Homes for the North

Future Housing Requirements for the North
Executive Summary



LICHFIELDS

A Lichfields report for Homes for the North | **June 2017**

EXECUTIVE SUMMARY

H4N has reviewed the current identified housing need and tested whether sufficient housing has been identified to meet economic expectations:

At least 500,000 additional homes are required in the North during the next 10 years

70% of the 500,000 to be located in the seven City Regions

Over the next 10 years:

- **75,000** homes needed in the North East
- **195,000** homes needed in Yorkshire
- **230,000** homes need in North West

H4N scenario testing confirms a housing need of 48,675 - 50,365 homes per year

Introduction

Homes for the North (H4N) is an alliance of nineteen large housing associations who want to ensure enough homes are delivered across the North of England. H4N members collectively provide around 450,000 homes for almost 1 million people in the North of England.

The aim of this study is to provide H4N with a broad understanding of the level of housing need identified across the North of England and consider at a broad geographical level (City Regions) how alternative future economic scenarios could impact on the type, mix and geography of homes required to support economic success across the North of England.

*Strategic Housing Market Assessment informs the preparation of local authorities' Local Plans. The SHMA enables local authorities to think specifically what the nature and influence of housing markets in the respect of their local area

** A requirement of national planning policy for every Local Planning Authority to objectively identify and meet in the housing needs of their respective area

Methodology

This study focuses on the seven City Regions across the North of England and uses data collected from Strategic Housing Market Assessments (SHMAs)* or equivalent evidence base documents from the 72 Local Authorities in the North of England.

Identifying the level of housing required across the North

Lichfields reviewed the SHMAs or equivalent studies to understand:

- The Objectively Assessed Need (OAN)** identified across a housing market area;
- Length of plan period the OAN is assessed over;
- Demographic starting point of the OAN; and
- The basis of the scenario driving the OAN – demographic, past trends or economic.

Lichfields recognises the methodology underpinning SHMAs and OAN can differ. For the purpose of this study, the SHMAs and evidence contained within them have been taken as the identified OAN for a housing market area/Local Authority. Lichfields has not sought to critique the OAN methodology underpinning each study or the subsequent quantum of housing need identified.

It is important to highlight that an OAN identified in a SHMA will not necessarily be the housing requirement which is subsequently adopted in a Local Plan. However, it is the basis upon which the housing requirement is derived.

Consideration of Alternative Future Scenarios

H4N required Lichfields to consider two scenarios for housing growth in the North, driven by the primary aim of the North of England fulfilling its economic potential and delivering stronger growth as part of a rebalancing of economic performance away from the South East.

Lichfields, with the direction of H4N, have considered the implications of the two alternative scenarios on the following:

- Spatial distribution (at a City Region level);
- Housing mix; and
- Trajectory over time.

The alternative scenarios are based on regional data taken from the 2014-based population projections. No demographic modelling has been undertaken at a Local Authority level in relation to the alternative scenarios.

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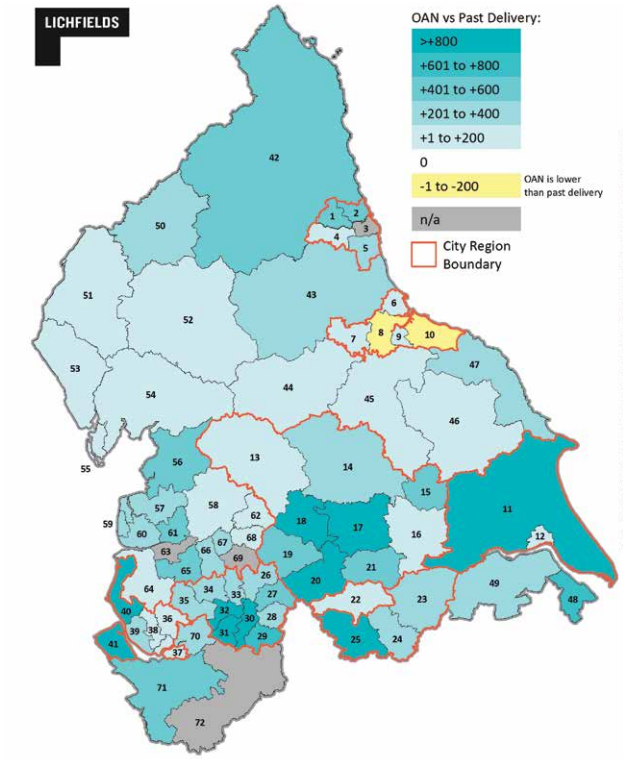
Housing Need across the North

The review of SHMAs across the North of England identified a total OAN of c.500,000 homes over a 10 year period, between 48,590 and 55,845 dwellings per annum (dpa). 70 % of the OAN is identified within the seven City Regions; which cover 57 % of the Local Authorities.

