

Strategic Housing Market Assessment 2019 to 2028

Executive Summary

South Derbyshire District Council

January 2020

Prepared by

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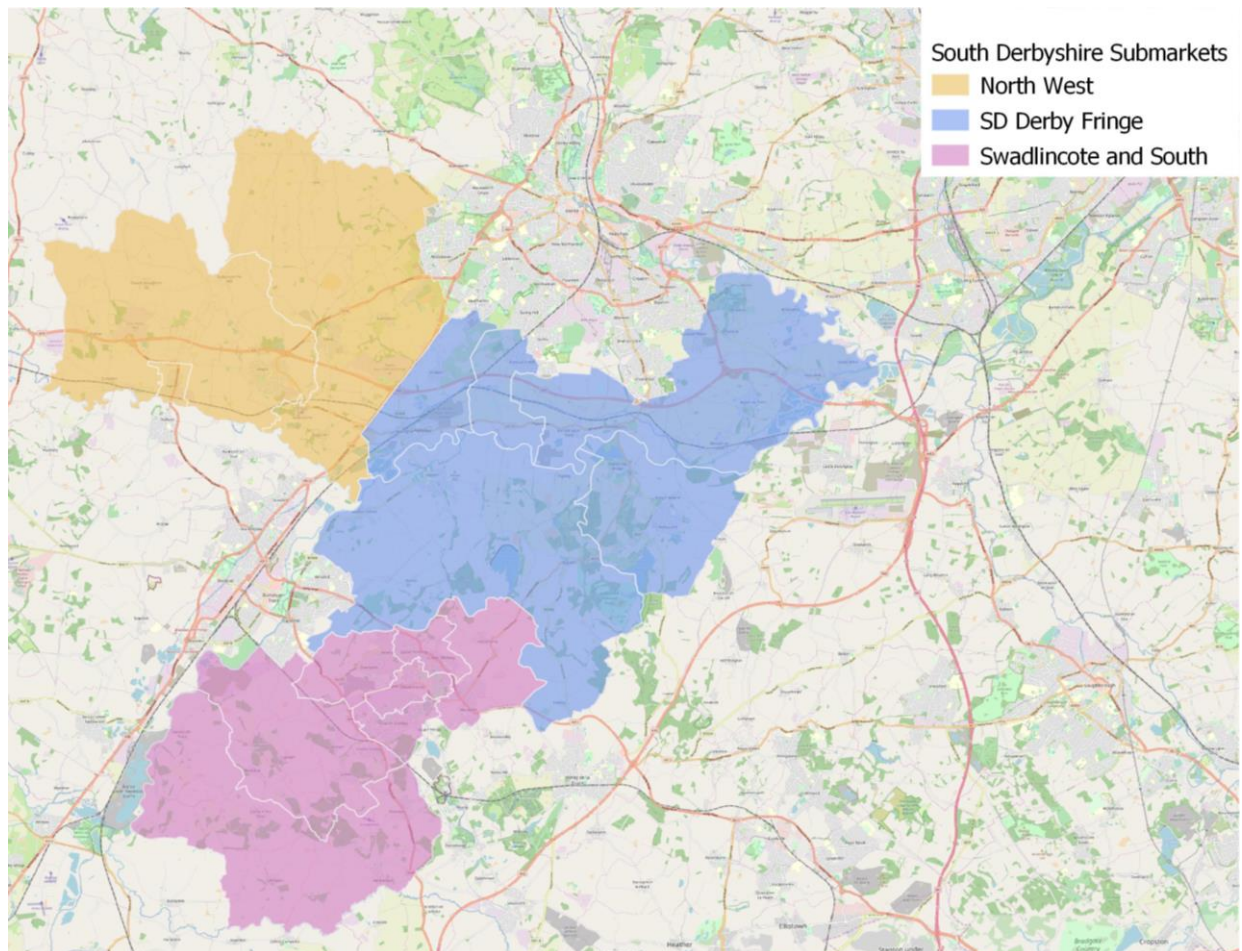
EXECUTIVE SUMMARY

- GL Hearn has been commissioned by South Derbyshire District Council (the Council) to carry out an update to their Strategic Housing Market Assessment in light of the publication of the National Planning Policy Framework (NPPF) in 2019.
- The assessment considers the future housing requirements of the District over the period 2019 to 2028 and includes a forecast of the homes that are required, both market and affordable, as well as considering the needs of specific groups within the population, such as older people, people with disabilities, armed forces personnel, students and self-build.

South Derbyshire's Housing Market

- This report concentrates on the three housing sub-market areas within the District of South Derbyshire, the Derby Fringe, the North West Fringe and the Swadlincote and South Fringe.
- These sub-market areas are defined by household demand and preference for housing including local house prices and house price changes and household migration patterns and commuting patterns.

Figure 1: Housing Sub-Markets Areas of Derby Fringe, North West and Swadlincote and South

