

ISLE OF WIGHT COUNCIL

Housing Market Assessment

Final Report: April 2007



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WIGHT
COUNCIL

Raising standards, creating opportunities

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1. INTRODUCTION

1.1 This report sets out the findings of the Housing Market Assessment (HMA) for the Isle of Wight. It has been prepared by GVA Grimley LLP on behalf of the Isle of Wight Council.

Aims and Objectives

1.2 The HMA is intended to set a strategic context for shaping the housing market on the Island. It will inform policy evolution including the revision of the Island's Housing Strategy and development of the Housing and Employment Development Plan Document (DPD) within the Council's Local Development Framework (LDF). It will enable the Council to meet its Comprehensive Performance Assessment (CPA) objectives for the management of housing markets. Specifically, the remit of the HMA is to:

- confirm that the Island is its own sub-regional housing market and identify and define local housing market areas;
- establish the strategic and policy context within which the housing market operates;
- examine the housing market and how it operates, principally looking at the dynamic between dwellings and households;
- understand recent and current trends in supply and demand for housing;
- understand the broad impact of economic and demographic trends on the housing market;
- consider the various factors which drive the demand or need of different groups of people for different types of housing in different parts/ areas of the housing market;
- understand potential future trends in supply and demand;
- identify the broad magnitude of different tenures of dwellings required within the housing market area; and
- assess the overall surplus or shortfall of housing relative to demand and how this breaks down by area, tenure etc. given current policy and to consider options to intervene to readdress imbalances.

This Report

1.3 The HMA has been prepared over a seven month period between July 2006 – February 2007. It is structured around the following core stages:

- Stage 1 – identification of current market characteristics and functions
- Stage 2 – assessment of housing needs
- Stage 3 – assessment of the future housing market
- Stage 4 – preparation of a monitoring and evaluation framework

1.4 The Report is structured as follows:

- **Section 2: Strategic Context** – reviews current strategic policies and establishes key development and investment projects which may influence the housing market
- **Section 3: Defining the Housing Market** – defines the functional Isle of Wight housing market and its constituent sub-markets
- **Section 4: Socio-Economic Profile** – provides a headline socio-economic profile of the Island including an assessment of demographic trends
- **Section 5: Economic Review** – reviews the structure and performance of the Island's economy
- **Section 6: Housing Market** – analyses current housing market conditions on a tenure basis. It includes a profile of the identified sub-markets
- **Section 7: Drivers of Change** – draws together the analysis in sections 2 - 6 to consider key drivers of change and constraints within the housing market
- **Section 8: Housing Need** – presents an analysis of housing need undertaken by the Isle of Wight Council, drawing upon the results of a housing needs survey. This section also considers the intermediate housing market
- **Section 9: The Future Housing Market** – develops scenarios and forecasts for future housing demand
- **Section 10: Monitoring Framework** – outlines a process and indicators for the ongoing monitoring of change
- **Section 11: Conclusions and Recommendations** – sets out key recommendations for policy development

- 1.5 For consistency, data herein is presented for the Isle of Wight Housing Market (the local authority area) and compared against the South East region and England and Wales. Where data availability permits, data is presented for defined housing sub-markets which are based on lower-level super output areas.

Consultation

- 1.6 The HMA has been informed by a series of stakeholder workshops and ongoing dialogue between the Council's housing team and the consultants. Initial workshop sessions were held with developers, estate agents, housing associations and public sector partners at a full-day 'Housing Summit' in September 2006. This was followed-up with two further workshops held in October 2006. The workshop discussions have informed the HMA.

2. STRATEGIC POLICY CONTEXT

National

- 2.1 The Government's key housing policy goals are to ensure that everyone has an opportunity of living in a decent home, which they can afford, in a community where they want to live. It aims to widen choice of housing and opportunities for home ownership and to address affordability by increasing housing supply.
- 2.2 The national policy framework is established in **Planning Policy Statement 3: Housing (PPS3)** which sets out that the objectives of the planning system are to deliver a sufficient quantity of housing in suitable locations and supported by necessary services and infrastructure. It emphasises provision of a mix of high quality housing at a local level including both market and affordable, and in terms of tenure and price.
- 2.3 Strategic Housing Market Assessments are a key mechanism for establishing the mix of housing to meet the range of requirements of different types of household over the plan period, and together with Strategic Housing Land Availability Assessments are also intended to inform the level of future housing provision. The national annual target is for 60% of new housing to be provided on previously-developed land.
- 2.4 Plans should establish 15-year land supply including sufficient specific deliverable sites for make up a rolling five year supply (reviewed annually through Annual Monitoring Reports). To ensure delivery targets are achieved a Housing Implementation Strategy is to be prepared to manage delivery of the housing and PDL targets.
- 2.5 Local planning authorities are required to establish a target for affordable housing provision (to be informed by an assessment of the implications of this on the economic viability of development). Where appropriate targets can also be defined separately for social-rented and intermediate affordable housing and for the size and type of affordable housing required (including where appropriate on specific sites). A national site size threshold of 15 dwellings is recommended, but lower thresholds can be justified through assessment of local circumstances and economic viability.
- 2.6 Housing density policies are to be locally determined, linked to the spatial vision and strategy for housing development in an area; current/future infrastructure and services; accessibility and local character. The 30 dwellings per hectare standard is redefined as a

national indicative minimum, with a more flexible policy allowing different standards to be applicable to different parts of an authority. An emphasis on the efficient use of land and good design remain.

- 2.7 Government has issued practice guidance on undertaking Strategic Housing Market Assessments, Strategic Land Availability Assessments and on Delivering Affordable Housing. The HMA Guidance provides clear instructions to guide local authorities in assessing housing need and demand and understanding the characteristics of their housing market and how they function. This housing market assessment follows the latest Department of Communities and Local Government (DCLG) guidance¹ and builds upon previous housing needs data.
- 2.8 **The Sustainable Communities Plan** released in 2003 emphasised the government's priorities with regard to regeneration and planning with its primary concerns being; sustainable development, housing and urban design issues. Importantly, the plan contained a package of measures to address the under-supply of housing in the south east and low demand in many other areas, predominantly the north.
- 2.9 Building on this Plan two complementary 5 year plans were released in 2005 which together comprise the second phase of the sustainable communities delivery strategy: **Sustainable Communities Homes for All** and **Sustainable Communities People, Places and Prosperity**.

Regional

- 2.10 The **South East Plan (Submission Draft, SEERA March 2004)** sets out the spatial strategy for the region to 2026. Its core objective is to balance continued economic and housing growth with rising standards of environmental management and reduced levels of social exclusion and natural resource consumption.
- 2.11 The first draft **South East Plan** was issued in January 2005 for a consultation period which ran until April 2005. Once the plan has been approved by the Government (anticipated in Spring 2006) it will provide a framework for development across the South East region until 2026.
- 2.12 The document highlights key parameters and principles which include:
- **The need to plan positively for a reasonable level of housing development**

- The need for a substantial increase in the supply of appropriate affordable housing, and for a package of measures to deliver that goal
- At a sub-regional level, the need for a high priority to regenerate the coastal towns
- The need to ensure high quality development

2.13 In the Housing Section of the plan it is stated that the housing policies are designed to provide the region with an integrated, strategic approach to housing provision which supports an urban renaissance, delivers sustainable development and which provides everyone with the opportunity of a decent home. There are five key objectives from the housing policies which are:

- i) ensure that adequate levels of housing provision are delivered in the form of high quality housing within sustainable communities
- ii) make better use of land
- iii) secure a step-change in the delivery of affordable housing
- iv) provide the right type of housing
- v) make better use of existing housing stock.

2.14 The **Regional Economic Strategy (RES) 2006 –2016** identifies some key strengths and weaknesses of the South East economy which will play a part in determining its economic performance over the next ten years. It identifies the emergence of an 'hourglass economy' with a split between high-end jobs on the one hand and growth of low skilled jobs on the other. It identifies the need to raise the level of skills across the economy and raise the level of start up activity. The RES recognises the issues raised by the 70% increase in house prices since 1999 not having been matched by a proportionate increase in earnings over the same period.

2.15 The Strategy identifies key priorities for the South East as:

- Investing in science, creativity, technology and research and development
- Investment in transport and infrastructure
- Investment in skills

¹ At this stage this is Draft Guidance issued in February 2006

- Development of inter-regional growth strategies
 - Ensuring a lasting legacy of the 2012 Olympics
 - Maintaining the area's environmental, cultural and historic assets and investing in cultural and historic assets, recognising this as one of the region's major competitive advantages
 - Limiting and adapting to the effects of climate change.
- 2.16 In developing the Coastal South East economy, the RES recognises the areas' low productivity relative to the rest of the South East, and in some cases the UK. It notes the reliance of the area on more traditional industrial activities, a high dependence on public sector employment, a low proportion of employment in knowledge-based sectors and the limitations created by the greater proportion of people already over retirement age.
- 2.17 It should be borne in mind that the RES identifies Portsmouth and Southampton as regional growth areas and a focus for investment which may have an impact on the housing market on the Isle of Wight in the longer term.
- 2.18 The Regional Housing Board (RHB) was established in 2003 and has been working to develop a **Regional Housing Strategy** to deliver affordable housing across the South East since this time. The consultation paper sets out the following priorities:
- to build more houses
 - to bring decent housing in reach of people on low incomes
 - to improve the quality of new housing and the existing stock
- 2.19 The paper identifies the key issues that are faced by the South East area in terms of supply and demand in housing provision. The paper sets out a commitment to building on appropriate brownfield land so that the need to build on greenfield sites is reduced and opportunities to rebuild town centres and regenerate deprived communities are maximised. This means higher densities, particularly in inner towns and cities and the RHB will only invest in projects that make good use of land.
- 2.20 The document also refers to the use of high quality and innovative building design. The RHB will only fund developments which meet the Eco-homes standard 'very good' or better. Modern methods of construction will be encouraged where this helps to reduce the unit cost of new homes.
-

2.21 The **Regional Implementation Plan** included as part of the Draft South East Plan requires local authorities to produce Housing Delivery Action Plans in partnership with public and private landowners, developers, Registered Social Landlords, infrastructure providers, English Partnerships and SEEDA and Local Housing Strategies reflecting the priorities of the South East Plan.

2.22 With regard to identifying sub-regional investment needs, the Implementation Plan provides initial suggestions of infrastructure requirements for the Isle Wight on which further work is being carried out. These initial projects include:

- Improvements to Ryde public transport interchange
- Improvements to the following public transport corridors: Newport – Cowes, Ryde - Newport, Ryde- Shanklin
- Improvements to port and ferry facilities at East Cowes and Fishbourne
- Measures to relieve traffic congestion in Newport

Local Policy and Investment Context

2.23 The Isle of Wight **Building Better Island Homes Strategy (2004 – 2009)** identifies the following facts about housing need on the Island:

- The Island has the 10th highest rate within the South East region of homeless households accepted onto its Housing Register each year
- That there is an identified annual shortfall of 1,263 affordable housing units (2003 Housing Needs update)
- That parts of the Island suffer from significant levels of deprivation and acute social needs

2.24 The strategy sets a target of reaching and sustaining a new build programme of 200 affordable housing units per annum but recognises that with an identified annual shortfall of 1,263 affordable units, the level of provision required to keep pace with demand is unlikely to be met through the social sector alone. It therefore recognises the need to work in close partnership with private developers as well as housing associations.

2.25 The Strategy identifies the following themes and priorities in taking the strategy forward:

- the need to work with local communities to ensure delivery of new sustainable homes

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- refocusing of accommodation and services for older people to reflect an ageing population
 - the need to improve relationships with private landlords to ensure additional dwellings for rent to households on low incomes
 - the need to secure continued funding support to meet the needs of people with disabilities
- 2.26 The Isle of Wight Council is currently developing its **Core Strategy**, as part of the transfer of the planning system away from the Unitary Development Plan and towards a Local Development Framework (LDF), as required by the Planning and Compulsory Purchase Act 2004. The documents forming the LDF will set out the Council's policies and proposals for meeting the community's economic, social and environment needs in terms of spatial land use and will be titled the *'Island Plan.'*
- 2.27 As part of the Island Plan, the Core Strategy provides a broad strategy for location of development. In summary, the Core Strategy is proposing a regeneration led approach to housing growth which seeks to maintain and improve the built and natural environment and to ensure attractive, high quality development is delivered which is linked to the infrastructure it needs. The strategy focuses on supporting investment and regeneration priority on the main towns of Newport, Cowes, East Cowes, Ryde, Sandown, Shanklin and Ventnor. These areas are where there is the greatest opportunity to support economic growth, support existing services and recycle previously developed land.
- 2.28 The **Isle of Wight Community Strategy 'Island Futures'**, sets out seven broad priorities in meeting the vision for achieving *'A happy and contented Island, where each member of the community enjoys the highest quality of life and where we work together to ensure that the Island's natural beauty and cultural heritage are passed undiminished to future generations.'* These are:
- **Guaranteeing the Quality of Life and Sustainability**
 - **Improving Access to Services and Facilities**
 - **Promoting Equality**
 - **Supporting Jobs and Local Economy**
 - **Developing Learning and Skills**
 - **Developing Tourism**
 - **Ensuring Quality in the Built Environment.**
-

- 2.29 Within the 'Promoting Equality' priority, the strategy states that young people should have the choice of staying on the Island and bringing up their families, however it recognises that many find it impossible to buy their own homes. The strategy recognises that this is mainly due to fewer job chances and lower wage levels on the island compared with the rest of the South East and that house prices are affected by the demand for second homes and inward migration of relatively affluent mainland homeowners. It recognises that the private rented sector is limited in size and cannot cope with demand and that there is insufficient social housing to meet demand.
- 2.30 The strategy also highlights the numbers of homeless households in bed and breakfast accommodation on the Island as significantly exceeding Government targets and that homelessness is particularly acute in Ryde, Newport and Sandown and Shanklin.
- 2.31 The strategy sets out the Isle of Wight aspirations within the 'Promoting Equality' priority:
- To ensure everyone living on the Island has access to affordable housing appropriate to his or her housing needs
 - To address pressing housing needs, particularly homelessness and concealed housing need
 - To ensure the supply of housing of all types and tenures in appropriate locations
- 2.32 The Isle of Wight's **Corporate Plan 2006 – 2009** sets out the Council's service delivery priorities over this period. This largely reflects the priorities identified in the Community Strategy, and sets out a framework for responding to some of the issues being raised by the changing social and economic conditions on the Island. It identifies as one the Council's main corporate aims and objectives, the drive to achieve sustainable regeneration and development on the Island. It highlights the need for a robust economic infrastructure, supported by an effective and integrated transport system and a more skilled and qualified Island community enabling a more prosperous business environment. It also highlights the need to improve health and wellbeing on the Island and work towards fewer inequalities, particularly in respect of accessibility to housing and reducing homelessness.
- 2.33 Key economic and investment projects can have an important bearing on the performance and functioning of the Island's housing market. The following key commercial and regeneration projects are relevant:
-

- **East Cowes Project** – Scheme being promoted through a joint partnership between the South East of England Development Agency (SEEDA), the Isle of Wight Council, Isle of Wight Economic Partnership, and English Partnerships. A £150 million project, it is to include up to 600 residential units together with up to 10,500 sq.m marine-related employment space, 3,500 sq.m leisure, potentially 2 hotels, a foodstore, and health, community and heritage facilities.
- **Newport's St Cross Business Park** – 37,500 sqm of top quality office and workspace built over the last ten years by MJH Developments and now in its final phase.
- **Savoy Holiday Village** – a new holiday resort redevelopment just outside Yarmouth.
- **Gunard Pines** - a resort redevelopment where £9million has been invested in a new hotel and with leisure and spa facilities.

3. DEFINING THE HOUSING MARKET

- 3.1 A housing market exists wherever willing buyers and willing sellers are in contact with one another. Such markets can be spatially defined because most people seeking to buy or rent a house will choose houses within a fairly limited area. This commonly reflects existing ties such as proximity to family and friends; access to employment, education and other facilities. A housing market area can hence be defined as: *'a geographical area which contains both the origin and destination of the great majority of households who move home².'*
- 3.2 Patterns of relocation (migration patterns) are the basis of defining a functional housing market. However in practice a more pragmatic approach is commonly used which also considers existing partnership structures, travel to work patterns, and more qualitative information.

An Isle of Wight Housing Market

- 3.3 In October 2004 DTZ completed research for English Partnerships (EP), the South East Regional Housing Board (SERHB) and the South East of England Regional Assembly (SEERA) to identify local housing markets in South East England. They considered patterns of migration, travel to work patterns and areas, employment concentrations, retail catchment areas and population trends to define functional housing market areas. It concluded that **the Isle of Wight (IOW) is a functional housing market in its own right**, on the basis that:
- **The Island demonstrates a high degree of self-containment in terms of both migration and travel to work patterns.** The research concluded that there were no cross-district migration movements of any significance, with over 63% of household movements (2000-1) internal to the island. While some evidence of commuting to/from the Island was found, the Island is a functional travel to work area. The research did however unearth evidence of significant long-distance in-migration to the Island
 - **The Island is defined as a separate sub-region in the Regional Economic Strategy.** This reflects the geography and the unique economic characteristics of the Island

² ODPM (2004) Housing Market Assessment Manual para 4.2

- 3.4 Broader contextual factors taken into account by the DTZ research where that the IOW had some of the lowest average house prices in the region in 2004, and had experienced some of the strongest price growth. Other characteristics were low average wages and above average levels of deprivation. These contributed to the Island being identified as a distinct housing market area.
- 3.5 The identification of the Isle of Wight as a functional housing market is rational, given its relative separation from the mainland. To test the DTZ research conclusions we have taken a more detailed look at the travel to work information, and have updated the analysis of migration patterns and house price differentials. This supports identification of the Island as a discreet functional housing market.

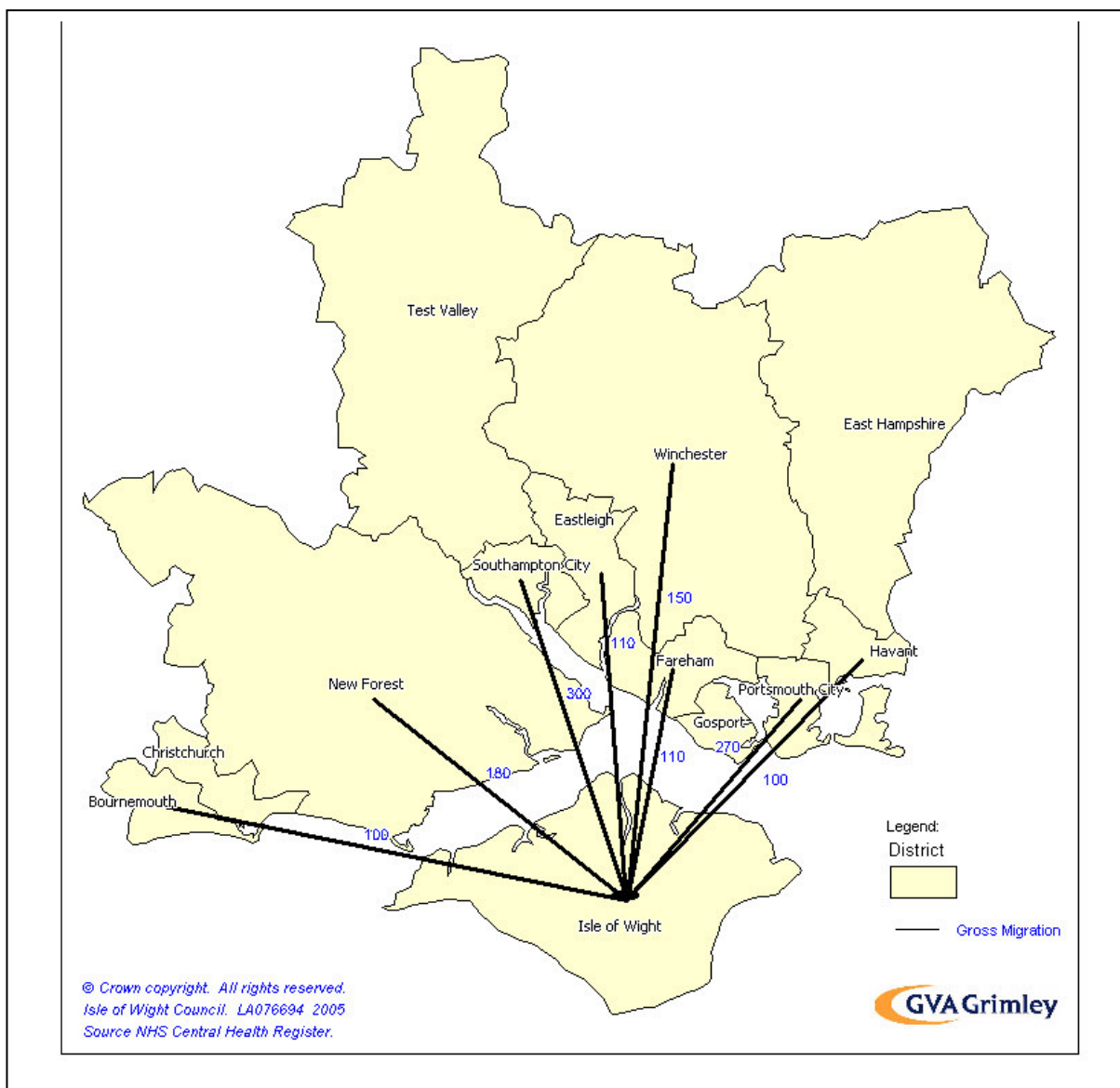
Travel to Work Patterns

- 3.6 Research by WSP for SEERA³ indicates that only 7% of residents commute off the Island to work, while just 3% of jobs on the Island are taken by in-commuters. This indicates a very high level of journey containment, which given the physical barriers to movement is not surprising. The Isle of Wight is a very self-contained labour market.
- 3.7 Four percent of residents commute more than 40km to work – significantly below the South East average of 9%. However, long-distance commuting has grown:- indeed it has doubled between 1991 – 2001, albeit from a low base.

Migration Patterns

- 3.8 The DTZ research used the 2001 Census to consider patterns of migration over the 2000-1 period. However, it is also possible to trace internal migration patterns between local authorities in England and Wales using NHS patient re-registration records (accepting that there will be some inaccuracy, as not all persons who move will change doctors).
- 3.9 Figure 3.1 shows gross migration flows using NHS records per annum (to and from the IOW), averaged over the five year period 2000 – 2005. It indicates that:
- The most significant flows are with Portsmouth and Southampton (> 250 persons per annum gross). There is also a reasonable flow to/from the New Forest (180 persons per annum)
 - There are lower tier flows to/from Eastleigh, Fareham, Havant and Bournemouth (100 – 110 persons per annum gross)

Figure 3.1: Gross Migration Flows (Annual Average 1999/0 – 2004/5)



3.10 Compared to other local authorities **the strength of the relationship of the IOW with its surrounding local authorities is relatively weak**, with the most significant flow of 300 persons per annum to/from Southampton. This likely reflects the relative distance, the physical boundary and the lack of a common border (in other cases high flows between adjacent local authorities reflect relatively short-distance moves). The analysis however **confirms the self-contained nature of the Island’s housing market**.

³SEERA (June 2005) Journey to Work Analysis: Part II

- 3.11 Looking at net migration flows (the balance of people moving to/from the Island), a different and almost unique pattern emerges:
- **Net migration flows to/from Hampshire local authorities are relative small**, ranging between 0 – 30 persons per annum. Overall, there is a net flow of 100 persons from Hampshire to the Isle of Wight annually. There is a similar net flow of 100 persons per annum from Surrey to the Isle of Wight.
 - There is **evidence of significant long-distance migration from London to the Isle of Wight**. While 360 persons per annum move from the Island to London Boroughs, 1000 move to the Island. The evidence therefore suggests an annual flow of 640 persons net to the Island.
- 3.12 Evidence of long distance moves to the Isle of Wight is supported by consultation with estate agents and developers, who indicated strong demand for property from in-migrants and retirees particularly focused at the higher ends of the market. The flip side of this was concern that affordability issues were helping to encourage out-migration of younger people.

House Price Dynamics

- 3.13 Figures 3.2 shows average (median) house prices at a Local Authority level across the South East at the end of 2005. Figure 3.3 illustrates price growth over the five year period 2000 – 2005.
- 3.14 Overall, house prices on the Isle of Wight are within the lowest quintile of local authorities in the region. The local authorities with the lowest house prices are particularly focused along the South Coast: Southampton, Gosport and Portsmouth as well as the Isle of Wight; in Eastbourne and Hastings in East Sussex; and in the East Kent and Medway authorities. The highest prices are in the ‘commuter belt’ authorities around the M25 with the strongest concentration in Surrey.
- 3.15 The second plan (Figure 3.3) indicates that proportional price growth has been strongest in these lowest priced areas, particularly coastal authorities. The Isle of Wight experienced 98% growth in average prices (over the 2000 – 2005 period), which is only slightly less than the highest in the region – 103% in Shepway and Thanet.
- 3.16 House price dynamics indicate similarities between the Isle of Wight and Southampton, Portsmouth and Havant, and also with other South Coast/Medway authorities across the region.

Figure 3.2: House Prices across the South East Region (Q3 2006)

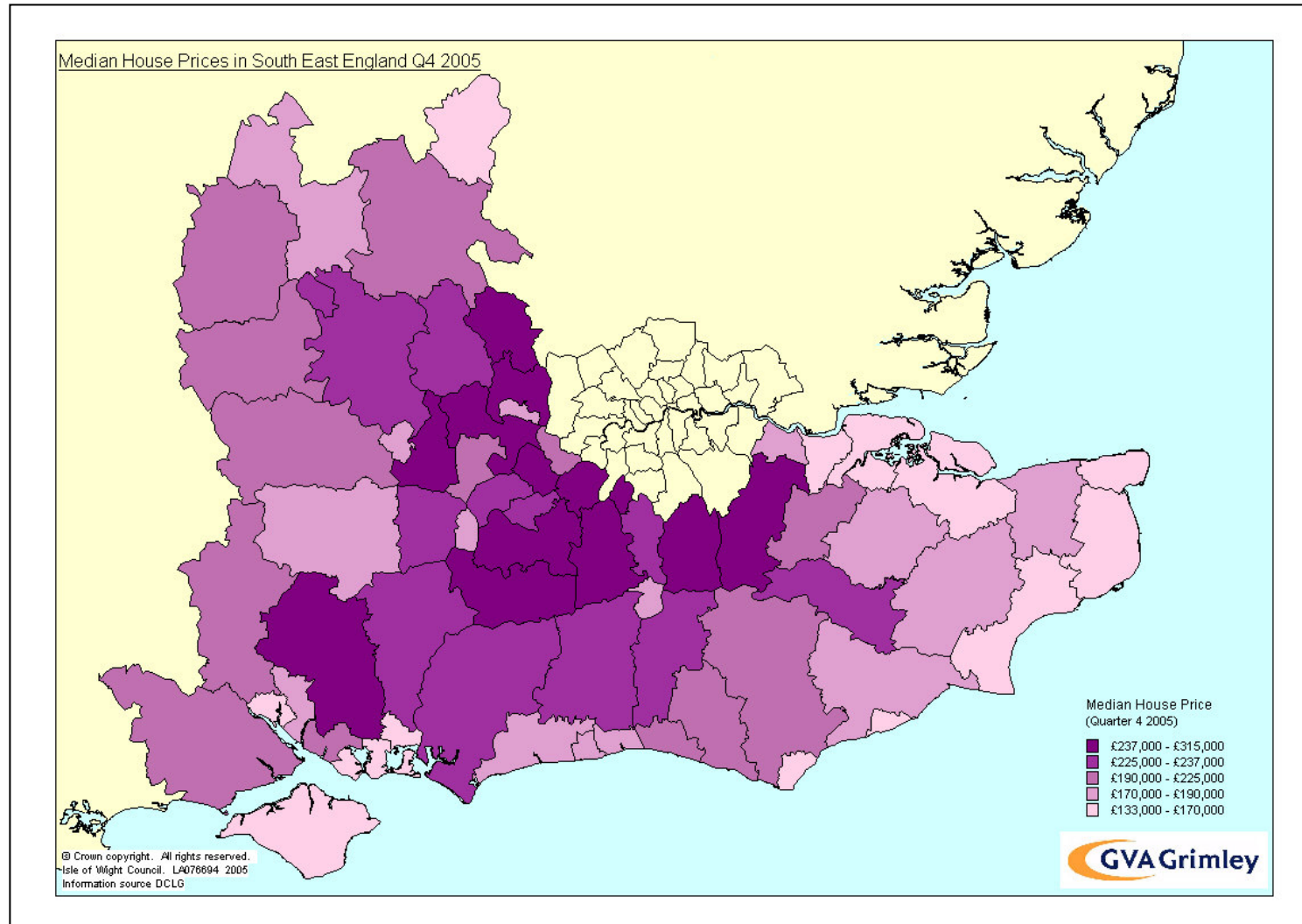
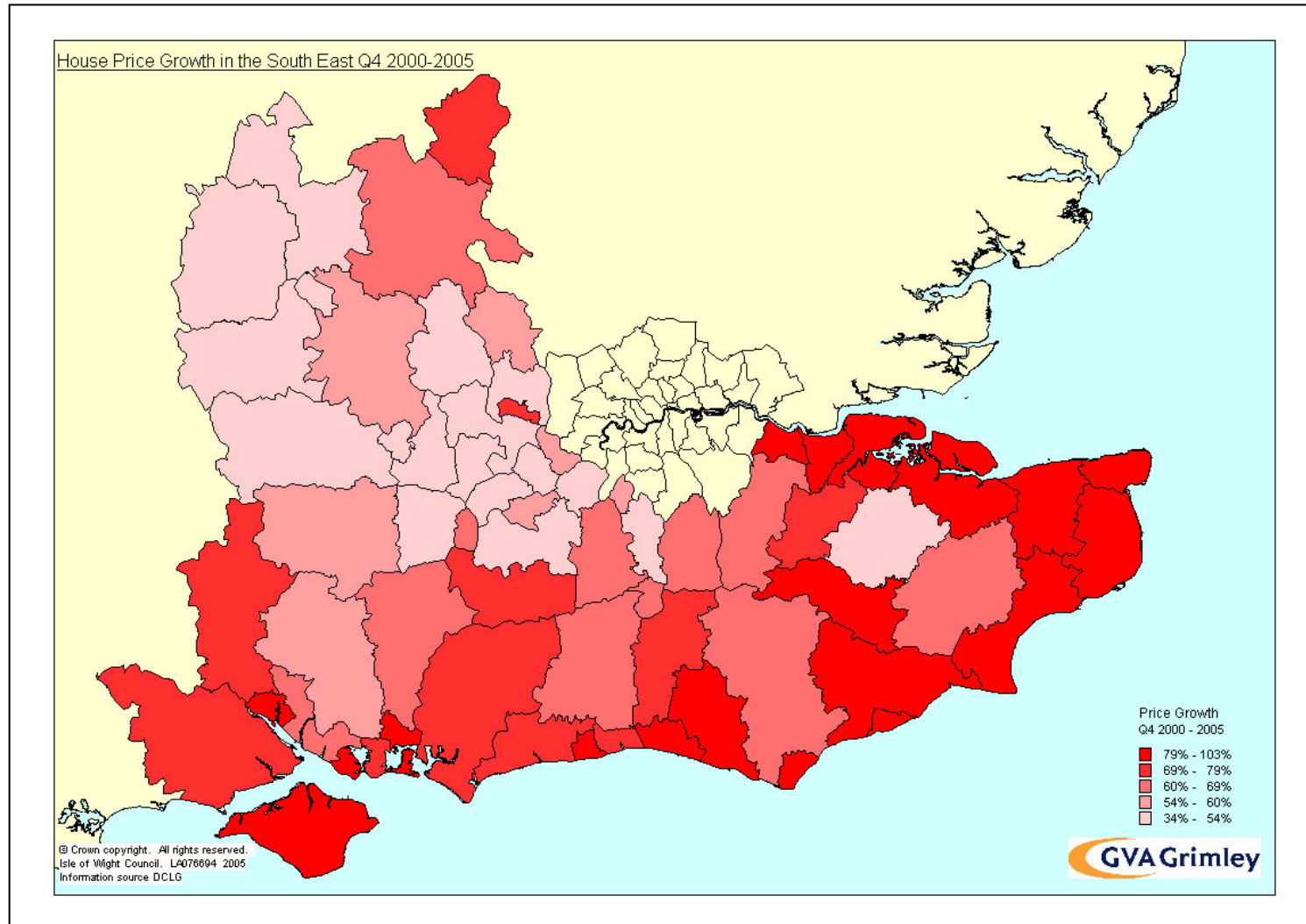


Figure 3.3: House Price Growth across the South East Region (2000 – 2005)



Housing Sub-Markets

3.17 Within the Island's Housing Market a number of sub-markets can be identified. These demonstrate a degree of self-containment in terms of travel to work and migration (albeit not to the same degree as for the Island as a whole), and common characteristics.

3.18 The following structured approach has been used to define the sub-markets:

Steps 1 and 2: Consider the degree to which relocations are contained within Wards or within the town centre catchment areas identified in the Island's Core Strategy.

Step 3: Test indicative sub-markets with stakeholders, developers and local estate agents.

Step 4: Refine the markets by considering spatial patterns in the mix of housing by type and tenure, in house prices and price growth.

3.19 The degree of self-containment of patterns of relocation found at a Ward level was low, ranging between 9 – 28% based on 2001 Census. This indicated that sub-markets are larger or do not match Ward boundaries.

3.20 Next, the level of containment of patterns of movement within town centre catchments/LDF Core Strategy areas were assessed, drawing again upon the 2001 Census (see Figure 3.4). Much higher levels of self-containment were found, ranging from 34 – 44%.

Figure 3.4: Self-Containment for Town Centre Catchments

Core Strategy Area	Total Moves	Moves within Area	% Self Containment
Newport	1561	581	37.2%
Bay Area	2526	1108	43.9%
Cowes/ East Cowes	1687	682	40.4%
Ventnor	857	290	33.8%
Totland/Freshwater/Yarmouth	1105	478	43.3%
Ryde	2573	1078	41.9%

Source: Census 2001

3.21 The town centre catchments represent a pragmatic starting point for defining sub-markets. But where do the Island's rural areas fit in? Considering travel to work (TTW) patterns, Newport has a very large catchment area while the other town centres tend to be smaller and more contained. Almost all of the rural wards are 'linked' to Newport as a key employment and service centre and these were classified initially as another sub-market – 'Newport Periphery.'

- 3.22 Bembridge North and South have an isolated TTW pattern with most people working near their place of residence. These two Wards are not strongly associated with a town centre area and so were considered initially as another sub-market.
- 3.23 Six indicative housing sub-markets were hence be defined on the basis of migration and travel to work patterns. They formed the basis of testing with developers and estate agents.
- 3.24 Four estate agents were contacted by telephone,⁴ with key market areas and relative performance discussed. Discussions indicated that the **main housing sub-markets are based around the main towns**. This supports use of town centre catchments as a basis for housing sub-markets. The only area suggested as a separate sub-market was Wootton Bridge.
- 3.25 Further testing of the sub-markets was then undertaken with estate agents and developers at stakeholder workshops in October 2006. Estate agents at the first workshop indicated that:
- Key sub-markets on the Island comprise: Cowes; Ventnor and the Bay Area; West Wight; Bembridge, Seaview and St Helens; and Ryde. However It was suggested that there was some interaction between Cowes and Ryde;
 - The 'Newport Periphery' sub-market is not as general as indicated, suggesting that the area divides into West Wight, South Wight, and North and East Wight.
- 3.26 It was however suggested that distinctions between markets were becoming more blurred, particularly as affordability issues forced people to increase their areas of search. A degree of movement between the rural areas and Newport/Ryde was also identified and linked to economic change and movement to access jobs.
- 3.27 Local developers, in the second workshop session, questioned whether sub-markets were more broad than those indicated. A West Wight – East Wight distinction was discussed and it was questioned whether the Bembridge sub-market included more of the Newport Periphery area.
- 3.28 On the basis of the discussions and further research to consider sub-market characteristics the indicative sub-markets have been amended as follows:

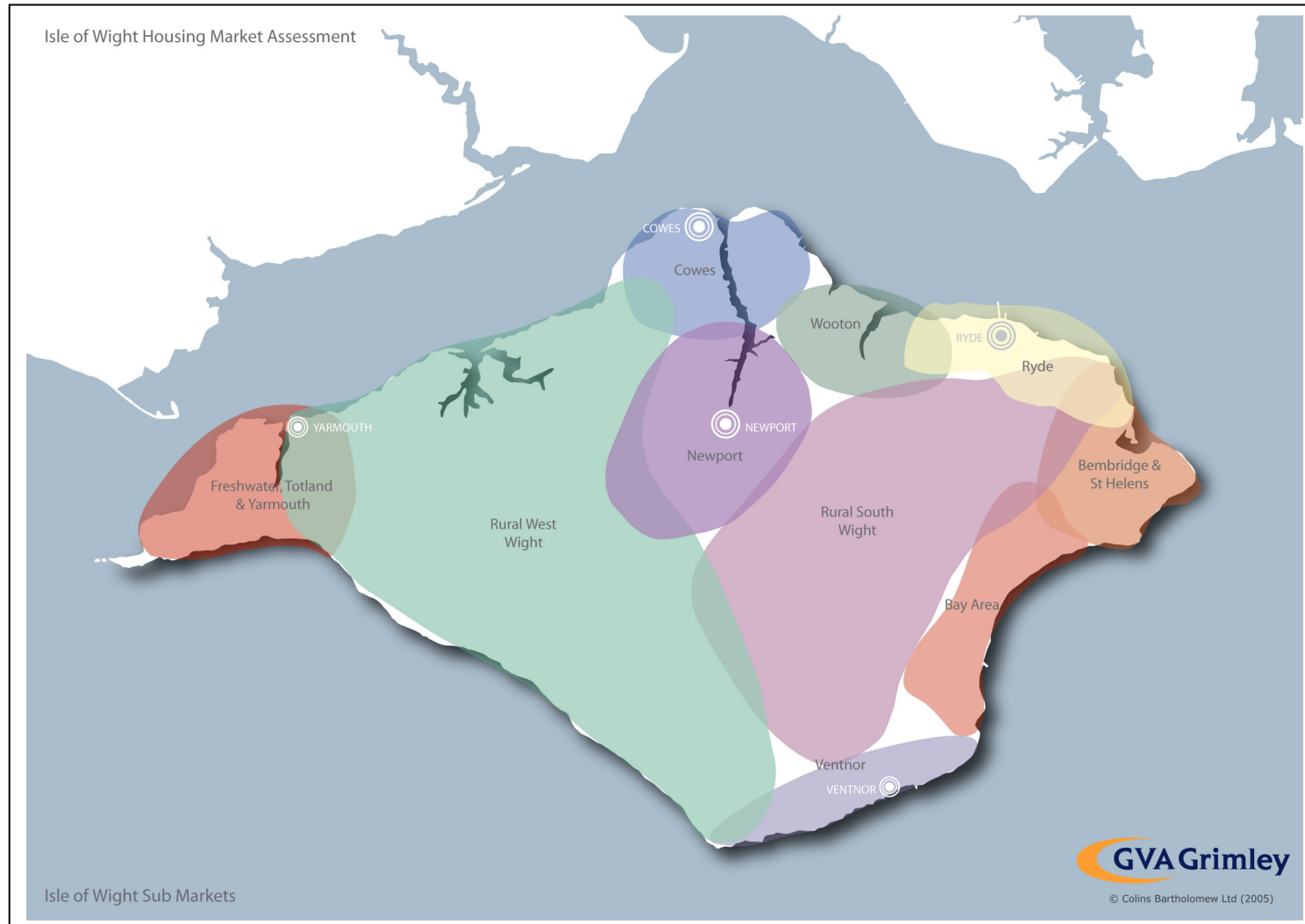
⁴ Marvins, Fox, Watson, Bull & Quarter Countrywide, Hose Rhodes Dickson.