The review found that the majority of OANs identified are greater than past trends in housing delivery, in terms of number of units delivered per annum an averaged over the last 10 years. This is driven by OANs across the North of England being largely driven by economic-led future scenarios, identifying housing need beyond demographic-led housing needs. This is not surprising given past trends in the North of England, which underpin demographic projections, are characterised by population decline and more recently the impact of the recession on economic performance and jobs and the ability of younger people to form households and access the housing market.

Demographic trends for the North of England project a modest level of household growth, which is out of alignment with the more ambitious economic ambitions identified by a large number of Local Authorities. A significantly higher number of homes are required to support the growth in the economically active population required to take up new job opportunities and drive economic growth.

The City Regions continue to be the driving force for the location of future housing. However, there are some notable uplifts beyond the demographic baseline and past housing delivery rates outside of the City Regions. Affordable housing need is expected to be met by social rented properties, with intermediate tenure making up, on average, around 25 % of supply.



OAN identified vs Past Delivery

Source: CLG Table 253 (10 year past trends data)/Lichfields Analysis

Alternative futures for the North and the impact on future housing need

Following the analysis of SHMAs across the North, the identified need in the OANs was higher than demographic trends. H4N wanted to test this, and were keen to consider the impact of alternative economic futures upon housing need in the North of England. The alternative scenarios, defined by H4N, focused on the primary aim of the North of England fulfilling its economic potential and delivering stronger growth as part of a re-balancing of economic performance away from the South East. Two alternative economic scenarios shaped by H4N were used and defined as; 'Interventionist' and 'Organic'.

The Scenarios were modelled at a regional level make adjustments to migration flows based on 2014-based population projection data. Broad consideration is given to the implications spatially at a City-Region level.

The Interventionist Scenario concept was driven by the desire to consider the impact of devolution and funding to 'larger than local' structures; City Region mayors; and focussed investment in transport infrastructure would impact on housing need. Population growth under this scenario would be driven by increased investment and employment opportunities in the North of England.

The Organic Scenario was shaped to consider population growth driven by a more gradual shift in the choices made by young economically active households, resulting in fewer younger households moving away from the North of England to London and the South East. This is driven by continued house price growth in the South of England coupled with reducing real wages.

	Baseline (2014 SNPP/ SNHP)	SCENARIO 1 Interventionist	SCENARIO 2 Organic
North	43,885	50,365	48,675
North East	7,230	8,075	7,890
Yorkshire & Humber	17,685	20,210	21,065
North West	18,970	22,080	19,625

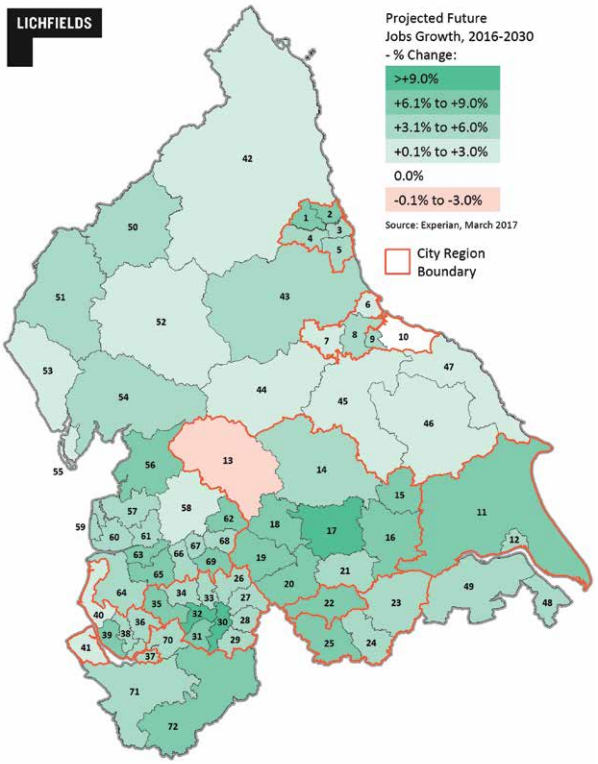
Comparison of housing need across the alternative scenarios agains the 2014 demographic baseline

Source: Lichfields Analysis

A range of indicators were considered to understand how the alternative economic scenarios would influence the spatial implications of housing need, mix and trajectory over time.

Performance of the City Regions

Against a range of past economic performance indicators and future economic forecasts assessed by Lichfields identifies seven City Regions which are more likely to require a greater proportion of additional homes in the future, given their past performance alongside projected growth.



Projected Future Jobs Growth, 2016 to 2030 (% Change)

Source: Experian (March 2017)

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It is clear that there are a number of City Regions which are likely to require a greater proportionate share of housing growth including; Tyne and Wear; Sheffield; Greater Manchester; and Leeds.