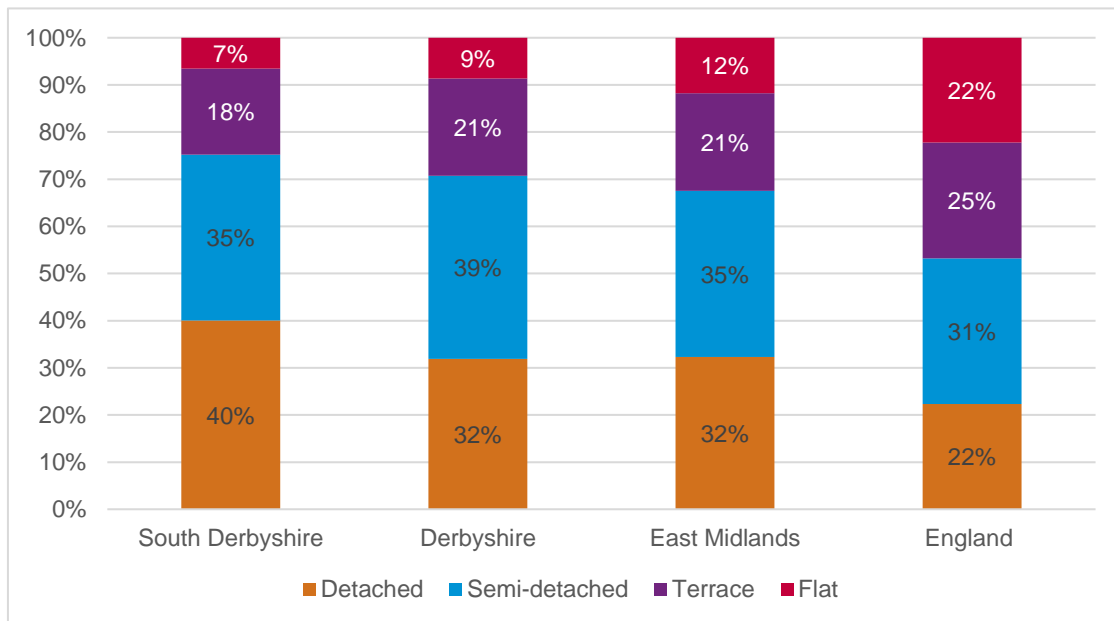


Source: GL Hearn, 2020

- There are approximately 45,500 homes in South Derbyshire, an increase of around 12% since the last census data recorded in 2011.

- Between the Censuses of 2001 and 2011, the District experienced a 22% increase in housing stock. Flatted accommodation saw the greatest growth at 74%, increasing the overall stock profile of flats from 5% to 7%.
- Detached and semi-detached houses were the dominant dwelling type in the District, making up 75% of all homes in 2011. This is significantly different to the rest of England which sees a far more equal split across all dwelling types.

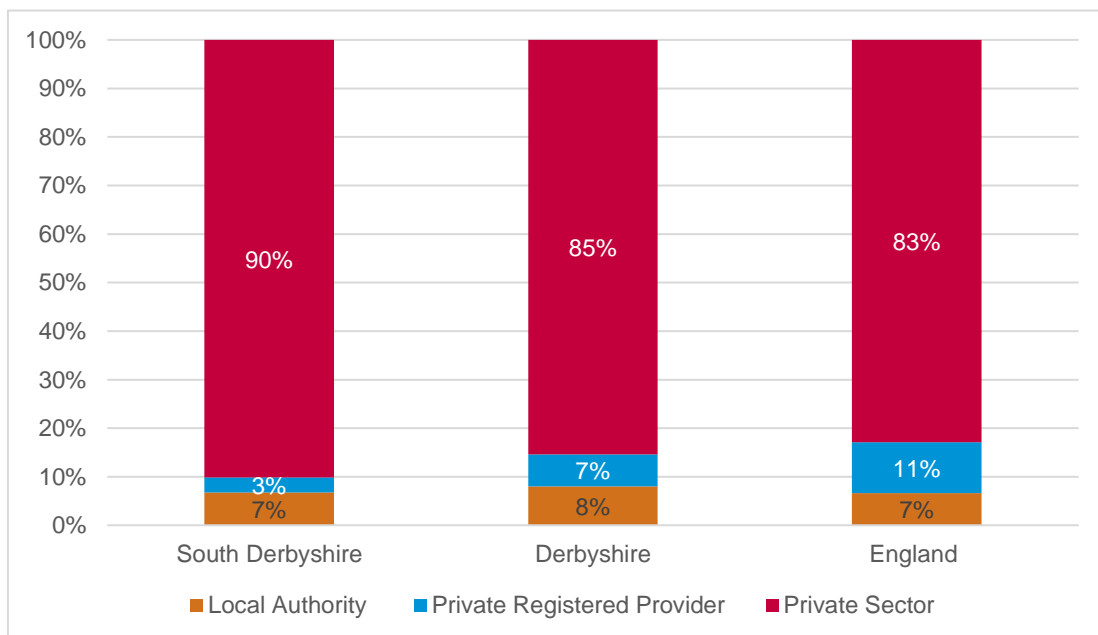
Figure 2: Housing Dwelling Type Profile of South Derbyshire and Wider Geographies



Source: ONS 2011

- South Derbyshire has a relatively high proportion of homes in the private sector (owned and rented) at 90% compared to the rest of the County and England. Conversely there is a significantly below average social housing sector, totalling 10% compared to the rest of Derbyshire at 15%, or England at 18%.

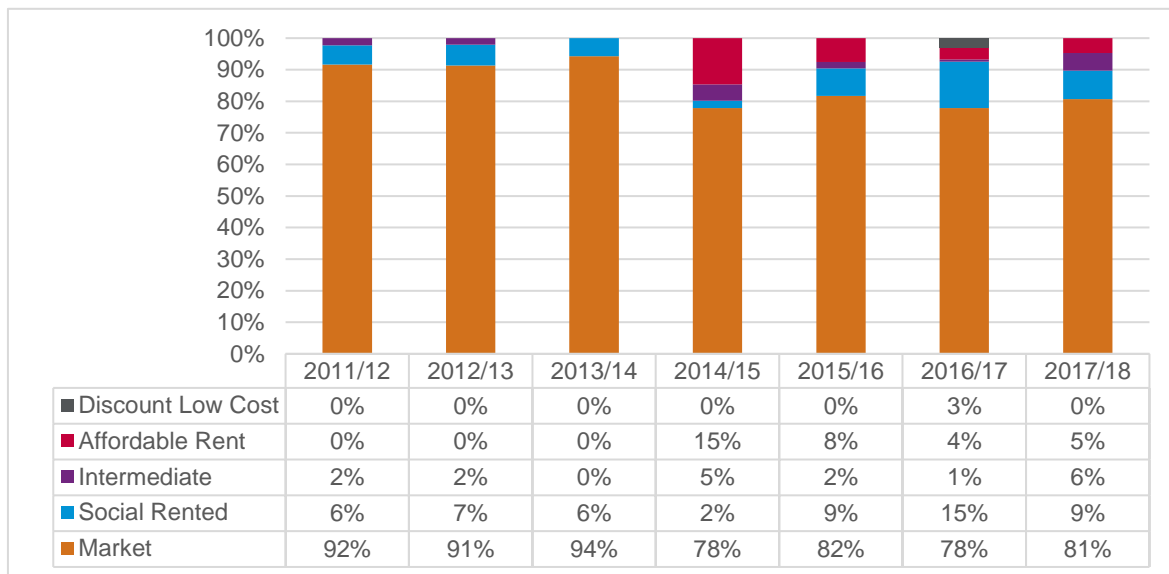
Figure 3: Housing Tenure Profile of South Derbyshire and Wider Geographies (2018)



