Draft City Plan Part One

Brighton & Hove City Council's Local Development Framework

May 2012

Implications of Demographic Change on Demand for Homes in Brighton & Hove

Brighton & Hove City Council

IMPLICATIONS OF DEMOGRAPHIC CHANGE ON DEMAND FOR HOMES IN BRIGHTON & HOVE

1.0 INTRODUCTION & METHODOLOGY

1.1 This note provides an analysis of requirements for different sizes and types of homes in Brighton & Hove based on demographic modelling. It is intended to supplement and update the analysis where appropriate within the Brighton and Hove Strategic Housing Market Assessment (DTZ, April 2008) and the Housing Requirements Study (GL Hearn, June 2011).

1.2 As we have set out there are a range of factors which influence housing demand. These are summarised in Figure 1. These factors play out at different spatial scales and influence both the level of housing demand (in terms of aggregate household growth) and the nature of demand for different types, tenures and sizes of homes.

Figure 1: Understanding Housing Demand

1.3 The analysis herein has considered demographic drivers in detail, including how these relate to the available land supply and potential rates of housing delivery (in terms of its influence on migration trends). It considers the implications of the level of housing provision proposed on demographic trends and how this may influence need and demand for different sizes of homes.

1.4 The approach and analysis recognises that the available land supply in the City will play a significant influence on demographic dynamics. Our June 2011 assessment concluded that a realistic assessment of housing need/demand in Brighton and Hove would fall between 790 - 970 homes per annum (15,800 – 19,400 homes over the 20 year plan period to 2030). However available land supply may constrain housing delivery to 12,840 homes based on the housing trajectory and assumptions agreed with BHCC (which formed the basis of PROJ 10).

1.5 The analysis in this section seeks to use the information available about the size and structure of the population and household structures; and consider what impact this may have on the sizes and types of housing required in the future. **For the purposes of this analysis we have looked at the required household split for PROJ 10, which is based on housing trajectory figures**.

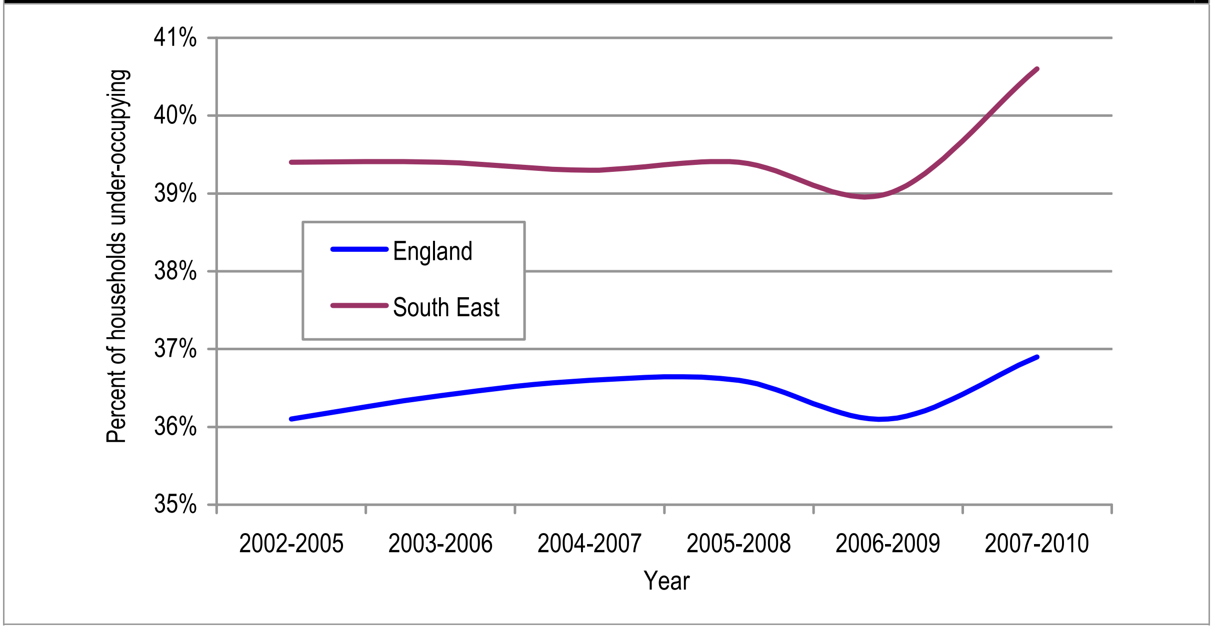
Understanding how Households occupy Homes

1.6 As with converting population data into households, it is not a simple task to convert the net increase in the number of households in to a suggested profile for additional housing to be provided. The main reason for this is that in the market sector households are able to buy or rent any size of property (subject to what they can afford) and therefore knowledge of the profile of households in an area does not directly transfer into the sizes of property to be provided. The size of housing which households occupy relates more to their wealth and age than the number of people which they contain.

