 329,184 people (an increase of 13.6%) in BME groups between 2001 and 2009.

4.6 Figure 4.2 presents the ethnicity of the population in the City according to the latest (2009) figures. The 'Asian or Asian British' ethnic group represents the largest BME group in Birmingham (19.7% of total population). Further analysis of this group indicates that 9.7% of the population of the City are Pakistani and 5.8% are Indian.

Figure 4.2 Ethnicity of Birmingham population, 2009



Source: ONS Resident Population Estimates by Ethnic Group, 2009

Number of households

4.7 The latest CLG estimates suggest that the number of resident households in the Birmingham is increasing at a slightly faster rate than the population of the City. Between 2001 and 2010 the number of people in Birmingham increased by 5.3%, whilst the number of households increased by 5.7%. Average household size in Birmingham is declining, as it is in the rest of the country (Table 4.1).

Table 4.1 Population and households, 2001-10

	2001	2005	2010
Population*	984,600	1,003,500	1,036,900
Households**	390,600	398,400	413,200
Average household size	2.52	2.52	2.51

Source: ONS, CLG

4.8 This report has been prepared using the latest demographic information available at the time the project was commissioned. Subsequently initial data from the 2011 Census has been published; this has not been used to inform this part of the study, but it is discussed in Part B of the report.

Economy

4.9 This section considers the economic context in Birmingham, both as an employment hub and as a home to economically active people, and the influence on the housing market.

Employment in Birmingham

4.10 NOMIS[6] data on 'job density' (this is a measure of the number of jobs per resident person of working age) for 2009 shows that there are 0.74 jobs per working age person in the City. This is lower than the figures for the West Midlands (0.75) and England (0.78). The figure of 0.74 represents a notable decrease from the figure of 0.84 recorded in 2006 before the economic downturn. The decrease in Birmingham is much more marked than that found regionally and nationally (both at 0.79 in 2006).

4.11 Measured by the most recent Annual Business Inquiry (ABI) there were 484,400 employee jobs in Birmingham City in 2008. This is a 0.4% increase on the level recorded before the economic downturn (in 2006). This increase recorded for the City compares to a decrease of 0.8% for the region and an increase of 1.2% nationally over the same time period.

The resident workforce

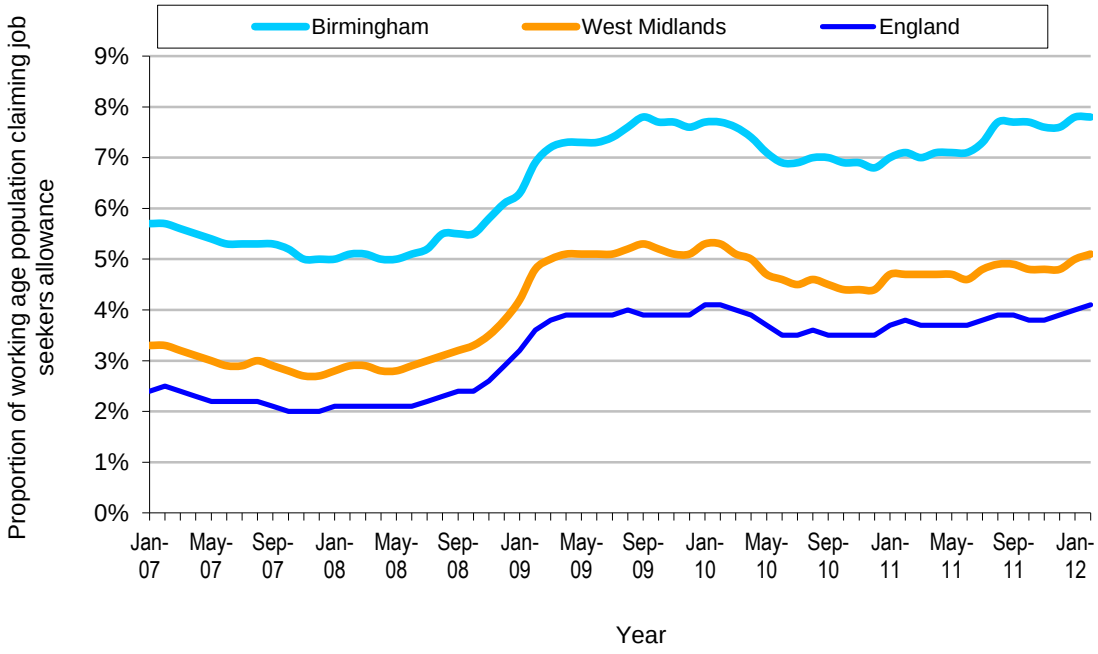
4.12 An understanding of the effect of the economic downturn on the resident population is crucial to this study.

4.13 The ONS publishes the number of people claiming Job Seekers Allowance on a monthly basis. This provides a very up to date measure of the level of unemployment of residents in an area. Figure 4.3 shows the change in the proportion of the working age population claiming Job Seekers Allowance in Birmingham since January 2007. Overall, the Birmingham unemployment rate has consistently been higher than the regional and

[6] NOMIS is a website provided by the Office of National Statistics that contains a range of labour market data at a local authority level. www.nomisweb.co.uk

national equivalents. All three areas experienced a substantial increase in Job Seekers Allowance claimants in the autumn of 2008 due to the economic downturn. Overall the number of people claiming Job Seekers Allowance in the Birmingham in February 2012 was 40.4% higher than in January 2007.

Figure 4.3 Level of unemployment in Birmingham, 2007-12



Source: ONS Claimant Count

4.14 The Annual Population Survey presents a 'Standard Occupation Classification' which categorises all working people resident within an area into one of nine groups depending on the nature of their skills. These nine groups are graded from managerial (Groups 1-3) to unskilled (Groups 8-9). As Table 4.2 illustrates, some 38.3% of employed residents in Birmingham are in groups 1 to 3, and this is lower than the equivalent figure for England. Birmingham has a larger proportion of the workforce in the lowest skilled occupations (Groups 6-7 and 8-9) than is found nationally. The figures recorded for Birmingham are similar to those recorded for the West Midlands as a whole.

4.15 The table also shows that since 2006 there has been a significant decrease in the number of people resident in Birmingham in groups 4-5 and 8-9. During the same period there has been a notable increase in the number of residents in groups 6-7, with a smaller increase in groups 1-3.

Table 4.2 Occupation structure

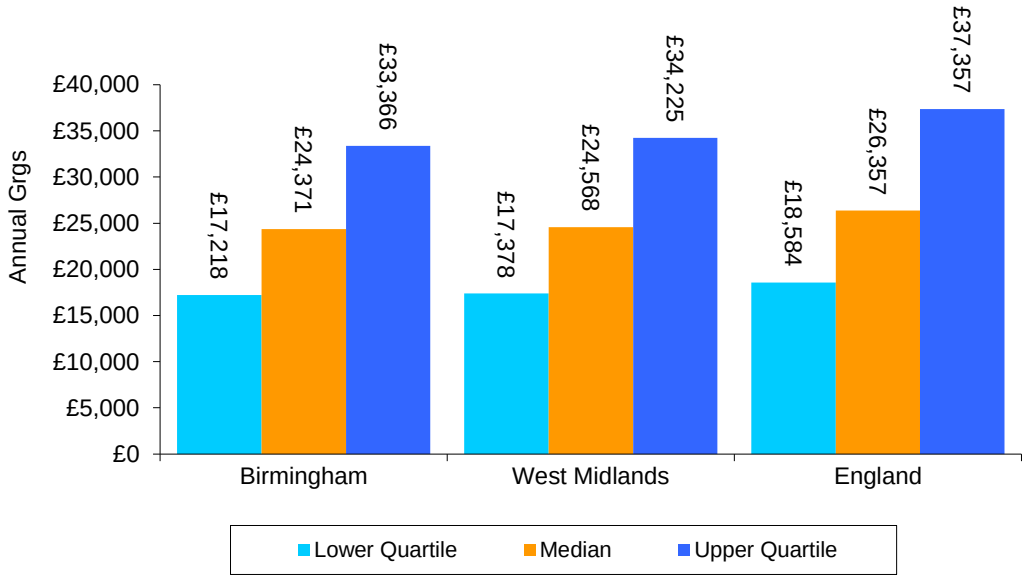
Occupation Groups	Birmingham Jul10-Jun11	West Midlands Jul10-Jun11	England Jul10-Jun11	% change in numbers, Birmingham, since Jan 06-Dec 06
Group 1-3: Senior management, professional, technical	38.3%	39.4%	43.2%	5.5%
Group 4-5: Administrative, skilled trades	22.5%	22.9%	22.0%	-13.9%
Group 6-7: Personal service, customer service and sales	19.7%	17.7%	17.3%	16.5%
Group 8-9: Machine operatives, elementary occupations	19.5%	20.0%	17.5%	-13.5%
Total	100.0%	100.0%	100.0%	-1.9%

Source: ONS Annual Population Survey

Earnings

4.16 Income has a crucial effect on the level of choice a household has when determining their future accommodation. The mean earnings of full-time employees resident in Birmingham in 2011 were £28,040, according to the ONS Annual Survey of Hours and Earnings, lower than the West Midlands as a whole (at £28,743) and England (at £33,022). It is important to note that these figures assess individuals' earnings, rather than household incomes – which will be discussed in Chapter 6 below. As shown in Figure 4.4, at all points on the distribution annual gross earnings in Birmingham are lower than in the West Midlands and England.

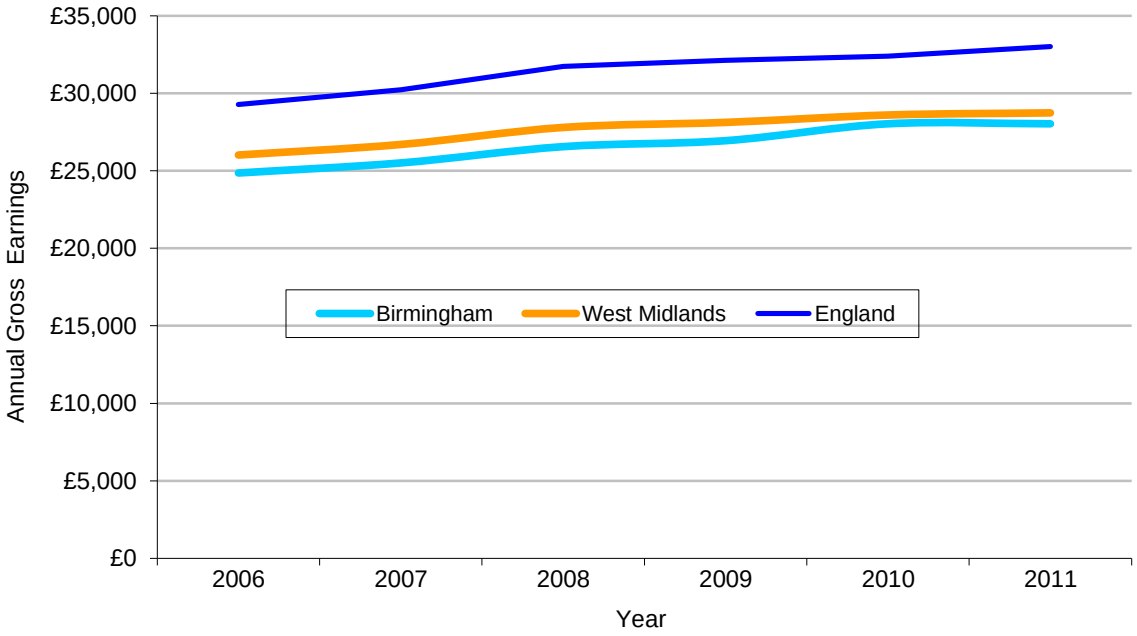
Figure 4.4 Annual gross earnings of full-time employed residents 2011



Source: ONS Annual Survey of Hours and Earnings (2011)

4.17 Figure 4.5 shows the mean earnings of full-time employees resident in Birmingham, the West Midlands and England since 2006. Birmingham has recorded the same increase as was found nationally (12.7%), but a higher level than the West Midlands (10.4%).

Figure 4.5 Mean annual earnings of full-time employed residents, 2006-11



Source: ONS Annual Survey of Hours and Earnings (2011)

5 THE CURRENT HOUSING MARKET

Introduction

5.1 To assess housing need we need to understand the cost of housing and how it varies across the City. This chapter uses a range of sources to provide this information for Birmingham, including Land Registry data and an online survey of house prices and market rents.

5.2 Below, we first paint a broad picture, looking at average house prices and total sales volumes for Birmingham. We go on to a detailed analysis of housing costs and affordability for different tenures.

5.3 The Localism Bill is introducing Flexible Tenancies, which will allow Affordable Rent to be charged in the affordable sector. Affordable Rent is intended to help fill the gaps that exist in the current housing market. An important issue for the Council is the level at which Affordable Rent should be set. This chapter will therefore also consider the potential cost of Affordable Rent in Birmingham.

House prices and sales volumes

5.4 The most recent house price data available at the time of the previous SHMA was from the second quarter of 2007 – immediately before the start of the market downturn. The Land Registry has now published data for the third quarter of 2011. It is therefore possible to assess the changes that occurred to prices during the downturn and consider how prices prior to it compare to those now.

5.5 Table 5.1 shows the change in average prices between the third quarter of 2006 and the third quarter of 2011 for Birmingham, the West Midlands and England (using the same quarter accounts for seasonal market variation). Between 2006 and 2011 average prices have remained largely static in Birmingham and the West Midlands (less than 1.0% change) and increased more markedly (by 14.4%) across England as a whole. Overall, properties in Birmingham are on average slightly more expensive than those in the West Midlands region, but notably cheaper than the average for England. At the stakeholder event it was commented that although it is often perceived that housing in Birmingham is relatively cheap compared to neighbouring authorities, when comparing equivalent properties (in terms of size and quality) homes in Birmingham are often more expensive.

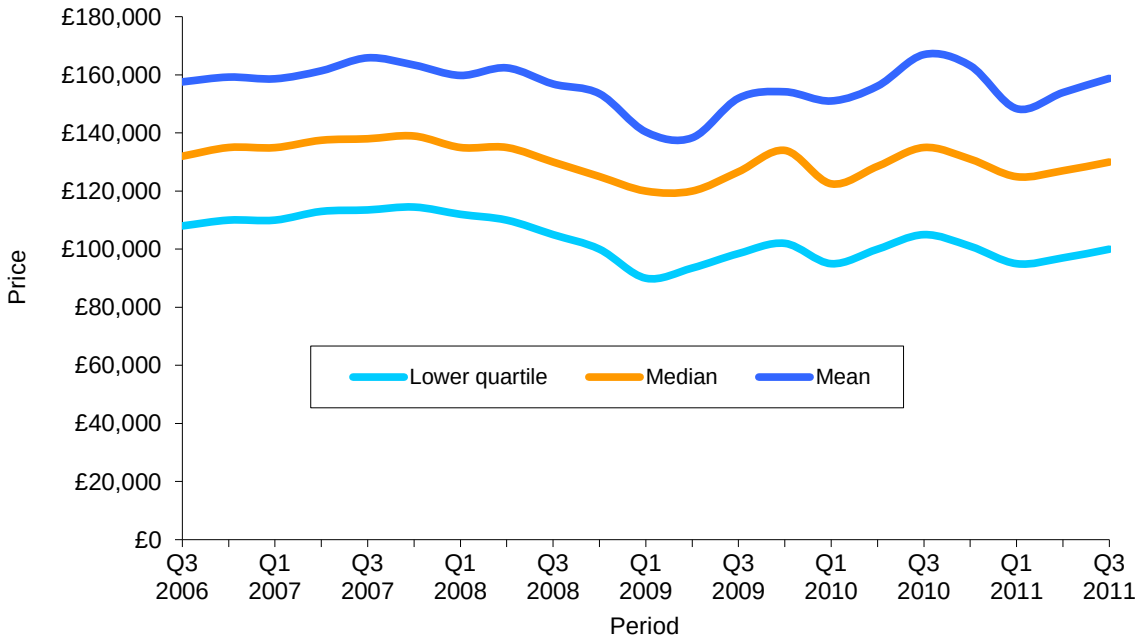
Table 5.1 Average property prices, 2006-11

Area	Average price Jul-Sep 2006	Average price Jul-Sep 2011	% change 2006-11
Birmingham	£157,592	£158,792	0.8%
West Midlands	£157,096	£155,953	-0.7%
England	£214,471	£245,426	14.4%

Source: Land Registry via CLG

5.6 Figure 5.1 shows price change by property price level since Quarter 3 2006. The Figure shows that prices at all levels follow the same pattern of seasonal peaks and troughs, however whilst median and mean prices are largely unchanged over the last five years (a 1.5% decrease and a 0.8% increase respectively) lower quartile prices have recorded a distinct decrease (7.4%).

Figure 5.1 Prices in Birmingham since 2006



Source: Land Registry via CLG

5.7 Table 5.2 shows the change in the number of property sales between the third quarter of 2006 and the third quarter of 2011. Property sales have notably decreased since the high levels recorded before the market downturn. Birmingham records the level of sales decreasing by 54.5% during this period, whilst regionally the decrease was 50.7% and nationally the decrease was 47.9%.

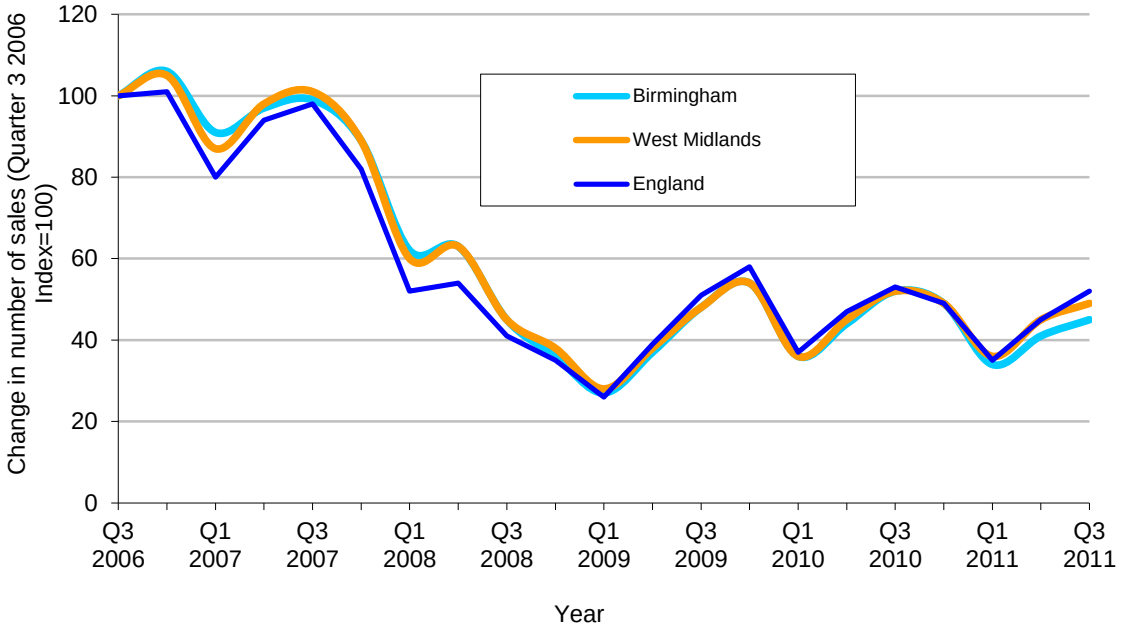
Table 5.2 Property sales, 2006-11

Area	Number of sales Jul-Sep 2006	Number of sales Jul-Sep 2011	Percentage change recorded 2006-11
Birmingham	5,028	2,287	-54.5%
West Midlands	13,078	6,442	-50.7%
England	336,785	175,299	-47.9%

Source: Land Registry via CLG

5.8 Figure 5.2 shows the indexed change in the number of property sales since Quarter 3 2006 for Birmingham, the West Midlands and England. For all three areas, the number of sales has recorded a steep decline since October 2007. Despite seasonal fluctuations sales remain much lower now than they were during 2006.

Figure 5.2 Indexed change in sales in Birmingham since 2006



Source: Land Registry via CLG

Housing costs and affordability

Property size

5.9 To fully understand the affordability of housing within an area it is necessary to collect data on the cost of housing by number of bedrooms. This ensures that it is possible to assess the ability of households to afford market housing of the size required by that particular household, as determined by the bedroom standard. However, no secondary source provides this information. As part of this study we have therefore undertaken a price survey to assess the current cost of housing in the City. Variations in prices across the City were examined.

5.10 Generally the difference in prices between within the City is fairly small; with two and three bedroom homes recording a relatively small range of prices. However for four bedroom properties there is a larger difference between the most and least expensive – with the more suburban areas recording the highest prices for four bedroom homes.

5.11 The Edgbaston and Hall Green areas are the most expensive for two and three bedroom homes, whilst Sutton Coldfield is the most expensive area for four bedroom properties, particularly detached homes. The City Centre contains the most expensive one bedroom flats with a notable number of two and three bedroom flats much more expensive than equivalent properties elsewhere in Birmingham. The cheapest areas for one bedroom homes is Hodge Hill and Yardley area, with Hodge Hill and Erdington cheapest for two bedroom properties and Erdington cheapest for three bedroom dwellings.

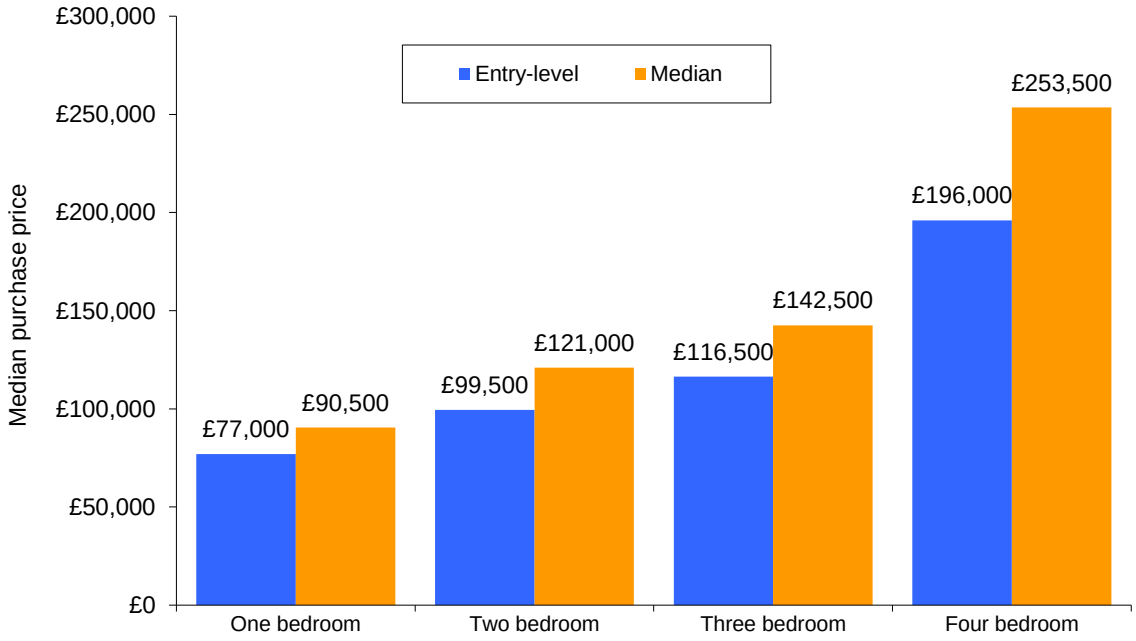
5.12 However the distinctions recorded across the City are not pronounced enough to indicate the existence of separate price markets in operation within Birmingham. The only exception is the small City Centre area, which contains a significant proportion of luxury apartments that are notably more expensive than equivalent sized accommodation in the rest of the City. The values recorded within the price survey, (which are used for the affordability test later in the report) are those taken from the whole of Birmingham excluding the City Centre apartment market.

Purchase prices

5.13 Median and entry-level property prices by number of bedrooms were obtained via an online search of properties advertised for sale during April 2012. The results of this online price survey are presented in Figure 5.3. The prices recorded include a discount to reflect that the full asking price is not usually achieved (with sales values typically 5% lower). In accordance with the Strategic Housing Market Assessments Practice Guidance, entry-level prices are based on lower quartile prices.

5.14 The figure indicates that entry-level prices in Birmingham range from £77,000 for a one bedroom home up to £196,000 for a four bedroom property. Median prices are generally around 20% higher than entry-level prices. In terms of market availability the analysis showed that three bedroom properties are most commonly available to purchase.