- sub-markets have been amended to take account of the settlement geography (recognising urban areas/ settlements do not fit neatly into ward/SOA boundaries)
- to include St Helens in the Bembridge sub-market, and define a Wootton sub-market, as suggested through the consultation
- to split the large 'Newport Periphery' area into 'Rural West Wight' and 'Rural South Wight' sub-markets but maintaining the urban/rural distinction

3.29 These conclusions were supported by a spatial analysis of housing type and tenure at a lower level Super Output Area (LSOA) level, and through consideration of house price patterns and price growth over the last five years.

3.30 The identified sub-markets are shown on Figure 3.5. From the analysis and feedback it is important to recognise that the sub-markets are dynamic (in that the relationships that define them will change over time) and that they interact. The boundaries are hence indicative and porous. Areas where there is more sub-market interaction are shown as overlapping.

Figure 3.5: Isle of Wight Housing Sub-Markets



Sub-Market Profiles: Data Issues

3.31 The remainder of this report presents an analysis of demographic and economic conditions, housing supply and demand. Where possible information is presented for housing sub-markets. For this purpose it has been necessary to define market boundaries using a statistical geography. The LSOAs that constitute each of the sub-markets are set out in Figure 3.6.

Figure 3.6: LSOAs in Sub-Markets

Freshwater, Totland & Yarmouth	Cowes	Newport	Rural South Wight	Ventnor	Bay Area	Ryde
012A	001A	008A	006B	018A	014B	004A
012B	001B	008B	011C	018B	014C	004B
012C	001C	008C	014A	018C	014D	004C
012D	001D	008D	015C	018D	014E	004D
012E	001E	008E	015D		015A	005B
012F	002A	009A	017B	Wootton	015B	006A
012G	002B	009B	017C	005A	015E	006C
	002C	009C	017D	005C	015F	006D
	002D	009D	018E	005D	016A	006E
	002E	009E			016B	007A
	003A	011A	Rural West Wight	Bembridge & St Helens	016C	007B
	003B	011B	013A	010A	016D	007C
	003C	011D	013B	010B	016E	007D
		011E	013D	010C	016F	007E
		011F	017A			010D
		013C				010E

Key Messages

- The Isle of Wight is a separate functional and relatively self-contained housing market. Across the Island 10 housing sub-markets have been defined
- There is limited evidence of people either moving to/from or travelling to work in the Hampshire Coast areas. Net migration flows to/from Hampshire local authorities are relatively small. However there is evidence of long-distance migration from London to the Isle of Wight
- The Island demonstrates similar house price trends, in terms of relatively low average prices but strong growth over the last five years, to some other South Coast and Medway local authority areas

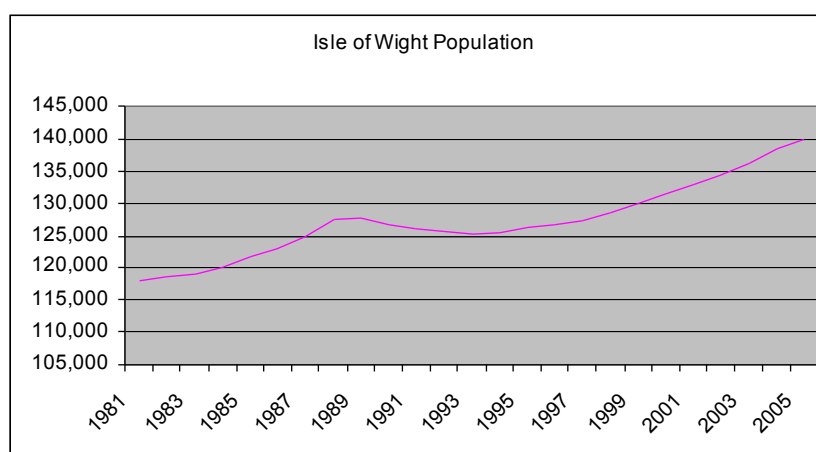
4. SOCIO-ECONOMIC PROFILE

Demographics

Total Population

- 4.1 The 2001 resident population of the Isle of Wight was 132,731 with a 48:52 male/female split. This represented 1.7% of the population of the SE region. Mid-year estimates (MYEs) published by the Office for National Statistics indicate a population of 140,000 in 2005 – a 5.5% growth on 2001.
- 4.2 The Island's population is not ethnically diverse with only 1,763 persons of non-white background recorded by the Census. This represents 1.3% of the population as against 4.9% for the SE and 8.7% across England and Wales. The ethnic minority population is mainly concentrated in Ryde and within the prison population in Parkhurst ward.
- 4.3 The Island's population grew by 6.6% in the 1980s (1981 – 1991) with a slightly lower rate of growth in the 1990s of 5.6%, although total population actually fell between 1990 – 1993 by 1.1%. Since 1998 the population has grown consistently, at a rate of 1.3% per annum.

Figure 4.1: Population Growth (1981 – 2005)

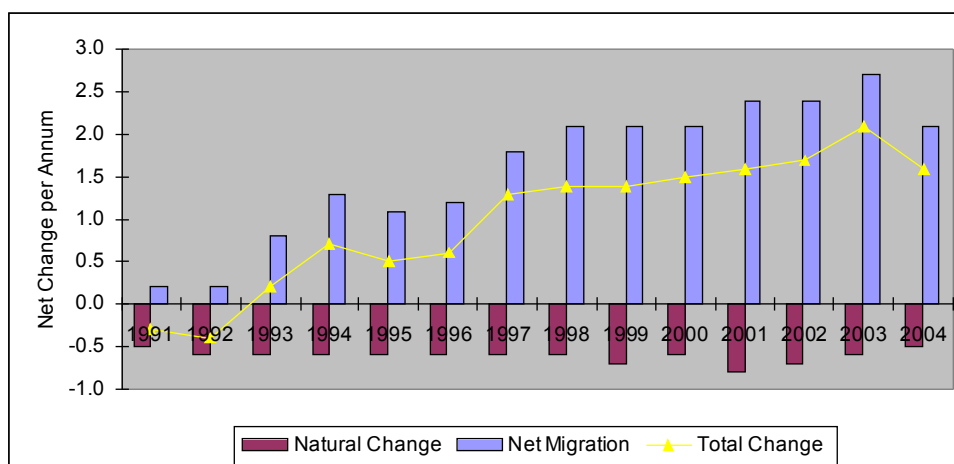


Source: Office of National Statistics (ONS) Mid-Year Estimates

- 4.4 Population growth has been driven by migration, which has counterbalanced natural decrease (whereby the death rate has consistently exceeded the birth rate). Between 1997/8 – 2003/4 the Island experienced year-on-year growth in the level of net in-

migration. However in 2004/5 the level of in-migration slipped back to a level below that in the previous two years.

Figure 4.2: Components of Population Change (1991 – 2005)



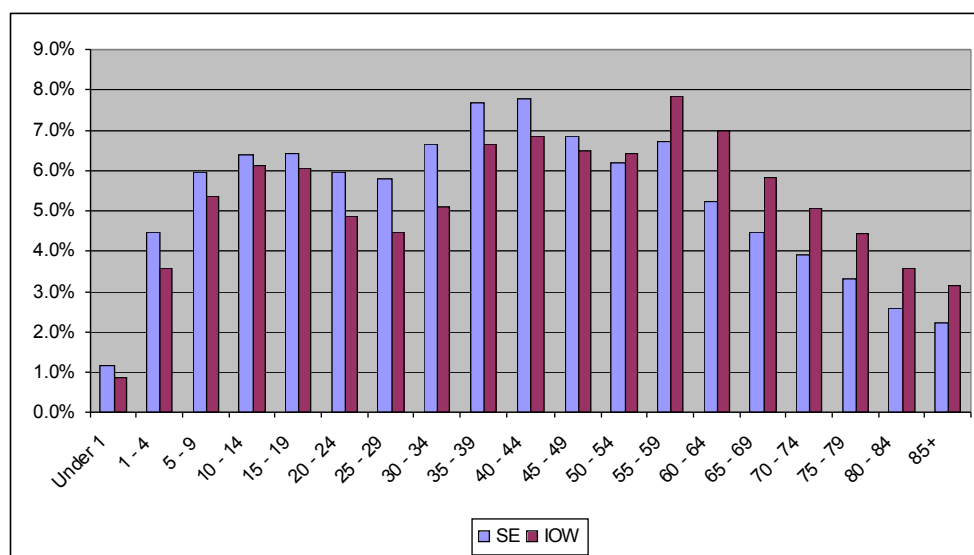
Source: ONS Mid-Year Estimates

4.5 Overall, the Island’s population has grown over the last decade by 10.9% (1995/2005) which is above regional (5.2%) and national (4.1%) growth rates.

Age Structure

4.6 The Island has an older population structure than average with an above average proportion of the population in 55+ cohorts compared to the regional profile and a below average proportion in each cohort below this. There is a particularly low proportion aged between 20 – 34.

Figure 4.3: Age Structure (2005)



Source: 2005 Mid-Year Population Estimates, ONS

- 4.7 A working-age population (15 – 59/64) of 76,800 represents 54.8% of the Island’s total population. This compares with 60.1% across the South East region. More than 1 in 5 of the Island’s population is aged over 65.

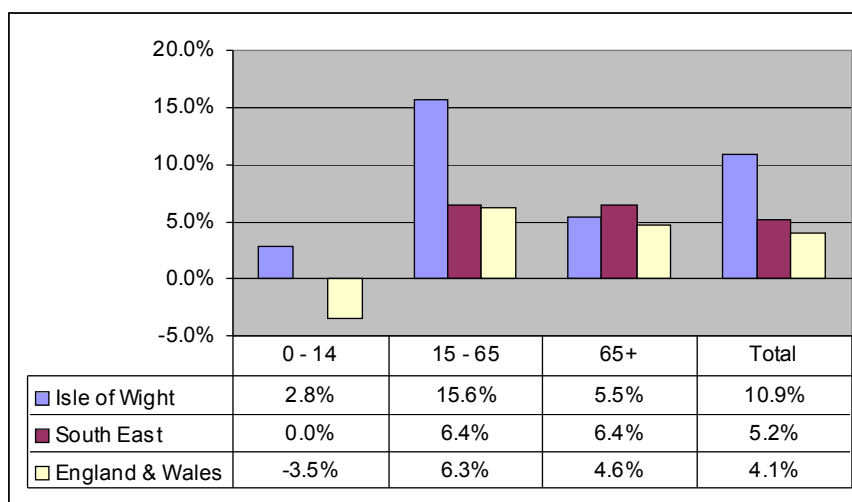
Figure 4.4: Population Structure

Age Band	0 - 14	15 - 64	65+
Isle of Wight	15.9%	61.8%	22.1%
South East	18.0%	65.4%	16.6%
England and Wales	18.0%	66.0%	16.1%

Source: 2005 Mid-Year Population Estimates, ONS

- 4.8 However population growth over the last 10 years has principally been in the working-age population. Between 1995 – 2005 the school-age population grew by 3%, the working-age population by 16% and the retirement age population by 6%. This can be related to strong growth in employment. As a result, the working-age population has increased in proportional size over the last ten years at the expense of the populations of school and retirement age.

Figure 4.5: Population Growth by Age Cohort (1995 – 2005)



Source: ONS Mid-Year Population Estimates

Figure 4.6: Changing Proportions of the Population in Key Age Cohorts

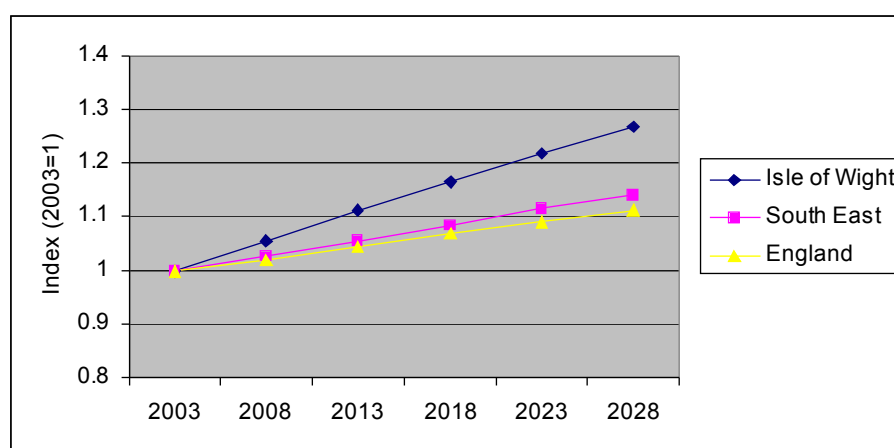
	1985	1995	2005
School-Age Population (0-14)	16.9%	17.3%	16.0%
Working-Age Population (15-64)	60.4%	59.5%	62.0%
Retirement-Age Population (65+)	22.9%	23.2%	22.1%

Source: ONS Mid-Year Population Estimates

Future Population

- 4.9 To assess future population we have drawn upon two sources – national trend-based population projections, and an economic-led projection developed by Experian Business Strategies (2006).
- 4.10 In 2005 the Office for National Statistics (ONS) published sub-national trend-based population projections. These project births, deaths and migration based upon observed age-specific trends over the previous five years (2000 – 2004). They do not take account of policy changes or economic performance, but provide a consistent baseline nationally.
- 4.11 The projections indicate 16.0% growth over the 2006-21 period compared to 8.5% across the South East which is itself above the national growth rate. Figure 4.7 indicates the projection from the 2003 base.

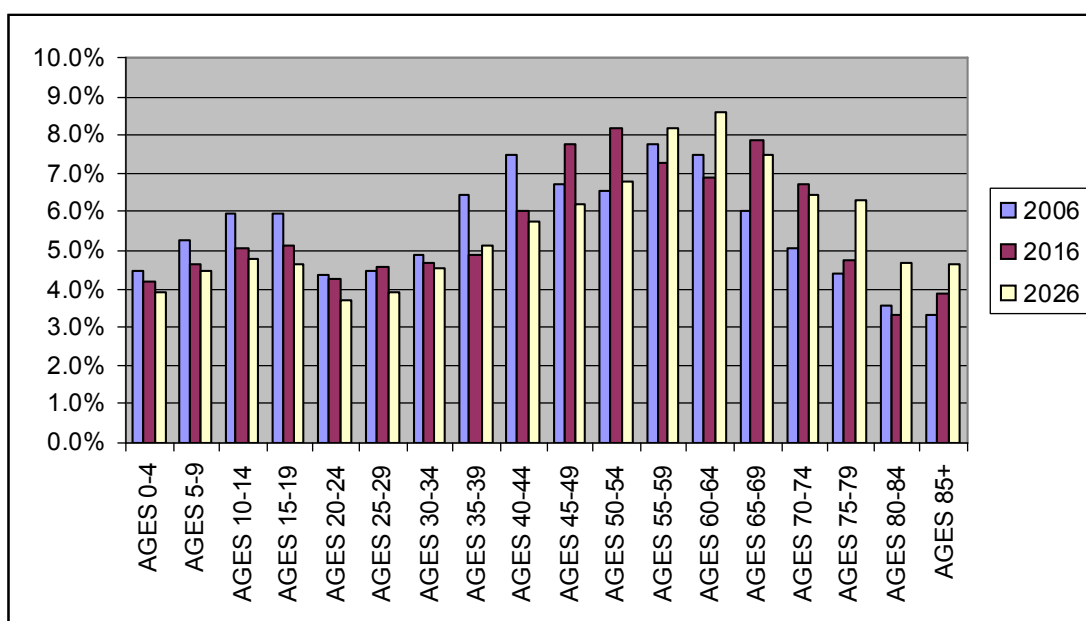
Figure 4.7: ONS Population Projections



Source: ONS 2003-based Population Projections

4.12 As Figure 4.8 indicates, over the next decade the 45-54 and 65-74 cohorts are expected to increase significantly as a proportion of the total population. The corollary of this is decline in the population aged under 20 and between 35-44. The population in their 20s, which is key to new household formation, is expected to remain relatively consistent as a proportion of the total population.

Figure 4.8: Projected Population by Age Cohort

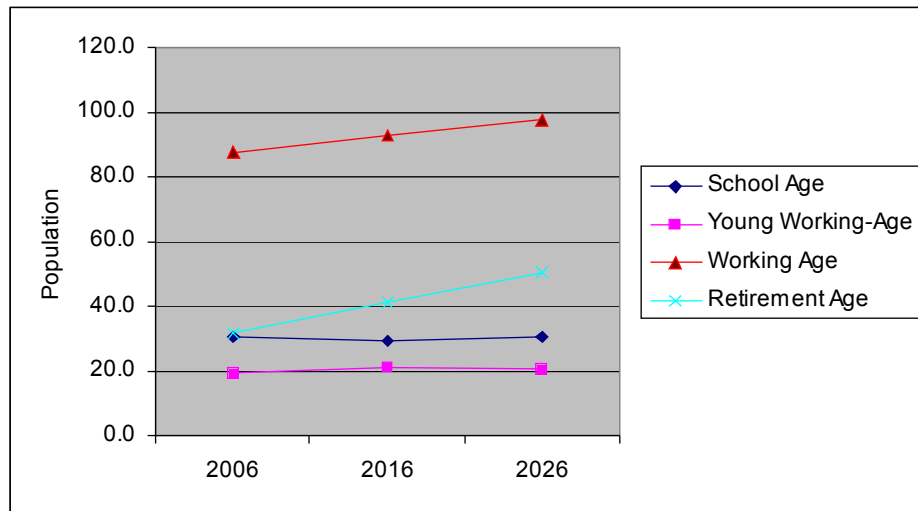


Source: ONS 2003-based Population Projections

4.13 In the subsequent decade, from 2006-26, the projections indicate contraction in proportion of the population in all age groups under 50, with strong growth in the population aged 55-64 and over 75.

4.14 Figure 4.9 considers the growth in key age groups in absolute terms. It indicates that the population under-19 and between 20-34 will remain broadly static, but that the working-age population overall as well as the retirement population will grow significantly.

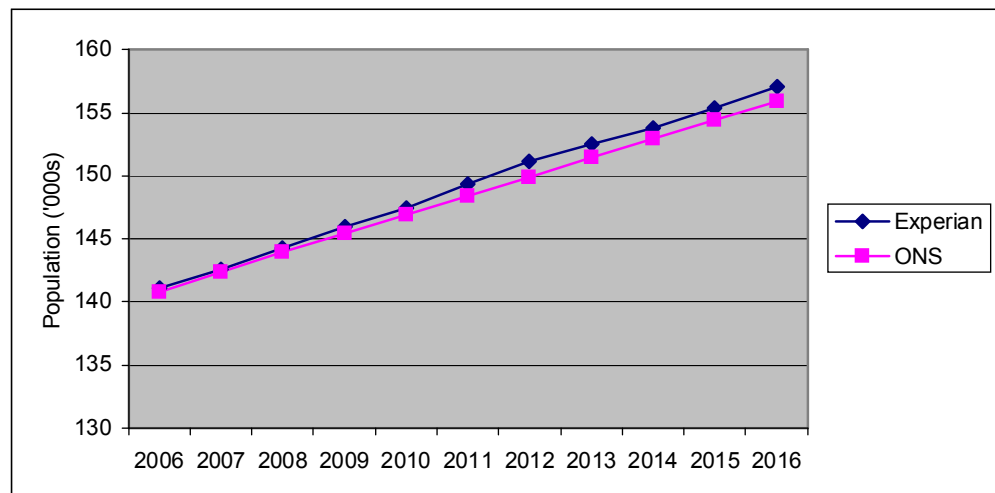
Figure 4.9: Projected Population in Key Age Groups



Source: ONS 2003-Based Population Projections

4.15 The economic-led forecast prepared by Experian Business Strategies shows remarkable similarities to the ONS projection. Figure 4.10 shows total population to 2016, the end result being a differential of 1200 people (0.8%) of which 600 are of working-age. This helps to give us confidence in the projections.

Figure 4.10: Comparing Population Forecasts



Source: ONS 2003-Based Population Projections; Experian Business Strategies

Household Characteristics

- 4.16 According to the 2001 Census the Isle of Wight contained 57,519 households, with an household size of 2.31. This is below regional (2.48) and national (2.40) levels. The Housing Strategy Statistical Appendix (HSSA) returns, based upon completions and council tax records, indicate 64,816 households live on the Island in 2006.
- 4.17 The Island saw a 10.2% increase in households between 1991 – 2001 (Figure 4.11) – a more significant growth than across the region or country.

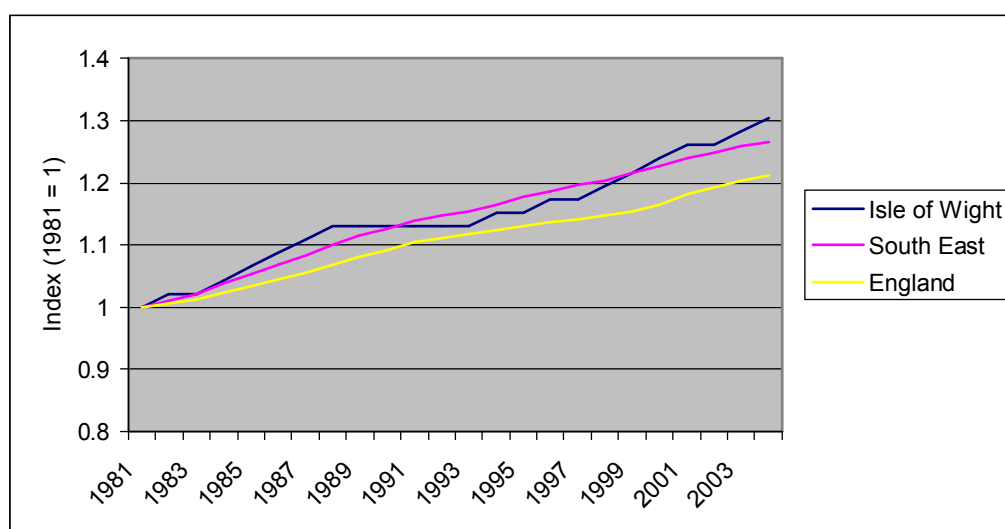
Figure 4.11: Household Growth 1991 - 2001

	1991 Households	2001 Households	% Increase
Isle of Wight	51652	57,519	10.2%
South East	2,985,444	3,287,488	9.2%
England/Wales	19,997,655	21,660,475	7.7%

Source: 2001 Census

- 4.18 DCLG publishes annual household estimates, with the latest available for 2004. Figure 4.12 plots household growth since 1981. It indicates that growth on the Island has broadly tracked the regional picture over the longer-term, but has grown more strongly since 1997. It has out-performed growth nationally. Over the last decade (1994 – 2004) total households on the Island have grown by 13% as against 8.7% regionally and 8.0% across England and Wales.

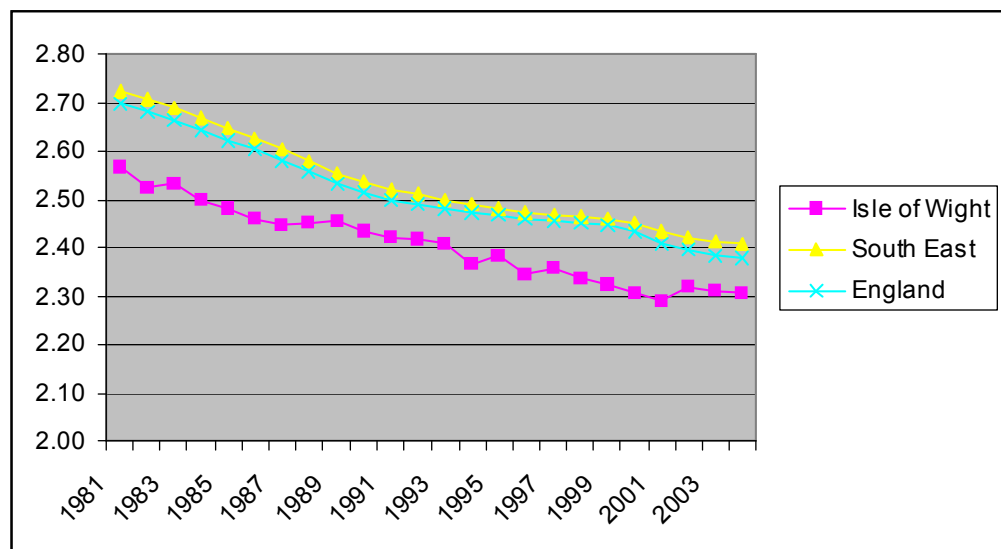
Figure 4.12: Household Growth 1981 – 2004



Source: DCLG

- 4.19 Household sizes are falling as a result of broader demographic trends – people are living longer, are marrying and having children later, and the divorce rate is increasing. This is helping to stimulate housing demand and means that even in areas where the population is static, there is demand for additional housing.
- 4.20 Figure 4.13 indicates a downward trend in average household sizes, albeit that the rate of fall on the Island is marginally less than across the region or country. We estimate an average household size of 2.31 on the Isle of Wight in 2004 as against 2.41 across the South East and 2.38 across England.

Figure 4.13: Trends in Average Household Size



Source: ONS Mid-Year Population Estimates; DCLG Household Estimates (Table 406)

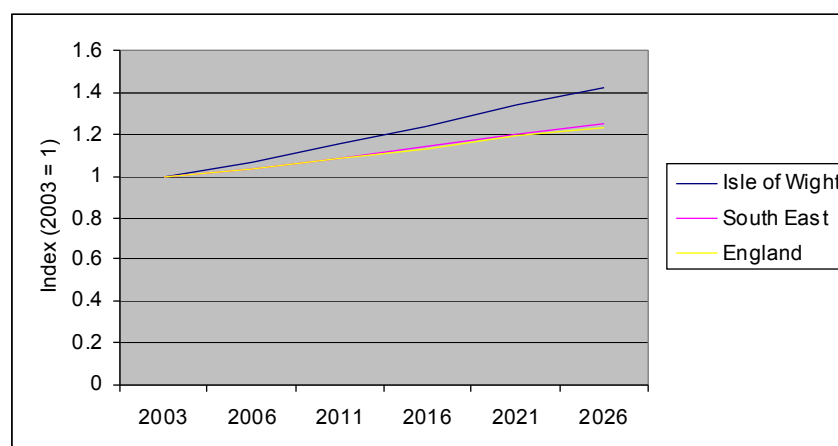
- 4.21 The Census provides a profile of household composition. It indicates a higher proportion of pensioner households on the Island, and lower proportion of family households with dependent children compared to the South East and England and Wales profiles. The level of one person households is very marginally above average.

Figure 4.14: Household Composition

	Isle of Wight	South East	England & Wales
All Households	57519	3287489	21660475
One Person Households	31.38	28.51	30.02
Couple No Dependents	38.96	37.86	36.06
Households with Dependents	26.00	29.19	29.49
Other Households	3.67	4.43	4.42
Pensioner Households	31.52	24.56	23.81

Source: Census 2001

- 4.22 Trend-based household projections published by the DCLG indicate household growth of 16% over the next decade compared to 11% across the region and 10% nationally. This compares to 13.2% household growth on the Island over the previous decade (1994-04). Total households are projected to increase from 63,000 in 2006 to 79,000 in 2021.

Figure 4.15: 2003-Based Household Projection

Households ('000s)	2003	2006	2011	2016	2021	2026	2006-2021	
							No.	%
Isle of Wight UA	59	63	68	73	79	84	16	25.4%
South East	3,348	3,445	3,626	3,822	4,013	4,184	568	16.5%
England	20,904	21,485	22,566	23,705	24,781	25,713	3,296	15.3%

Source: DCLG 2003-Based Sub-National Household Projections

Deprivation

- 4.23 The South East region has the lowest proportion of population living in the UK's most deprived areas. However the Isle of Wight falls within the 40% most deprived local authorities in England, ranked 126th from 354, according to the 2004 Index of Multiple

Deprivation (IMD2004)⁵. It is within the most deprived quartile of local authorities in the South East region.

- 4.24 From the 354 local authorities nationally, the Island is ranked 101st for Income deprivation and 108th for Employment deprivation.
- 4.25 The IMD2004 uses a range of indicators to assess the existence of multiple deprivation at a local level, categorising deprivation for LSOAs. The Isle of Wight contains 89 LSOAs, none of which are in the most deprived 10% of areas nationally but six of which are in the 10 – 20% most deprived covering parts of Ryde, Newport and Ventnor (Figure 4.16).
- 4.26 Deprivation on the Island is particularly noted in: Income, Employment and Education and Skills domains together with Barriers to Housing and Services, and the Living Environment. Crime and Disorder, and Health and Disability make a relatively small contribution to overall deprivation on the Island.
- 4.27 Whilst Employment, Living Environment and Income Deprivation are greatest in extent, deprivation is most severe in terms of Barriers to Housing and Services (with 8 LSOAs in the top 10%) and the Living Environment (5 SOAs in the top 10%). These represent severe concentrations of physical deprivation.
- 4.28 An analysis of deprivation by domain reveals:
- Deprivation is concentrated in the main urban areas – Parts of Ryde, SE Newport, East Ventnor. Parts of Newport, Sandown, East and West Cowes, West Ventnor, Niton and Chale are within the 20 – 40% most deprived areas
 - Housing deprivation is focused in the more rural parts of the Island, with parts of Rural West Wight and Rural South Wight, Ventnor West, the Parkhurst area and Yarmouth/Norton falling in the 20% most deprived areas
 - Income and Employment deprivation are most severe in the main urban, (particularly coastal urban,) areas of Ryde, Sandown/Shanklin, SE Newport, East Cowes/Osborne, and Ventnor. These are in the 20% most deprived areas. Deprivation is most extensive in Ryde and the Bay Area.
 - Poor living environments (most deprived 20%) are concentrated in parts of the urban areas of Ryde, SE Newport, and Central Cowes (East and West), Sandown/Shankin and Ventnor.

⁵ ODPM (2004)

- No parts of the Island fall within the most deprived 20% areas against the Crime and Disorder, or Health and Disability domains. Parts of Freshwater/Afton, SE Newport, Sandown/Shankin and Ryde are within the 30-40% most deprived for the Crime domain. Parts of Ryde, Newport, Freshwater, Osbourne, Sandown/Shanklin and Ventnor are within the 20 – 40% most health deprived areas with the greatest concentration of SOAs in Newport and Ryde.

4.29 Figure 4.18 summarises the deprivation position island-wide. It indicates that 40% of the Island's LSOAs are in 30% most Employment deprived, 35% are in the 30% most Income deprived, and 35% are in the 30% worst Living environments nationally.

Figure 4.16: Multiple Deprivation

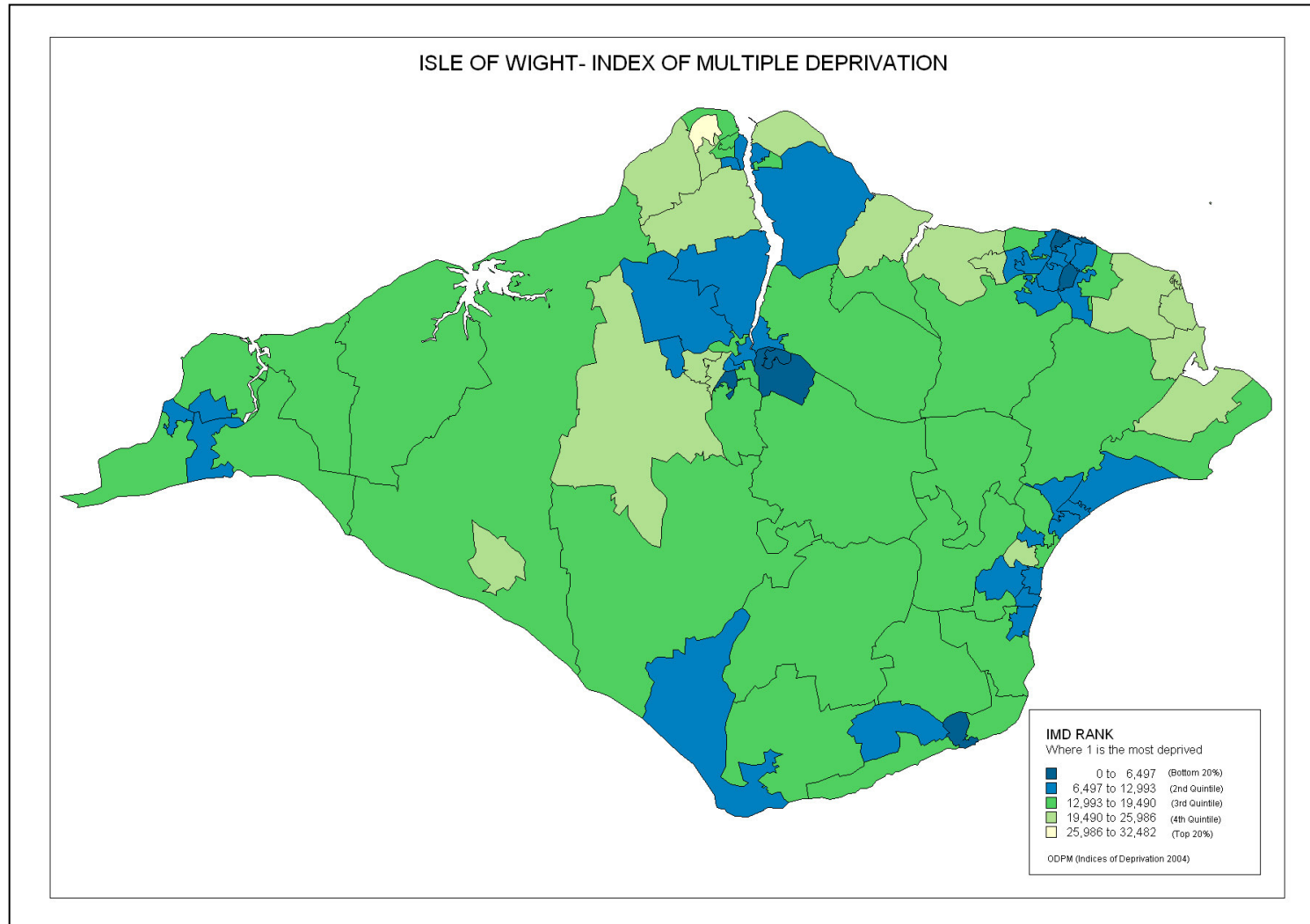


Figure 4.17: Barriers to Housing and Services Deprivation

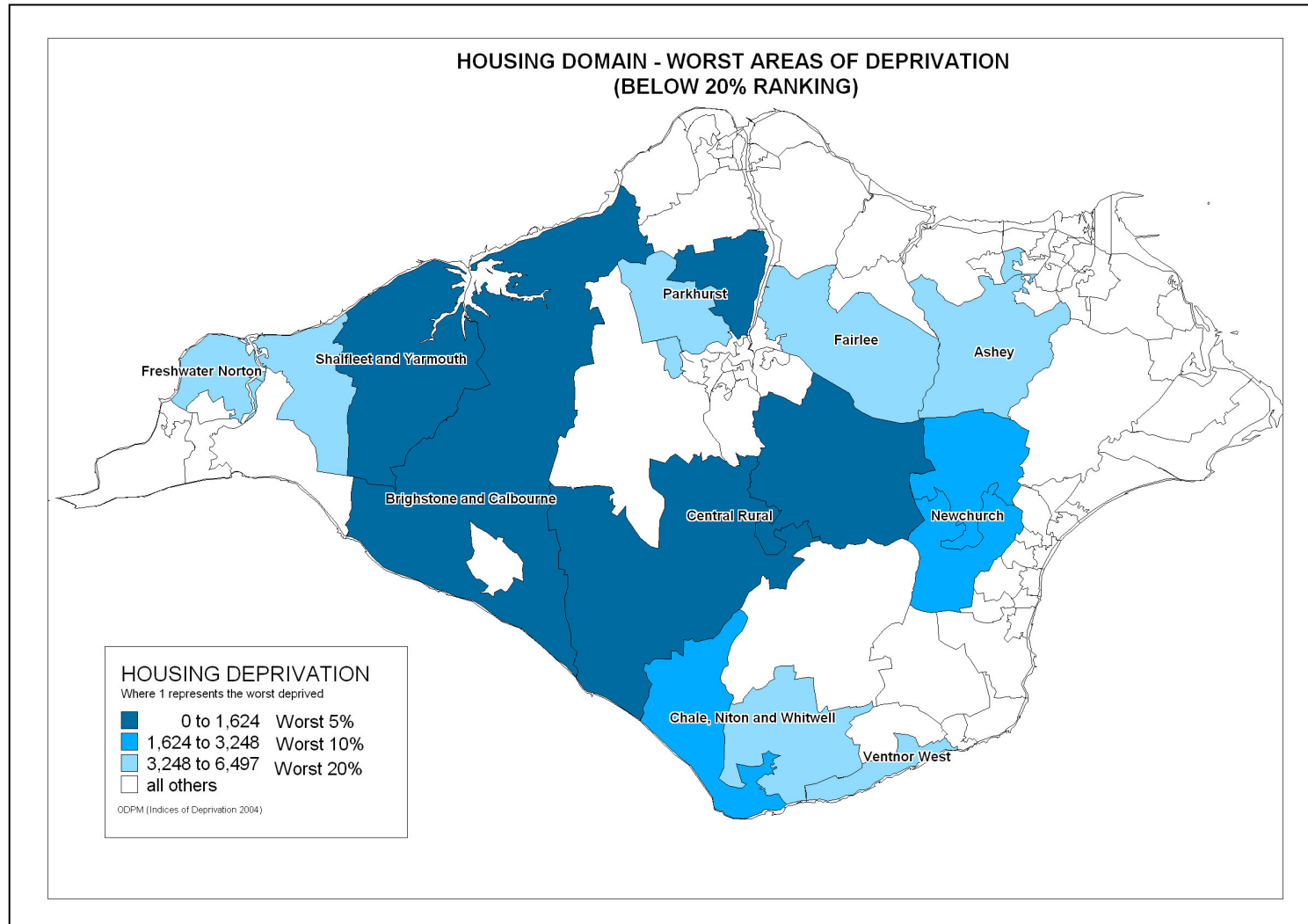


Figure 4.18: Deprivation – Summary Table

	10% Most Deprived	10 - 20% Most Deprived	20 - 30% Most Deprived	Total LSOAs in 30% Most Deprived
Overall	0	6	17	23
Income	1	15	15	31
Employment	2	14	20	36
Health & Disability	0	0	10	10
Education & Skills	1	9	12	22
Barriers to Housing & Services	8	9	7	24
Crime & Disorder	0	0	0	0
Living Environment	5	11	14	30

Source: ODPM 2004

Health

- 4.30 There is a range of research which demonstrates a clear link between socio-economic factors and health. Housing, and particularly house condition, is a component of this. The 1998 Independent Inquiry into Inequalities in Health report concluded that:

"the weight of scientific evidence supports a socio-economic explanation of health inequalities. This traces the roots of ill health to such determinants as income, education and employment as well as material environment and lifestyle".