Source: UK Government Live Table 100, 2018

- Since 2011, there have been 4,985 new homes completed in the District. Unsurprisingly, market housing has been the dominant tenure delivered and accounts for on average 83% of all homes over this period, the remaining 17% has been delivered as various forms of affordable housing.

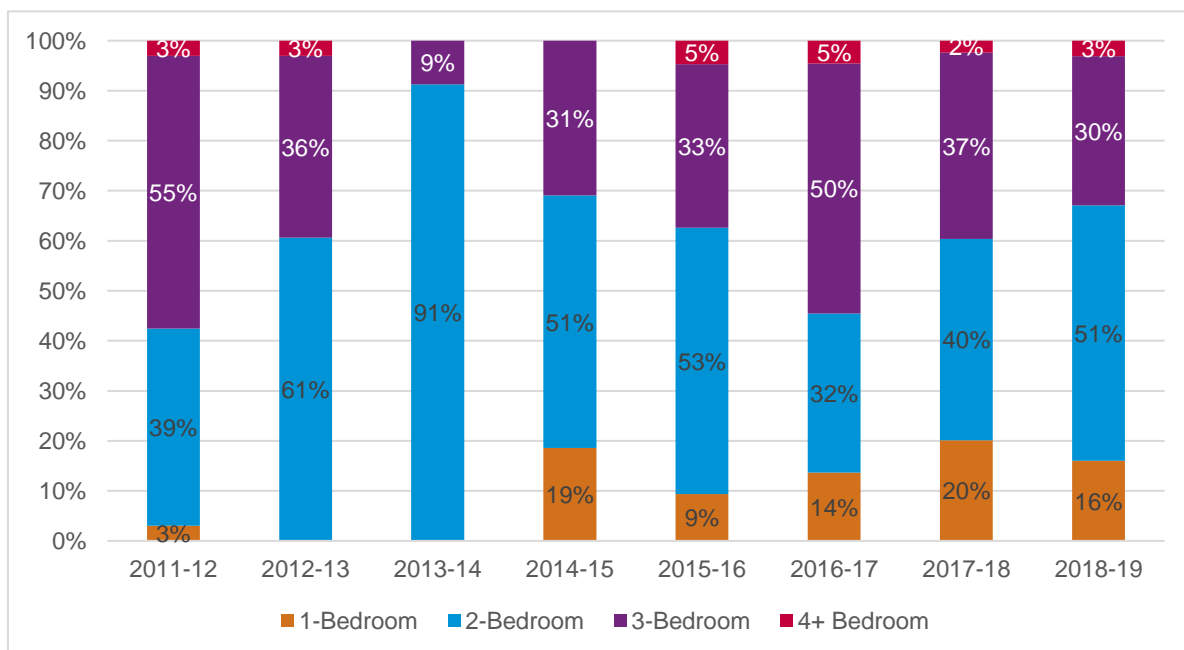
Figure 4: Housing Completions by Tenure (2011/12 to 2017/18)



Source: South Derbyshire Housing Position Paper, 2018

- In total, there have been 883 affordable homes completed between 2011/12 and 2018/19. The last three years have seen a significant increase in the delivery of affordable homes, with 185 provided in 2016/17, 180 provided in 2017/18 and 225 in 2018/19.
- The largest proportion of affordable homes have been delivered in the Derby Fringe sub-market (54%) followed by Swadlincote and South (34%) and the North West (12%).
- The majority of new affordable homes delivered have 2 bedrooms.

Figure 5: Affordable Housing Completions by Bedroom Size (2011/12 to 2018/19)



Source: SDDC Monitoring Data, 2019

- In 2018, there were 644 households on the Council’s housing waiting list. This is a 23% reduction from the year before. Of these, 172 households were in a reasonable preference category (living in a home unsuitable for their needs) while the remainder (472) are living in housing that is suitable for their needs.