Figure 5.3 Median and entry-level property prices in Birmingham



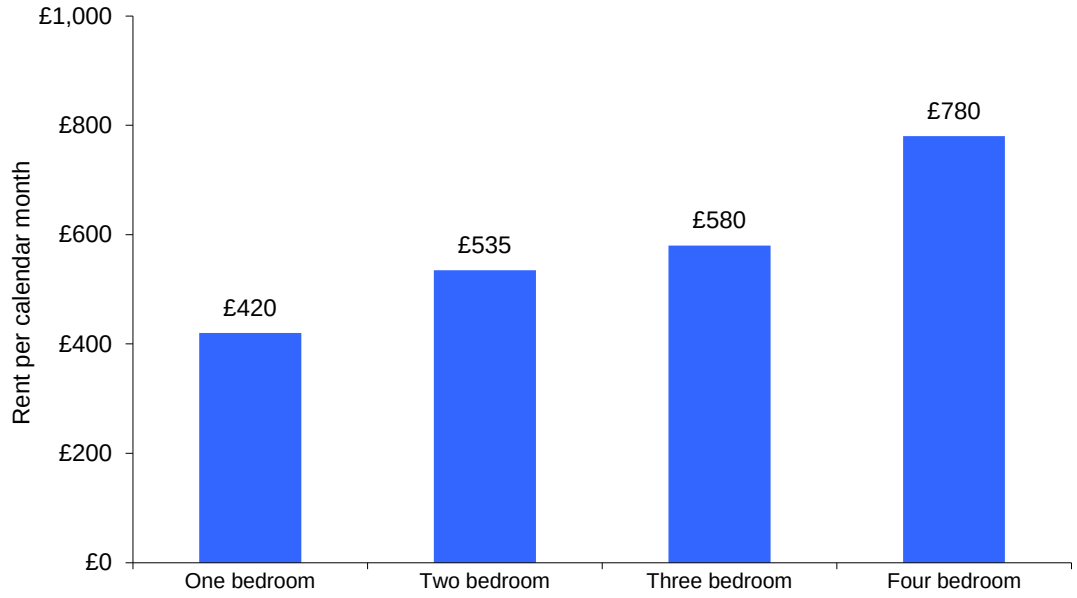
Source: Online estate agents survey April 2012

Entry-level rents

5.15 The entry-level price for private rented accommodation by property size is presented in Figure 5.4. The Figure indicates that entry-level rents in Birmingham range from £420 per month for a one bedroom home up to £780 per month for a four bedroom property.

5.16 The Figure shows that, as with owner-occupation, the smallest difference is between the cost of a two and three bedroom entry-level home. The difference between the cost of three and four bedroom accommodation is less marked in the private rented sector than for owner-occupation, although it still represents a noticeable increase (some £200 per month). In addition, the profile of properties available is somewhat different to that for purchase with a greater proportion of two bedroom homes available to rent.

Figure 5.4 Entry-level private rents by size in Birmingham



Source: Online estate agents survey April 2012

Social rents

5.17 The cost of social rented accommodation by dwelling size in Birmingham can be obtained from Continuous Recording (CORE) for the RSL stock and Birmingham City Council for the Local Authority stock. Table 12.3 below illustrates the cost of social rented dwellings in Birmingham. As can be seen the costs are significantly below those for private rented housing, particularly for larger houses, indicating a significant potential gap between the social rented and market sectors.

Table 5.3 Social rents in Birmingham

Bedrooms	Rent per month
1 bed	£307
2 bed	£357
3 bed	£383
4 bed	£415

Source: CORE 2010/2011, Birmingham City Council 2012

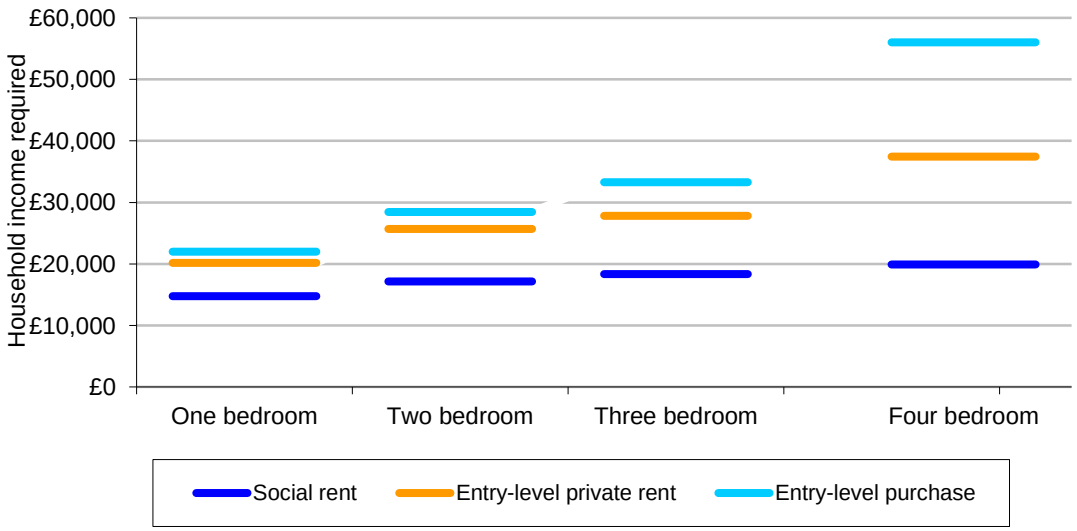
Housing market 'gaps'

5.18 Housing market gaps analysis has been developed to facilitate the testing of different new build proposals, and generally to show the nature of the housing ladder in a particular locality.

5.19 Figure 5.5 below shows the housing ladder that exists for each property size in the City. The housing ladder is illustrated by comparing the different types of housing in terms of the income required to afford them. To do this we have divided the entry-level property price by 3.5 to get an income figure and multiplied the annual rent by four to produce a comparable figure. This latter step was carried out for both social and market rents. This is in accordance with the affordability criteria set out in the Strategic Housing Market Assessment Practice Guidance.

5.20 The graph compares the likely income requirements per household for different types of housing. Measurement of the gaps between these 'rungs of the ladder' helps assess the feasibility of households moving between the tenures - the smaller the gaps, the easier it is for a household to ascend the ladder. The figure indicates that, for all property sizes, social rent is the cheapest tenure, followed by private rent and then owner-occupation.

Figure 5.5 Household income required to access housing in Birmingham



Source: Online estate and letting agents survey April 2012, CORE 2010/2011, Birmingham City Council 2012

5.21 Table 5.4 shows the size of the gaps in Birmingham for each property size. The table indicates, for example, that one bedroom market entry rents are 36.6% higher (in terms of income required) than the cost of social rented accommodation. The significant gap recorded between social rents and market entry rents for all property sizes indicates that intermediate housing could potentially be useful for a number of households.

Table 5.4 Scale of key housing market gaps in Birmingham

Property size	Social rent/market entry (private rent)	Rent/buy gap	Social rent/ entry-level purchase
One bedroom	36.6%	9.1%	49.1%
Two bedrooms	49.7%	10.7%	65.8%
Three bedrooms	51.6%	19.6%	81.3%
Four bedrooms	88.1%	49.6%	181.3%

Source: Birmingham Strategic Housing Market Assessment, 2012

5.22 The gap between private renting and buying is much smaller than to the gap between social and private rent. It varies by property size in Birmingham ranging from 9.1% for one bedroom accommodation to 49.6% for a four bedroom home.

Affordable Rent

5.23 Affordable Rents are being introduced to help fill the gaps in the current housing market. Affordable Rent is a social tenure intended to house households on the Housing Register. Affordable Rents can be set at *up to* 80% of open market rents, so there is flexibility choose a lower figure. To help the City Council set Affordable Rent at the right level, this section profiles in detail the private rented sector, on which the tenure is based, and then considers the potential cost of Affordable Rent in Birmingham. Appendix A2 sets out the policy context surrounding Affordable Rent and its impact on social rent. The Appendix also considers how the product may be funded and how it can facilitate the production of further affordable homes.

The spread of private rents

5.24 The section considers the breadth of the private rented market for each property size in Birmingham. Table 5.5 shows rents at the key points of the distribution. It suggests that the markets for one and four bedroom homes are largely distinct as there is minimal overlap within the inter-quartile ranges of the adjacent property size. There is more overlap between the two and three bedroom market with the median figures relatively close together and an overlap between the upper quartile two bedroom homes and lower quartile three bedroom homes.

5.25 For all property sizes, the extremes of each market overlap somewhat with the next size of dwelling. For example, a household in a high quality one-bed dwelling could live in a median priced two-bed property at the same rent but they would have to accept a noticeable drop in quality.

Table 5.5 Private sector rents in Birmingham (£ per month)

House size	One bed	Two bed	Three bed	Four bed
Minimum	£300	£350	£425	£550
Lower Quartile	£420	£535	£580	£780
Median	£515	£625	£710	£965
Upper Quartile	£605	£795	£890	£1,410
Maximum	£950	£2,500	£3,000*	£2,600
Inter-quartile range	£185	£260	£310	£630
% difference between quartiles	44.0%	48.6%	53.4%	80.8%

*This figure is an outlier; at the time of the market survey the most expensive property available to rent in the Coty was a three bedroom home. Source: Online estate agents survey April 2012

Affordable Rents compared with open market rents

5.26 We have considered alternative types of average market rent, from which the Affordable Rent at 80% could be calculated. The most effective, we believe, is to take the median. Table 5.6 compares the observed ranges of rent in the PRS with the Affordable Rents based at 80% of these levels. Social rent and LHA levels are also included. Social rent levels in Birmingham are consistently below the entire range of rates for Affordable Rent products and the gap between social rent and Affordable Rent increases with property size.

5.27 The LHA cap for the Birmingham Broad Rental Market Area, as set by the Valuation Office Agency, is also included in the table. This is based on the 30th percentile of open market rents. In most markets the LHA rates are above the median and often above the maximum Affordable Rent level. In Birmingham the LHA cap is below the maximum Affordable Rent for all property sizes and below the median Affordable Rent for three and four bedroom homes. In this instance, if the intended households for Affordable Rent homes require the entire rent to be covered by LHA, the properties available should be drawn from the lower-middle end of the market, in which case the rent level would be below the LHA cap.

5.28 For all property sizes there is an overlap between the maximum Affordable Rent rate and the entry level private rent. If, in these instances, high end properties were made available as Affordable Rent products, they would offer the chance for households to move into a high quality property at below open-market rents; however, there would still be suitable cheaper properties available in the open market.

5.29 In terms of providing an Affordable Rent product that is above the social rent level but suitably below the entry-level market rent, our analysis suggests that the most suitable properties to be made available for Affordable Rent would be ones equivalent to those in the ‘lower-middle’ section of the open market.

Table 5.6 Monthly rents by tenure in Birmingham

House size	One bed	Two bed	Three bed	Four bed
PRS				
Lower Quartile	£420	£535	£580	£780
Median	£515	£625	£710	£965
Upper Quartile	£605	£795	£890	£1,410
Affordable Rent				
Minimum (80% of lower quartile)	£336	£428	£464	£624
Median (80% of median)	£412	£500	£568	£772
Maximum (80% of upper quartile)	£484	£636	£712	£1,128
Social rent				
Typical rent*	£307	£357	£383	£415
LHA cap				
Birmingham BRMA **	£420	£500	£550	£700

Source: Online estate agents survey April 2012, *Source: CORE 2010/11, Birmingham City Council 2012, ** Valuation Office Agency, April 2012

Alternative Affordable Rent levels

5.30 Having established how Affordable Rent at 80% should be positioned in the market, it is important to consider the cost of other potential Affordable Rent options below the maximum of 80%. We consider alternative levels of Affordable Rent, at 70%, 65% and 60% of the market median, aiming to understand how lowering rents impacts affordability. The costs of renting at these various levels are presented in Table 5.7.

Table 5.7 Monthly rentals for different Affordable Rent levels, by property size

Bedrooms	One	Two	Three	Four
Lower Quartile Private Rents	£420	£535	£580	£780
Affordable Rent at 80%	£412	£500	£568	£772
Affordable Rent at 70%	£361	£438	£497	£676
Affordable Rent at 65%	£335	£406	£462	£627
Affordable Rent at 60%	£309	£375	£426	£579
*Social rent**	£307	£357	£383	£415

Source: Online estate agents survey April 2012, *Source: : CORE 2010/11, Birmingham City Council 2012

Shared ownership

5.31 Shared ownership accommodation is an alternative affordable product aimed at the same group of households - those able to afford more than social rents but unable to afford market accommodation.

5.32 Table 5.8 presents the estimated costs of shared ownership housing in Birmingham. The prices presented in the table were obtained from the online estate agent survey. The monthly costs of the most commonly available equity shares offered are also shown. The monthly costs are based on an interest rate of 5.69% paid on the equity share owned and rent payable at 2.5% on the remaining equity. These costs have been produced just to allow a broad comparison with the Affordable Rent levels presented above. It is clear that these is a potential overlap between the two products, particularly between shared ownership with a 25% equity share and Affordable Rent at 60%, but also one and two bedroom shared ownership homes with a 50% share and Affordable Rent at 70%.

Table 5.8 Estimated cost of shared ownership accommodation in Birmingham

	One	Two	Three	Four
Open market value	£85,000	£110,000	£155,000	£185,000
Monthly cost of shared ownership with a 75% equity share	£397	£498	£682	£804
Monthly cost of shared ownership with a 50% equity share	£340	£425	£579	£681
Monthly cost of shared ownership with a 25% equity share	£284	£352	£476	£558

Source: Online survey of estate agents, April 2012

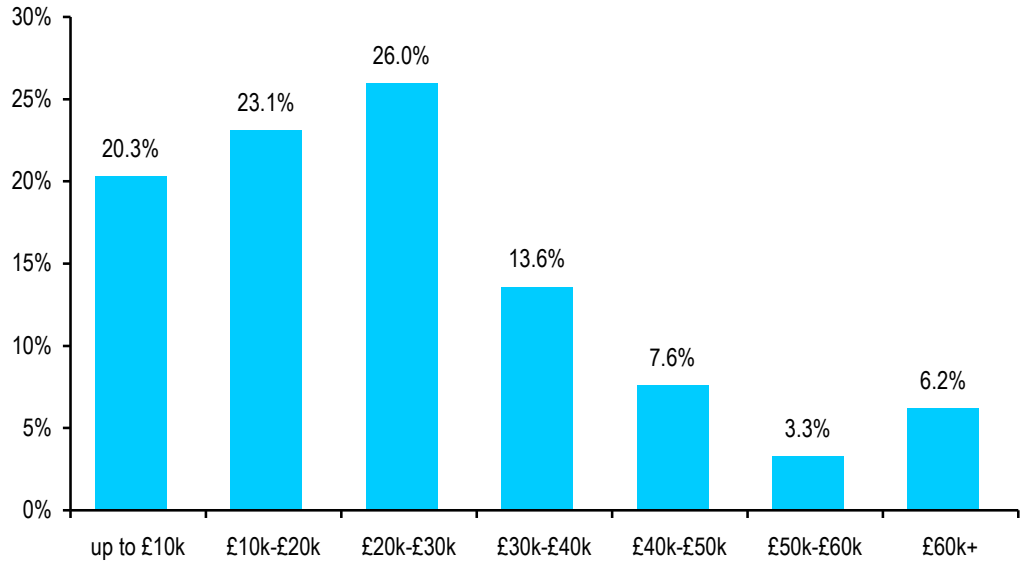
6 FINANCIAL INFORMATION

6.1 Chapter 3 above has described how the financial profiles of households in the primary dataset has been updated. This chapter presents the current financial situation of households in Birmingham recorded within the dataset and considers each of the elements that constitute financial capacity. These results are then combined with the analysis of the local housing market, presented in the previous chapter, to make an assessment of affordability for households in Birmingham.

Household income

6.2 The household dataset estimates that the mean annual gross household income excluding housing benefits in Birmingham is £27,420. The median household income is noticeably lower at £21,647. Figure 6.1 shows the distribution of income in the City. It is clear that there is a significant range of incomes, with 43.4% of households having an income of less than £20,000.

Figure 6.1 Distribution of annual gross household income (excluding housing benefits)

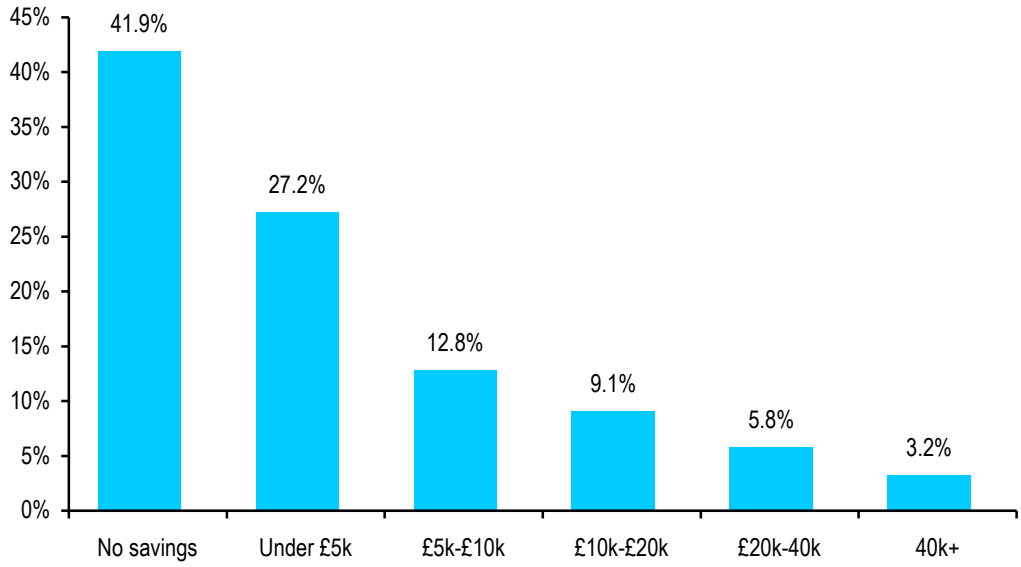


Source: Birmingham Strategic Housing Market Assessment household dataset (all households), 2012 base

Household savings and equity

6.3 The mean level of household savings in Birmingham in 2010 is £7,176. The median figure for household savings is currently £1,590. Figure 6.2 shows the distribution of savings in the City. Households with no savings also include those in debt.

Figure 6.2 Distribution of household savings



Source: Birmingham Strategic Housing Market Assessment household dataset (all households), 2012 base

6.4 The mean amount of equity that all owner-occupiers (both those with and without mortgages) have in their property is estimated to be £139,925 currently. The median level of equity is £121,122. Overall the household dataset indicates that there are 3,813 households in Birmingham in negative equity. This constitutes 1.6% of owner-occupiers in the City.

Financial capacity of Birmingham's households

6.5 Financial capacity is the capitalised amount of money a household potentially has available to move home. It takes account of all the resources that a household has available and is calculated as: (income x3.5) + savings + equity. The income is multiplied by 3.5 because this is the typical multiplier used to assess a household's ability to purchase a home and is the approach suggested in the Strategic Housing Market Assessments Practice Guidance. To some extent this is a simplification of reality: since the 2007 downturn the tests that lenders subject borrowers to have become more sophisticated and include a very detailed examination of the income, financial commitments and lifestyles of mortgage applicants.

6.6 Table 6.1 shows median financial capacity by tenure. Owners without a mortgage (often retired) have a greater total financial capacity than those (typically younger) with a mortgage, but the latter have much higher incomes. Both have a far greater financial capacity than households in the rented sector. It is clear that the financial capacity of social renters will prohibit the majority from being able to consider buying a home. However, it is likely that a number of private renting households will theoretically be able to purchase a property.

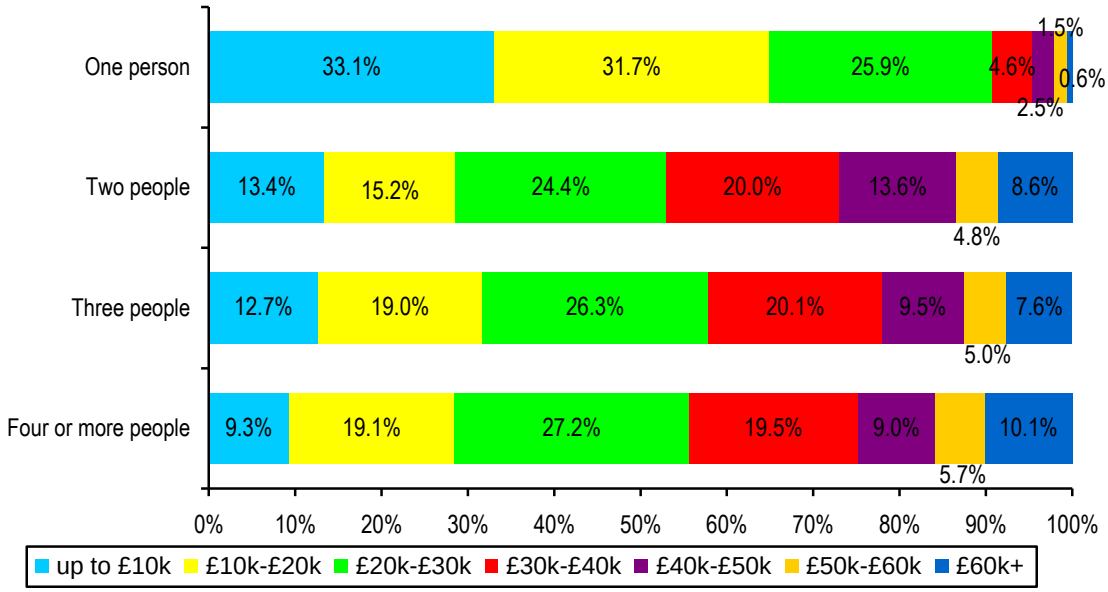
Table 6.1 Median financial resources by tenure

Tenure	Median annual gross household income	Median savings	Median equity	Financial capacity
Owner-occupied (no mortgage)	£24,910	£3,803	£144,076	£235,064
Owner-occupied (with mortgage)	£29,285	£1,615	£89,239	£193,351
Social rented	£7,037	£330	£0	£24,958
Private rented	£17,986	£631	£0	£63,583
Average	£21,647	£1,590	£121,122	£198,475

Source: Birmingham Strategic Housing Market Assessment household dataset (all households), 2012 base

6.7 Figure 6.3 shows how the distribution of household income varies by household size in Birmingham. It shows, for example, that some 33.1% of single person households have an annual income of less than £10,000, but 0.6% of these households have an income over £60,000. The figure shows that the income distribution of households with two, three or four or more people is quite similar – it is only single person households that display a very distinct profile.

Figure 6.3 Distribution of annual gross household income (excluding housing benefits) by household size

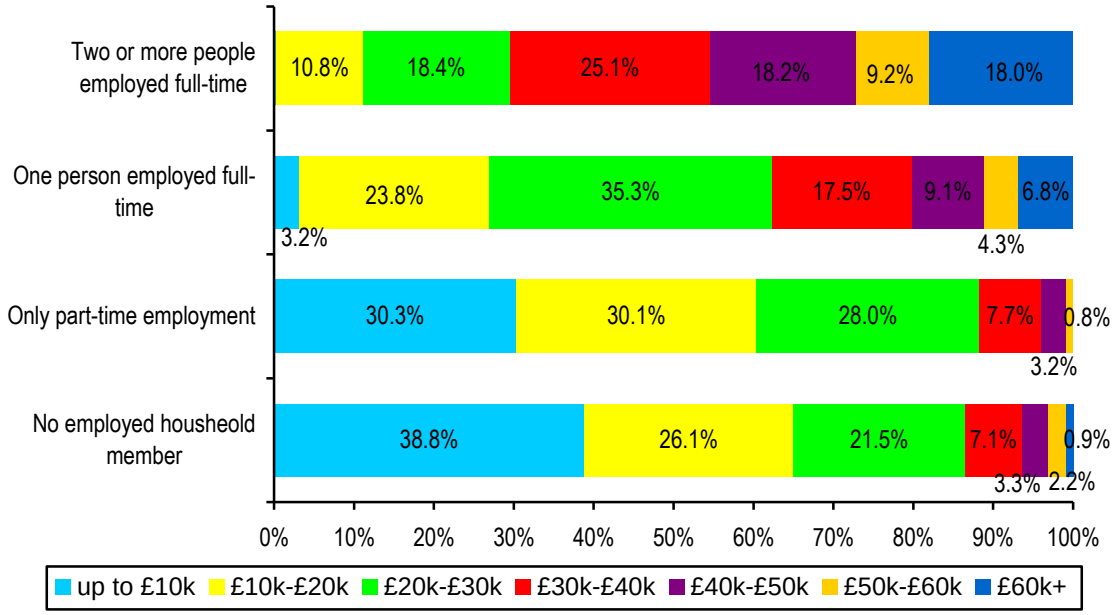


Source: Birmingham Strategic Housing Market Assessment household dataset (all households), 2012 base

Figure 6.4 shows how the distribution of household income varies by the employment status of households in Birmingham. As would be expected, households with two or more people

in full-time employment record the highest proportion of households in the upper income bands, whilst those without an employed household member record the highest proportion with incomes below £10,000. It should be noted that the first two rows (those with full-time employed household members) may also include additional part-time employees within the household.