- 4.31 The 2006 Department of Health Profile of the Island indicates that it performs significantly worse than the England average against: GCSE attainment, older people supported at home; obese adults; road injuries and deaths; drug misuse and people with diabetes. It performs significantly better than average in relation to housing quality; binge drinking; healthy eating; life expectancy; deaths from smoking; and mental health treatment.
- 4.32 Life expectancy on the Isle of Wight is higher than the England average and rising steadily. In 2003 it stood at 81.8 years for women and 77.4 years for men, in each case about one percentage point above the England average. However there are noticeable spatial differentials: life expectancy in the lowest fifth of Isle of Wight wards is 77.1 years, 5.1 years less than those in the highest fifth.
- 4.33 The Census indicates that an above average proportion of the Island's population have a limiting long-term illness at 22.0%, compared to 18.2% across England and Wales and 15.5% across the South East. A limiting long-term illness affects 15.9% of the working-age population (Figure 4.19).

Figure 4.19: Limiting Long-Term Illness (LLTI)

	All People	% People with a LLTI	% People of Working-Age with LLTI
Isle of Wight	132731	22.0%	15.9%
South East	8000645	15.5%	10.6%
England and Wales	52041916	18.2%	13.6%

Source: Census 2001

Education

- 4.34 Isle of Wight Council is the local education authority. Across the Island there are 45 primary schools (of which 4 are Church of England and 4 Roman Catholic), 16 middle schools (including 1 Roman Catholic and 1 Church of England) and 5 secondary schools (all of which are community schools). Island residents can apply to any school, there being no specific catchment areas.
- 4.35 Average educational attainment in 2005 on the Island at Key Stage II in Middle Schools, at GCSE, and at GCE/VCE level post-16 are below the England average. None of the state schools on the Island have attainment at GCSE which is above the England average. The same is true for the post-16 age group.

Key Messages

- The Island's population has grown strongly, at a rate of 1.3% per annum since 1998, driven by in-migration. Growth has been strongest in the population of working age.
- Continued strong population growth of 11% is expected over the next decade according to both trend-based and economic-led projections. Household projections indicate growth of 16% to 2016 reflecting growth in the population and continuing trends towards smaller households.
- The Island has an older population structure than average with a high proportion in each cohort over 55. A low proportion of the population is aged 20-34. Related to this, there are an above average proportion of pensioner households and lower proportions of resident families with children. Average household size is therefore below regional and national benchmarks.
- The Island is in the most deprived quarter of local authorities in the South East region. Deprivation is particularly shown in low incomes, education and skill levels, barriers to housing and services, and living environment. It is concentrated in the main urban

areas, although deprivation in the Barriers to Housing and Services domain are more severe in rural areas.

- The performance of the Island's schools is below average at all levels. None of the Island's state schools achieve national attainment levels at GCSE or post-16.

5. ECONOMIC REVIEW

5.1 Housing markets are sensitive and responsive to both national and local economic conditions and performance. The fortunes of the economy and housing market are closely intertwined, and it is important to understand the economic performance and change as a basis for understanding the housing market.

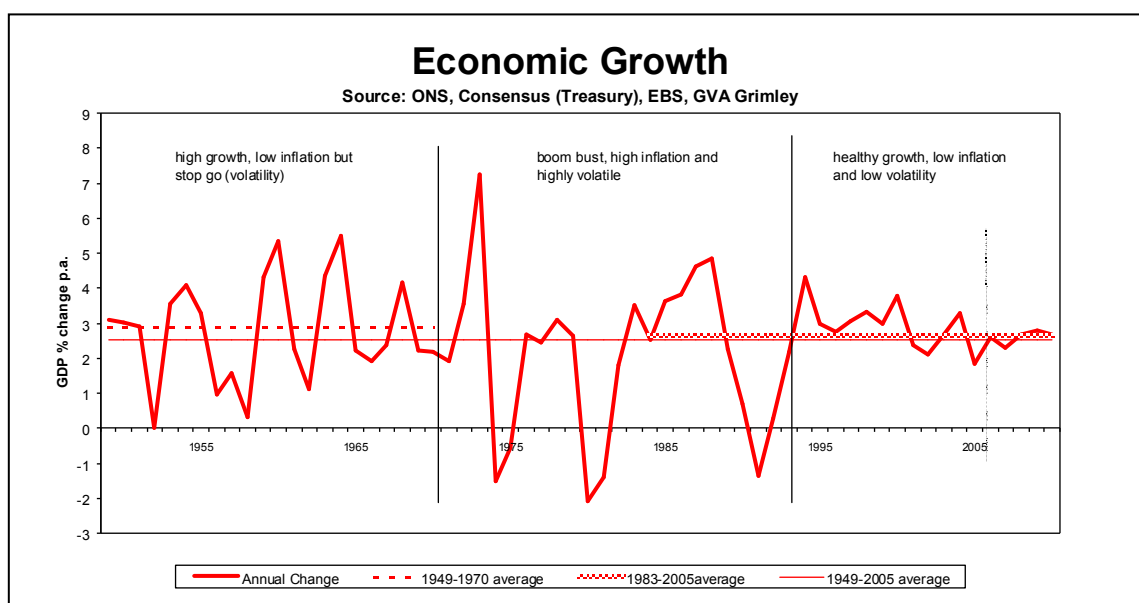
Macro Context

Economic Trends and the Housing Market

5.2 The UK economy has experienced one of the longest periods of sustained macro-economic stability and growth on record, and is one of the strongest economies in Europe in terms of inflation, interest rates and unemployment, all of which remain at historically low levels. Since the mid 1990s the Government and Bank of England have been remarkable successful in maintaining stable and healthy economic growth and low interest rates. This has supported strong performance of the housing market.

5.3 Recent economic and housing market conditions are however in marked contrast to much of the post-war period, where volatility was much greater and political factors influenced the setting of interest rates (Figure 5.1).

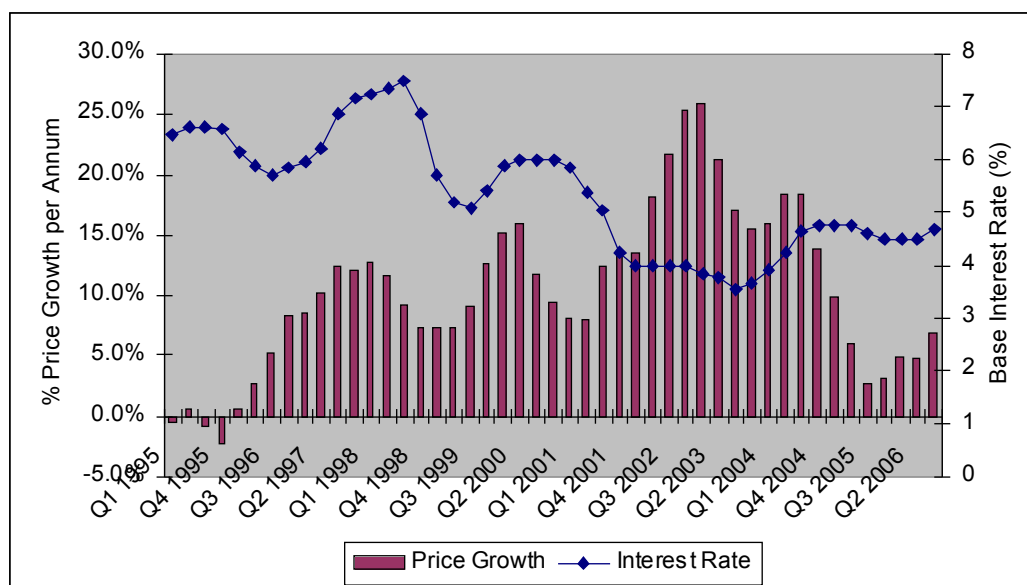
Figure 5.1: Historic Trends in GDP Growth



5.4 Figure 5.2 plots trends in interest rates and national house price inflation on a quarterly basis since 1995. It indicates a significant downward trend from base interest rates of 7.5% in mid 1995 to 3.5% in late summer 2003.

5.5 Low interest rates improve access to the housing market through improving access to finance. The graph indicates a clear correlation (albeit with a slight time lag) between falling interest rates and house price inflation, with drops in interest rates stimulating demand. The period of strong national house price inflation between late 2001 and the end of 2004 when annual price growth was more than 12.5% coincided with historically low interest rates of below 4.65%.

Figure 5.2: Interest Rates and House Price Inflation



Source: Bank of England; Nationwide Building Society

Recent Economic Trends

5.6 UK economic growth was well below the long-term trend⁶ in 2005 but has been much stronger in 2006, with at, or above, trend growth in each of the last four quarters. The service and manufacturing sectors of the economy have improved performance noticeably in 2006, while World economic growth remains very strong and EU growth is accelerating.

⁶ The long-term growth trend is 2.7% per annum (GDP, 1983 – 2005)

The only concern is the slowdown in the US economy, where growth was well below UK growth in Q3 2006.

- 5.7 Output growth in Q3 2006 was an impressive 5.2% higher than a year previously, and between Q2 and Q3 annualised growth was 5.7%-close to the 6% annual growth during the 1996 – 2000 'boom.' Employment growth also remains robust and much stronger than was forecast earlier in 2006, reflecting the upturn in output growth and stable wage inflation. This was aided by higher than expected net immigration, and higher participation rates in the workforce, particularly amongst older people. This is borne out in stronger property markets.
- 5.8 Year-on-year house price growth increased to 7.9% in October 2006, according to the Nationwide Building Society, down slightly on the 8.3% recorded in September. Looking at just the last three months (Q3 2006), house price growth was an even higher 11.8% (annualised). Performance is however not consistent across the UK – Scotland and Northern Ireland were still rising at double-digit rates, whilst at the other extreme, prices in the North are rising less than 1% per annum and are therefore falling in real terms. However, overall growth in 2006 appears more balanced across the country than in much of the last five years.
- 5.9 The downside to stronger economic growth is growing concern by the Bank of England about inflation, reinforced by large increases in energy costs that have already pushed inflation higher. The Bank consider that there is little surplus capacity in the economy, meaning that above trend economic growth will sooner, rather than later, push inflation even higher. It sees the need for higher nominal interest rates to slow economic growth slightly.

Economic Outlook

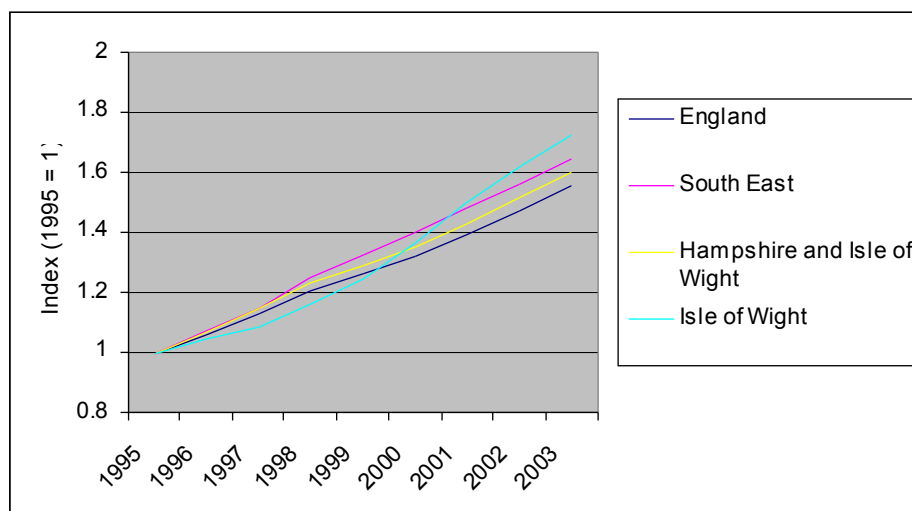
- 5.10 The latest consensus view is for 2.6% overall economic growth in 2006, 2.4% in 2007 and growth close to long-term trends in the following three years. This is considered to be very much a positive economic outlook. At the time of writing this report, employment growth is expected to be maintained at close to current rates, aided by further growth in the workforce.
- 5.11 Following positive growth in 2006 house prices are expected to increase by around 9% (nationally), roughly twice average earnings growth. This, combined with the 2006 interest rate rises means that affordability issues continue to worsen. Although the August 2006 base rate rise appears to have had little impact on the market, the additional rise in

November 2006 and potential for further rises mean that the market should see more subdued performance in 2007. In effect, interest rates will help to control the rate of house price growth.

Local Economic Performance

- 5.12 The South East is one of the UK's most successful and prosperous regions. Between 1997 and 2003 it was the region with the highest Gross Value Added (GVA) per head and productivity, and it was the region with the best performing labour market (SEEDA 2006). This is reflected in strong performance of the region's housing market.
- 5.13 Over the 1997 – 2003 period, the South East economy grew by 3.4% per annum, faster than any other region/country in the UK. Over this period, the Isle of Wight was the best performing sub-regional economy, expanding by 35.1% (5.1% per annum), linked to strong consumer and public sector spending since 1999 (Experian Business Strategies 2005).

Figure 5.3: GVA Growth



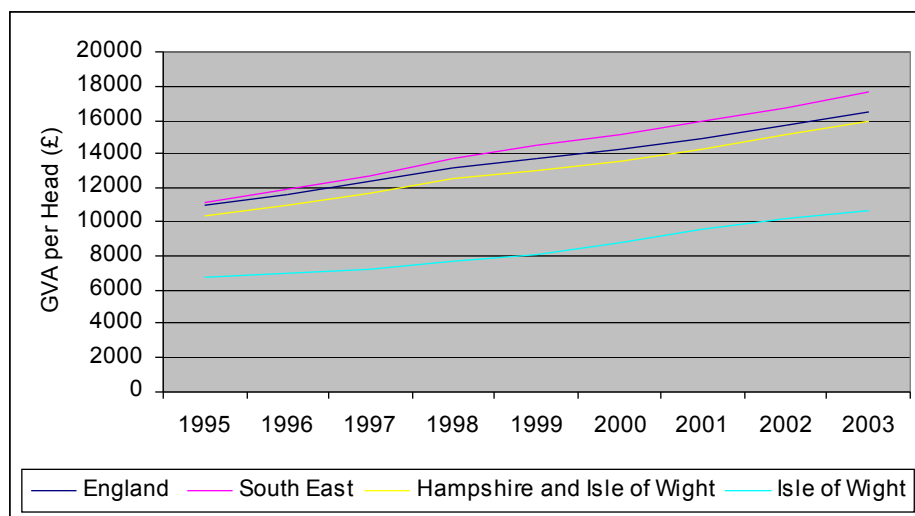
Source: ONS

- 5.14 Despite this high performance, GVA per head, as a measure of productivity and wealth generation of the Island's economy, is estimated at 39% below the national average. This is the lowest of the South East's sub-regions. SEEDA paints a fairly damning picture, highlighting intra-regional disparities:

“GVA per head in the economies of the Isle of Wight, East Sussex and Kent tend to more closely resemble GVA per head in some of the new members of the EU than of an advanced knowledge-based economy⁷.”

- 5.15 Therefore, although growth in GVA per head has been strong in proportional terms, as it was starting from a lower base, this means that over the last five years the gap with the South East has widened year-on-year.

Figure 5.4: Growth in GVA per Head



Source: ONS

- 5.16 The RES 2006-2016 Evidence Base paints a clear picture of the economic/regeneration challenge faced:

“Combined Kent, East Sussex and the Isle of Wight have a population of 2.47m and GVA per head of £12,137. This is similar to the 2.54m population and £12,048 GVA per head in the North East region – what is commonly regarded as the poorest region in England.”

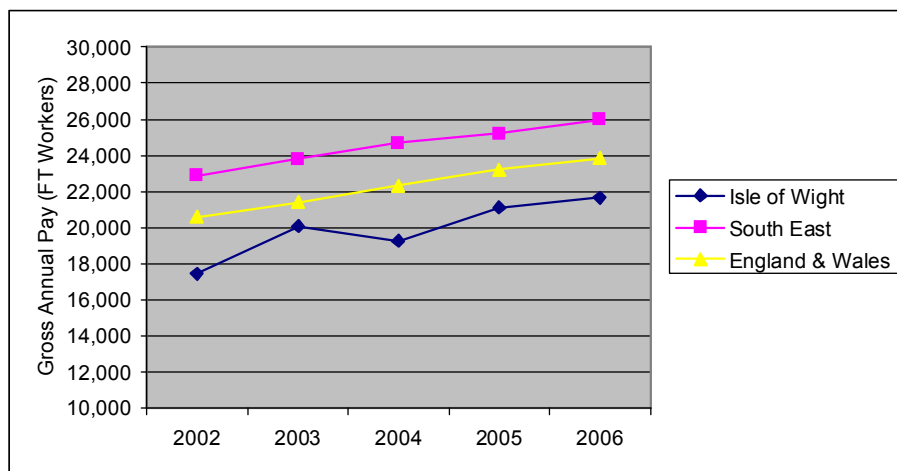
- 5.17 Benchmarking GVA per capita on the Isle of Wight in 2003, it was similar to Sefton in Merseyside, with County Durham, West Wales and the Valleys, and Outer Belfast.

Earnings

⁷ SEEDA (2005) The Regional Economic Strategy: Evidence Base p30

- 5.18 Gross annual earnings (residence-based) on the Island for all those in employment in 2006 are 24% below the regional average and 18% below the national average at £16,162 (median). A high proportion of people employed part-time contributes to this.
- 5.19 Residents on the Island working full time earn on average £21,653 annually which is -9.1% below the national average and -16.7% below average earnings of the South East's residents overall. As Figure 5.5 indicates, there has been some slight convergence of average earnings on the Island with national/regional averages.

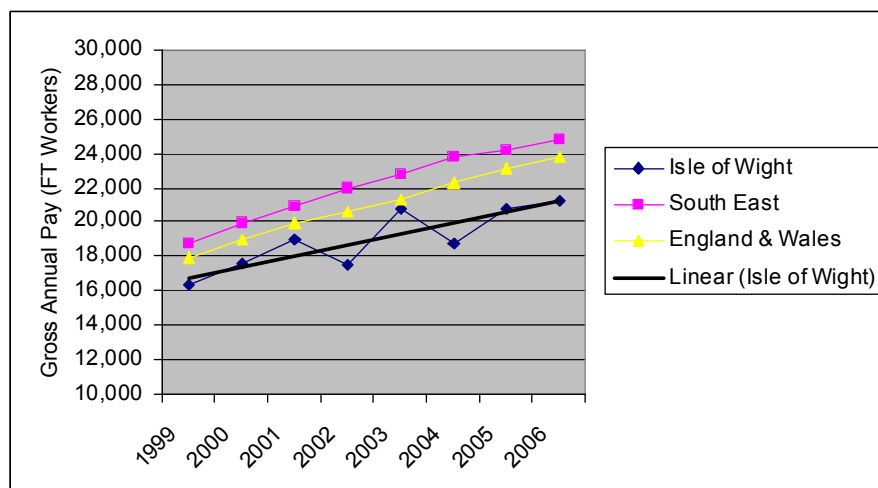
Figure 5.5: Resident Earnings



Source: (ASHE 2002-2006)

- 5.20 However, an analysis of workplace-based wages – for those employed on the Island - indicates divergence with regional and national trends. Reflecting limited patterns of commuting on or off the Island to work, residence and workplace-based earnings on the Island are very similar, showing an annual differential of just £400 in 2006.

Figure 5.6: Workplace Earnings



Source: (ASHE 2002-2006)

- 5.21 The Island has the fifth lowest residence-based earnings of all 67 local authorities in the South East region. Only Eastbourne, Thanet, Shepway and Gosport – all south coast boroughs – are lower.

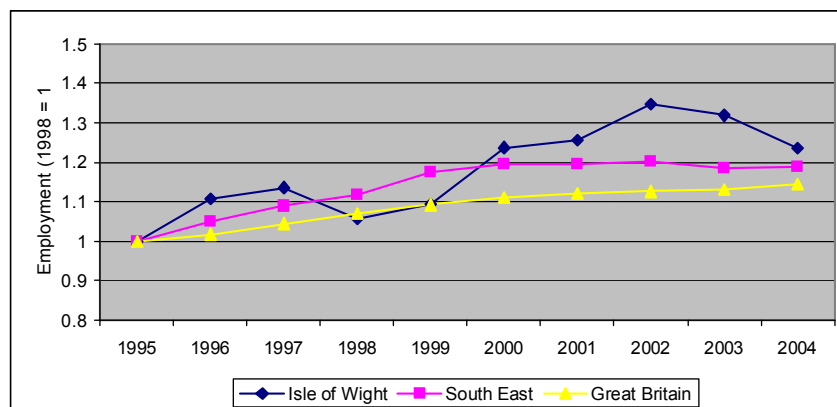
Employment

- 5.22 **The Isle of Wight Council has recently commissioned Experian to provide an economic review of the Island. The following information has been based on historical data already published. Future modelling has been undertaken using the Experian data exclusively.**

Total Employment

- 5.23 The Isle of Wight has experienced strong growth in employment over the past five years. In total, 9866 net new jobs were created (or 7,984 full-time equivalent jobs.) A total of 3,137 of the jobs which were created were part-time.
- 5.24 A key feature of the economy is a high degree of part-time employment. The Annual Business Inquiry (ABI) indicates that 40% of the total jobs on the Island in 2004 were part-time. This compares to 33.5% regionally and 32% nationally.
- 5.25 Figure 5.7 below benchmarks employment growth, according to the ABI. It indicates particularly strong growth over the 1998 – 2002 period; and that overall over the past decade, employment on the Island has grown more strongly than across the South East region or Great Britain. While it is clearly very positive, it only partially compensated for an extended recession in the early 1990s.

Figure 5.7: Employment Trends (Workplace Based)



Source: ABI

Employment Structure

- 5.26 Figure 5.8 provides an analysis of total employment by SIC Sector (SIC 2003) in 2004. It uses location quotients to compare this to the employment structure across the South East and England and Wales. A location quotient above 1 indicates a higher degree of concentration of employment in that sector on the Island than in the comparator area. A quotient of below 1 indicates a relatively lower concentration of employment.
- 5.27 The analysis indicates comparative concentrations of employment in the following sectors compared the regional and national employment profiles:
- Primary industries – agriculture, fishing and forestry; mining and quarrying
 - Tourism-related sectors – hotels and catering
 - Public sector – health and social work; public administration; education
- 5.28 Employment is particularly focused in Primary industries and Tourism-related sectors, which have location quotients of over 2. This indicates twice the proportional level of employment in these sectors on the Island than across the South East or England and Wales.
- 5.29 There is also above average employment in other community activities both regionally and nationally, in Manufacturing in a regional context, and in Wholesale/retail trade compared to the national profile.

Figure 5.8: Employment Structure (2004)

2004	Isle of Wight (%)	LQ SE	LQ E&W
A : Agriculture, hunting and forestry	1.0	2.50	5.00
C : Mining and quarrying	0.2	2.00	2.00
D : Manufacturing	10.5	1.11	0.87
E : Electricity, gas and water supply	0.1	0.25	0.25
F : Construction	2.6	0.63	0.58
G : Wholesale and retail trade; repair of vehicles and household goods	19.2	0.99	1.06
H : Hotels and restaurants	15.8	2.23	2.32
I : Transport, storage and communication	3.5	0.59	0.58
J : Financial intermediation	1.1	0.31	0.28
K : Real estate, renting and business activities	7.1	0.36	0.44
L : Public administration and defence	6.3	1.47	1.15
M : Education	10.6	1.13	1.14

N : Health and social work	16.6	1.51	1.43
O : Other community activities	5.5	1.10	1.08

Source: ABI 2004

- 5.30 Figure 5.9 provides a more detailed breakdown for key tourism-related sectors indicating that all of the tourism sub-sectors have a location quotient of above 1. Total employment in these sectors is 8,700 which represents 15.6% of total employment on the Island. Those sub-sectors in which there is a particularly strong concentration of employment on the Island are the Accommodation sector (hotels, camp sites etc.), Museums and cultural activities, Restaurants and bars.

Figure 5.9: Location Quotients for Tourism-Related Sectors

	LQ SE
551 : Hotels	5.00
552 : Camping sites and other provision of short-stay accommodation	10.00
553 : Restaurants	1.30
554 : Bars	1.90
555 : Canteens and Catering	1.00
925 : Library, archives, museums and other cultural activities	2.67
926 : Sporting activities	1.23
927 : Other recreational activities	1.50

Source: ABI 2004

- 5.31 Those sectors in which the Island demonstrates a particular concentration of employment are focused more towards the lower-value end of the spectrum, as Figure 5.10 indicates.

Figure 5.10: National Earnings vs. Concentration of Employment on the Isle of Wight

	Gross Weekly Wages, UK 2006	LQ IOW vs. SE, 2004
J : Financial intermediation	470.2	0.31
F : Construction	462	0.63
L : Public administration and defence; compulsory social security	456.6	1.47
D : Manufacturing	434.6	1.11
I : Transport, storage and communication	432.7	0.59
K : Real estate, renting and business activities	403.5	0.36
M : Education	350.2	1.13
N : Health and social work	321.6	1.51
O : Other community, social and personal service activities	317	1.10
A : Agriculture, hunting and forestry	303.3	2.50
G : Wholesale and retail trade; repair of motor vehicles	260.8	0.99
H : Hotels and restaurants	184.3	2.23

Source: ABI 2004, ASHE 2006

Employment Growth

- 5.32 In terms of absolute jobs, key growth sectors over the 1998 – 2004 period are: hotels and restaurants⁸ (+ 2,210), wholesale and retail trade (+ 1,800), health and social work (+ 1,450), education (+ 1,300). These are related to tourism and public sector indicating that the Island's economy may be reinforcing around its current, low-value base.
- 5.33 Sectors in decline in employment terms comprise: manufacturing (-1,050) and financial intermediation (-200). These sectors are typically higher value. Fishing has also lost 44 employees, but represents less than 0.1% of total employment.

Figure 5.11: Employment Growth (1999 – 2004)

Employment Growth	Isle of Wight	South East	England & Wales
A : Agriculture, hunting and forestry	6.8%	6.1%	10.7%
B : Fishing	-91.7%	-91.5%	-76.4%
C : Mining and quarrying	286.2%	-11.1%	-29.3%
D : Manufacturing	-17.8%	-22.4%	-23.1%
E : Electricity, gas and water supply	-16.7%	-18.5%	-24.2%
F : Construction	30.2%	3.9%	8.5%
G : Wholesale and retail trade; repair of vehicles & household goods	25.4%	4.5%	6.9%
H : Hotels and restaurants	43.3%	22.7%	13.9%
I : Transport, storage and communication	0.6%	-0.9%	9.2%
J : Financial intermediation	-32.4%	-9.5%	0.5%
K : Real estate, renting and business activities	14.1%	22.9%	17.9%
L : Public administration and defence	1.8%	-14.8%	6.9%
M : Education	36.0%	26.7%	26.5%
N : Health and social work	23.3%	17.0%	20.5%
O : Other community activities	26.1%	15.9%	17.5%

Source: ABI 2004

- 5.34 Figure 5.12 considers employment trends in the tourism concentration in more detail. The strongest growth in terms of absolute jobs has been in bars, restaurants and hotels. In proportional terms growth has been greatest in other recreational activities, restaurants, bars, sporting and other service activities.

Figure 5.12: Employment Growth in Tourism Sub-Sectors (1999 – 2004)

Employment Growth	Isle of Wight	South East	England & Wales
551 : Hotels	45.1%	11.7%	6.4%

⁸ Of note the ABI data conflicts with the Experian model for the hotels and restaurants sector, which indicated a 30.5% reduction in jobs over the 1998 – 2004 period.

552 : Camping sites and other provision of short-stay accommodation	-21.0%	2.5%	15.4%
553 : Restaurants	93.0%	36.5%	28.7%
554 : Bars	81.6%	16.4%	7.1%
555 : Canteens and Catering	41.4%	25.1%	8.1%
925 : Library, archives, museums and other cultural activities	37.0%	31.8%	29.0%
926 : Sporting activities	67.6%	27.4%	29.6%
927 : Other recreational activities	119.8%	50.8%	44.9%
930 : Other service activities	61.8%	12.4%	15.5%

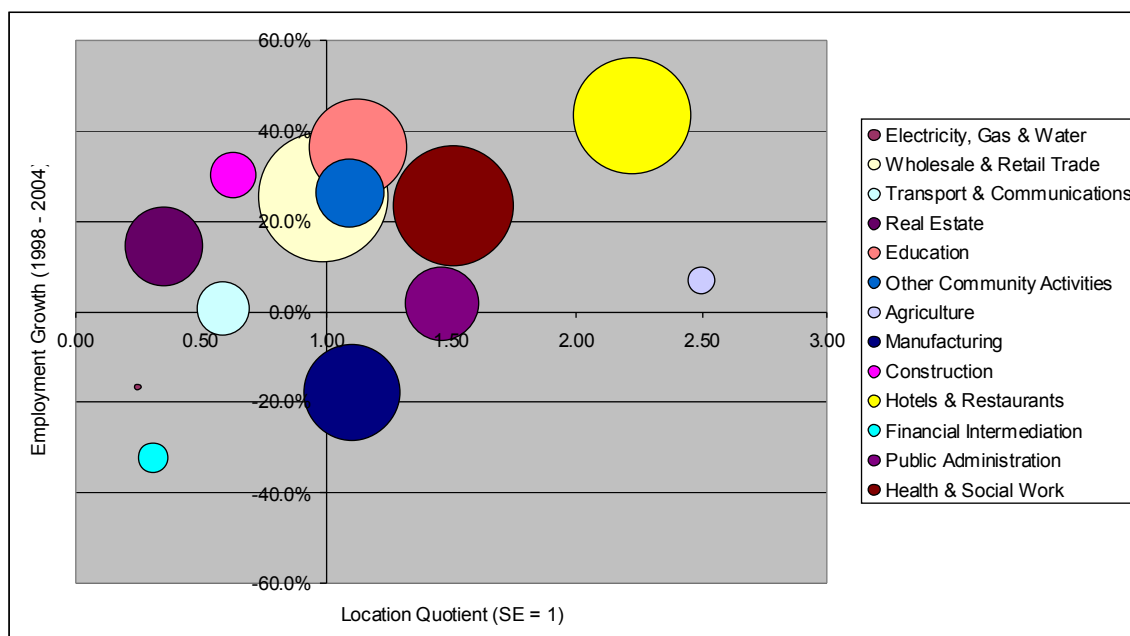
Source: ABI 2004

5.35 Figure 5.13 below compares the level of employment growth with the degree of concentration of employment in sectors. The size of the bubble represents the size of sectors in terms of total employment. Sectors to the top right show a high degree of concentration and strong growth – these are the sectors which the Island needs to nurture. To the top left are sectors which have grown strongly but in which the Island is not that strongly represented – these are sectors it should be continuing to try and grow. Sectors in the bottom right are those which have shed jobs but in which the Island has a high degree of specialism – these are key risks to the Island’s economy.

5.36 The chart indicates that, broadly speaking, those sectors in which the Island has a concentration of employment have performed well, many posting over 20% growth in employment (1998 – 2004). The particular exception to this is the manufacturing sector which has become increasingly lean. The sector continues to be a valuable sector to the local economy in terms of wealth creation: although employment in manufacturing has fallen by 17.8%, output has increased.

5.37 Public administration is another sector in which the Island has a high location quotient but also is one in which total employment has remained relatively static. Growth in employment in the public sector has been mainly in education and healthcare.

Figure 5.13: Employment Structure (2004)

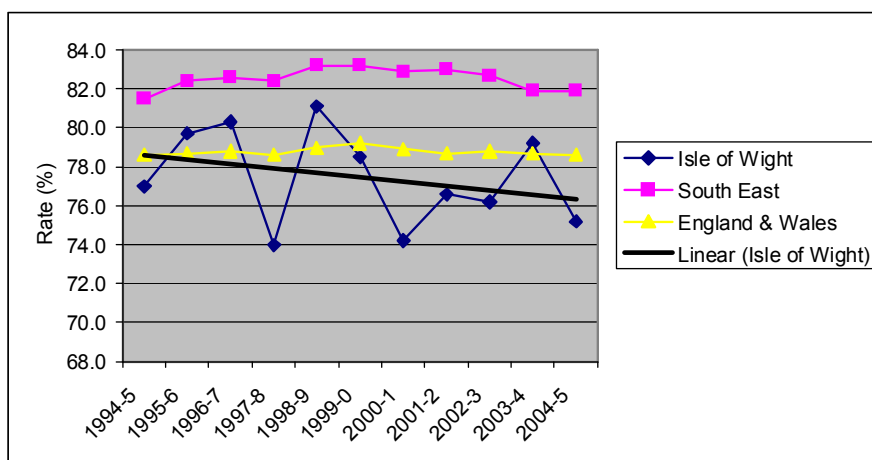


Source: ABI 2004

Labour Market

5.38 Associated with additional jobs, over the past five years there has not just been growth in the working-age population, but also growth in economic participation. The Isle of Wight Economic Strategy highlights that economic activity rates have risen from 77% to 79% over the five year period to 2004. Figure 5.14 takes both a longer-term perspective and considers the most recent data available for 2005. This indicates a broader downward trend, consistent with wider areas⁹.

Figure 5.14: Economic Activity

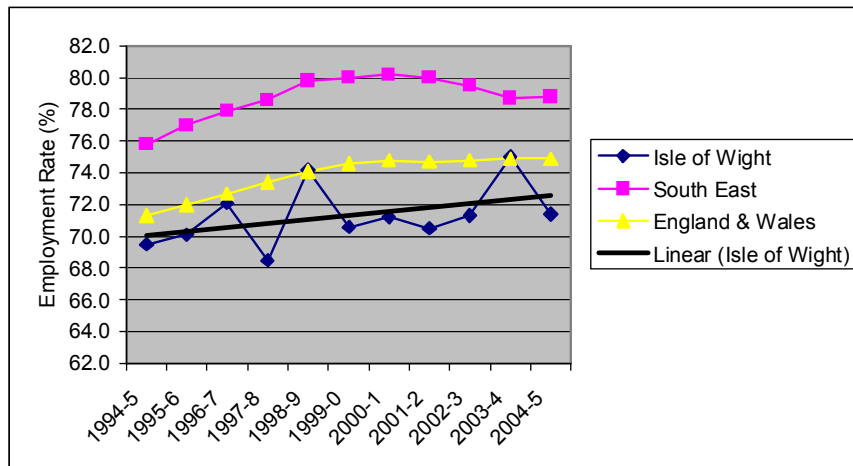


Source: Labour Force Survey

5.39 Economic activity includes full-time students and the unemployed. Considering the employment rate specifically, this sits at 71.4% for the Island in 2004/5 compared to 74.9% across England and 78.8% for the South East. Figure 5.15 demonstrates a sustained growth trend in the employment rate that is consistent with wider benchmarks.

⁹ This is supported by the Experian data

Figure 5.15: Employment Rate

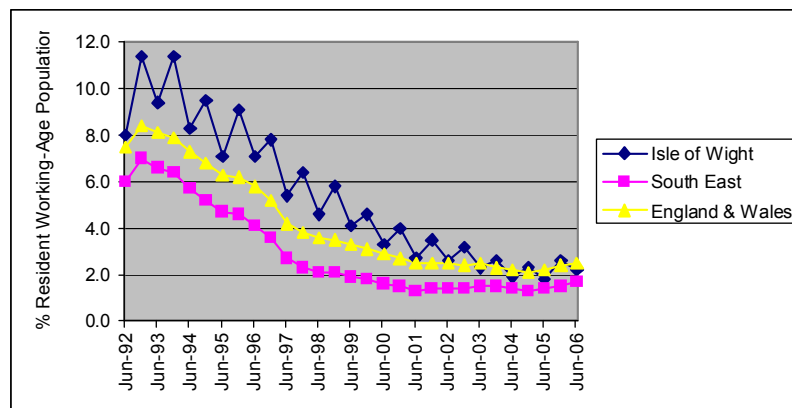


Source: Labour Force Survey

5.40 Unemployment information in the Labour Market Survey is suppressed, reflecting the size of the sample at this level. The claimant count based upon Job-Seekers Allowance, indicates significant decline in unemployment, from over 10% in the early 1990s to 2.2% in June 2006. The graph also clearly indicates the seasonality of unemployment, which is particularly associated with the agriculture and tourism sectors, although this has reduced significantly as unemployment has fallen over time.

5.41 Unemployment on the Island at 2.2% in June 2006 compares to 2.5% nationally but is higher than the recorded 1.7% across the South East region. Over the last year there has been a slight growth in the unemployment rate at all levels, the rate on the Island increasing from 1.8% 12 months previously.

Figure 5.16: JSA Claimants



Source: NOMIS

- 5.42 The Island's workforce contains a noticeably low proportion of people with Higher Level qualifications (NVQ4 and above). The majority of its workforce are only qualified to NVQ level 1 or 2 (or equivalent qualifications.) However, significant progress has been made in improving basic skills and reducing the population with no formal qualifications. To an extent, the skills profile reflects and reinforces the economic structure.

Figure 5.17: Qualifications Profile

2005	Isle of Wight	South East	England & Wales
No Qualifications	11.6	10.1	14.2
NVQ1	18.2	15	14.6
NVQ2	17.3	16.3	16
NVQ3	15.6	16.5	15
NVQ4+	21.9	29.5	26.1
Trade Apprenticeships	9.1	5.1	5.4
Other Qualifications	6.2	7.4	8.6

Source: Annual Population Survey 2005

Key Messages

- The Island is now committed to using one set of standard indicators (**Experian data**) to measure economic performance. This will assist with ensuring that in future modelling can be undertaken on a like for like basis.
- A sustained period of macro-economic stability and growth coupled with interest rates at historically low levels has contributed to strong price appreciation and affordability issues, particularly between late 2001 and the end of 2004.
- The Isle of Wight's economy strongly under-performs with GVA per head estimated at 39% below the national average. This is similar to West Wales and the Valleys or County Durham. This reflects an employment structure biased towards low-value sectors, with a relative concentration of employment in agriculture and fishing, tourism-related activities and the public sector.
- Given limited external travel to work patterns, a concentration of employment in low-value sectors is reflected strongly in residents earnings which are 24% below the South East average and 18% below the national benchmark. There is an evident correlation between earnings, which are the fifth lowest in the region, and house prices which are the 10th lowest.