Figure 6: Number of Households on the Housing Waiting List in Housing Need

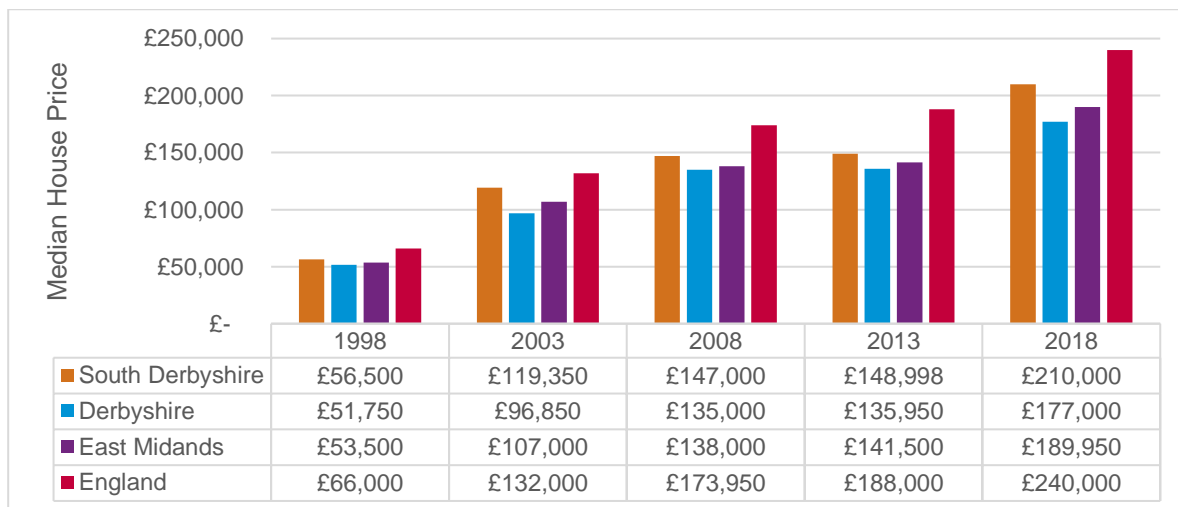


Source: UK Government Live Table 600, 2019

Housing Affordability in South Derbyshire

- In 2002, house prices were four times median earnings, but by 2018 median house prices are almost seven times average earnings: an increase of 64.9%. This increase broadly aligns with the County and the East Midlands but is significantly higher than the national equivalent of 56%.
- Median house prices in the District have grown over the last 12 months by 6.3%, which is significantly above the national growth of 2.1%, above the County growth and regional growth of 5.4% and 5.5% respectively.
- Over a twenty-year period to December 2018, the change in median house prices in the District has been 271.1%, rising from £56,500 in 1998 to £210,000 in 2018, compared to a national growth of 263.6%, rising from £66,000 to £240,000 over the same time frame.

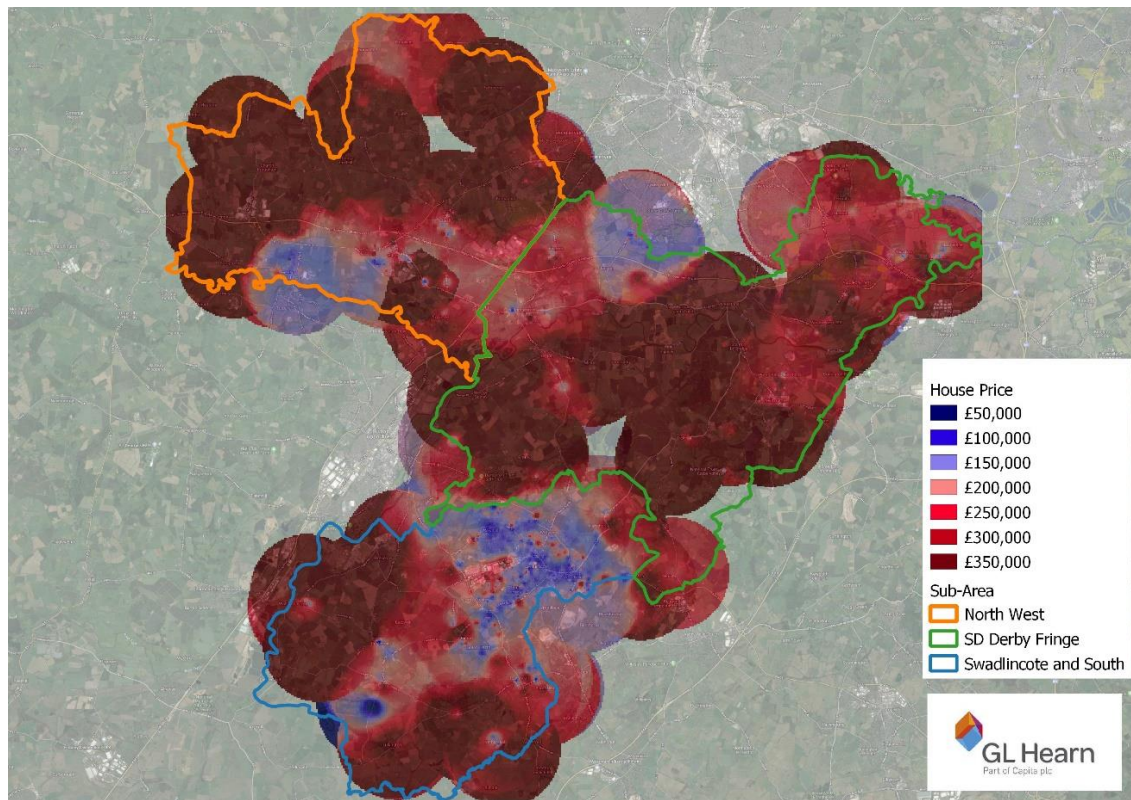
Figure 7: Median House Price in South Derbyshire and Wider Geographies (Dec 1998 to Dec 2018)



Source: ONS Median House Price by Local Authority, 2019

- For the entirety of 2018, house prices by property type in the District broadly aligned with Derbyshire and the East Midlands, however due to the proportion of detached properties within the District, the overall median average house price in South Derbyshire was significantly higher at £203,000 compared to £182,000 in the East Midlands and £230,000 nationally according to data sourced directly from the Land Registry Data. These figures, in theory, should produce the same number as that set out in Figure 7. However, the ONS data is continually revised to take into account the lag from registering a sale to the information relating to that sale getting to the Land Registry. While it can therefore be seen as more up to date, the ONS data does not allow for sub-area analysis hence the data discrepancy.
- Similarly, the direct data from the Land Registry shows that in 2018, lower quartile house prices in the District (£149,950) were higher than both the rest of the East Midlands at £133,000, and the national equivalent of £145,000. The ONS equivalent has the lower quartile prices at £155,000 for South Derbyshire in the year to December 2018, around £140,000 in the East Midlands and £157,700 nationally.
- The lowest average house prices are found within the Swadlincote and South sub-market area and the areas of Stenson Fields and Hatton. In contrast the rural areas surrounding the North West and Derby Fringe show higher house prices, in part linked to the significant housing growth of these areas and the premium new-build housing can attract.