Spatial Implication of the Interventionist Scenario

The core urban areas of the City Regions would remain the focus, with an uplift to the proportional share of future housing to the City Regions identified.

The Interventionist scenario would require a broad mix of house types driven by a mixed workforce, which would meet need across a range of ages and life stages. The trajectory for this scenario would be a gradual growth, up to a peak in 2035, allowing for the necessary investment in infrastructure and devolution agendas to evolve and influence population growth and subsequent housing need.

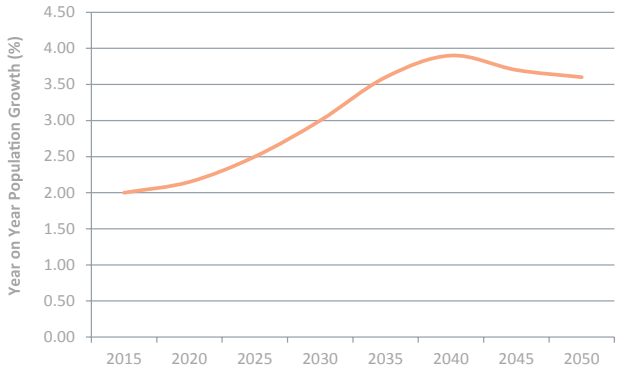


Figure 5.2 **Interventionist Scenario - Trajectory**

Source: Lichfields based on trajectory underpinning 'The Northern Powerhouse Independent Economic Review'

Spatial Implication of the Organic Scenario

For the Organic Scenario the spatial focus would remain on the City Regions. However, there would be a broader spatial spread of housing across the urban core and the more rural extent of the City Regions. An uplift would could be jutified for the City Regions identified above where past performance and future ambition is likely to drive increased housing growth.

The trajectory of housing need under the Organic Scenario is considered to be more gradual. However, there is potential for the impact to be greater in the longer term, as the North of England begins to display a stronger, more buoyant economy and a more attractive proposition to younger households compared to London and the South East.

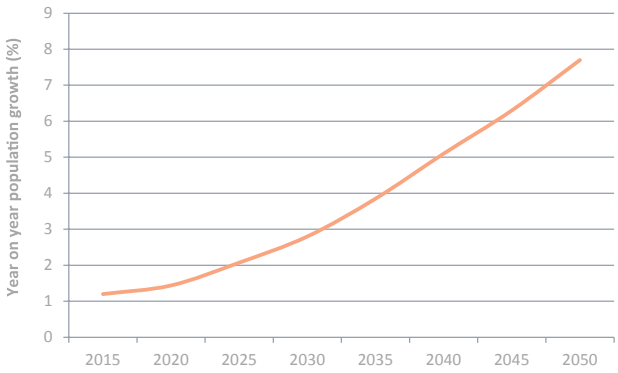


Figure 5.3 **Organic Scenario Trajectory**

Source: Lichfields

Demographic Impact of the Scenarios

Both the Interventionist and Organic Scenarios would result in a more balanced demographic profile with a greater proportion of younger households as a consequence of the retention of younger households within the North, particularly stemming the outflow of graduates.

However, there would be differences in how the demographic profile of the population would impact on the trajectory of housing need.

As a consequence of the Organic Scenario being driven by changing lifestyle choices by younger households, the housing mix initially would be focused on meeting the needs of graduates and younger households, both in terms of house types as well as tenure.

Analysis of the age profile of migrants, highlights the young age profile of migrants who move to the North of England, likely to be students. It is these people who the North of England needs to ensure it meets their housing needs and aspirations to reverse the current profile of out-migrants.



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Recommendations

Current evidence setting out the housing need across the North of England highlights the ambitious economic strategies underpinning housing need.

With 500,000 new homes needed across the North of England, delivery is key. As such, H4N recommends a number of 'asks' to both the Government and to local authorities across the North of England.

TO THE GOVERNMENT

1. Allow local authorities the flexibility to identify housing need (including the proportion of affordable housing)
2. Ensure OANs are not ceiling housing figures, and are a minimum
3. Support the North of England via the housing infrastructure fund to unlock sites increase housing delivery
4. Increase pressure on local planning authorities to adopt their Local Plan in a timely manner

TO NORTHERN LOCAL AUTHORITIES

5. Let H4N support you with increased housing delivery, particularly where you identify a robust and ambitious OAN, which exceeds the demographic baseline
6. Minimise current cumbersome procedures which restrict the delivery of public sector land
7. Work in collaboration to support the regeneration of existing housing stock, in recognition that new build is only a small proportion of the future supply
8. Clarify and simplify policies and processes to diversify the housing stock to ensure economic aspirations are met, particularly in terms of retaining the younger generation.

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