- Some progress has been made in reducing differentials in economic performance. Indeed, the Island has been the best performing sub-region in the South East over the past five years, buoyed by strong consumer and public sector spending, although this is particularly a reflection of its low starting point. Housing and population growth have contributed to this. However while 8,000 new jobs have been created over the five year period 1999-2004, the indication is that the employment structure is consolidating around its existing base rather than diversifying.
- Unemployment has steadily declined over the long-term and traditional seasonality has reduced, although the unemployment rate has risen slightly over the past year in common with wider trends. The employment rate has grown but remains below the regional average, partially reflecting the popularity of the Island as a retirement destination.
- While progress has been made in improving skills, there remains a low proportion of the population with A-level or degree skills (or equivalent) which may restrict a shift towards a higher value-added economic base if not addressed.
- With a positive macro-economic outlook continued growth in house prices is expected, however further interest rate rises will help to control the rate of price inflation.
- House building and population growth have made a strong contribution to recent positive economic performance in supporting growth in the service sector. Continued and potentially improved delivery of new housing will be important in supporting economic potential as well as limiting price inflation. But taking a long-term perspective, there is a need to address the economic base alongside the housing market – shifting towards a higher value economy will help to support the housing market and ease the affordability issue.

6. HOUSING MARKET

6.1 This chapter provides an analysis of the housing market considering both the supply (stock) of housing and the performance of the active market. The analysis is segmented by tenure, structured as follows:

- Profile of the Housing Market
- Social Sector
- Private Sector
- Housing Supply
- Housing Sub-Markets

6.2 The analysis provides an Island-wide profile then looks at circumstances within the sub-markets.

Profile of the Housing Market

Tenure Profile

6.3 The HSSA indicates a total dwelling stock on the Island of 64,816 in April 2006. Of this 10.2% were in the social sector and 89.8% in the private sector. Comparable figures, available for April 2005, are shown below.

6.4 The Isle of Wight has a low proportion of social housing, at 10.2% compared to 14.3% across the South East and 18.9% across England and Wales. This is particularly surprising given the Island's economic profile and prevailing wage levels. The market sector is correspondingly larger than average at 90% stock.

Figure 6.1: Tenure Profile, 2005

Apr-2005	Total	Local Authority	RSL	Other Public Sector	Private Sector
Isle of Wight	64148	0.0%	10.2%	0.0%	89.8%
South East	3498838	5.7%	7.9%	0.7%	85.7%
England & Wales	21906172	9.9%	8.6%	0.4%	81.2%

Source: HSSA 2005

- 6.5 Figure 6.2 indicates changes in the dwelling stock over the last five years. The social sector has remained relatively consistent in absolute size. However, housing growth has predominantly been in the private sector. As a result, the social sector has shrunk slightly as a proportion of total housing.

Figure 6.2: Housing Stock by Tenure, 2002 - 2006

IOW	Local Authority	RSL	Other Public Sector	Private Sector	Total
2002	0	6610	108	55266	61984
2003	0	6437	147	56160	62744
2004	0	6466	35	57119	63620
2005	6	6513	0	57629	64,148
2006	0	6,497	106	58,213	64,816

Source: HSSA

- 6.6 For a more detailed tenure profile we have to refer to the 2001 Census. This indicates that:
- A high proportion, 42%, of households own their housing outright. This is more than 10% above regional and national levels, likely partly reflecting the age structure of the population. Levels of owner occupiers with mortgages are below average, at 34% households on the Island compared to 42% across the region
 - 13% households live in the private rented sector which is similar to the 12% level regionally and nationally. Within this, the majority rent from a private landlord or letting agency
 - Shared ownership is relatively small, with 0.8% households in this sub-sector, but this is consistent with wider patterns

Figure 6.3: Detailed Tenure Profile, 2001

		Isle of Wight	South East	England & Wales
All Households		57519	3287489	21660475
Owner Occupied	Owns Outright	41.67	31.28	29.46
	With Mortgage	34.49	41.9	38.76
	Shared Ownership	0.8	0.78	0.64
	Total	76.96	73.96	68.86
Local Authority		0.91	7.35	13.24
RSL		9.15	6.61	5.95
Total Social Sector		10.06	13.96	19.19
Private Rented	From Private Landlord or Letting Agency	9.95	8.77	8.72
	From Other	3.03	3.31	3.22
	Total	12.98	12.08	11.94

Source: Census 2001

House Type Profile

- 6.7 The Island has a high proportion of detached housing and low level of terraced housing. More than a third of dwellings on the Island are detached (36%) which is substantially higher than the national level (23%) as well as noticeably above the regional benchmark (29%). Just 15% of the housing stock is terraced which falls below the 23% level across the region and 26% across the Country. Together detached and semi-detached dwellings make up 65% of the housing stock.

Figure 6.4: House Type Profile

Apr-01	Isle of Wight	South East	England and Wales
Total Dwellings	61609	3401820	22538641
Detached	36.23%	29.28%	22.77%
Semi-Detached	29.07%	28.45%	31.58%
Terraced	14.96%	23.12%	26.04%
Flat/Maisonette	19.11%	18.45%	19.2%
Other	0.63%	0.69%	0.42%

Source: Census 2001

- 6.8 Flats and maisonettes account for 19% of housing on the Island which is about average. Of this, an above average proportion are within converted or shared buildings, a smaller proportion being purpose-built.

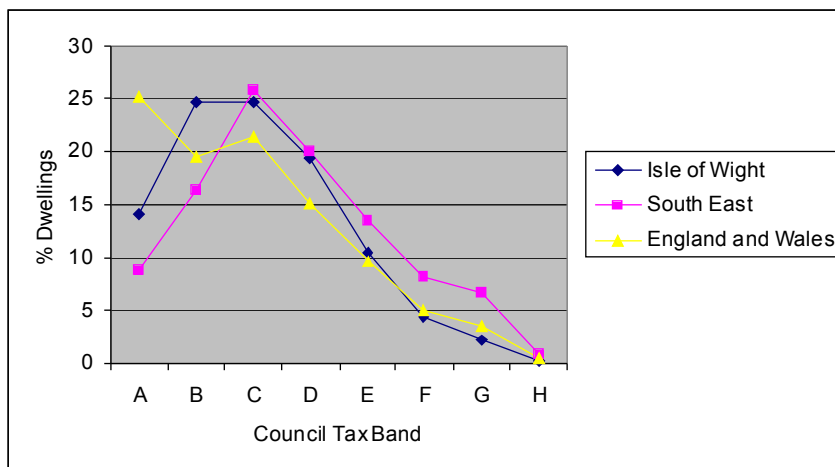
Figure 6.5: Profile of Flats/Maisonettes

Apr-01	Isle of Wight	South East	England and Wales
Flat/Maisonette: Purpose-Built Block	10.38	13.02	13.62
Flat/Maisonette: Converted or Shared House	6.8	4.26	4.43
Flat/Maisonette: Converted/Shared Building	1.93	1.17	1.15

Source: Census 2001

- 6.9 Compared to the regional profile, there is an above average proportion of properties on the Island in Bands A or B, although this is not true compared to the national picture. The corollary of this is a slightly lower proportion of properties in E-G compared to the South East, the Island being more similar to the national profile.

Figure 6.6: Dwellings by Council Tax Band



Source: ONS

House Condition and Vacancy

6.10 The 2006 HSSA returns identify 1,743 unfit dwellings on the Island representing 2.7% of the total housing stock. In 2005, 2.0% of dwellings in the private sector were unfit, which is substantially less than the South East 3.9% and England 5.1%.

Figure 6.7: Unfit Dwellings

Apr-2005	Total	Local Authority	RSL	Other Public Sector	Private Sector
Isle of Wight	1899	0.0%	0.3%	0.0%	2.0%
South East	120456	1.2%	0.6%	2.9%	3.9%
England	1019829	3.7%	1.9%	4.1%	5.1%

Source: HSSA

6.11 There are a negligible 4 RSL properties which are unfit according to the HSSA. The Housing Corporation indicates that 73.1% housing association properties on the Island meet the Government’s Decent Homes Standard in 2006. On this basis 1,798 properties are currently non-decent. However RSLs appear to be on target to meet the Government’s target of making all homes decent by 2010.

6.12 There were 2,295 vacant dwellings on the Island as at 1st April 2006. This equates to a vacancy rate of 3.5%. This is significantly higher than the vacancy rate a year previously, when the HSSA returns indicated 1,152 vacant dwellings on the Island (1.8%). Of the 2,295 vacant dwellings, 2,237 are in the private sector (97%). Just 58 are RSL properties.

- 6.13 The table below compares vacancy levels with the South East region and England. The level of vacant properties on the Island in 2006 is above regional and national benchmarks, although a level of vacancy is required to support churn in the market (typically 2.5% - 3.0% is considered sustainable). This reflects vacancy in the private sector market, at 3.8%.

Figure 6.8: Vacancy Levels

2005	Vacant Dwellings	% Local Authority	% RSL	% Other Public Sector	% Private Sector
Isle of Wight (2006)	2295	0.0%	0.9%	0.0%	3.8%
South East (2005)	91,232	1.6%	1.4%	3.0%	2.8%
England (2005)	680,412	2.2%	2.2%	6.9%	3.3%

Source: HSSA

- 6.14 Of the 2,237 vacant properties in the private sector, 691 (31%) have been vacant for more than 6 months¹⁰. This is compared to 61% on the Island a year previously, to 39% across the South East and 50% across England.
- 6.15 As a background, the 2001 Census indicated an island-wide vacancy level of 2.8% compared to 2.7% across the South East and 3.2% nationally.
- 6.16 The maps over the next couple of pages (Figures 6.9 – 6.11) present the geography of social sector housing and housing in Council Tax bands A & B (indicating concentrations of more affordable housing) and bands F – H (indicating locations with higher levels of larger, more expensive products).

¹⁰ This excludes those set aside for demolition/ regeneration

Figure 6.9: Concentrations of Social Housing

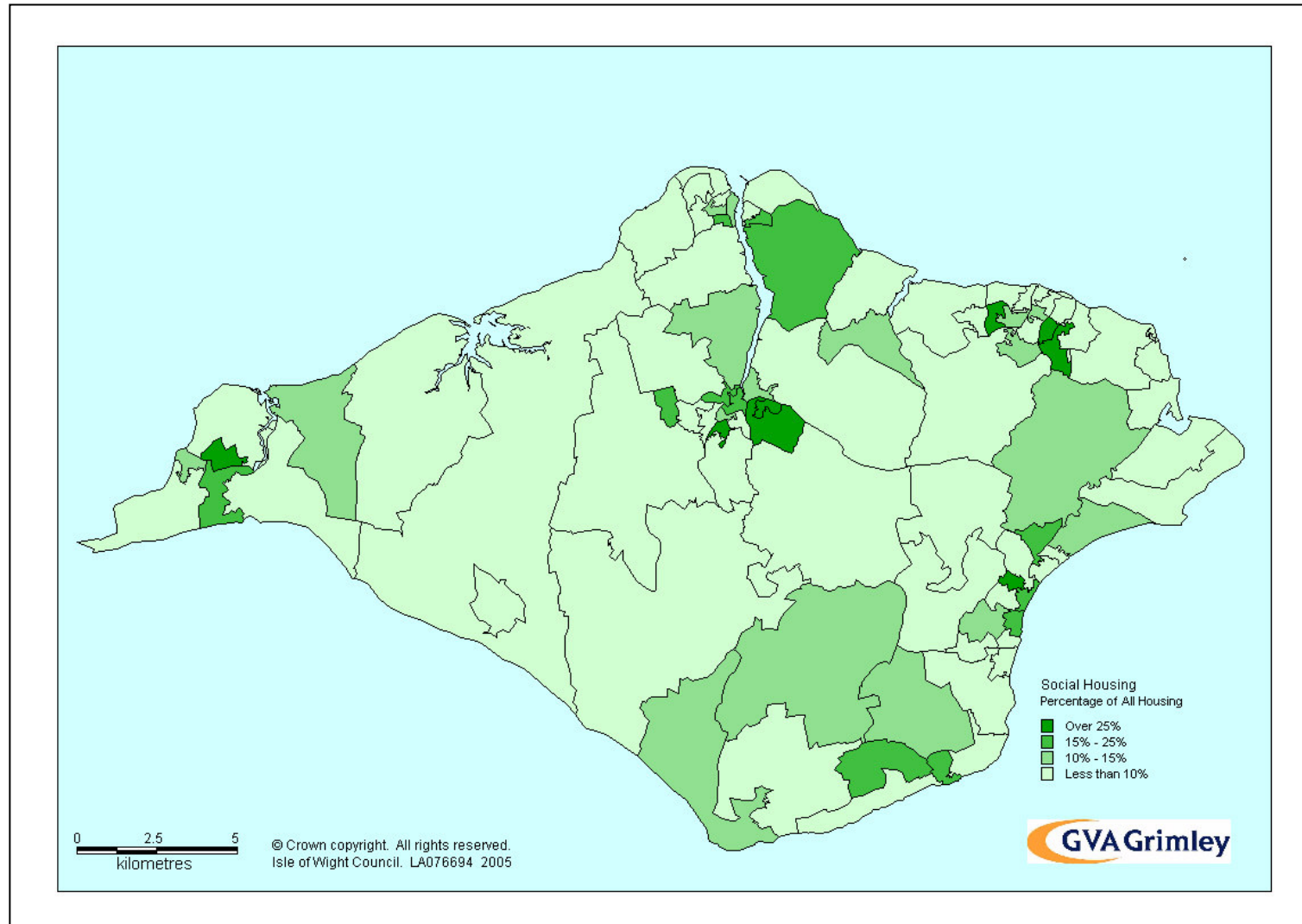


Figure 6.10: Properties in Council Tax Bands A or B

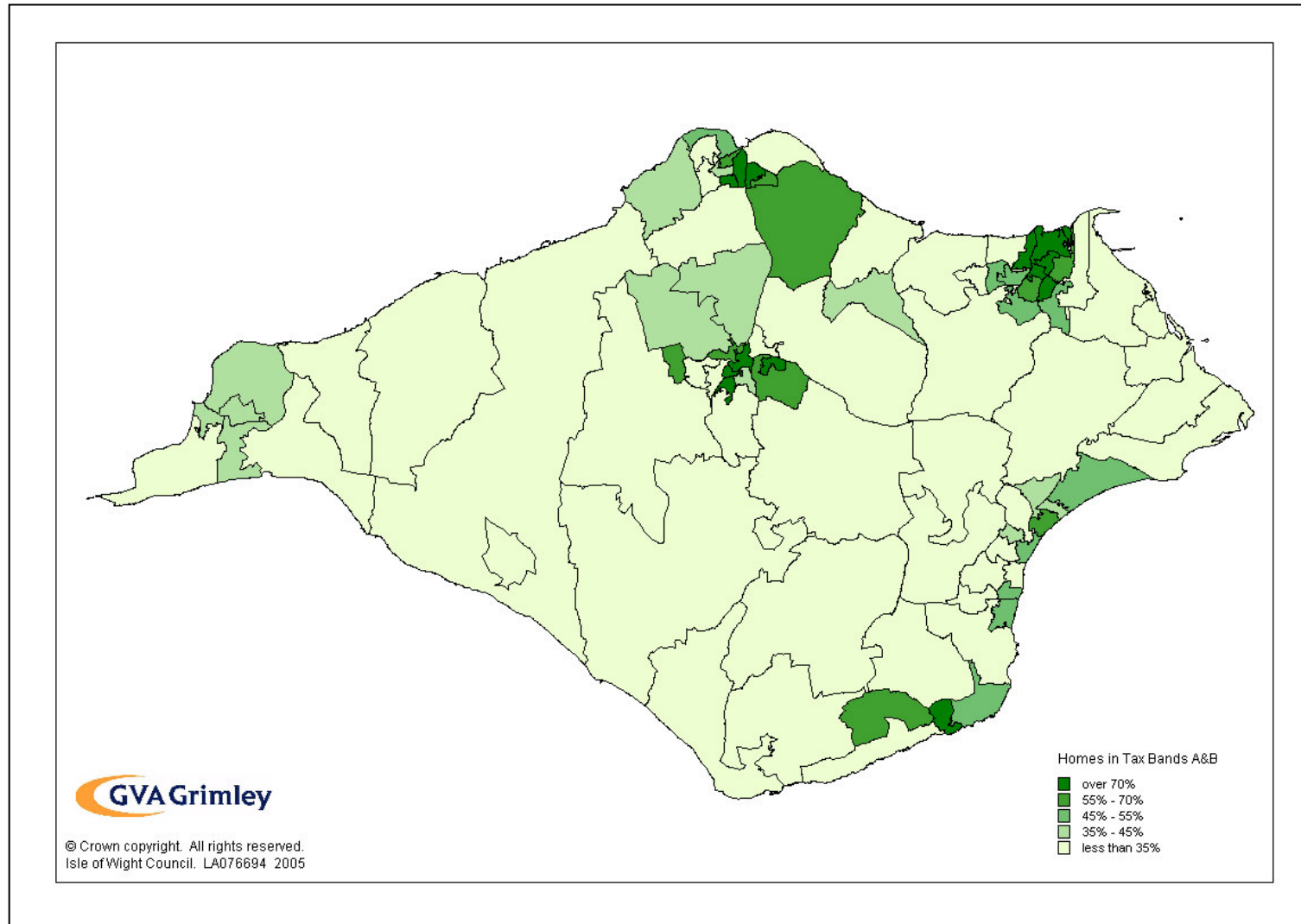
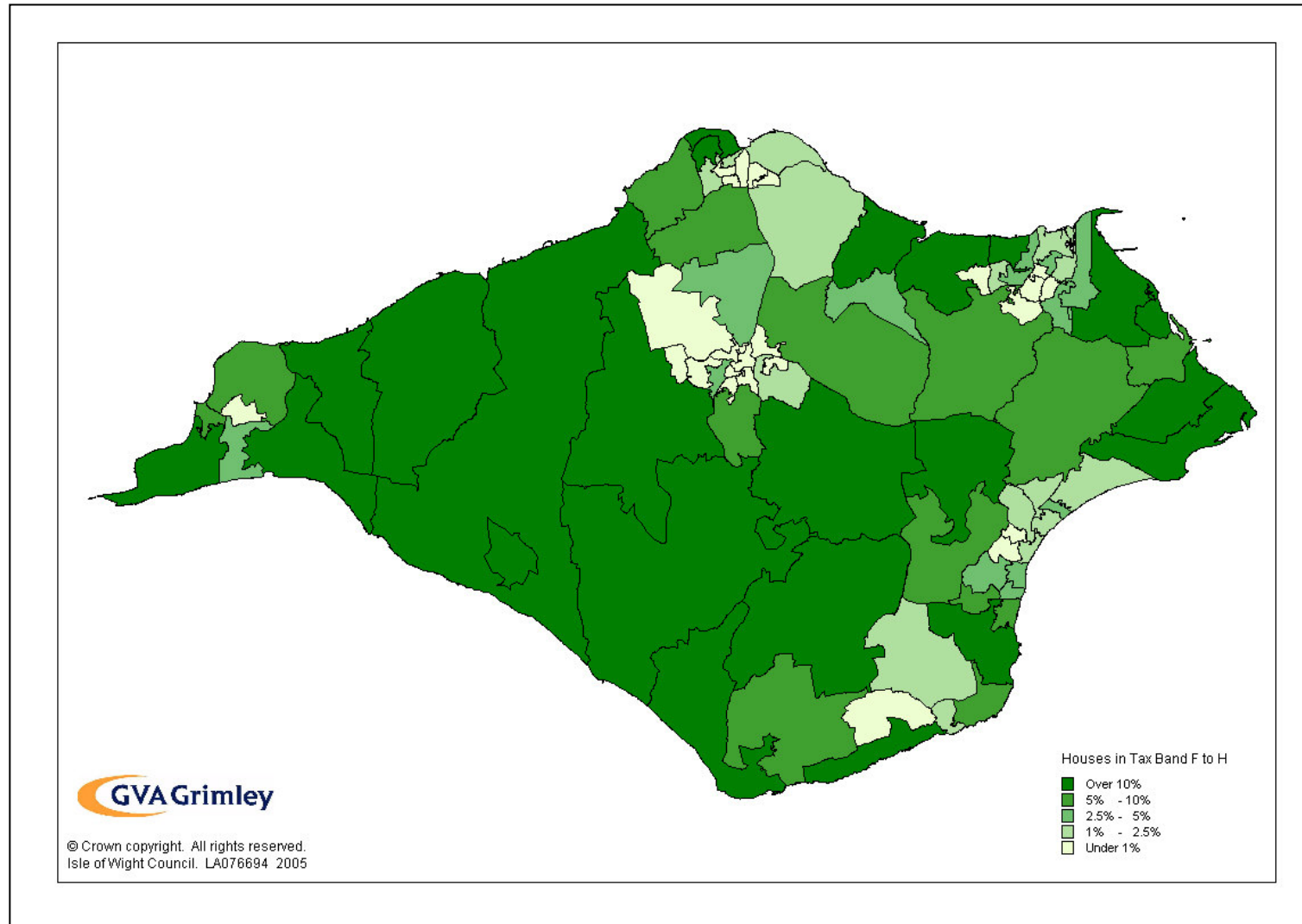


Figure 6.11: Properties in Council Tax Bands F - H

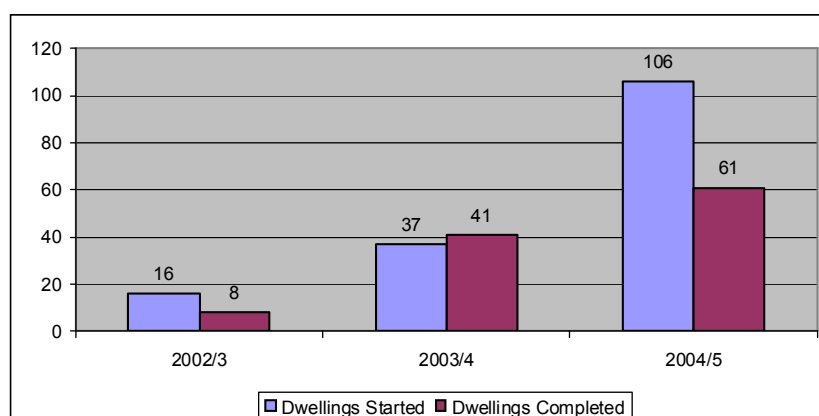


Social Sector

Stock Profile

- 6.17 The social sector comprises 6,600 dwellings representing 10.2% of the total housing stock on the Island (HSSA, April 2006). The sector is relatively small in size compared to 13.6% at the regional level and 18.5% across England.
- 6.18 The Isle of Wight Council transferred all of its' housing stock to RSLs in 1990. Social housing is now entirely managed by housing associations. The four main housing providers are: South Wight Housing Association, Medina Housing Association, Isle of Wight Housing Association and Vectis Housing Association. CORE data also suggests that a small number of properties are owned and managed by Abbeyfield, Home Group, Housing 21, Places for People, and Southern Housing Group.
- 6.19 The social sector has grown in absolute terms by 5% since 2002 but, as a result of higher total levels of house building for sale, fell as a proportion of the total dwelling stock from 10.8% in 2002 to 10.2% in 2004. The proportional size of the sector has remained consistent over the last two years.
- 6.20 Figure 6.12 plots new social sector stock coming forward, in terms of dwellings starts and completions. The proportion of dwelling starts in the social sector has grown from 3% in 2002/3, to 6% in 2003/4 and 17% in 2004/5.
- 6.21 Of the 61 affordable dwellings completed in 2004/5, 56 were delivered with Social Housing Grant and 6 through Section 106 agreements with developers.

Figure 6.12: Social Sector Dwellings – Starts & Completions



Source: DCLG Table 253

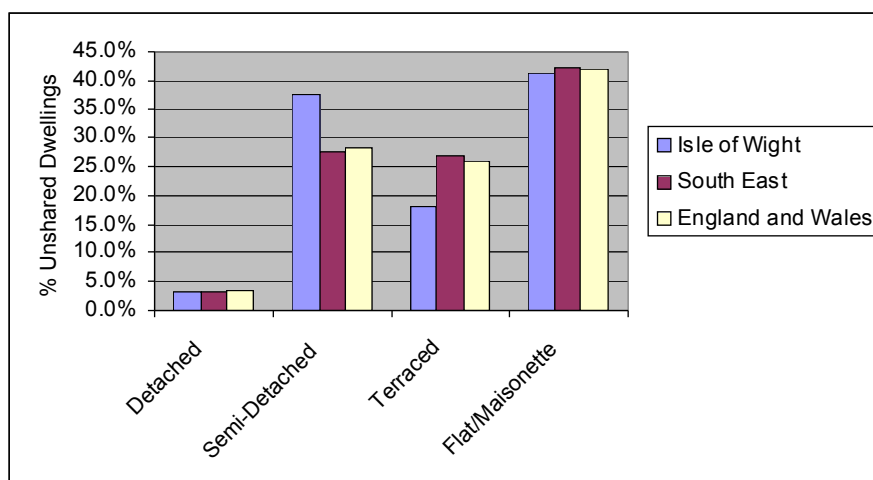
- 6.22 Housing Corporation records indicate that over the last nine years (1997 – 2006) 583 new affordable homes for rent have been developed on the Island through the Social Housing Grant (SHG), with a further 283 homes developed for low-cost home ownership¹¹. 397 of these are family dwellings and 16 have been built in rural areas.
- 6.23 Over the next two years (2006-8) the Corporation's Approved Development Programme (ADP) includes provision on the Island for a total of 93 new homes to be provided for rent together with 39 for low-cost home ownership. 33 of these are to be homes with three or more bedrooms, a total of 91 for families and 18 for key workers.
- 6.24 Social housing on the Island is concentrated in the main urban areas, the largest volumes being in Newport, Ryde, the Bay Area and Cowes. As a proportion of the total housing stock, 17 of the Island's 48 wards (35%) have more than 10% social housing. Of those 4 have more than 20% social housing (Figures 6.9 and 6.13). The highest proportion of social housing is in Pan ward at 35%.

Figure 6.13: Concentrations of Social Housing

Social Stock	Wards
> 10% Social Sector	Ryde: South West, St Johns East, St Johns West
	Rural South: Wroxhall & Godshill, Brading & St Helens
	Bay: Lake North, Shanklin North
	Cowes: Cowes Medina, East Cowes North
	Ventnor: Ventnor East, Ventnor West
	Freshwater/Totland: Freshwater Norton
	Bembridge: Brading & St Helens
> 20% Social Sector	Newport: Newport North, Pan, Mount Joy
	Cowes: Osborne

- 6.25 The profile of housing in the social sector is fairly balanced, as shown in Figure 6.14.. There is an above average proportion of semi-detached dwellings at 37.5% stock with a correspondingly lower proportion of terraced dwellings at 18.2%. The proportion of detached properties and flats is consistent with wider benchmarks. Overall flats and maisonettes comprise 41% stock.

¹¹ Housing Corporation: Regional Facts and Figures. September 2006.

Figure 6.14: House Type in the Social Sector

Source: Census 2001

- 6.26 The balanced profile is perhaps a reflection of the early transfer of stock which has meant that the profile of stock has not been altered by right-to-buy sales (which are typically stronger for the more attractive products, e.g. family housing). The lack of right-to-buys on the Island has also contributed to the growth in the size of the sector in absolute terms.
- 6.27 One, two and three-bed properties account for approximately equal proportions of the total stock at about a third each. There are 105 houses with four or more beds accounting for 2% total stock. In terms of the type distribution, 45% are houses and 34% flats. There are more three-bed houses (1900) than one-bed flats (1300).

Figure 6.15: Mix of Social Properties

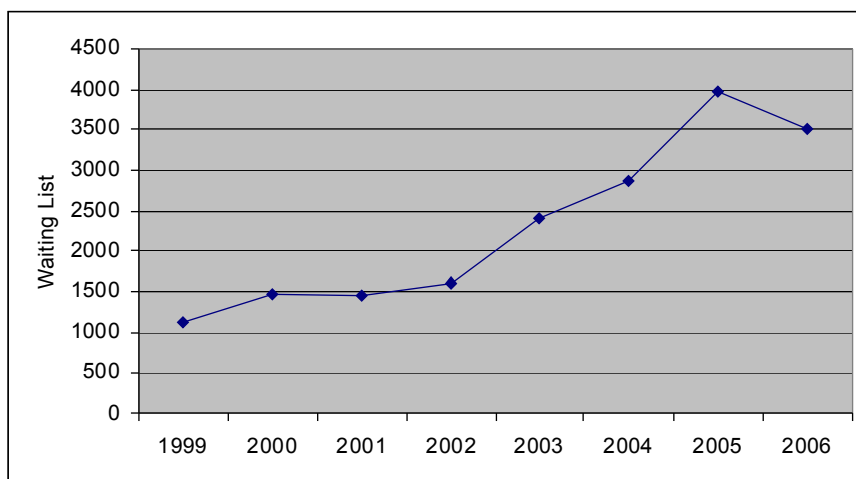
	Total	1-bed	2-bed	3-bed	4+ bed	%
Bedsits	465	459	5	1	0	7%
Bungalows	576	228	317	31	0	9%
Flat	2183	1278	775	130	0	34%
House	2914	21	882	1906	105	45%
Maisonette	291	166	118	7	0	5%
%	6429	33%	33%	32%	2%	

Source: Isle of Wight Council (Data from Sept. 2003)

Demand for Social Housing

- 6.28 Demand for social housing can be assessed with reference to waiting lists and to turnover.
- 6.29 Waiting lists are an important indicator, albeit that they must be treated with caution as households can register with more than one potential housing provider.
- 6.30 Figure 6.16 shows growth in waiting lists on the Island by 169% over the 2000 – 2005 period. There was however some progress in reducing the waiting list recorded between 2005-6 (a 12% drop).

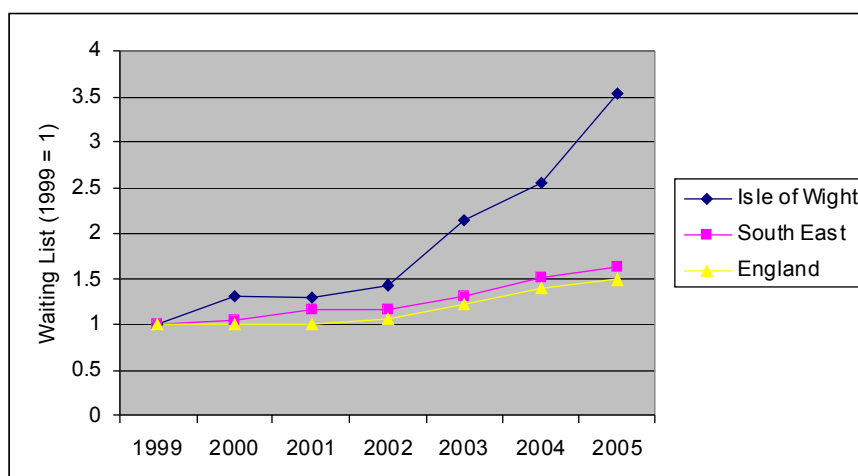
Figure 6.16: Housing Waiting List



Source: HSSA

- 6.31 Figure 6.17 compares the growth in the waiting list on the Island to wider benchmarks. Over the 2000 – 2005 period when the Isle of Wight’s waiting list grew by 169%, the South East grew by 56% and nationally there was growth of 49%. This is indicative of increasing affordability issues, and hence pressure on the social sector, as a result of wider market trends. It indicates an acute increase in demand for affordable housing.

Figure 6.17: Growth in Waiting Lists



Source: HSSA

6.32 The table below compares waiting lists in April 2006 to lettings for the 2005/6 period. It provides a nominal indication of how long it would take to clear waiting lists for different sizes of property and is hence an indication of relative demand. It indicates the following:

- 48% of the waiting list is for one-bed properties, with a further 33% for two-bed properties. Demand is hence biased towards smaller properties. Just 4% of the waiting list is for properties with four or more bedrooms.
- 45% of lettings were of one-bed properties and 36% of two-bed properties in 2005/6. However just 1% of lettings were of two-bed properties.
- It would take between 7-9 years to clear waiting lists for properties of one, two and three beds, of which demand for three-bed properties can be met soonest. However, because of the low proportion and turnover of stock with four or more bedrooms, it would take a nominal 38 years to clear current waiting lists.

Figure 6.18: Years to Clear Waiting Lists

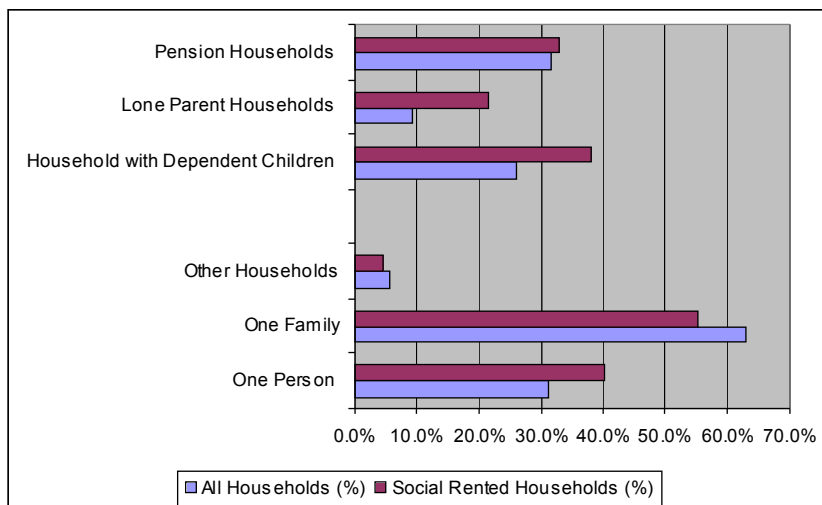
	Waiting Lists, 2006	%	Lettings, 2005/6	%	Years to Clear Waiting List
Total	3501		436		8.0
1-Bed	1671	48%	196	45%	8.5
2-Bed	1165	33%	158	36%	7.4
3-Bed	513	15%	78	18%	6.6
4+ Bed	152	4%	4	1%	38.0

Source: HSSA April 2006, CORE 2005/6

6.33 Turnover can be calculated as lettings as a proportion of total stock for the year ending March 2006. Turnover of social stock across the Island was 9.5% (Source: CORE New Lettings Summary Statistics). This is average for the Island.

6.34 It is possible to profile tenants in the social sector using the 2001 Census. This shows that there is an above average proportion of one-person households in the sector, 40.1% compared to 31.4% across tenures. There are also high levels of households with dependent children, and lone parent households. Across the Island, 38% social rented households have dependent children compared to 26% all households. Similarly, 21.5% social rented households are lone parent households compared to 9.1% of all households.

Figure 6.19: Household Characteristics of Social Tenants



Source: Census 2001

- 6.35 Considering economic activity, 44% of social rented tenants are economically active compared to 63% across tenures. This means that more than half of social sector tenants are economically inactive. Unemployment at 8.0% is more than three times that in the owner occupied sector (2.5%), and more than double the overall average (3.6%). There are similarly high levels of tenants who are looking after a home or family (16.7% compared to 6.9% across tenures), and who are permanently sick or disabled (15.3% compared to 5.5% across tenures).
- 6.36 The social sector has a lower retired population than average for the Island, accounting for 14.8% tenants as against 19.3% across tenures.

Figure 6.20: Economic Activity of Social Sector Tenants

	All Households	All Social Rented
Population	91,037	7743
Economically active - Employee	47.0%	30.8%
Economically active - Self employed	10.3%	2.9%
Economically active - Unemployed	3.6%	8.0%
Economically active - Full-time student	2.0%	2.2%
Economically inactive - Retired	19.3%	14.8%
Economically inactive - Student	3.0%	4.2%
Economically inactive - Looking after home/family	6.9%	16.7%
Economically inactive - Permanently sick or disabled	5.5%	15.3%
Economically inactive - Other	2.5%	5.0%

Source: Census 2001

6.37 Further information on the profile of tenants can be gleaned from the CORE New Lettings Summary Statistics for the April 2005 – March 2006 period. This collated information on lettings from the nine RSLs operating on the Island and include the four main RSLs. It indicates the following:

- **Lettings** - A general upward trend in lettings over the 2005/6 year.
- **Household Type** – The highest proportion of lettings were to lone parent households with dependent children (28.7%), followed by single adults of working-age (25.5%). 16.3% of lettings were to traditional family households (2 adults plus dependent children), while 14.9% lettings were to a single older person aged over 60.
- **Economic Status** – 28.9% of new lettings were made to households where the head of household was ‘not seeking work’ with a further 22.7% who were ‘long term sick/ disabled. 8.7% heads of household were unemployed, whilst 17.9% were retired. In contrast, just 17.9% heads of households were in employment (either full or part time). 7.9% of heads of household can be classified as key workers.
- **Age and Ethnicity** – The profile of new tenants (categorised by head of household) is skewed towards younger age groups with the largest proportion aged 18 – 24 (20.4%). More than 96% are White British.
- **Income** – Weekly household incomes varied between £117 on average for single adults to £258 for households of two or more adults and dependent children. 64% households were wholly dependent on state benefits/ pension with a further 26% partly dependent on benefits/pension. Just 6.4% tenants were not dependent on benefits. 80.7% of tenants would qualify for housing benefit.

- **Previous Accommodation** – the greatest number of lettings were to existing Housing Association tenants (28.9%). This was followed by lettings to households previously in temporary accommodation (26.1%), or in the private rented sector (13.8%). Just 4.1% lettings were to persons previously living with their family, and 3.2% from B&Bs or rough sleeping. However, 48.9% lettings were to households/persons classified as statutorily homeless, with a further 7.1% classified as ‘other homeless’.
- **Reason for Leaving Previous Accommodation** – the most common reasons for people leaving previous accommodation were ‘other’ (14.2%), that the property was unsuitable because of overcrowding (12.2%) or that an assured shorthold tenancy had ended (11.7%).

Private Sector

Stock Profile

- 6.38 The total private sector housing stock on the Island was 58,213 as at 1st April 2006 representing 90% total stock. This compares to 86% in the South East and 81% across England.
- 6.39 The private sector contains both housing in owner occupation and private renting. It is however notoriously difficult to segment the two. Figure 6.21 draws upon 2001 Census data to show the split between private rented and owner occupied properties. It indicates that 13% households were in the private rented sector in 2001, marginally above other benchmarks. Owner occupation at 77% was, however, a significant 10% above the national level.