Figure 8: Median House Prices to Purchase in the Sub-Market Areas



Source: GL Hearn based on HMLR and ONS Data, 2020

- In 2018, the median rental value in South Derbyshire was £595 per month, an increase of 12% since 2011. This growth is significantly greater than the County as a whole at 7% but below the East Midlands of 16% and the national average of 20%.
- Across the District, the Swadlincote and South sub-market area have the lowest average rental value at £470 per month, compared to £565 per month in the North West and £640 on the Derby Fringe.

- In all cases, as the table overleaf demonstrates, lower quartile market rents are in excess of local housing allowance (LHA), the maximum benefit amount an eligible household can claim towards their housing costs. This means that privately renting is mainly unaffordable for those households on a low income and eligible for LHA.

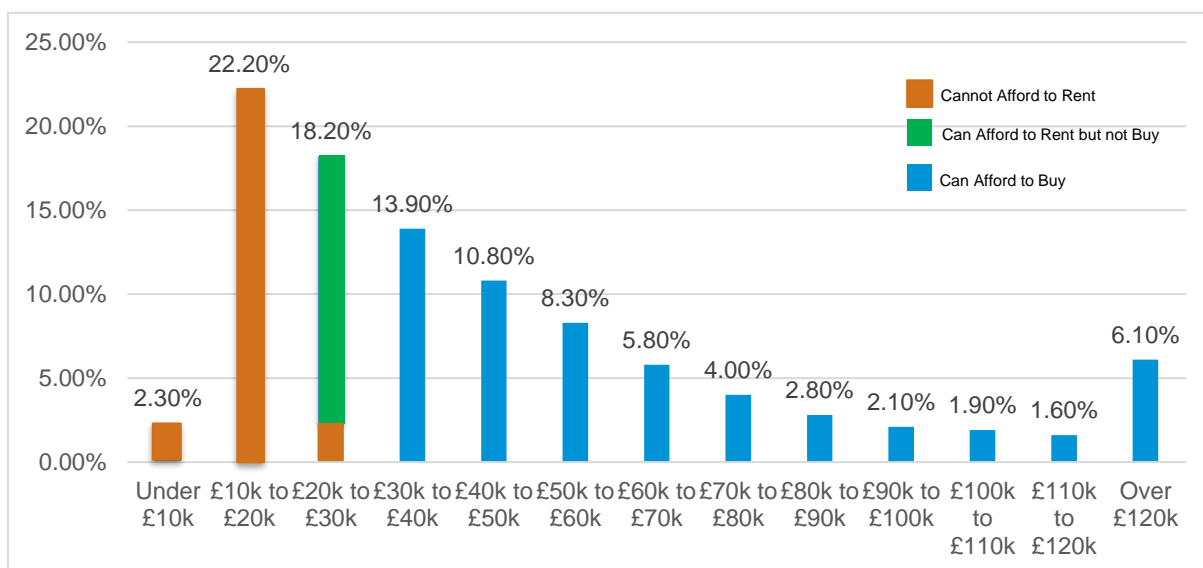
Table 1: Lower Quartile Market Rents by Sub-Market Area Compared to Local Housing Allowance (LHA) Rates (per calendar month)

Size	Derby Fringe	Average LHA	Swadlincote and South	Average LHA	North West	Average LHA
1-Bed	£460	£367	£400	£364	£440	£367
2-Bed	£550	£449	£470	£449	£520	£449
3-Bed	£665	£510	£555	£536	£625	£510
4-Bed	£960	£673	£775	£704	£895	£673

Source: Valuation Office Agency and Market Research, 2019

- On average, a household income of at least £30,000 is required to purchase a house on the open market, and £22,700 to be able to rent privately. However, in both instances there is some variance across sub-market areas.

Figure 9: Household Income Distribution in South Derbyshire



Source: GL Hearn Modelling, 2019

- The Derby Fringe sub-market area requires a larger household income to enable access to the private rented sector (£25,700) or to purchase on the open market (£40,000). In contrast, accessing the market in the Swadlincote and South Fringe requires an average income of £25,400 to purchase and £21,200 to privately rent.

Table 2: Indicative Income Levels Required to Purchase/Rent

	Entry Level Purchase Price	Entry Level Private Rent
Derby Fringe	£40,000	£25,700
Swadlincote and South	£25,400	£21,200
North West	£33,600	£23,800
South Derbyshire	£30,200	£22,700

Source: Core and VOA, Land Registry, 2019

Housing Need in South Derbyshire

- The Standard Method for assessing housing need, introduced after the adoption of the Local Plan, results in a need of 552 homes per annum or 4,698 over the remaining nine years of the Local Plan. The Local Plan supports a need for 565 homes per annum.
- However, the residual Local Plan housing requirement is higher, calculated at 7,633 over the 2019 to 2028 period. This figure includes a commitment to meet an apportionment of unmet need from the City of Derby. This level of housing delivery would result in population growth of 15,660 people or 14.9% over the remaining plan period (2019 to 2028).
- The residual Local Plan housing target will support an additional 5,975 jobs in the District (664 jobs per annum) over the 2019 to 2028 period.