1.7 For example, there is no reason why a single person cannot buy (or choose to live in) a four bedroom home as long as they can afford it and hence projecting an increase in single person households does not automatically translate in to a need for smaller units.

1.8 The figure below demonstrates this, using data from the Survey of English Housing/English Housing Survey about the proportion of households who under-occupy their dwellings. It can be seen that nationally between 36% and 37% of households under-occupy with slightly higher figures in the South East. It is also notable that this has not changed to any significant degree over the past few years.

Figure 2: Proportion of Households Under-Occupying in England and the South East



Source: Survey of English Housing/English Housing Survey 2002-20010

1.9 The data therefore suggests that it would be reasonable for our projection to assume that households of specific ages might continue to occupy dwellings in the same way in the future as they do currently. Our projections for house sizes are developed on this basis. They take account of how households of different ages occupy homes separately in the market and affordable sectors but assume that how households in specific age and tenure groups occupy homes will remain consistent.

1.10 The general methodology is therefore to use the information derived in the projections (in this case PROJ 10 – housing trajectory) about changes in the expected number of household reference persons (HRPs) in each age and sex group and apply this to the profile of housing within these groups. The household reference person is the highest earning member of a household (akin to a head of household). The data for this analysis has been derived from a commissioned table by ONS (Table C1213). An extract of this is shown in the figure below.

1.11 The extract shows the number of male owner occupiers in selected age groups along with the size of accommodation that they occupy. By estimating how the number of HRPs in each age group changes over time we are also able to estimate the profile of housing that they would be likely to occupy.

1.12 The figure below shows, for example, that 16.1% of male HRPs aged 25 to 29 live in a home with six or more rooms, for the 45 to 49 age group this figure rises to 48.8%. The age profile of HRPs will therefore have an impact on the sizes of homes we would expect to be occupied. From the Commissioned Table information is available for all HRP age bands up to 85+ and for both sexes.

Figure 3: Extract from ONS Commissioned Table C1213 – Male HRPs in Owner-Occupied Housing by Size of Dwelling (Brighton & Hove)										
Dwelling size	Age of Household Reference Person									
	25-29		30-34		35-39		40-44		45-49	
	No.	%	No.	%	No.	%	No.	%	No.	%
1-3 rooms	1,279	33.6%	1,460	20.3%	1,302	15.0%	875	12.2%	637	9.4%
4 rooms	1,272	33.4%	2,031	28.2%	1,960	22.6%	1,269	17.8%	1,181	17.4%
5 rooms	640	16.8%	1,735	24.1%	2,178	25.1%	1,708	23.9%	1,651	24.3%
6 rooms	359	9.4%	1,176	16.4%	1,716	19.8%	1,554	21.7%	1,499	22.1%
7 rooms	138	3.6%	454	6.3%	821	9.5%	864	12.1%	898	13.2%
8+ rooms	117	3.1%	334	4.6%	708	8.2%	879	12.3%	919	13.5%
Total	3,805	100.0%	7,190	100.0%	8,685	100.0%	7,149	100.0%	6,785	100.0%