Figure 6.4 Distribution of annual gross household income (excluding housing benefits) by employment status of household



Source: Birmingham Strategic Housing Market Assessment household dataset (all households), 2012 base

Theoretical affordability of market housing

6.8 This information on the financial capacity of households, alongside data on the cost of entry-level housing, can be used to examine the ability of households to afford housing locally, based on the affordability criteria set out in the Strategic Housing Market Assessments Practice Guidance (and presented in the Glossary).

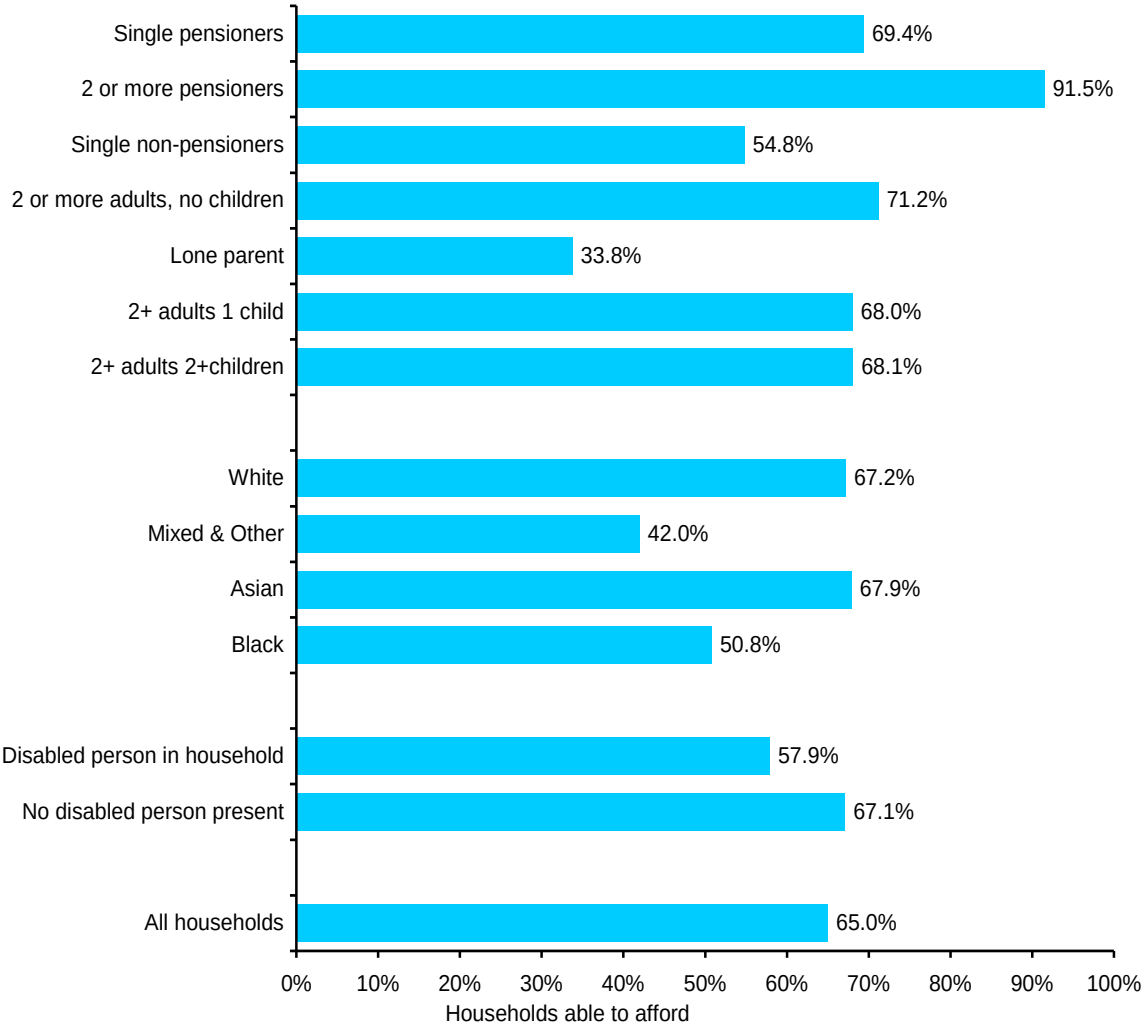
6.9 Figure 6.5 shows current affordability by household type, ethnicity of household head and the presence of a disabled person within the household. The concept is theoretical, because the analysis covers all households in the City, whether or not they intend to move.

6.10 The analysis suggests that only 33.8% of lone parent households in the City would be able to afford market housing if they were to move home now. Single non-pensioner households are also relatively unlikely to be able to afford market housing. Households that contain two or more pensioners are the most likely to be able to afford market housing in Birmingham. Indeed some 88.4% of these households with two or more pensioners are owner-occupiers (with a median of £175,464 in equity available). Of those two or more pensioner households who are currently in rented accommodation, only 31.4% would be able to afford market housing if they were to move home now.

6.11 'Mixed & Other' households are most likely to be unable to afford market accommodation in the City, followed by 'Black' households. Over two-thirds of 'Asian' and 'White' households could afford suitable market accommodation within Birmingham. Some 57.9% of households containing someone with a disability would be able to afford market housing in the City (if they were to move now) compared to 67.1% of households where there is no disabled person present.

6.12 Overall, some 65.0% of all households in Birmingham are theoretically able to afford market accommodation of an appropriate size at the present time.

Figure 6.5 Theoretical affordability of market housing in Birmingham (all households regardless of moving intention and whether in housing need*)



*Subsequent affordability profiles presented within the report are for different subsets of the household population and therefore show different proportions able to afford.

Source: Birmingham Strategic Housing Market Assessment household dataset (all households), 2012 base

7 AFFORDABLE HOUSING NEED

Introduction

7.1 Housing need is a term first used in the mid-1990s to help provide a means-tested estimate of the requirement for affordable housing in an area. The Strategic Housing Market Assessment Practice Guidance (August 2007) defines housing need *as 'the quantity of housing required for households who are unable to access suitable housing without financial assistance.'* So, for the purpose of this part of our report, 'housing need' means 'affordable housing need' (by contrast, the NPPF, discussed in Chapter 10 below, uses 'need' to mean the total demand for housing, both market and affordable).

7.2 This chapter presents the results of the three broad stages of the CLG needs assessment model. Within each stage there are a number of detailed calculations (16 in total) many of which themselves have a number of components. This chapter presents details of how each of these 16 detailed steps is calculated, using locally available data for Birmingham. An annual estimate of housing need is calculated from these 16 steps and the type and size of affordable accommodation most appropriate to meet this need is discussed. This will include a discussion of the suitability of different Affordable Rent levels to meet housing need.

7.3 It is important to note that for the calculation of the housing needs assessment model student households are excluded. This is because student households are a special case, particularly in relation to affordable housing. Most have low incomes but do not generally qualify for affordable housing, due to the short-term nature of their residence. Although student-only households raise their own housing issues, as these do not directly impact on the need for affordable housing, they are not addressed in this model. The survey estimates that there are 8,239 student-only households in Birmingham, meaning the base household population for the housing needs assessment model is 412,161.

Stage 1: Current need (Steps 1.1-1.4)

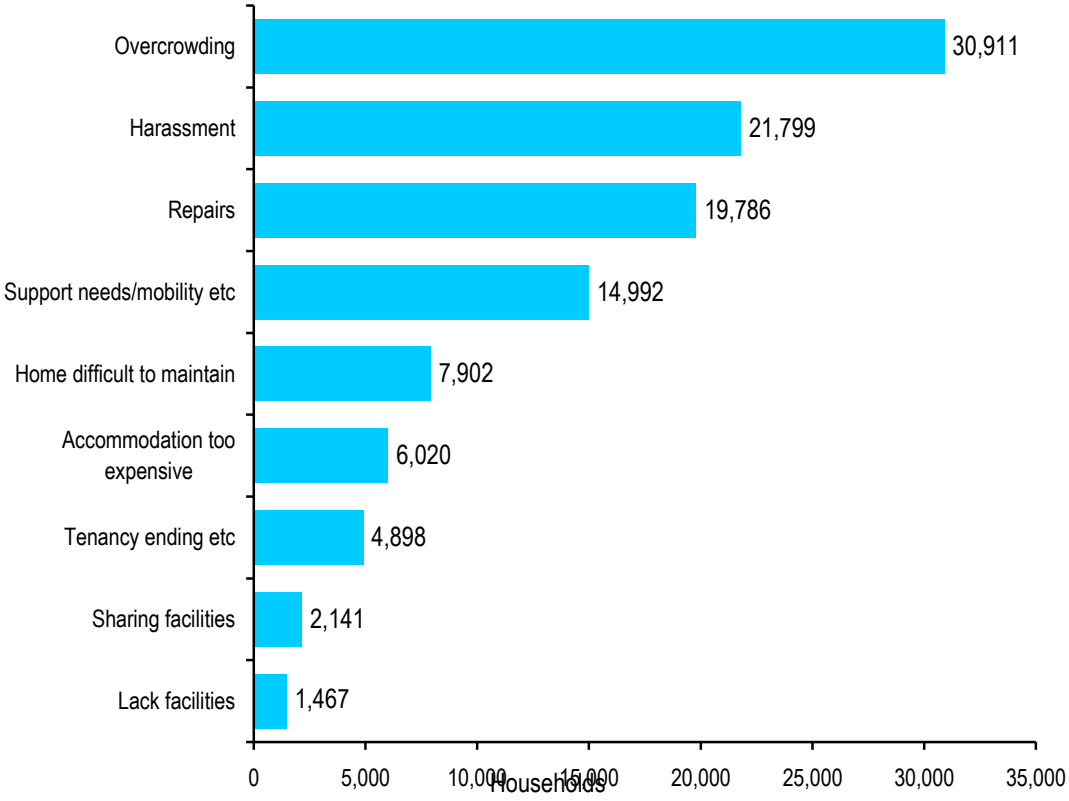
7.4 The first stage of the model assesses current need. This begins with an assessment of housing suitability and affordability and also considers homeless households before arriving at a total current need estimate (gross).

Unsuitable housing

7.5 A key element of housing need is an assessment of the suitability of a household's current housing. The Strategic Housing Market Assessment Practice Guidance sets out nine criteria for unsuitable housing, which have been used in this report. It is estimated that a total of 85,813 households are living in unsuitable housing. This represents 20.8% of all (non-student) households in Birmingham.

7.6 Figure 7.1 summarises the numbers of households living in unsuitable housing (ordered by the number of households in each category). The main cause of unsuitable housing is overcrowding, followed by someone in the dwelling suffering harassment[7].

Figure 7.1 Households in unsuitable housing categories



N.B. Households can have more than one reason for unsuitability, hence figures add up to more than 85,813

Source: Birmingham Strategic Housing Market Assessment household dataset (all non-student households), 2012 base

7.7 Table 7.1 shows households in unsuitable housing by tenure. The data suggests that households living in social rented accommodation are particularly likely to be in unsuitable housing.

[7] Harassment is a self-defined experience of sexual or racial harassment or harassment from a neighbour

Table 7.1 Unsuitable housing by tenure

	In unsuitable housing	Not in unsuitable housing	Number of h'holds in City	% of tenure in unsuitable housing	% of all unsuitable housing
Owner-occupied no mortgage	24,531	111,836	136,367	18.0%	28.6%
Owner-occupied with mortgage	19,829	93,084	112,913	17.6%	23.1%
Social rented	29,299	74,335	103,634	28.3%	34.1%
Private rented	12,154	47,092	59,246	20.5%	14.2%
Total	85,813	326,347	412,161	20.8%	100.0%

Source: Birmingham Strategic Housing Market Assessment household dataset (all non-student households), 2012 base

'In-situ' solutions

7.8 The survey estimates that 85,813 households are in unsuitable housing. However, it is most probable that some of the unsuitability can be resolved in the households' current accommodation. Households living in housing deemed unsuitable for the following reasons were not considered to have an in-situ solution: end of tenancy, accommodation too expensive, overcrowding, sharing facilities, harassment.

7.9 The survey therefore estimates that of the 85,813 households in unsuitable housing, 55,223 (or 64.4%) do not have an in-situ solution and therefore require a move to alternative accommodation.

Affordability

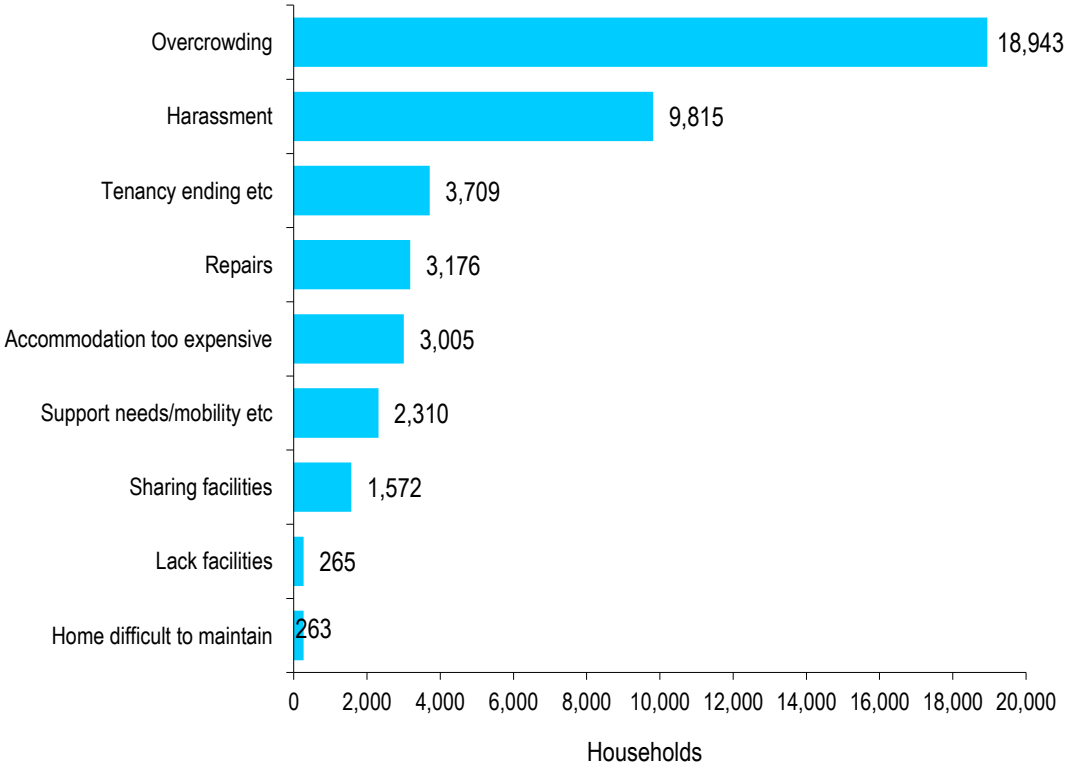
7.10 These 55,223 households in unsuitable housing and requiring a move to alternative accommodation are tested for their ability to afford market housing in the area using the criteria set out in the Strategic Housing Market Assessment Practice Guidance. These criteria are that market rent should form no more than 25% of gross household income and a home is available to buy if the purchase price once any capital available has been deducted is less than 3.5 times the gross annual household income. If a household is unable to afford either home ownership or market rent under these conditions they are considered to require affordable housing.

7.11 These 55,223 households are tested based on the cost of the size of home they require (as set out in Chapter 5) and their particular financial circumstances. Overall, 54.9% (30,339 households) are unable to afford market housing. Only a subset of the household population is tested (non-student households in unsuitable housing without an in-situ solution) so the affordability figure is different to that shown in Figure 6.5.

7.12 The 30,339 households that cannot afford market housing and are living in unsuitable housing (and require a move to alternative accommodation) are considered to be in housing need. This represents 7.4% of all existing (non-student) households in Birmingham. Figure 7.2 shows the unsuitable housing categories of these 30,339

households. It shows that overcrowding is the biggest cause of existing households being in need in Birmingham.

Figure 7.2 Summary of unsuitable housing categories – households in current need only



N.B. Households can have more than one reason for unsuitability, hence figures add up to more than 30,339 and therefore some of the reasons for household unsuitability that could be solved in situ are cited.

Source: Birmingham Strategic Housing Market Assessment household dataset (non-student households in current need), 2012 base

7.13 Table 7.2 shows the tenure of the 30,339 households currently estimated to be in housing need. Social and private rented tenants are the most likely to be in housing need. Of all households in need, 45.3% currently live in social rented accommodation and 28.6% in a private rented home.

Table 7.2 Housing need by tenure

Tenure	In need	Not in need	Number of h'holds in City	Housing need: % of tenure in need	Housing need: % of all housing need
Owner-occupied (no mortgage)	2,637	133,730	136,367	1.9%	8.7%
Owner-occupied (with mortgage)	5,283	107,631	112,913	4.7%	17.4%
Social rented	13,740	89,894	103,634	13.3%	45.3%
Private rented	8,680	50,567	59,246	14.6%	28.6%
Total	30,339	381,822	412,161	7.4%	100.0%

Source: Birmingham Strategic Housing Market Assessment household dataset (all non-student households), 2012 base

7.14 For the purposes of the housing needs assessment, households considered to be in housing need have been split into two categories: current occupiers of affordable housing in need (this includes occupiers of social rented and shared ownership accommodation), and households from other tenures in need. It is estimated that some 14,339 households in need currently live in affordable housing.

Homeless households

7.15 The housing needs assessment is a 'snapshot' that assesses housing need at a particular point in time. There will, in addition to the existing households in need, be some homeless households who were in need at the time of the survey and should also be included within any assessment of current need.

7.16 To measure numbers of homeless households we have used the Council's P1(E) return, and specifically Section E6, which shows the number of households accommodated by the authority at the end of the quarter. The important point about this information is the note underneath*: "This should be a 'snapshot' of the numbers in accommodation on the last day of the quarter, not the numbers placed in accommodation during the quarter."* Data compiled from the fourth quarter of 2010 is shown in Table 7.3.

Table 7.3 Homeless households accommodated by authority at end of the quarter

Category	Number
Bed and breakfast	70
Other nightly paid	0
Hostel	71
Private sector accommodation leased by authority	371
Private sector accommodation leased by RSLs	0
Directly with a private sector landlord	0
Within Council's own stock	108
Within RSL stock	0
Other	0
Total	620

Only those households residing in accommodation not included on the Council Tax file are included (underlined above) as explained in the paragraph below.

Source: Birmingham City Council P1(E) return (Quarter 4 2010)

7.17 Not all of the categories in the above table are added to our assessment of existing households in need. This is because, in theory, they will be part of our household survey sample. For example, households housed in private sector accommodation should already be included as part of the housing need – such household addresses should appear on the Council Tax file from which the household dataset sample was drawn. To include these households would lead to double counting. After considering the various categories, we have concluded that there are three categories which should be included as part of the homeless element. These have been underlined in Table 7.3. Therefore, of the 620 homeless households in temporary accommodation, 141 will be counted as additional need for the purpose of the housing needs assessment.

Total current need

7.18 Table 7.4 summarises the first stage of the overall assessment of housing need as set out by the Strategic Housing Market Assessment Practice Guidance. There are an estimated 30,480 households in current need in Birmingham.

Table 7.4 Current housing need (gross)

Step	Paragraph reference	Notes	Output
1.1 Homeless households and those in temporary accommodation	7.17		141
1.2 Overcrowding and concealed households	7.11	Two steps taken together	30,339
1.3 Other groups			
1.4 equals Total current housing need (gross)	7.18	1.1+1.2+1.3	30,480

Source: Birmingham Strategic Housing Market Assessment household dataset (all non-student households), 2012 base; Birmingham City Council P1(E) return (Quarter 4 2010)

Stage 2: Future need (Steps 2.1-2.4)

7.19 In addition to current need, there will also be future need. This forms the second stage of the housing needs assessment model. This is split, as per the Strategic Housing Market Assessment Practice Guidance, into two main categories. These are as follows:

- new household formation (× proportion unable to buy or rent in market)
- existing households falling into need.

Need from newly forming households

7.20 The estimate of the number of newly forming households in need of affordable housing is calculated from the update survey dataset and is based on an assessment of households that have formed over the past two years. Such an approach is preferred to studying households stating likely future intentions, because it provides more detailed information on the characteristics of these households contributing to this element of future need.

7.21 Table 7.5 shows the derivation of new household formation. The table begins by establishing the number of newly forming households over the past two years.

Table 7.5 Derivation of newly arising need from new household formation

Aspect of calculation	Number	Sub-total
Number of households moving in past two years		51,414
Minus households NOT forming in previous move	-41,941	9,473
Total applicable moves		**9,473**
Annual total applicable moves		**4,736**
Minus households able to afford market housing (41.2%)	-1,949	2,787
Annual estimate of newly arising need		**2,787**

Source: Birmingham Strategic Housing Market Assessment household dataset (all non-student households), 2012 base

7.22 The table above shows that an estimated 9,473 households were newly formed within the City over the past two years, which equates to 4,736 households per annum. The affordability test set out in the Strategic Housing Market Assessment Practice Guidance is then applied to these 4,736 households. The affordability test states that market rent should form no more than 25% of gross household income and a home is available to buy if the purchase price once any capital available has been deducted is less than 3.5 times the gross annual household income. If a household is unable to afford either home ownership or market rent under these conditions they are considered to require affordable housing.

7.23 Each newly forming household that is potentially in need is tested for its ability to afford market accommodation of an appropriate size using the information for its particular financial circumstances. The household dataset estimates that 58.8%[8] of these households are unable to afford market housing without some form of subsidy in Birmingham. Overall therefore there is a future need from 2,787 newly forming households per year.

7.24 That 2,787 households have formed annually over the past two years when they were unable to afford to do so, is mainly because households are spending a greater portion of their income on rent within the private rented sector than is recommended by the Practice Guidance affordability test[9]. The last section of this chapter considers the impact of this in more detail.

Existing households falling into need

7.25 This is an estimate of the number of existing households who will fall into housing need over the next two years (and then annualised). This is calculated from the household dataset and is based on an assessment of the ability to afford of existing households who

[8] Only a subset of the household population is tested (non-student households formed in the past two years) so the affordability figure is different to that shown in Figure 6.5.

[9] Other reasons that households have been able to form include that they have moved into overcrowded accommodation and that they have accessed a property below the lower quartile entry-level.

have moved home within the last two years. A household will fall into need if it has to move home and is unable to afford to do this in the private sector (examples of such a move would be because of the end of a tenancy agreement). A household unable to afford market rent but moving to private rented accommodation may have to either claim Local Housing Allowance (formerly Housing Benefit) or spend more than a quarter of its gross income on housing, which is considered unaffordable (or indeed a combination of both).

7.26 Households previously living with parents, relatives or friends are excluded as these will double-count with the newly forming households already considered in the previous table. The data also excludes moves between social rented properties. Households falling into need in the social rented sector have their needs met through a transfer to another social rented property, hence releasing a social rented property for someone else in need. The number of households falling into need in the social rented sector should therefore, over a period of time, roughly equal the supply of 'transfers' and so the additional needs arising from within the social rented stock will be net zero, although the reality in Birmingham is not always this simple. Whilst transfers create no net requirement for additional affordable dwellings, it should be recognised that there is a mismatch between the size of home required by households transferring within the social rented sector and the size of home within which they currently reside (with households typically transferring to acquire a larger home because they are overcrowded). This will be considered at Table 7.21.

7.27 Table 7.6 shows the derivation of existing households falling into need.

Table 7.6 Derivation of newly arising need from existing households

Aspect of calculation	Number	Sub-total
Number of households moving in past two years		51,414
Minus households forming in previous move	**-9,473**	41,941
Minus households transferring within affordable housing	**-3,906**	38,035
Total applicable moves		**38,035**
Minus households able to afford market housing (41.8%)	**-15,897**	22,138
Estimate of newly arising need	**22,138**	
Annual estimate of newly arising need		**11,069**

Source: Birmingham Strategic Housing Market Assessment household dataset (all non-student households), 2012 base

7.28 The table above shows that a total of 41,941 existing households moved in the last two years. Removing households transferring within affordable housing leaves 38,035 households who are potentially in need. The affordability test set out in the Strategic Housing Market Assessment Practice Guidance is then applied to these 38,035 households. The affordability test states that market rent should form no more than 25% of gross household income and a home is available to buy if the purchase price once any capital available has been deducted is less than 3.5 times the gross annual household

income. If a household is unable to afford either home ownership or market rent under these conditions they are considered to require affordable housing.

7.29 Each existing household that is potentially in need is tested for their ability to afford market accommodation of an appropriate size using the information for their particular financial circumstances. It is estimated that 22,136 of these households are unable to afford market housing (58.2%[10]). Annualised this is 11,069 households per year.

7.30 That 11,069 households have formed annually over the past two years when they were unable to afford to do so, is mainly because households are spending a greater portion of their income on rent within the private rented sector than is recommended by the Practice Guidance affordability test[11]. The last section of this chapter considers the impact of this in more detail.

Total future need

7.31 The data from the two steps described above is input into the needs assessment model as illustrated in Table 7.7. It indicates that future need will arise from a total of 13,856 households per annum.