Affordable Housing Need in South Derbyshire

- Affordable housing is defined in Annex 2 of the NPPF (2019) as “housing for sale or rent for those whose needs are not met by the market, including housing that provides a subsidised route to home ownership and/or is essential for local workers”.
- It includes affordable housing for rent, i.e. affordable or social rent and affordable home ownership, i.e. starter homes, discounted market sales, shared ownership, relevant equity loans, rent to buy and other low-cost homes for sale.
- Based on the residual Local Plan housing requirement (7,633 dwellings), there is a need for 325 social and affordable rented homes per year. At a sub-market level, this can be broken down to 106 homes in the Derby Fringe, 162 homes in Swadlincote and South and 57 homes in the North West.
- It should be noted that the figure is higher than previous assessments in part due to the growth of the District as set out in the Local Plan, which also includes an apportionment of Derby City’s unmet need. This figure should not be used as an affordable housing target; the amount of affordable housing delivered will be limited to the amount that can be viably provided.
- Rents from social and affordable rented accommodation show a stark difference between Council owned properties set at social rents, which on average command a rental income of £78.20 per week compared to Registered Provider social rents at £85.88 per week (including service charge) and Registered Provider affordable rents at £98.40 (including service charge) per week.
- The analysis for affordable home ownership need identifies an overall surplus of 22 homes per year: with a need for 25 in Derby Fringe, 2 in the North West and a surplus of 49 in Swadlincote and South. This would suggest that there is not a local demand for the Government’s 10% target for this type of housing.
- The analysis determines that where delivered, shared ownership is the most appropriate affordable home ownership product to offer.
- Where other forms of affordable home ownership are provided (starter homes or discounted market sale), it is important that these are truly affordable. Upper limits should be regularly reviewed, but in the short term, analysis has shown that they should be capped at the levels set out in the table below.

Table 3: Recommended Levels of Price Based on Income for Affordable Home Ownership

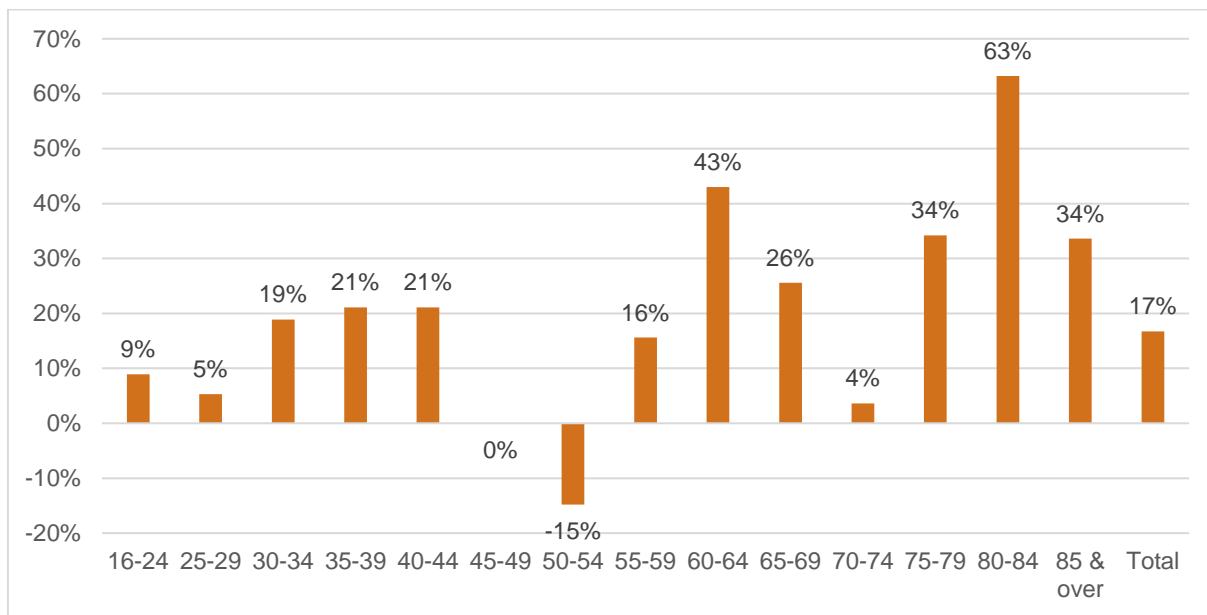
		1-bedroom	2-bedroom	3-bedroom	4+bedroom
South Derbyshire	Lower limit	-	-	£130,000	£184,000
	Upper limit	£72,000	£102,000	£136,000	£234,000

Source: VOA and Land Registry Data, 2018

Housing Mix

- There are a range of factors which influence the demand for different sizes of homes in the private sector, including demographic changes, future growth in earnings and a household’s ability to save, economic performance, housing affordability and household aspirations and preference.
- Under the residual Local Plan housing need total, households are forecast to increase by approximately 16.7% over the plan period. The greatest absolute growth is forecast in the 60-64 age group and the over 75 age group. In percentage terms the largest growth is in those aged 80-84.