Source: ONS Commissioned Table C1213

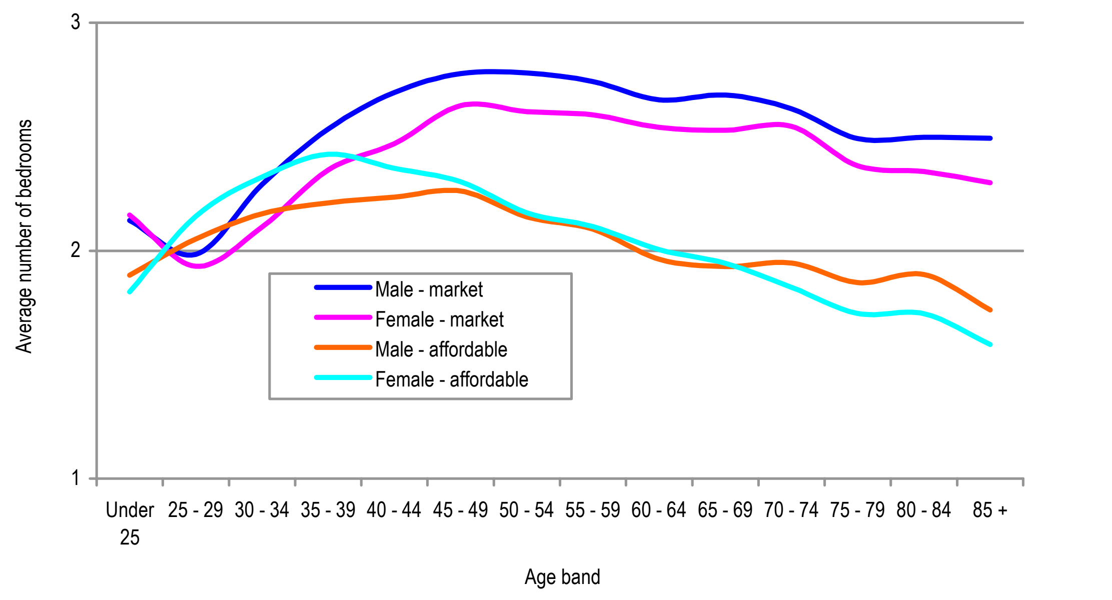
1.13 When using the data from the Census we have made some adjustments to provide the best possible outputs. The key problem is that the Census only collects information about the number of rooms in a home rather than the number of bedrooms (which is more useful in considering dwelling sizes). Data about the number of rooms in a dwelling has therefore been adjusted to provide an estimate of the number of bedrooms. The table below shows the assumptions used to make this conversion. Information in the table has been based on a range of surveys where information about both bedrooms and rooms was collected.

Figure 4: Relationship between the Number of Rooms and Number of Bedrooms					
Number of rooms	Number of bedrooms				
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	Total
1-3 rooms	76%	24%	0%	0%	100%
4 rooms	3%	79%	18%	0%	100%
5 rooms	0%	15%	83%	2%	100%
6 rooms	0%	5%	82%	13%	100%
7 rooms	0%	1%	40%	59%	100%
8+ rooms	0%	0%	12%	88%	100%

Source: JGC analysis of Survey Data

1.14 The figure below shows an estimate of how the average number of bedrooms varies by different ages of HRP and different sexes for the whole of Brighton & Hove. The figure shows that in the market sector the average size of accommodation rises over time to typically reach a peak around the 45-49 age group. In the affordable sector this peak appears earlier. After sizes peak the average dwelling size decreases – possibly due to a number of people down-sizing as they get older. It is also notable that the average size for affordable housing dwellings are lower than those for market housing (other than for younger age groups) whilst in market housing male HRPs live in larger accommodation for all age groups (with no discernable trend being seen in the affordable sector).

Figure 5: Average Bedrooms by Age, Sex and Tenure (Brighton & Hove)



Source: Derived from ONS Commissioned Table C1213

Establishing a Baseline Position

1.15 As of 2010 it is estimated that there are 117,376 households living in Brighton & Hove. To this figure we have added a vacancy allowance of 2.5% to generate an estimate of the number of dwellings (which is 120,310). Including the 2.5% vacancy allowance is consistent with our analysis of housing requirements and therefore allows consistent figures for dwellings to be developed through this analysis. Analysis of these households based on headship rates and the size and tenure of homes provides us with an estimate of the profile of the housing stock in 2010, as shown in the figure below.

1.16 The table shows that an estimated 16.6% of households live in affordable housing with 83.4% being in the market sector (the size of the affordable sector has been fixed by reference to an estimate of the number of occupied social rented and shared ownership homes in 2010). The data also suggests that homes in the market sector are generally bigger than in the affordable sector with 52.8% having three or more bedrooms compared to 32.3% for affordable housing.