Table 7.7 Future need per annum

Step	Paragraph reference	Notes	Number
2.1 New household formation (gross per year)	7.22		14,736
2.2 Proportion of new households unable to buy or rent in the market	7.23	eaves 2,787	58.8%
2.3 Existing households falling into need	7.29		11,069
2.4 Total newly arising housing need (gross per year)	7.31	2.1×2.2+2.3	13,856

Source: Birmingham Strategic Housing Market Assessment household dataset (all non-student households), 2012 base

Stage 3: Available stock to offset need (Steps 3.1-3.8)

7.32 The supply of affordable housing to meet housing need is assessed at the third stage of the housing needs assessment model. The affordable housing supply stage is split between existing stock that is available to offset the current need and the likely future level of supply.

[10] Only a subset of the household population is tested (non-student existing households that have moved in the past two years and not transferred within the affordable stock) so the affordability figure is different to that shown in Figure 6.5.

[11] Other reasons that households have been able to form include that they have moved into overcrowded accommodation and that they have accessed a property below the lower quartile entry-level.

Available stock to offset current need

7.33 The stock available to offset the current need includes stock from current occupiers of affordable housing in need, surplus stock from vacant properties and the committed supply of new affordable units. Units to be taken out of management are removed from the calculation.

Current occupiers of affordable housing in need

7.34 It is important, when considering net need, to discount households already living in affordable housing. This is because the movement of such households within affordable housing will have an overall nil effect in terms of housing need. As we established when calculating current need (paragraph 7.14), there are currently 14,339 households currently in need already living in affordable housing.

Surplus stock

7.35 A certain level of vacant dwellings is normal, because it allows for transfers and for maintenance work on properties to be carried out. The Strategic Housing Market Assessment Practice Guidance suggests that if the vacancy rate in the affordable stock is in excess of 3% some of the vacant units should be considered as surplus stock which can be included within the supply to offset housing need. Birmingham records a vacancy rate in the affordable sector of 1.3%. As the vacancy rate in Birmingham is lower than the 3% benchmark, no vacant dwellings are considered available to be brought back into use to increase the supply of affordable housing.

Committed supply of new affordable units

7.36 The Strategic Housing Market Assessment Practice Guidance recommends that this part of the assessment include *'new social rented and intermediate housing which are committed to be built over the period of the assessment'*. Birmingham Council has indicated that there are currently 883 affordable units committed to be built in the City.

Planned units to be taken out of management

7.37 The Strategic Housing Market Assessment Practice Guidance states that this step *'involves estimating the numbers of social rented or intermediate units that will be taken out of management'*. The main component of this step will be properties which are expected to be demolished (or replacement schemes that lead to net losses of stock). The Council has indicated that there are 1,306 affordable dwellings expected to be demolished in Birmingham within the 5 year clearance programme, approved in September 2011.

Total available stock to meet current need

7.38 Having been through a number of detailed stages in order to assess the total available stock to offset current need in Birmingham, we shall now bring together all the pieces of data to complete this part of the needs assessment model. This is presented in Table 7.8.

There are an estimated 13,916 properties available to offset the current need in Birmingham.

Table 7.8 Current supply of affordable housing

Step	Paragraph reference	Notes	Output
3.1 Affordable dwellings occupied by households in need	7.34		14,339
3.2 Surplus stock	7.35		0
3.3 Committed supply of affordable housing	7.36		883
3.4 Units to be taken out of management	7.37		1,306
3.5 Total affordable housing stock available	7.38	3.1+3.2+3.3-3.4	13,916

Source: Birmingham Strategic Housing Market Assessment various sources, (see description in paras 6.34 to 6.37 above) 2012

Future supply of affordable housing

7.39 The future supply of affordable housing is the flow of affordable housing arising from the existing stock that is available to meet future need. It is split between the annual supply of social relets and the annual supply of relets within the intermediate sector.

The future supply of social rented housing

7.40 This is an estimate of likely future re-lets from the social rented stock (excluding transfers within the social rented sector). The Strategic Housing Market Assessment Practice Guidance suggests that the estimate should be based on past trend data which can be taken as a prediction for the future. To enable consistency with the future need section (Stage 2), we have looked at trend data for the past two years.

7.41 CORE data provides an indication of the number of lettings in the RSL sector whilst HSSA data provides an indication of the number of lettings in Council owned housing. Table 7.9 shows the number of social rented lettings in Birmingham over the last two years (excluding transfers and exchanges). The average number of lettings (excluding transfers but including nominations) across the social rented sector over the two-year period was 6,657 per annum.

Table 7.9 Past housing supply (social rented sector)

Source of supply	2010/2011	2009/2010	Average
LA lettings			
- LA lettings to new secure tenants	253	189	221
- LA lettings to new tenants on an introductory tenancy	4,928	4,889	4,909
- Other non-transferring tenants	31	16	24
Total LA lettings excluding transfers	5,212	5,094	5,153
RSL lettings excluding transfers	1,846	1,162	1,504
All social rented lettings excluding transfers	7,058	6,256	6,657

Source: CORE LA Area Lettings Report 2009/2010 & 2010/2011; HSSA return for Birmingham 2009/2010 & 2010/2011

Supply of intermediate housing

7.42 In most local authorities the amount of intermediate housing (mostly shared ownership) available in the stock is fairly limited (as is the case in Birmingham). However, it is still important to consider to what extent the current supply may be able to help those in need of affordable housing.

7.43 Therefore we include an estimate of the number of intermediate units that become available each year. Based on applying the estimated re-let rate for the owner-occupied (with mortgage) sector as recorded by the household dataset (2.1%) to the estimated intermediate stock in Birmingham (4,077 units). It is estimated that around 84 units of intermediate housing will become available to meet housing needs from the existing stock of such housing.

Annual future supply of affordable housing

7.44 This step is the sum of the previous two. The total future supply is estimated to be 6,741, comprised of 6,657 units of social re-lets and 84 units of intermediate housing. This is shown in Table 7.10.

Table 7.10 Future supply of affordable housing (per annum)

Step	Paragraph reference	Notes	Output
3.6. Annual supply of social re-lets (net)	7.41		6,657
3.7. *A*nnual supply of intermediate housing available for re-let or resale at sub-market levels	7.43		84
3.8. *A*nnual supply of affordable housing	7.44	3.6+3.7	6,741

Source: Birmingham Strategic Housing Market Assessment various secondary sources, (see description in paras 6.40 to 6.43 above) 2012

Net annual housing need

7.45 The 16 steps detailed above (set across the three broad stages) are brought together in the housing needs assessment model, as set out in Table 7.11.

Table 7.11 Housing needs assessment model for Birmingham

Stage and step in calculation	Paragraph reference	Notes	Number
STAGE 1: CURRENT NEED (Gross)			
1.1 Homeless households and those in temporary accommodation	7.17		141
1.2 Overcrowding and concealed households	7.11	Two steps taken together	30,339
1.3 Other groups			
1.4 Total current housing need (gross)	7.18	1.1+1.2+1.3	30,480
STAGE 2: FUTURE NEED			
2.1 New household formation (gross per year)	7.22		4,736
2.2 Proportion of new households unable to buy or rent in the market	7.23	leaves 2,787	58.8%
2.3 Existing households falling into need	7.29		11,069
2.4 Total newly arising housing need (gross per year)	7.31	2.1×2.2+2.3	13,856
STAGE 3: AFFORDABLE HOUSING SUPPLY			
Current supply			
3.1 Affordable dwellings occupied by households in need	7.34		14,339
3.2 Surplus stock	7.35		0
3.3 Committed supply of affordable housing	7.36		883
3.4 Units to be taken out of management	7.37		1,306
3.5 Total affordable housing stock available	7.38	3.1+3.2+3.3-3.4	13,916
Future supply			
3.6 Annual supply of social relets (net)	7.41		6,657
3.7 Annual supply of intermediate housing available for relet or resale at sub-market levels	7.43		84
3.8 Annual supply of affordable housing	7.44	3.6+3.7	6,741
DERIVING THE OVERALL ANNUAL NEED ESTIMATE			
4.1 *Net current need*	7.46	1.4-3.5	16,564
4.2 *Annual net current need*	7.47	4.1/5	3,313
4.3 ***Total net annual need***	7.48	4.2+2.4-3.8	10,427

Source: Birmingham Strategic Housing Market Assessment household dataset (all non-student households), 2012 base; various secondary sources

7.46 The last four rows of Table 7.11 detail the calculation of the overall annual need estimate (not formal steps within the model set out in the Strategic Housing Market Assessment Practice Guidance, but labelled 4.1 to 4.3 for the purposes of this report). Step 4.1 calculates the net current need. This is derived by subtracting the estimated total stock of affordable housing available (step 3.5) from the gross current need (step 1.4). This produces a net current need figure of 16,564 (30,480-13,916).

7.47 Step 4.2 converts this net current need figure into an annual flow. The Strategic Housing Market Assessment Practice Guidance acknowledges that this current need can be addressed over any length of time although a period of less than five years should be avoided. For the purposes of this study the quota of five years proposed in the Practice Guidance will be used. Therefore to annualise the net current need figure, it will be divided by five. This calculation results in a net annual quota of 3,313 (16,564 /5) households who should have their needs addressed.

7.48 The final step, 4.3, is to sum the net annual quota of households who should have their needs addressed with the total newly arising housing need (step 2.4) and subtract the future annual supply of affordable housing (step 3.8). This leads to an annual need estimate of 10,427 (3,313+13,856-6,741).

7.49 Table 7.12 below presents further detail by showing annualised figures for each of the stage totals. The total number of gross households in need each year is 19,952 and the total annual supply is 9,525.

Table 7.12 Summary of needs assessment model (all figures annualised)

Element	Notes	Number
A.1 Stage 1: Current need	(Step 1.4)/5	6,096
A.2 Stage 3 (Part A): Current supply	(Step 3.5)/5	2,783
A.3 Net current need	A.1-A.2	3,313
A.4 Stage 2: Future need	(Step 2.4)	13,856
A.5 Stage 3 (Part b): Future supply	(Step 3.8)	6,741
A.6 Net future need	A.4-A.5	7,115
A.6 Total net annual need	A.3+A.6	10,427
A.7 **Total gross annual need**	**A.1+A.4**	**19,952**
A.8 **Total gross annual supply**	**A.2+A.5**	**9,525**
A.9 **Total net annual need**	**A.7+A.8**	**10,427**

Source: Birmingham Strategic Housing Market Assessment household dataset (all non-student households), 2012 base; various secondary sources

Types of household in need

7.50 Table 7.13 gives a breakdown of gross annual households in need, by household type. Some 12.8% of lone parents are in housing need compared to 0.5% of households with two or more pensioners. Overall single non-pensioner households comprise 31.8% of all

households in need and multi-adult households with no children a further 18.6% of households in housing need.

Table 7.13 Annual need requirement by household type

Household type	Need requirement				
	No of h'holds in need (gross)	Not in need	Total Number of h'holds	% of h'hold type in need	As % of those in need
Single pensioners	509	64,800	65,309	0.8%	2.6%
2 or more pensioners	110	24,009	24,119	0.5%	0.5%
Single non-pensioners	6,339	91,969	98,308	6.4%	31.8%
2 or more adults, no children	3,709	98,104	101,813	3.6%	18.6%
Lone parent	3,573	24,379	27,952	12.8%	17.9%
2+ adults 1 child	2,808	37,192	39,999	7.0%	14.1%
2+ adults 2+children	2,905	51,755	54,660	5.3%	14.6%
Total	19,952	392,209	412,161	4.8%	100.0%

Source: Birmingham Strategic Housing Market Assessment household dataset (all non-student households), 2012 base

7.51 Table 7.14 shows the ethnicity of households in need. 14.0% of 'Mixed & Other' households are in housing need compared to 3.7% of 'White' households. Despite the relatively low prevalence of 'White' households in housing need, this group still constitutes 53.6% of all households in housing need.

Table 7.14 Annual need requirement by ethnicity of household head

	H'holds in need (gross)	Not in need	Total No of h'holds	% of h'hold type in need	As % of those in need
White	10,702	281,497	292,199	3.7%	53.6%
Mixed & Other	2,789	17,116	19,905	14.0%	14.0%
Asian	4,038	69,495	73,533	5.5%	20.2%
Black	2,423	24,101	26,524	9.1%	12.1%
Total	19,952	392,209	412,161	4.8%	100.0%

Source: Birmingham Strategic Housing Market Assessment household dataset (all non-student households), 2012 base

7.52 Table 7.15 shows the number of households with a disabled household member in housing need. It should be noted that disability is self-defined rather than externally assessed. Households containing a disabled person are less likely to be in housing need than households where no disabled person is present.

Table 7.15 Annual need requirement by disability

Household type	Need requirement No of h'holds in need (gross)	Not in need	Total Number of h'holds	% of h'hold type in need	As a % of those in need
Disabled person in household	3,367	90,638	94,005	3.6%	16.9%
No disabled person present	16,585	301,570	318,155	5.2%	83.1%
Total	19,952	392,209	412,161	4.8%	100.0%

Source: Birmingham Strategic Housing Market Assessment household dataset (all non-student households), 2012 base

Type of affordable home required

7.53 As discussed in Chapter 5, Affordable Rent is being introduced to provide a further option within the intermediate sector and help fill the gaps that currently exist in the housing market. The target residents for this product are households in housing need and other households on the Housing Register. As also noted in Chapter 4, the level of Affordable Rent is to be set by the Council. To help inform this decision, this section will consider the suitability of different Affordable Rent levels for meeting housing need as well as accommodating households on the Housing Register.

7.54 In carrying out the affordability assessment we have used the standard '25% of gross income on housing' test, rather than a higher one. This is because, for households on low incomes, as those in housing need mainly are, anything much higher than 25% of income on housing leaves very little to live on.

Affordability of Affordable Rent for households in housing need

7.55 Table 7.16 illustrates how many households in defined housing need are able to afford different levels of Affordable Rent. The figures are presented cumulatively, so that any household that can afford a more expensive version of Affordable Rent is included within the figures for the cheaper versions. For example households able to afford Affordable Rent at 80% are included within the number of households able to afford Affordable Rent at 70%.

7.56 The table shows that of the 19,952 households in gross need each year, 2.4%, some 479 households, could afford Affordable Rent at 80%. Some 2,367 households in need could be housed in Affordable Rented accommodation were the level lowered to 70% of private rent values and 4,089 households would be suitable for Affordable Rent set at 65%.

7.57 The largest group of households in need are those unable to afford any accommodation without support from LHA. Table 5.6 shows that the LHA cap should be above the expected Affordable Rent levels in the majority of cases. Therefore households unable to afford could be housed in Affordable Rent properties at 80% with the support of LHA.

Table 7.16 Affordability of households in need (annual) (figures presented cumulatively)

	Households in need	% of households in need
Affordable Rent at 80%	479	2.4%
Affordable Rent at 70%	2,367	11.9%
Affordable Rent at 65%	4,089	20.5%
Affordable Rent at 60%	5,530	27.7%
Social rent	7,119	35.7%
Need LHA	12,833	64.3%
Total number of households	19,952	100.0%

Source: Birmingham Strategic Housing Market Assessment household dataset (all households in gross annual need), 2012 base

7.58 Table 7.17 splits the figures shown in the table above by bedroom size; again the figures are shown cumulatively. It shows that Affordable Rent at 80% would only be suitable for households in need of two bedroom accommodation. Almost 30% households in need requiring a two bedroom home could afford Affordable Rent at 70%, as could around 7% of households requiring both one and three bedroom homes. Some 21.5% of households in need requiring three bedroom accommodation could afford Affordable Rent at 65%. Affordable Rent at 65% would also meet a noticeable amount of need arising from households requiring one bed homes. Affordable Rent at 60% would be the most useful for households in need requiring a four bedroom home

Table 7.17 Size and type of Affordable Rent home required by those in need (figures presented cumulatively)

	One bed	Two bed	Three bed	Four bed
Affordable Rent at 80%	0.0%	8.7%	0.0%	0.0%
Affordable Rent at 70%	6.6%	29.9%	7.2%	0.8%
Affordable Rent at 65%	19.5%	34.7%	21.5%	3.3%
Affordable Rent at 60%	25.9%	38.6%	32.4%	12.6%
Social rent	25.9%	39.9%	34.5%	41.9%
Need LHA	74.1%	60.1%	65.5%	58.1%
Total number of households (per annum)	6,185 (100%)	5,493 (100%)	3,857 (100%)	4,399 (100%)

Source: Birmingham Strategic Housing Market Assessment household dataset (all households in gross annual need), 2012 base

Households on the Register, including those in need

7.59 This sub-section repeats the above analysis but this time considers households on the Housing Register, who are not necessarily households in need. The affordability profile of

households on the Housing Register recorded by the household dataset has been applied to the number and type (in terms of number of bedrooms required) of households on the full current Housing Register as provided by Birmingham City Council.

7.60 Table 7.18 shows how many of the 26,972 households on the Housing Register in Birmingham are able to afford different levels of Affordable Rent. It shows that just over a fifth of households on the Housing Register are able to afford suitable accommodation in the open market. The number of households on the Housing Register able to afford Affordable Rent at 80% is relatively small, however if Affordable Rent was set at the level of 70% then some 2,283 households would be able to afford it.

Table 7.18 Affordability of households on Housing Register (figures presented cumulatively)

	Households on Register	% of households on Register
Market housing	6,149	22.8%
Affordable Rent at 80%	397	1.5%
Affordable Rent at 70%	2,283	8.5%
Affordable Rent at 65%	3,435	12.7%
Affordable Rent at 60%	4,896	18.2%
Social rent	5,789	21.5%
Need LHA	15,034	55.7%
Total number of households	26,972	100.0%

Source: Birmingham Strategic Housing Market Assessment household dataset (all households on Housing Register), 2012 base

7.61 Table 7.19 splits the figures in the previous table by bedroom size. In terms of households on the Housing Register, Affordable Rent at the 80% level is most suitable for households requiring two bedroom accommodation. Affordable Rent at the 70% level would be suitable for 14.3% of households on the Housing Register requiring a two bedroom home (which equates to 1,275 households) as well as a notable number of households requiring a one or three bedroom property. Affordable Rent at 60% would be affordable for a number of additional households on the Housing Register – principally those requiring one, three and four bedroom homes.

Table 7.19 Size and type of Affordable Rent home required by those on the Housing Register (figures presented cumulatively)

	One bed	Two bed	Three bed	Four bed
Market housing	25.2%	24.1%	22.6%	5.7%
Affordable Rent at 80%	0.0%	4.2%	0.5%	0.0%
Affordable Rent at 70%	4.8%	14.3%	9.4%	3.2%
Affordable Rent at 65%	8.0%	19.0%	15.9%	6.8%
Affordable Rent at 60%	13.2%	22.7%	25.5%	13.0%
Social rent	13.8%	25.9%	28.5%	31.3%
Need LHA	61.1%	50.0%	48.9%	63.1%
Total number of households	11,741 (100%)	8,938 (100%)	4,015 (100%)	2,277 (100%)

Source: Birmingham Strategic Housing Market Assessment household dataset (all households on Housing Register), 2012 base

What is the need for Affordable Rent?

7.62 Table 7.20 draws on the earlier tables to show the total number of households that could afford Affordable Rent at different levels (excluding those able to afford market accommodation). This allows us to consider how suitable different levels of Affordable Rent would be in Birmingham.

7.63 Affordable Rent at 80% can be afforded by relatively few households in need or on the Housing Register. Affordable Rent at 70% would be suitable for 42.8% of all households in need able to pay more than social rent, whilst 46.6% of households on the Housing Register able to pay more than social rent would be suitable for Affordable Rent at this level. If Affordable Rent were priced at 65%, almost three quarters (73.9%) of households in housing need able to pay more than social rent, would be able to afford it. This is also true for 70.2% of households on the Housing Register able to pay more than social rent. Using these figures, the most appropriate level at which to set Affordable Rent would be 65%. However feedback from the stakeholder consultation indicates that the Homes and Communities Agency is very reluctant to fund Affordable Rent at anything below 80%.

Table 7.20 Total number of households able to afford different affordable products (figures presented cumulatively)

Product type	Households in need (annual)		Households on register	
Affordable Rent (80%)	479	8.7%	397	8.1%
Affordable Rent (70%)	2,367	42.8%	2,283	46.6%
Affordable Rent (65%)	4,089	73.9%	3,435	70.2%
Affordable Rent (60%)	5,530	100.0%	4,896	100.0%
Total	5,530	100.0%	4,896	100.0%

Source: Birmingham Strategic Housing Market Assessment household dataset, 2012 base

7.64 If the Affordable Rent level were set at 65%, it would generate a potential demand from 4,089 households in housing need (each year). This is over 60% of the figure for the average annual number of relets of social rented housing in Birmingham in the past two years (6,657 as shown in Table 6.10).

Overlap with shared ownership

7.65 This analysis has examined the affordability of Affordable Rent at a range of levels to try and assess the need for it in Birmingham. However it should be noted that, as discussed in Chapter 5, shared ownership is an alternative affordable accommodation with a similar monthly cost. It is therefore likely that some households able to afford Affordable Rent would also be suitable for shared ownership, although due to requiring an equity purchase element it is likely that households accessing shared ownership property will require a deposit of some sort.

7.66 Analysis of households in need able to afford Affordable Rent (at any level) suggests that just 18.4% (1,019 households) have got at least £3,000 in savings available to them (the minimum level likely to be required). Similarly, of households on the Housing Register able to afford Affordable Rent (at any level), 22.2% (1,089 households) have got £3,000 in savings available to them. This suggests that the vast majority of households able to afford more than social rent require Affordable Rent rather than shared ownership.

Size of accommodation required

7.67 Table 7.21 shows the size of accommodation required by households in housing need in Birmingham. In addition to looking at the requirements of the 19,952 households in gross need each year, the table also considers households in social rented housing requiring a transfer to alternative affordable accommodation as described in paragraph 7.26. This amounts to an additional 1,953 households per year (3,906 from Table 7.6 divided by 2). These households create no net additional requirement for an affordable home, but are mismatched between the size of home they require and the size of home they release for re-occupation. The supply distribution is derived from household dataset information on those who have recently moved into affordable accommodation as well as the size of home the 1,953 households requiring a transfer reside in.

7.68 The last column presents the supply as a percentage of need. This is calculated by dividing the estimated supply of the property size by the derived need for that dwelling size. The lower the figure produced, the more acute the need for affordable accommodation in the area, as the current supply is unlikely to meet the identified need.

Table 7.21 Size of additional units required to meet housing need

Size of home	Need requirement Gross annual need	Gross annual supply	Net annual need	As a % of total net annual need	Supply as a % of gross need
One bedroom	7,497	5,297	2,200	21.1%	70.7%
Two bedrooms	5,883	3,526	2,357	22.6%	59.9%
Three bedrooms	3,875	1,399	2,476	23.7%	36.1%
Four or more bedrooms	4,650	169	4,481	43.0%	3.6%
Total	21,905	11,478	10,427	100.0%	52.4%

Source: Birmingham Strategic Housing Market Assessment household dataset (households in gross need and households transferring within the affordable sector), 2012 base

7.69 The table suggests that there is a net need for all sizes of affordable housing. Four bedroom accommodation accounts for 43.0% of the net need and three bedrooms a further 23.7%. The final column shows that the need relative to supply is the greatest for four bedroom homes, followed by three bedroom properties. Households in need requiring one bedroom accommodation are most likely to have their need met from the current supply.

Sensitivity analysis

7.70 The housing needs assessment model requirement of 10,427 additional affordable homes per year does not equate logically with the planned build rates set out in the Strategic Housing Land Availability Assessment (1,900 per year up to 2015 and 2,160 per year over the next twenty years). One explanation for this may be that the assumptions in the CLG model are not realistic in the current market. In this section, we test the impact of changing two of these assumption, to produce what may be more realistic measures of need.

Affordability threshold

7.71 Above, we assessed numbers of households in need based on the definition of affordability in the Strategic Housing Market Assessment Practice Guidance. In this definition, a household is deemed able to afford market rented housing if the rent payable is no more than 25% of gross household income. In table 7.22, we show how the numbers in need change if this threshold rent rises to 30%, 35% and 40% of gross household income.

Table 7.22 Impact on need of alternative definitions of affordability

	Rent payable constitutes no more than:			
	25% of gross household income (standard)	30% of gross household income	35% of gross household income	40% of gross household income
Backlog need (annual)	6,096	5,638	4,889	4,389
Backlog supply (annual)	2,783	2,578	2,315	2,084
Net backlog need (annual)	3,313	3,060	2,574	2,306
Future need (annual)	13,856	11,254	9,649	8,310
Future supply (annual)	6,741	6,741	6,741	6,741
Net future need (annual)	7,115	4,513	2,908	1,569
Total net annual need	10,427	7,573	5,482	3,874
Total gross annual need	19,952	16,892	14,538	12,700
Total gross annual supply	9,525	9,319	9,056	8,825
Total net annual need	10,427	7,573	5,482	3,874

Source: Birmingham Strategic Housing Market Assessment household dataset (all non-student households), 2012 base; various secondary sources

7.72 If 30% of gross household income could be spent on rent, the number of households in need would decrease from 10,427 to 7,573. Households in need would decrease further to 5,482 if 35% of income could be spent on rent, and to 3,874 if the affordability assumption was changed to 40%.

