



GL Hearn

Part of Capita plc

Mid Mersey Strategic Housing Market Assessment

Halton, Warrington & St.Helens
Councils

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Prepared by

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8 HOUSING MARKET DYNAMICS AND MARKET SIGNALS

8.1 The NPPF is clear that plans should take account of market signals, such as land prices and housing affordability (Paragraphs 17 and 158). The PPG clarifies this setting out that:

“The housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings. Prices or rents rising faster than the national/local average may well indicate particular market undersupply relative to demand.”

8.2 The PPG sets out that studies should assess house prices and rents, land values, affordability, rates of development as well as overcrowding, concealed and shared households. Appropriate comparisons should be made (in terms of absolute levels and rates of change) with trends in the HMA, similar areas and nationally. Paragraph 20 of the PPG (Reference ID: 2a-020-20140306) sets out that:

“A worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections.”

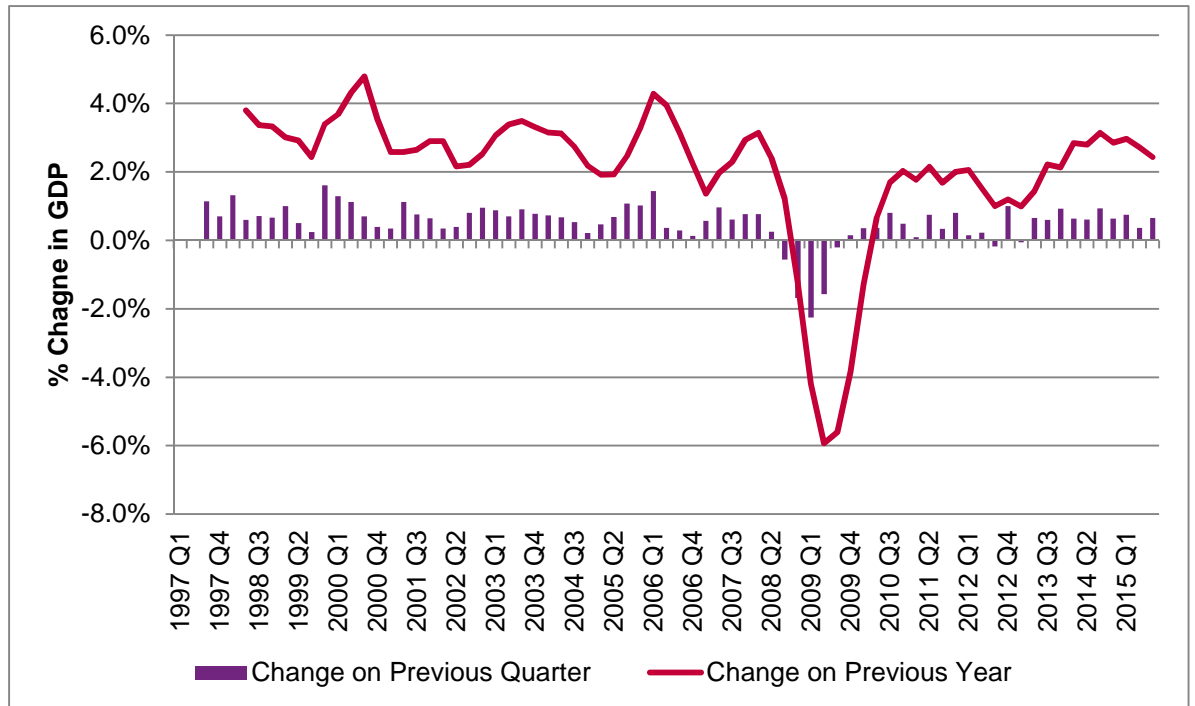
8.3 In interrogating market signals GL Hearn has sought to assess trends over the 2001-11 period as a sound period from which to review the market cycle. More recent trends and current performance have also been considered, to assess whether there is a case for adjusting levels of housing provision (relative to those shown in the projections thus far).

8.4 GL Hearn has sought to analyse the indicators identified in the PPG. However, it is important to understand the drivers behind what has been happening in the housing market in recent years. Therefore, we start this section of the report off by providing an overview of macro-level dynamics.

Macro-Economic Drivers of the Housing Market

8.5 Macro conditions have been a particular driver of housing markets nationally over recent years. Since the initiation of the credit crunch in 2007/8, the economy has gone through a long and deep economic recession, and subsequent recovery. The momentum of economic recovery is now improving with the UK economy out-performing many of its international peers.

Figure 37: UK Economic Growth, 2007-2015



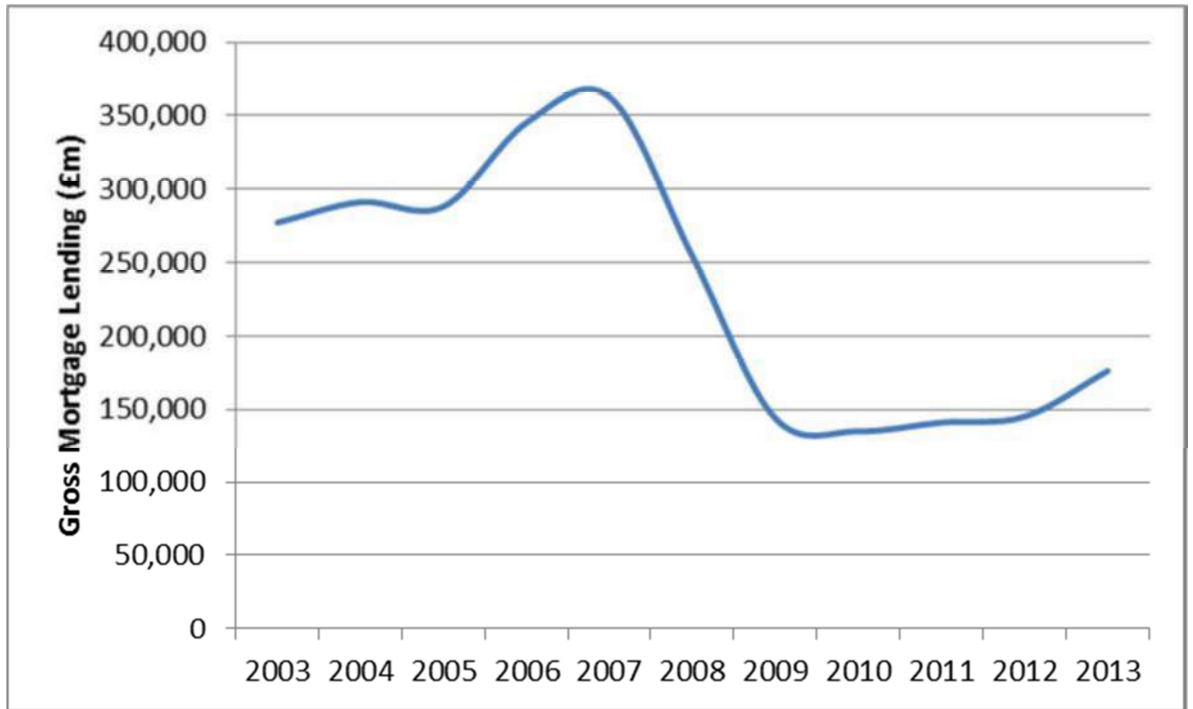
Source: ONS

8.6 The tightening lending criteria initiated by the credit crunch has had an impact on mortgage lending over the last four years, with households’ ability to obtain mortgage finance influencing demand for market homes. Key issues affecting the ability of households and investors to secure mortgage finance are:

- Savings and Capital: the ability to raise a deposit;
- Earnings and Interest Rates: affecting the ability to afford repayments;
- Lending Criteria: key criteria which have to be met to secure finance.

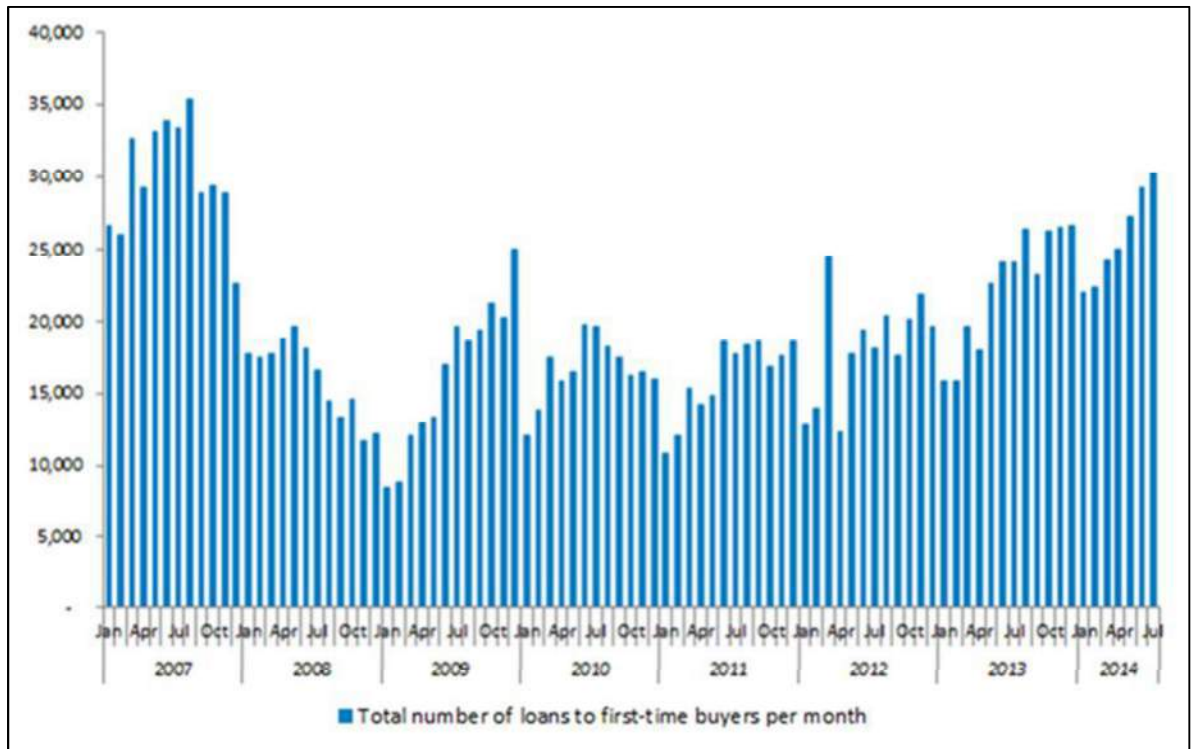
8.7 Whilst lending remains below pre-2007 levels, lending has been increasing over the last 18 months supported by an improving economy and initiatives such as the Government-based Help-to- Buy Scheme. Figure 38 indicates trends in gross mortgage lending.

Figure 38: Trends in Gross Mortgage Lending



Source: Council for Mortgage Lenders 2013

8.8 This trend continues with lending in Q1 2014, according to the Council of Mortgage Lenders (CML), 36% up on Q1 2013. We have similarly seen a recovering trend in First-Time Buyer (FTB) numbers, as Figure 39 shows. The level of savings required to buy a home remains a constraining factor; with average loan-to-value ratios standing in April 2014 at 80% (i.e. the average First-Time Buyer across the UK has a 20% deposit).

Figure 39: First-Time Buyer Numbers

Source: Council for Mortgage Lenders

- 8.9 The typical first-time buyer income multiple in April 2014 was 3.42 times their gross income. Low mortgage interest rates have kept borrowers' payment burden low over recent years.
- 8.10 Market sales are also influenced by investment activity - that is properties bought to be rented privately. The buy-to-let sector continues to grow, with the Council for Mortgage Lenders indicating that the number of new buy-to-let loans in the first quarter of 2014 was slightly up on the fourth quarter of 2013 to 47,000, up 1% on the previous quarter and 46% on the first quarter of 2013. However, as with overall mortgage lending, overall buy-to-let lending remains slightly below pre-2007 levels.
- 8.11 Relating this through to overall housing need, any increase in household formation rates for younger households over the longer-term will be influenced by the availability of mortgage finance (such as lending criteria and deposit requirements), interest rates, and housing costs relative to incomes. The evidence above clearly shows that the credit crunch and subsequent recession has a significant impact on housing market activity, but that the situation is improving. Greater regulation of the mortgage market may however restrict a return to the sorts of lending practices seen at the height of the previous market cycle prior to 2008; whilst in the short-term it seems likely that weak earnings growth will impact on affordability and thus moderate the pace of recovery in demand for market housing.

Market Signals Analysis

House Prices

- 8.12 Across the Mid-Mersey HMA, the average (mean) house price (2014) is slightly under £160,000 whilst the median is £135,000. This compares to a mean of £165,000 across the North West. Of the three local authority areas within the Mid-Mersey HMA mean and median prices in Warrington were above the regional figures; with prices in Halton and St.Helens below the mean and median averages.

Table 65: Average House Prices in Mid-Mersey HMA (2014)

	Median	Mean
Halton	£122,000	£143,398
St.Helens	£120,000	£131,414
Warrington	£156,500	£185,481
Mid-Mersey HMA	£135,000	£159,565
North West	£136,500	£164,529

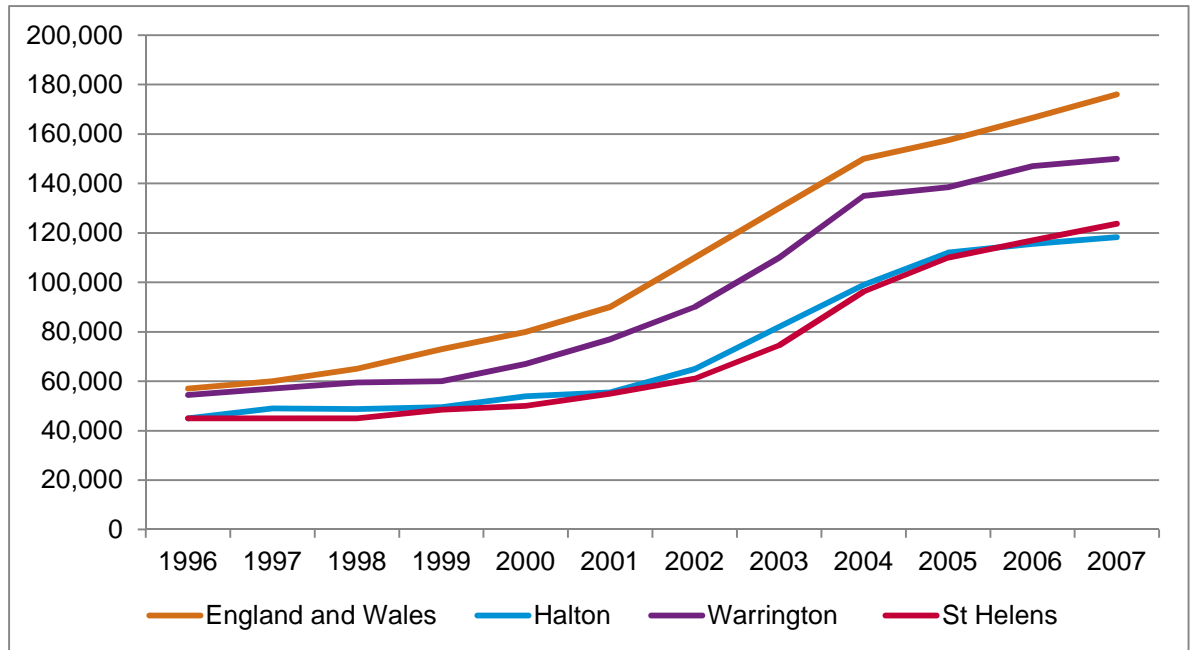
Source: Land Registry Price Paid Data

- 8.13 The Halton sub areas show a significant variance with median and mean prices in Widnes (£135,000 and £160,000 respectively) significantly higher than those in Runcorn (£110,000 and £121,000).
- 8.14 Overall, median house prices (as shown in Table 65) are skewed slightly by the proportion of each dwelling type being sold during this period which reflects the housing stock in each area. The data shows that there were considerably more detached house sales in Halton and to a lesser extent Warrington compared to St.Helens which has a higher percentage of semi-detached and terraced sales. Data on housing cost by each housing type is set out later in this section.

House Price Change

- 8.15 Figure 40 below profiles house prices in the Mid-Mersey Local Authorities from 1996 to 2007 (i.e. the pre-recession decade). This shows that house price levels in the HMA closely followed the national trend over this period.
- 8.16 Over the decade, median prices in Warrington rose by £95,500 to £150,000. While this was the highest actual change, as a percentage change from 1997 prices (175%) it was equalled by St.Helens (+£79,000). Halton had the lowest growth at 163% (£73,000), however it is broadly similar to the other Boroughs in the HMA. The level of growth was considerably lower than England and Wales as a whole (209%) over the same period.

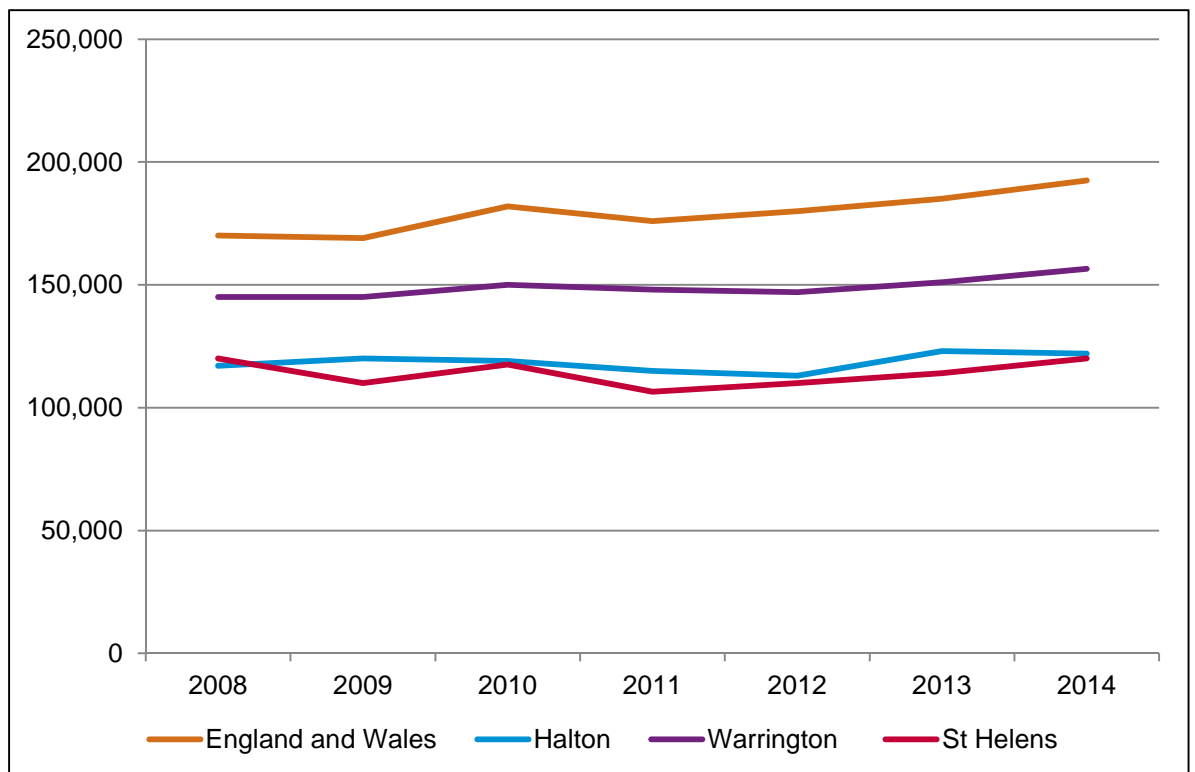
Figure 40: Median House Price Trends (1996 - 2007)



Source: DCLG/Land Registry

8.17 Since 2008, trends in house prices have understandably been very different, reflecting the economic backdrop. Broadly house prices in Halton and St.Helens have remained stagnant, whilst Warrington saw modest growth.