Figure 6: Estimated Profile of Dwellings in 2010 by Size – Brighton & Hove

Size of housing	Market		Affordable		Total	
	Number	%	Number	%	Number	%
1 bedroom	18,615	18.5%	6,018	30.2%	24,633	20.5%
2 bedrooms	28,786	28.7%	7,454	37.4%	36,240	30.1%
3 bedrooms	39,263	39.1%	5,685	28.5%	44,948	37.4%
4+ bedrooms	13,728	13.7%	761	3.8%	14,490	12.0%
Total	100,392	100.0%	19,918	100.0%	120,310	100.0%
% in tenure	83.4%		16.6%		100.0%	

Source: Derived from ONS Commissioned Table C1213

Tenure Assumptions & Projections

1.17 The housing market model has been used to estimate future requirements for different sizes of property over the next 20 years. The model works by looking at the types and sizes of accommodation occupied by different ages of residents, and attaching projected changes in the population to this to project need and demand for different sizes of homes. However the way households of different ages occupy homes differs between the market and affordable sectors (as shown earlier). Thus it is necessary to consider what mix of future housing will be in the market and affordable sectors.

1.18 The key assumption here is what proportion of new housing might be *delivered* as affordable housing (as opposed to a policy target). We have assumed that 30% of additional housing will be affordable and 70% market. This is consistent with recent development trends, with 29% of housing development over the 2006-11 period being of affordable housing.

FINDINGS: AFFORDABLE HOUSING

1.19 The figure below estimates need for different sizes of affordable housing over the longer-term based on our understanding of demographic trends. The data suggests in the period between 2010 and 2030 that the majority of need is for one and two bedroom homes, although there is also a considerable need for three bedroom accommodation.

1.20 This analysis provides a longer-term view of need for affordable housing and does not reflect any specific priorities such as for family households in need rather than single people. In addition we would note that one bedroom properties typically offer limited flexibility in accommodating the changing requirements of households, whilst delivery of larger properties can help to meet the needs of households in high priority and to manage the housing stock by releasing supply of smaller properties. There are thus a range of factors which can legitimately inform affordable housing policies (as summarised in the Council's SHMA).

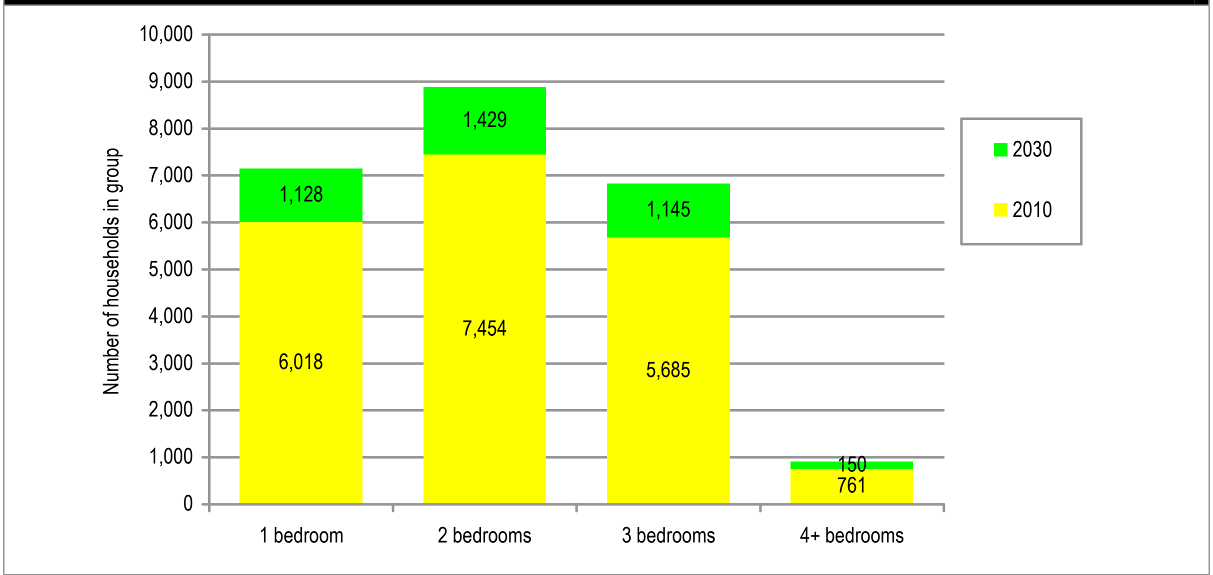
Figure 7: Estimated Size of Dwellings Required 2010 to 2030 – Affordable Housing (Brighton & Hove)