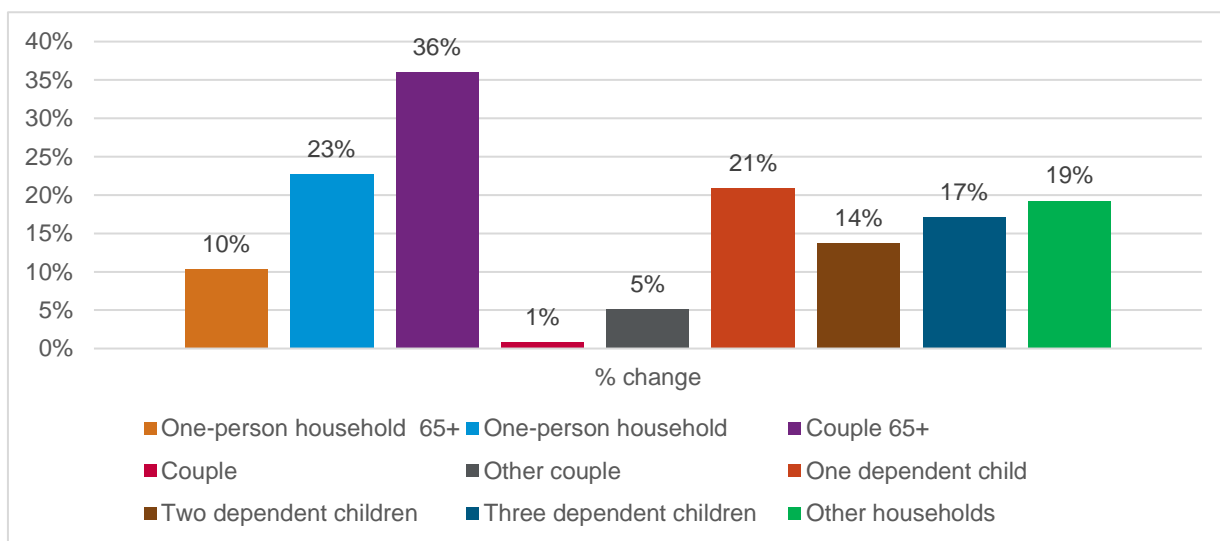
Figure 10: Projected Changes in Households by Age Range (2019 to 2028)



Source: Demographic Projections, 2019

- Household growth is anticipated in most household types, however significant growth is anticipated in couples over 65 (+36%), single person households under 65 (+23%) and households with one dependent child (21%).

Figure 11: Change in Household Type in South Derbyshire (2019 to 2028)



Source: Demographic Projections, 2019

- Reflecting this and a number of other factors, it is expected that the focus of new market housing should be on 3-bedroom homes due to the demand for family homes from newly forming households. There may also be some demand for appropriate medium sized homes (2-bedroom) from older households wishing to downsize, but still wishing to retain the flexibility i.e. to allow friends and family to stay.
- In comparison, affordable housing for rent should be focused on achieving a more even split of 1-, 2- and 3-bedroom homes.

Specialist Housing Need in South Derbyshire

Older People

- It is estimated that 18% of the District's population is 65 years or older, which aligns with the rest of the country and is only slightly lower than the East Midlands total.
- The population of older people living in the District is set to increase between 2019 to 2028 by 28%; with the 75 to 84 age range seeing the highest level of growth, followed by those aged 85 and over.
- It is estimated that 32% of households in the District contain a household member with a long-term health problem or disability (LTHPD). This is marginally lower than figure recorded in the East Midlands and England.
- In particular, the number of people living with Dementia is set to rise by 37% or 445 people and those living with mobility problems are projected to see a notable increase of 32% or 1046 people.
- The population aged 65 and over with a learning disability is projected to increase by 24% and autism are projected to increase by 25%.
- There are currently 948 homes which are designated for older people in the District, such as sheltered housing or retirement living, the majority of which is in the social sector. Analysis forecasts a deficit of 674 homes to 2028; the majority of this shortfall is for market sale (852), while there is a surplus of rented homes (178).
- In contrast, there are currently 213 homes specified as housing with care, i.e. extra-care housing in the District, the majority of which is in the private sector (149) and the remainder is social housing. There is expected to be a shortfall of 46 homes by 2028, of which there is a need for an additional 65 rented homes while there is a surplus of 19 market homes.
- There are currently 351 nursing care beds and 501 residential care beds within the District, the analysis shows a significant shortfall in nursing care bedspaces of 277, but a surplus of 77 residential care beds by 2028.
- Information on the need for housing for wheelchair users is difficult to obtain at a local level, however regional figures suggest that 84% of homes in England do not provide the basic features to allow someone in a wheelchair to get through the front door, furthermore less than 0.05% of homes meet the criteria for 'accessible and adaptable'.
- There is a current shortfall of around 133 wheelchair accessible homes. Over the plan period, this shortfall is expected to increase by an additional 25 wheelchair adapted homes each year, taking the total to 383 by 2028.

Younger People with a Physical Disability or Long-term Condition (16-64)

- Young people living with a physical disability is expected to increase by 5% or 175 people by 2028. In addition, those living with hearing loss is also set to increase by 6% or 405 people.
- The population with a learning disability is expected to increase by 47 people taking the total to an estimated 1,550 by 2028.

- There is accommodation with support provision that operates in South Derbyshire to assist people with mental ill health and learning disabilities sustain their accommodation. The level of current provision meets the current level of need; however, the Council should to plan for future supported housing provision to address the identified growth of these groups.

Private Rented Sector

- As of 2011 approximately 4,600 households lived in the private rented sector in South Derbyshire, which equated to 11.8% of all households. This is slightly lower than the East Midlands and significantly lower than the national rate of 24%.
- There has been a 153% growth in the number of households living in privately rented accommodation between 2001 and 2011. Data is not available in relation to the local growth in the sector since 2011.
- In April 2018, there were 3,528 housing benefit claimants in South Derbyshire, of which 32% or 1,132 households live in the private rented sector. The majority of these claimants are aged either 25 to 44 or over 70.
- In the 2011 Census data, there were 1,013 households classified as 'Other', an increase of 58% since 2001. This can potentially be taken as a proxy for Houses of Multiple Occupancy (HMOs), especially as the majority of this group live within the private rented sector.

Young People (Under 35)

- The proportion of young people (under 35) renting privately in South Derbyshire is 30%, this is less than the East Midlands at 37% and England at 41%.
- The proportion of young people renting social housing in South Derbyshire is 12%, which is significantly lower than the East Midlands total of 20%.
- Conversely, young person households that own with a mortgage is higher in South Derbyshire a 49% than the East Midlands at 35%. This suggests that the ability for young people to get on the housing ladder is easier in South Derbyshire than the wider region.
- There are currently 333 households headed by a young person on the Council's housing register out of 751 households. Of these, the majority require 1 or 2-bedroom home.