Figure 41: Median House Price Trends (2008-12)



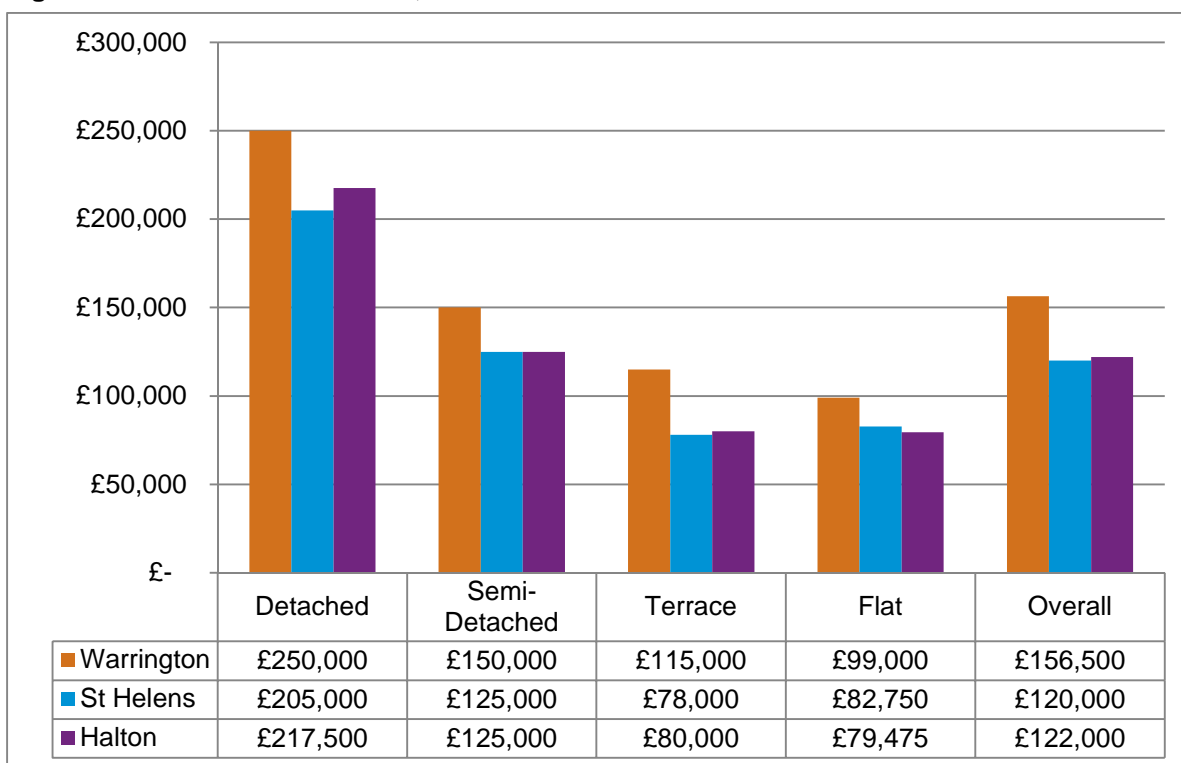
Source: DCLG Live Tables: Land Registry Data

House Prices by Type

8.18 We have also analysed more recent house prices achieved in 2014 in more detail to gain an understanding of the latest dynamics for different property types within the Mid-Mersey HMA.

8.19 Within Warrington the house prices are again highest in each of the larger property types. There is an apparent premium for terraced with the respective difference for this type of property in Warrington wider than each of the other types.

Figure 42: Median House Prices, 2014



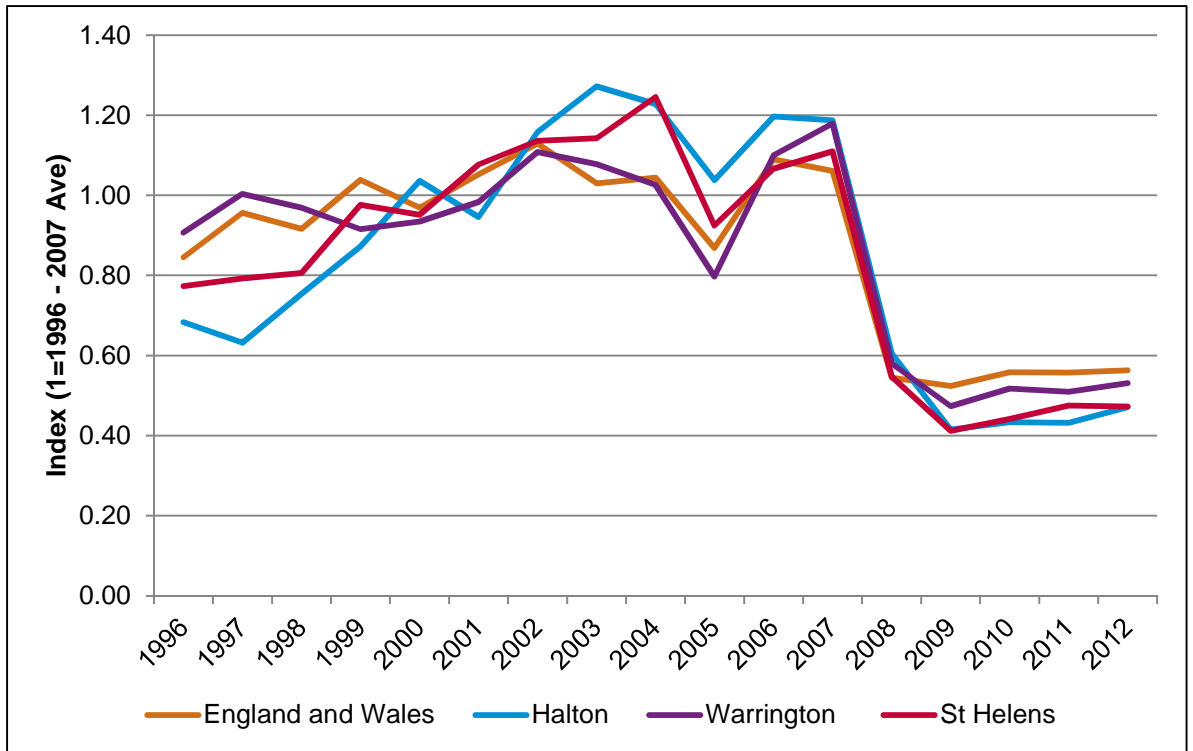
Source: Land Registry Price Paid Data

Sales Volumes and Effective Demand

8.20 Sales volumes are an important indicator of effective demand for market housing. Sales performance has been benchmarked against long-term trends to assess relative demand for market homes for sale. Figure 43 benchmarks annual sales over the period 1998 to 2012. It uses an index where 1 is the average annual sales over the pre-recession decade, 1998-2007.

8.21 As illustrated, sales volumes nationally experienced a significant drop between 2007 and 2008. Between 2008-12 the recovery in sales volumes was very modest and lower than the National recovery although the reduction was greater. The similarity between trends nationally and in Mid-Mersey highlights the influence of macro-economic dynamics on sales volumes at a local level.

Figure 43: Indexed Analysis of Sales Trends, 1998 – 2012



Source: DCLG Live Tables

8.22 Although taken from a separate data set, sales in 2014 across the HMA numbered slightly over 7,000, indicating a notable improvement on recent years (4,600 in 2012), although still well below the pre-recession peak (10,700 in 2007).

Rental Trends

8.23 The median rental value across Mid-Mersey local authorities (as of March 2015) is £492 per calendar month (pcm). These are slightly below the North West average of £500pcm and significantly lower than the England average at £595. Within the Mid-Mersey HMA, the highest median rental price is in Warrington at £525pcm. St.Helens is lowest at £450pcm.

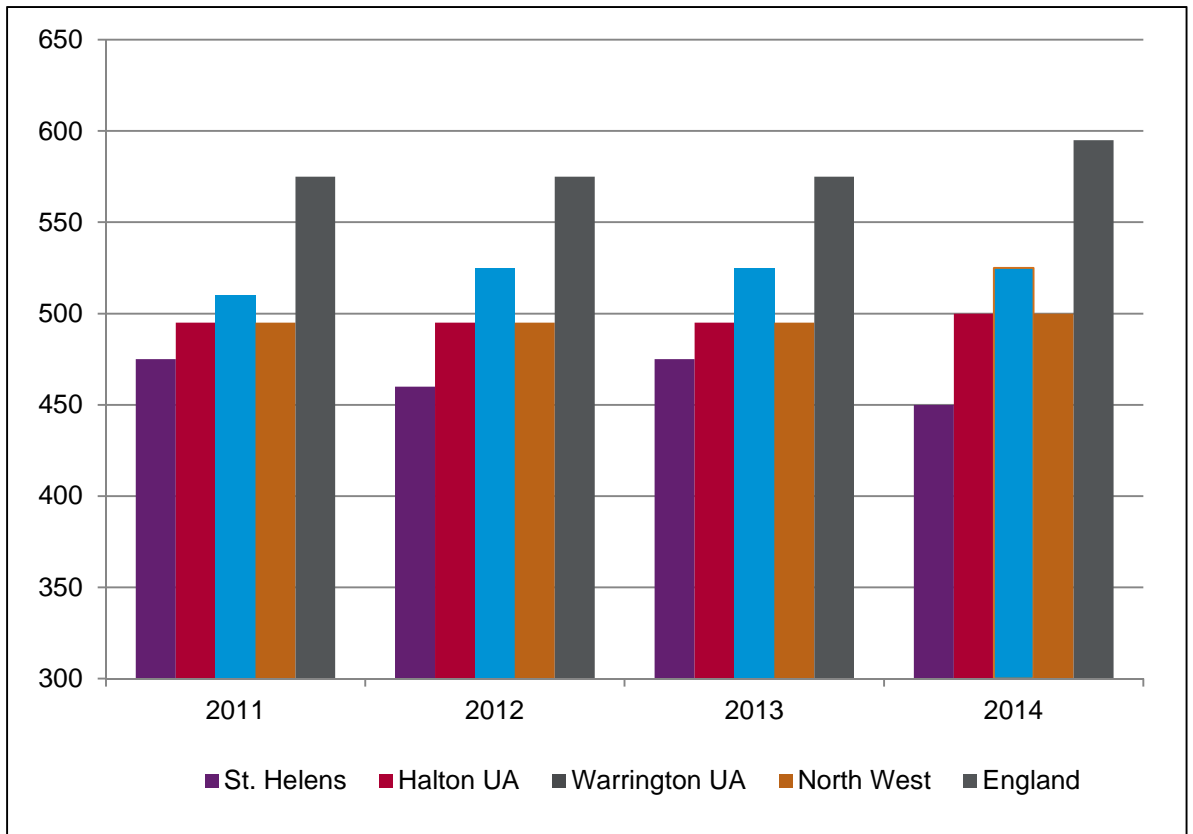
Table 66: Median Rental Prices (March 2015)

	Median
Halton	£500
St.Helens	£450
Warrington	£525
Mid-Mersey	£492
North West	£500
England	£595

Source: VOA Private Rental Data

8.24 Between 2011 and 2014¹³, median rental values in the North West have grown by just over 1.0% and 3.4% across England. Across the Mid-Mersey local authorities, rental prices changed by +2.9% in Warrington to a fall of 5.3% in St.Helens. By comparison rental prices in Halton grew by 1%.

Figure 44: Median Private Rents, 2011-2014



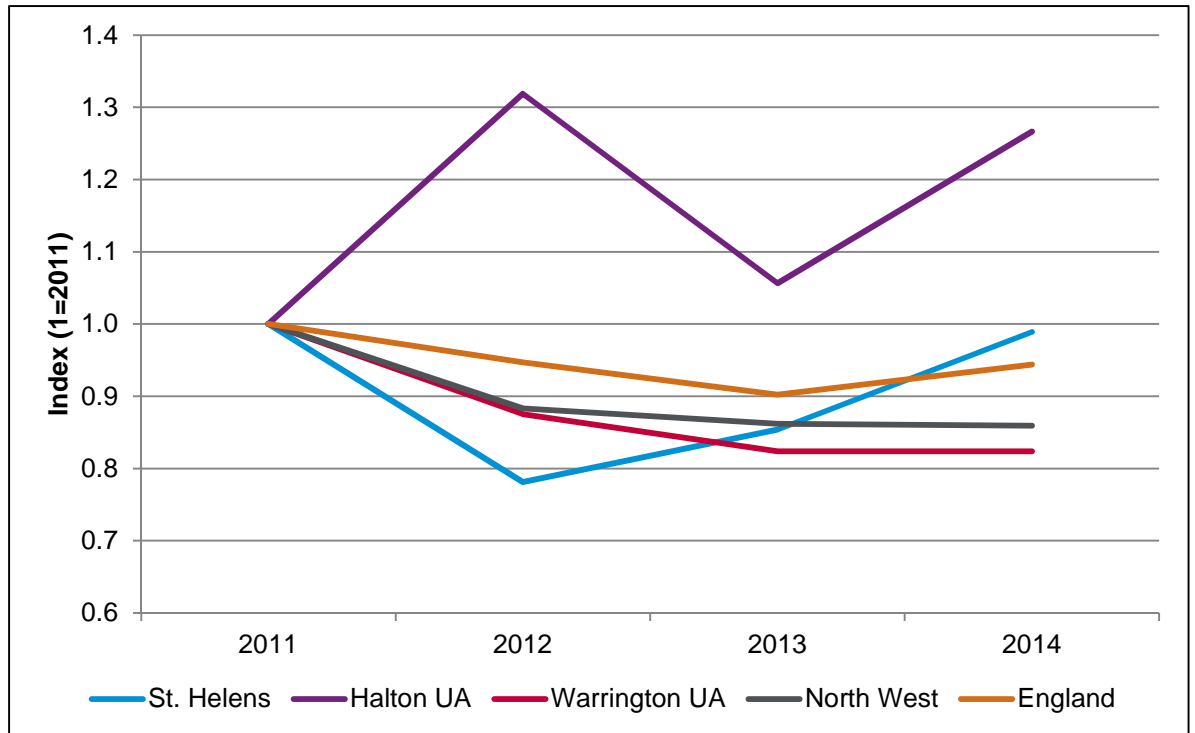
Source: VOA Private Rental Data

8.25 Figure 45 shows trends in the number of rents recorded by the VOA, indexed against September 2011 figures. This shows a general downward trend in the count of rents until May 2013, which is broadly in line with the trend nationally but at a lower level. The exception being Halton where rental transactions have notably increased

8.26 Since this time there has been a notable increase in the number of private rental transactions in the North West with St.Helens and Halton experiencing a particular spike, contrary to the national trend.

¹³ This is the longest period for which trend data is available at a local authority level

Figure 45: Trend in Private Rental Transactions, 2011 - 2014

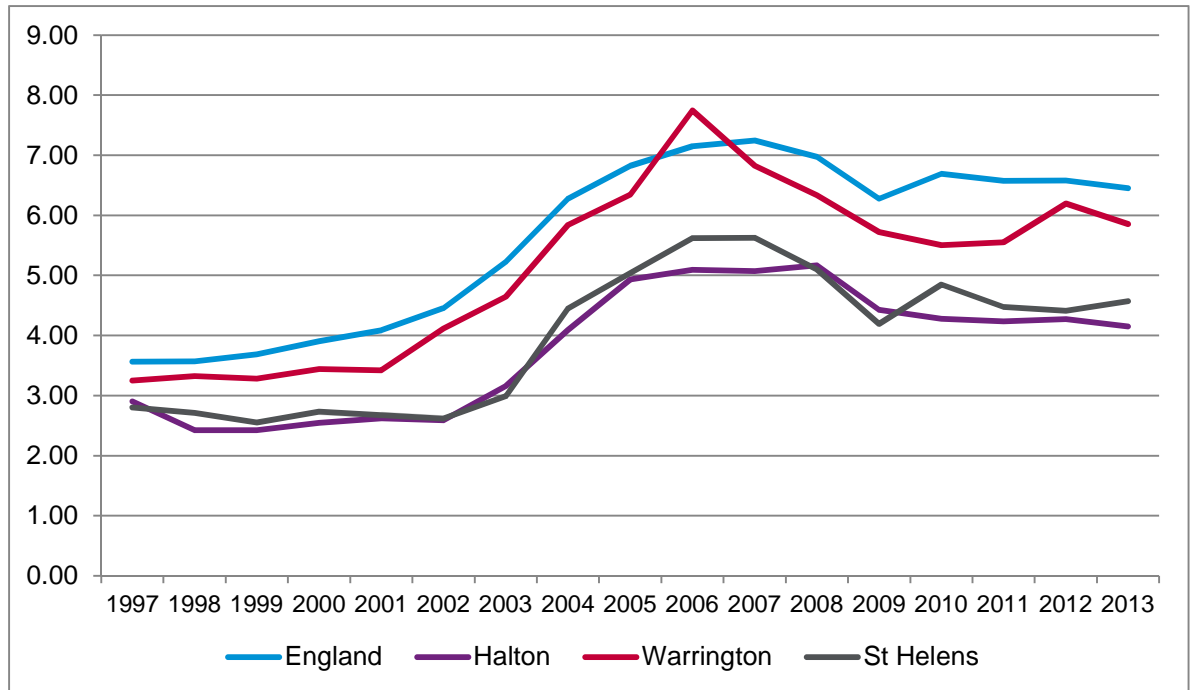


Source: VOA Private Rental Data

House Price-to-Income Ratios

- 8.27 In line with the PPG, evidence of affordability has been considered by looking specifically at the relationship between lower quartile house prices and incomes. Using this indicator, the affordability of market housing for sale has worsened over the past 15 years. Affordability pressures remain an issue nationally although affordability ratios in the Mid -Mersey local authorities are less acute.
- 8.28 Nationally, the ratio of lower quartile house prices to earnings peaked in 2006. It fell modestly over the 2007-9 period. Affordability ratios have since plateaued with current affordability ratios lower than the 2006/07 peak.
- 8.29 The Mid-Mersey local authorities follow the national trend, albeit with a consistently lower affordability ratio, indicating a lesser gap between lower quartile house prices and incomes. Warrington has the highest affordability ratio (at just under 6 times earnings) in the HMA with Halton the lowest (4.15). Arguably market house prices in St.Helens and Halton are manageable compared to the National figures but are still more than 4 times the lower quartile household incomes.

Figure 46: Lower Quartile Affordability Trend, 1996-2013

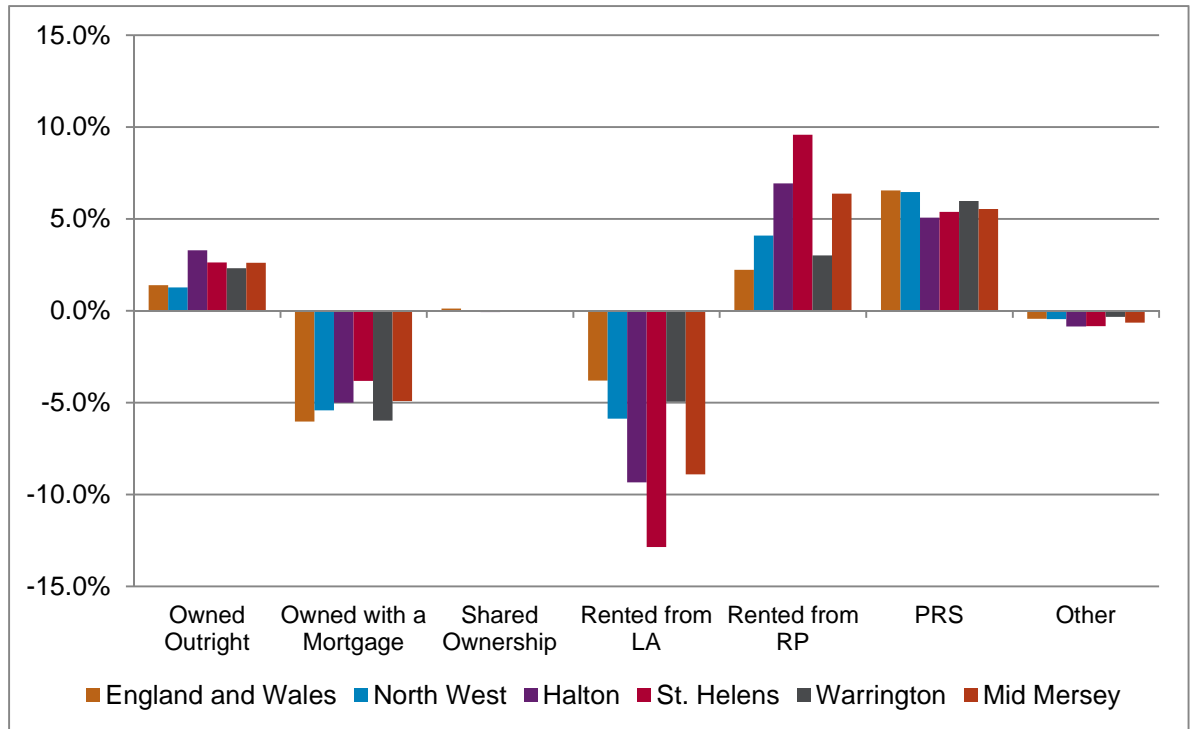


Source: DCLG Live Tables: Land Registry Data

- 8.30 A combination of long term deterioration of affordability of market homes, restricted access to mortgage products and a lack of social housing supply over the 2001-11 decade has resulted in fewer households being able to buy and increased pressures on the existing affordable housing stock. This has resulted in strong growth in the private rented sector as households are being forced to rent longer.