Figure 6.21: Private Sector Stock

		Isle of Wight	South East	England & Wales
All Households		57519	3287489	21660475
Total Private Sector		89.94%	86.04%	80.81%
Owner Occupied	Owns Outright	41.67%	31.28%	29.46%
	With Mortgage	34.49%	41.9%	38.76%
	Shared Ownership	0.8%	0.78%	0.64%
	Total	76.96%	73.96%	68.86%
Private Rented	From Private Landlord or Letting Agency	9.95%	8.77%	8.72%
	From Other	3.03%	3.31%	3.22%
	Total	12.98%	12.08%	11.94%

Source: Census 2001

6.40 The private sector has grown in size by 4.3% on the Island over the 2002 – 2005 period. This is above growth regionally and nationally of 3.1% and 3.7% respectively and reflects stronger housing growth overall. It accounts for almost all the growth in the housing stock.

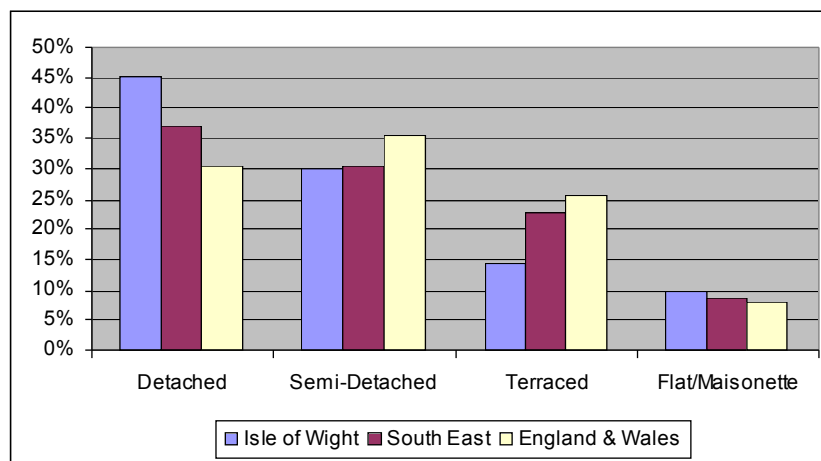
Figure 6.22: Growth in Private Sector Stock

	Isle of Wight	South East	England
2002	55266	2,907,057	17,145,867
2003	56160	2,927,967	17,301,434
2004	57119	2,968,288	17,550,081
2005	57629	2,997,920	17,784,606
% Change: Private Sector	4.3%	3.1%	3.7%
% Change: All Sectors	3.5%	2.5%	2.0%

Source: HSSA

6.41 The Island’s owner occupied sector reflects the broader profile of housing stock. It contains a high level of detached housing (45%), even compared to the South East, and a similar level of semi-detached housing. There is also an above average proportion of flats and maisonettes.

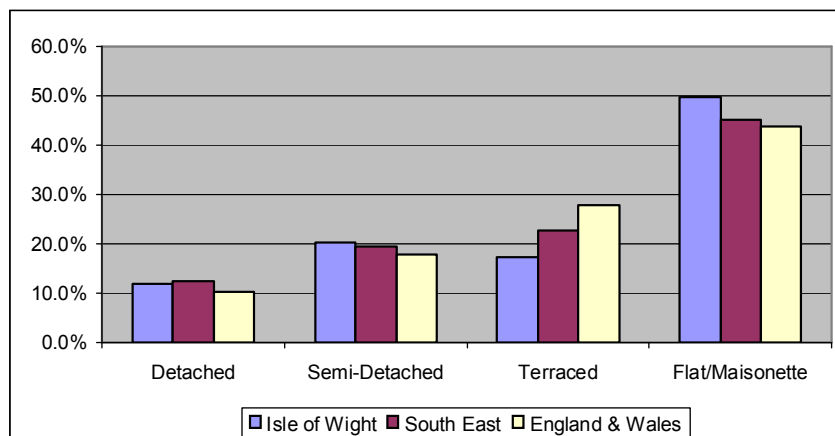
Figure 6.23: Owner Occupied Stock by Property Type



Source: Census 2001

6.42 The profile of housing in the private rented sector is biased towards the smaller and more affordable end of the property market: 50% of properties in the sector are flats or maisonettes, the balance split between the remaining types.

Figure 6.24: Private Rented Properties by Property Type



Source: Census 2001

6.43 The HSSA indicates that there were 19 Houses in Multiple Occupation (HMOs) on the Island as at April 2006 (according to the definition in the 2004 Housing Act.) Figures from the previous year indicate 84 HMOs, although the Housing Act definition was not used.

Figure 6.25: HMOs (April 2005)

	Number	Percentage
Isle of Wight	84	0.13%
South East	65372	1.87%
England	392230	1.79%

Source: HSSA

Demand for Market Housing

- 6.44 House prices indicate relative demand for different housing products and locations, albeit that they are set within the context of wider national and regional market dynamics.
- 6.45 Recent years have witnessed significant and consistent upward trends in house prices across the country. The South East has experienced some of the strongest growth, with average prices rising by 60% over the last five years. Halifax’s House Price Index Report for the 3rd Quarter 2006, indicates that the annual rate of price inflation in the resurgent South East market at 7.7% is now only marginally below the UK average of 8.0%.

- 6.46 In 2006 the average house price across the South East region stands at £233,000,¹² 30% above the UK average of £179,000.
- 6.47 The Land Registry provides a more detailed breakdown of average Island house prices by house type. It indicates that average prices on the Island are £4,500 (-2%) below the national average, but are a significant £44,000 below average prices across the South East (-18%). Price differentials are greatest for detached housing, which on the Island costs on average £26,000 below the national average (-8%), and £111,000 below the average across the South East region. There is therefore a significant price incentive for buyers looking for a detached house on the Island.
- 6.48 Average prices for flats on the Island are £59,000 below the national average (-31%) and £27,000 (-17%) below the South East benchmark, likely reflecting stronger performance of flats in the core cities. Prices for semi-detached housing are £51,000 (-22%) below the regional level, whilst the differential for terraced housing is £32,000 (-17%).
- 6.49 In a regional context, price differentials indicate stronger performance of the markets for flats/maisonettes and terraced housing – typically cheaper products – with stronger price differentials for larger housing products. Whilst the former is an indication of stronger demand for cheaper products (a symptom of increasing affordability issues), the latter actually provides a potential incentive for moves from the mainland of higher earning households.

Figure 6.26: Average House Prices, July – September 2006

Q3 2006	Detached	Semi-Detached	Terraced	Flat/Maisonette	Overall
Isle of Wight	£293,880	£179,755	£159,271	£130,860	£206,929
South East	£404,899	£230,705	£191,116	£157,860	£251,007
England & Wales	£319,746	£189,929	£167,259	£189,868	£211,453

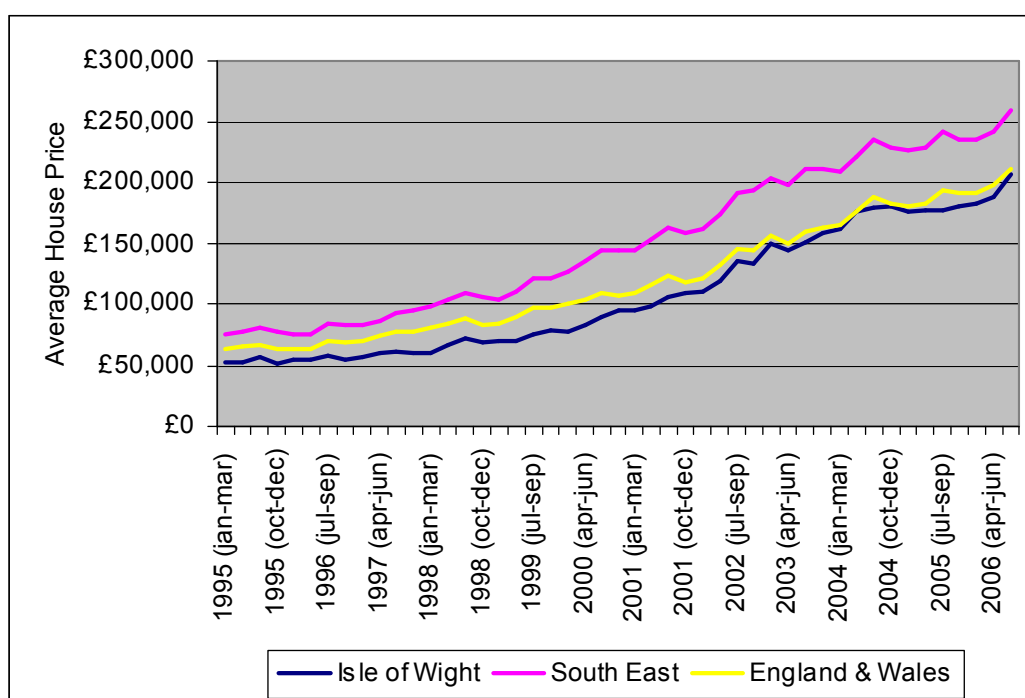
Source: HM Land Registry

- 6.50 The Island's housing market has performed well in a national context over the last decade, with stronger market growth on the Island between 2000 – 2003. However, it has not performed as well as the regional market. While the Island's market is clearly influenced by regional trends, since 1999 the price differential between housing on the Island and elsewhere in the region has opened up considerably.

¹² Halifax House Price Index, Third Quarter 2006

- 6.51 The price dynamics are complex. On the one hand, higher prices on the mainland could provide a price incentive for migration to the Island .The differentials are though likely to make it difficult for owner occupiers on the Island to move away.
- 6.52 However housing is often seen as an investment, rather than a place to live, and as the housing market on the Island has underperformed in a regional context, lower levels of price growth in absolute terms could act as a disincentive to moves to the Island. Conversely dynamics may well be encouraging migration to the Island of older households for whom the move may well be ‘for good.’
- 6.53 The graph indicates that, in common with wider trends, there is strong price growth characterised the 2000 – 2004 period. Prices on the Island were broadly static between late 2004 and early 2006 (set against moderate growth in the regional and national markets), but have risen significantly in the second and third quarters of 2006.

Figure 6.27: Trends in Overall House Prices

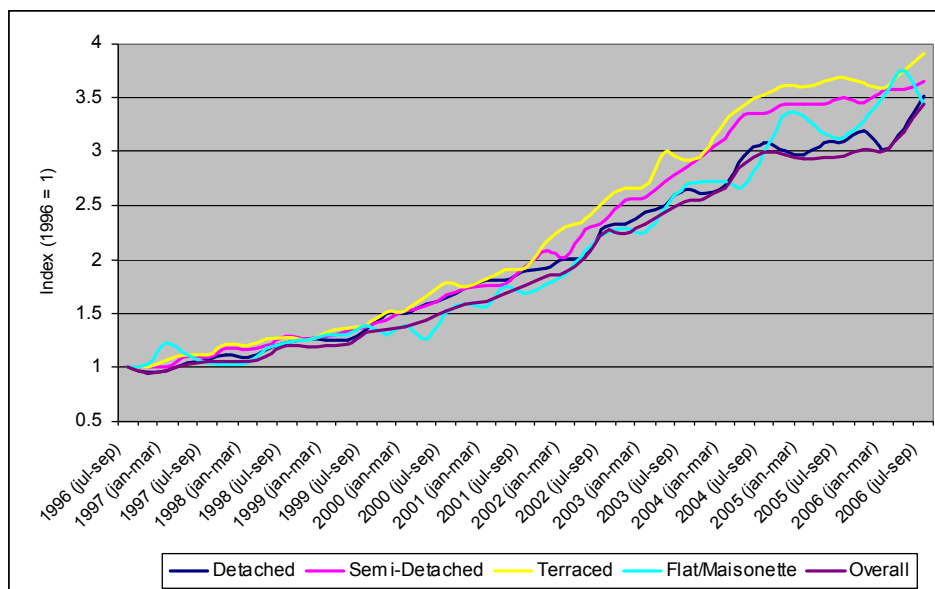


Source: HM Land Registry

- 6.54 The chart below (Figure 6.28) indicates growth in prices for different house types over the last decade (1996 – 2006). It indicates that overall price growth has been strongest in the terraced and semi-detached markets which performed particularly well between Winter 2001 and Spring 2004. However, since then there has been strong growth in prices for

flats. Also in the last six months of 2006 there has been a strong price growth for detached housing.

Figure 6.28: Price Trends by House Type on the Island



Source: HM Land Registry

6.55 Figure 6.29 benchmarks proportional growth in prices by property type. It indicates that prices on the Isle of Wight have grown in proportional terms more significantly than those across the region or country. However, this is partly a function of lower base prices in 2001. Average prices on the Island have grown by 96% as against 71% across the South East and 59% nationally over the last five years.

6.56 Proportional growth on the Island has been strongest for terraced housing and flats/maisonettes, both of which have grown in value by over 100% in the five year period. This is consistent with the regional picture. For the higher value, detached and semi-detached products, price growth has exceeded 85%.

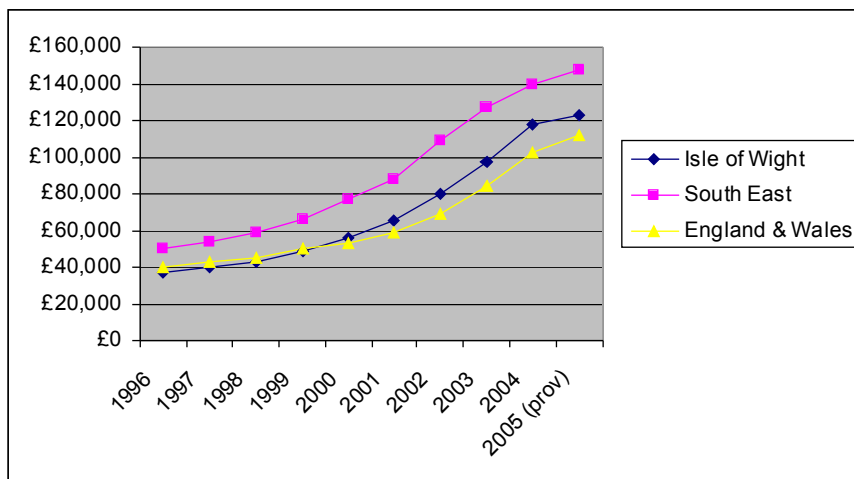
Figure 6.29: Change in Average House Prices (Q3 2001 – Q3 2006)

	Detached		Semi-Detached		Terraced		Flat/Maisonette		Overall	
	Change	%	Change	%	Change	%	Change	%	Change	%
Isle of Wight	£136,100	86.3%	£84,270	88.3%	£81,007	103.5%	£66,630	103.7%	£101,302	95.9%
South East	£140,296	53.0%	£87,649	61.3%	£76,996	67.5%	£64,462	69.0%	£93,503	59.4%
England & Wales	£133,535	71.7%	£83,736	78.9%	£68,426	69.2%	£67,810	55.6%	£87,597	70.7%

Source: HM Land Registry

6.57 Lower quartile house prices represent the sector of the market most likely to be accessed by those on low incomes or entering the owner occupied market for the first time. Figure 6.30 tracks lower quartile house prices since 1996, based upon data published by DCLG.

Figure 6.30: Lower Quartile House Prices, 1996 – 2005

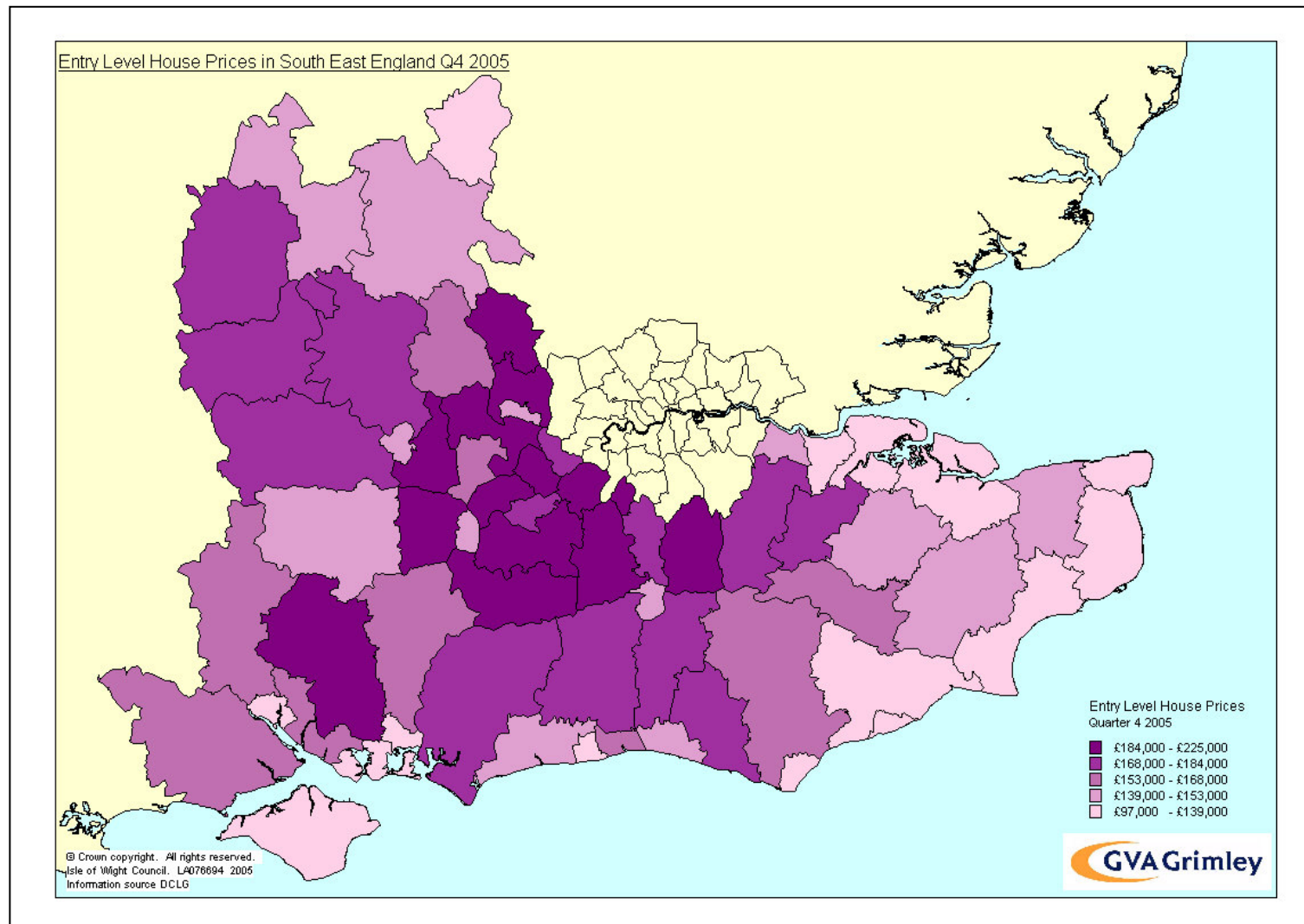


Source: DCLG: Table 587 (derived from HM Land Registry data)

6.58 The lowest quartile house price on the Island in 2005 was £122,500. This is £10,000 above the national average, reflecting relatively stronger growth in lowest quartile prices on the Island since 2001. However it is below the £147,500 figure across the South East. Figure 6.31 plots lowest quartile prices at a Local Authority level across the South East. This shows that entry level prices on the Isle of Wight are similar to other coastal areas across the South East – Portsmouth, Havant, Southampton, Gosport; as well as the Kent and Sussex coast authorities.

6.59 Over the five year period 2000 – 2005, lowest quartile prices on the Island grew by 119% compared to 114% across England and Wales and 92% across the South East.

Figure 6.31: Lowest Quartile House Prices



6.60 The following pages provide the following suite of maps which indicate house price differentials and respective levels of growth at a postcode sector level (e.g. PO30 2). They indicate:

- Overall House Prices (All Types) – 2nd & 3rd Quarters 2006
- House Price Growth over the last Year (2005/6)
- House Price Growth over the last 5 Years (2001/6) – in both proportional and absolute terms
- House Prices by House Type (Detached, Semi-Detached, Terraced, Flat/Maisonette) – 2nd and 3rd Quarters 2006

Figure 6.32: Overall House Prices

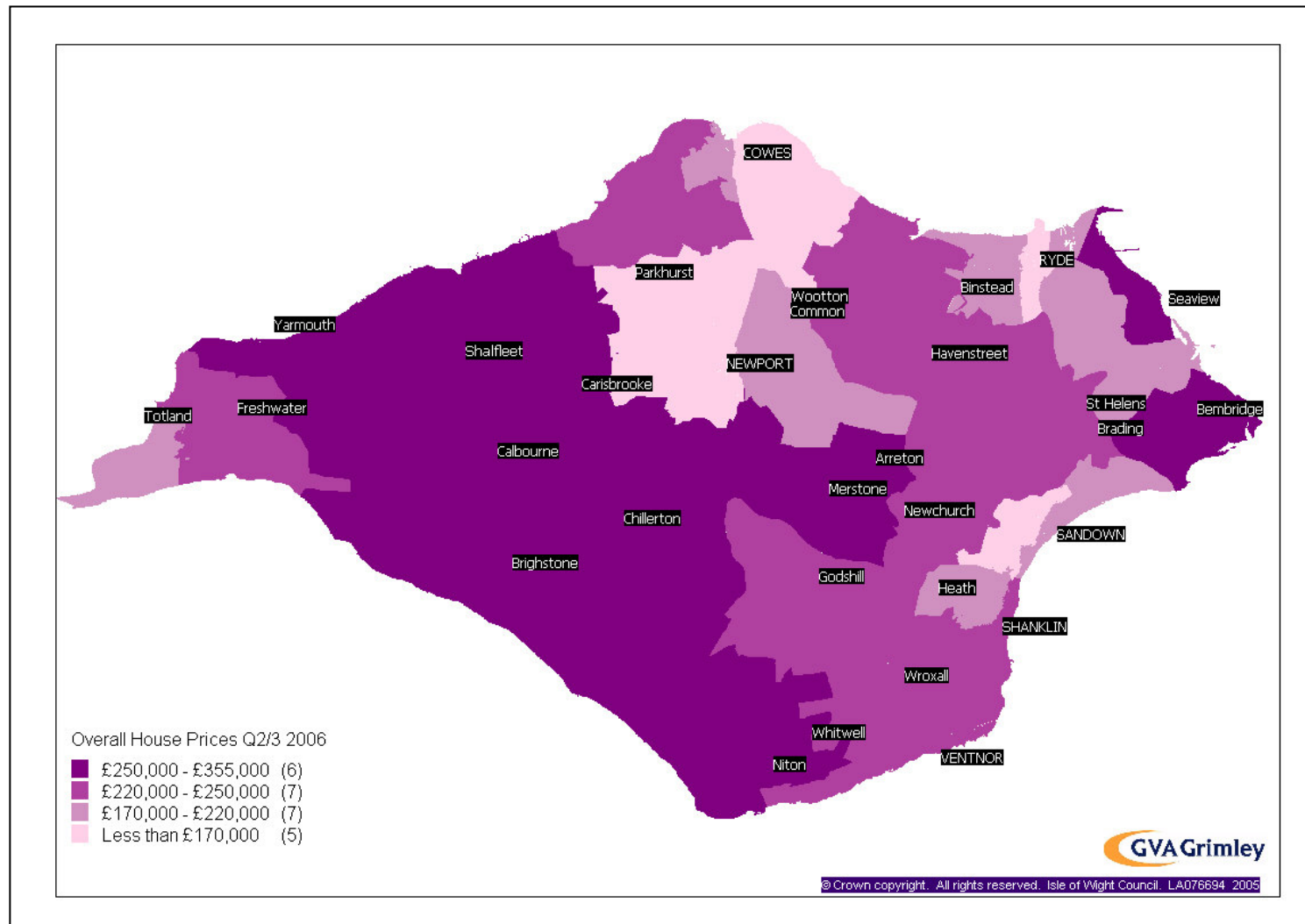


Figure 6.33: House Price Growth (2005 – 2006)

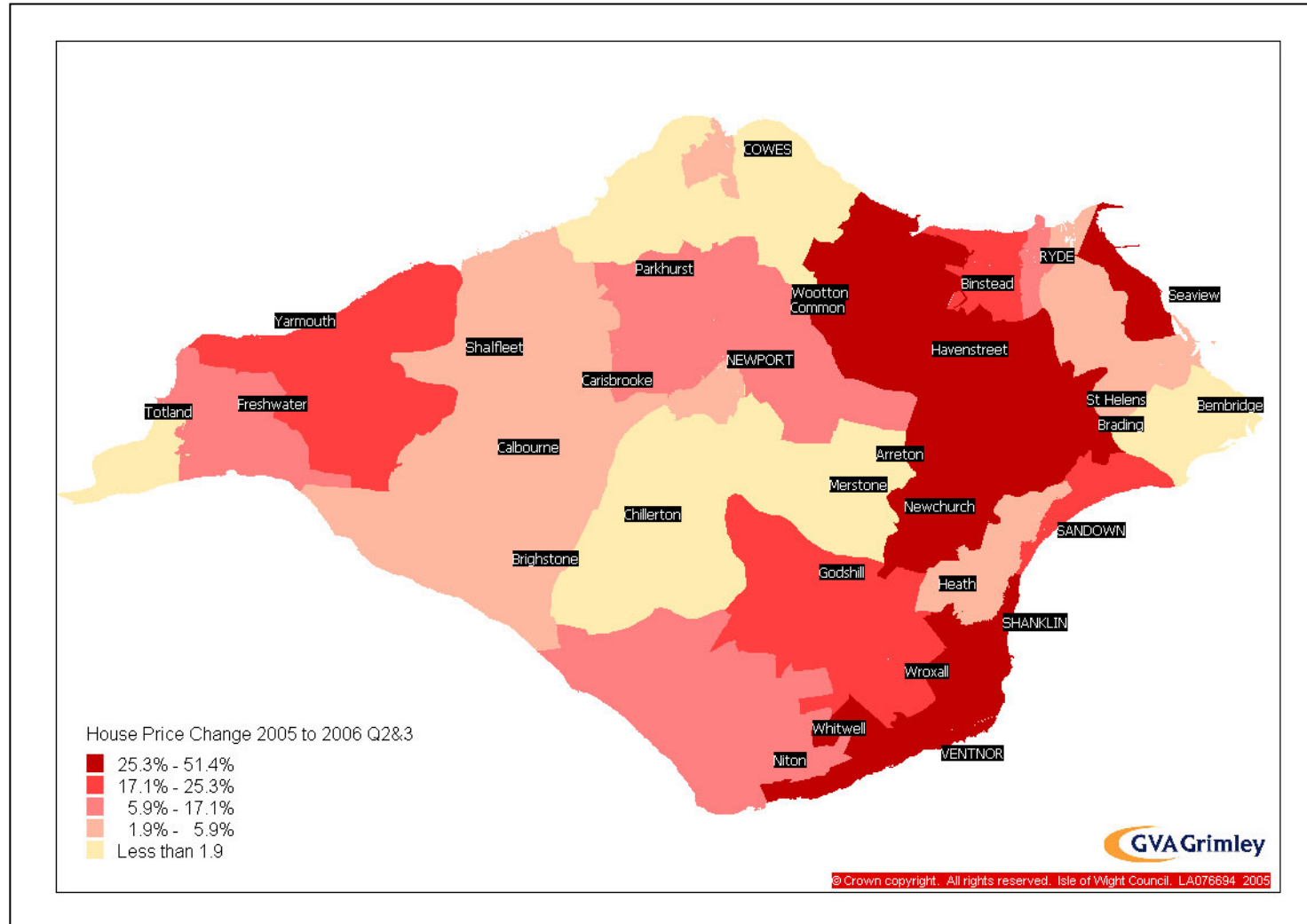


Figure 6.34: House Price Growth (2001 – 2006)