Including Local Housing Allowance

7.73 Local Housing Allowance (LHA) is the replacement for the former Housing Benefit in the private rented sector. It is designed to make up the shortfall in people's ability to pay for the housing they need. LHA may cover all of the rent paid or a proportion of it.

7.74 The housing needs assessment model does not include LHA-supported tenancies in the private sector as a component of affordable supply. However, according to the survey data there were 6,986 LHA supported lets within the private rented sector over the past two years (3,493 per year). Thus, if LHA-supported housing were considered as part of the supply solution to housing need, the need figure would reduce to 6,934 per annum.

7.75 It should be noted that whilst Local Housing Allowance is supposed to be capped at the 30th percentile of all rents, work done by Birmingham City Council indicates that just 15% of private rented lets are available below the cap for the Birmingham Broad Rental Market as set by Valuation Office Agency. This conclusion is supported by the market survey conducted as part of this study (and presented in Table 5.6), which suggests that the current lower quartile rents (the 25th percentile) are above the LHA cap for two, three and four bedroom homes and are equal to the cap for one bedroom properties. It is likely therefore that many households in need that are housed within the private rented sector via

LHA will not have all their rent met by LHA and will require additional income, unless the Valuation Office Agency re-assess the rent levels in Birmingham Broad Rental Market and revise the estimated cap level accordingly.

Adjusted thresholds and including LHA

7.76 In Table 7.23, we test the combined effect on need of raising the affordability threshold and including LHA-supported rented housing in the definition of supply. In our stakeholder consultation, there was broad agreement that a threshold of 35% would be reasonable. Based on this figure, there would be 4,945 fewer households in gross need each year. If the private rented sector via LHA is regarded as supply that can meet affordable need, then the gross annual supply increases by 3,493 dwellings. The impact of changing both of these assumptions is that the need for new affordable units reduces to 1,989 per year.

Table 7.23 Adjusted housing need assessment in Birmingham

Element	Need according to the model	Change due to altered assumptions	Resultant adjusted figures
Total gross annual need	19,952	-4,945	15,007
Total gross annual supply	9,525	+3,493	13,018
Total net annual need	10,427	-	1,989

Source: Birmingham Strategic Housing Market Assessment household dataset (all non-student households), 2012 base; various secondary sources

7.77 The figure of 10,427 remains the standard estimate of housing need in Birmingham, because it is calculated in accordance with the Practice Guidance, and hence comparable with figures for earlier dates and other places. However, given the current pressures on affordable housing, our alternative need estimate of 1,989 might be considered more realistic.

8 SUMMARY AND CONCLUSIONS

Housing need

8.1 Following the steps of the needs assessment model specified by the Practice Guidance results in a net need estimate of 10,427 affordable dwellings per year in Birmingham. This annual figure is based on a model that assesses housing need over a five year period.

8.2 Lone parent households are particularly likely to be in housing need, as are households self-classified with a 'Mixed & Other' ethnicity. Households containing a disabled person are less likely to be in housing need than households where no disabled person is present.

8.3 Our analysis suggests that there is a net need for all sizes of affordable housing. Four bedroom accommodation accounts for 43.0% of the net need and three bedrooms a further 23.7%. The level of need relative to supply is the greatest for four bedroom homes, followed by three bedroom ones. Households in need requiring one bedroom accommodation are most likely to have their need met from the current supply.

8.4 Factoring in higher affordability thresholds households in the private rented sector and the supply of private rented accommodation (via LHA) to house those requiring affordable housing, shows the need for new affordable units reducing to 1,989 per year.

Affordable Rent

8.5 Very few households in need could afford Affordable Rent at 80% of the median market rent. The most practical level to set Affordable Rent to meet substantial need is at 65 or 70%. A fifth of households in gross need could afford Affordable Rent at 65%. As almost all of the supply is social rented housing, the net requirement for Affordable Rent (were it set at 65%), would be 40% of all new affordable housing.

8.6 If Affordable Rent were set at 65% of market rent, it would be affordable for 4,089 households in housing need. Affordable Rent at 65%, however, would be very close in cost to social rented accommodation, particularly for smaller dwellings. A variable Affordable Rent level may be appropriate, to reflect the relative difference to social rent for the different property sizes. Affordable Rent set at 70% for one and two bedroom homes, Affordable Rent at 65% for three bedroom dwellings and Affordable Rent at 60% for four bedroom accommodation would both be suitably priced within the current intermediate gap and also meet a substantial amount of housing need.

PART B
HOUSING DEMAND AND PLANNING TARGETS 2011-16

9 OVERVIEW

9.1 This part of the report considers the likely demand for housing in Birmingham in 2011-31 and advises accordingly on the housing target to be set in the Core Strategy. In contrast to Part B, it focuses on total numbers of households and dwellings, combining the market and affordable sectors. Part C will consider how this total may be split between sectors and tenures.

9.2 Below, Chapter 10 sets out the national planning policies that set the ground rules for the Core Strategy. Chapter 11 provides demographic projections for Birmingham City and discusses their implications for housing demand. Chapter 12 broadens the scope to consider demand and supply across the sub-regional housing market area. Conclusions and recommendations are in Chapter 13.

10 NATIONAL POLICY

10.1 Under the previous planning system, as noted earlier local housing targets were set by Regional Strategies. These strategies are shortly to be abolished, though for technical reasons they are technically still in force. Local planning authorities will set their own targets, compliant with national planning policy, as set out in the National Planning Policy Framework (NPPF), published in March 2012. As the first step in advising on Birmingham's targets, therefore, in this chapter we summarise what the Framework requires of local planning authorities.

Meeting demand and need

10.2 Other than paragraph 159, which we have already quoted, sections of the Planning Framework that bear directly on housing provision targets include the following:

'At the heart of the National Planning Policy Framework is a presumption in favour of sustainable development, which should be seen as a golden thread running through both plan-making and decision-taking.

For plan-making this means that:

- *local planning authorities should positively seek opportunities to meet the development needs of their area;*
- *Local Plans should meet objectively assessed needs, with sufficient flexibility to adapt to rapid change, unless:*
  - *any adverse impacts of doing so would significantly and demonstrably outweigh the benefits, when assessed against the policies in this Framework taken as a whole; or*
  - *specific policies in this Framework indicate development should be restricted.'*

'Policies in Local Plans should follow the approach of the presumption in favour of sustainable development so that it is clear that development which is sustainable can be approved without delay.'

'Every effort should be made objectively to identify and then meet the housing, business and other development needs of an area, and respond positively to wider opportunities for growth. Plans should take account of market signals, such as land prices and housing affordability, and set out a clear strategy for allocating sufficient land which is suitable for development in their area, taking account of the needs of the residential and business communities.'

'To boost significantly the supply of housing, local planning authorities should use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area, as far as is consistent with the policies set out in this Framework.'

'Joint working should enable local planning authorities to work together to meet development requirements which cannot wholly be met within their own areas – for

instance, because of a lack of physical capacity or because to do so would cause significant harm to the principles and policies of this Framework.'

'Local planning authorities will be expected to demonstrate evidence of having effectively cooperated to plan for issues with cross-boundary impacts when their Local Plans are submitted for examination. This could be by way of plans or policies prepared as part of a joint committee, a memorandum of understanding or a jointly prepared strategy which is presented as evidence of an agreed position. Cooperation should be a continuous process of engagement from initial thinking through to implementation, resulting in a final position necessary where plans are in place to provide the land and infrastructure necessary to support present and projected future levels of development.'

'A local planning authority should submit a plan for examination which it considers is "sound" – namely that it is:

- *Positively prepared – the plan should be based on a strategy which seeks to meet objectively assessed development and infrastructure requirements, including unmet requirements from neighbouring authorities where it is reasonable to do so and be consistent with achieving sustainable development…'*

10.3 The central messages are clear. Local Plans (equivalent to Core Strategies) should meet the demand and need for housing development if they have the capacity to do so sustainably. Where this capacity does not exist, or where demand and need are not tied to a particular local authority area, authorities should steer development to places that *can* accommodate it, irrespective of administrative boundaries. Places which do not have enough land to meet demand should export some of that demand to less constrained neighbours, and these neighbours should accept it. In terms of practical plan-making, this means that housing policies should be driven by an assessment of demand and need, beginning with the official demographic projections. Where housing markets cross local authority boundaries, this assessment, and the resulting housing provision, should relate to the wider housing market rather than a single authority.

10.4 Unlike earlier national policy, however, the Framework does not provide a definition of the need or demand that planning should aim to meet. In practice such a definition is important, because an 'objective assessment' of need must begin from an understanding of what need is. Planning Policy Statement (PPS)3 (2011), now superseded by the Framework, in *Annex B: Definitions* differentiated between housing demand and housing need:

'Housing demand

The quantity of housing that households are willing and able to buy or rent

Housing need

The quantity of housing required for households who are unable to access suitable housing without financial assistance'

10.5 As we showed in Part B of this report, the 2007 SHMA Practice Guidance makes the same distinction. In contrast, in the Framework 'demand' and 'need' are used interchangeably. From the context, it seems clear that both terms refer to all housing, and to what PPS3

called 'demand' – also known as *effective demand*, or *demand backed by money*. To expand the PPS3 definition, demand is the amount of housing that households want and can pay for - whether from their own resources in the open market, or with help in the affordable housing sector. This equals the amount of housing that developers and landowners are willing and able to provide, at the prices or rents that households are willing and able to pay. In other words, *demand is the amount of housing that would be built if planning did not constrain land supply*.

10.6 We return to this definition in Chapter 13, where it provides the starting point for the proposed housing targets.

Land supply

10.7 The Framework also requires that local planning authorities:

- *'Identify and update annually a supply of specific deliverable sites sufficient to provide five years' worth of housing against their housing requirements with an additional buffer of 5% (moved forward from later in the plan period) to ensure choice and competition in the market for land. Where there has been a record of persistent under delivery of housing, local planning authorities should increase the buffer to 20% (moved forward from later in the plan period) to provide a realistic prospect of achieving the planned supply and to ensure choice and competition in the market for land….*
- *Illustrate the expected rate of housing delivery through a housing trajectory for the plan period…'*

10.8 It adds:

'Housing applications should be considered in the context of the presumption in favour of sustainable development. Relevant policies for the supply of housing should not be considered up-to-date if the local planning authority cannot demonstrate a five-year[12] supply of deliverable housing sites.'

10.9 In summary, an authority that cannot demonstrate a five-year[12] (or six-year) supply of deliverable sites will be deemed not to have an up-to-date plan, and therefore will be vulnerable to applications for unsustainable or inappropriate development. As discussed later in this report, this will penalise authorities that over-estimate short-term demand in the current economic climate. To avoid this risk, the Council should set a realistic trajectory for the plan period, which recognises that demand may be depressed in the early years of the plan.

Implications

10.10 The Planning Framework sets out clear principles. Plans should meet the demand and need for housing development wherever they have the capacity to do so sustainably. Where this capacity does not exist, or where demand and need are not tied to a particular

[12] Strictly speaking, the requirement is for 5.25 years supply (5 years plus 5%).

local authority area, authorities should steer development to places than *can* accommodate it, irrespective of administrative boundaries. Authorities that do not have enough sustainable capacity to meet demand should export some of that demand to less constrained neighbours, and these neighbours should accept it. Authorities should work together across housing market areas to deliver these outcomes.

10.11 In the months since the Framework was published, it has become clear that the Planning Inspectorate is interpreting these principles strictly. In particular, Inspectors are giving considerable weight to the requirement for joint working across housing market areas. For example, in rejecting the Core Strategy being put forward by Bath and North East Somerset (BANES) in July 2012, the Inspector wrote:

"[*A critical problem with] the Council's methodology [is that] it is primarily an assessment for Bath and North East Somerset only, rather than a SHMA for the Housing Market Area* [which comprises Bristol and surrounding districts]…

In the absence of a SHMA based on the Housing Market Area, there is no up-to-date and NPPF-compliant evidence to indicate the housing needs of the wider area and whether there may be needs from Bristol that should be accommodated, in part at least, within this district. A cross-border SHMA and the subsequent determination of the optimum spatial distribution of any such future needs around Bristol require joint working between all the relevant authorities... This leaves the evidence base for the Bath and NES Core Strategy in limbo. I recognise that the Council cannot undertake this task alone and those Councils with adopted Core Strategies may be in no rush to undertake the necessary joint work. But given the shortcomings in the Council's methodology there is currently an inadequate basis on which to allow this Plan to move forward...'

10.12 The BANES Inspector is asking for a sub-regional strategy, where Bristol and adjoining Councils work jointly in a two-stage process: first to assess how much housing they should provide for collectively, and second how that provision should best be distributed among them. He notes, correctly, that this process is logically the only way to deliver the Framework's requirements. He also acknowledges that it will be difficult to achieve, because the different Councils are at different stages of plan preparation, informed by separate evidence bases.

10.13 The position in and around Birmingham is the same. In this study, we have aimed to come as close to a wider sub-regional assessment as is practicable in a study commissioned by Birmingham alone. We aim to deliver both sound policies for Birmingham's Core Strategy and a starting point for joint working with neighbouring authorities.

11 DEMOGRAPHIC PROJECTIONS FOR BIRMINGHAM

Using demographic projections

Introduction

11.1 To assess the demand for housing[13], this study uses demographic projections - starting with the official projections from the Department of Communities and Local Government (CLG) and office for national statistics (ONS). This is a widely accepted method and, as noted earlier, it is supported by the Planning Framework.

11.2 But the method is not straightforward, partly because there are many potential projections to choose from. The official projections change with every new release; and for any place and period it is easy to generate any number of 'unofficial' scenarios, using different but still reasonable assumptions and techniques. In setting Core Strategy housing targets, therefore, the Council will need to choose between a range of alternatives. It will also need to decide how policy should frame the projected housing numbers – for example whether the Core Strategy should include firm targets, minimum figures or ranges, how the targets might be phased over time, and whether the Council should take a view on neighbouring authorities' targets. To help make these choices, we need some appreciation of how demographic projections are made and hence what they can and cannot tell us.

A minimum estimate

11.3 Official demographic projections for England come from two sources. ONS at two-year intervals publishes 25-year national population projections (NPP), shortly followed by subnational population projections (SNPP), which distribute the national total across local authorities. CLG translates the SNPP into household projections, which are released a few months later.

11.4 These demographic projections, as their name suggests, are derived by carrying forward (projecting) past trends into the future. The past period being projected, known as the reference (or base) period, is variable. At local level, the reference period for the SNPP is the five years preceding the base date. But the resulting projection is controlled to match national (NPP) totals, which are projected from longer-term trends, filtered through expert judgment. The factors used to convert population into household projections are similarly based on long-term trends.

11.5 The growth in household numbers in the CLG projections (with a slight adjustment for vacant homes) is considered as a measure of future housing demand. Alternative projections, from non-official sources, use similar methods and similarly produce household forecasts, which are similarly translated into housing demand.

[13] As noted earlier, the Planning Framework uses the terms 'demand' and 'need' interchangeably. We prefer 'demand', to avoid confusion with 'need' as defined in PPS3.

11.6 But demographic projections have no *direct* relationship to demand. Demand is the household growth that *would* happen if planning did not constrain housing land supply; whereas the projections carry forward the household growth that *did* happen - including in places where planning did constrain land supply, so that demand was not met in full.

11.7 It follows logically that demographic projections should be read as a *minimum* indicator of future demand. Leaving aside other limitations, which we discuss later:

- In places where planning constraints did not 'bite' in the past, actual development will have met demand. Therefore, the projections will be a good measure of future demand.
- In places where planning has been a strong constraint in the past, actual development will have fallen short of demand. For the future, therefore the projections will considerably understate demand.
- The larger an area, the more accurately the projections will measure demand. This is because demand is footloose to varying extents. In looking for a new home, some households will consider almost anywhere in or around the Birmingham city region; others may prefer the south-west sector; but few, if any, will insist exclusively on Stratford Road, Birmingham. So, if land supply in one place is constrained, frustrated demand will mostly spill over into neighbouring places. Over a large area such as a region or nation, it is likely that all or most of the demand will be accommodated somewhere, though perhaps not where it ideally wants to go.

Uncertainty

11.8 Secondly, demographic projections are uncertain and subject to wide margins of error. This is why the ONS and CLG, like other demographers, often change their mind between successive statistical releases. The ONS, for example, writes:

'As a result of inherent uncertainty of demographic behaviour, any set of projections will inevitably be proved wrong, to a greater or lesser extent… Projections are uncertain and become increasingly so the further they are carried forward in time, particularly for smaller geographical areas. Care should be taken in interpreting these data, particularly where broken down by age and sex. The projections are more robust at greater levels of aggregation, either by age or by area, since more detailed levels mean smaller counts contributing to the projection process.'[14]

11.9 As this quote suggests, one cause of uncertainty is that the past reality which the projections carry forward is not fully known. Examples include long-term trends in household headship rates – which are discussed in the CLG's methodology paper[15] - and the distribution of international migrants across England – on which the ONS produced comprehensively revised 'indicative' figures in 2011. Another cause of uncertainty is that

[14] See for example Office for National Statistics, *Frequently asked questions: 2010-based subnational population projections,* 2012.

[15] Department for Communities and Local Government, *Updating the Department for Communities and Local Government's household projections to a 2008 base*, *Methodology,* 2010, Section 2d, pages 8-9.

mathematics offers many alternative ways of projecting the same trend, as the CLG paper also illustrates. Yet another cause is that the reference period which is projected forward is arbitrary. A five-year reference period will obviously produce a different projection to a 10-year reference period, but there is no rule to say which reference period is more valid.

11.10 In using demographic projections to inform policy targets, we need to take account of the uncertainty surrounding these projections. A policy target that takes them too literally may become obsolete within weeks or months, as new demographic data and projections are released.

Business as usual

11.11 There is another, more fundamental reason why demographic projections are uncertain. It is that projections take no account of the factors that drive population and household change. In demographic projections – whether the official version or alternatives - the past trends being projected into the future are demographic trends - comprising fertility (birth rates), mortality (death rates), migration and household formation[16]. These demographic trends are obviously affected by external (non-demographic) factors, including the economy and planning policy. But these external factors are not inputs to the projections. In effect, therefore, the projections assume that the external factors that drive demographic change will be the same in the future as in the reference period[17].

11.12 In relation to natural change this does not much matter, because fertility and mortality tend to follow well-established long-term trends; and in any case future fertility makes little difference to housing requirements, since most of the people who will form households in the next 20 years have already been born. Migration and household formation, however, do vary with external factors, especially the economic climate and supply capacity in neighbouring areas - which in turn depends partly on planning policy. Policy impacts work across administrative boundaries, as planning constraints in one area will increase demand in neighbouring areas.

11.13 In summary, demographic projections the projections represent a 'business-as-usual' future. In effect they assume that the external factors that drive demographic change will be similar in the future to the past. If economic conditions are worse in the future, then, all other things being equal, the projections will overestimate housing demand. If planning in neighbouring areas is more restrictive in the future, the projections will underestimate demand.

11.14 Before they are translated into policy targets, demographic projections should be adjusted to take account of such prospective changes. But there are no quantitative models that measure the impact of external factors on demographic change. We have to be content with broad approximations based on judgment.

[16] Strictly speaking, what is being projected is the 'household representative rate', which is the proportion of people in each demographic group who are 'household representatives', formerly known as heads of household.
[17] Op cit, page 6.

Conclusion

11.15 Future household growth, as shown in demographic projections, is an accepted indicator of the effective demand for housing. But it has three important limitations:

- Firstly, the projected figures should be read as a minimum, especially in places where past planning policy has undersupplied land relative to demand.
- Secondly, the projections are uncertain and should be interpreted cautiously.
- Thirdly, one aspect of this uncertainty is that the projections provide a business-as-usual scenario - in which the external factors that drive demand do not change. These drivers of demand include the economic climate and planning policy in neighbouring authorities. If they are expected to change in future, the projections should be adjusted before they are used as a measure of future demand.

11.16 In the rest of this chapter, we describe the current official projections for Birmingham City and assess some of the surrounding uncertainties. Technical detail is in Appendix A4. The next chapter will look at the wider housing market beyond Birmingham City.

2008-based projections

11.17 At the time of writing, the latest CLG household projections are the 2008-based release, published in 2010 and based on the 2008-based SNPP, which were published earlier in the same year. For Birmingham City over the plan period 2011-31, these figures show (see Table 11.2) [18]:

- The population growing by 147,000, from 1.042m to 1.190m
- The number of households growing by 81,500, from 0.42m to 0.50m.

11.18 The projected population growth is the net outcome of:

- Natural change (excess of births over deaths) of 229,000
- Net out-migration of 82,000, the net outcome of:
  - Net out-migration within the UK of 212,000.
  - Net international in-migration of 130,000

11.19 As one would expect, these migration patterns broadly continue established trends. The projected natural growth reflects the city's young population profile, resulting in high birth rates and low death rates. Much of this growth spills over into other parts of the UK, as many more people move out of Birmingham – mostly to neighbouring areas – than into Birmingham. Table 11.1 shows the geography of migration for a typical year. Behind the substantial net outflows from Birmingham to adjacent districts, there are much larger flows that go in both directions, as shown in Appendix 1 below.

[18] Numbers in the text are rounded. The tables and appendices show unrounded numbers.

Table 11.1 Net migration, Birmingham City, 2010

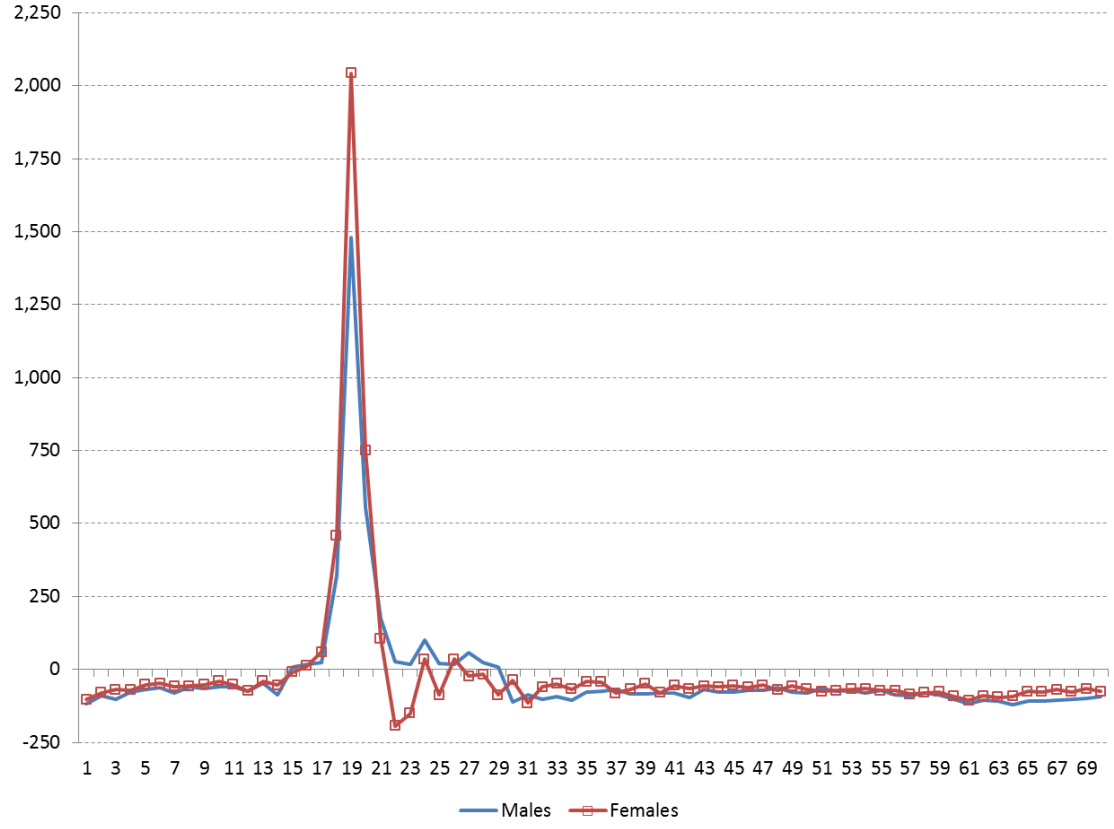
Persons	
West Midlands	-5,980
Black Country	*-2,370*
Solihull	*-1,650*
Lichfield	*-340*
Bromsgrove	*-540*
London	-1,000
South West region	-520
Elsewhere	900
Total	-6,600

Source: ONS

11.20 Internationally, more people move into Birmingham from other countries than move out of Birmingham to other countries, but this net gain is not enough to outweigh domestic out-migration.

11.21 Overall, net migration is closely related to age. In net terms, Birmingham gains population in the main 'student' ages, with some additional inflows in the 20s, mainly for males. Otherwise there are net outflows at all ages. Figure 11.1 shows this relationship for just one year, but the pattern is typical.