- 8.31 As illustrated in Figure 47, owner occupation with a mortgage has fallen between 2001 and 2011. However, over this same period there has been a notable growth in the private rented sector (PRS) and those renting from Registered Providers. The growth in PRS and reduction in owning with a mortgage was repeated across the country, although the evidence shows that the issue isn't as pronounced in the Mid-Mersey HMA.

Figure 47: Change in Households by Tenure, 2001-2011



Source: Census 2011 and 2001

8.32 Warrington saw the largest reduction in owning with a mortgage and the largest increase in renting privately. St.Helens was the least impacted by these trends. The reduction in renting from the local authority and increase in renting from a Registered provider can be linked to stock transfers between these groups.

Overcrowded and Shared Housing

8.33 A symptom of the affordability pressures identified above, i.e. restrictions on access to mortgage finance and housing under-supply (which are related to one another (i.e. a reduction in building as there was a lack of available buyers.) has been an increase in overcrowded households, in shared housing, as well as young people living with their parents for longer.

8.34 Across the HMA overcrowding has increased between 2001 and 2011 with 228 more households having at least one fewer rooms than they need (4.5%). This is a trend repeated across the country and Region although the wider areas have been affected more noticeably. Proportionally however overcrowded households have reduced in the Mid Mersey area.

8.35 As per Table 67, Warrington has the largest number of over occupied houses in 2011 although the largest percentage is to be found in Halton. St.Helens actually experienced a decline in the 10-year period to 2011.

Table 67: Changes in Over Occupied Houses (2001-2011)

	2001		2011		Change	
	#	% of households	#	% of households	#	% points
Halton	2,515	5.25%	2,638	4.95%	123	0.23%
St.Helens	3,493	4.80%	3,102	4.10%	-391	-0.52%
Warrington	3,325	4.26%	3,821	4.49%	496	0.58%
Mid-Mersey	9,333	4.70%	9,561	4.46%	228	0.11%
North West	152,248	5.41%	187,816	6.24%	35,568	1.18%
England & Wales	1,510,422	6.97%	1,995,860	8.54%	485,438	2.08%

Source: 2001 & 2011 Censuses

- 8.36 Table 68 indicates that the amount of people living in shared accommodation¹⁴ increased by 1,300 between 2001 and 2011. This increase was seen both across England and Wales and within the HMA although again at a slightly lower rate. The largest growth was in Warrington where the growth was more in line with the regional figures.
- 8.37 Overall the number of households deemed as shared homes accounted for around 2.6% of the HMA compared to 4.4% and 3.4% in England and Wales and the North West respectively.

Table 68: Changes in Shared Homes 2001 – 2011)

	2001		2011		Change	
	#	% of households	#	% of households	#	% points
Halton	1,097	2.29	1,416	2.70	319	0.60
St.Helens	1,549	2.13	1,887	2.50	338	0.45
Warrington	1,606	2.06	2,266	2.70	660	0.78
Mid-Mersey	4,252	2.14	5,569	2.60	1,317	0.61
North West	784,745	3.62	1,038,993	4.40	254,248	1.09
England & Wales	76,626	2.72	103,801	3.40	27,175	0.90

Source: 2001 & 2011 Censuses

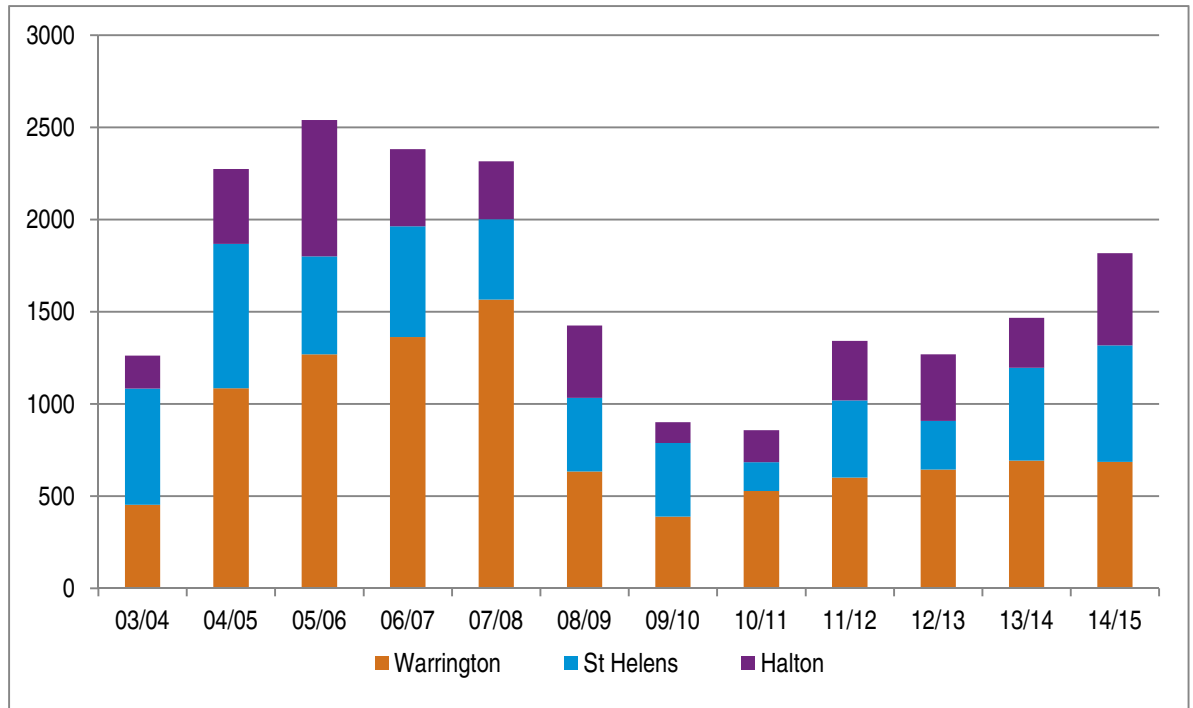
- 8.38 This links with the change in tenure across both the country and the HMA which highlights an increase in the amount of people living in rented accommodation.

Completions

- 8.39 Net housing completions over the last decade have also been reviewed. This shows a significant decline in overall completions post-recession. The reduction in new build properties and lack of mortgage availability is likely to have directly influenced demand and therefore house prices and household formation rates.
- 8.40 Over the period 2003/4 to 2014/15 the average annual completions across the HMA were just under 1,600 dwellings. For Warrington the figure was 840 dwellings (excluding the last year), St.Helens completed around 480 dwellings per annum and in Halton the figure was 350.

¹⁴ Defined in this instance as Other: Other Households i.e. households which feature to non-related adults. This includes HMO's

Figure 48: Completions by Borough (2003/04 – 14/15)



Source: Local Authorities, 2015

- 8.41 At its peak in 2005/6 net housing delivery in Mid-Mersey topped 2,540 but fell to as low as 857 in 2010/11. Completions have increased year on year over the last three years indicating market recovery. However, these are seemingly catering for an internal market, as no correlation between migration and housing completions at a local authority level is evident. In addition, during the stakeholder consultation event for this work. The development industry did seem to indicate that the Mid-Mersey HMA was seen as an importance area for housing growth.

- 8.42 In the 2003/04 to 2014/15 period Warrington delivered 50% of all housing delivery in the HMA, with St.Helens delivering 29% and Halton 21%. While reduced delivery can be an indicator of reduced demand it can also be a constrained by a variety of other factors such as the economic market impacting viability, land supply, labour supply, or lack of raw materials

Market Signals: Implications

- House prices in the HMA are below the national average although Warrington prices are above the regional averages. Prices increased and affordability deteriorated, between 2001-08 – as was the case nationally, albeit at a more pronounced level. However, dynamics since 2008 have been very different with house prices generally stable across the HMA, growing slightly in Warrington and remaining constant in St.Helens and Halton.
- Rents in the HMA are about average compared to the wider region. Although rents in the HMA have generally grown since 2011, this has been below the rate of inflation. And, in St.Helens there was an actual decline.
- The lower quartile house price to income ratio is below the national averages in all three local authorities, it has been fairly stable over the last decade, although over the longer term there has been a notable increase.
- Housing delivery has fallen since 2008, as is the case across the region and nationally. The evidence points to this being a function of effective demand and market circumstances. Market conditions improved in 2014 and GL Hearn would expect completions to continue to pick-up. Sales volumes for market homes remain notably below pre-recession levels.
- Looking at wider evidence, there are some signs of affordability pressures, with the evidence suggesting that over the 2001-11 period the number of people renting increased, as did house sharing and levels of overcrowding (except St.Helens). The evidence however is inconsistent and provides only a modest case for considering an adjustment to housing provision relative to the demographic-led projections

Qualitative Evidence

- 8.43 This part of the report presents the key findings of consultation with estate and letting agents and qualitative research with other stakeholders into housing market conditions within the housing market area (HMA). The aim is to add a local perspective to the study and provide a 'how and why' perspective to support SHMA findings. It describes market dynamics and shortages in supply at the time of the assessment in June 2015.
- 8.44 We have endeavoured to inform the following research questions:
- To what extent does new build housing meet local need?
 - What contribution does the private rented sector make to meeting local need?
 - What local interest is there in self or custom build housing? and
 - What impact does student housing have on the rental markets?

Evidence from estate agents, letting agents and new build on site sales staff

- 8.45 Our findings are based upon 17 face to face interviews with sales and lettings agents based in all of the major towns of the boroughs Halton, St.Helens and Warrington. These interviews provided the perceptions of professionals that service the housing market. Interviews were designed to broadly understand local housing market conditions, trends and drivers, and which parts of the market serve the needs of important groups such as local people, incomers, first time buyers, investors, those on low income and vulnerable people. The research also explores the interfaces between the sales and letting markets and these markets with sub market and affordable housing.
- 8.46 Additional homes are mostly supplied from new build housing. It is important to understand the characteristics of new build housing and households that purchase or occupy it to establish whether the characteristics of this group differ from purchasers of re-sale housing. To inform this GL Hearn interviewed 14 house-builders with on-site sales staff. There were also numerous infill sites being developed local builders, and registered providers, none of which had on site viewing and or sales facilities.
- 8.47 Information was also obtained from staff in the housing options and private rented sector enforcement teams of each local authority.

Rightmove data

- 8.48 Rightmove provides a nationwide searchable database of property currently for sale or rent by estate and letting agents. We have used Rightmove data where appropriate to supplement the evidence from agents and help define an area's re-sale and rental market in terms of price range, property size/type and target market. These data are a snapshot of vacancies and asking prices at the time the fieldwork was undertaken. Prices quoted here will differ from price analysis elsewhere in this report that are based upon agreed prices. It is noteworthy that the data does not include sales and lettings offered by owners not using lettings agents.

General findings from the qualitative research

- 8.49 We present the general findings first then the supporting evidence. This is because the area based evidence that follows is detailed and is sometimes repetitious as some factors are common to more than one local authority.

Overview of the evidence to highlight the key features of the local housing market

- 8.50 Agents told us that in most locations sales volumes were still below 2006 levels. The main exceptions were Lymm and Stockton Heath – both part of Warrington. As a consequence, prices were slow to improve. They commented that news reports of gains in London and the South led to some Mid-Mersey households seeking unrealistically high prices meaning that these homes were slow to sell.

Gaps in supply

- Most resale agents say that there is very high demand for 2 and 3-bedroom family homes at median prices (c£125,000). They are sought after by households seeking to move up from terraced housing and higher income first time buyers. Some agents told GL Hearn about an oversupply of terraced housing in some locations. This was a consequence of an industrial legacy.
- Agents cited local shortages of some other house types. Many agents highlighted unmet demand for bungalows.
- Most letting agents say the crucial gap in supply is of good quality family homes although demand continues to be very strong right across the private rented sector.
- Affordable housing gaps are mainly for 1 bedroom homes. In some local authority areas there is evidence that some demand for larger homes especially maisonettes is reducing as a result of benefit reform.

New build

- Throughout Mid-Mersey, around 80% of sales of new build housing were made to local households. Most incomers were from the Liverpool or Manchester area depending upon the location of the site.
- The majority of sales at the more affordable end of the market have been assisted with Help to Buy. However most second time buyers seeking to upsize would take advantage of part exchange schemes offered by volume house builders.

Investors and first time buyers

- Agents report that there is competition between investors and first time buyers for homes at entry level prices. Although first time buyers avoid dwellings that require major investment.

The private rented sector

- Many landlords that employ letting agents will generally let tenancies to working households that claim top up benefits provided they can provide references, finance a bond and supply a guarantor.
- We asked agents why there was little upward pressure on rents when demand was so strong. We were told that supply was continuing to grow as investors were very active. However, there was an issue about quality and much of the demand arose from existing tenants to secure better quality at a similar price point. This resulted in churn and landlords were pricing to attract and retain tenants rather than suffer losses due to vacancies.
- Landlords are continuing to invest to meet demand and agents stated that an increasing proportion of investors are based in London and the South East. They are attracted by relatively low purchase prices and reasonable returns as they are mostly paying cash rather than financing acquisitions.
- Warrington has the largest number of licensed houses in multiple occupation (HMO) in Mid-Mersey;
- There is no student housing in the private rented sector in St.Helens. A small amount is present in Warrington to support the University of Cheshire's Warrington Campus 2nd and 3rd year students. We were told that there are no immediate plans to increase student numbers;

The evidence by local authority area

Registered Providers and the Homes and Communities Agency (HCA)

- 8.51 The request for information from registered providers coincided with the government's budget of July 2015. There were several measures that affected registered providers including an annual 1% reduction in rents designed to reduce welfare spending. A further proposal is to charge tenants with income over a given level a market rent instead of an affordable rent. As a consequence, all registered providers are revisiting their business plans and financial forecasts as a matter of urgency. Many registered providers have declined to respond to GL Hearn's SHMA enquiries due to the financial re-appraisal workload and uncertainty about future development programmes. A HCA official commented that "the HCA is working with the sector particularly through the Regulator to ensure Boards understand any risks to their business and have appropriate plans in place to manage them and adapt to the changes. It is too early for us to have any knowledge or forecast of local impact.

Halton Borough Council

- 8.52 Resale and letting agent interviews were achieved at Runcorn and Widnes. Other parts of the borough were visited; notably Hale and Ditton to the north of the Mersey and Weston, Castlefield and Norton, south of the Mersey.
- 8.53 Evidence from agents and GL Hearn's observations revealed that Runcorn and Widnes town centres are quite different. Traders on the old part of Runcorn told GL Hearn that the area was failing to prosper in comparison to Widnes town centre but many were optimistic that the Mersey Gateway Bridge, which is under construction will help to revitalise the town by easing pressure on the Silver Jubilee Bridge especially at peak times.
- 8.54 Travel within and around Runcorn is unique with its system of expressways and busways. There is easy access to the M56 (Chester – Manchester) and A56 to Warrington. Widnes too has easy access to Warrington, Liverpool and Manchester via the M62 Motorway.
- 8.55 According to Rightmove, median and lower quartile house prices on a like for like basis are lower in Runcorn than Widnes although the volume of homes on sale is around half that of Widnes. Prices are comparable to those across St.Helens but are lower than those of Warrington. Runcorn agents advised that the market for terraced housing is weak especially for those coming onto the market in poor condition or undergoing forced sale for example due to re-possession. Such dwellings were usually bought by investors at prices between £40,000 and £50,000 at auction.
- 8.56 Runcorn estate and letting agents described a highly self-contained housing market with an estimated 80% to 90% vacancies either bought by or let to existing local households. Agents stated that this was largely due to local employment although higher priced housing would tend to house people who travelled further to work in Warrington or Liverpool. Widnes agents stated that houses below median prices would mostly sell or let to local households but up to 50% of sales of median

price and above vacancies would attract incomers from the Liverpool area. Agents in both towns told GL Hearn that a gap in the market existed for 2 and 3-bedroom semi-detached family homes at up to median prices (c£125,000). The demand was coming from second time buyers seeking to upscale or upgrade. Many of these had been unable to do so because of restricted mortgage lending and lack of supply and were now eager to move home.

- 8.57 Agents in both Runcorn and Widnes spoke of very high demand for private rented sector lettings and that investors were very active in providing additional supply. GL Hearn asked agents to account for their view that locally there was no upward pressure on rents. Agents stated that supply was continuing to grow, however, there was an issue about quality and much of the demand arose from existing tenants to secure better quality at a similar price point. This resulted in churn and landlords were pricing to attract and retain tenants rather than suffer losses due to vacancies. Agents also explained that many landlords would let to tenants claiming housing benefit subject to references and guarantors. Agents perceived that much of the inward investment was now coming from landlords based in London and the South East. They had surplus revenues that enabled them to pay cash for dwellings and build up their portfolios. An agent told of a local builder who had completed a small development and had fully let rather than sold the dwellings as he was seeking to expand his rental business.
- 8.58 There is evidence of current and recent new build housing at Runcorn and Widnes. Recent waterfront development was evident in Runcorn. Recent development appears to be mainly aspirational or executive housing outside the town centres. In Runcorn it was noted that redevelopment had occurred. GL Hearn interviewed a representative of the Seddon Homes 'Mosaic' development in Castlefields. Seddon Homes representative stated that a small number of smaller cheaper homes had been purchased by investors but nearly all of the remaining sales were to local households most of whom were using the Help to Buy scheme. These were a mix of first time buyers or first time movers seeking more suitable housing for their growing families. GL Hearn were unable to obtain an interview at the Keepmoat development Bridgewater Gardens
- 8.59 At the Morris Homes development at Farnworth GL Hearn were told that a higher proportion of sales had been achieved to incomers. These people were attracted to live here because of the generally lower prices found in Liverpool and Warrington. These were house rather than job relocations and people would commute to their place of work. GL Hearn were told that some local schools were regarded as outstanding and this was an important factor for many households.

The private rented sector

- 8.60 To provide a balanced view of the private rented sector GL Hearn asked the local authority private rented sector enforcement team for some further information from the local authority perspective. The Local Authority stated that most segments of the market were present in Halton except there was no student housing, tied housing and married quarters for service families. There are 5 licensed houses in multiple occupation spread across the Borough.
- 8.61 The local authority meets with its landlord forum and published a landlord newsletter twice yearly. There is also a landlord focus group and additional circulars via email. Officers reported an overall positive relationship between landlords and the council. The council runs a landlord accreditation scheme. A very small proportion of landlords have joined the scheme.
- 8.62 The local authority also runs a bond guarantee scheme, which assisted 68 households into private rented sector tenancies in the previous financial year.
- 8.63 The most frequent complaints to the local authority about private rented sector tenancies concern damp and mould.