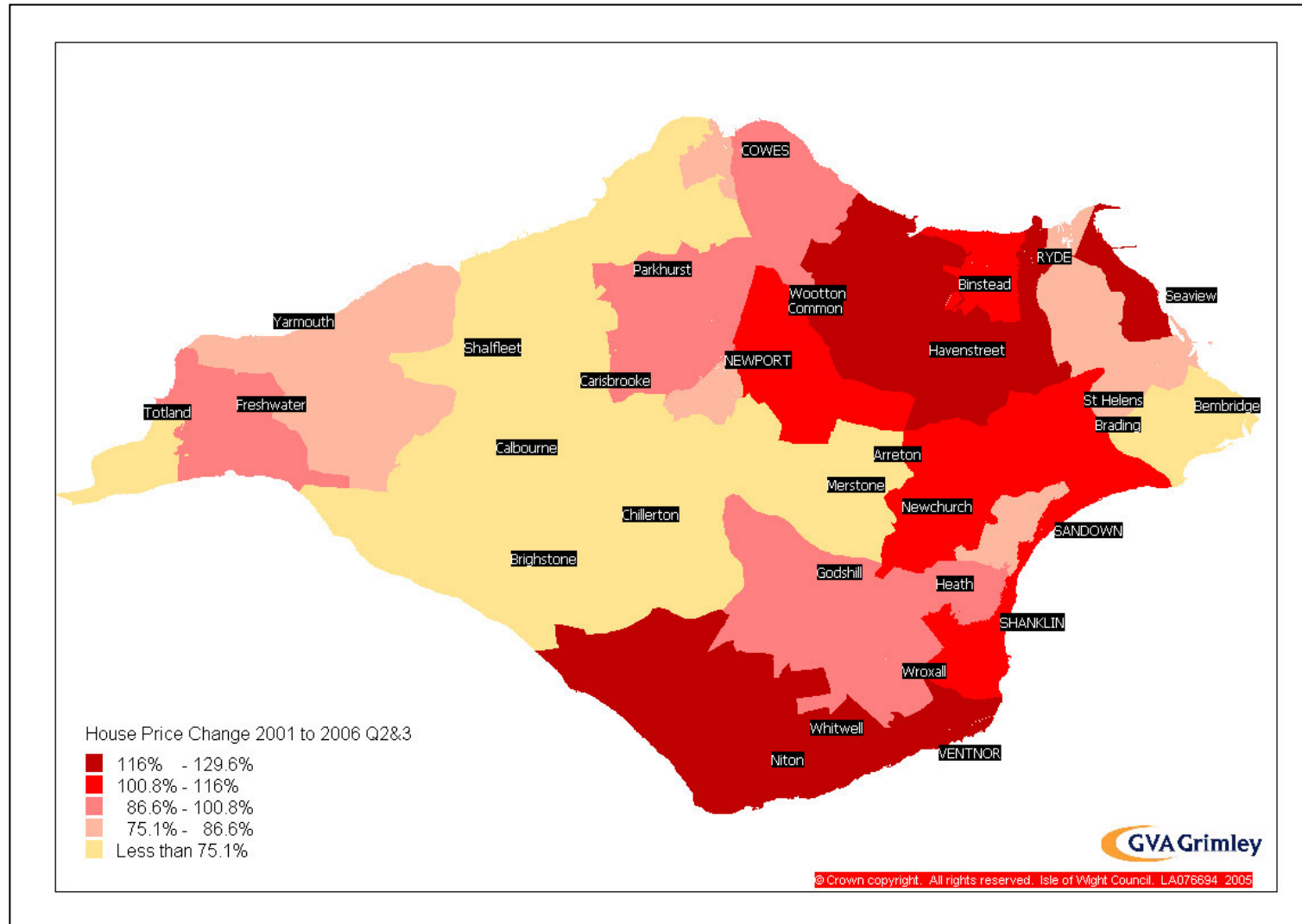


Figure 6.35: House Price Growth (2001 – 2006) – Absolute Increases

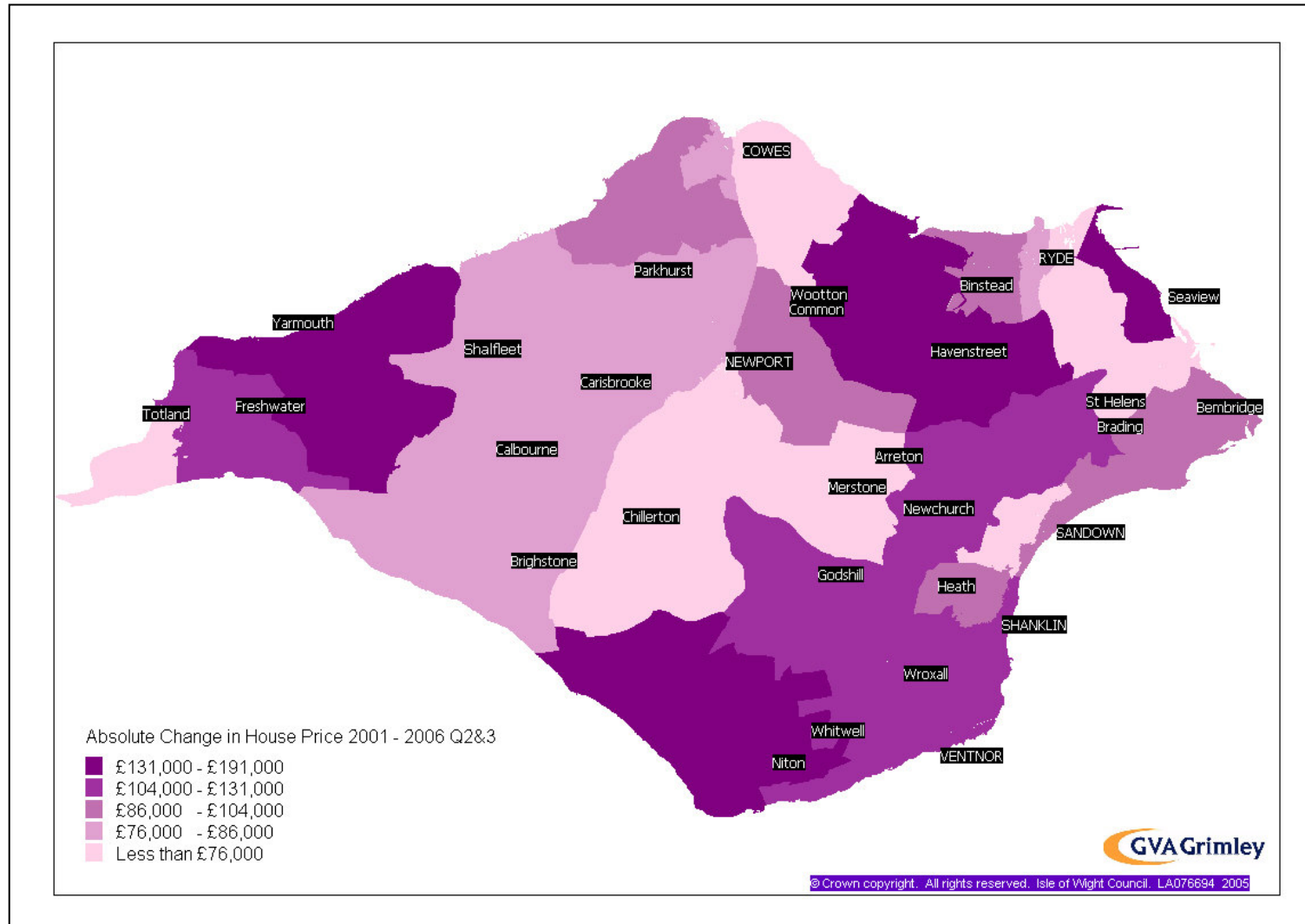


Figure 6.36: Average House Prices for Detached Housing

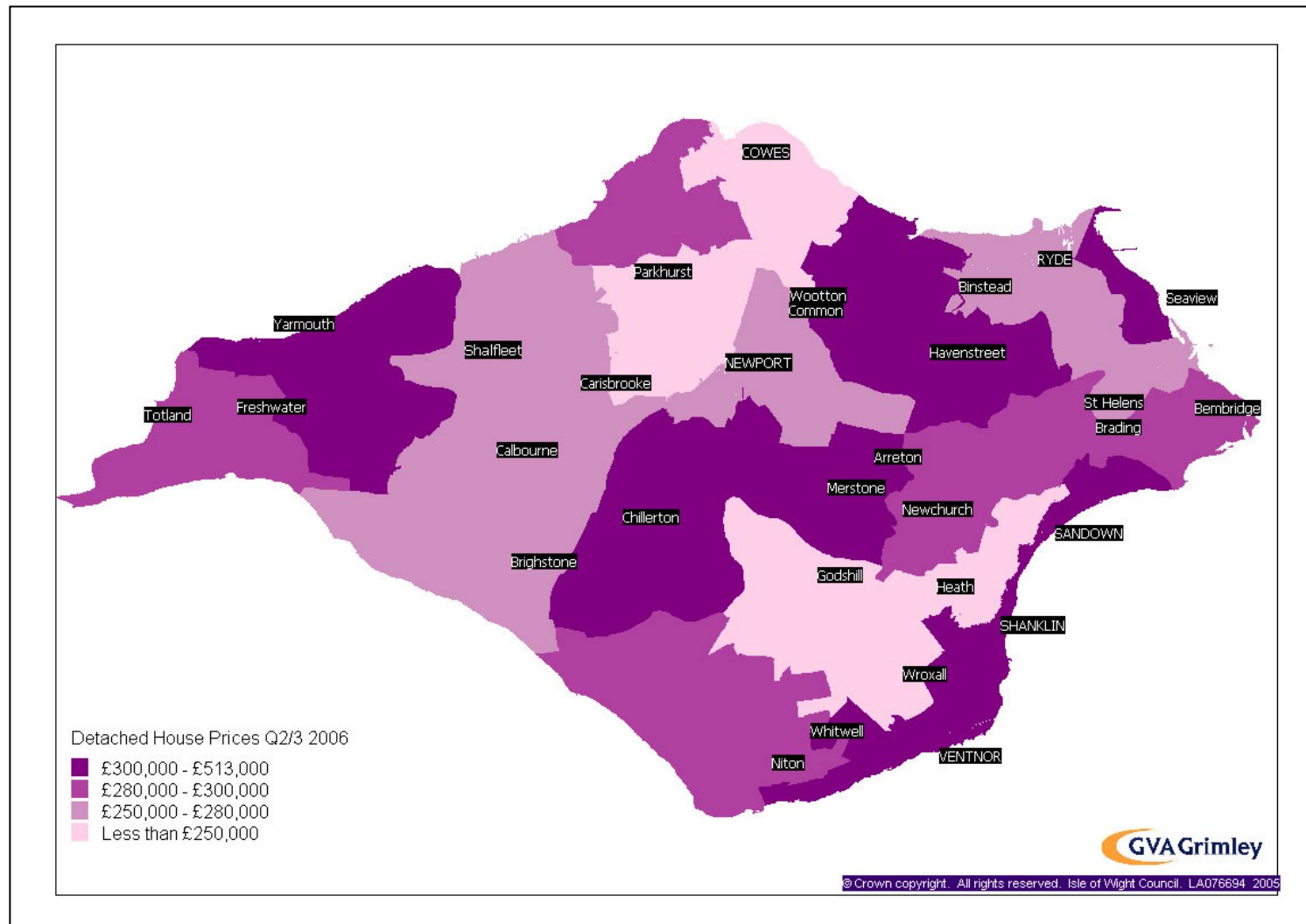


Figure 6.37: Average House Prices for Semi-Detached Housing

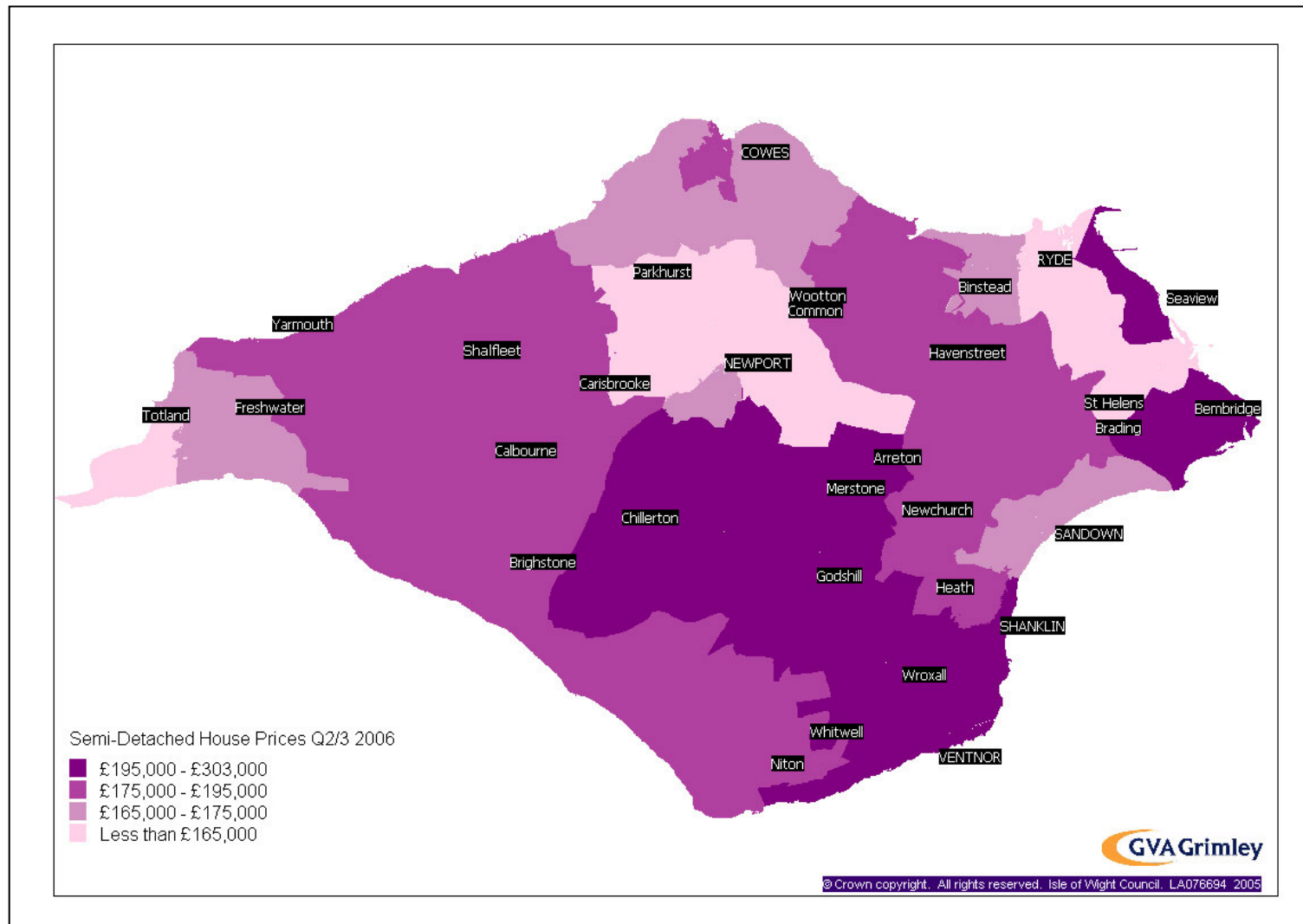


Figure 6.38: Average House Prices for Terraced Housing

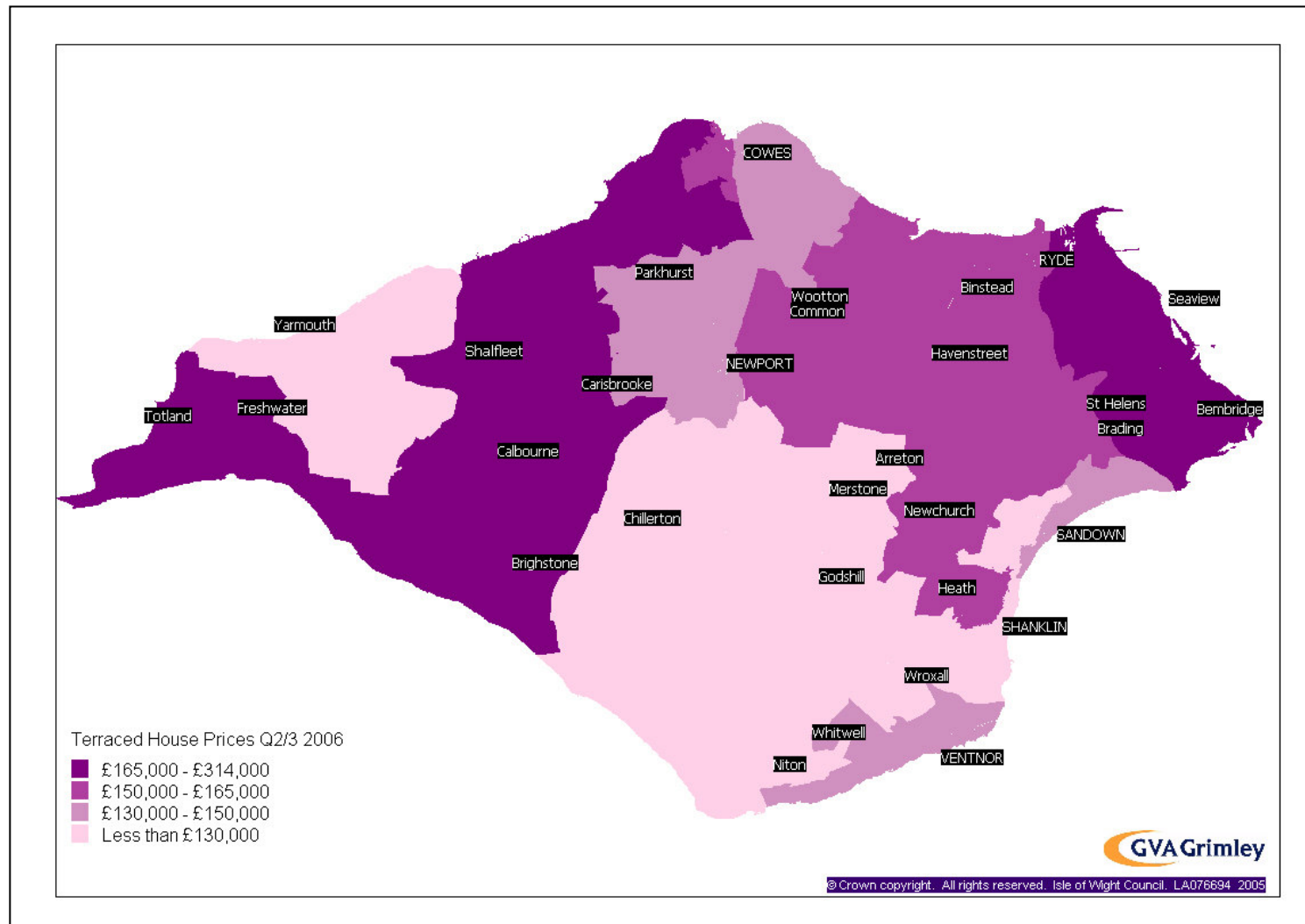
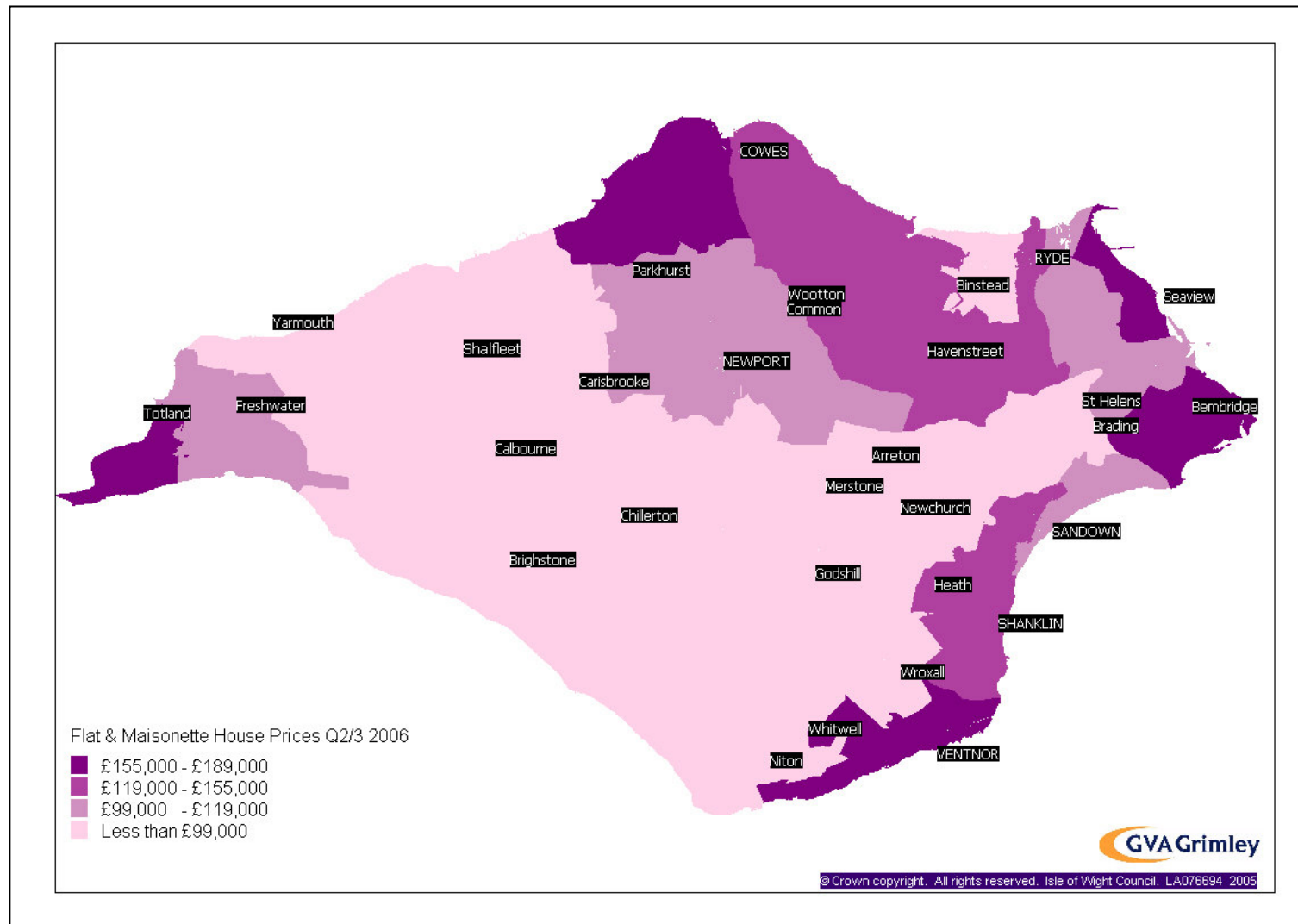


Figure 6.39: Average House Prices for Flats/Maisonettes



Private Sector Renting

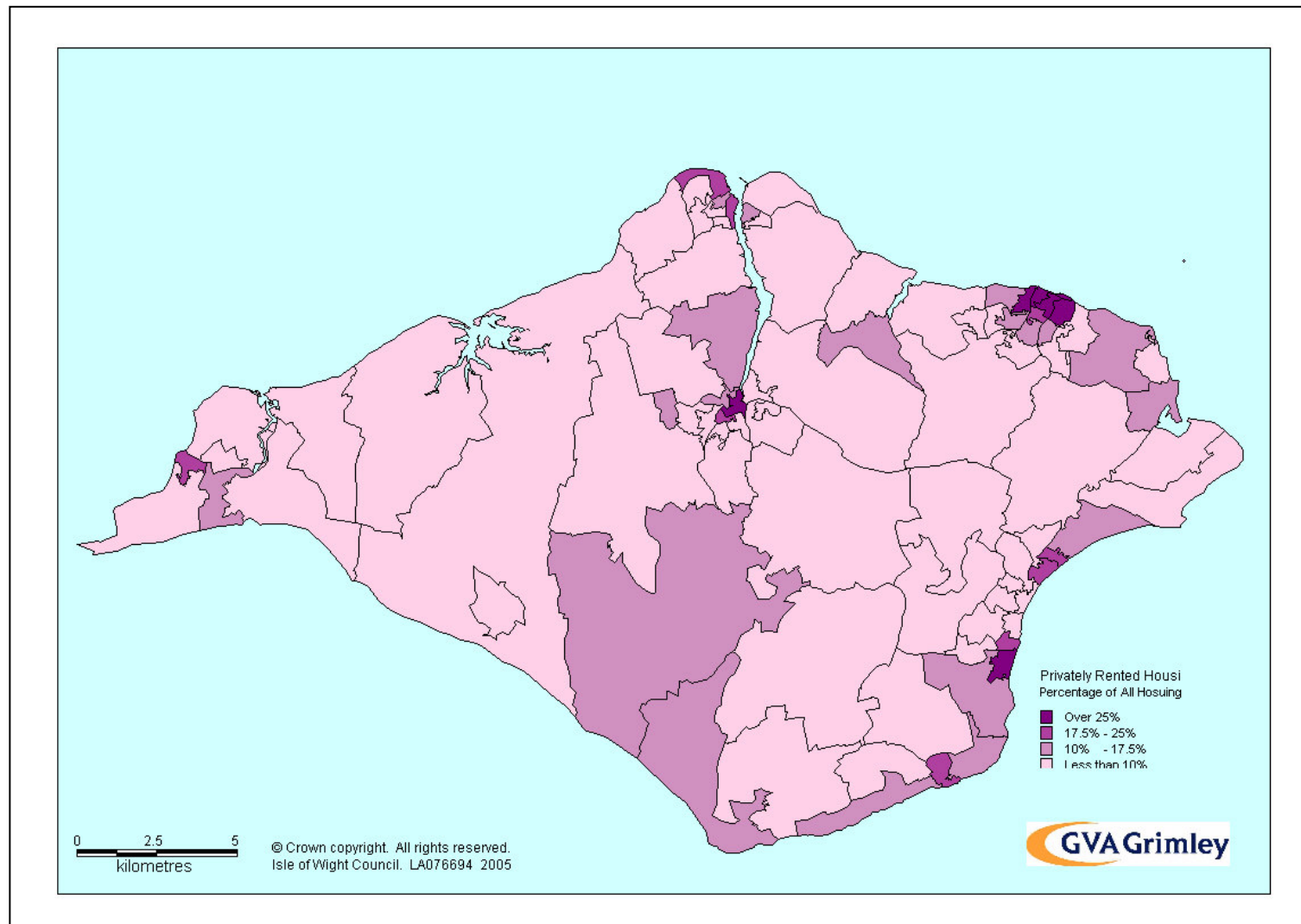
- 6.61 Figure 6.41 indicated the distribution of private rented properties across the Island using a lower level SOA geography. It indicates that the strongest concentration of properties is in Ryde, followed by Shanklin. Overall private rented properties are concentrated in the main towns of Cowes, Newport and Ryde.
- 6.62 Figure 6.40 below indicates the number of properties being marketed for rent according to Rightmove in Summer 2006, together with median rental levels. It indicates that the cheapest entry-level properties (one/two-bed flats) are in Ventnor and Newport. Prices on average are higher in Cowes than the other main rental markets.

Figure 6.40: Rents in the Private Rented Sector

Town	Marketed Properties	1-bed Flat	2-bed Flat	3-Bed House	4-bed House
Cowes	51	£460	£550	£610	£995
Newport	61	£400	£500	£640	£725
Ryde	40	£420	£500	£610	-
Sandown	14	£435	£525	£695	-
Shanklin	7	-	£535	£625	-
Ventnor	15	£380	£495	£650	-
Freshwater	4	£400	-	-	-
Totland	11	-	£575	£795	£850

Source: www.rightmove.co.uk / GVA Grimley

Figure 6.41: Private Rented Properties



Affordability

- 6.63 Affordability has become a national phenomenon as house price inflation has far outstripped growth in earnings. The impacts, including increasing demand for social/intermediate housing, and the inability of first-time buyers to enter the property market are well documented.
- 6.64 The Joseph Rowntree Foundation¹³ has modelled house price to income ratios for local authorities across Britain in 2004. From this research, Figure 6.42 details modelled annual household earnings, average house prices for 2/3 bed properties and the house price to income ratio for young workers aged between 20-39. The research found that on the Isle of Wight average house prices were 5.90 times average household earnings. This compared to a house price to income ratio of 4.55 across the South East, with only four local authorities¹⁴ in the region recording a higher ratio. The ratio is particularly a function of a low earnings profile.

Figure 6.42: House Price to Income Ratios (2004)

	No. Working Households	Annual Household Earnings	Average House Prices	House Price to Income Ratio
Isle of Wight	11803	£26,690	£157,468	5.90
South East	817,183	£41,426	£188,543	4.55

Source: Wilcox (2005) Schedule 1

- 6.65 The research went on to consider situations when young working households cannot afford to buy a property and uses these to form broad and narrow definitions of the intermediate housing market. The broad definition is based upon working households aged 20-39 which are unable to purchase 2/3 bed properties at lower quartile prices assuming an 18% deposit is required. The narrow definition is based on working households aged 20-39 who, while they can afford to pay social rent without housing benefit, cannot afford to purchase 2/3 bed properties on the open market at lower decile prices, again assuming an 18% deposit. The broad definition hence considers the size of market for which the private rented, intermediate and social rented sectors would cater together with a small segment of the owner occupied market, while the narrow definition looks more specifically at the intermediate housing market. Figure 6.43 provides the results.
- 6.66 Overall, 62% households on the Island cannot afford lower quartile house prices and 39% cannot afford lower decile prices but can afford to pay social rents without housing benefit.

¹³ Wilcox, S. (2005) *Affordability and the Intermediate Housing Market*, Joseph Rowntree Foundation.

¹⁴ These are Oxford, Adur, Chichester and South Bucks

Figure 6.43: Intermediate Housing Market

	Broad Definition		Narrow Definition	
	Households	%	Households	%
Isle of Wight	7,354	62.3	4,575	38.8
South East	432,100	52.9	276,449	33.8
England	2,167,345	43.3	1,174,659	23.5

Source: Wilcox (2005) Schedule 2

- 6.67 It is difficult to update this information, particularly as data on household incomes (as opposed to incomes for persons in employment) is scarce. The Isle of Wight Council have commissioned CACI Paycheck data, which indicates median household income in 2006 of £23,000. Of note, the CACI data indicates lower median earnings than those modelled by through the JRF research.
- 6.68 With an average house price of £206,929 in the 3rd Quarter of 2006, this equates to a house price to income ratio of 9.00. CACI do not produce household income figures for the region or nation, meaning that it has not been possible to provide wider comparators.
- 6.69 The National Housing Federation South East and the Chartered Institute of Housing have recently published further affordability research¹⁵. This clearly sets out that affordability is a regional problem and is related to a mismatch between the rate of housebuilding and demand which is compounded by below target levels of affordable housing delivery. The research provides house price to affordability ratios for 2005 on a local authority level. The index is however based on individual, rather than household, income. It is hence not comparable with the Wilcox/JRF research, nor a completely accurate reflection of current affordability issues (as many households will contain more than one earner). It though remains useful at benchmarking relative affordability.
- 6.70 The NHF research indicates a price to income ratio of 10.2 for the Isle of Wight compared to 8.9 across the South East and 8.0 across England. It continues to indicate that the Island is in the least affordable quartile of areas across the South East, ranked the 9th least affordable local authority in the region.
- 6.71 Figure 6.44 indicates affordability ratios at a postcode sector level, comparing average prices recorded by the Land Registry with income information from CACI Paycheck. Figure 6.45 provides an index of entry-level affordability comparing household incomes to terraced house prices.

¹⁵ NHF (2006) *The South East's Housing Timebomb: Affordability and Supply 2006-2011*, NHF and CIH.

Figure 6.44: Affordability Ratios

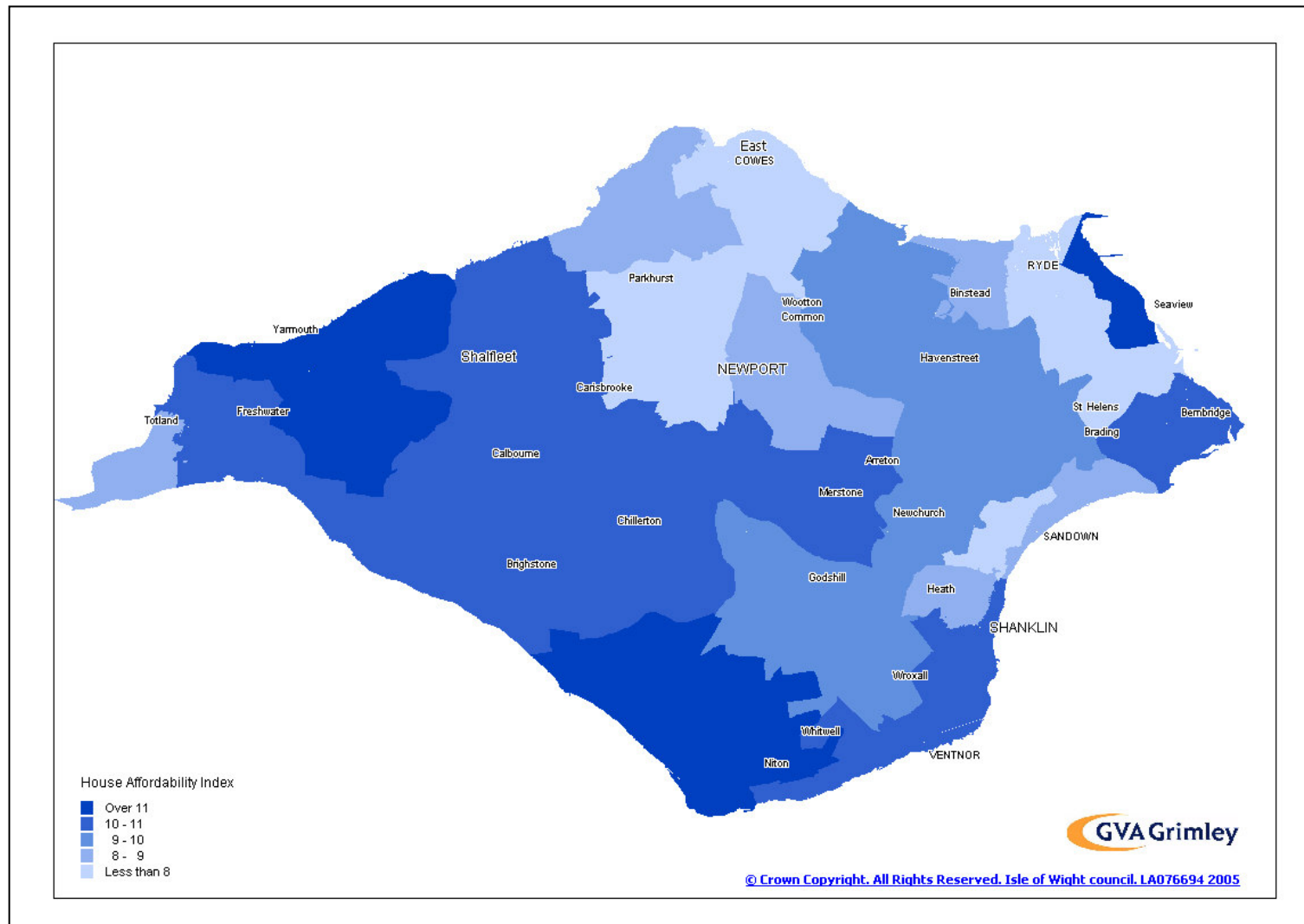
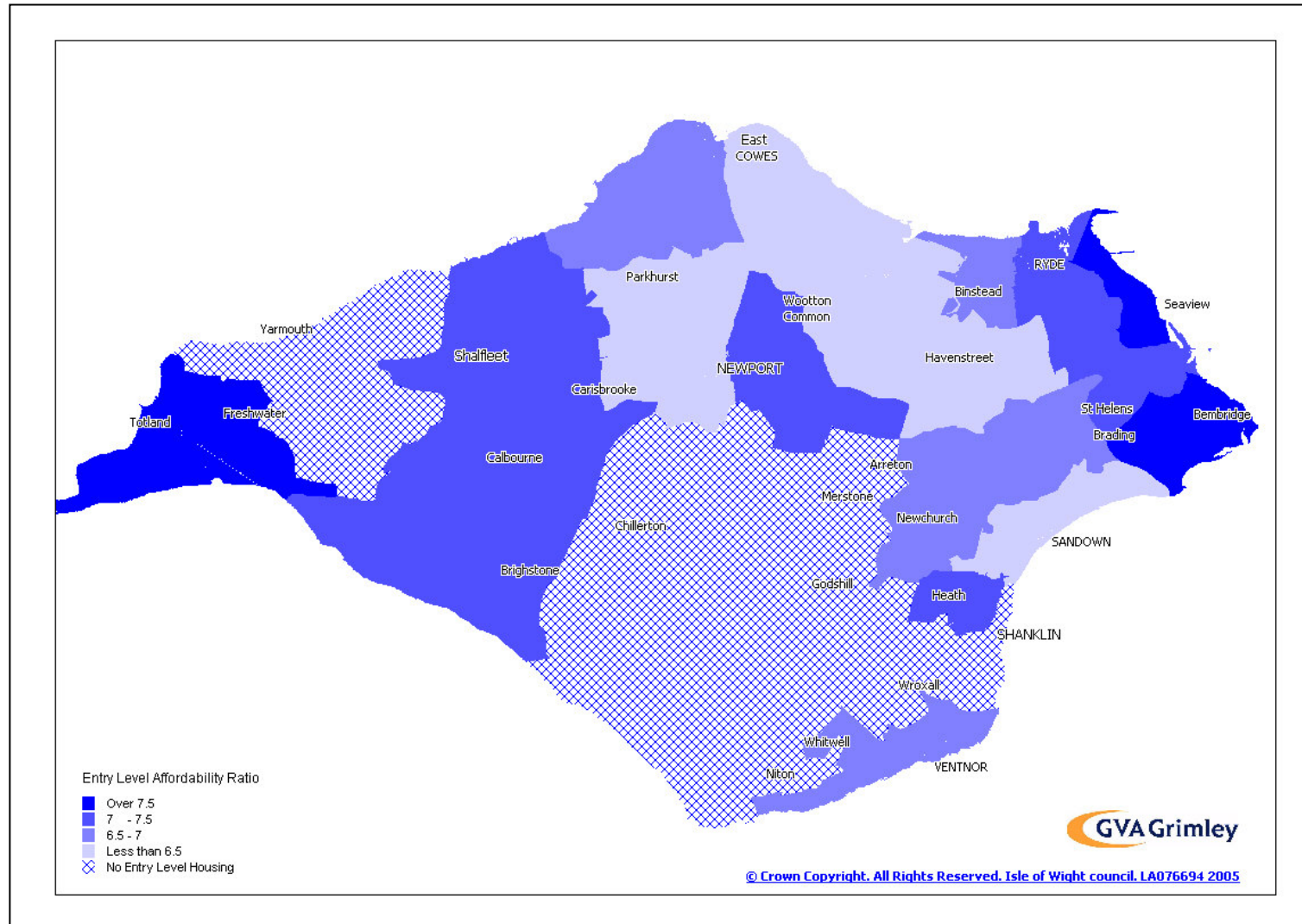


Figure 6.45: Entry-Level Affordability

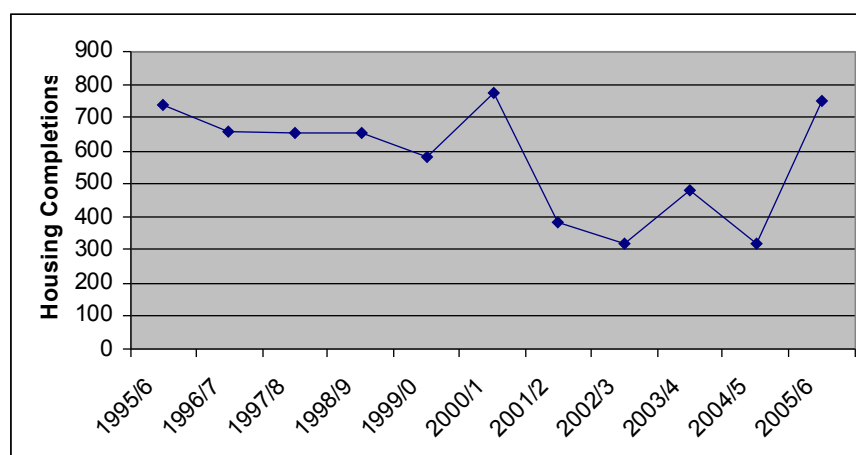


Housing Supply

Supply Trends

- 6.72 A profile of housing supply has been developed based upon the Council's Residential Development: Monitoring Report which presents the position as at 31st March 2006.
- 6.73 Annual housing completions over the last decade have averaged 570 dwellings per annum although there has been a general downward trend. Over the last five years more than 80% of new housing has been on previously-developed land or through conversion of existing buildings.

Figure 6.46: Dwelling Completions

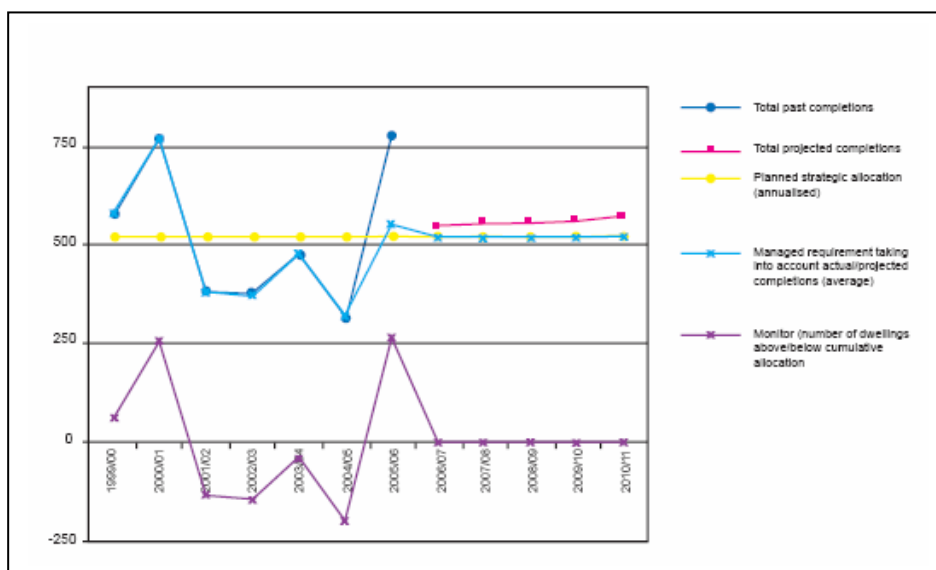


Source: Isle of Wight Council

Development Pipeline

- 6.74 As at 1st April 2006 there were 1,768 units in the development pipeline, equating to 3.4 years supply on the basis of the current housing requirement of 520 dwellings per hectare (dph). Of these 253 had full planning permission (1/2 year supply) and 1,515 had outline permission.
- 6.75 In terms of geographical distribution, permissions are focused particularly in Cowes and East Cowes (744 units) and Newport (587 units), with lower levels in South East Wight (338), North East (246) and West Wight (263).
- 6.76 Figure 6.47 sets out the development trajectory. It indicates that projected completions are marginally above target.

Figure 6.47: Housing Trajectory



Source: Isle of Wight Council

6.77 An analysis of planning approvals over the past year (2005/6) indicates the following:

- Approvals were given for a total of 1497 properties, of which 1326 are new dwellings and 171 are conversions
- 97.5% of approvals for new housing development are on brownfield sites
- 83% of approvals were in the urban areas, 13% in rural areas (reflecting particularly the Sandy Lane, Whitecroft site)
- The majority of approvals (63.5%) are one or two-bedroom units, with two-beds accounting for 47.3% overall. Four or more bed sites account for 11.2%.

6.78 Over the 2005/6 year a total of 256 affordable housing unit have been completed. Of this 45 have been delivered by RSLs and 70 through the Council's UDP policy on affordable housing (Policy H14). Average densities achieved on large sites are 37 dph and on small sites the average is 10 dph.

Capacity Assessment

6.79 As at 31st March 2006 the available land for residential development was 292.53 hectares (ha) with capacity for 5,830 units. With an annual requirement for 520 dwellings set through the Regional Spatial Strategy (RSS) this equates to 11.2 years supply.

- 6.80 The Council has updated its Urban Capacity Study to provide a broader picture of potential supply. This indicates total potential capacity for between 7614 - 7818 units, equating to between 14.5 – 15 years supply on the basis of current RSS requirements. This is a healthy supply position. It includes greenfield allocations contained within the UDP.

Figure 6.48: Housing Land Availability

Source	Yield
Small sites with Extant Planning Permission	1417
Large Sites	3707
Large Urban Capacity Sites	200 – 400
Windfall Sites	1000
Empty Properties	300
Conversions	750
Car Parks/ Employment Sites	240
Total	7614 - 7818

Profiling Housing Sub-Markets

- 6.81 Ten housing sub-markets were identified in Section 3. This sub-section considers in more detail the internal housing market dynamics on the Island and provides a profile of the sub-markets. The profiles are developed using a Middle-Layer Super Output Area geography and are primarily based upon 2001 Census information. Price and affordability information is for 2006 using Land Registry and CACI Paycheck data at a postcode sector level. A profile of each sub-market is presented from an analysis of the following:

- Size of sub-market; type/ tenure mix.
- Key socio-economic headlines
- Analysis of price dynamics and affordability.
- Recent development schemes; views of agents/ developers.

Bay Area

- 6.82 The Bay Area is located in the east of the Island and contains the resorts of Sandown and Shanklin. The sub-market has a population of 20,200, with a bias towards older age groups, and contains 8,800 households. Tourism and leisure remain the main commercial activities and this is borne out in an employment profile which has a high concentration of employment in retailing, hotels and catering. Reflecting this, there is an above average incidence of people without formal qualifications, and high levels of part-time and self-

employment. Higher levels of deprivation are prevalent, with 30% of households not owning a car and unemployment of 4.2% (2001).

- 6.83 The sub-market contains a mixture of predominantly Victorian town houses, terraces, flats, bungalows, semi- and detached-type properties with 20th Century housing predominantly developed in estates such as Yaverland. There are also some newer developments of flats in the area. 12.9% households do not have central heating. Overcrowding is higher in this area than elsewhere on the Island at 6.0%.
- 6.84 The Bay Area has a higher than average concentration of flats (28%) compared to the rest of the Island and a broader bias towards smaller properties. 9% of flats are in a commercial or shared building. The area has the second highest concentration of private renting on the Island, with 14.4% households resident in this sector. In 2001 the area had above average vacancy levels of 3.4%.
- 6.85 House prices are below average, which in part reflects the stock profile, ranging between £165,000 - £178,000 (Q2/3 2006) at a postcode sector in Sandown, and between £182,500 - £247,000 in Shanklin. Shanklin is clearly more popular. In an Island-wide context, Sandown is relatively affordable, while further south into Shanklin, it is less so.
- 6.86 Local agents have suggested that there is a limited first-time buyer demand in Shanklin, with properties predominantly attracting second or third-time buyers or those in the retirement bracket. Some properties are sold for investment purposes, and agents estimate that in the region of 40% of buyers are from the mainland.

Bembridge and St Helens

- 6.87 Bembridge and St Helens are located at the Island's eastern headland and are popular tranquil settlements. The sub-market is small with a population of 5,200 and 2,600 households. 38% of residents are aged over 60 which is the highest of any of the 10 sub-markets, and this is reflected in economic activity levels of 57% compared to 70% regionally. 40% households are all pensioner households. The employment profile is fairly balanced, but with an above average proportion of residents employed in hotels and catering. There is also a concentration of those employed in higher paid occupations resident in the area.
- 6.88 Detached and semi-detached housing predominate, together accommodating 77% of households. There is a particular bias towards detached provision which accounts for 52.3%. Some of these are bungalows. There is some Victorian style housing and cottages

which are popular with older buyers. The level of owner occupation is the second highest in the 10 sub-markets at 84%, the social sector housing just 5.4% of households.

- 6.89 Prices start at around £120,000 for a one-bed property rising up to £280,000 for a three-bed bungalow. The top of the price range for a new four-bed detached house is around £750,000.
- 6.90 The bias towards larger properties and the private sector contributes to affordability issues. This is compounded by levels of second home ownership of 7.0% compared to 3.8% Island-wide and 0.7% across the region. Average house prices are high in Bembridge, averaging £256,000 (Q2/3 2006) but noticeably lower at £170,000 in St Helens which falls below the Island average. As a result, house prices in Bembridge are over 10 times average earnings indicating that this is one of the least affordable areas in East Wight. Bembridge has witnessed proportionally less growth in prices than other parts of the Island.

Cowes and East Cowes

- 6.91 Cowes and East Cowes sit at the mouth of the River Medina at the northern tip of the Island. It is one of the larger sub-markets with a population of 20,500, with a more balanced population structure, and 9,700 households. It has the highest level of economic activity on the Island at 65.3% although 25% of those in employment are part-time in common with trends across the borough. Compared to the Island-wide profile there is an above average level of employment in higher-skilled occupations. The area shows the strongest concentration of employment in manufacturing, which may reflect the location of GKN in East Cowes. East Cowes is connected to the mainland by car ferry.
- 6.92 Cowes contains town houses, flats, and semi and detached properties. The town is predominantly Victorian along with 1950s and 1990s development and recent development fronting the water's edge. The Cowes sub-market contains the largest concentration of terraced housing on the Island (23%) but overall has a fairly balanced housing profile. However 17% of households lack central heating, indicating issues with property condition.
- 6.93 Four out of five households (80%) are owner occupiers. Social housing accounts for 8.9% of households. 3.1% of dwellings were vacant in 2001, compared to 2.8% across the Island.
- 6.94 House prices in East Cowes are £163,000, slightly below levels inner Cowes at £173,500 and £221,500 in more peripheral parts of Cowes. Hence within the main urban area, prices

are below the Island average. East Cowes has experienced the strongest price growth over the last five years. Cowes overall is relatively more affordable than other parts of the Island, with price to income ratios of less than 8 in Cowes and East Cowes.