Size	2010	2030	Additional homes 2010-2030	% of additional homes
1 bedroom	6,018	7,146	1,128	29.3%
2 bedroom	7,454	8,883	1,429	37.1%
3 bedroom	5,685	6,830	1,145	29.7%
4+ bedroom	761	911	150	3.9%
Total	19,918	23,770	3,852	100.0%

1.21 The analysis is based on allocating households housing in accordance with the size of their household. It is perfectly justifiable for the Council to adopt a policy position which seeks to limit provision of 1-bed properties on the basis that these offer limited flexibility and are unsuitable for all households, or alternatively promoting delivery of larger family-sized homes which can create cascading effects through the housing stock. The SHMA highlights this.

1.22 The figure below shows how estimated need for additional affordable housing compares with the stock of affordable housing in 2010.

Figure 8: Impacts of Demographic Trends on Affordable Housing Requirements by House Size, 2010 to 2030 – Brighton & Hove



1.23 This analysis would point to a requirement, borough-wide, for provision of 25-30% of additional affordable housing as 1-bed properties, 35-40% 2-bed properties, 25-30% 3-bed properties and 5-10% 4-bed properties. This is however represents a long-term perspective and should be drawn together with other factors which may be important in managing the Housing Register and use of existing stock.

FINDINGS: MARKET HOUSING

1.24 As we have previously identified there are a range of factors which can be expected to influence demand for housing. However we identified that key long-term drivers would be demographic and economic trends. This section uses a demographic-driven approach to quantify demand for different sizes of properties over the next 20 years.

1.25 It should be recognised that in Brighton and Hove, the type of sites available for development may influence the mix of housing which can be delivered. The assessment herein is based on consideration of *demand* characteristics.

1.26 The figure below shows estimates demand for market housing in Brighton and Hove from 2010 to 2030 based on demographic trends. The data suggests demand for 8,988 additional market units with the majority of demand being for three bedroom homes.

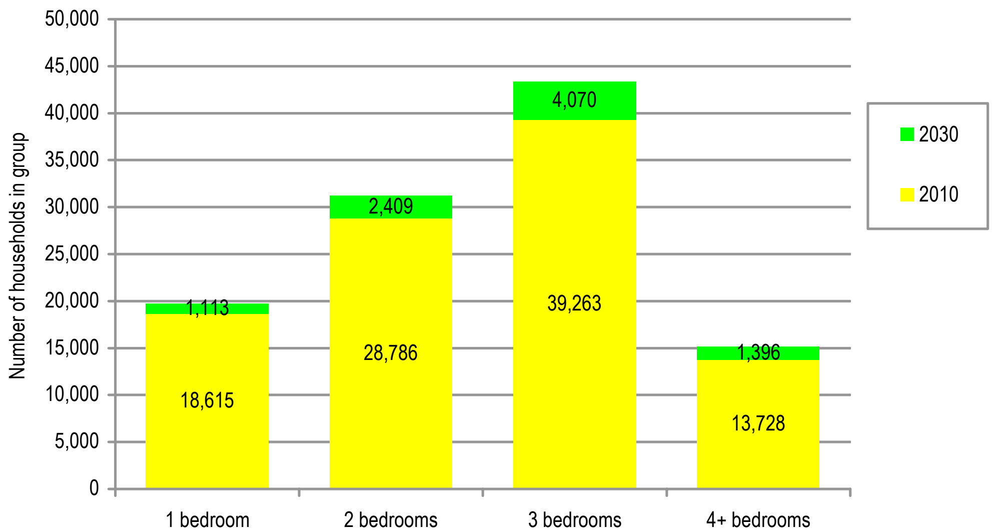
Figure 9: Estimated Demand for Market Housing 2010-30 (Brighton & Hove)

Type/size	2010	2030	Additional homes 2010-2030	% of additional homes
1 bedroom	18,615	19,728	1,113	12.4%
2 bedroom	28,786	31,195	2,409	26.8%
3 bedroom	39,263	43,333	4,070	45.3%
4+ bedroom	13,728	15,124	1,396	15.5%
Total	100,392	109,380	8,988	100.0%

1.27 The figure below shows how our estimated demand compares with the current stock of housing. The data suggests a slight shift towards a requirement for larger dwellings relative to the distribution of the existing stock. While this is not unreasonable given the focus of the current housing stock on smaller properties and flats, it will be important for the Council to consider what mix of housing is sought given the nature of sites which will potentially be available for development over the plan period to 2030.