Social and affordable housing

- 8.64 The local authority transferred all of its council housing to the Halton Housing Trust in 2005. Lettings are made via a choice based lettings scheme called 'Property Pool Plus' which operates across Halton, Knowsley, Liverpool, Sefton and The Wirral. The scheme allows for up to 5% of annual scheme lettings to be offered to applicants' resident in other boroughs. Thirteen housing associations have stock in Halton and only 3 do not participate in the choice based lettings scheme.
- 8.65 Officers report a growing shortage of 1 bedroom homes, a general shortage of accessible housing for older people, people with physical disabilities and those with learning disabilities. It was explained that there had been a shift in demand for smaller units of accommodation. Demand for 3 bedroom houses and 2 and 3 bedroom flats and maisonettes had reduced to the point that some were becoming difficult to let and in some cases applicants were incentivised to take tenancies. Officers added that it was difficult to obtain additional supply of bungalows. The local authority is working with its housing association partners to address the shortage of supply of smaller homes and housing for people with physical disabilities and those with learning disabilities.
- 8.66 Housing options staff works with the private rented sector to secure additional supply. Whilst they do not operate a private rented sector leasing scheme, as noted above, there is a rent deposit guarantee scheme available to applicants threatened with homelessness. A floating tenancy support service is also provided to this group. Around 40% of homeless applications are from private rented sector households with tenancies that are failing or have ended.

Registered Provider – Halton Housing Trust

- 8.67 An officer of the trust told us that there is a shortage of 2 bed houses across Widnes and Runcorn. There is also a shortage of modern good quality/affordable 1 bedroom apartments in Runcorn, possibly more are needed around the new town area and this may be due to the higher concentration of newly forming households.
- 8.68 Welfare reform has had an impact on demand. There has been a decrease in demand for 3 bed homes as evidenced by the housing register and bidding activity. This is due to household that may seek a spare room being unable to afford the rent as it is unsupported by housing benefit. Accordingly, the Trust has altered its development programme to include mainly 1 and 2 bedroom apartments and 2 bedroom houses. The Trust will keep its programme under review on a neighbourhood basis.
- 8.69 We were told that the Trust sees itself very much as a provider of affordable Housing in Halton and currently does not have any plans to move outside the Borough. However, it has established a market rent company that has stock (approximately 130 dwellings) across the North West, with some in the Borough of Halton.
- 8.70 The Trust has reviewed self-build schemes as an option but has no current plans to facilitate this.
- 8.71 The Trust pointed out that it would have to invest a lot of time in a scheme but would not end up owning asset. However, as the Government's drive is very much about home ownership, the Trust would revisit the model to determine if it can help deliver self-build units.

St.Helens Borough Council

- 8.72 Interviews with resale and letting agent interviews were achieved at Rainhill, St.Helens and Newton le Willows. Eccleston and Haydock were visited but no interviews were achieved.
- 8.73 According to Rightmove, median and lower quartile house prices on a like for like basis are similar to prices in the Borough of Halton. Haydock prices are similar to those of St.Helens although the volume of homes on sale is around half that of St.Helens. Newton le Willows has a wider range of prices reflecting a larger proportion of homes for sale with some considerable character.
- 8.74 One re-sale agent described the town of St.Helens as being unique in terms of its location and characteristics. We were told that the re-sale and letting market is highly self-contained with 90% of transactions being made by local households. In terms of characteristics we were told about the industrial past of the town and that the legacy of this was a large proportion of two and three bedroom terraced houses on sale at the time of the survey. Just over 40% of all dwellings on sale at the time of the survey were terraced homes. This is a significantly higher proportion than anywhere else in the study area. We were told that this situation was driving demand for 3 bedroom semi-detached homes from upgraders and they are in short supply. Demand was due to large numbers of households seeking to upsize or upgrade from an apartment or terraced home. Homes priced

around £125,000 (median asking price according to Rightmove) were affordable to many households who had equity in their terraced home. Apartments were proving unpopular with local households due to their service charges, although they were a popular choice for young professional incomers seeking more affordable prices than offered in Liverpool and Warrington. New build apartments were attractive to first time buyers with help to buy. Their town centre location was attractive to young people.

- 8.75 Agents also told us that the high proportion of terraced homes was a factor in the failure of the local market to appreciate in value. There was concern about the condition of some homes. This was suppressing demand from owner occupiers but vacancies were bought up by investors for cash. It was explained that some homeowners had not experienced an expected increase in equity as their home was subject to wall tie failure and dampness and were unable to move on. We asked agents to suggest interventions by the local authority to assist this situation. Agents responded with suggestions such as group repair schemes and renovation grants as a more cost effective solution than demolition. One agent explained another factor preventing increases in value in that housing markets in Knowsley and Prescott were attracting the purchaser with more spending power.
- 8.76 We were told that re-sale prices were slow to appreciate. Sales volumes were low compared to the peak market conditions. One agent told us that this was because vendors had unrealistically high expectations of prices and sales, if achieved could be as much as £10,000 below asking prices.
- 8.77 A specialist letting agency told us that the town's rental market was subject to a serious shortage of 3-bedroom family homes within a rental range of £395 and £650 pcm. This range of prices covered households with and without benefit support. Benefit claimants would be acceptable to landlords not subject to restrictions by their mortgage lender or insurer, provided tenants could provide references and a guarantor.
- 8.78 The letting agent told us that lettings were overwhelmingly to local households who found it uneconomic to re-locate nearer to their place of work in Warrington or Liverpool. The agent said investors from London and the South East found investing in St.Helens was very attractive as they could purchase '6 dwellings for the price of one'. Sales agents confirmed that without these investors sales would be lower in volume weakening the market price. We asked the agent to explain the lack of upward pressure on rents. The reply was that council tax policy and cash flow were strong incentives to retain tenants and minimize vacancy rates. At the same time prospective tenants were becoming more discerning and landlords were responding with competitive pricing.
- 8.79 The agent told us that there had been a small but diminishing market for shared student housing however it was not on a scale that affected supply to individual households or unbalanced neighbourhoods as seen in cities with multiple higher education providers such as Manchester or Liverpool. Further remarks on student housing are found at the end of this chapter.

- 8.80 Agents based in Newton le Willows advised us that the town had a higher proportion of incomers than any other part of the study area. They explained that locational factors such as transport links and the quality of the High Street attracted incomers. Agents told us that re-sale apartments were slow to sell. The main gap in the market was a lack of 3 bedroom semi-detached homes for sale or rent. Rents for such homes were strong at between £500 and £700 pcm and purchasers could expect to pay up to £185,000 for the best ones. One agent told us that there was 'an abundance' of two bedroom terraced homes.
- 8.81 We interviewed a re-sale agent in Rainhill that added little to the survey as the branch had only been open a few weeks. The agent told us that there was a local shortage of housing suited to first time movers who were families.
- 8.82 We came across considerably more housing under construction in St.Helens Borough than anywhere else in the study area. We achieved 2 interviews at Waterside Park, 3 interviews within the town of St.Helens and two interviews at Newton Le Willows.
- 8.83 At Waterside Park (off St.Helens Expressway) we interviewed two volume house builders. Both estimated that 80% of sales were made to local households. Most incomers were from the Liverpool area. Both developers had a mixture of homes available in terms of size and price and there was a multitude of reasons why households were moving. One builder had achieved 60% of sales using help to buy and many apartments and small homes had been bought by first time buyers. One agent highlighted the importance of offering part exchange to close sales with second time movers.
- 8.84 At St.Helens, the Bellway (Beech Gardens) agent estimated that 80% of sales were to local households however due to pricing, 95% of sales were the Help to Buy scheme assisted. The agent qualified that incomers were still relatively local, citing sales to Rainhill residents. She added that people tend to stay within St.Helens and move around within it. The Taylor Wimpey Scheme at Cunningham Grange had achieved 90% of sales to local households with around 70% being the Help to Buy scheme assisted. The agent explained that house types had resulted in pricing that was very attractive to young buyers whether first time buyers or those seeking to upgrade from local terraced housing.
- 8.85 At Rainhill, The Stephenson Grove Development by Countryside development had attracted nearly all sales from a 3-mile radius of the site. The sales agent told us that 70% were the Help to Buy assisted. The developer had anticipated a higher proportion of sales using their part exchange scheme. The agent explained that a higher proportion of first time buyers had bought into the scheme than anticipated because many had spent many years renting because of the credit crunch, they had time to save deposits and were older with higher incomes than the first time buyer would have been in 2006.
- 8.86 At Newton Le Willows sales agent at Morris Homes, College Place development told us that 'most' sales were to local people. The agent cited cases of long distance moving households returning to

the area later in life seeking to be nearer their children to retire and explained that new build was a popular choice with long distance movers. Current homes on offer were mostly small 3 bedroom homes which were popular with downsizers or first time buyers. 50% of homes were the Help to Buy scheme assisted and many of the remainder were assisted with part exchange deals. The Persimmon (Vulcan Park) sales agent expanded upon resale agent's remarks about the uniqueness of the village's location. He explained that the village was close to 3 sub-regional boundaries with easy access to road and rail links to many labour markets. Whilst most sales had been made to households previously living within a 5-mile radius there was some interest from further afield. The proportion of sales assisted with the Help to Buy scheme or part exchange was similar to the Morris homes site.

Social and affordable housing

- 8.87 St.Helens' former council housing is owned and managed by Helena Partnerships. However, there are around 17,000 homes owned by all registered providers operating in the borough.
- 8.88 Lettings are made from a choice based lettings scheme known as the 'under One Roof' scheme. Most registered provider lettings are made using this system that serves the borough only.
- 8.89 We were told that there is a mismatch between the housing stock and the characteristics of households on the waiting list. In broad terms over 50% of the waiting list is made up of single people yet nearly half of the stock is 3-bedroom family homes. There is a shortage of accommodation for single people especially those regarded as vulnerable. Officers told us that welfare benefit reform has resulted in a drastic reduction in demand for 3 bedroom homes and weakened demand for 2 bedroom flats. The response to this is to offer tenancies to working households. Some houses have been converted into apartments.
- 8.90 Officers estimated that around 45% of homeless cases accepted for housing came from private rented sector tenancies. The council operates a rent deposit bond guarantee scheme to support eligible private rented sector tenants. The Council does not lease dwellings from the private rented sector. Private rented sector landlords can advertise vacancies within the Under One Roof Scheme but little use of this has been made by landlords.

Warrington

- 8.91 In addition to agents based in the town centre we achieved interviews at Culcheth, Fearnhead/Birchwood, Lymm, Great Sankey and Stockton Heath. These areas were chosen to represent the diversity of Warrington's housing market. Interviews were mostly focused on re-sale housing as letting enquiries tended to be managed centrally. Whilst large volumes of recent new build are evident we came across few sites under construction with on-site sales staff. We noted several sites near to the Manchester Ship Canal (MSC) that were in the early stages of construction.
- 8.92 Agents in Culcheth told us that there were two sub markets within the village with quite different characteristics. One area has mainly lower prices housing where social housing and former social

housing is evident. Here most sales and lettings are made to local households. However, the other area is higher priced housing which attracts a lot of interest from Manchester based households who re-locate here to escape the City and to place their children in high performing local schools. Most of these households continue to be employed in Manchester and commute there. Agents told us that there was an acute shortage of bungalows. They described a situation where aging residents were seeking to downsize locally and remain members of the local community. Although there are bungalows in the housing stock, few become vacant and vacancies sell quickly. Agents also told us that there is considerable demand for smaller homes from younger households who can afford to pay more than average prices found south of the M62, citing Fernhead as an example.

- 8.93 Birchwood re-sale vacancies are managed by agents based at Culcheth and Fearnhead. Both agents told us that the proportion of incomers was relatively high at 40% of re-sale transactions. As previously mentioned this is partly due to interest from Manchester residents. However, the other main driver is employment led by the scale of employment in the nearby business parks. Agents told us that most enquiries were from Manchester households seeking to relocate although only a proportion actually purchased housing. We were told that investors are particularly active in the Birchwood area and will pay up to £100,000 for suitable property for which there is considerable demand from younger households unwilling or unable to buy. Some are reluctant to buy as they are seeking rapid change in their career paths. The agent noted that many investors are Knutsford or Macclesfield based. These are cash buyers.
- 8.94 The Fernhead agent told us that demand from younger people and small families is greatest but established households seeking to upsize to 4 bedroom homes tend to leave. This is because the range of housing in the area is limited by type and price. Young families and first time buyers find resale housing affordable but few larger homes are available. Maximum prices are £280,000 and vacancies are rare. Young families are attracted by local employment, prices cheaper than Manchester and Liverpool and the ability to commute to these cities. The reputation of local schools is an important factor in their decision to re-locate here. We were told that bungalows are in very short supply. Recent vacancies sold as soon as they came on the market and were not even listed on Rightmove as they were snapped up by local households. The agent drew attention to a local factor that was suppressing demand. We were told that some dwellings in the area are leasehold and that some potential customers are reluctant to purchase dwellings due to the balance of a 125-year lease granted in 1946.
- 8.95 Agents in Great Sankey spoke about the advantages of this residential area that attracts and retains residents. He said that the excellent local high school was an important factor. He estimated that around 25% of transactions were incoming households mostly from Manchester and Liverpool. The agent described large volumes of households that would commute to these cities and beyond with easy access to the M6, M56 and M62. He cautioned that the development of the Omega Site would place further strain on these motorways and this may have a negative impact on the residential area. We were told that prices had recovered their losses since the credit crunch

however volumes were a problem. He cited 3 recent agreed sales that had fallen through because households were unable to find suitable vacancies. These were households seeking to upsize and the agent told us that the most apparent gap in the local market was for 4 bedroom detached homes.

- 8.96 We obtained an interview with an agent based in the village of Lymm. Rightmove data suggests that this village has the highest median prices of all parts of Mid-Mersey. It also had the largest number of premium residences on sale. 10 dwellings had asking prices of over £1m, the highest being £3.8m. This large village is to the east of Warrington with easy access to the M6 and M56. The agent explained that this attracted many incomers – as much as 50% of sales were to incomers especially for the more expensive property. They were also attracted by the character of the village centre with its shops, bars and restaurants and outstanding local schools. Incomers were typically high income managers and professionals many of which would work in Manchester or Liverpool, notably BBC workers based at Salford. There was evidence of other long distance re-location citing households from Cornwall, Wiltshire and London. Re-sales were also popular with households seeking to retire. The agent told us that there was a severe shortage of 3 bedroom semi-detached houses and bungalows.
- 8.97 At Stockton Heath re-sale agents told us that market conditions differed north and south of ‘the water’ (the Manchester Ship Canal). South of the canal, Stockton Heath and Lower Walton were described as locations that people aspired to. Agents pointed out that the character of the area was comparable to other high value areas nearby notably Lymm and Altrincham and each destination would fall into an area of search for households able to afford local prices. Rightmove data supports this however as this is part of the Warrington urban area there were fewer premium residences on the market and due to the diversity of the housing stock, median prices are lower than Lymm. However, prices are significantly higher than elsewhere in Warrington Borough with the exception of Lymm. An agent cited examples of households moving from larger homes elsewhere in Warrington to live in this location. The agent estimated that around 40% of sales were to higher income incomers seeking executive and premium market homes. Agents told us that there was a shortage of 3 bedroom semi-detached homes priced between £200,000 and £400,000. This was to service the needs of higher income second time buyers who needed to upsize and or re-locate. Any that come onto the market sell very quickly and asking prices are mostly achieved. Investors were finding it attractive to buy smaller homes and would pay up to £200,000 and achieve an adequate return as rental values were high in this area. We were told that prices had now exceeded pre credit crunch levels and that sale volumes were improving steadily.
- 8.98 Agents told us that north of the water but south of the town centre, prices were in reach of first time buyers and apartments had proven popular with this group. A higher proportion of purchasers were local residents. There was also terraced housing for those not seeking apartments, some of whom would have children and be seeking to leave private rented property.

- 8.99 Resale agents in Warrington town centre mostly concentrated on town centre rather than borough wide re-sales as many were multi branch agencies. They told us that the proportion of incomers was high especially into the apartment market. They explained that move on housing from apartments can be problematic. Although there are many 2 bedroom terraced homes surrounding the town centre, the moving household is in competition with investors for homes up to £85,000. There is a shortage of 3 bedroom homes. For example, east of the town centre in Latchford however some of this demand is being met by new build housing in this area. Incomers are typically young professionals who are attracted by Warrington Prices, the ability to commute to their place of work if they are not employed in Warrington and the night time economy. There was some evidence of second homes in this market. We were told that some employees found it convenient and economical to rent or buy small apartments for occupation during the working week rather than commute on a daily basis.
- 8.100 There are many independent letting agents servicing the town of Warrington's private rented sector. The multi branch agencies base their lettings business in town centre locations. We interviewed both. The town centre independent agent told us that there was a very active apartment market which was mostly employment driven as described above for the re-sale market. Tenants would be those not able to or seeking to buy. Some tenants would be working for large employers and expect to re-locate frequently as their career progresses so home ownership is not an option. There is also considerable demand for houses in and around the town centre. Around 30% are occupied by tenants claiming housing benefit. A further feature of this market is young professionals from India working in the IT sector and Polish and other Eastern Europeans working in manufacturing or service industries.
- 8.101 Multiple agencies told us that in some parts of the borough there were particular shortages of 2 bedroom homes for first time renters and 3-bedroom better quality homes for upgraders.
- 8.102 Both agents told us that prices were stable and there was little upward pressure on them. We questioned both agents on this as all of the evidence points to high levels of demand. Agents told us that this is because the market is very competitive and is subject to a great deal of churn as renters seek the best quality housing they can afford. Most tenants negotiate on price and other incentives such as décor and a small concession on rent will often be the deciding factor. Also landlords seek to retain tenants rather than suffer rental losses, council tax liability and fees due to vacancies so generally do not seek rent increases when a tenancy is renewed.
- 8.103 We visited a number of new build sites in Warrington. David Wilson Homes have new homes on sale at Walton Lock. The sales agent found it difficult to generalise about the pattern of sales as the scheme consisted of apartments and houses and the agent explained that the customer for each is different. Apartments face the Manchester Ship Canal and most of these were sold to local first time buyers using help to buy. The two and three bedroom houses were sold mainly to local first and second time buyers who were mostly young professional households with children. Both houses and apartments attracted incomers especially from Liverpool and Manchester.

- 8.104 We interviewed senior managers from Square One Homes at their Kingfisher Square Development near Bruche Park WA1. This company specialises in low cost home ownership with prices from
- 8.105 £70,000 with the Help to Buy scheme available. Managers were anticipating a meeting with Homes and Community Agency Officials and were hoping to partner with registered providers in future schemes. These are small contemporary one and two bedroom homes. They have design features that reduce the cost of ownership though hard landscaping and solar energy that minimize service charges. All enquiries and sales to date had been to first time buyers previously resident in the immediate surrounding area.

The private rented sector

- 8.106 To provide a balanced view of the private rented sector we asked the local authority private rented sector enforcement team for some further information from the local authority perspective. We were told that most segments of the market were present in Halton except there was no tied housing and married quarters for service families. There are 37 licensed houses in multiple occupation spread across the Borough. The council has introduced Article 4 directions in 2 small areas, one of which is a conservation area but we were told that no more were planned.
- 8.107 The local authority meets with its landlord forum every 6 months. Forum meetings are used as part of the consultation process with landlords. Topics for discussion include changes in legislation or council policy, new products and welfare reform. Officers reported a generally positive relationship between landlords and the council. The council runs a landlord accreditation scheme jointly with Cheshire East and Cheshire West Councils. A very small proportion of landlords have joined the scheme.
- 8.108 The local authority also runs a bond guarantee scheme offering support for 12 months.
- 8.109 The most frequent complaints to the local authority about private rented sector tenancies concern damp and mould, defective boilers and reporting of suspected HMOs.

Social and affordable housing

- 8.110 The local authority transferred all of its council housing to the Golden Gates Housing Trust. Lettings are made via a local choice based lettings scheme called 'Chooseahome'.
- 8.111 More detailed information on supply and demand imbalances was requested. As mentioned previously the information was not made available to us because of the peak in workload placed on registered providers by the Governments budget 2015. The Council plans to construct 54 x 2 bedroom apartments for the over 55s in Penketh on the site of a former care home.
- 8.112 Housing options staff work with the private rented sector to secure additional supply. Whilst they do not operate a private rented sector leasing scheme a bond guarantee scheme available to applicants threatened with homelessness. A floating tenancy support service is also provided to this

group by third sector providers. Around one 5th of all statutory homeless applications are due to private rented sector tenancies that have failed or ended.