- 6.95 Local agents have commented that while there is a range of buyers in the market at the moment, the bias is towards middle-aged and retirees particularly as there are few properties in terms of both price and type of accommodation to accommodate first-time/younger buyers. They indicate that past initiatives designed to deliver housing for first-time buyers have not achieved the desired results that they were designed for.
- 6.96 New development coming forward in Cowes consists particularly of luxury waterfront flats. The Marina at Shepherd's Wharf is being developed by Charles Church and consists of 48 luxury apartments. A development at Yvery Court on Castle Road includes two, three and four -bed apartments with sale prices ranging between £400,000 - £795,000. Agents indicates that there is some risk of saturation in the market for top-end flats, given the current pipeline.

Freshwater, Totland and Yarmouth

- 6.97 Freshwater is the main town on the western side of the Island and contains both a historic core and newer development to its north-west. The growth of the town in recent years has lead to coalescence with the village of Totland. Yarmouth on the northern coast, is the oldest town on the Island, a popular yachting centre and port, connected to the mainland by ferry. It is a relatively prestigious location with properties commanding high prices. The sub-market has a population of 9,500, a high proportion of which are elderly and economically inactive (43%).
- 6.98 Of the 4,300 households, 40% are all pensioner and this is reflected in a low proportion of family households as a proportion of total households. Tourism is an important sector, reflecting in a high proportion of employment in hotels and catering. Over 30% households have no formal qualifications.
- 6.99 The sub-market contains an above average proportion of detached housing, and to a lesser extent semi-detached housing. Collectively, these account for 73% of the housing stock. Levels of second residence are the highest on the Island, recorded at 11% by the 2001 Census as against 0.7% across the South East. Whilst 77% of households are owner occupiers, the proportion living in social housing at 11.4% is above the Island average, albeit low against wider comparators.

- 6.100 The housing market in this area has performed strongly, with average prices of £353,000 in Yarmouth and its hinterland; of between £200,000 - £222,000 in Freshwater and Totland (Q2/3 2006). Agents indicate that some houses in the area commonly sell in the region of £500,000. West Wight overall is relatively less affordable than the east of the Island, and the Yarmouth area posts some of the highest ratios of income to house prices at over 11. In Freshwater, the price to income ratio for households is also over 10. Entry level affordability, comparing average incomes to terraced house prices, are also some of the most acute on the Island. Reflecting the housing stock, price characteristics and more rural nature this area is less attractive to first-time buyers, the majority of current buyers being middle-aged families or those around retirement age.
- 6.101 Local agents have commented that there a number of current new-build schemes. One such development is 'Millways' in Freshwater: a development of 26 houses including detached and semi-detached properties and town houses. The scheme by Hibberd Developments Limited has performed well, the majority of houses sold since the development was launched in early 2006. There are also some new residential developments in the Totland Bay area.

Newport

- 6.102 Newport is the Island's commercial and administrative centre situated close to its centre on the River Medina. The sub-market has a population of 23,500 with 9,000 households and (together with the Ryde sub-market) is one of the largest. It has the most balanced population of the sub-markets with an age profile similar to the South East average. There are a higher proportion of families and children, and a broader working-age population resident.. The economic activity rate is correspondingly higher at 64.5% although unemployment is higher than in some other areas (3.6% in 2001). Part-time employment is also high (28.6% of those in work). The qualifications profile is biased towards lower level qualifications.
- 6.103 As the Island's main retail/service centre, the sub-market demonstrates above average employment in the retail sector, as well as in public administration. Its occupational structure is biased more towards lower skilled/paid occupations that other sub-markets. Concentrations of deprivation are reflected in low car ownership with 26% households not owning a car.
- 6.104 The Newport sub-market has the highest proportion of social housing, which accommodates 14.5% households. Some larger estates fall within this sub-market. The

level of second residence is low at 0.4% - the lowest on the Island. The profile of housing is more balanced than in other sub-markets: Newport has the lowest proportion of detached housing (25%) but the highest proportion of terraced housing (27%). There are some quality issues, with 18% households lacking central heating. However the sub-market has the lowest vacancy level (1.8%).

- 6.105 House prices are relatively more affordable than other parts of the Island, average prices at a postcode level ranging between £168,000 - £172,000 (Q2/3 2006). Average prices in Newport experienced the strongest growth, rising by over 100% over the last five years and affordability is an issue in the town with a income to price ratio of between 8 and 9. Overall though Newport is more affordable than other parts of the Island. The area is more popular with first-time buyers both because of access to facilities/ leisure opportunities, availability of suitable properties and relative affordability.
- 6.106 Local agents indicate a significant amount of new development taking place in the sub-market. The majority of these consist of flats and apartments rather than houses.

Rural South Wight

- 6.107 The Rural South Wight sub-market covers the settlements in the south and east of the Island, including Brading, Westridge, Newchurch, Arreton and Godshill. It has a population of 13,500, biased towards middle and older age groups, and 6,000 households. It has an above average proportion of two person couple households. The sub-markets employment structure indicates a concentration of employment in agriculture and construction. Self-employment is high at 27.5%. The occupational structure is biased towards higher-paid occupations. The more rural nature is reflected in a low number of households without access to a car (14.8%).
- 6.108 A high proportion (51%) is detached, with detached and semi-detached housing together accommodating 80% households. 83% households are owner occupiers compared to 69% nationally. Private and social renting are correspondingly low. The second residence rate is 2.7%.
- 6.109 House prices are generally above average for the Island and broadly similar across the sub-market, although not as high as West Wight. Average prices in the second and third quarters of 2006 are £231,000 in the Wroxall/Godshill area, £242,000 in the Brading area and £249,000 in the postcode sector covering Havenstreet and the surrounding area. The area has seen some of the steepest prices rises in proportional terms over the last five years. P: prices in the Havenstreet area have grown by over 115% while Newchurch and

Brading have witnessed increases of over 100%. Affordability is a key issue with price to income ratios of between 9 and 10 in much of the area.

Rural West Wight

- 6.110 Rural West Wight includes the settlements of Chillerton, Brightstone, Calbourne and Shalfleet. It is one of the smallest sub-markets with a population of 5,000 and 2,400 households but covers one of the largest areas on the Island. The population structure is biased towards older age groups, and this sub-market has the highest proportion of the population aged between 30-59 (at 33%). Economic activity is average for the Island (63%) and the area has the highest level of self-employment (34%). There is an above average proportion of pensioner and couple households. The concentration of employment is in agriculture, in real estate and business services, and education and healthcare. The occupational structure is biased towards higher paid/skilled occupations. A significantly higher proportion of residents have level 4/5 qualifications (23%) compared to other sub-markets. Just 11% households do not own a car – the lowest of the sub-markets.
- 6.111 This sub-market has the largest houses on average. Two third of housing (66%) is detached with the majority of the remainder semi-detached (24%). More affordable terraced housing and flats account for just 10% housing stock, and this biased profile influences affordability issues. 4.4% of dwellings are second homes. Owner-occupation dominates the tenure profile accommodating 83% households. Social renting accounts for just 7.1% - the lowest of the sub-markets.
- 6.112 Reflecting the housing profile the sub-market has some of the highest average house prices on the Island. Average prices range from £255,000 - £269,000 at a postcode sector level, the highest being in the Niton/Chale area which has experienced the strongest price growth over the last five years. The sub-market is the least affordable on the Island overall, with average price to household income ratios of over 10 across the area.

Ryde

- 6.113 Ryde is the largest housing sub-market on the Island. Located at the north-east of the Island, the linear coastal town has expanded to encompass settlements such as Binstead, Oakfield, Elmfield and Appley. It is connected by high-speed ferry to Portsmouth. The sub-market has a population of 24,000, and 10,700 households. The population is more balanced than in other sub-markets, with a stronger under-30 population. Economic activity is marginally above average although unemployment was higher than in other sub-markets in 2001 (4.4%). There is an above average proportion of employment in retailing, transport
-

and communications. The proportion of employment in skilled trade and elementary occupations is high, with a bias towards lower paid occupations. There are an above average proportion of people with lower level qualifications compared to the Island-wide profile and more people with no or lower level skills compared to the region. 30% of households do not own a car reflecting concentrations of deprivation in the town.

- 6.114 The housing stock profile has an above average proportion of flats and maisonettes (28%) with less detached housing than average for the Island. Owner-occupation is below average for the Island at 72%, reflecting a concentration of private renting of 18%. 9.8% households are in social rented housing. 3.6% dwellings are second homes. Overcrowding is an issue, affecting 6.7% households – the highest level on the Island. 18% households do not have central heating indicating house condition may be an issue.
- 6.115 Ryde has some of the lowest average prices ranging at a postcode sector level between £148,000 at the core of the urban area, to £249,000 in some of the suburban areas on its south and western fringes. The highest prices are in Seaview and Nettlestone, averaging £354,000 in Q2/3 2006. Affordability ratios at a postcode sector therefore vary between less than 8 in parts of the urban area to over 11 in Seaview/Nettlestone. Estate agents indicate that the current profile of buyers is quite mixed with first-time buyers, families and retirees active in the local market.
- 6.116 There appears to be limited current new-build activity in the area. The largest scheme is being developed by Barratts at Malborough Park, located on the south side of the town. This consists of a mixture of one and two-bed apartments and two- and three-bed houses with sale values ranging between £133,000 - £237,000. The scheme includes 6 one-bed flats for shared ownership, delivered in partnership with Western Challenge Housing Association. The Malborough Park scheme is marketed to potential commuters, working in Southampton, Portsmouth and London, as well as Island residents.

Ventnor

- 6.117 Ventnor is the southern most resort on the Island which grew up in the Victorian area. The sub-market has a population of 6,000 with, 2800 households.. Economic activity is relatively low at 58%, statistics indicating that sub-market has the highest level of unemployment on the Island in 2001 at 4.8%. Self-employment is also high at 29% reflecting a concentration of employment in tourism-related occupations (hotels and catering).

- 6.118 There is a high proportion of flats in the area: 34% compared to the Island average of 19% which is consistent with the region. Overall 17% of the housing stock is made up of flats in a converted or shared house. 18.4% households lack central heating – the highest level on the Island, reflecting potential issues of house condition. 5.8% households are overcrowded which is consistent with the regional average. The area has the highest vacancy level of 4.6%.
- 6.119 8.0% of dwellings are second homes, compared to 3.8% across the Island, and a regional average of 0.7%. The area is very popular with people who are retired or planning to retire in the near future. While owner-occupation remains the dominant tenure (77%), 13.8% households rented privately (which is the third highest of the 10 sub-markets.) 9.1% households are in the social sector.
- 6.120 Average house prices in Ventnor stood at £232,000 in Q2/3 2006 which is above average for the Island. The ratio of average prices to household incomes is correspondingly high at over 10, although entry level affordability is less severe than in other sub-markets. Current developments of flats in the area may prove popular with first-time buyers.

Wootton

- 6.121 Wootton is the smallest sub-market with a population of 5,000 and 2,300 households. It contains a high proportion of pensioner households (38%), with 35% of the population aged over 60. A low proportion of the population is aged under 30. Economic activity is below average at 59% with a concentration of employment in education and health, and in real estate and business services. There is an above average proportion of higher level qualifications compared to the Island as a whole, with an occupational structure biased towards higher-level qualifications.
- 6.122 61% of the housing stock is detached, and together detached and semi-detached housing account for 79% stock. Second home ownership is relatively low at 2.0% in 2001. The sub-market has the highest level of owner-occupation on the Island at 85%. The social sector accommodates just 6% households.
- 6.123 Average house prices in the area averaged £249,000 in Q2/3 2006, and the area has an affordability ratio of between 9-10

Key Messages

Overall Profile

- The social sector is small in size particularly given the Island's economic profile. While stock has not been lost through right-to-buy sales, the relative size of the sector is falling. There is little or no intermediate housing available on the Island.
- There is a high proportion of detached housing on the Island. The proportion of flats is relatively high for a non-urban authority and concentrated particularly in the coastal towns.
- The condition of private sector properties is relatively good with just 2% private sector dwellings unfit. However 27% of housing-association properties are non-decent.
- Vacancy, which is concentrated in the private sector, is above average at 3.5%. There are nearly 700 properties which have been vacant for over 6 months which could contribute to future supply.

Social Sector

- Waiting lists have grown significantly over the last five years, faster than the region, as a result of market trends. This has placed demand pressures on the social sector.
- Provision of new social housing has been limited particularly as the Council has been relatively unsuccessful at securing affordable housing through Section 106 agreements and many sites fall below the size threshold.
- The social sector has a balanced profile of housing types and sizes, as provision has not been eroded by right-to-buy sales.
- Demand for social housing is biased towards smaller property types; one- and two-bedroom properties. However it is more difficult to meet requirements for 4 or more bed properties because these represent a small proportion of stock and turnover is low.
- The social sector particularly caters for the economically inactive and unemployed: just 38% of working-age tenants and 18% of heads of new tenant households are in employment. The majority of tenants are of working-age with a lower proportion of elderly households than in the private sector.

Private Sector

- The majority of housing growth has been in the private sector market.

- The private rented sector is slightly above average in size with flats accounting for 50% of stock. The number of HMOs is relatively limited.
- A significant price incentive, particularly for detached housing, encourages migration to the Island.
- The bottom of the market has performed strongly over recent years, with lowest quartile prices growing more rapidly than the national average. This has made access to the housing market more difficult.
- The Island has some of the most severe affordability issues in the region which is a reflection of having some of the lowest earnings. Average house prices are now more than nine to ten times household incomes.

Housing Supply

- Completions over the last 10 years have been strong, averaging 570 per annum which is above the current RSS target. There is however, a clear downward trend.
- There are 1768 units in the development pipeline equating to a healthy 3.4 years supply. However, , the majority of these only have outline consent. At the end of 2006 schemes with full planning permission provide just a 0.5 year supply.
- An Urban Capacity Study has identified a 15-year supply of potential housing land. Almost all approvals over the past year have been on brownfield land; however greenfield land may still be required to meet housing targets.
- Over the last nine years we estimate that 18% of completions have been for affordable housing. However, 34% of completions over the last year have been of affordable dwellings.

Sub-Markets

- Cowes and Newport, the larger urban areas, contain the broadest range of housing stock. They contain higher proportions of entry-level property and are attractive to first-time buyers. Newport contains the highest level of social housing on the Island at 14.5%. However, in Cowes a high proportion of new-build schemes are of luxury flats targeted at the mainland market and there is a need to diversify the range of provision.
- In Ryde, the Bay Area and Ventnor future housing provision needs to support the broader regeneration agenda for these towns. These areas have a high proportion of flats and a more sizeable private rented sector. There are issues of housing quality,

particularly in the older stock, together with above average vacancy levels particularly in Ventnor and Ryde.

- Bembridge and St Helens, and Freshwater, Totland and Yarmouth sub-markets cater particularly for older and retired households and second homes. The current profile of housing stock supports this role.
- The rural sub-markets are relatively affluent residential locations, with a population structure biased towards older working-age groups. They contain some of the largest properties and correspondingly have some of the highest prices on the Island. Future housing provision will need to support this role but ensure that local housing needs are addressed.

7. DRIVERS OF CHANGE

- 7.1 This section draws together the analysis presented in the preceding sections of this report to identify key drivers of change which will impact on the overall housing market.

Population Growth

- 7.2 The Isle of Wight has experienced strong growth in population of 11% over the last decade, with 13% growth in households. Growth, which has been driven by net immigration is expected to continue.
- 7.3 Housing development and population growth have made a strong contribution to recent positive economic performance in supporting growth in the service sector, including in retailing, health, education and business services. Continued and potentially improved delivery of new housing will be important in supporting economic potential as well as limiting price inflation.
- 7.4 Changing household characteristics and an ageing population structure will also influence future housing requirements, with demand likely to shift towards smaller properties. There will be increased requirements for supported and adapted housing.

Economic Context and Trends

- 7.5 There is a clear symbiotic relationship between the performance of the Island's economy and dynamics in the housing market. The Island has experienced reasonable growth in jobs but appears to be reinforcing around its existing structure. There is also a high level of employment part-time, a degree of seasonality and vulnerability to fluctuations in the national economy (particularly related to the tourism concentration). Together these limit the ability of residents to access the owner occupied market.
- 7.6 The pace of change in shifting towards a higher value economy is slow and, as a result, earnings have continued to slip behind regional and national levels, contributing to worsening affordability issues on the Island. The Island currently lacks sufficient high quality jobs to attract skilled employers or workers. A lack of higher-education provision on the Island and less opportunity for better-paid employment drive out-migration of younger persons. The physical barriers which make it relatively remote from key economic centres and markets limit both investment potential and commuting flows.

- 7.7 Currently, a coherent economic strategy supported by tangible regeneration projects to transform the economic base is under development. Taking a long-term perspective there is a clear need to address the economic base alongside the housing market, as they are mutually reinforcing: in particular, shifting the economy over time towards higher-value sectors, whilst addressing the skills base to ensure access to new jobs created, will help to support the indigenous housing market and ease the affordability issue. On the flip side, ensuring sufficient supply of housing on all levels of the 'housing ladder,' including suitable housing and lifestyle opportunities for people in their 20s and early 30s, will help to support the economy. Complementary economic and housing strategies are required.

Housing Delivery

- 7.8 Considering it's economic base and that the Island has some of the lowest wages in the South East region, there appears to be under-provision of low-cost/ rented housing. The housing stock mix is biased towards detached housing while the economy is biased towards lower-paid occupations and has a high proportion of part-time employment.
- 7.9 This imbalance has been compounded by under-delivery of social and intermediate housing. This particularly relates to the issues of site size thresholds for affordable housing and stipulation that this must be delivered by a Housing Association (as opposed to other mechanisms for affordable housing provision e.g. discounted sale, shared ownership/equity, Home Buy etc.). Availability of funding for affordable housing further contributes to issues of delivery.

Affordability

- 7.10 Affordability is now a national phenomenon but is particularly acute on the Isle of Wight because of particularly low earnings and dependency on part-time employment. Average prices are now more than nine times average incomes which is severely limiting access to owner occupation and increasing demand for rented accommodation.
- 7.11 As the local situation cannot be divorced from macro-economic influences, the likelihood is of continuing price increases. Earnings growth may be weak and there is a clear risk that affordability issues may worsen, creating key problems of access to suitable housing.
- 7.12 The corollary of increasing affordability problems is that, in a regional context, the Island may continue to remain relatively affordable, supporting demand from in-migrants. Developing mechanisms to address both the backlog of housing need and continuing requirements from those unable to access the owner occupied market will be necessary to

deliver a balanced market. It will be necessary to deliver both social and intermediate housing products.

Capacity Issues

- 7.13 A high proportion of land on the Island is protected by environmental designations and the supply of brownfield land is relatively limited. The Council have identified a potential 15-year supply of land based upon current rates of provision. However this includes some greenfield sites which are current allocations. If the housing requirement increases additional land will have to be found, or development densities increased. There is however a strong political will to reduce future levels of housing provision.

Future Tourism Trends

- 7.14 Future trends in the tourism industry may have implications for the housing market. The Island currently has a sizeable supply of holiday accommodation a proportion of which is in ageing Victorian/Edwardian properties. If occupancy rates in the holiday accommodation sector fall, this may potentially contribute to housing supply as properties get converted or sub-divided for residential use. Ensuring appropriate standards will be critical if these properties are to make a sustainable contribution as part of the intermediate housing market, and does not become a transitory or problematic sector. There is a clear case in some of the Island's holiday resorts for addressing housing issues as part of a comprehensive regeneration approach to the settlements.

8. HOUSING NEED

8.1 'Housing need' refers to households who lack their own housing or live in unsuitable housing and who cannot afford to meet their needs in the market. It is for those in housing need (i.e. those who cannot meet their housing requirements in the private sector) that intervention is needed in the market to ensure that all in the community have access to suitable housing.

8.2 Estimates of housing need are legally required to support affordable housing policies in local development documents, and are therefore a core requirement of housing market assessments.

8.3 It is worth establishing a clear definition of affordable housing. PPS3¹⁶ defines it as follows:

Affordable housing includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. Affordable housing should:

- *Meet the needs of eligible housing including availability at a cost low enough for them to afford, determined with regard to local incomes and house prices*
- *Include provision for the home to remain at an affordable price for future eligible households, or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision*

8.4 Intermediate housing is housing at prices and rents above those of social rent, but below market prices or rents, and which meet the criteria above for affordable housing. It effectively caters for the segment of the market between social renting and the private sector market (owner occupation and private renting).

8.5 Intermediate housing includes shared ownership products and intermediate rent. The range of intermediate housing options are:

- **New build Homebuy** – where a purchaser buys a minimum 25% share in a property and pays rent on the unowned share (normally at 2.75%) which is commonly owned by an RSL.

¹⁶ Source: DCLG (2006)

- **Open market Homebuy** – where an equity loan of up to £50,000 (or around 25% of the sale price) is provided to assist households in purchasing a home in the open market.
- **Social Homebuy** – whereby social rented tenants are able to acquire an equity stake in their home (at a minimum of 25%) but continue to pay rent on the unowned share (normally at 2.75%).
- **Intermediate Rent** – homes for rent on assured short-hold tenancies where the rental charged is below 80% of market rent in the locality.

8.6 Intermediate housing does not include low cost market housing (i.e. houses for sale below normal market rates).

Housing Needs Assessment

8.7 **The approach adopted to assessing housing need is consistent with that for the Island's 2004 Housing Needs Survey.** It follows the model set out in '*Local Housing Needs Assessments: A Guide to Good Practice*' by Bramley *et al.* (DETR, 2000). This approach has been adopted specifically to allow comparison and maintain continuity with the 2004 Housing Needs Survey.

8.8 The model adopted is structured around three key stages which are used to assess the overall surplus or shortfall of affordable housing. These are:

- Existing Need
- Newly-arising Need
- Supply of Affordable Units

8.9 To summarise the process, affordable housing requirements represents the difference between the annual supply of affordable housing units and 'need' for them (arising from the backlog which has built up and that which is expected to arise). An essential feature of the model is that both need and supply are considered in terms of annual flows.

8.10 The housing needs analysis presented herein has been undertaken by the Isle of Wight Council.

Household Survey

- 8.11 To inform the needs assessment, MRUK Ltd were appointed to undertake an update of the Housing Needs Survey 2004. The survey covered all areas and tenure groups on the Island and secured a total of 1,001 responses. It was completed using telephone interviews with households between late October and early December 2006. The survey sample was stratified by tenure, age, ethnic mix and household composition. The survey data weighted to make it representative of the mix of households on the Island.

Access to Private Sector Housing

- 8.12 The assessment uses household incomes and entry level prices to estimate housing need. This informs whether current households in unsuitable housing can access suitable housing in the private sector, and the proportion of newly-forming households who are likely to be in need of affordable housing as they cannot afford market rents or purchase prices.
- 8.13 Information on entry-level prices and household incomes is used to assess:
- the proportion of households in unsuitable accommodation which are in need; and
 - the proportion of newly-arising households which are in need.
- 8.14 Entry-level prices on the Island have been assessed as £72,000 on the basis of current properties being marketed and the potential level at intermediate housing products (e.g. discounted sale) might be delivered.
- 8.15 Households with insufficient incomes to afford private sector properties are considered to be in housing need. It is assumed that a household is able to buy a home if it costs 3.5 times gross household income. On this basis it was assessed that a households needs to have an annual income of £21,000 or above to access the private sector market.

Data Sources for the Needs Model

- 8.16 The Isle of Wight Council undertook the analysis of the Housing Needs Survey and populated the needs model. The table overleaf outlines the sources of data used.

Figure 8.1: Data Sources for Housing Needs Analysis

Factor	Source
Existing Housing Need	
1 Households living in unsuitable housing on the Isle of Wight and who are planning to move in the next three years	HNS
2 Council/ RSL tenant households living in unsuitable housing are excluded because a move would release a unit of affordable housing and it is therefore assumed that there would be no overall effect	HNS
3 Households in unsuitable housing who can have their need resolved in situ	HNS
4 Proportion of existing households unable to buy i.e. with an income < £21,000	HNS
5 Homeless households in temporary accommodation (March 2006)	IOWC
6 Total backlog need	
7 Quota to progressively eliminate backlog over a five year period (20%) as recommended in guidance	DCLG guidance
8 Total net annual need	
Newly Arising Need	
9 Concealed households revealed in the survey, annualised at the average level of those forming in the first two years	HNS
10 Percentage of households forming with a partner on the Island	HNS
11 Percentage of households registered on the Waiting List	HNS
12 Proportion of new households unable to buy i.e. with an income < £21,000	HNS
13 Ex-institutional population moving into the community	No data available
14 Existing households falling into priority need	Housing Register
15 In-migrant households unable to afford market housing	IOWC
16 Total Newly Arising Need	
Supply of Affordable Units	
17 Existing social re-lets from Council/ RSLs net of transfers	HSSA
18 Increased vacancies and units taken out of management	HSSA
19 Future new supply each year based on committed affordable units over next three years	HSSA
20 Total affordable supply per annum	
21 Total affordable need per annum	

Backlog of Existing Need

- 8.17 The survey has highlighted a series of potential situations which would make housing unsuitable for current occupants. In total it is estimated that 3,063 households are currently living in unsuitable housing. This represents 4.7% of households on the Island.
- 8.18 The survey has suggested that 44% of households in unsuitable housing can resolve their problems *in situ* without needing to move. The residual (1719 households) would need to move to more suitable accommodation. Of these, the survey estimates that 115 are existing RSL tenants in need. These (current occupiers of affordable housing in need) are discounted as when they move they also release supply of affordable units.
- 8.19 It is estimated (on the basis of evidence from the survey) that 12% of those the residual – i.e. those currently in private sector housing who need to move to more suitable housing – are unable to buy or rent in the market without financial assistance. It is assumed that all of these wish to remain resident on the Island. There are also 332 priority homeless households in need. On this basis the total backlog of need is for 531 households.
- 8.20 It is considered that the backlog of need should be met over a period of five years. This is consistent with the DCLG guidance. 20% of current unmet need should hence be addressed each year, resulting in an annual requirement to reduce the level of current unmet need by 106 households.

Newly-Arising Need

- 8.21 In addition to the backlog of existing need there will be newly-arising need. Based around annual flows this arises from the following:
- new household formation;
 - ex-institutional population moving into the community;
 - existing households falling into need; and
 - in-migrant households unable to afford market housing.
- 8.22 It is estimated from the survey that there will be an additional 3,565 households forming annually on the Island. Of these, households who are already registered on RSL waiting lists are discounted to avoid double-counting those considered to be in existing need. Of the residual 3,531 households, 37% have insufficient income and equity to access private

sector housing. There are hence an estimated 1,296 newly-forming households per annum in housing need.

- 8.23 The Council considers that the ex-institutional population is picked up in the next two stages of the analysis (existing households and in-migrants in need) and in any case the numbers in this group are considered to be small in comparison with other elements of housing need. This element of the analysis is given a zero value to avoid possible double-counting.
- 8.24 An estimated 683 existing households fall into priority need on an annual basis on the basis of basis of new registrations on housing waiting lists less cancellations (those withdrawn or not housed). It is further considered that 12 in-migrant households will not be able to afford market housing either for rent or sale.
- 8.25 Combining together these elements, total newly arising need is estimated as 1,191 households per annum.

Supply of Affordable Housing

- 8.26 It is next important to consider the likely future supply of affordable housing to meet identified need. Affordable housing is taken to be relets (net of transfers) of housing association properties plus the committed supply of new units. The annual supply of social relets is estimated at 325 dwellings, based upon average figures over the last four years.
- 8.27 Supply is bolstered by committed units of affordable supply in the pipeline of which there are 177 are expected to come forward per annum based upon committed affordable units for the next three years.

Overall Shortfall of Affordable Housing

- 8.28 The basic needs assessment model draws together the analysis of households currently in need, those projected to fall into need (on an annual basis) and projected supply (again on an annual basis) to estimate the total annual shortfall of affordable housing. Figure 8.2 presents the model.

Figure 8.2: Housing Needs Assessment Model

Current Need	
Households in unsuitable accommodation	3063
MINUS – Council/ RSL tenants	- 115
MINUS - Cases where in-situ solutions most appropriate	- 1344
	= 1604
TIMES Proportion unable to buy or rent (12%)	x 12% = 199
PLUS – Backlog (non-households)	332
TOTAL BACKLOG NEED	531
TIMES –Quota to progressively reduce backlog	20% per annum
ANNUAL NEED TO ADDRESS BACKLOG	106
Newly Arising Need	
New Household Formation (gross p.a.)	3759
MINUS – Two person formation (389 X 0.5)	- 194.5
MINUS – Households registered on waiting list	- 34
	= 3530
TIMES – proportion unable to buy or rent in market	x 37% = 1296
PLUS – Ex-institutional population moving into the community	0
PLUS - Existing households falling into need	683
In-migrant households unable to afford market housing	12
TOTAL NEWLY ARISING NEED	1991
Supply of Affordable Units	
Supply of social re-lets p.a.	325
MINUS – Increased vacancies (if applicable) and units taken out of management	0
PLUS – Committed units of new affordable supply	177
AFFORDABLE SUPPLY	502
Total Housing Need	
Annual need to reduce backlog	106
PLUS - Newly arising need	1991
TOTAL AFFORDABLE NEED	2097
Shortfall/ Surplus of Affordable Units	
Total affordable need	2097
MINUS – Affordable Supply	- 502
OVERALL ANNUAL SHORTFALL	1595

8.29 The backlog of existing need is estimated at 531 households of which 331 are homeless households in temporary accommodation. A reduction in the backlog of existing need of 20% per annum has been assumed meaning that 106 affordable dwellings per annum are required to address the backlog.

8.30 Newly arising need is estimated at 1991 households per annum which includes 1296 newly-forming households, 683 existing households currently living on the Island and 12 in-migrant households per year.

- 8.31 Total affordable need is for 2097 affordable homes per annum. However the supply to meet this is just 502 dwellings per annum. Therefore there is an **estimated annual shortfall of 1595 affordable homes**.

Size of Affordable Housing Needed

- 8.32 Consideration of the need for affordable housing units of different sizes can be derived from an assessment of the number of households waiting for each property size relative to turnover rates. In section six we provided an assessment of years to clear waiting lists. This is repeated below:

Figure 8.3: Years to Clear Waiting Lists

	Waiting Lists, 2006	%	Lettings, 2005/6	%	Years to Clear Waiting List
Total	3501		436		8.0
1-Bed	1671	48%	196	45%	8.5
2-Bed	1165	33%	158	36%	7.4
3-Bed	513	15%	78	18%	6.6
4+ Bed	152	4%	4	1%	38.0

Source: HSSA April 2006, CORE 2005/6

- 8.33 It is clear that while the balance of demand is for one and two bedroom properties there are particular demand pressures for 4 or more bed properties reflecting low current levels of stock. Providing more of these types of units may release smaller properties by allowing households to 'trade up' to housing more suitable for their requirements.

The Intermediate Housing Market

- 8.34 In this sub-section we look at a number of sources to consider potential demand for intermediate housing products.
- 8.35 The lowest quartile house price on the Isle of Wight was £122,500 in 2005¹⁷. Average prices for flats/maisonettes in the third quarter of 2006 were £131,000. We assume therefore that a household with a 10% deposit would need to have a gross annual income of between £31,500 - £33,500 to be able to access to the owner occupied market.
- 8.36 Typically social rented housing costs around £71 per week, based upon median weekly rental (including service charge) in 2005/6¹⁸. This is affordable for those on incomes of

¹⁷ Source: DCLG

¹⁸ Source: CORE New Lettings Summary April 2005 – March 2006

approximately £15,000 (using 25% of gross income as the indicator for what is affordable) who in turn would be able to afford to purchase housing at prices of around £57,750 (again assuming a 10% deposit and 3.5 times multiplier).

- 8.37 Entry-level costs for private rented properties on the Island range between £400 pcm for a 1-bed flat to £600 pcm for a 3-bed house. If we cap housing costs at 25% of gross household income (as indicated by the DCLG guidance) the private rented sector is therefore affordable for those earning between £19,200 to £28,800 depending upon the size of property they require.
- 8.38 The scope of the intermediate housing market together with the private rented sector is to cater for households with gross annual earnings between £15,000 - £33,500 but who are not current owner-occupiers with equity. The intermediate market and private rented sector cater for households on similar incomes. We consider that one of the main differences is preference – private renting provides greater flexibility and is therefore attractive to certain groups including young households and recent migrants. On the other hand, some of the intermediate products (particularly the HomeBuy products) are of more interest to those who want to buy but may not be able to afford to do so. These products, in effect, provide a ‘stepping-stone’ to owner occupation.
- 8.39 Using CACI Paycheck information we estimate that 48% of households on the Island have incomes between £15,000 - £35,000. 39% of households have incomes between £15,000 - £30,000. It is those within this income bracket who might be interested in intermediate housing products. However, it needs to be recognised that a significant proportion of these households are likely to be existing owner-occupiers with equity.
- 8.40 We have cross-checked this analysis with the earlier research undertaken by Steve Wilcox¹⁹ for the Joseph Rowntree Foundation (and discussed in section 6). Wilcox identified broad and narrow definitions of the intermediate housing market, as follows:
- Broad Definition – the proportion of working households in each area unable to purchase at lower quartile house prices for two- and three- bedroom dwellings;
 - Narrow Definition – the proportion of working households in each area that can afford to pay a social rent without recourse to housing benefit but cannot afford to purchase at lowest decile prices for two- and three-bedroom dwellings.
- 8.41 Wilcox concluded that for the Isle of Wight 62.3% of households were unable to afford lowest quartile prices (broad definition) based on their earnings. With more accurate

information on earnings (as Wilcox modelled earnings levels) we estimate this now to be over 66% of households²⁰ and probably nearer 75%. This sector is generally catered for by the social rented, intermediate and private rented markets.

8.42 Wilcox concluded that, using the narrow definition, the proportion of households unable to access owner occupation at lowest decile prices but able to afford more than social rents was 38.8% on the Isle of Wight. Today we estimate that this could cover more than 50% of households. This is the potential market for intermediate housing products.

8.43 Three Dragons and the School of the Built Environment at Heriot Watt University have published research entitled '*Meeting Affordable Housing Needs in the South East through Intermediate Housing*' (2006). This provides a broad overview of the potential for intermediate housing products to address affordability issues. It establishes that:

- Most intermediate housing in the South East has historically been provided through public subsidy. However intermediate housing requires less public subsidy per unit than social rented housing. In 2006/8 the average public subsidy required in the South East for a social rented home is £53,750, compared with £18,200 for New Build Homebuy and £28,570 for Open Market Homebuy
- More family housing needs to be delivered in the intermediate housing market, as take-up is currently skewed toward single persons and two adult households
- More use could be made of Section 106 Agreements (i.e. planning obligations) to fund affordable housing provision and more could be done to extract maximum value from the public subsidy given to intermediate housing. Public subsidy could be used to create larger homes; to fund purchases under Open Market HomeBuy; and to reduce consumer costs
- Across the region a split of 20% social rent to 15% intermediate housing would better meet potential demand and represent a more cost effective use of resources than the 25%:10% split set out in the draft South East Plan
- For the Isle of Wight, their model suggests 45% of all housing should be affordable however just 8% of this should be intermediate housing

8.44 The Three Dragons research suggests a much narrower potential role for intermediate housing than is indicated by our own research and Wilcox. Without being able to interrogate the model used in detail we are unsure why this is the case, but suspect it

¹⁹ Wilcox, S. (2005) *Affordability and the Intermediate Housing Market*, Joseph Rowntree Foundation.

²⁰ Describing this as 'over' as lowest quartile price information used is 2005

reflects the particularly low wage profile on the Island which implies a stronger need for social housing with incomes significantly restricting the role of the intermediate sector in comparison to other parts of the South East.

Towards an Affordable Housing Target

- 8.45 The housing needs analysis, the economic profile and affordability ratios support strong demand for affordable housing on the Island to meet local needs. The affordability challenge relates to ensuring an appropriate balance of housing to reflect the Island's economy, which is biased towards lower-paying sector and part-time employment. It also relates to the significant gap which has opened up between earnings and house prices. This has severely restricted access to the owner occupied market for those without equity.
- 8.46 **The annual housing needs analysis indicates a level of need which is in excess of what could realistically be delivered.** We do not consider that it would be possible or indeed desirable to for 100% of new housing to be affordable, with no market housing. This would neither support the efficient functioning of the private sector market nor the Island's economy. Nor is it achievable within likely funding constraints.
- 8.47 We therefore come back to two key questions. Firstly, what balance of housing is required to support longer-term economic and demographic trends. This is considered in the next section. Secondly, and related to this, what level of affordable housing should and can realistically be required of developers (i.e. what is the Council's affordable housing policy) and what is the balance between social rented and intermediate products.
- 8.48 The Isle of Wight Council has to achieve a delicate balance in setting an affordable housing policy. Specifically, the policy needs to have regard to development economics and its effect on land values. If the affordable housing target is set too high, it will act as a disincentive to developers to build new housing on the Island and to landowners to release land for development. This could impact upon rates of housebuilding (i.e. completions) which could further reduce affordability and increase levels of housing need.
- 8.49 The Council will also need to assess the potential impact of its affordable housing policies on developers abilities to support wider improvements, including community/social infrastructure and public transport improvements. The Council will also need to be mindful of potential levels of funding available for affordable housing. These should inform affordable housing policies.

- 8.50 We recommend that the Isle of Wight Council undertake further work in assessing the viability of potential development schemes to inform setting of a realistic and deliverable affordable housing target and the relative proportions of social rented and intermediate provision. This approach is consistent with PPS3 which advises that:

In Local Development Documents, Planning Authorities should .. set an overall (i.e. plan-wide) target for the amount of affordable housing to be provided. The target should reflect the new definition of affordable housing in this PPS. It should also reflect an assessment of the likely economic viability of land for housing within the area, taking account of risks to delivery and drawing on informed assessments of the likely levels of finance available for affordable housing, including public subsidy and the level of developer contribution that can reasonably be secured. (para 29)

- 8.51 As we have made clear, and is supported by the Three Dragons/Heriot Watt research, the balance between intermediate and social housing provision will also have financial implications for development schemes. The required balance between social and intermediate housing should also be informed by an assessment of funding and the impact of different affordable housing policy options on different sizes and types of development scheme on the Island (i.e. different site sizes, locations, brownfield/greenfield, residential and mixed use).