Figure 11.1 Birmingham estimated net migration by age (1 to 69) and gender, 2010-11



Source: RTP trend migration scenario

11.22 The household growth of 81,500 is the default or first-draft indicator of the demand for housing over the Core Strategy period[19]. It equals an annual average 4,075 net new homes, which is considerably above levels of development achieved in the past. Thus, between 2001-02 and 2010-11, net new completions per annum averaged 1,848, with a maximum of 3,141; even gross completions only averaged 2,965, with a maximum of 4,000.

11.23 Like any projection, the default demand figure is surrounded by uncertainty - especially as some of the data on which it is based are now superseded by more recent information, and some of the drivers of change may be very different in the future from what they were in the past. Below, we test the extent of this uncertainty, using both new official releases and our own scenarios.

2010-based projections

11.24 In March 2012 the ONS released its latest set of subnational population projections, which are 2010-based and supersede the 2008-based release discussed above. These figures show Birmingham's population growth over the plan period as 200,700 – almost 54,000 more persons than in the 2008-based projection.

11.25 Natural change was virtually the same in the two projections. The additional growth in the 2010-based version is all due to migration. The 2010-based SNPP for Birmingham shows net out-migration over the plan period of only 30,000 people, against 82,000 in the earlier projection. The underlying factors are as follows.

11.26 Firstly, the local reference (base) data, from which local trends are projected forward, changed in two ways: the five-year reference period moved on by two years, and ONS revised earlier data. Between the two sets of base data, in net terms and on average both internal (within-UK) out-migration and international in-migration fell. But from the detailed data it is not clear that these falls are indicative of underlying change, as opposed to random fluctuations or statistical artefacts.

11.27 Secondly, the national population projections (NPP) changed. In the 2008-based NPP, annual net in-migration into England from overseas over the plan period was 157,000. In the 2010-based NPP it is 173,000. The reason for this increase is that since 2006-07 there has been a fall in departures, mainly by British people going to live abroad; this trend is carried forward into the 2010-based national projections:

- At national level, the resulting net in-migration is surprisingly high. As shown in Appendix 1, the annual average inflow it produces has only been exceeded in two individual years since 2001.

[19] To convert households into homes one would normally make a small adjustment for vacant homes; for example, it may be assumed that each 97 households occupy 100 homes, of which three are vacant. In our analysis, for simplicity we omit this adjustment.

- At local level, the national change impacts on Birmingham, because as noted earlier the sub-national projections are controlled to match the national ones The consequence for Birmingham is that more people move in from abroad, and therefore total projected net out-migration falls.

11.28 The 2010-based SNPP for Birmingham shows a sharp departure from past trends. Its net out-migration of 30,000 in the plan period amounts to just 1,500 persons per year, against an estimated 2,400 per year in 2005-2010 and 1,900 per year in the longer period 2001-10[20].

11.29 The 2010-based SNPP has not yet been translated into CLG household projections (these new CLG projections are expected in November 2012). We have made our own translation, using our demographic model and the CLG's 2008-based assumptions on the relationships between population and households. The result is an advance estimate of the CLG 2010-based projections. It shows the number of households growing by 105,200 over the plan period – almost 24,000 more than the 2008-based projections.

11.30 To sum up, the 2010-based ONS population projection implies substantially greater housing demand than the previous, 2008-based CLG household projections. The reason is that in the new projections Birmingham has greater population growth, because it loses fewer people to net out-migration. Two factors contributed to this reduced out-migration: firstly an apparent reduction in domestic out-migration from Birmingham in more recent years, and secondly higher projected international migration into the UK as a whole.

11.31 We cannot be certain that these factors are a true indication of underlying trends and their implications for Birmingham. Consequently we cannot be certain that the 2010-based projection for Birmingham is robust. Therefore, in the next section, we test an alternative projection in which they do not apply.

Trend migration

11.32 This projection is generated by our own demographic model, which is similar to the ONS and CLG models. But the base data input into the model are different. To avoid the impact of short-term fluctuations, we use a longer reference period, 2001-10. To avoid the impact of larger-than-local assumptions which may be misleading, we project forward past trends for Birmingham only.

11.33 The main results of this 'trend migration scenario' are shown at Table 11.2 below, which also shows the 2008-based and 2010-based scenarios discussed in earlier sections. Over the plan period 2011-31, the trend migration scenario shows:

- Population growth of 177,100
- Household growth of 96,100.

[20] Appendix A4 explains the limitations of these estimates.

11.34 Both these results lie between the 2008-based and 2010-based scenarios discussed earlier, and slightly closer to the 2010-based version.

Table 11.2 Main demographic scenarios for Birmingham

	Net change 2011-31, thousands		
	ONS/CLG 2008	ONS/CLG 2010	Trend migration
Natural change	*229.0*	*230.7*	*225.1*
UK migration	*-212.0*	*-186.0*	
International migration	*130.0*	*156.0*	
Total migration	*-82.0*	*-30.0*	*-48.0*
Total population	147.0	200.7	177.1
Households	81.5	105.2	96.1

Source: ONS, CLG, RTP

Low international migration

11.35 As a final piece of analysis relating to migration, we have tested the impact of a factor which the traditional projections do not take into account: new government policy. The current target, formulated in 2011, is to reduce net in-migration into the UK to 'tens of thousands' per year by the time of the next election[21]. To explore the possible implications of this target for housing demand in Birmingham, we have roughly estimated the household change that would result from fixing net migration into England at 100,000 per year from 2015-16 onward.

11.36 This calculation does not amount to a fully-fledged projection and should be treated as a broad indication only. It has produced two alternative household growth figures, using different official scenarios as a starting point:

- In the 2008-based CLG projection, if we lower international migration and keep other assumptions unchanged, household growth over the plan period is 71,900.
- Starting from the 2010-based ONS projection, low international migration results in household growth of 88,700.

The 2011 Census

11.37 The first results of the 2011 Census were published on 16th July 2012. For Birmingham, the Census shows some 30,000 more people than projections indicated. It also shows some 6,000 fewer households than the projections, and correspondingly lower household formation (Table 11.3). In other words, the Census shows that average household sizes have not been falling as steeply as the projections suggested.

[21] Prime Minister's address to Conservative party members, 14th April 2011, http://www.guardian.co.uk/politics/2011/apr/14/david-cameron-immigration-speech-full-text

Table 11.3 Birmingham population and households, 2011

Thousands	2008-based official projections	2010-based projections	2011 Census
Total population	1,042.9	1,042.7	1,073.0
Total households	415.7	416.6	410.7

Source: ONS, CLG, RTP

11.38 It seems likely that these are the effects of the economic downturn. With stagnant or falling incomes and tight credit, one would expect that fewer people would want to move house or set up new households. Tight credit would also impact on housebuilders/developers, further reducing the effective demand for housing land. In Birmingham, because net migration is negative – on balance more people move out of the city than into it – fewer people moving would mean more population growth, as less of the city's natural growth spills over to other places.

11.39 We have made a crude projection to explore the possible implications of the Census data for future housing demand. In this scenario, population growth is based on the trend from 2001 (the previous Census) to 2011. The conversion of population into households is based on the situation at 2011 and this adjustment is held constant for the future. Details are at Appendix 3. The scenario is based on incomplete information; the implications of the Census will become clearer as more data are released.

11.40 Over the plan period 2011-31, the Census-based scenario shows population growth and housing demand considerably above all the scenarios discussed earlier:

- Population growth of 236,200
- Household growth of 119,400.

11.41 The Census-based scenario is a broad approximation and should not be taken literally. It is of interest because it broadly illustrates the potential long-term impacts of a depressed economy and tight credit.

11.42 If bad economic conditions continue to slow down migration in future, Birmingham's future population could be much higher than business-as-usual projections suggest. In our Census-based projection, falling out-migration dramatically lifts housing demand above the projections. Alternatively, it may be that bad economic conditions reduce household formation below what we have assumed. In that case, effective housing demand may not be as high as our Census-based projection shows. The result would be lower quality of life in Birmingham, as people who otherwise would form their own households would remain (or become) part of other people's households. But this would not be the local planning authority's fault, because in the absence of demand allocating more land would not lead to more development.

11.43 In the short term at least, our consultations with the development industry suggest this is the more likely outcome. At the consultation workshop held as part of this study (see Appendix 1), participants stressed that housing development in Birmingham was currently

very difficult, for three main reasons: falling prices making schemes unviable, a tight mortgage market affecting potential buyers and tight bank lending affecting housebuilders and developers. In the current economic climate, it seems clear that effective demand for land, rather than planning restrictions, is the dominant constraint on housebuilding in Birmingham.

11.44 It would be possible to construct a 'continuing recession' scenario, which shows what would happen to housing demand if these conditions continue indefinitely. But this would be highly speculative, because at this stage there is too little information to go on. It might also be unhelpful, because over a 20-year planning period one would expect booms as well as slumps. Some economists do consider that the recession has shrunk the nation's productive capacity, and therefore long-term economic growth will be slower in the future than it has been in the past. But it is too early to conclude that this is true, and even more so to estimate the housing implications.

11.45 For these reasons, we have not explored further the possible implications for housing of a permanently depressed economy. In the next chapter we will look again at the consequences of reduced out-migration, though in a different context – as the result of restricted land supply in the wider sub-region. But first we complete our analysis of Birmingham in isolation.

Constrained supply

11.46 The Council's updated Strategic Housing Land Availability Assessment (SHLAA) estimates that at April 2011 the city had supply capacity for just 43,200 net new homes[22]. This is far below the demand projections presented earlier, which range upwards from 81,500 homes.

11.47 We have modelled a supply-constrained scenario to estimate the consequences of land availability being restricted to this number. Over the plan period 2011-31, this scenario shows:

- Population growth of 67,200 – some 80,000 below the lowest figure in the main demand scenarios (Table 11.2)
- Net out-migration of 146,900 - some 64,000 above the highest figure in the main demand scenarios.

11.48 The supply-constrained scenario assumes that the demand Birmingham cannot meet is 'exported' to other places. In this scenario, therefore, the lack of housing land in the city does not impact on household formation; the whole burden of adjustment falls on migration.

11.49 But in reality, as we shall see, other planning authorities in the sub-regional housing market area are not planning to provide the necessary land. If they do not, some of the adjustment may still happen through migration, as more people move out of the sub-region and/or fewer people move in. But it is likely that the shortage of housing land would also impact on

[22] Birmingham City Council, *Strategic Housing Land Availability Assessment (SHLAA) 2011*, Final Report, June 2012

household formation. Again, this would reduce the quality of life, as people who would like to be in separate households (and in an unconstrained scenario could afford to) would be forced to share. These impacts do not lend themselves to formal demographic modelling; The next chapter will discuss them in more qualitative terms.

Conclusions

11.50 Demographic projections for Birmingham City suggest that, over the plan period 2011-31, in round numbers the minimum effective demand for net new homes in the city will be between 81,500 and105,200 homes. These figures are unavoidably uncertain. They are also business-as-usual predictions - which assume that the factors that drive housing demand will be the same in the future as they were in the past. In reality, however, at least two of these drivers are liable to change.

11.51 The first is the economic climate. Early results of the 2011 Census suggest that the credit crunch and recession have lifted housing demand, by reducing net out-migration to neighbouring districts. If adverse economic conditions continue, this could result in demand considerably above the business-as-usual scenarios, possibly for around 119,000 over the plan period. Alternatively, a bad economic climate could depress household formation more than it depresses migration. In that case demand would not be so high, but the quality of life would deteriorate, as people who otherwise would form their own households would remain (or become) part of other people's households.

11.52 At this stage we have not modelled the housing demand that would result from a long-term slowdown in economic growth. In our opinion it would be premature for the Council to plan on this basis. It seems preferable to assume that the 20-year plan period will see a succession of economic cycles, so on average the business-as-usual assumption is reasonable.

11.53 The second driver of demand that is may change in future is supply capacity in the wider market area. We discuss this in the next chapter, which broadens the scope to the wider sub-regional market.

12 DEMAND AND SUPPLY IN THE WIDER SUB-REGION

Demand and supply in the long term

12.1 We noted earlier that Birmingham exports much of its growth to neighbouring authorities, mainly the Black Country, Solihull, Bromsgrove and Lichfield. In the main business-as-usual demand scenarios discussed earlier, total net out-migration from the city over the 20-year plan period ranges from 30,000 to 82,000 persons.

12.2 We have also estimated the impact of migration on future household numbers and hence housing demand, through the nil-migration scenario described in Appendix 1. If net migration were zero, we estimate that housing demand over the period would rise to 122,000 – far above the business-as-usual projections. These numbers measure how much Birmingham depends on its neighbours to accommodate its overspill growth.

12.3 In real life, the amount of migration will be constrained by the supply capacity that planning authorities are able and willing to provide. Table 12.1 below compares the 2008-based CLG projection – which as noted earlier is the default indicator of demand – with proposed housing provision targets in the wider sub-regional market.

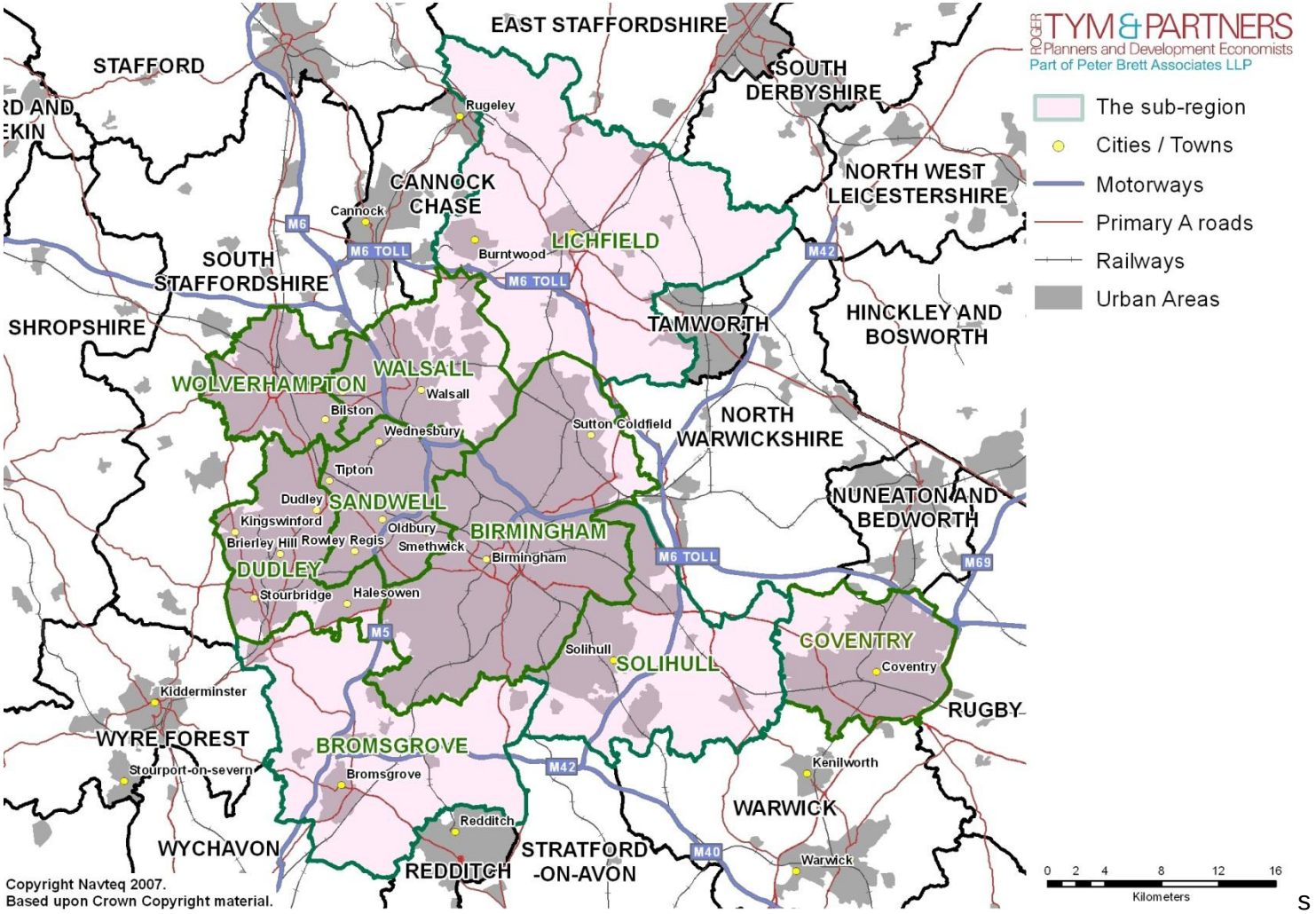
12.4 In this analysis, we define the sub-regional market as those authorities which are most closely linked to Birmingham by migration flows (Figure 12.1). In addition to the authorities listed in the last paragraph, we have included Coventry, which is linked to Birmingham by substantial inflows and outflows, though the net outcome of these flows is close to zero (see Appendix 1). The demand-supply comparison is a broad approximation only, because the plan periods to which supply figures relate vary between authorities, while on the demand side all projections are for 2001-31. The supply data are from emerging plans, except for the Black Country, where we refer to the adopted Core Strategy, and Birmingham, where we use the SHLAA. Demand and supply are measured in households (or dwellings) per year.

Table 12.1 Demand and planned supply for the wider sub-region

Net new households/dwellings per annum	CLG 2008-based projections	Planned supply capacity	Over (under) supply	Source of planned supply data
Coventry	1,200	669	-531	Core Strategy proposed submission, 2011-28
Bromsgrove	360	325	-35	Draft Core Strategy 2, plan, 2006-26, subject to plan review (by 2021)
Solihull	640	525	-115	LDF pre-submission draft, 2011-28
Lichfield	440	435	-5	Emerging Local Plan, 2008-28
Black Country	2,560	3,150	590	Adopted Joint Core Strategy, 2006-26
Subtotal - neighbouring authorities	**5,200**	**5,104**	**-96**	
Birmingham	4,075	2,160	-1,915	SHLAA Update, 2011, total supply spread over 20 years
Total	**9,275**	**7,264**	**-2,011**	

Source: CLG, local authorities, RTP

Figure 12.1 The sub-regional housing market



S

12.5 In the 'subtotal' row of Table 12.1, projected demand and planned supply are almost exactly in balance. In other words, Birmingham's neighbours – excluding the city itself – are collectively planning to provide just enough land to meet the CLG-projected demand, including continuing out-migration from Birmingham in line with the projections.

12.6 At the level of individual authorities, however, demand and supply are not as well matched. Substantial under-provision to the south of the city – mostly in Coventry and to a lesser extent in Solihull – is offset by over-provision at the other end of the sub-region, in the Black Country. Another issue is that the overall market balance is critically dependent on the large amount of development proposed in the Black Country - which may be difficult to deliver while the economy is underperforming and public spending is restricted.

12.7 There is a further and important cause for concern, which is apparent from the last two rows of Table 12.1. As discussed earlier, Birmingham at present does not have the supply capacity to accommodate its projected demand. Against the minimum demand of 4,075 homes per year shown in the CLG projection, the City Council to date has found land for just 2,160 homes per year. If no more development land is found in Birmingham, there will be demand for net out-migration over and above the projections, of at least 1,915 net new homes per year. This demand will be mainly for homes in neighbouring local authorities.

12.8 As noted earlier, demographic projections describe a business-as-usual future: they assume that the factors that determine demand, are the same in the future as they were in the past. But for Birmingham's neighbours one important factor will change: on present estimates, Birmingham's supply capacity will be less than the projections expect. Therefore, other things being equal, demand for housing in these neighbouring authorities will be higher than the projections.

12.9 But the authorities to date have not identified any land to meet this additional demand – which is not surprising, since they had no reason to expect it. Consequently, as shown in the last row of Table 12.1, the sub-regional demand-supply balance shows under-provision of around 2,000 homes per year.

The consequences of under-provision

12.10 If no additional land is allocated for housing in the sub-regional market area, some of the resulting frustrated demand may be met further afield, as more people move out of the area and/or fewer people move in. But we expect that the supply shortfall would also lower household formation, because many people are not able or willing to move house over long distances.

12.11 Accordingly, the under-provision of housing would directly reduce well-being in two ways:

- Some households would not be able to live where they want to live (and in an unconstrained housing market could afford to live); and
- Some people who would like to be (and in an unconstrained scenario could afford to be) in separate households would have to share other people's households.

12.12 The wider impacts of under-providing housing were compellingly set out in the Barker reports of 2003-2004. This analysis has not been bettered in the intervening years and is worth quoting at some length:

'*For many home owners, rising house prices have been a source of considerable gains in income and wealth. But the way our housing market works carries costs for society:*

- *Lower housebuilding constrains economic growth, reducing standards of living for everyone. Reduced housing supply damages the flexibility and performance of the UK economy, having a negative impact on business location decisions and competitiveness…*
- *Productive resources may not be put to their best use, reducing efficiency. This waste of resources has a real cost and reduces economic welfare…*
- *The housing market also contributes to wider macroeconomic volatility… this creates a more challenging environment for the conduct of macroeconomic policy…*
- *An increasing proportion of people cannot afford to buy housing…'*
- *Homelessness is the most visible aspect of poor housing affordability as well as social problems...'* [23]

'*In the long term, the shortage of housing and related rising prices have a negative effect on all of us. In any time period, however, the most significant adverse effect of too few homes is on those who end up inadequately housed or homeless. The weakness of the present situation is all too real:*

- *for first time buyers…*
- *for the homeless…*

But against this… have to be set important benefits from restricted supply – in particular reduced urban sprawl and the retention of open greenfield land.' [24]

12.13 Some of the impacts of restricted housing supply can only be repaired at national level. But others are very much dependent on local planning policy. What individual local authorities do will not make much difference to the macroeconomic climate or the level of productivity. But it *will* make a difference to the quality of life in their housing market areas, both for existing residents and people who would like to move into these areas.

12.14 In particular, it is important to note that the harm from under-provision is concentrated on households on the margins of the housing market; including would-be first-time buyers and those at risk of homelessness. The more planning restricts housing supply, the more difficult it will be for these households to secure satisfactory housing.

[23] Kate Barker, *Review of Housing Supply, Interim Report – Analysis,* December 2003. Crown Copyright material is reproduced with the permission of the Controller of HMSO.

[24] Kate Barker, *Review of Housing Supply, Final Report – Recommendations,* March 2004. Crown Copyright material is reproduced with the permission of the Controller of HMSO.

12.15 In spatial terms, the impact of restricted housing supply is likely to fall more heavily on areas of housing stress, where vulnerable groups are over-represented and housing is already inadequate and overcrowded. Insofar as such areas are concentrated in Birmingham City, the city's residents may be disproportionately affected by under-provision. But otherwise the effects of under-provision will not be restricted to Birmingham. They will spread across the whole sub-regional housing market area, transmitted through the large amount of migration that takes place across the city's boundary, and in both directions.

12.16 Barker makes two further important points about the impacts of planning restrictions on housing. She notes that such impacts are difficult to measure, partly because the UK's housing has been heavily regulated for a long time, so we cannot tell what unrestricted supply would be. She also points out that policy only works over the long term, because it mostly affects new housing, which in any one year forms a small proportion of the total stock.

12.17 Accordingly, the impact of planning targets on housing conditions in and around Birmingham will be neither obvious nor instant. But over the 20-year plan period we believe they will make a substantial difference.

12.18 The Barker reports also remind us that restricting housing development can do good as well as harm, especially where it protects green fields and prevents urban sprawl. It is for local planning authorities to weigh the benefits of development against any damage it may cause. To minimise the damage from any given quantity of housing, in line with the Planning Framework development should be steered to those parts of the housing market area where it will cause least environmental harm, regardless of administrative boundaries.

Immediate reality

12.19 In drawing conclusions from the demand-supply analysis above, we need to remember the limitations of that analysis. As discussed earlier, the demographic projections underpinning our calculations are business-as-usual projections. It may be that the economic climate over the plan period will be much worse than the projections expect, and in ways that particularly affect the housing market. In that eventuality, household formation and effective demand may be much lower than the projections show. Compared to the projected scenarios, economic well-being would be reduced, but the environment may benefit as less greenfield land is developed.

12.20 In the short term, there is no doubt that effective demand in Birmingham is well below the annual average of around 4-5,000 net new homes shown in the main demographic projections. It is clear from our consultations that many allocated sites are undeliverable, and where development does go ahead the rate of delivery is slowed by economic conditions. As always, there may be a temptation to blame the planning authority for allocating too few sites or the wrong sites. But it seems clear that – at least in Birmingham, if not everywhere in the sub-region - the total amount of housing development is constrained by effective demand rather than planned supply.

In the concluding chapter below, we consider how planning policy should respond to these immediate circumstances, while not losing sight of the long term.

13 CONCLUSIONS

The plan period

13.1 In advising on housing provision targets for Birmingham, we started from the requirements of national planning policy, as set out in the 2012 Planning Framework. We showed (see paragraph 10.11 onward) that the Framework ideally would require the targets to be set jointly by all the authorities in the sub-regional market area, in a two-stage process:

- Firstly to assess how much housing they should provide for collectively
- Secondly to determine how that provision should best be distributed across the area.