Student Households

- The 2011 Census reported that there were only 9 all student households in South Derbyshire, equating to 0.02% of all households in the District.
- There is one further education facility in the District, the Stephen Burke Construction Academy in Swadlincote, which is part of Burton College.
- The University of Derby is located at Kedleston Road in Derby City. This location lies on the border of South Derbyshire and could contribute to future housing demand for student accommodation in the form of private rented housing.

Service Families

- According to the Ministry of Defence statistics, there are 10,430 military and civilians living within the East Midlands region, however there are none recorded as living in South Derbyshire.
- South Derbyshire District Council signed the Armed Forces Covenant in March 2019 and appointed an Armed Forces champion to ensure those that serve or who have served, and their families are treated fairly.

Self & Custom Build

- There were 47 individuals on the self and custom build register in June 2019

Between 31 October 2016 and 30 October 2017 planning consent was granted for 21 self or custom-build homes.

Recommendations

- This report gives recommendations for consideration to amend associated policy documents in response to the updated housing needs assessment.

Affordable Housing Need

- Chapter 5 of the South Derbyshire Local Plan (2016) establishes the strategic policies for housing. The policies that address the strategic direction for affordable housing are Policy H20 Housing Balance and Policy H21 Affordable Housing and the Affordable Housing Supplementary Planning Document (SPD).
- The extent of affordable housing need evidenced within this report would suggest the Council should seek to continue to request affordable housing contributions of 30% on sites of over 15 dwellings where viability allows.
- Furthermore, at Local Plan review, the Council should consider assessing (through viability testing) an increase in the level of affordable housing contributions to above 30% and reducing the at the same time reducing the threshold above which developments become eligible to contribute to affordable housing to 10 homes or more.
- It is recommended that the Council's Affordable Housing SPD be updated to reflect the widened affordable housing definition set out in the NPPF. This could incorporate 10% of housing on major developments being affordable home ownership. However, such is the low level of calculated need for this product, the Council could further explore the potential of delivering less than the government target of 10% of new housing for this tenure within the parameters of the NPPF.
- If the Council does seek to provide 10% of all housing as affordable home ownership, then it is suggested that shared ownership is the most appropriate option.
- For low-cost home ownership products (starter homes and discount market sale), it is recommended that the Council considers setting prices at a level which, in income terms, are equivalent to the levels needed to access private rented housing and are truly affordable. These thresholds are set out below:

Table 4: Range of Prices by Size of Property for Affordable Home Ownership Tenures

		1-bedroom	2-bedroom	3-bedroom	4+bedroom
South Derbyshire	Lower limit	-	-	£130,000	£184,000
	Upper limit	£72,000	£102,000	£136,000	£234,000

Source: GL Hearn based on VOA Data, 2020

- High level indications support the need that affordable housing for rent should be weighted more towards the delivery of social rent and a split of 67% social rental housing and 33% affordable rented is recommended.
- Should the Council choose to impose restrictions on access to social housing within their Allocations Policy based on household income thresholds, the income threshold should be set at no less than £40,000 in line with affordability within the Derby Fringe. However, strong consideration should be given to increasing this threshold above this figure to ensure that households do not fall in between the gaps and that larger households are not treated unfairly.

Table 5: Earnings Requirement for Different Tenures

	Entry Level Purchase Price	Entry Level Private Rent
Derby Fringe	£40,000	£25,700
Swadlincote and South	£25,400	£21,200
North West	£33,600	£23,800
South Derbyshire	£30,200	£22,700

Source: GL Hearn based on VOA and HMLR data, 2020

Housing Mix

- Chapter 5 of the South Derbyshire Local Plan (2016) establishes strategic policies for housing. The policy that addresses housing mix and specialist need is Policy H20, Housing Balance.
- GL Hearn recommends that the type of tenure and size mix set out in the table below is used for the purposes of applying Policy H20.

Table 6: Size Mix Recommendations by Tenure

	1-bed	2-bed	3-bed	4+-bed
Market	0-5%	20-25%	50-55%	20-25%
Affordable home ownership	10-15%	40-45%	35-40%	5-10%
Affordable housing (rented)	25-30%	35-40%	25-30%	5-10%

Source: GL Hearn, 2020

- Consideration should be given to the nature of the development site, character of the area and up-to-date evidence of need, as well as the existing mix and turnover of affordable properties at the sub-market or sometimes ward or parish level when implementing the recommended mix.

Specialist Housing Need

- The evidence gathered within this report would justify the Council seeking to develop a policy specifically to support the need for specialist accommodation, accessible homes and wheelchair accessible homes.
- It is recommended that this policy should seek to deliver as many M4(2) (accessible and adaptable) compliant homes as viably possible and for 5-10% of all new homes to be M4(3) (wheelchair user) compliant through the implementation of Policy H20. However, the policy should be flexible to recognise that some developments, because of their built form and/or topography may not be suitable for this type of development.
- The policy should also support the need for other specialist accommodation for older persons, in particular the need for nursing care, housing with care to rent and housing with support in the private sector to meet evidenced need.
- The Council should seek to include the provision of specialist accommodation within their housing land supply. Age restricted housing, retirement living, sheltered housing, extra-care housing or housing with care is usually awarded the use class designation of C3 and therefore each home completed counts as a completion on a 1-for-1 basis; whereas residential care and nursing care fall under use class C2, and should be calculated on a ratio of 1 for every 1.85 bed space completed.
- There is no specific evidence to support a separate policy being developed for students, build to rent or service families.
- The need for custom and self-build is relatively low, however the Council could seek a small percentage of such plots on the very largest allocations of over 500 homes.