Registered providers

- 8.113 The Golden Gates housing trust provided additional information. An officer told us that there is a critical shortage of 2 bedroom houses in Warrington and that there is a limited supply of all types and sizes of social housing south of the Manchester Ship Canal.
- 8.114 Recent benefit reforms meant that benefit dependent single person households would struggle to have enough money to live independently and demand for single person accommodation for those under pensionable age had weakened. There was still demand from pensioner households. Benefit reform had also resulted in less demand for larger family homes.
- 8.115 We were told that there is very little development in the pipeline. Currently there are 18 two bedroom homes under construction. Plans for around 130 new homes within Warrington are under review due to announcements in the Government's summer 2015 budget. Self-build homes were not envisaged by the housing association.
- 8.116 The officer told us that it was too early to assess the impact of the Government's proposal to extend the right to buy to housing association tenants, but pointed out that the majority of their tenants retain the right to buy as they were council tenants at the time of the transfer to Golden Gates Housing.

Student Housing

- 8.117 We interviewed officials from the University of Cheshire Warrington Campus and the St.Helens College of further education (FE).
- 8.118 University estate officials told us that the university normally accommodates all first year students on campus within the 360 bed spaces provided by the university. Second and third year students find private rented sector accommodation which is mostly shared. Some second year students are on work placements and do not attend university which reduces the demand for private rented sector bed spaces below the number of enrolled students. The university works with around 60 registered landlords which accounts for around half of the bed spaces required. The other half are accommodated in unregistered accommodation or have no accommodation requirements. Officials told us that the university had a long term aim of becoming larger but were not aware of immediate plans for growth. They commented that teaching capacity and workspace would need to be addressed first. Officials explained that the university had close links with the further education (FE) colleges in Warrington but understood their student housing requirements to be minimal.
- 8.119 St.Helens College is a FE institution. Officials told us that a long term trend of students being local to St.Helens meant that the college had student accommodation that was no longer needed. It had

sold its student accommodation recently and told us that there was little demand for student housing in the private rented sector.

- 8.120 Local estate agents to both institutions told us that the scale of student housing meant that there was no undue pressure on the housing market.

Implications of Market Signals

- 8.121 There has been a fundamental shift in housing market conditions nationally since 2007, particularly in relation to confidence and credit availability. Housing market conditions have been relatively stable over the past few years but sales market activity has been low. House prices have remained fairly constant during this period. Sales volumes have begun to improve over the last 18 months as confidence starts to return to the market.
- 8.122 Housing costs in Warrington, for both purchasing and renting, are generally higher than the wider comparators with those in St.Helens and Halton below it. Affordability pressures across the HMAs are not as severe as the national or even regional picture. The affordability of lower quartile market housing is on average around five times the equivalent earnings. There continues to be constraints on access to mortgage finance, such a ratio is likely to preclude many from entering the property market without a significant deposit.
- 8.123 As a part-result there has seen a shift in the tenure profile across the HMAs - with a reduction in the number of homeowners with a mortgage or loan and a similar growth in the Private Rented Sector. We have also seen increased levels of people living in shared and overcrowded households.
- 8.124 Overall, the analysis of market signals points to some affordability pressures in the HMA although not as bad as that seen in the wider comparators. However due to the increases in shared ownership and to meet the needs of concealed and homeless households some upward adjustment to assessment of housing need may be required. This is in line with Paragraph 20 of the PPG which sets out that:

“In areas where an upward adjustment [to the assessment of housing need] is required, plan makers should set this adjustment at a level that is reasonable. The more significant the affordability constraints (as reflected in rising prices and rents, and worsening affordability ratio) and the stronger other indicators of high demand (e.g. the differential between land prices), the larger the improvement in affordability needed and, therefore, the larger the additional supply response should be.”

- 8.125 However, the PPG does not set out how such an adjustment should be quantified. It simply sets out that it should be ‘reasonable.’ Over the last year or so different inspectors have taken a range of views on this matter, including.
- Mendip (October 2014) – *‘these findings indicate that trends in Mendip sit fairly comfortably alongside county, regional and national trends and do not, therefore, justify an upward adjustment of the housing numbers that came out of the housing projection’*
 - Eastleigh (November 2014) – *‘It is very difficult to judge the appropriate scale of such an uplift. I consider a cautious approach is reasonable bearing in mind that any practical benefit is likely to*

be very limited because Eastleigh is only a part of a much larger HMA. Exploration of an uplift of, say, 10% would be compatible with the modest pressure of market signals recognised in the SHMA itself.

- Uttlesford (December 2014) – *‘While evidence on some of these topics is patchy. Taking them in the round and without discussing them in detail here, I consider that an uplift of at least 10% would be a reasonable and proportionate increase in the circumstances of Uttlesford’*
- Stratford-on-Avon (March 2015) – Despite the area show strong evidence of strong affordability pressures the inspector concluded that *‘On balance I conclude, despite the SHMA’s finding that there is a case for an uplift, that an upward adjustment in housing numbers has not been justified in terms of market signals in the District’.*
- Crawley (May 2015) – Despite the Council themselves seeking to make a market signals adjustment the inspector concluded that he was *‘not convinced that the market signals uplift is justified by the evidence, for the various indicators reveal a situation in Crawley which is not as severe as in other North West Sussex authorities, and one that has not worsened in recent years’.*
- Cornwall (June 2015) – The same Inspector as the Eastleigh Local Plan inquiry suggested that *‘National guidance is that a worsening trend in any relevant market signal should result in an uplift. But for the reasons given below I do not consider that I should require such an uplift to be made for Cornwall at this time’*

8.126 Clearly from the above examples there are some quite contrary views being aired. With that in mind GL Hearn have sought consider this issue based on firm rationale which reflects the degree to which household formation levels have been constrained for younger age groups, and what scale of adjustment to housing provision would be necessary for these to improve.

8.127 The OAN projections so far developed have used data from the 2012-based CLG household projections with adjustments to reflect the latest available mid-year estimates and to allow for UPC (scenario 4) and finally to reflect baseline economic growth forecasts in the area. It is important to consider how these housing market trends relate through to demographic projections in considering, as the PPG recommends, whether there is a case for adjusting levels of housing provision in effect to improve affordability over the longer-term.

8.128 National research undertaken for the RTPI by Neil McDonald and Peter Williams at Cambridge University indicates a particular effect of the decline in affordability between 2001 and 2011 and the economic recession has been young adults living within a parental home for longer or living in shared accommodation rather than separate accommodation. The impact of this, their research shows, has been most significant for the 25-34 age group.

8.129 A detailed interrogation of demographic dynamics in Mid-Mersey indicates that in demographic terms, the deterioration in affordability of market housing and the economic recession over the 2001-11 decade is likely to have influenced – at least in part – a decline in household formation rates in younger people, particularly amongst those aged between 25 and 34. This age group was identified earlier as showing some degree of suppression when balancing past trends and the future projection.

8.130 When age-specific data is considered it is notable that those aged 25-34 have lower headship rates than has been seen historically (e.g. in 2001, the point at which the rate started to decline) – rates

have dropped considerably from 2001 to 2011. Sensitivity analysis has been run, which considers and seeks to quantify the implication of returning the household formation rates of the 25-34 age group back to 2001 levels by 2025 (from 2015). In other words, this assumes that headship rates will improve between 2015 and 2025 and then track the 'trends' suggested in the 2012-based CLG household projections thereafter.

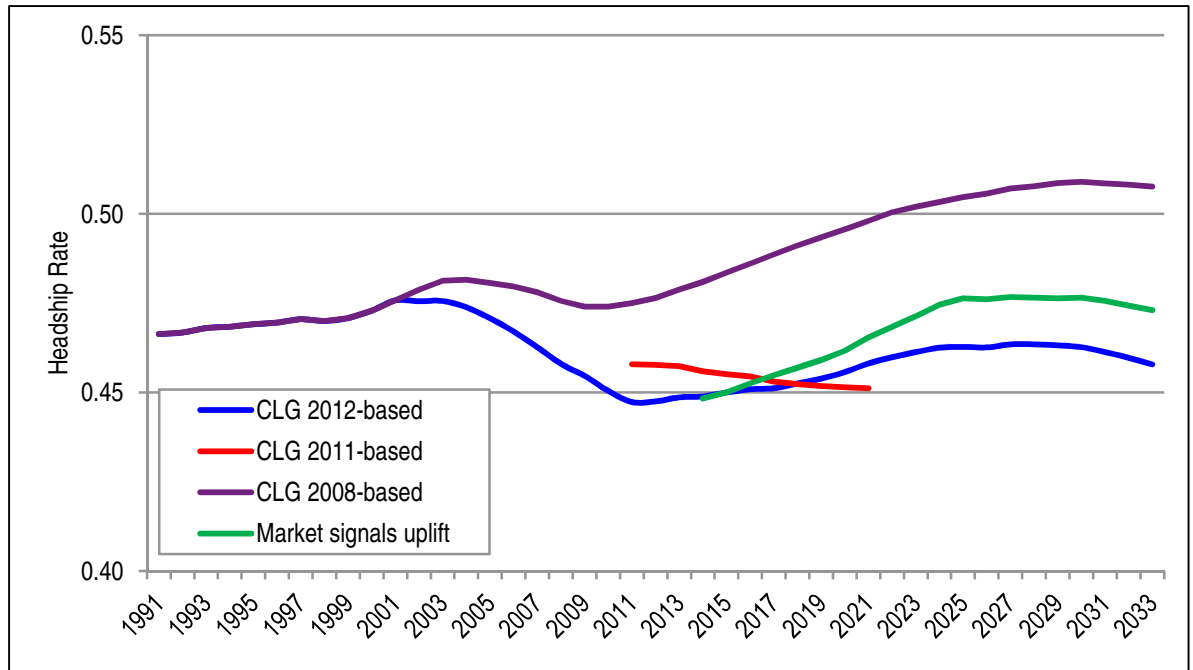
8.131 This sensitivity in effect seeks to consider a scenario in which affordability and access to housing for younger households improves, and quantifies what level of housing provision might be associated with this, all other factors being equal. If achieved, the effect would be to reduce the proportions of shared households and persons within this age group living with parents. We term this sensitivity analysis the 'market signals uplift.'

8.132 Our approach to a market signals uplift has recently been accepted by the Planning Framework inspector in Horsham (report dated October 2015). In para 37 of his report he states:

'The Council have included a modest upwards adjustment in their OAN figure ...to account for affordability pressure in the 25-34 age group, evidenced by substantial growth in private rented sector accommodation and the number of persons in HMOs, even though these indicators are again in line with HMA and national trends. I consider there is no strong case for a significant uplift to account for market signals in Horsham district, which are very similar to those elsewhere across virtually all of the south east. The Council's modest increase appears appropriate therefore.'

8.133 Figure 49 shows headship rates for people aged 25-34 under a range of different scenarios. The data clearly shows that in the 2011-based projection there was expected to be a continued decrease in formation rates, the core (2012-based CLG) projection sees a small increase moving forward whilst the market signals uplift shows an improvement which takes the formation rate back towards that in the 2008-based projections. Compared with the 2012-based projections, the market signals uplift would be expected to see a stronger level of household formation from younger households.

Figure 49: Projected Household Formation Rates for those aged 25-34 – Mid-Mersey



Source: Derived from CLG data

- 8.134 The sensitivity analysis indicates that, all other things being equal, an uplift of around 46/47 homes per annum across the study area would support an improvement in affordability and household formation rates amongst younger households. The uplift for each authority area is shown in the table below. The analysis is based on a projection linked to the core demographic projection and also linked to the baseline job-growth forecast.

- 8.135 In reality, other factors such as real growth in disposable income (allowing people to save), the availability of and access to mortgage finance, interest rates and economic confidence will all influence trends in household formation. There is a complex set of factors at play, and it is difficult to predict how these factors might interact in the future and the impact on household formation rates (in the absence of any supply-side constraints). Furthermore, part of the changes in household formation rates for this age group may have been due to international migration.

- 8.136 We have firstly applied the uplift to the recommended demographic scenario. This shows that an additional 46 dwellings would be required to return the household formation rates of 25-34 year olds within the Mid-Mersey HMA back to 2001 levels by 2025.

Table 69: Projected household growth 2014-37 – demographic model linked to Scenario 4 – with market signals uplift

	House-holds 2014	House-holds 2037	Change in house-holds	House-holds Per annum	Dwellings (per annum)	From scenario 4	Potential uplift	% uplift
Halton	54,162	63,351	9,189	400	410	388	21	5.5%
St.Helens	77,174	85,392	8,218	357	374	369	5	1.5%
Warrington	87,953	105,188	17,235	749	774	755	19	2.5%
Mid-Mersey	219,289	253,931	34,642	1,506	1,558	1,512	46	3.0%

Source: GL Hearn and CLG (numbers may not add due to rounding)

8.137 We have also calculated the uplift to the recommended economic scenarios. This shows that an additional 47 dwellings would be required to return the household formation rates of 25-34 year olds within the Mid-Mersey HMA back to 2001 levels by 2025.

Table 70: Projected household growth 2014-37 – linked to job growth forecasts – with market signals uplift

	House-holds 2014	House-holds 2037	Change in house-holds	House-holds Per annum	Dwellings (per annum)	From job-led model	Potential uplift	% uplift
Halton	54,162	64,620	10,457	455	466	444	22	5.0%
St.Helens	77,174	87,081	9,907	431	451	445	6	1.2%
Warrington	87,953	106,630	18,678	812	839	820	19	2.3%
Mid-Mersey	219,289	258,331	39,042	1,697	1,756	1,710	47	2.7%

Source: GL Hearn and CLG (numbers may not add due to rounding)

8.138 The apparent uplift of about 3% could be argued to be modest and is some way below the sort of levels that have been suggested by some inspectors at Local Plan inquiries (e.g. in both Eastleigh and Uttlesford where a 10% uplift was proposed). However, affordability pressures in Mid-Mersey are not as strong as in Eastleigh or Uttlesford.

8.139 In addition, the 3% increase needs to be considered in light of the fact that the baseline 2012-based CLG household projections are already building in some improvements to household formation of younger households moving forward. Looking back at information in Section 4 it can be seen that for the whole of the HMA the CLG projections are expecting to see improvements for all age groups up to age 45 (which might sensibly be considered as younger households).

8.140 The uplift to housing need looks to be fairly modest – this however needs to be understood against a context where key age groups (e.g. people aged under 45) are already projected to see increases in household formation rates moving forward from 2012. If the headship rates of the population aged under 45 are held constant at 2014 levels for the duration of the projection, then the derived housing need would be 1,635 dwellings per annum – the uplift applied (bringing the need to 1,756) is therefore some 7.4% above a 'constant' position.

8.141 The Objectively Assessed Need for housing is the figure that will meet both the need arising through demographic factors and that needed to support economic forecasts / aspirations, adjusted for market signals.

8.142 The objectively assessed need for housing across the HMA is therefore 1,756 homes which can be disaggregated on the following basis:

- Halton –466 homes per annum;
- St Helens –451 homes per annum; and
- Warrington –839 homes per annum.

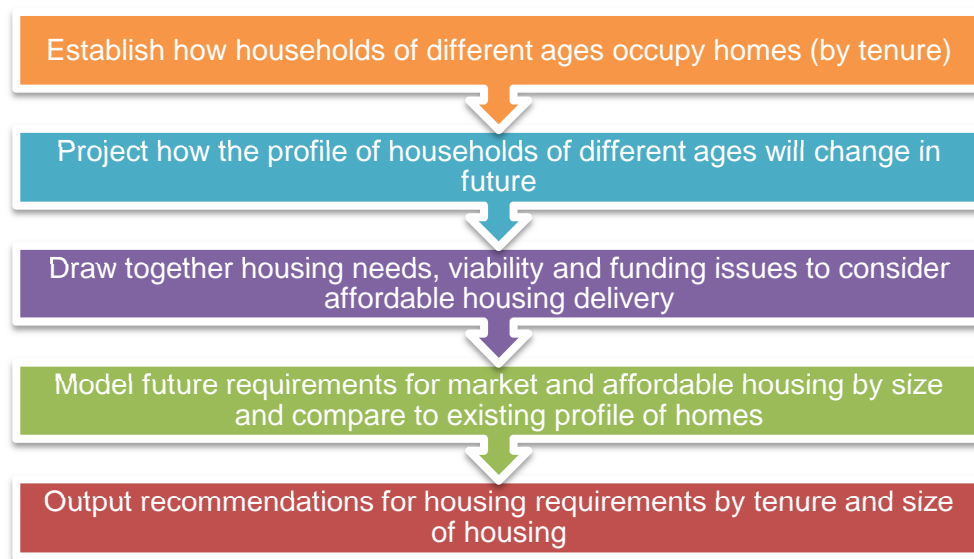
9 NEED FOR DIFFERENT SIZES OF HOMES

Introduction

- 9.1 As noted in Section 7, there are a range of factors which influence housing demand. 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. It is important to understand that the housing market is influenced by macro-economic factors, as well as the housing market conditions at a regional and local level.
- 9.2 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 of housing required in the future. For analysis purposes, the analysis assumes population and household growth in line with the demographic projection linked to the 2012-based Household Projections, but with an adjustment to take account of both UPC and more recent information about migration and demographic change. This projection indicates a need for 34,783 homes across the Housing Market Area between 2014 and 2037.
- 9.3 It should be noted that this projection will not necessarily be translated into policy, once account is taken of other factors including development constraints, but has been used to indicate the likely need for different sizes of homes moving forward. Were a projection with a different housing figure used then the outputs would be expected to be broadly similar.

Methodology

- 9.4 The figure below describes the broad methodology employed in the housing market model which is used to consider the need for different sizes of market and affordable homes. Data is drawn from a range of sources including the 2011 Census and demographic projections.

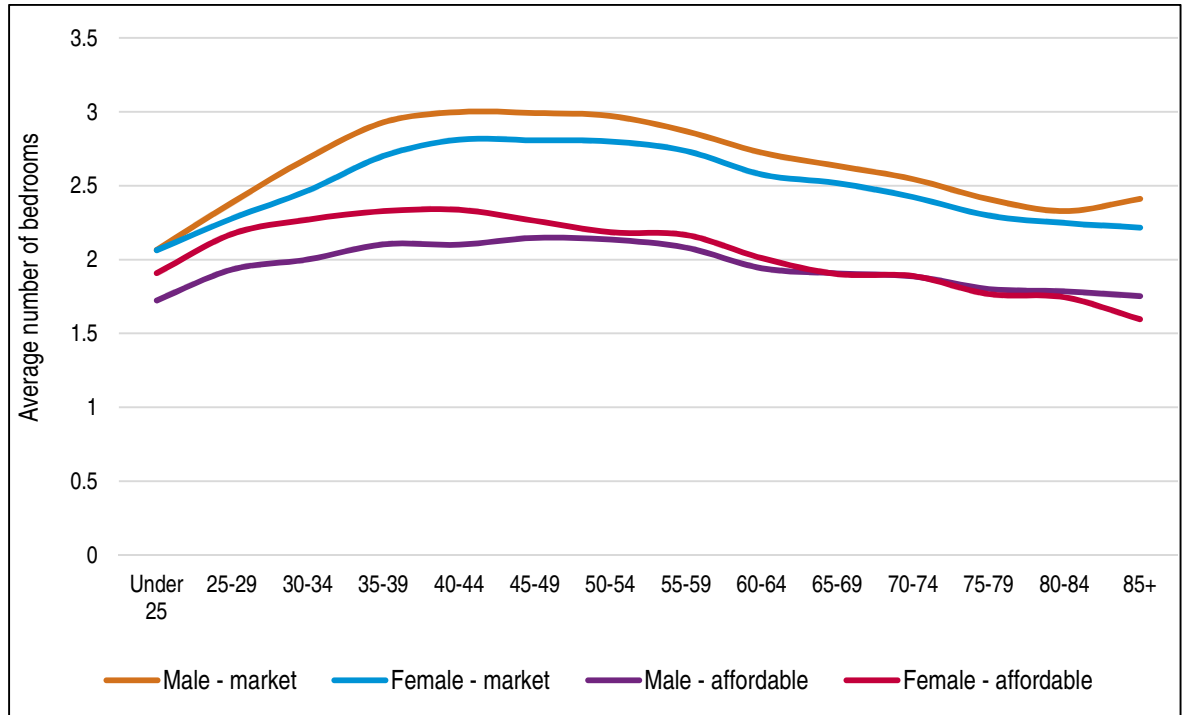
Figure 50: Stages in the Housing Market Model**Understanding how Households Occupy Homes**

- 9.5 Whilst the demographic projections provide a good indication of how the population and household structure will develop, it is not a simple task to convert the net increase in the number of households into 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.
- 9.6 The size of housing which households occupy relates more to their wealth and age than the number of people which they contain. 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 into a need for smaller units. This issue is less relevant in the affordable sector (particularly since the introduction of the social sector size criteria) although there will still be some level of under-occupation moving forward with regard to older person and working households who may be able to continue to under-occupy their current homes.
- 9.7 The approach used is to interrogate information derived in the projections about the number of household reference persons (HRPs) in each age and sex group and apply this to the profile of housing within these groups. The data for this analysis has been formed from a commissioned table by ONS (Table C1213 which provides relevant data for all local authorities in England) with data then calibrated to be consistent with 2011 Census data (e.g. about house sizes in different tenure groups and locations).
- 9.8 The figure below shows an estimate of how the average number of bedrooms varies by different ages of HRP and different sexes by broad tenure group. In the market sector the average size of accommodation rises over time to typically reach a peak around the age of 40-50. In the affordable

sector this peak appears earlier. After this peak the average dwelling size decreases – as some typically some households downsize as they get older.