13.2 At present there is no joint evidence base to inform such an approach. The Councils in the housing market area are at different stages in their plan preparation process, informed by separate evidence bases. One large part of the sub-region, the Black Country, already has an adopted Core Strategy, which pre-dates the NPPF but helpfully makes generous provision for in-migration from other areas.

13.3 In the absence of a joint evidence base, we suggest that to achieve a sound plan Birmingham City Council should:

- Base its own target on an assessment of demand and need across the sub-regional housing market area, not just Birmingham on its own.
- Hold discussions with neighbouring authorities, aiming for revised housing targets across the housing market area that collectively meet that area's total need as closely as possible.
- In these discussions, point out that if this aim is not met all the market area's emerging Core Strategies / Local Plans risk being found unsound.
- Add that without agreement with neighbours it would be very difficult to set sound evidence-based targets for the future, because future demand in any one local authority area depends on provision in neighbouring areas.

13.4 More specifically, key points to inform the Core Strategy housing target are as follows:

i For the housing market area (comprising Birmingham, the Black Country, Bromsgrove, Coventry, Lichfield and Solihull), the best available estimate of objectively assessed housing need to 2031 is for some 9,300 net new homes per annum (see Table 12.1, numbers in the text are rounded).

ii This estimate is based on the 2008-based CLG household projections. Ideally this figure should be reviewed in the light of more recent evidence - including the 2010-based ONS population projections and the 2011 Census, and in due course the 2010-based CLG household projections.. But in the absence of further analysis the 2008-based figure is a good starting point.

iii If past trends were to continue in the future, at least 4,100 of these homes would be accommodated in Birmingham City.

iv But Birmingham City at present has identified sustainable capacity for just 2,200 homes per year.

v Given this capacity and other authorities' proposed targets, there is an estimated supply shortfall across the housing market area of some 2,000 net new homes per year for the plan period 2011-31.

13.5 In the light of this shortfall, the Council should re-assess Birmingham's capacity for housing development, including through a Green Belt review that would potentially identify new options for greenfield development.

13.6 Depending on the results of this review, the Council might increase its estimate of the city's sustainable supply capacity from the present figure of 2,200 net new homes p.a.

13.7 Any increase in capacity will reduce the sub-regional supply shortfall estimated earlier. But we expect that a substantial shortfall will remain, because there are limits to the amount of land Birmingham can release consistent with the sustainability principles of the NPPF, and there are also limits to what can be realistically developed by the market within the city's boundaries.

13.8 Therefore, to meet demand and need in accordance with the Framework in the long term, there should also be a joint study involving Birmingham and adjoining authorities to identify the scale of additional housing provision that should be planned for outside Birmingham and to agree a strategy for delivering this. In due course the results of this study should be reflected in individual Development Plans.

13.9 In arriving at a new housing target, the Council will need to take a view on the balance between the benefits of meeting housing demand / need and the harm from Green Belt of greenfield development. This judgment should have regard to the social and economic consequences of under-provision, as discussed earlier. It should also consider the housing mix analysis in part C of this report, which suggests that the more housing is provided in total the fewer households proportionally will need affordable housing.

13.10 Against these arguments for providing more housing land, the Council should consider the sustainable capacity of the specific Green Belt / greenfield areas being considered for development. This is partly a matter of physical and environmental capacity, where the evidence base supporting the earlier version of the Core Strategy should provide some of the necessary information.

13.11 But commercial capacity is also major consideration. Even in places and at times when housing development is financially viable, there are bound to be limits to the annual quantum of development that can be delivered, both in specific areas and in total. Historical delivery rates for Birmingham may help determine what these limits are, though it should be borne in mind that feasible delivery rates vary with the economic climate, being slower in the recession than in the upturn.

13.12 Agreed targets should preferably be reviewed within five years across the sub-region, in the light of new demographic and economic evidence.

Phasing

13.13 In the short term, the effective demand for new housing, and hence for housing land, in Birmingham is clearly much below the 4-5,000 homes per year that projections lead us to expect. No one knows how long this situation will continue; common sense suggests that a full economic recovery is several years away.

13.14 The Council should plan its housing trajectory accordingly, setting low targets for the first five years of the new Core Strategy and increasing the numbers gradually thereafter. The trajectory for these early years should be partly based on a bottom-up analysis of the actual sites and areas identified for early release, considering their viability and infrastructure requirements.

PART C
HOUSING MIX AND TENURE 2011-2031

14 BALANCING THE HOUSING MARKET IN THE LONG TERM

Overview

14.1 As well as setting an overall target, the Council in planning for housing development will need to take many finer-grained policy decisions, on the location of development and the housing mix that it should provide, permit or encourage in different places. The NPPF's advice on this includes:

'152 To deliver a wide choice of high quality homes, widen opportunities for home ownership and create sustainable, inclusive and mixed communities, local planning authorities should:

- *plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes);*
- *identify the size, type, tenure and range of housing that is required in particular locations, reflecting local demand.'*

14.2 To help inform these decisions, and as required by paragraph 159 of the Framework, we have modelled the desirable distribution of housing tenures and types corresponding to our different demographic scenarios. For this we use HDH's Long-Term Balancing the Housing Market (LTBHM) model. The model shows the ideal mix of housing needed to house a given population, where all households are adequately housed, according to the standards set out in the Practice Guidance, and the public sector stock is used as efficiently as possible. Those households who cannot afford market housing to the required standards are allocated to different affordable sectors, comprising shared ownership, affordable rented, social rented and private renting supported by Local Housing Allowance (LHA).

14.3 With reference to our earlier distinction between housing need and housing demand, the LTBHM model relates to need rather than demand. It estimates how a given amount of housing ideally *should* be distributed across tenures and types to achieve an acceptable standard of housing for everyone. This ideal mix is unlikely to be fully achieved, and it certainly will not be brought about by market forces alone. To move closer to it will need policy intervention.

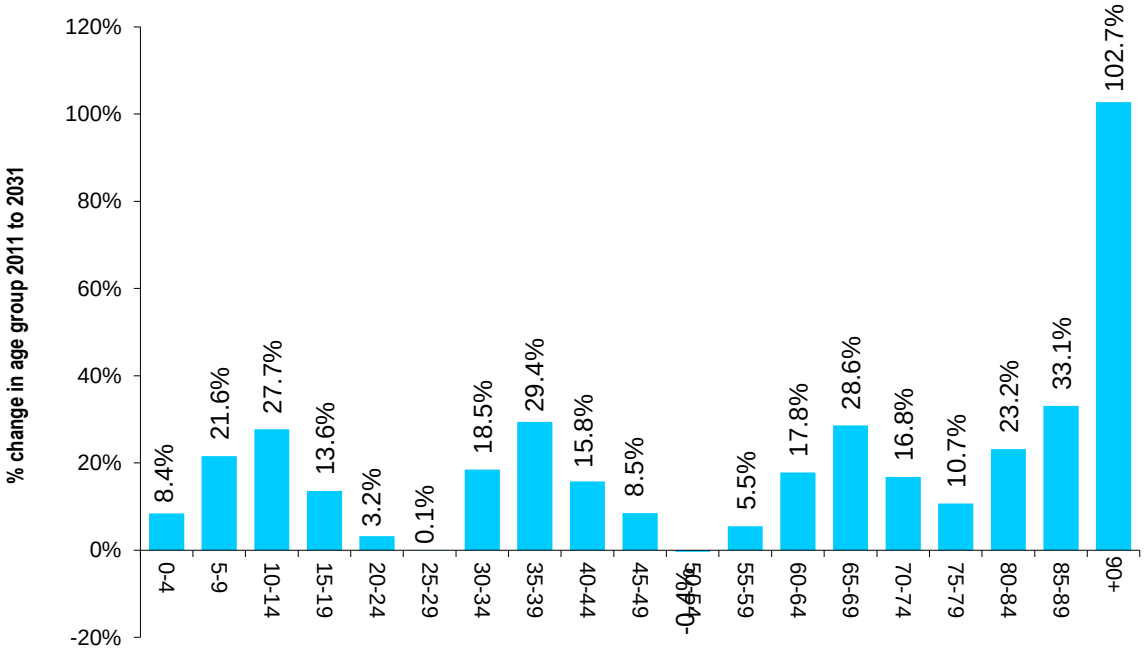
14.4 Below, we estimate a desired (or required) mix of development to match the demographic scenarios provided earlier in Chapter 11 of this report. For each scenario, we first describe the predicted changes in population profile, and then derive the desired housing profile. In this part of the report, as in Part B, the base year used in 2011.

2008-based projections

14.5 We begin with the 2008-based CLG household projections, which provide the starting point for all other demographic scenarios. Figure 14.1 shows the projected change in each age cohort between 2011 and 2031. Substantial growth is projected in many age groups. The

largest growth proportionally is projected to be in the number of people aged 90 and over, which is projected to double over the twenty-year period[25].

Figure 14.1 Projected population change by age group in the Birmingham, 2011-31, 2008-based projection



Source: ONS

Table 14.1 Demographic change, 2011–2031, 2008-based projection

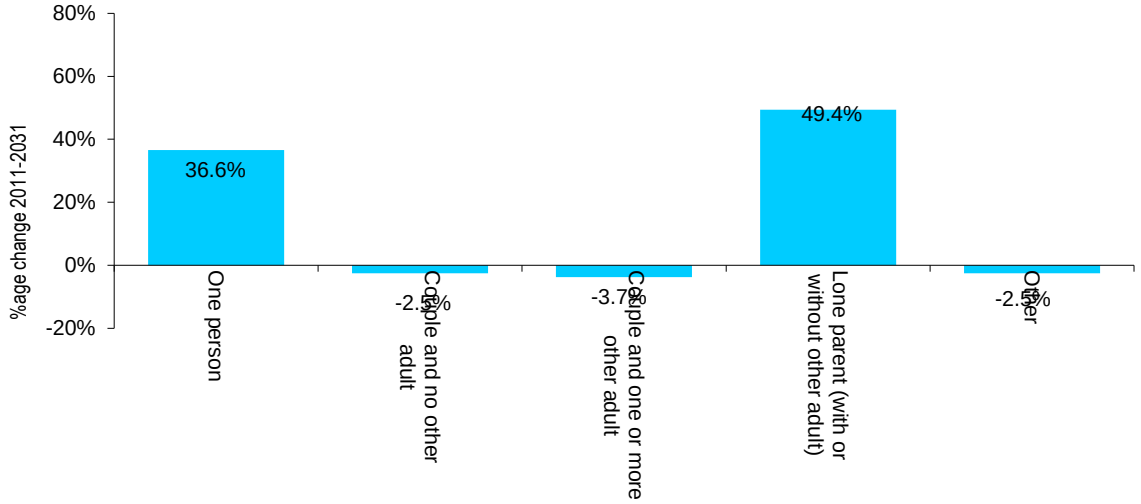
	2011	2031	% change
Population	1,042,900	1,189,900	+14.1%
Households	414,400	494,600	+19.4%
Average household size	2.52	2.41	

Source: ONS, CLG

14.6 The mix of households changes over time. Whilst the number of households is increases by 19.4%, Figure 14.2 shows that this increase is not uniform across different household groups. The number of couple households rises, whilst the number of lone parent and single person households falls significantly.

[25] The CLG projections are only published for every fifth year – 2010, 2015 etc. Our figures for 2011 and 2031 are interpolated from these dates.

Figure 14.2 Summary change in household structure, 2011-2031, 2008-based projection



Source: The CLG 2008-based household projections

14.7 These population and household projections have been applied to the household survey dataset to provide an estimated household profile for 2031. Before the accommodation requirements of the future population are calculated, we need to describe the approach used to create an accommodation profile adequate for each of these household types.

Adequacy of the housing stock

14.8 For the purpose of the model, the housing market is considered balanced if the local population is adequately accommodated. It is therefore initially appropriate to assess the adequacy of the current accommodation to house the residents of Birmingham. This is determined through the household dataset.

14.9 A household is considered currently adequately housed unless the household has indicated that they need to move home *now* because the accommodation is inadequate for the household. This is ascertained from the reason cited for the household moving. Households whose moves are caused by the accommodation size, cost, form and services available within it being currently unsuitable for the household are considered to be inadequately housed and to require alternative accommodation. The tenure and size of dwelling these households expect to achieve when they move are presumed to represent the nature of the accommodation that they require. The expectations for their future accommodation are realistic because they are moving now and so are aware of the housing market conditions.

14.10 Some further adjustments are also made to remove over the long term any undesirable elements of market imbalance that exist currently:

- Households that are overcrowded are assumed to require a property large enough for overcrowding not to take place;

- Households moving into a new social rented home are assumed to require a dwelling with no spare bedrooms, unless they are pensioner households, which are permitted one spare bedroom;
- Households resident in the private rented sector without Local Housing Allowance who identified that the cost of their current housing was a severe problem are assigned to a tenure that they can afford according to the Strategic Housing Market Assessment Practice Guidance affordability test.

14.11 Table 14.2 shows the proportion of each household type currently requiring alternative accommodation in order to be adequately housed. 10.7% of households are classified as inadequately housed currently. Multi adult households with two or more children are the group least likely to reside in adequate accommodation, whilst households containing two or more pensioners are least likely to be inadequately housed.

Table 14.2 Types of households inadequately housed currently

Household type	Number inadequately housed	All households	Proportion inadequately housed
Single pensioners	4,004	63,748	6.3%
2 or more pensioners	935	24,011	3.9%
Single non-pensioners	5,025	96,792	5.2%
2 or more adults, no children	10,608	108,486	9.8%
Lone parent	4,441	27,275	16.3%
2+ adults, 1 child	5,894	39,732	14.8%
2+ adults, 2+children	13,270	54,357	24.4%
Total	44,178*	414,400	10.7%

*The figure is different to the total number of households in unsuitable housing without an in situ solution (55,223, paragraph 7.9) because this test considers the theoretical suitability of the dwelling for the household type (to ensure market balance in the future), whilst unsuitable housing considers whether the particular household is currently under stress using the criteria set out in the Strategic Housing Market Assessment Practice Guidance. For example a household suffering harassment is in unsuitable housing and requires an alternative home; however the dwelling type is not necessarily inappropriate for the household type, so they may not be considered inadequately housed for the purposes of this model
Source: Birmingham Strategic Housing Market Assessment household dataset (all households), 2011 base

14.12 Some further adjustments are also made to use the affordable stock and any housing subsidy paid most economically (this adjustment also allows the introduction of Affordable Rent to be assessed):

- Households resident in the private rented sector on Local Housing Allowance (LHA) who can afford market, shared ownership or Affordable Rented accommodation are assumed to require this, to ensure that the stock is being most appropriately and efficiently used. The cost of Affordable Rented accommodation is assumed to be 80% of the median private rent. Shared ownership is deemed suitable for those able to afford a home with a 50% share and with £3,000 of capital.

- Households in social rented accommodation that can afford market, shared ownership or Affordable Rented accommodation are assumed to require this to ensure that the stock is being most appropriately and efficiently used.

14.13 Rather than prescribing the accommodation required to address the current mismatch between the household population and the current stock, the profile of suitable accommodation for each household type is applied to the household population in 2031. The model therefore assumes that the pattern of accommodation required by each household type remains constant.

Tenure

14.14 Table 14.3 shows the tenure profile of households resident in Birmingham currently (2011). The table indicates that over two-thirds of households are resident in market accommodation (without the aid of LHA), 0.9% live in a shared ownership home, 9.6% live in a social rented property (without the aid of HB) and 21.6% live in rented accommodation with the aid of LHA or Housing Benefit (HB) (both in the private and social rented sectors) – these households therefore require subsidy to live in their home.

Table 14.3 Current tenure profile in Birmingham

Tenure	Number of households	Percentage of households
Market	281,415	67.9%
Shared ownership	3,920	0.9%
Social rented	39,594	9.6%
Require subsidy (cannot afford)	89,471	21.6%
Total	414,400	100.0%

Source: Birmingham Strategic Housing Market Assessment household dataset (all households), 2011 base

14.15 The tenure of Affordable Rent is being introduced and the distinction in the affordable sector will be between those able to afford either Affordable Rent, shared ownership or social rent and those unable to afford any of these tenures and requiring subsidy for their housing costs (in the social rented, Affordable Rented and private rented sectors). Taking this into account, Table 14.4 shows the ideal tenure profile for the City in 2031. In 2031 the housing stock should comprise 67.0% market dwellings, 1.6% shared ownership properties, 3.5% Affordable Rented homes, 9.0% social rented accommodation and 18.9% rented dwellings occupied with the support of LHA or HB – for households that require subsidy to live in any tenure.

14.16 The LTBHM is a housing stock model, comparing the stock of housing currently against that required in the future, rather than a flow model that examines how households move through the housing market. Appendix A3 provides more detail on the implied realignment across the tenures.

Table 14.4 Ideal tenure profile in 2031 in Birmingham, 2008-based projection

Tenure	Number of households	Percentage of households
Market	331,305	67.0%
Shared ownership	7,786	1.6%
Affordable Rent[26]	17,308	3.5%
Social rented	44,569	9.0%
Require subsidy (cannot afford)*	93,631	18.9%
Total	494,600	100.0%

*Not able to afford any tenure and require subsidy to reside in home. Likely to be housed in both the social and private rented sectors.

Source: Birmingham Strategic Housing Market Assessment household dataset projected to 2031 (all households), 2011 base

14.17 Table 14.5 shows the tenure profile required by households resident in the City in 2031 in comparison to the tenure profile recorded currently. The difference between these two distributions is the desired change to the housing stock over this period. 62.2% of net new housing should be in the market sector, 4.8% should be shared ownership properties, 21.6% Affordable Rent, 6.2% social rented accommodation and 5.2% rented dwellings that require subsidy.

Table 14.5 Tenure of net new accommodation required in Birmingham, 2011-31, 2008-based projection

Tenure able to afford	Tenure profile 2011	Tenure profile 2031	Net change required	% of net change required
Market	281,415	331,305	49,891	62.2%
Shared ownership	3,920	7,786	3,866	4.8%
Affordable Rent	0	17,308	17,308	21.6%
Social rented	39,594	44,569	4,975	6.2%
Require subsidy (unable to afford)*	89,471	93,631	4,159	5.2%
Total	414,400	494,600	80,200	100.0%

*Not able to afford any tenure and require subsidy to reside in home. Likely to be housed in both the social and private rented sectors.

Source: HDH, RTP

[26] The requirement for Affordable Rent at 80% of 17,308 is large relative to the number of households in need suitable for this product (9,580 over 20 years as implied by Table 7.15) because the needs model does not consider those currently in social rented accommodation that may be able to afford Affordable Rent (unless they are in unsuitable housing, or have recently moved) whereas the LTBHM considers all households in the sector.

14.18 The model also provides detail on the size of new dwellings required within each of these three tenures. This is considered in the section below.

Unit size

14.19 Table 14.6 presents the size of market accommodation required in Birmingham in 2031 in comparison to the size profile recorded in the sector currently. The table shows that some 35.2% of new market dwellings should be four bedroom properties, with 27.8% containing three bedrooms 24.0% having two bedroom and 13.0% having one bedroom.

Table 14.6 Size of net new market accommodation required in Birmingham, 2011-31, 2008-based projection

Dwelling size	Size profile 2011	Size profile 2031	Net change required	% of net change required
One bedroom	22,024	28,522	6,498	13.0%
Two bedrooms	49,867	61,849	11,982	24.0%
Three bedrooms	160,219	174,066	13,847	27.8%
Four or more bedrooms	49,304	66,869	17,564	35.2%
Total	281,415	331,305	49,891	100.0%

Source: HDH, RTP

14.20 Table 14.7 repeats the above analysis for shared ownership. Of the 3,866 shared ownership dwellings required within the City, 44.6% should be three bedroom properties with a further 25.6% two bedroom and 23.5% one bedroom.

Table 14.7 Size of net new shared ownership accommodation required in Birmingham, 2011-31, 2008-based projection

Dwelling size	Current (2011) size profile	Size profile 2031	Net change required	% of net change required
One bedroom	1,137	2,045	908	23.5%
Two bedrooms	1,443	2,434	991	25.6%
Three bedrooms	1,036	2,761	1,725	44.6%
Four or more bedrooms	304	547	243	6.3%
Total	3,920	7,786	3,866	100.0%

Source: HDH, RTP

14.21 Table 14.8 shows the equivalent results for the Affordable Rented sector; as there is very little of this tenure in existence it will almost all be new. The table shows that, of the 17,308 additional Affordable Rented units required in the City over the next 20 years, over half should be two bedroom, with almost a quarter three bedroom.

Table 14.8 Size of net new Affordable Rented homes required in Birmingham, 2011-31, 2008-based projection

Dwelling size	Size profile 2031	% of dwellings required
One bedroom	3,006	17.4%
Two bedrooms	9,325	53.9%
Three bedrooms	4,268	24.7%
Four or more bedrooms	709	4.1%
Total	17,308	100.0%

Source: HDH, RTP

14.22 The relatively small requirement for four bedroom accommodation reflects that Affordable Rent is set at 80% of market rent, and for this size of accommodation the tenure is much more expensive than the same sized social rented home. The difference in income required to access Affordable Rent rather than social rent is much larger for four bedroom properties than for smaller ones.

14.23 Table 14.9 compares the size of social rented accommodation required in Birmingham in 2031 in comparison to the current size profile for that tenure. The implied change to the housing stock is also presented. Almost all of new social rented properties should have four bedrooms, with a surplus of one and two bedroom homes recorded. The large requirement for four bedroom social rented accommodation reflects that very few households requiring this size home could afford an Affordable Rented property.

Table 14.9 Size of net new social rented accommodation required in Birmingham, 2011-31, 2008-based projection

Dwelling size	Current (2011) size profile	Size profile 2031	Net change required	% of net change required
One bedroom	8,100	7,712	-388	0.0%
Two bedrooms	17,158	16,356	-802	0.0%
Three bedrooms	13,074	13,288	214	3.5%
Four or more bedrooms	1,262	7,213	5,951	96.5%
Total	39,594	44,569	4,975	100.0%

Source: HDH, RTP

14.24 Table 14.10 shows the size of net new dwellings required to house those requiring subsidy in Birmingham to 2031. Additional one, two and three bedroom accommodation will be needed for households that require subsidy, with the majority of the requirement being for two bedroom homes.

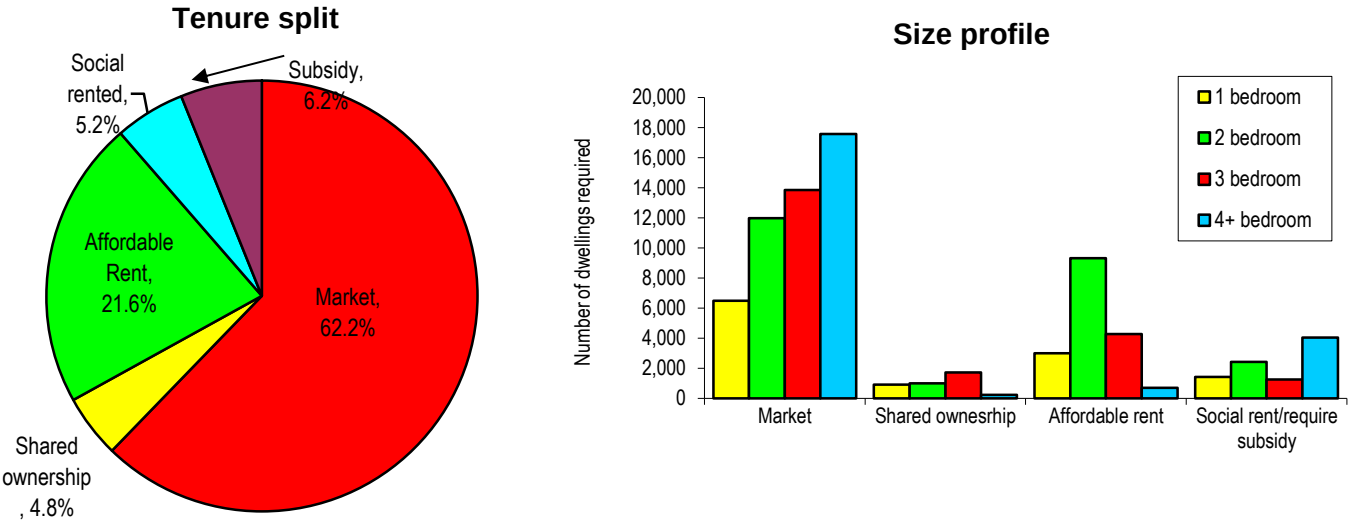
Table 14.10 Size of net new subsidy supported* properties required in Birmingham, 2011-31, 2008-based projection

Dwelling size	Current (2011) size profile	Size profile 2031	Net change required
One bedroom	24,485	26,292	1,807
Two bedrooms	33,075	36,311	3,236
Three bedrooms	26,064	27,099	1,035
Four or more bedrooms	5,847	3,929	-1,918
Total	89,471	93,631	4,159

*Not able to afford any tenure and require subsidy to reside in home. Likely to be housed in both the social and private rented sectors.
Source: HDH, RTP

14.25 There is significant overlap between the social rented sector and those requiring subsidy and in reality the tenures will coexist in partnership rather than separately. It is therefore appropriate to merge the results for social rented and subsidised housing If this were to happen then the size of accommodation required in each tenure in Birmingham would be as is illustrated in Figure 14.3. Once surpluses have been accounted for, 95% of the requirement for social rented homes is for four bedroom properties, emphasising the pressure for large social rented homes in the City. Once the requirements for social rented and subsidised housing are merged, then over half (53.8%) is for four bedroom homes, 22.0% is for two bedrooms, 12.8% for one bedroom dwellings and 11.3% for three bedrooms.