1.28 The demand profile is slightly unusual; it is more normal to see increases in requirements for smaller homes as the population ages. However, in Brighton & Hove the demographic projections do not suggest an ageing of the population with the likely growth in population and households being more concentrated in some of the groups (principally family and middle-aged households) who tend to occupy larger accommodation.

Figure 10: Impacts of Demographic Trends on Market Housing Requirements by House Size, 2010 to 2030 – Brighton & Hove



1.29 The graphs and statistics are based upon our modelling of demographic trends. As we have identified, it should be recognised that a range of factors including affordability pressures and market signals will continue to be important in understanding market demand. Furthermore the supply of sites will influence what can be constructed.

1.30 As the last three years have shown, there are a range of inter-dependencies which affect housing demand, with effective demand for entry-level market housing currently curtailed by the availability of mortgage finance for first-time buyers and those on lower earnings. This is likely to affect market demand for smaller properties typically purchased by first-time buyers in the short-term.

1.31 The Council should carefully consider whether it is appropriate through the planning system to seek to influence the balance of types and sizes of market housing. PPS3 requires local planning authorities to set out policies regarding the mix of affordable housing by size but does not require policies to be set for market housing. Similarly, the core outputs within the SHMA Guidance[1] do not include estimates of the mix of market housing required.

1.32 This said, given the potential supply of sites across Brighton and Hove, the analysis does suggest that there may be a role for policy to promote delivery of larger homes (including for instance more three-bed properties).

1.33 It will be important to recognise that the setting of a site and character of the surrounding area should influence the density of development (and thus housing mix). The mix of sites with residential development potential in Brighton and Hove may make it difficult to deliver larger homes in the quantities identified.

OVERALL NEED AND DEMAND FOR HOMES BY SIZE

1.34 If we bring together the analysis of requirements for both market and affordable housing, the resultant mix of housing is shown in the figure below. The figure indicates that an estimated 53% of overall housing need and demand (market and affordable) is for 3- and 4-bedroom properties. Overall, the requirement for flatted development makes up around a third of the total.

Figure 11: Housing Mix by Unit Size across Tenures

Housing Requirements, 2010-30	1-bed	2-bed	3-bed	4+ bed	Total
Market Housing	1,113	2,409	4,070	1,396	8,988
Affordable Housing	1,128	1,429	1,145	150	3,852
Total	2,241	3,838	5,215	1,545	12,840
% Total Housing by Size	17%	30%	41%	12%	100%

Figure 12: Housing Mix by Unit Type across Tenures

Housing Requirements, 2010-30	Flats	Houses	Total
Market Housing	2,318	6,670	8,988
Affordable Housing	1,843	2,009	3,852
Total	4,160	8,680	12,840
% Total Housing by Size	32%	68%	100%

1.35 However it seems to us that the likelihood of delivering this mix of housing in the City is restricted by the types of sites which are likely to be brought forward for development. This does not affect the

[1] CLG (2007) Strategic Housing Market Assessments: Practice Guidance, Version 2

demand profile (and thus the robustness of the analysis above) but instead indicates that supply is likely to restrict provision of larger properties.

1.36 This can be seen with regard to recent development trends. BHCC has recorded the mix of homes delivered over the last couple of years (2009/10 and 2010/11). Over this period 30% of new development was of 1-bed properties, and 50% of 2-bed properties. Just 10% of new supply was of 3-bed properties and 9% of properties with 4 or more bedrooms.

1.37 The analysis supports the strategic case for some release of land within the urban fringe, as proposed in the forthcoming Brighton and Hove Draft City Plan. It indicates that this should be focused on delivering larger family housing (3+ bed properties).

1.38 The analysis would also support a policy approach which sought to deliver a larger proportion of family homes than in the recent past.

1.39 However we consider that it is unlikely that the full requirements for family housing are likely to be met in the City. This is likely to support an increase in out-migration of people in their 30s and 40s in particular to surrounding areas to secure family homes.

Brighton & Hove
City Council