- 9.9 It is also notable that the average size for affordable housing dwellings are lower than those for market housing whilst in market housing male HRP's live in larger accommodation for all age groups (with generally the opposite trend being seen in the affordable sector).

Figure 51: Average Bedrooms by Age, Sex and Tenure – Mid-Mersey



Source: Derived from ONS Commissioned Table C1213 and 2011 Census

Establishing a Baseline Position

- 9.10 As of 2014 it is estimated that there were 219,289 households living in Mid-Mersey. Analysis of Census data linked to the demographic baseline provides an estimate of the profile of the housing stock in 2014, as shown in the table below. This shows that an estimated 20% of households live in affordable housing with 80% 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 the 2011 Census along with an estimate of changes in the sector from 2011 to 2014 from data in CLG Live Table 100. The data also suggests that homes in the market sector are generally bigger than in the affordable sector with 73% having three or more bedrooms compared to 46% for affordable housing.

- 9.11 These figures are for households rather than dwellings as information about the sizes of vacant homes across the whole stock (i.e. market and affordable) is not readily available. For the purposes of analysis this will not make any notable difference to the outcome. The household projections have, however, been translated into dwelling figures by including a vacancy allowance when studying the final outputs of the market modelling.

Table 71: Estimated Profile of Dwellings in 2014 by Size – Mid-Mersey

Size of housing	Market		Affordable		Total	
	Number	%	Number	%	Number	%
1 bedroom	5,753	3.3%	12,087	27.2%	17,840	8.1%
2 bedrooms	42,313	24.2%	11,697	26.3%	54,010	24.6%
3 bedrooms	93,699	53.6%	18,796	42.3%	112,494	51.3%
4+ bedrooms	33,095	18.9%	1,850	4.2%	34,945	15.9%
Total	174,860	100.0%	44,429	100.0%	219,289	100.0%
% in tenure	79.7%		20.3%		100.0%	

Source: Derived from 2011 Census

Tenure Assumptions

- 9.12 The housing market model has been used to estimate the future need for different sizes of property over the 23-year period from 2014 to 2037. 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 the mix of future housing will be in the market and affordable sectors.
- 9.13 It is necessary on this basis to make some judgement for modelling purposes on what proportion of net completions might be of market and affordable housing. For modelling purposes, the analysis assumes that 25% of net completions are of affordable housing. This is not a policy target. Policy targets for affordable housing on new development schemes in some cases are above this; but not all sites deliver policy-compliant affordable housing provision, whilst some delivery is on sites below affordable housing policy thresholds. Equally some housing development is brought forward by Registered Providers and local authorities and may deliver higher proportions of affordable housing than in current policy. It should be stressed that this is not a policy position and has been applied simply for the purposes of providing outputs from the modelling process.

Key Findings: Market Housing

- 9.14 There are a range of factors which can influence demand for market housing in different locations. The focus of this analysis is on considering long-term needs, where changing demographics are expected to be a key influence. It uses a demographic-driven approach to quantify demand for different sizes of properties over the 23-year period from 2014 to 2037.
- 9.15 On the basis of the modelling assumptions, an increase in 25,216 additional households is modelled. The majority of these need two- and three-bed homes. The data suggests that housing need can be expected to reinforce around the existing profile, but with a slight shift towards a requirement for smaller dwellings relative to the distribution of existing housing. This is understandable given the fact that household sizes are expected to fall slightly in the future – particularly as a result of a growing older population living in smaller households.

Table 72: Estimated Size of Additional Dwellings Needed at 2014 and 2037 – Market Housing – Mid-Mersey

Size	2014	2037	Additional households 2014-2037	% of additional households
1 bedroom	5,753	7,267	1,514	6.0%
2 bedrooms	42,313	50,428	8,114	32.2%
3 bedrooms	93,699	106,730	13,032	51.7%
4+ bedrooms	33,095	35,651	2,556	10.1%
Total	174,860	200,076	25,216	100.0%

Source: Housing Market Model

- 9.16 The statistics are based upon the modelling of demographic trends. As has been 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; this may include an increased demand in the private rented sector for rooms in a shared house due to changes in housing benefit for single people. In determining policies for housing mix, policy aspirations are also relevant.
- 9.17 At the strategic level, a local authority in considering which sites to allocate, can consider what type of development would likely be delivered on these sites. It can also provide guidance on housing mix implicitly through policies on development densities.
- 9.18 The table below sets out the above information at a local authority level (just the overall % of additional households by size of dwelling). The analysis shows that all areas see a similar pattern of need, with a particular focus on two- and three-bedroom homes. The main difference to be observed is a slightly higher need for two-bedroom homes in St.Helens and fewer four-bedroom properties. Overall, however, the differences between areas are not considered to be particularly significant.

Table 73: Estimated Size of Additional Dwellings Needed 2014 to 2037 – Market Housing – local authority outputs

Size	Halton	St.Helens	Warrington	Mid-Mersey
1 bedroom	6.5%	4.6%	6.5%	6.0%
2 bedrooms	30.4%	34.2%	32.1%	32.2%
3 bedrooms	52.7%	55.7%	49.2%	51.7%
4+ bedrooms	10.5%	5.5%	12.2%	10.1%
Total	100.0%	100.0%	100.0%	100.0%

Source: Housing Market Model

Key Findings: Affordable Housing

- 9.19 Table 74 show estimates of the need for different sizes of affordable homes based on the analysis of demographic trends. The data suggests in the period between 2014 and 2037 that around three-quarters of the need is for homes with one- or two-bedrooms across the HMA; with around a quarter of the need being for larger homes with three or more bedrooms.
- 9.20 This analysis provides a longer-term view of the need for different sizes of affordable housing and does not reflect any specific priorities such as for family households in need rather than single people. In addition, it should be noted that smaller properties (i.e. one bedroom homes) typically offer limited flexibility in accommodating the changing needs 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. That said, there may in the short-term be an increased requirement for smaller homes as a result of welfare reforms limiting the amount of housing benefit being paid to some working-age households.

Table 74: Estimated Size of Additional Dwellings Required 2014 to 2037 – Affordable Housing – Mid- Mersey

Size	2014	2037	Additional households 2014-2037	% of additional households
1 bedroom	12,087	15,907	3,820	45.4%
2 bedrooms	11,697	13,985	2,289	27.2%
3 bedrooms	18,796	20,877	2,082	24.8%
4+ bedrooms	1,850	2,065	215	2.6%
Total	44,429	52,834	8,405	100.0%

Source: Housing Market Model

- 9.21 As with market housing, the data again shows that relative to the current profile there is a slight move towards a greater proportion of smaller homes being needed (again related to the ageing population and the observation that older person households are more likely to occupy smaller dwellings).
- 9.22 Table 75 sets out the above information at a local authority level (just the overall % of additional households by size of dwelling). The analysis shows that all areas see a similar pattern of need, with a particular focus on one- and two-bedroom homes. The main difference to be observed is a

slightly higher need for three-bedroom homes in St.Helens and fewer one-bedroom properties. Overall, however, the differences between areas are not considered to be particularly significant.

Table 75: Estimated Size of Additional Dwellings Needed 2014 to 2037 – Affordable Housing – local authority outputs

Size	Halton	St.Helens	Warrington	Mid-Mersey
1 bedroom	44.8%	39.4%	48.7%	45.4%
2 bedrooms	28.4%	29.2%	25.7%	27.2%
3 bedrooms	23.8%	29.5%	23.0%	24.8%
4+ bedrooms	3.0%	1.9%	2.7%	2.6%
Total	100.0%	100.0%	100.0%	100.0%

Source: Housing Market Model

Indicative Targets by Dwelling Size

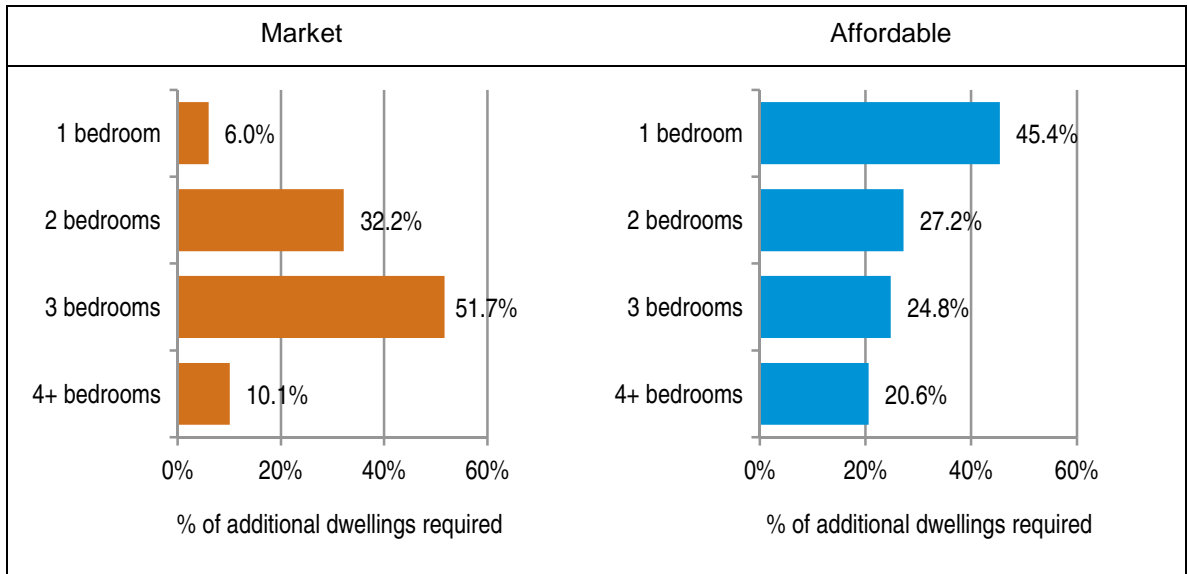
9.23 The table and figure below summarises the above data in both the market and affordable sectors under the modelling exercise. A vacancy allowance (see Paragraph 4.55) has been factored in when moving from household figures to estimates of housing need/demand (the same figures have been used as in the demographic modelling (paragraph 4.55)).

Table 76: Estimated dwelling requirement by number of bedrooms (2014 to 2037) – Mid-Mersey

Number of bedrooms	Market			Affordable		
	House-holds	Dwellings	% of dwellings	House-holds	Dwellings	% of dwellings
1 bedroom	1,514	1,565	6.0%	3,820	3,950	45.4%
2 bedrooms	8,114	8,397	32.2%	2,289	2,368	27.2%
3 bedrooms	13,032	13,485	51.7%	2,082	2,155	24.8%
4+ bedrooms	2,556	2,640	10.1%	215	223	2.6%
Total	25,216	26,087	100.0%	8,405	8,696	100.0%

Source: Housing Market Model

Figure 52: Size of Additional housing required 2014 to 2037 – Mid-Mersey



Source: Housing Market Model

9.24 Although the analysis has quantified this on the basis of the market modelling and an understanding of the current housing market it does not necessarily follow that such prescriptive figures should be included in the plan making process. The ‘market’ is to some degree a better judge of what is the most appropriate profile of homes to deliver at any point in time, and demand can change over time linked to macro-economic factors and local supply. The figures can however be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by demographic change in the area.

Implications – Need for Different Sizes of Homes

- There are a range of factors which will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households' ability to save; economic performance and housing affordability. The analysis linked to long-term (23- year) demographic change concludes that the following represents an appropriate mix of affordable and market homes:

	1-bed	2-bed	3-bed	4+ bed
Market	5-10%	30-35%	45-50%	10-15%
Affordable	40-45%	25-30%	20-25%	5-10%
All dwellings	15%	30%	40%	10%

- The strategic conclusions in the affordable sector recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues.
- The mix identified above should inform strategic policies. In applying these to individual development sites regard should be had to the nature of the development site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level.
- Based on the evidence, it is expected that the focus of new market housing provision will be on two- and three-bed properties. Continued demand for family housing can be expected from newly forming households. There may also be some demand for medium-sized properties (2- and 3-beds) from older households downsizing and looking to release equity in existing homes, but still retain flexibility for friends and family to come and stay.
- The analysis of an appropriate mix of dwellings should also inform the 'portfolio' of sites which are considered through by each local authority through its local plan process. Equally, it will be of relevance to affordable housing negotiations.

10 SPECIALIST HOUSING NEEDS

Introduction

- 10.1 In the previous section the needs for different sizes of property have been considered. In this section the need for specialist (supported) housing is considered. The focus is therefore on the needs of older person households and the ageing population although the analysis also considers the number of people with disabilities and how that might change in the future (recognising that there is a strong link between age and disability).
- 10.2 PPG recognises the need to provide housing for older people as part of achieving a good mix of housing. A key driver of change in the housing market over the next few years is expected to be the growth in the population of older persons.
- 10.3 Indeed, as population projections show, the number of older people is expected to increase significantly over the next few years. In this section, a range of sources including the population projections, 2011 Census information and data from POPPI (Projecting Older People Population Information) have been drawn upon.
- 10.4 The context to older persons housing provision can be summarised as below:
- A need to provide housing for older people as part of achieving a good mix of housing, but recognizing that many older people are able to exercise choice and control over housing options– e.g. owner occupiers with equity in their homes;
 - Falling demand for residential care in some areas, and a rapidly rising average age of people living in sheltered housing, requiring higher levels of support. However, many local authorities have struggled to contain expenditure on services for older people;
 - New models of enhanced and extra care housing have emerged. These aim to meet the needs of those who require high levels of care and support alongside those who are still generally able to care for themselves. These models often allow for changing circumstances in situ rather than requiring a move; and
 - Providing choice, including supporting people to stay in their own homes by supporting adaptations to properties and through provision of floating support.

Current Population of Older People

- 10.5 The table below provides baseline population data about older persons and compared this with other areas. The data for has been taken from the published ONS mid-year population estimates and is provided for age groups from 65 and upwards.
- 10.6 The data shows that, when compared with both the region and England, the study area has a similar proportion of older persons. In 2014 it is estimated that 18% of the population of Mid-Mersey was aged 65 or over. Looking at individual local authorities the data shows a higher proportion of older people in St.Helens and a lower proportion in Halton.

Table 77: Older Person Population (2014)

		Under 65	65-74	75-84	85+	Total	Total 65+
Halton	Popn	105,341	12,296	6,549	2,168	126,354	21,013
	% of popn	83.4%	9.7%	5.2%	1.7%	100.0%	16.6%
St.Helens	Popn	142,343	19,679	11,436	3,730	177,188	34,845
	% of popn	80.3%	11.1%	6.5%	2.1%	100.0%	19.7%
Warrington	Popn	170,362	20,508	11,497	4,061	206,428	36,066
	% of popn	82.5%	9.9%	5.6%	2.0%	100.0%	17.5%
Mid-Mersey	Popn	418,046	52,483	29,482	9,959	509,970	91,924
	% of popn	82.0%	10.3%	5.8%	2.0%	100.0%	18.0%
North West	% of popn	82.0%	9.9%	5.8%	2.2%	100.0%	18.0%
England	% of popn	82.4%	9.5%	5.7%	2.3%	100.0%	17.6%

Source: ONS 2014 Mid-Year Population Estimates

Future Changes in the Population of Older Persons

- 10.7 As well as providing a baseline position for the proportion of older persons in the HMA population projections can be used to provide an indication of how the numbers might change in the future compared with other areas. The data for the study area is based on the core projection linked to the 2012-based SNPP (with an adjustment for more recent migration data and UPC). Data for other areas (for comparative purposes) is taken from the 2012-based SNPP.
- 10.8 The data shows that the study area (in line with other areas) is expected to see a notable increase in the older person population with the total number of people aged 65 and over expected to increase by 56% over the 23-years from 2014; this compares with overall population growth of 9% and a small decline in the Under 65 population of 1%. The projected growth in the population aged 65 and over is higher than that projected for the region and slightly below that for England as a whole, although to some degree this will reflect the overall level of population growth projected in different locations.

Table 78: Projected Change in Population of Older Persons (2014 to 2037)

	Under 65	65-74	75-84	85+	Total	Total 65+
Halton	-1.2%	30.8%	80.6%	198.2%	9.6%	63.6%
St.Helens	-5.9%	19.8%	48.3%	157.0%	3.9%	43.9%
Warrington	1.2%	37.1%	67.5%	177.6%	12.0%	62.6%
Mid-Mersey	-1.8%	29.2%	63.0%	174.4%	8.6%	55.7%
North West	-1.8%	26.2%	52.3%	136.3%	7.3%	48.5%
England	5.6%	34.3%	59.6%	141.1%	14.6%	56.9%

Source: derived from ONS data and demographic projections

Health-related Population Projections

- 10.9 In addition to providing projections about how the number and proportion of older people is expected to change in the future it is possible to look at the likely impact on the number of people with specific illnesses or disabilities. For this data from the Projecting Older People Information System (POPPI) website, which provides prevalence rates for different disabilities by age and sex, has been used. For the purposes of the SHMA this analysis has focussed on estimates of the number of people with dementia and mobility problems.
- 10.10 For both of the health issues analysed the figures relate to the population aged 65 and over. The figures from POPPI are based on prevalence rates from a range of different sources and whilst these might change in the future (e.g. as general health of the older person population improves) the estimates are likely to be of the right order.
- 10.11 The figure below shows that both of the illnesses/disabilities are expected to increase significantly in the future although this would be expected given the increasing population. In particular, there is projected to be a large rise in the number of people with dementia (up 100%) along with an 82% increase in the number with mobility problems. Halton looks likely to see the most significant increases.

Table 79: Estimated Population Change for range of Health Issues (2014 to 2037)

	Type of illness/disability	2014	2037	Change	% increase
Halton	Dementia	1,241	2,669	1,428	115.1%
	Mobility problems	3,557	6,915	3,357	94.4%
St.Helens	Dementia	2,114	3,900	1,786	84.5%
	Mobility problems	6,004	10,094	4,091	68.1%
Warrington	Dementia	2,204	4,525	2,321	105.3%
	Mobility problems	6,262	11,776	5,514	88.1%
Mid-Mersey	Dementia	5,559	11,095	5,536	99.6%
	Mobility problems	15,823	28,785	12,962	81.9%

Source: Data from POPPI and demographic projections

People with disabilities

- 10.12 Linked to the number of older persons and the analysis above about dementia and mobility problems will be levels of disability generally. The table below shows the proportion of people with a

long-term health problem or disability (LTHPD) and the proportion of households where at least one person has a LTHPD. The data suggests that across the study area some 28% of households contain someone with a LTHPD. This figure is similar to the equivalent figure for the region but some way above the average for England as a whole. The figures for the population with a LTHPD again show a higher proportion when compared with national figures (an estimated 20% of the population of the study area have a LTHPD).