Figure 14.3 Size of net new accommodation required in Birmingham by 2031, 2008-based projection



Net new accommodation required	*Dwelling size*				
Tenure able to afford	***One bed***	***Two bed***	***Three bed***	***Four bed***	***Total***
Market	6,498	11,982	13,847	17,564	49,891
Shared Ownership	908	991	1,725	243	3,866
Affordable Rent	3,006	9,325	4,268	709	17,308
Social rented/Require subsidy*	1,419	2,434	1,250	4,033	9,135
Total	11,831	24,731	21,089	22,549	80,200

*Not able to afford any tenure and require subsidy to reside in home. Likely to be housed in both the social and private rented sectors.

Source: HDH, RTP

2010-based projection

14.26 In this section we estimate the desired housing mix associated with our 2010-based household projections. Table 14.11 shows the desired tenure profile. 70.0% of new dwellings should be market properties, with 4.0% shared ownership, 17.3% Affordable Rent, 6.0% social rented accommodation and 2.8% rented dwellings that require subsidy.

14.27 The 2010-based scenario shows considerably more household growth than the 2008-based version. Most of this additional growth is for market housing. This is because numbers of couple households grow in the 2010-based scenario, while in the 2008-based projection they fall. As shown in Figure 6.5, couple households tend to be more affluent than average and are therefore more likely to require market housing.

14.28 The 2010-based projections also do not show as great an increase in the number of single person and lone parent households as the 2008-based projections do; these households

are more likely to require affordable housing or to be housed in rented accommodation via subsidy.

Table 14.11 Tenure of net new accommodation required in Birmingham, 2011-31, 2010-based projection

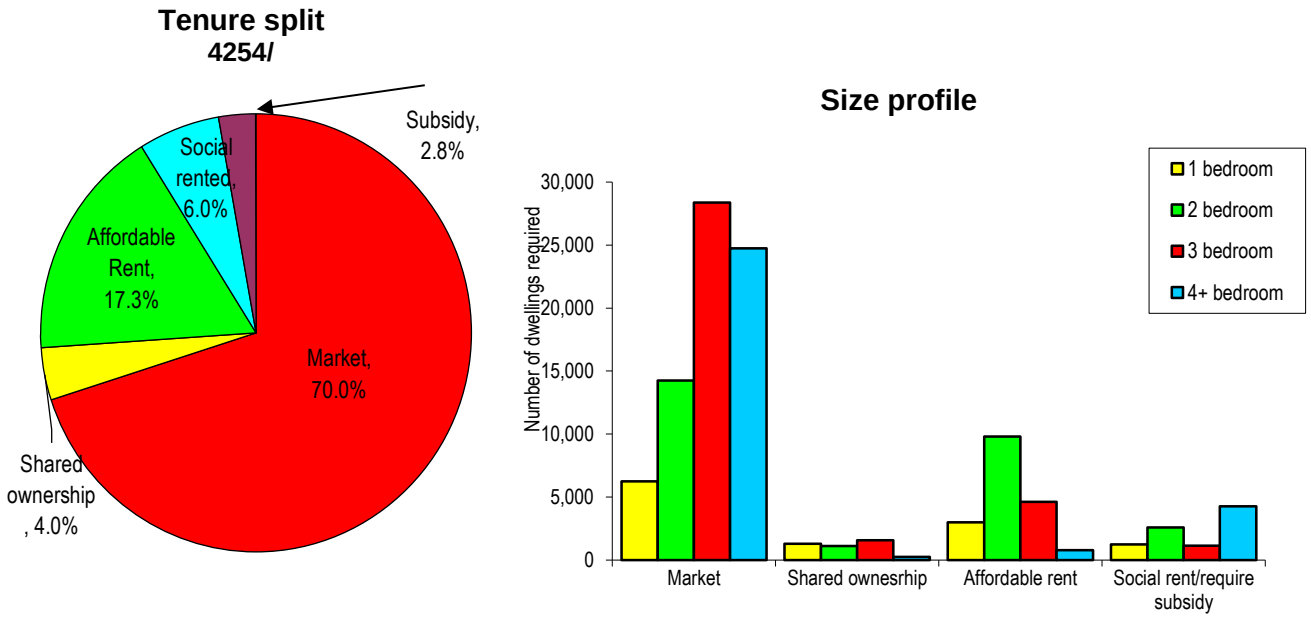
Tenure able to afford	Current (2011) tenure profile	Tenure profile 2031	Net change required	% of net change required
Market	281,415	355,035	73,621	70.0%
Shared ownership	3,920	8,106	4,186	4.0%
Affordable Rent	0	18,168	18,168	17.3%
Social rented	39,594	45,870	6,277	6.0%
Require subsidy (unable to afford)*	89,471	92,420	2,948	2.8%
Total	414,400	519,600	105,200	100.0%

*Not able to afford any tenure and require subsidy to reside in home. Likely to be housed in both the social and private rented sectors.

Source: HDH, RTP

14.29 Figure 14.4 shows the size of new accommodation required in each tenure by 2031. The figures presented are net; they show the requirement once any surpluses within the social rented and subsidised sectors have been accounted for. In the market sector, the largest requirement is for three bedrooms, followed by four bedrooms. This order is the reverse of the 2008-based projections, where four-bedroom properties came first and three-bedroom ones second. But the combined total three-bedroom and four-bedroom requirement is considerably higher in the 2010-based than the 2008-based scenario. For other tenures, the two projections show similar size profiles.

Figure14.4 Size and tenure of net new accommodation required by 2031 in Birmingham, 2010-based projection



Net new accommodation required	*Dwelling size*				
Tenure able to afford	***One bed***	***Two bed***	***Three bed***	***Four bed***	***Total***
Market	6,249	14,251	28,384	24,737	73,621
Shared ownership	1,291	1,098	1,563	235	4,186
Affordable Rent	2,982	9,791	4,627	768	18,168
Social rented/Require subsidy*	1,244	2,592	1,134	4,254	9,225
Total	11,766	27,733	35,707	29,994	105,200

*Not able to afford any tenure and require subsidy to reside in home. Likely to be housed in both the social and private rented sectors.
Source: HDH, RTP

Low international migration – 2008-based

14.30 In Chapter 11 we provided two scenarios based on low international migration in line with Government objectives. The first of these low-migration scenarios was 2008-based and the second 2010-based.

14.31 Table 14.12 shows the desired tenure profile under the first of these low-migration scenarios. 61.7% of new dwellings should be market properties with 5.2% shared ownership 23.6% Affordable Rented accommodation, 5.9% social rented dwellings and 3.6% rented dwellings that require subsidy. This profile is very similar to the original CLG 2008-based projection.

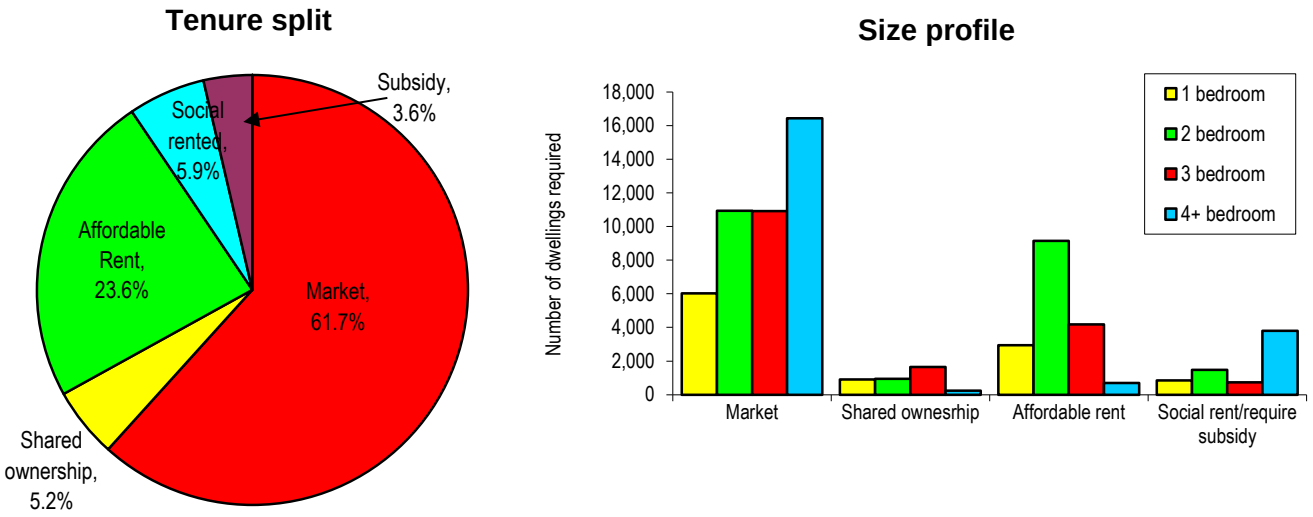
Table 14.12 Tenure of net new accommodation required in Birmingham, 2011-31, low-migration 2008-based projection

Tenure able to afford	Current (2011) tenure profile	Tenure profile 2031	Net change required	% of net change required
Market	281,415	325,746	44,331	61.7%
Shared ownership	3,920	7,656	3,736	5.2%
Affordable Rent	0	16,968	16,968	23.6%
Social rented	39,594	43,871	4,278	5.9%
Require subsidy (unable to afford)*	89,471	92,060	2,588	3.6%
Total	414,400	486,300	71,900	100.0%

*Not able to afford any tenure and require subsidy to reside in home. Likely to be housed in both the social and private rented sectors.
Source: HDH, RTP

14.32 Figure 14.5 shows the size of new accommodation required in each tenure by 2031. The figures presented are net; they show the requirement once any surpluses within the social rented and subsidised sectors have been accounted for. The profile is virtually the same as in the basic 2008-based projection (Figure 14.3).

Figure 14.5 Size and tenure of net new accommodation required by 2031 in Birmingham, low-migration 2008-based projection



Net new accommodation required	*Dwelling size*				
Tenure able to afford	***One bed***	***Two bed***	***Three bed***	***Four bed***	***Total***
Market	6,019	10,944	10,926	16,442	44,331
Shared ownership	908	950	1,644	234	3,736
Affordable Rent	2,939	9,151	4,180	697	16,968
Social rented/Require subsidy*	855	1,484	729	3,799	6,866
Total	10,721	22,530	17,478	21,172	71,900

*Not able to afford any tenure and require subsidy to reside in home. Likely to be housed in both the social and private rented sectors.

Source: HDH, RTP

Low international migration – 2010-based

14.33 Table 14.13 shows the tenure split under our 2010-based low migration scenario. The profile is close to the original 2010-based projection.

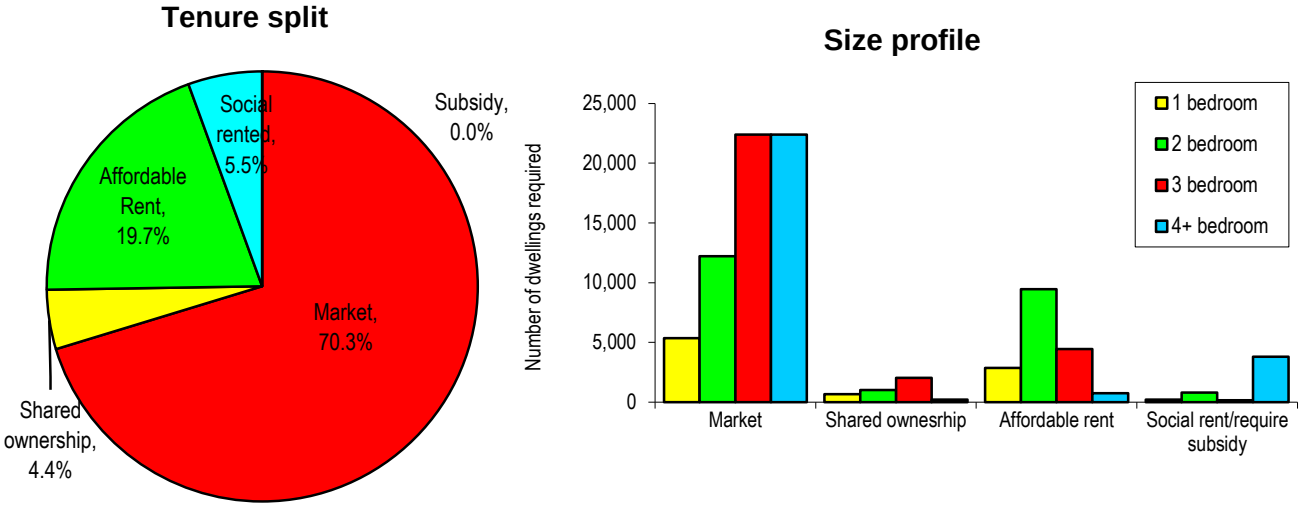
Table 14.13 Tenure of new accommodation required in Birmingham, 2011-31, low-migration 2010-based projection

Tenure able to afford	Current (2011) tenure profile	Tenure profile 2031	Net change required	% of net change required
Market	281,415	343,761	62,347	70.3%
Shared ownership	3,920	7,849	3,929	4.4%
Affordable Rent	0	17,496	17,496	19.7%
Social rented	39,594	44,509	4,915	5.5%
Require subsidy (unable to afford)*	89,471	89,485	13	0.0%
Total	414,400	503,100	88,700	100.0%

*Not able to afford any tenure and require subsidy to reside in home. Likely to be housed in both the social and private rented sectors. Source: Birmingham Strategic Housing Market Assessment household dataset projected to 2031 but at stabilised international growth, using 2010 projections (all households), 2011 base

14.34 Figure 14.6 shows the size of new accommodation required in each tenure by 2031. Again the figures presented are net; they show the requirement once any surpluses within the social rented and subsidised sectors have been accounted for. The profile is very similar to the original 2010-based projection (Figure 14.4)

Figure 14.6 Size and tenure of new accommodation required by 2031 in Birmingham, low-migration 2010-based projection



Net new accommodation required	*Dwelling size*				
Tenure able to afford	***One bed***	***Two bed***	***Three bed***	***Four bed***	***Total***
Market	5,351	12,215	22,394	22,386	62,347
Shared Ownership	662	1,018	2,032	217	3,929
Affordable Rent	2,855	9,449	4,448	744	17,496
Social rented/Require subsidy*	195	790	139	3,804	4,929
Total	9,064	23,471	29,014	27,152	88,700

*Not able to afford any tenure and require subsidy to reside in home. Likely to be housed in both the social and private rented sectors.

Source: HDH, RTP

Supply-constrained projection with higher affordability threshold

14.35 Finally we consider the implications of our supply-constrained scenario, in which net new development in 2011-31 is restricted to Birmingham's current estimated capacity of 43,264 net new homes. In this version of the model we have used our alternative definition of affordability ('need'): households are deemed to be able to afford market rented housing if they spend up to 35% of their gross household income on their rent (rather than the 25% set out in the Strategic Housing Market Assessment Practice Guidance).

14.36 Table 14.14 shows the desired tenure profile under this scenario. 69.9% of new dwellings should be market properties, 7.3% in shared ownership, 20.2% Affordable Rented and 2.6% social rented. There is no requirement for additional rented dwellings that require subsidy.

14.37 On the CLG definition of affordability, the supply-constrained scenario would result in a greater share of the total requirement being affordable, as more households who can pay

for market housing migrate out of Birmingham. But the scenario we have tested shows a similar proportion in affordable housing as earlier ones, because the impact of additional out-migration is offset by the new definition of affordability. In the supply-constrained scenario, there also proportionally a greater requirement for Affordable Rent, which is due to the higher affordability threshold rather than the supply constraint.

Table 14.14 Tenure of net new accommodation required in Birmingham, 2011-31, constrained supply projection

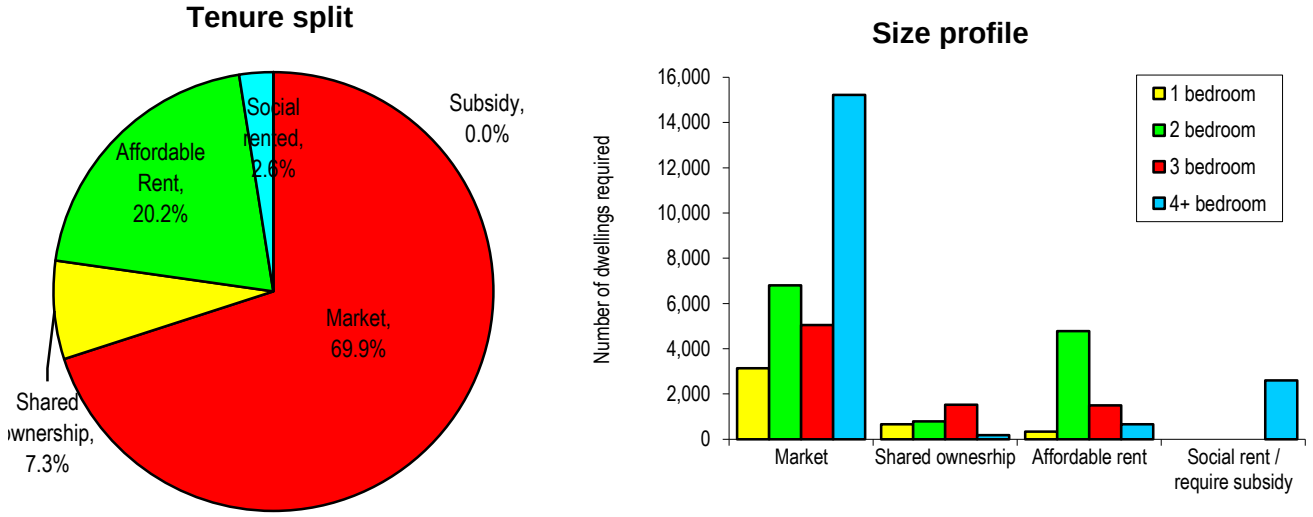
Tenure able to afford	Current (2011) tenure profile	Tenure profile 2031	Net change required	% of net change required
Market	281,415	311,635	30,220	69.9%
Shared ownership	3,920	7,073	3,153	7.3%
Affordable Rent	0	15,806	15,806	36.5%
Social rented	39,594	40,725	1,131	2.6%
Require subsidy (unable to afford)*	89,471	82,425	-7,047	-16.3%
Total	414,400	457,664	43,264	100.0%

*Not able to afford any tenure and require subsidy to reside in home. Likely to be housed in both the social and private rented sectors.

Source: HDH, RTP

14.38 Figure 14.7 shows the size of new accommodation required in each tenure by 2031. There is a higher requirement for four bedroom market homes under this scenario, as more smaller households are pushed out of the City by restricted supply, leaving behind a disproportionate number of larger households.

Figure 14.7 Size and tenure of new accommodation required by 2031 in Birmingham, constrained supply projection



Net new accommodation required	*Dwelling size*				
Tenure able to afford	***One bed***	***Two bed***	***Three bed***	***Four bed***	***Total***
Market	3,140	6,803	5,055	15,222	30,220
Shared Ownership	662	793	1,524	175	3,153
Affordable Rent	342	4,787	1,496	669	7,295
Social rent / require subsidy*	0	0	0	2,596	2,596
Total	4,145	12,383	8,074	18,662	43,264

*Not able to afford any tenure and require subsidy to reside in home. Likely to be housed in both the social and private rented sectors.

Source: HDH, RTP

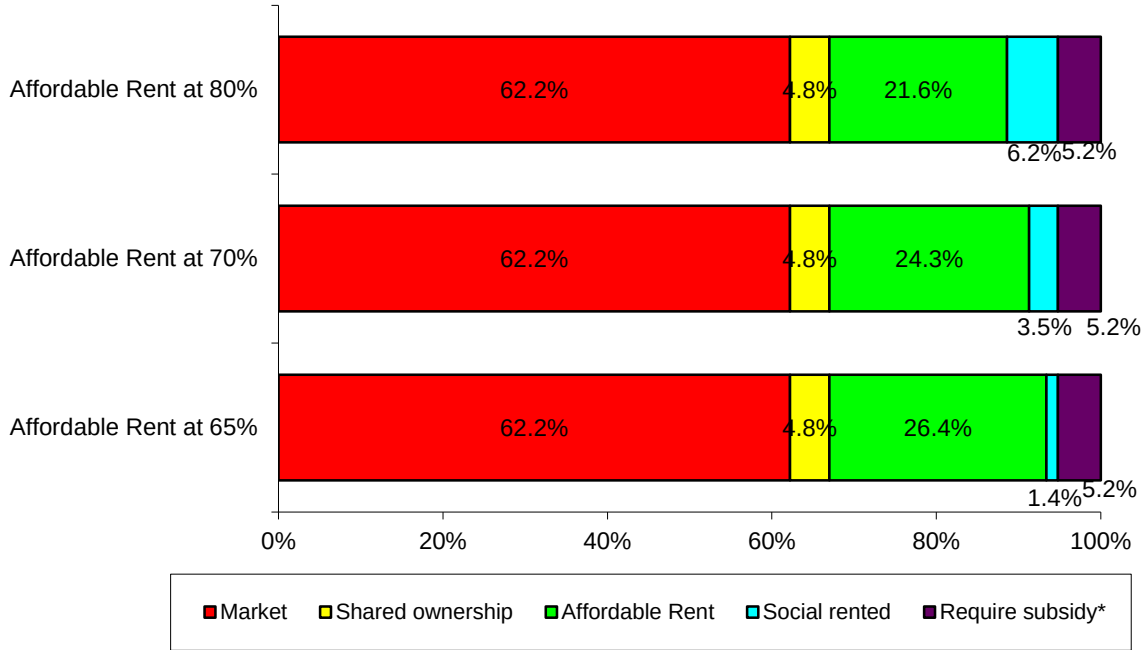
The impact of changing Affordable Rent

14.39 As discussed earlier, in the analyses above the requirement for Affordable Rent in the model is based on it being priced at 80% of median private rent levels. As an aside, we now illustrate how the tenure of future accommodation required would vary if Affordable Rent were set at a lower level.

14.40 Figure 14.8 shows the tenure of new accommodation required with Affordable Rent set at 65% and 70% of market rent, compared to the default ratio of 80%.

14.41 The results are shown for the first scenario considered in this chapter – the household growth required in the City according to the 2008-based household and population projections.

Figure 14.8 Accommodation required by 2031 with alternative Affordable Rent ratios, 2008-based scenario



*Not able to afford any tenure and require subsidy to reside in home. Likely to be housed in both the social and private rented sectors.

Source: Birmingham Strategic Housing Market Assessment household dataset projected to 2031 using 2008 projections (all households), 2011 base

14.42 If set at 65%, Affordable Rent would represent 26.4% of all new homes required compared to 21.6% when it is set at 80%, and there would be an equivalent reduction in the requirement for social rented housing.

Summary and conclusions

14.43 We have used HDH's Long-Term Balancing Housing Market (LTBHM) model to estimate the mix of housing need in terms of tenure, size and type, as required by the Planning Framework. The model shows the ideal mix of housing needed to house a given population – where all households are adequately housed, according to the standards set out in CLG guidance, and the public sector housing stock is used as efficiently as possible.

14.44 Under our default demographic scenario, the 2008-based CLG projection:

- In 2031 as in 2011, the largest sector is market housing, followed a long way behind by social renting. The other three tenure sectors – shared ownership, Affordable Rent and private renting - are orders of magnitude smaller.
- For net new homes to be provided between 2011 and 2031, the largest requirement is still for market housing, which accounts for 62% of the total. The second largest, with 22% of the total, is Affordable Rent –a new tenure that did not exist in 2011.

- In the socially rented sector, virtually all the net new homes needed are four bedroom homes.

14.45 We have modelled the optimal housing mix under our alternative demographic scenarios. The results suggest that restricting housing supply will have implications for the mix of housing as well as the quantity of housing:

- The greater is net out-migration from the City, and hence the smaller the City's population, the greater will be the proportion who need affordable housing. This is because the profile of net out-migration is biased towards those households that can afford market housing - specifically couple households as opposed to single-person and lone-parent households. Therefore, if housing land supply is more tightly restricted, causing more people to move out of Birmingham, more of the people who remain will need affordable housing.
- The greater is net out-migration from the City, the more households proportionally will need four-bedroom homes, both in the market and social rented sectors. Again, this is because profile of net out-migration is biased towards households that need smaller properties. So, a more constrained supply of housing land, by causing more people to move out of Birmingham, would result in a greater proportion of the people left behind needing larger homes.