- 10.13 For the individual local authorities, the data suggests a higher proportion of households and population in St.Helens having a LTHPD and the lowest proportions being in Warrington. The figures for Warrington are slightly lower than both the regional and national figures.

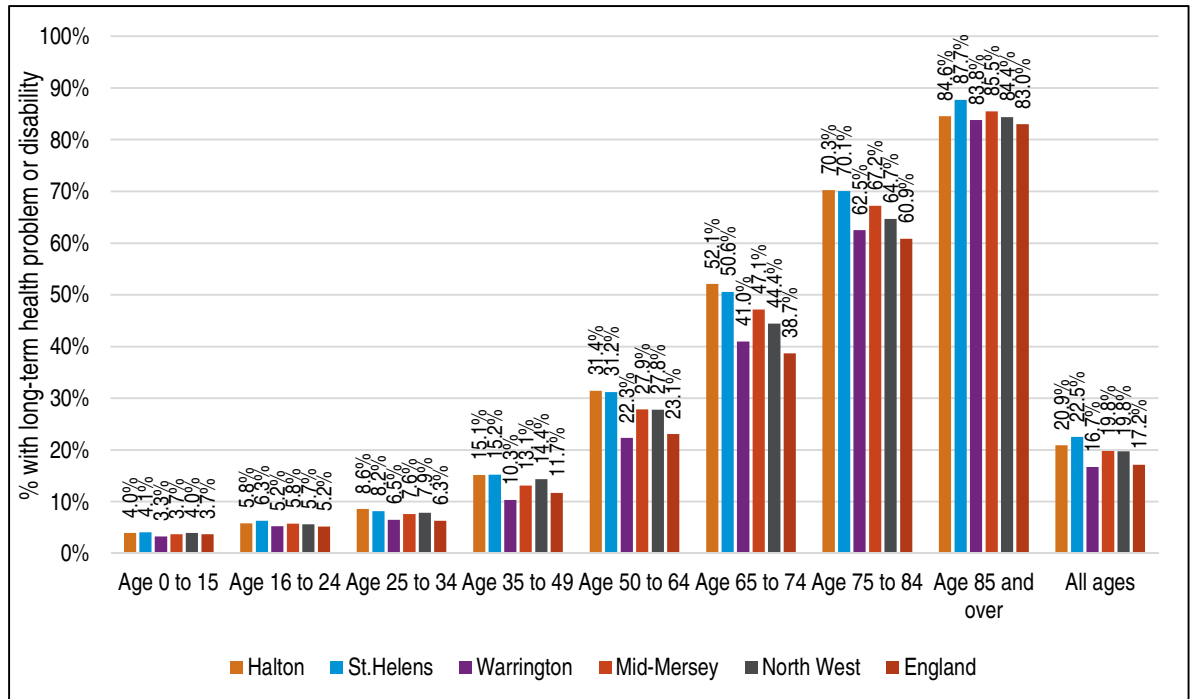
Table 80: Households and people with Long-Term Health Problem or Disability (2011)

Area	Households containing someone with health problem		Population with health problem	
	Number	%	Number	%
Halton	15,770	29.6%	26,865	21.4%
St.Helens	22,966	30.3%	40,262	23.0%
Warrington	21,158	24.9%	34,997	17.3%
Mid-Mersey	59,894	28.0%	102,124	20.3%
North West	857,462	28.5%	1,426,805	20.2%
England	5,659,606	25.7%	9,352,586	17.6%

Source: 2011 Census

- 10.14 It is likely that the age profile of the area will impact upon the numbers of people with a LTHPD, as older people tend to be more likely to have a LTHPD. Therefore, the table below shows the age bands of people with a LTHPD. It is clear from this analysis that those people in the oldest age bands are more likely to have a LTHPD – for example some 86% of people aged 85 and over have a LTHPD. It should be noted that the base for the figure below is slightly different to the above table in that it excludes people living in communal establishments.
- 10.15 When looking at individual local authorities the data shows higher levels of LTHPD for all ages in Halton and St.Helens than Warrington.

Figure 53: Population with Long-Term Health Problem or Disability in each Age Band



Source: 2011 Census

- 10.16 The age specific prevalence rates shown above can be applied to the demographic data to estimate the likely increase over time of the number of people with a LTHPD. In applying this information to the core demographic projection (linked to the 2012-based SNPP with adjustments for more recent migration data and UPC) it is estimated that the number of people with a LTHPD will increase by around 32,400 (a 31% increase). The level of increase varies from 23% in St.Helens to 39% in Warrington – differences between areas will be linked to overall population growth and the expected changes to age structures.
- 10.17 Across the study area, all of this increase and more (106%) is expected to be in age groups aged 5 and over. The population increase of people with a LTHPD represents 74% of the total increase in the population projected by the demographic modelling.

Table 81: Estimated change in population with LTHPD (2014-37)

Area	Population with LTHPD		Change (2014-37)	% change from 2014
	2014	2037		
Halton	27,824	36,583	8,760	31.5%
St.Helens	41,714	51,118	9,404	22.5%
Warrington	36,506	50,725	14,219	39.0%
Mid-Mersey	106,044	138,426	32,383	30.5%

Source: Derived from demographic modelling and Census (2011)

Indicative Need for Specialist Housing

- 10.18 Given the ageing population and higher levels of disability and health problems amongst older people there is likely to be an increased requirement for specialist housing options moving forward. The analysis in this section draws on data from the Housing Learning and Information Network (Housing LIN) along with the demographic projections to provide an indication of the potential level of additional specialist housing that might be required for older people in the future.

Current Stock of Specialist Housing

- 10.19 The table below shows the current supply of specialist housing for older people. At present it is estimated that there are just over 4,000 units; this is equivalent to 102 units per 1,000 people aged 75 and over. This proportion varies from 80 per 1,000 in Halton up to 117 per 1,000 in St.Helens. The vast majority (81%) of this housing is in the affordable sector.

Table 82: Current Supply of Specialist Housing for Older People

	Type of housing	Market		Total	Supply per 1,000 aged 75+
		Market	Affordable		
Halton	Sheltered	48	555	603	69
	Extra-Care	0	97	97	11
	Total	48	652	700	80
St.Helens	Sheltered	55	1,326	1,381	91
	Extra-Care	206	189	395	26
	Total	261	1,515	1,776	117
Warrington	Sheltered	447	644	1,091	70
	Extra-Care	0	475	475	31
	Total	447	1,119	1,566	101
Mid-Mersey	Sheltered	550	2,525	3,075	78
	Extra-Care	206	761	967	25
	Total	756	3,286	4,042	102

Source: Housing LIN

Projected Future Need for Specialist Housing

- 10.20 A toolkit has been developed by Housing LIN, in association with the Elderly Accommodation Council and endorsed by the Department of Health, to identify potential demand for different types of specialist housing for older people and model future range of housing and care provision. It suggests that there should be around 170 units of specialised accommodation (other than registered care home places) per thousand people aged over 75 years.
- 10.21 The table below shows the change in the population aged 75 and over in each local authority and what this would mean in terms of provision at 170 units per 1,000 population. The analysis shows a potential need for 6,108 units – 266 per annum. This is around 18% of the total need identified in the demographic modelling (linked to the 2012-based SNPP with adjustment for recent migration data and UPC).

Table 83: Projected need for Specialist Housing for Older People (2014-37)

	Population aged 75+ (2014)	Population aged 75+ (2037)	Change in population aged 75+	Specialist housing need (@ 170 units per 1,000)	Per annum
Halton	8,717	18,292	9,575	1,628	71
St.Helens	15,166	26,542	11,376	1,934	84
Warrington	15,558	30,536	14,978	2,546	111
Mid-Mersey	39,441	75,371	35,930	6,108	266

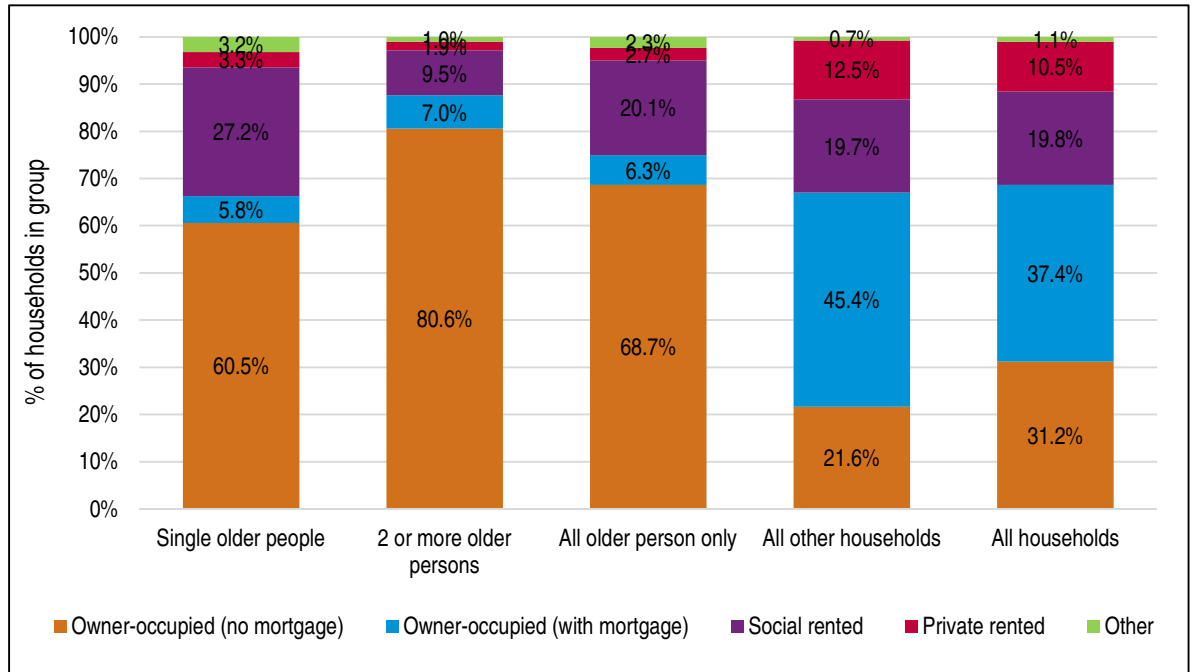
Source: Derived from demographic projections and Housing LIN

Types and Tenures of Specialist Housing

- 10.22 The figure below shows the tenure of older person households – the data has been split between single older person households and those with two or more older people (which will largely be couples). The data shows that older person households are relatively likely to live in outright owned accommodation (69%) and are also slightly more likely than other households to be in the social rented sector. The proportion of older person households living in the private rented sector is relatively low (3% compared with 11% of all households in the study area).
- 10.23 There are notable differences for different types of older person households with single older people having a much lower level of owner-occupation than larger older person households – this group also has a much higher proportion living in the social rented sector.

10.24 Given that the number of older people is expected to increase in the future and that the number of single person households is expected to increase this would suggest (if occupancy patterns remain the same) that there will be a notable demand for affordable housing from the ageing population. That said, the proportion of older person households who are outright owners (with significant equity) may mean that market solutions will also be required to meet their needs.

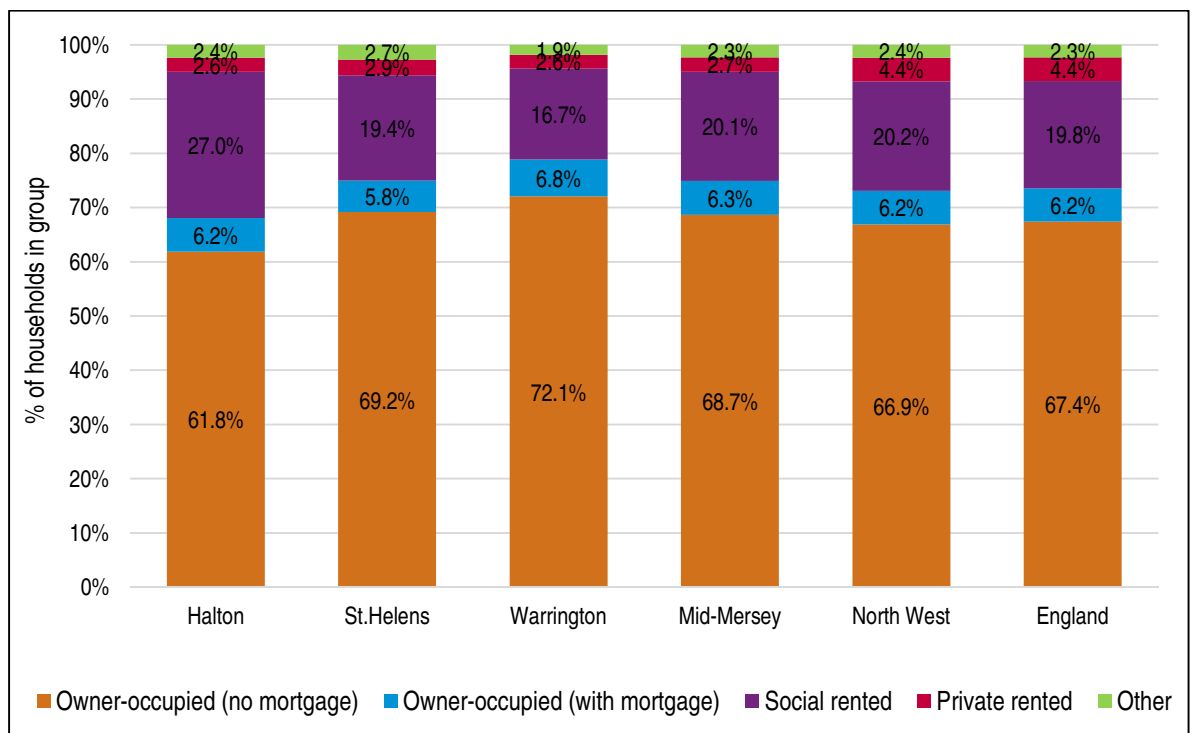
Figure 54: Tenure of Older Person Households – Mid-Mersey



Source: 2011 Census

10.25 Data for individual local authorities and other areas for comparison shows that there are some differences between areas; the most notable are the high proportion of outright owners in Warrington and the low proportion in Halton. In Halton, over a quarter of older person households live in social rented accommodation. Across the whole HMA, the tenure patterns of older people are broadly similar to that seen both regionally and nationally.

Figure 55: Tenure of Older Person Households – by Local Authority



Source: 2011 Census

10.26 Whilst the current profile of older person households is significantly biased towards outright ownership, the information about current supply of specialist housing indicates that significantly more of this is in the affordable sector than the market. Moving forward GL Hearn would suggest that additional specialist housing should be split roughly 50:50 between the affordable and market sectors. This reflects the likely ‘market’ for specialist housing products as well as the current tenure profile of older person households (i.e. the current profile of specialist housing is focussed towards affordable housing and this is likely to in part reflect the need and demand for such accommodation, however, with around 70% of older persons being outright owners there is the opportunity to broaden this housing offer to a wider range of household groups).

10.27 The analysis is not specific about the types of specialist housing that might be required; GL Hearn would consider that decisions about mix should be taken at a local level taking account of specific needs and the current supply of different types of units available (for example noting that at present the dominant type of housing is traditional sheltered accommodation). There may also be the opportunity moving forward for different types of provision to be developed as well as the more traditional sheltered and Extra-Care housing.

10.28 Within the different models and assumptions made regarding the future need for specialist retirement housing (normally defined as a form of congregate housing designed exclusively for older people which usually offers some form of communal space, community alarm service and access to support and care if required), there may, for example, be an option to substitute some of this specialist provision with a mix of one and two bedroomed housing aimed to attract ‘early retired’

older people which could be designated as age specific or not. Such housing could be part of the general mix of one and two bedroom homes but built to Lifetime Homes standards in order to attract retired older people looking to 'down size' but perhaps not wanting to live in specialist retirement housing.

- 10.29 GL Hearn's experience when carrying out stakeholder work as part of other SHMA commissions typically identifies a demand for bungalows. Where developments including bungalows are found it is clear that these are very popular to older people downsizing. It should be acknowledged that providing significant numbers of bungalows involves cost implications for the developer given the typical plot size compared to floor space – however, providing an element of bungalows should be given strong consideration on appropriate sites, allowing older households to downsize while freeing up family accommodation for younger households.

Registered Care Housing

- 10.30 As well as the need for specialist housing for older people the analysis needs to consider Registered Care. At present (according to Housing LIN) there are around 3,680 spaces in nursing and residential care homes. Given new models of provision (including Extra-Care housing) it may be the case that an increase in this number would not be required. There will however need to be a recognition that there may be some additional need for particular groups such as those requiring specialist nursing or for people with dementia.
- 10.31 As with the analysis of potential need for specialist accommodation, the analysis below considers changes to the number of people aged 75 and over who are expected to be living in some form of institutional housing. This is a direct output of the demographic modelling which indicates an increase of 2,904 people living in institutions over the 2014-37 period (126 per annum). This figure is important to note if the Councils intend to include C2 class uses in their assessment of 5-year housing land supply as it will be necessary to include figures on both the need and supply side of the equation.

Table 84: Potential Need for Residential Care Housing

	Institutional population aged 75+ (2014)	Institutional population aged 75+ (2037)	Change in institutional population aged 75+
Halton	517	1,176	659
St.Helens	824	1,655	831
Warrington	1,220	2,635	1,415
Mid-Mersey	2,562	5,466	2,904

Source: Derived from SNPP

Self-Build and Custom Build

- 10.32 SHMAs need to investigate the contribution that self-build makes toward the local supply. Laying the Foundations – a Housing Strategy for England 2010 sets out that only one in 10 new homes in Britain was self-built in 2010 – a lower level than in other parts of Europe. It identifies barriers to self or custom-build development as including:

- A lack of land;
 - Limited finance and mortgage products;
 - Restrictive regulation; and
 - A lack of impartial information for potential custom home builders.
- 10.33 Government aspires to make self-build a 'mainstream housing option' by making funding available to support self-builders and by asking local authorities to champion the sector. Up to £30m of funding has been made available via the Custom Build programme administered by the HCA to provide short-term project finance to help unlock group custom build or self-build schemes. The fund can be used to cover eligible costs such as land acquisition, site preparation, infrastructure, S106 planning obligations etc.
- 10.34 Quantitative information regarding levels of self-build is hard to come by however GL Hearn have sought to consult with local developers and agents in order to gauge the level of demand locally. All estate agents and regional builders that GL Hearn came across were asked about the level of interest in self or custom build. None were aware of the Community Right to Build and only a small number of estate agents had evidence of recent or past demand.
- 10.35 Some agents explained that land availability and economics meant that there was little scope. For example, the agent at Fernhead told us that the area was quite densely developed with small garden spaces. A town centre agent said he had heard of serviced plots being available in Halton but GL Hearn were unable to locate them. At Newton le Willows the agent told us that plots had sold very quickly. He commented that location is the key thing and that customers for self or custom build wanted bespoke design.
- 10.36 Some regional builders we spoke to were interested in delivering custom build homes for individual clients. As previously mentioned Square One Homes are interested in low cost home ownership and recognised the possibility of working with registered providers to provide additional diversity in mixed tenure developments. Whilst their focus is speculative development they recognised the potential for low cost and shared ownership with a self-build component. Dorbcrest Homes were interviewed at the Quiston Grange development at Whiston near Prescott which is outside the study area but appears to be strongly connected to St.Helens being adjacent to Rainhill.
- 10.37 A senior official explained that regional builders had a had a tough time in securing lending to develop large schemes and it was unlikely that they would continue to develop on that scale even though lending restrictions had eased. She explained that the company offered customers a greater degree of customization than the volume builders noting that their product was speculative not custom building. They had a negative experience in the past when doing custom build as part of a wider development. They told us that clients needed significant amounts of detailed discussion, contact and involvement in all stages of construction. Customers could be demanding and intrusive.
- 10.38 The company recognised that custom build homes could be a future direction for the company alongside being a construction partner for registered providers. We spoke to a small builder

developing a small site near to Waterside Village off the St.Helens Linkway. The manager told us the company had no experience or interest in custom build.

- 10.39 The Halton Housing Trust told GL Hearn it has reviewed self-build schemes as an option but has no current plans to facilitate this. The Trust pointed out that it would have to invest a lot of time a scheme but would not end up owning the asset. However, as the Government's drive is very much about home ownership, the Trust would revisit the model to determine if it can help deliver self-build units.
- 10.40 From a development point of view, key issues with this market are associated with skills and risk: whilst there may be notable number of people with an 'interest' in self-build, there is in some circumstances a significant financial outlay, risk and time-cost associated with self-build.
- 10.41 We would expect most new delivery to be on small windfall sites; although there is some potential through policy to encourage developers of larger schemes to designate parts of these as plots available for custom build. However, it is likely to be difficult to demonstrate concrete evidence of demand at a local level; albeit that local authorities could develop and maintain registers of those with an interest in doing so.

Key Findings: Specialist Housing Needs

- Within the overall need for housing there will potentially be a need to provide some specialist (supported) housing. This is particularly in response to an ageing population and the higher levels of disability experience by older persons.
- At present the population of older people in the HMA is roughly the same as seen across the region and England – some 18% of people age aged 65 and over. Over the 2014-37 period the number of people aged 65 and over is expected to increase by 56% with a higher (174%) increase in the number of people aged 85 and over.
- This demographic change is expected to be coupled with an increase in the number of people with specific disabilities (dementia and mobility problems) as well as a general increase in the numbers with a long- term health problem or disability.
- The analysis identifies that over the 2014-37 period there may be a need across the Mid-Mersey for 266 specialist units (per annum) of accommodation for older people (generally considered to be sheltered or extra-care housing). This figure represents about 18% of all housing provision suggested in demographic modelling. Such provision would be within a C3 use class and would therefore be part of the objective assessment of need.
- Additionally, the analysis highlights a potential need across the Mid-Mersey for an additional 126 bedspaces per annum for older people (aged 75 and over) in the 2014-37 period. As these would be in use class C2, they would be in addition to the estimates of housing need from demographic modelling as this group form part of the institutional (rather than household) population and thus do not feature ion the initial calculations.

11 CONCLUSIONS AND RECOMMENDATIONS

11.1 This final section brings together the findings of the SHMA Report. It is structured to set out GL Hearn's conclusions in turn: regarding the geography of the housing market area; the overall objectively assessed need for housing; and then findings relating to the need for different types of homes and the housing needs of specific segments of the population.

11.2 It should be reiterated that **the OAN figure is not the housing requirement**. It is a key component of the evidence base required to develop a sound policy framework. The housing requirement itself will be informed by the OAN but it will not be considered in isolation, it will also take into account wider factors such as sustainability, infrastructure constraints and land capacity. It may also be necessary to take into account the unmet needs of neighbouring housing market areas.

Housing Market Area

11.3 There are clearly a complex set of relationships across the Mid-Mersey area; however, the balance of evidence across all three clearly demonstrate a significant integration between the commissioning authorities.

11.4 In market-terms (as reflected in the house price analysis) the relationship between the authorities is relatively strong although Warrington seems to have its own distinct trends such as higher house prices to the east of the borough. Both Migration and Travel to Work patterns identify a degree of self-containment which meets or exceeds expected thresholds for housing market areas. Warrington by this measure is much more closely aligned with Halton, with St.Helens displaying slightly different characteristics.

11.5 There are also lesser but notable links with the wider sub region notably Liverpool, Wigan, Cheshire and Greater Manchester. Locally there are particular dynamics between the east of Warrington Borough and Greater Manchester and the west of Halton and St.Helens with Liverpool and Knowsley. There is also some overlap particularly with St.Helens with Wigan.

11.6 In GL Hearn's view, the triangulation of the sources strongly supports defining a Mid-Mersey HMA. It is however important to recognise overlaps between authorities and markets in this area. Warrington and in particular the east of the Borough is likely to have quite a strong relationship to the HMAs to the east which are focussed on Manchester. Similarly, Liverpool's influence is likely to extend into the western periphery of the Mid-Mersey area.

11.7 In the context of the Duty to Cooperate, the authorities outlined above with close links to Mid-Mersey should be, and have been, engaged with on strategic housing issues not only in the preparation of the SHMA but also the subsequent development of plan policies. In deed stakeholders and duty to cooperate partners have been invited to attend two stakeholder sessions during the SHMA process.

Overall Housing Need

- 11.8 The NPPF sets out that plans should be prepared on the basis of meeting full needs for market and affordable housing. PPG sets out that the latest national projections should be seen as a starting point but that authorities may consider sensitivity testing projections in response to local circumstances and the latest demographic evidence. Demographics provide the starting point for assessing housing need. The PPG then sets out that consideration should be given as to whether the housing need should be increased in order to:
- Support economic growth, based on interrogation of trends and forecast for future growth in employment;
 - Improve affordability, taking account the need for affordable housing need and evidence from market signals.
- 11.9 In effect, the PPG approach recognises that demographic projections are influenced by what has happened in the past; and these further factors consider whether wider evidence suggests that there has been an imbalance between housing supply and demand, or whether in the future the evidence would suggest that housing provision needs to be increased.
- 11.10 The PPG is very clear that housing need refers to the need for both market and affordable housing, including taking account of the movement of people into the area. It is also clear that a SHMA should leave aside issues related to land supply, infrastructure, green belt and other constraints in identifying housing need – but clearly sets out that these factors are relevant in bringing evidence together through the plan-making process to identify policies for future housing provision.

The Demographic Starting Point

- 11.11 The PPG emphasises the use of official population and household projections as a starting point for assessing housing need, as these are based on nationally-consistent assumptions and methodology.
- 11.12 The latest official population projections and the latest available household (scenario 1) project a housing need for 1,540 dwellings per annum across the HMA between 2014-37 (233 in Halton, 466 in St.Helens and 840 in Warrington). This includes an allowance for vacant properties within the housing market.
- 11.13 GL Hearn considers that these projections provide a robust basis for considering future housing provision at a HMA level but at a local authority level they calculate a population growth in Halton which is too low in relation to past trends and too high in St.Helens.
- 11.14 A range of sensitivity analysis was undertaken to take into account the most recently available evidence on population and household growth and 'unattributable' component of population change (UPC) within ONS population data for the 2001-11 period.

- 11.15 Scenario 4 was based on a mid-point of the assumptions from the scenarios taking into account the latest available evidence and UPC. This scenario shows population growth (and hence housing need) which is slightly below the SNPP although provides a more equitable distribution of growth and one that is more reflective of the most recent trends.
- 11.16 By applying the latest (2012-based) household formation rates to the level of population growth set out in scenario 4 (including a vacancy allowance) suggests a housing need of 1,512 dwellings per annum across the HMA. This is set out in the Table 85 below.

Table 85: Projected household need 2014-37 – Scenario 4

	Households 2014	Households 2037	Change in households	Households Per annum	Dwellings (per annum)
Halton	54,162	62,869	8,707	379	388
St.Helens	77,174	85,272	8,098	352	369
Warrington	87,953	104,769	16,816	731	755
Mid-Mersey	219,289	252,910	33,621	1,462	1,512

- 11.17 While this is a slightly lower level of need than the published projections it takes account of more recent trends. It also results in a more equitable distribution of growth:
- Halton: 388 homes pa;
 - St.Helens: 369 homes pa; and
 - Warrington: 755 homes pa
- 11.18 GL Hearn concludes that this approach provides an appropriate 'starting point' for considering housing need (using the terminology in the PPG). However, this figure does not take into account affordable housing need, or include adjustments to take account of market signals or the needs for the local economy. In such circumstances there may well be a higher need still in the HMA.

Examining the Needs of the Local Economy

- 11.19 Following the approach in the PPG, the demographic-based assessment set out above provides a baseline for housing need. The PPG recommends that consideration is given to whether economic growth could result in a need for additional housing.
- 11.20 The NPPF clearly sets out that the assessment of, and strategies in local plans for, housing and employment need to be integrated with one another¹⁵ The SHMA has considered the Oxford Economics most recent evidence regarding economic prospects in the HMA.
- 11.21 We have also modelled alternative employment growth scenarios for Warrington and St.Helens. The first (Warrington) is based on trend based employment forecasts from the CWEM (summer 2015) with a second (St.Helens) based on a Cambridge Econometrics baseline (June 2015) forecast. It was considered for St.Helens that these alternative forecasts were more appropriate for deriving an assessment of housing need.

¹⁵ CLG (2012) *National Planning Policy Framework, Paragraph 158*

- 11.22 The SHMA seeks to model the relationship between jobs and homes. The SHMA adopts an approach which does not seek to change commuting patterns in proportional terms. It models increasing employment rates, linked to an expectation that people will retire later and more women will work. It also takes account of evidence that people may hold down more than one job.
- 11.23 The modelling of the baseline forecasts indicate that to support the forecast growth in employment, the following levels of housing provision would be needed:

Table 86: Initial Assessment of Annual Need for Housing based on Baseline Economic Forecasts

Housing Need 2014-37	Halton	St.Helens	Warrington	HMA
Change in Resident Workforce	4,836	6,027	19,206	30,069
Annual Housing Need Per Annum	444	445	820	1,710

Source: Derived from OE and CE (St.Helens) forecasts and Census Data (numbers may not sum due to rounding) (see table 33)

- 11.24 At 1,710 dwellings per annum across the HMA, the level of housing provision necessary to support economic growth is 11% higher than indicated in the demographic 'starting point' (scenario 1) and 13% higher than those which take into account the latest available evidence and make adjustments for UPC (Scenario 4).

Improving Affordability

- 11.25 The SHMA includes an assessment of the number of households each year who require some form of subsidy in meeting their housing needs. This is assessed using the Basic Needs Assessment Model and is a statutory requirement to support policies seeking affordable housing in new developments.
- 11.26 The SHMA analysis indicates that 436 additional households per year will require support in meeting their housing needs (using a 25% income threshold). This provides some evidence of the need to increase the supply of affordable housing. It is not appropriate to directly compare the need identified in the analysis with the demographic projections – they are calculated in different ways.

Table 87: Annual Need from Households Requiring Support

Area	Net Need
Halton	119
St.Helens	96
Warrington	220
Mid-Mersey	436

Source: 2011 Census/CoRe/Projection Modelling and affordability analysis

- 11.27 It should be noted however that the level of affordable housing need calculated is heavily predicated on the assumptions relating to the level of income which is spent on housing costs.

- 11.28 The affordable housing need represents 28% of the need identified in the demographic-led projections, based on the 2012-based Household Projections and updated to take account of recent migration data and UPC.
- 11.29 The identified need for affordable housing also includes existing households who need alternative size or tenure of accommodation but would release their current home for another household by moving. Thereby there is no requirement to uplift the OAN to provide additional homes for all of the identified affordable housing need. There are also other ways of delivering new affordable housing besides through new-build development on market-led housing development schemes. Net additional needs arising would be solely from concealed and homeless households.
- 11.30 The report has then gone on to consider market signals. The NPPF¹⁶ sets out that plans should take account of market signals, such as land prices and housing affordability. The Planning Practice Guidance clarifies this and outlines that:
- “the housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance of the demand for and supply of dwellings. Prices or rents rising faster than the national/ local average may well indicate particular market undersupply relative to demand.”*
- 11.31 The SHMA evidence indicates that there has been some increase in affordability pressures over the long term in Mid-Mersey although when benchmarked against the Regional and National picture the affordability pressures are not as severe. That said there has still been a modest growth in house price since 2001 both in absolute terms and relative to earnings. There has been a shift towards the private rental market as well as a small increase in the number of over-crowded and shared households.
- 11.32 The PPG sets out that the identified housing need should be adjusted upwards to support an improvement in affordability where any of the market signals suggest a worsening situation. The PPG does not however set out how such an adjustment should be quantified. It simply sets out that it should be ‘reasonable.’
- 11.33 To assess an appropriate adjustment to the assessed housing need, GL Hearn has used the demographic analysis to assess the degree to which household formation levels have been constrained for younger age groups, and what scale of adjustment to housing provision would be necessary for these to improve. The SHMA has considered the implication of returning the household formation rates of the 25-34 age group back to 2001 levels by 2025 (from 2015). In other words, this assumes that headship rates will improve between 2015 and 2025 and then track the ‘trends’ suggested in the 2012-based CLG household projections thereafter.

¹⁶ CLG (2012) *National Planning Policy Framework, Paragraph 17*

11.34 Against the demographic/economic baseline scenario this results in an increase in annual housing provision of 47 homes per annum across the HMA, however, this also includes some uplift inherent within the CLG household formations rates and a more adequate description of the uplift would be against constant headship rate. This approach shows an uplift of 120 dwellings per annum to house the same population.

11.35 Against the need resulting from the adjusted economic forecasts GL Hearn's approach results in an uplift of 46 homes per annum against the housing need from Scenario 4 and 47 against the economic driven scenario. The uplift in each case is set out in the table below:

Table 88: Uplift to improve affordability (dwellings per annum)

	Scenario 4				Economic Scenario			
	Uplifted Need	Scenario 4	Potential uplift	% uplift	Uplifted Need	Economic Scenario	Potential uplift	% uplift
Halton	410	388	21	5.5%	466	444	22	5.0%
St.Helens	374	369	5	1.5%	451	445	6	1.2%
Warrington	774	755	19	2.5%	839	820	19	2.3%
Mid-Mersey	1,558	1,512	46	3.0%	1,756	1,710	47	2.7%

Source: GL Hearn and CLG (numbers may not add due to rounding)

11.36 The level of uplift in each local authority reflects the age profile and level of suppression in each borough as well as what the CLG had anticipated the change in household formation rates to be in each borough.

11.37 The uplift should also address those households in affordable housing need who require an additional dwelling, such as:

- Newly-forming households;
- Concealed households; and
- Homeless households.

11.38 The uplift should therefore also contribute to a fall in households living with parents or in shared accommodation.

Conclusions on Overall Housing Need

11.39 The Objectively Assessed Need for housing is the figure that will meet both the need arising through demographic factors and that needed to support economic forecasts / aspirations, adjusted for market signals.

11.40 The Objectively Assessed Need for housing across the HMA is therefore 1,756 homes which can be disaggregated on the following basis:

- Halton –466 homes per annum;
- St Helens –451 homes per annum; and
- Warrington –839 homes per annum.

11.41 The derivation of the conclusions on housing need is shown in Figure 56. These figures would include the provision of affordable homes as part of the overall housing delivery.

11.42 In the absence of development constraints, these figures should be considered to represent the full 'objectively assessed need' (OAN) for housing. This represents in total an annual need for 1,756 homes across the HMA. In accordance with the PPG, this takes account of the level of housing provision which is expected to be needed to support adjusted economic growth and improve affordability.

Figure 56: Conclusions on Full Objectively-Assessed Housing Need by Authority, 2014-37



Source: Derived from demographic projections and OE/CE forecasts

11.43 While the level of need is significant it is below to the rate of delivery for the 2004/05 to 2007/08 peak period which averaged around 2,377 homes per annum. As with the future housing need the historic growth was largely driven by Warrington.

11.44 As part of plan-making, planning judgements will be necessary to assess whether meeting the full objectively assessed needs identified in this SHMA (see Figure 56) can be met, whilst avoiding adverse impacts which would significantly and demonstrably outweigh the benefits or conflicting with the policies of the National Planning Policy Framework (NPPF).

11.45 Conversely local authorities may seek a level of housing or employment growth which is over and above that set out within this assessment. This would be considered as a "policy-on" position. In such circumstances a further assessment would be required in order to align the housing and economic strategies. This additional assessment could also include more detailed consideration of the impact on commuting patterns that increased job growth would result in.

Need for Different Types of Homes

Conclusions on Housing Mix

- 11.46 In addition to considering the overall need for housing, the SHMA considers what types and sizes of homes – both market and affordable – will be needed.
- 11.47 The SHMA identifies that there is a need for a mix of house sizes across the HMA, as Table 89 indicates. The conclusions drawn take account of how the structure of the population and households are expected to change over the period to 2037 and how people occupy homes.
- 11.48 In terms of size mix, the analysis (taking account of demographic trends and market evidence) concludes that the following represents an appropriate indicative mix of affordable and market homes at a HMA-wide level.

Table 89: Need for Different Sizes of Homes across Mid-Mersey

	1-bed	2-bed	3-bed	4+ bed
Market	5-10%	30-35%	45-50%	10-15%
Affordable	40-45%	25-30%	20-25%	5-10%
All dwellings	15%	30%	40%	10%

Source: Derived from demographic projections

- 11.49 It should be noted that this analysis is aimed at informing strategic policies over the plan period and there will be a range of factors which will influence demand for different sizes of homes over time, particularly demographic changes, growth in real earning/savings, housing affordability and wider economic performance. There is also a geographical dimension and the specific mix of housing needed at a local level will be influenced in part by gaps in the existing housing offer locally (such as differences between the urban and rural areas).
- 11.50 Policies for what proportion of homes in new development schemes should be affordable need to take account of evidence both of housing need and of the viability of residential development. The NPPF sets out that percentage targets for affordable housing need to take account of viability evidence.
- 11.51 The assessment of affordable housing needs indicates that, in delivering affordable units, a HMA-wide mix target of 25% intermediate and 75% social or affordable rented homes would be appropriate. Any strategic policy should however retain a degree of flexibility both to take account of local level variations which have been identified, as well as any site specific issues.
- 11.52 In the affordable sector, GL Hearn recommend that the focus of provision is on smaller properties. However, the recommended mix also recognises the potential role which delivery of larger family homes (3 and 4 bedrooms) can play in releasing supply of smaller properties for other households together with the limited flexibility which one-bed properties offer to changing household circumstances, which feed through into higher turnover and management issues. These have been balanced against the recent Government reforms to social housing and welfare, including issues

associated with the changes introduced by Government to housing benefit eligibility for working-age households in the social housing sector.

- 11.53 For market housing, GL Hearn recommend that the focus of new provision is on two and three-bed properties. This would serve to meet the needs of newly forming households and younger families in the HMA as well as demand from older households downsizing and looking to release equity in existing homes, but still retain flexibility for friends and family to come and stay. There is however likely to be a notable level of continued need for larger family properties arising from existing growing households and those migrating into the HMA.
- 11.54 The mix identified above should inform strategic borough-wide policies and help to inform the 'portfolio' of sites which are considered and ultimately allocated through the Local Plan process. However, GL Hearn would again recommend that strategic policy retains a reasonable degree of flexibility to ensure that, in applying mix to individual development sites, appropriate regard can be given to the nature of the development site, the character and existing housing stock of the area as well as the most up-to-date evidence of need/demand.

Older Persons Housing Needs

- 11.55 Over the period to 2037 the population of older persons in the HMA is expected to grow, with the population aged over 65 expected to increase by 56%. Many older households will remain in homes which they have lived in for many years. However, some may wish to downsize, and this has been taken into account in the conclusions drawn on the mix of homes needed.
- 11.56 Some older households will require specialist housing or support. Others may need to adapt their homes to meet their changing needs. It is expected that a growing older population may result in an increase in the number of people with dementia by over 5,500 between 2014-37, with growth in the number of persons with mobility problems of around 13,800.
- 11.57 Some older households will require specialist housing solutions. The SHMA identifies a need for 6,100 additional specialist units of housing for older people between 2014-37 (266 per annum), including sheltered and extra care homes.

Table 90: Need for Specialist Housing for Older Persons, 2014-37

	Population aged 75+ (2014)	Population aged 75+ (2037)	Change in population aged 75+	Specialist housing need (@ 170 units per 1,000)
Halton	8,717	18,292	9,575	1,628
St.Helens	15,166	26,542	11,376	1,934
Warrington	15,558	30,536	14,978	2,546
Mid-Mersey	39,441	75,371	35,930	6,108

Source: Derived from demographic projections

- 11.58 In addition, the SHMA indicates a need for 126 bedspaces in care homes per annum for the 2014 to 2037 period. This does not form part of the household population and so is separate to the need identified for housing.

Monitoring and Review

- 11.59 Through a proactive monitoring process, it will be possible to maintain and develop understanding of the housing market, building on the outcomes of the SHMA. It will allow the implementation of policies to be tailored to evolving circumstances and inform future policy development.
- 11.60 Long-term monitoring which addresses indicators of housing need, market signals relating to supply-demand balance, and the housing supply trajectory can inform future development and implementation of planning policies for housing provision.