8.52

9. THE FUTURE HOUSING MARKET

- 9.1 In Section 7 we established that demographic, economic and price trends are the key structural drivers of change in the housing market. Together these provide a sound basis from which to consider future housing requirements over the medium to long-term.
- 9.2 Population trends influence both the level, and as a result of a changing age structure, the types of housing which will be required. Employment trends influence both the level and type of migration and also, because of changes in economic structure (and particularly the profile of occupations), influence household income and therefore the ability to afford different housing products. We consider that together, population and economic trends provide a robust basis to assess long-term demand trends in housing demand.
- 9.3 Price dynamics and relative affordability also affect housing demand. This is having a tangible effect on housing tenure propensities of different occupational groups. In effect, it has made access to the owner-occupied sector more difficult, reducing the number of first time buyers and supporting demand for the rented and intermediate sectors. Therefore, someone with occupational circumstances who might have been able to buy five years ago, may not be able to afford to now.
- 9.4 However, house prices are highly sensitive to the macro-economic context and interest rates. There has been rapid growth in prices over the last five years, and we have witnessed associated significant growth in housing need. However, we do not consider there to be a robust basis to project market or price dynamics over a ten-year timeframe or longer.
- 9.5 An effective framework for planning for housing provision needs to consider both short-term needs and achieve a balanced housing market over the longer-term.
- 9.6 Our approach to assessing future housing requirements reflects these factors and the complexity of the housing market. **We consider the housing needs assessment to be particularly relevant to understanding short-term dynamics. However, economic and demographic trends provide a more robust basis to assessing future housing requirements over the medium-to long-term. We believe that a housing market profile which reflects and supports the economic profile will represent a broadly-balanced market under a range of different market circumstances.**
-

- 9.7 This section consider the structural drivers of change – economic and demographic trends – and the implications of these for maintaining a balanced housing market. It first develops quantitative scenarios to consider the level of housing demand (i.e. household growth). It then takes this forward to consider the change in tenure structure that potentially results from forecast change in the age profile of the population and the occupational structure of employment.
- 9.8 The structured approach we use to considering future housing requirements is as follows:
- a. **Developing Quantitative Scenarios** – we propose three scenarios: a trend-based demographic scenario; an economic-led scenario; and a comparative policy-led scenario. A housing requirement is derived for each scenario based upon household growth over the period to 2016 and an allowance for turnover in the market (2.5%).
 - b. **Developing the Qualitative Model** – we use an econometric model prepared by Experian Business Strategies to consider how the occupational structure will change to 2016, based upon the changing sectoral structure of employment. Combining information on changes in the occupational and age structure of the population and economic activity, we then assess demand for different housing products and tenure sectors.
 - c. **Testing Emerging Conclusions** – we cross-check the emerging conclusions of the scenario development/modelling exercise against our broader contextual understanding of the housing market dynamics, and against the conclusions of the Housing Needs analysis.

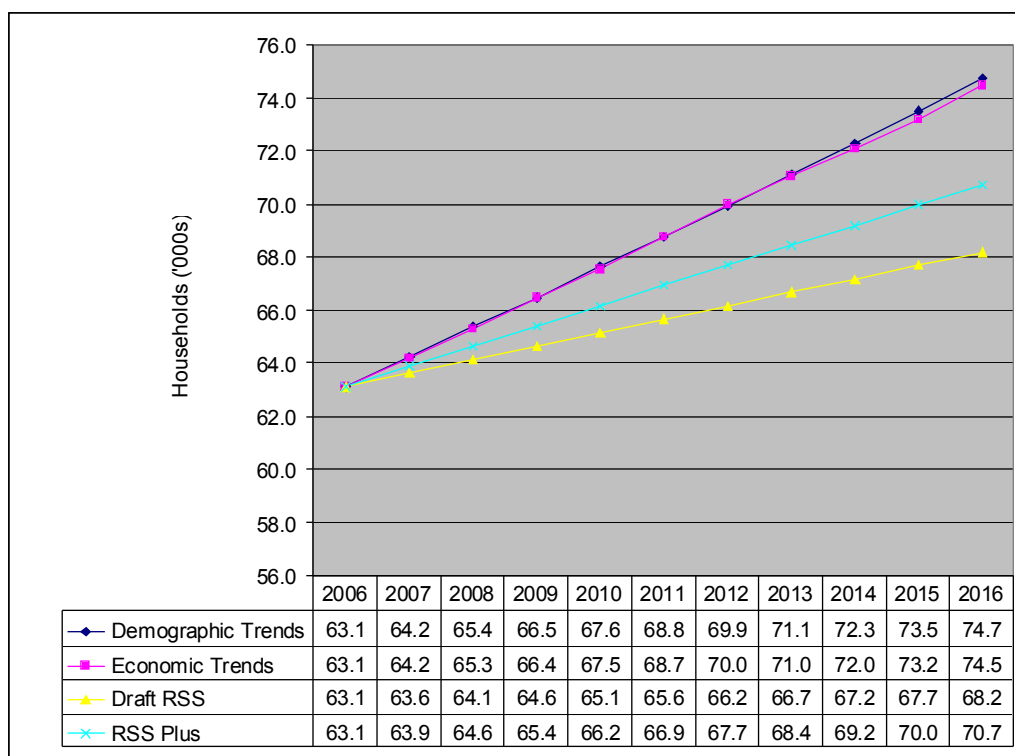
Quantitative Scenarios for Housing Demand

- 9.9 Two scenarios have been developed for housing demand (i.e. household growth) over the 2006-16 period. This time period is used as 2016 as it is the end point for the Experian econometric forecasts. The scenarios are as follows:
- **‘Demographic Trends’ Scenario** – this is based on past population trends on the Island. The scenario is tied to the 2004-based Sub-National Population Projections released by the Government Actuary Department and the Office for National Statistics (GAD/ONS). These project-forward observed age and sex specific trends in births, deaths and migration recorded over the five-year period 1999-2004. We have then applied age-specific headship rates (which indicate the household forming propensities of different age groups) to these to indicate household growth.

-
- **‘Economic Trends’ Scenario** – this considers population trends which would be associated with the forecast economic trajectory. It takes a population forecast derived from Experian Business Strategies econometric model as its base. This forecast indicates the population expected to result from both demographic and economic trends, recognising that job creation can influence future migration patterns. Again, age-specific headship rates are applied to indicate expected household growth.
- 9.10 Two ‘supply-led’ scenarios are then developed for comparative purposes. These are as follows:
- **‘Draft RSS’ Scenario** – assumes delivery of 520 dwellings per annum to 2016, as per the Island’s housing requirement in the Submission Draft South East Plan.
 - **‘RSS Plus’ Scenario** – considers that the Island is successful in delivering 50% more housing to 2016 than under the Draft RSS Scenario, i.e. 780 dwellings per annum.
- 9.11 The supply-led scenarios make an allowance (2.5%) for vacant housing which is considered necessary to allow for turnover or ‘churn’ in the housing market.
- 9.12 The potential for an ‘enhanced economic growth’ scenario was considered in detailed in the scenario development process. To consider major projects which might cause a notable uplift in economic prospects over and above baseline trends, our view was that these should have an associated assessment of economic impact and have progressed beyond an initial feasibility stage. We concluded that currently there is not a critical mass of major economic interventions in the pipeline which fit these criteria and upon which to develop a robust economic forecast for enhanced growth. This recognises that although interventions will come forward that contribute to economic growth, equally past interventions would have been taken into account in determining baseline trends.
- 9.13 Figure 9.1 below indicates the outcomes of the scenario modelling process, showing forecast housing demand to 2016 under the demographic and economic-led scenarios together with the two supply scenarios. It indicates the following:
- The ‘demographic trends’ and ‘economic trends’ scenarios are very similar. This reflects a strong correlation between historic employment growth and population growth. The forecast indicates that employment growth is not expected to drive additional in-migration over and above past trends (which are already fairly high). The similarity between the two scenarios provides some confidence in the demand projection.
-

- The demand projections indicate annual growth by around 1150 households over the 2006 - 2016 decade (1150 households under the 'economic trends' scenario and 1180 households for the 'demographic trends' scenario). This is over twice current expected supply resulting from the Island's housing requirement in the Draft South East Plan (at 520 dwellings per annum).

Figure 9.1: Demand Scenarios



9.14 Figure 9.2 indicates the resultant housing requirement under each of the scenarios.

Figure 9.2: Derived Housing Requirement

Scenario	Additional Households 2006 - 2016	Housing Requirement 2006 - 2016	Annual Requirement
Demographic Trends	11600	11780	1180
Economic Trends	11340	11510	1150
Draft RSS	5070	5150	520
RSS Plus	7610	7720	770

9.15 Current planned levels of housing supply (520 per annum) are expected to meet just 52% of demand under the 'economic trends' scenario. Therefore a significant imbalance between supply and demand is forecast.

9.16 There are a number of important implications of under-supply of housing which need to be recognised. These include the impact on house prices and affordability, on housing need and on the economy.

- We would expect a lack of sufficient housing supply on the Island to meet demand to contribute to price appreciation on the Island and to wider under-supply at the regional level. However, it does though need to be recognised that regional and macro-economic influences, including interest rates and national housing market trends, also have a bearing upon price dynamics. It is not possible to divorce the local situation from this
- Potential for continued growth in house price to earnings ratios which will further limit access to the owner-occupied housing market and increase expenditure on housing as a proportion of incomes. We would expect demand for social and intermediate housing to increase, placing creating an increasing financial burden for the public sector. Affordability could also affect access to labour, particularly for lower skilled occupations. There is also a risk of continuing loss of younger people (particularly those in their 20s)
- There are also potential implications for economic performance. Population and housing growth on the Island have contributed to strong growth in employment since 1998. Over the decade to 2016, approximately 4,000 additional jobs are projected to be created on the Island. Key projected growth sectors include construction, health, education and retailing. These are all particularly sensitive to population trends. There is a risk that restricting housing supply could limit economic growth potential.

9.17 However, there are a number of sensitivities which need to be considered. These comprise:

- the potential to increase levels of economic participation – currently economic activity levels of 79% on the Island fall below the South East average of 82%;
- the potential to increase full-time working – currently 40% of the workforce is employed part-time compared to 33% across the South East;
- commuting patterns – there may be some potential to service jobs by increasing commuting onto the Island from the mainland, however given the time and cost barriers, potential here is considered relatively limited.

- 9.18 These may help to mitigate impacts. However, even when these are taken into account, we conclude that the rates of new housing planned under Draft RSS fall significantly short of what is needed.

Qualitative Demand Model for Tenure Mix

- 9.19 The Qualitative Demand Model considers the implications of economic and demographic trends on demand by housing tenure. Broader conclusions are also drawn on the profile of demand by house size and location.

- 9.20 A stepped approach is adopted to considering future housing requirements, as follows:

1. **Employment Change by Sector** – assess employment change by economic sector using the econometric model developed by Experian Business Strategies.
2. **Occupational Structure** – consider the resultant changes in the occupational structure.
3. **Demographic and Labour Force Dynamics** – assess changes in economic activity, the school and retirement-age cohorts resulting from demographic and economic trends.
4. **Tenure Characteristics** – define the tenure characteristics of different occupational, age and labour force groups. Link the tenure propensities of different age and activity groups to changes in the size of these groups. Apply average tenure-specific household sizes to calculate the tenure distribution in 2016. Compare this to 2006.
5. **Qualitative Demand Implications** – draw together the analysis to consider the broad types and locations of property required to meet demand.

1. Employment Change by Sector

- 9.21 An initial task is to understand the future economic trajectory and the implications of this for the housing market. Figure 9.3 compares forecast employment growth by sector over the 2006-16 decade with the degree of specialism of employment using location quotients. Figure 9.4 then compares projected growth to median earnings by sector.
- 9.22 We can draw the following conclusions from the analysis:
-

- The Island's economy is expected to **reinforce around its existing economic base rather than diversify**: the majority of sectors that are expected to experience employment growth are those in which the Isle of Wight already has an above concentration of employment.
- The exception to this is the **financial and business services sector** which, although currently under-represented, is expected to grow strongly with over 600 net additional jobs created over the decade to 2016.
- Key **growth sectors are in the middle-earnings bands** which may support demand for good quality mid-market housing products. Annual earnings in the construction and business services sectors are above average, at the national (UK) level however earnings in education, healthcare and other services fall slightly below average.
- **Some additional demand at the higher end of the market will be supported by growth in the 'other financial and business services' sector** which typically commands higher earnings (the national average being above £30,000 annually).
- At the other end of the spectrum, **employment growth is expected in some of the lower paid sectors which will continue to reinforce demand for affordable and the lower end of market housing**. In hotels and catering 100 additional jobs are expected over the 2006-16 decade, while in retailing 430 additional jobs are forecast.
- However it is the aggregate changes that will drive the profile in housing demand. While growth is concentrated in middle-earnings sectors, there is also growth in the lower-paid sectors and contracting employment in some of the better-paid manufacturing sectors and in public administration. Overall there is **little evidence of a shift towards better-paid sectors**.
- **Current predicted changes in the economic structure are therefore not expected to significantly contribute to reducing affordability issues or alter the broad profile of demand for different housing products**.

Figure 9.3: Comparison of Forecast Employment Change and Average Earnings by Sector

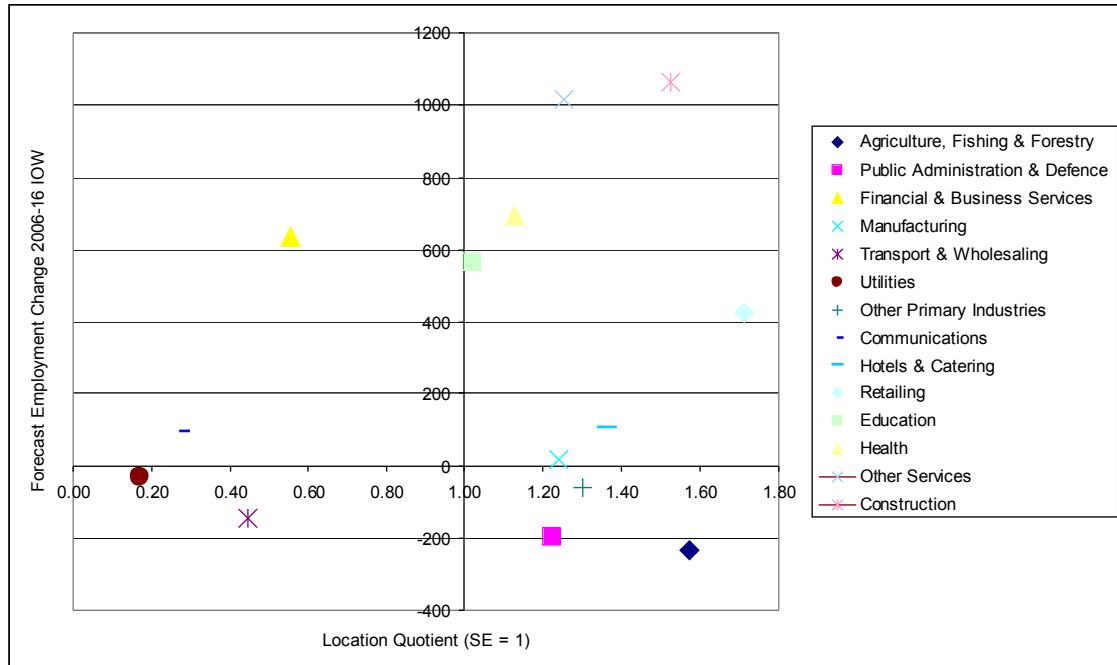
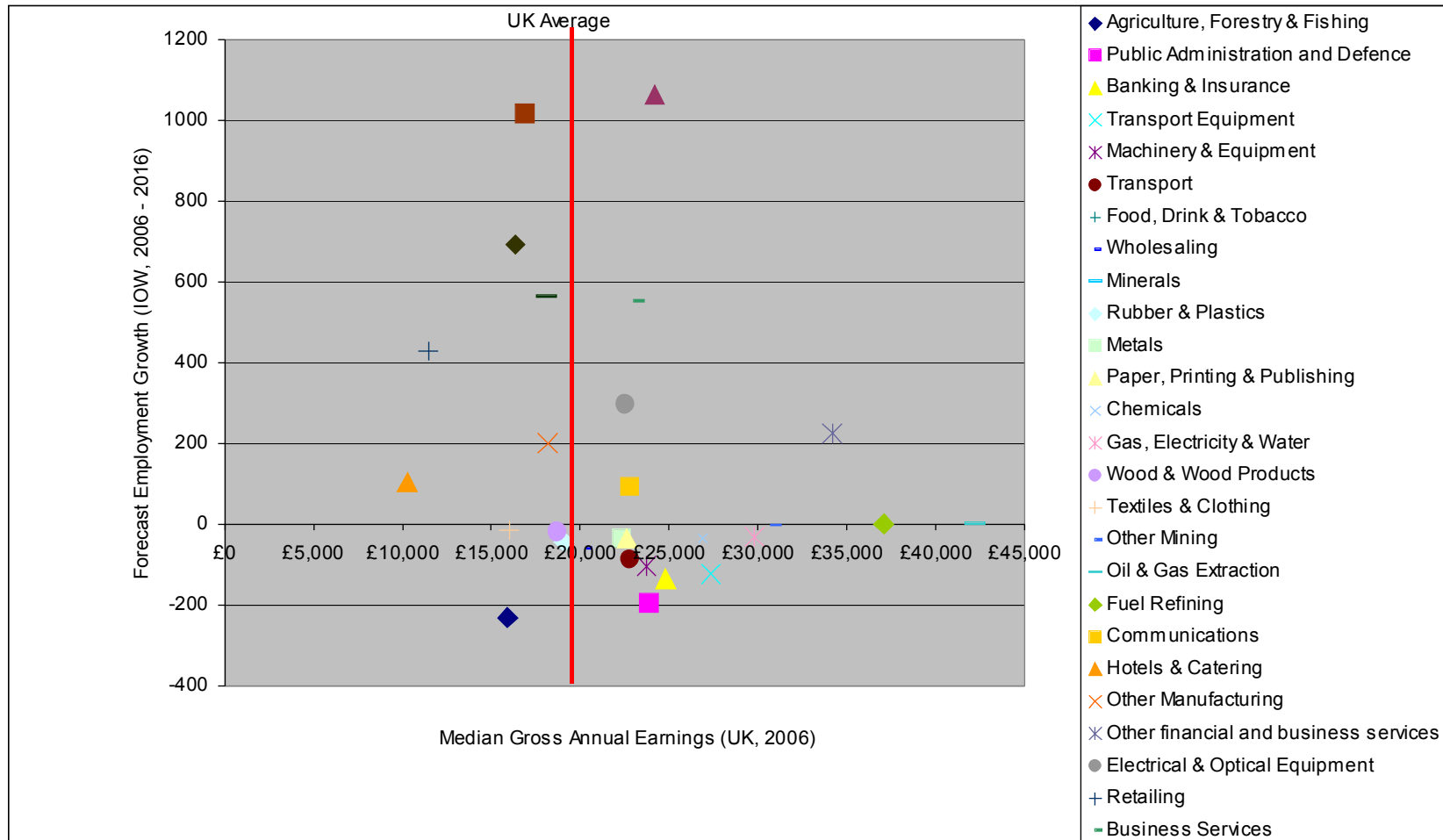


Figure 9.4: Comparing Forecast Employment Growth to Average Earnings by Sector



2. Occupational Structure

9.23 Each economic sector has a structure of occupations particular to the types of businesses contained in it. For example, manufacturing is characterised by a high prevalence of skilled trade and elementary occupations. The Experian model includes a forecast of changes to the occupational mix expected to result from economic change. The results are shown in Figure 9.5 below.

Figure 9.5: Employment Growth by Occupation

Total Employment Increase By Occupation	Total Increase in Employment 2006 - 2016	% Employment, 2006	% Employment, 2016
Managers and Senior Officials	514	16.1%	15.7%
Professional Occupations	722	11.7%	11.9%
Associate Professional & Technical Occupations	632	13.1%	13.1%
Administrative & Secretarial Occupations	503	11.4%	11.3%
Skilled Trades Occupations	420	12.8%	12.5%
Personal Service Occupations	994	8.7%	9.5%
Sales and Customer Service Occupations	725	10.8%	11.1%
Process, Plant & Machine Operatives	156	4.6%	4.5%
Elementary Occupations	444	10.8%	10.6%

Source: Experian Business Strategies

9.24 The evidence indicates that the Island's economy is expected to reinforce around its existing sectoral structure with limited evidence of a shift towards higher-value. As a result, very limited change is expected in the occupational profile over the next 10 years to 2016, as Figure 9.5 indicates. The **occupational profile in 2016 is essentially consistent with that today. The implication is that for profile of housing demand in 2016 will be remain broadly similar** to that today. It is however, recognised that demographic and price dynamics will exert an influence and these are considered next.

3. Demographic and Labour Force Dynamics

9.25 Besides the occupational structure there are a number of other variables which may influence the profile of housing demand. These include changes in:

- the age structure of the population
- economic activity, including the split between full-time and part-time employment
- commuting patterns

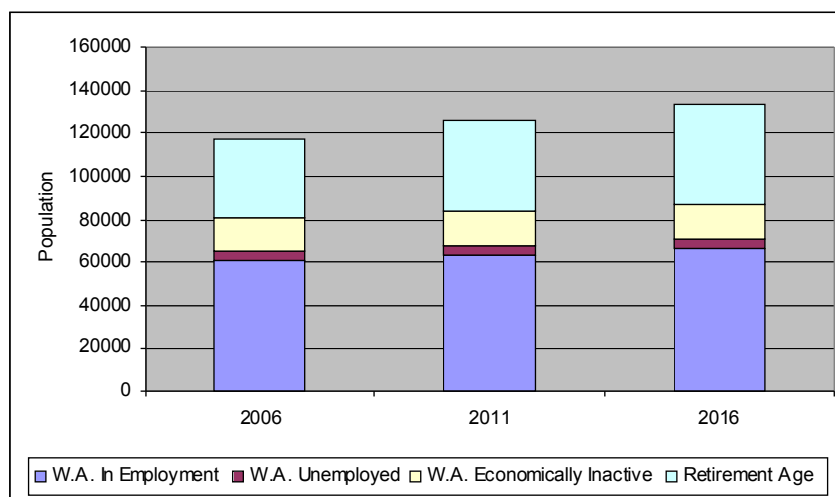
9.26 Changes in the population’s age structure will influence the type, size and location of housing required. The key changes which are expected in the population structure are:

- The retirement-age population is expected to grow significantly in absolute and relative terms. Growth over the next decade is expected in all cohorts over 65, but particularly in the 65-74 age group. .
- The working-age population is expected to grow in absolute terms, but contract as a proportion of the total population. The strongest growth is expected in the 25-34 cohort and the 45-54 group
- The school-age population is expected to shrink in proportional terms, although it will grow overall

9.27 The population who are unemployed or economically inactive is expected to rise from 19,300 today to 20,600 in 2011 but then to fall to 20,100 in 2016. Most of this is attributable to population growth, with levels of unemployment and inactivity declining in proportional terms.

9.28 We have modelled the proportion of the population in key groups differentiated by age and economic activity. The results are shown in Figure 9.6 below.

Figure 9.6: Forecast Age/Employment Dynamics



	2006	2011	2016	% Change
School Age	16.8%	15.8%	15.0%	-1.8%
W.A. In Employment	43.4%	42.4%	42.4%	-1.0%
W.A. Unemployed	2.8%	2.9%	2.5%	-0.3%
W.A. Economically Inactive	10.9%	10.9%	10.3%	-0.6%
Retirement Age	26.1%	28.1%	29.7%	3.6%

Source: Experian Business Strategies/GVA Grimley

9.29 Implications of these changes for the housing market can be derived as follows:

- Growth in the retirement-age population will support demand for bespoke housing solutions. Over the next decade, growth in the 65-74 age group should support demand for smaller housing in attractive locations. Suitable housing should be provided in both the private and social sectors to facilitate downsizing.
- If older people have access to suitable accommodation (particularly smaller dwellings, close to amenities, with low maintenance costs) they may have the opportunity to move from their current home, making stock available for others on the housing ladder. In particular, provision of appropriate accommodation may help release a supply of family homes.
- Additional supported and adaptable accommodation (e.g. lifetime homes) and adaptations to existing housing will also be required particularly over the longer-term. Appropriate locations for older households are those close to amenities (i.e. particularly the urban areas) although recognising the particular appeal of coastal and tranquil rural environments.
- The population aged 45-54 is particularly associated with middle-aged families often with older children. Growth in this cohort should create demand for larger 3 and 4-bed houses in a variety of locations across the Island.
- Growth in the 25-34 cohort is more strongly associated with newly-forming households and will support demand for entry-level housing products. Over the short-term particularly, this will include social and intermediate housing options, given the current market conditions.
- Both spatially and historically, there is a close correlation between unemployment/inactivity and social sector demand. The implication is that, over the longer-term, demand in the social sector will rise however the economy will not drive proportional growth in the size of this sector. Growth in the size of the sector may however be required to address the backlog of need and to respond to market/price dynamics.
- Declining household size is a national trend and reflects increased longevity, later marriage, later childbearing, increasing divorce rates, etc. The implication of this is of a shift in the balance of housing requirement towards smaller properties. The relationship between household sizes and dwelling requirements is not however

direct. It is tempered by requirements for the flexibility to accommodate guests, what households can afford and preferences, including gardens/external space and garages etc. This needs to be taken account of.

- 9.30 Important sensitivities here relate to how commuting patterns might change and to the attractiveness of the Island as a retirement destination.
- 9.31 Changes in commuting patterns particularly relate to investment in transport. The cost of commuting to/from the Isle of Wight is relatively high. Indeed, on a cost per mile basis, the Solent is one of the most expensive pieces of water to cross in Europe. This, together with the time implication of commuting, serves as a barrier to households working on the mainland taking-up residence on the Island. However, recognising that there has been some growth in long-distance commuting from the Island between 1991-2001, we assess the potential for substantial growth in commuting to be relatively limited.
- 9.32 For the purposes of developing the model, we have assumed that commuting patterns remain relatively consistent. However, there are important policy choices which need to be made. Provision of higher value aspirational housing on the Island in particular, may support in-migration from those who may continue to work elsewhere (recognising that commonly it is higher occupational groups that commute longer distances). This would make some economic contribution to the local service sector.
- 9.33 Secondly, the Island is clearly an attractive retirement destination. The model assumes a continuation of past demographic trends. We have found evidence of long-distance in-migration from the Home Counties. This trend is expected to continue. However, there is potential for policy to influence the form of housing development, including development of luxury waterfront flats, retirement accommodation etc. This could influence the demographic and demand profiles.

4. Tenure Characteristics

- 9.34 We have adopted a stepped approach to provide a numerical translation of the age/activity analysis into a future tenure profile. This is as follows:
1. Calculate tenure distribution associated with each class (using the 2001 census)
 2. Calculate the resultant tenure distribution of the population
 3. Apply tenure-specific household sizes to provide a tenure distribution of households in 2016.

9.35 The tenure distribution associated with each age-activity grouping is indicated in Figure 9.7 below.

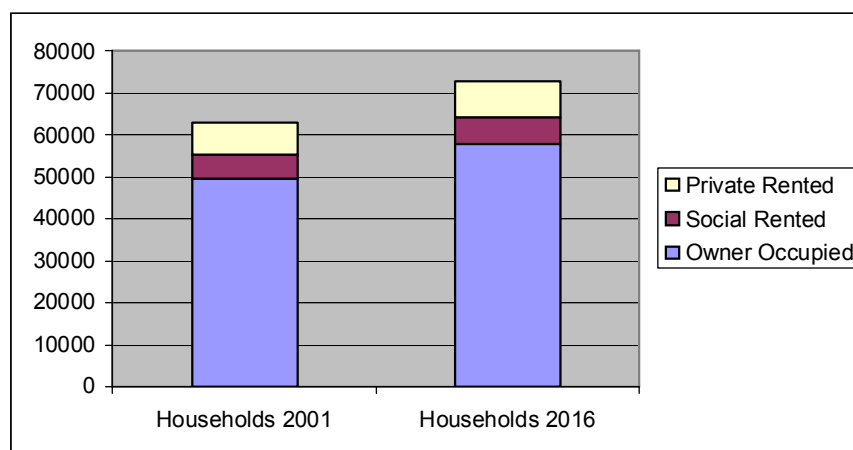
Figure 9.7: Age-Activity Cross-Tabulation

	Total Population	WA in Employment	WA Unemployed	W.A. Economically Inactive	Retirement Age	School Age
Owner Occupied	78%	84%	64%	77%	84%	68%
Social Rented	10%	5%	16%	13%	9%	17%
Private Rented	12%	11%	20%	10%	7%	15%
Total	100%	100%	100%	100%	100%	100%

Source: Census 2001

9.36 The results of the analysis are set out in Figure 9.8 below.

Figure 9.8: Tenure Characteristics

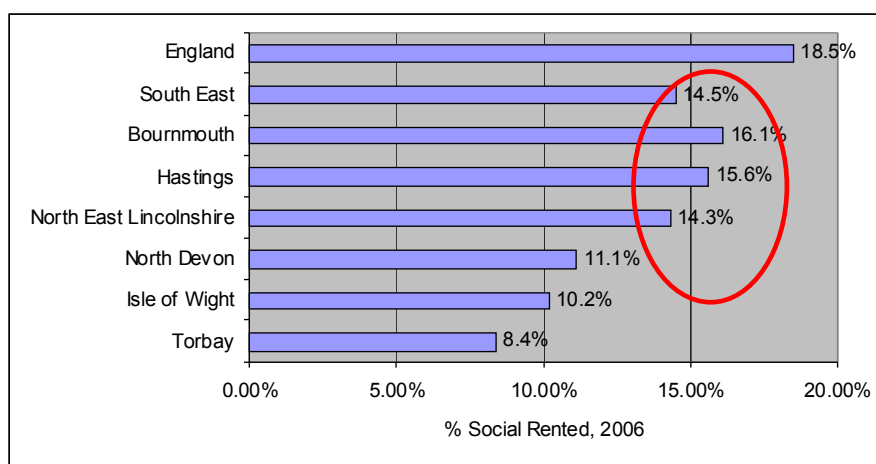


9.37 The model developed indicates that changes in the population and occupational structure are expected to have a very limited impact on the population of housing demand. The model indicates very slight growth (0.4%) in the size of the owner-occupied sector and a corresponding marginal decline in demand for private and social renting (0.2 - 0.3% each).

9.38 The model is however a dynamic tool and does not consider current imbalances. The housing needs analysis clearly indicates a shortage of affordable housing. This can be confirmed by a benchmarking exercise, looking at the comparative size of the social sector in similar local economies. This is indicated in Figure 9.9.

- 9.39 Given the Island's economic profile, we consider a social sector of between 14 – 16% of the housing stock to be sustainable. This should form a long-term target to achieve a balanced market.

Figure 9.9: Benchmarking the Social Sector



Source: HSSA 2006

Summary and Implications

- 9.40 Drawing together the analysis the following conclusions can be drawn in relation to the future housing market:

- Housing supply on the Isle of Wight, based upon the levels set out in the draft South East Plan, is expected to fall significantly short of projected demand. This may have significant implications on house price appreciation, on access to housing and affordability, and ultimately on economic growth potential. An appropriate strategy to tackle this should increase the delivery of new housing and address economic participation.
- The profile of housing demand is expected to be particularly influence by demographic dynamics and relative prices. The occupational structure of employment is forecast to remain relatively similar over the next ten years providing continuity in the profile of housing demand. Over the next ten years the age structure and price dynamics are expected to create additional demand for affordable and entry-level market housing, typically in smaller-sized properties. Growth in the 45-54 age group will drive demand for good quality larger family housing across the Island. Significant growth in the population in early retirement, aged 65-74, will further support demand for smaller housing products in attractive locations. Provision of suitable housing for this cohort

may allow release of larger family housing to satisfy demand some of the demand from the 45-64 age group.

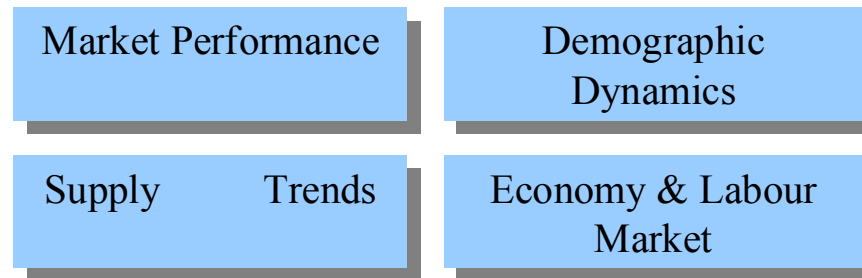
- Owner occupation is expected to remain the tenure of choice. Demand for affordable housing products will relate to market trends, particularly the price-to-income multiplier for young households. However, we generally conclude that the affordable sector is relatively small given the Island's economic profile. The size of this sector should be increased to meet the backlog of need. Good quality affordable housing should be delivered principally through mixed-tenure developments with the intention that this sector can sustainably accommodate between 14-16% of households.

10. MONITORING FRAMEWORK

- 10.1 This Housing Market Assessment presents a robust analysis of the function of the housing market on the Isle of Wight. It has benchmarked performance, assessed trends and identified key drivers of change. This has then been drawn together to consider, based upon the best evidence available now, the future trajectory of change. This provides a fit-for-purpose basis upon which to develop strategic policies to achieve a balanced market.
- 10.2 Housing markets are, by their very nature, dynamic. The Council will therefore need to monitor trends and activity in the housing market. This reflects the Government's 'plan, monitor and manage' approach to the planning system.
- 10.3 The objectives of monitoring are similar to those of this assessment: it is about establishing what is happening now and considering what may happen in the future. It is intended to be **a continuous and proactive process** which informs policy development and the how policies are implemented.
- 10.4 However, it needs to be recognised that monitoring can be a time and resource-intensive process. This promotes an emphasis on efficiencies and we consider that this is possible at two levels:
- achieving clarity on what is monitored respectively at the regional and local levels
 - ensuring that co-ordinated monitoring systems are developed across departments within the Council and ideally with RSLs
- 10.5 This has informed our suggested approach and identification of indicators which should be monitored locally. We consider the best approach to be the development of a **co-ordinated system for monitoring** changes in the housing market, together with its demographic and economic drivers, which is **linked to and informs preparation of Annual Monitoring Reports for the Island Plan**.
- 10.6 The remainder of this section presents the monitoring framework. It sets out the indicators which should be monitored, timescales, data sources and departmental responsibilities. The monitoring framework is structured around four themes which are linked to the drivers of change identified. These are set out in Figure 10.1 below.
- 10.7 A key element of the approach adopted is in considering wider demographic and economic trends which influence the operation of the housing market alongside measuring changes

in market dynamics (including supply, demand and price variables) and housing land availability.

Figure 10.1: Monitoring Framework Structure



- 10.8 The table overleaf establishes the monitoring framework.
- 10.9 The Housing Needs Assessment work will also require updating depending on changes in housing market performance and delivery of affordable housing. The frequency at which this needs to be undertaken will depend on the pace of change in house prices and the stock of affordable housing.
- 10.10 Through a proactive monitoring process it will be possible to maintain and develop understanding of the housing market, building on the outcomes of this HMA. It will allow the implementation of policies to be tailored to evolving circumstances and inform future policy evolution.

Figure 10.2: Monitoring Framework

Theme	Indicator	Geography	Data Source	Monitoring Frequency	Responsibility
Demographic Dynamics	Total Population	Isle of Wight	ONS Mid-Year Population Estimates	Annual	Corporate
	Population by Age Cohort	Isle of Wight	ONS Mid-Year Population Estimates	Annual	Corporate
	Components of Population Change (I.e. Natural Change/Migration Balance)	Isle of Wight	ONS Mid-Year Population Estimates	Annual	Corporate
	Spatial Patterns of Migration	Isle of Wight	NHS CHR (Table 2a available on request from ONS)	Annual	Housing
	International Migration	Isle of Wight/ South East	ONS	Annual	Housing
Economy & Labour Market	GVA per Head	Isle of Wight	ONS/ Experian	Annual	Housing/Economic Development
	Economic Activity Rates	Isle of Wight	Annual Population Survey	Annual	Economic Development
	Employment by Sector	Isle of Wight	Annual Business Inquiry	Annual	Economic Development
	Workplace-based Earnings	Isle of Wight	Annual Survey of Hours & Earnings	Annual	Housing/Economic Development
	Residence-based Earnings	Isle of Wight	Annual Survey of Hours & Earnings	Annual	Housing/Economic Development
	Household Incomes	Isle of Wight	CACI Paycheck	Annual	Housing/Economic Development
	Jobseekers Claimant Count	Isle of Wight	NOMIS	Annual	Economic Development
	Incapacity Benefit/Severe Disability Allowance Claimants - Joint Measure	Isle of Wight	Department for Work & Pensions	Annual	Economic Development
Housing Supply Trends	Housing Land Supply	Isle of Wight & Sub-Markets	Planning Dept.	Annual	Planning
	Completions by Sub-Market	Sub-Markets	Planning Dept.	Annual	Planning
	Completions by Tenure and Size	Sub-Markets	Planning Dept.	Annual	Planning
	Housing Trajectory	Isle of Wight & Sub-Markets	Planning Dept.	Annual	Planning
	Affordable Housing Trajectory	Isle of Wight & Sub-Markets	Planning Dept.	Annual	Housing/Planning

Housing Market Performance	Average House Prices	Isle of Wight & Sub-Markets	HM Land Registry	Annual	Housing
	Lowest Quartile House Prices	Isle of Wight	DCLG	Annual	Housing
	% Private Renting	Isle of Wight & Sub-Markets	IOWC Council Tax Records	Annual	Housing
	Private Sector Rents	Isle of Wight & Sub-Markets	Local Estate Agents	Annual	Housing
	Vacancy by Tenure	Isle of Wight & Sub-Markets	IOWC Council Tax Records/ RSLs/ CORE	Annual	Housing
	Social Sector Turnover	Isle of Wight & Sub-Markets	RSLs/ CORE	Annual	Housing
	Qualitative Information on market performance and trends	Isle of Wight & Sub-Markets	Local Estate Agents	Annual	Housing

11. ISSUES TO CONSIDER

- 11.1 This section draws together the analysis undertaken to set out the HMA's key issues to consider for policy development.
- 11.2 A robust policy framework for planning for housing provision needs to address the quantum of housing required; its type, tenure and size distribution; and spatial location. There is now a widespread recognition that a balanced housing market is one in which there is not just a numerical balance between supply and demand, but one in which the 'housing products' match what people realistically aspire to (recognising here that people's aspirations are constrained by what they can afford).
- 11.3 The housing market is dynamic. Future housing demand is likely to be particularly driven by demographic, economic and price/affordability variables. A robust policy framework must recognise and respond to these.

Level of Housing Provision

- 11.4 The levels of housing supply of 520 dwellings per annum set out in the draft South East Plan are expected to fall significantly short of projected demand. Indeed the analysis undertaken indicates that projected demand is around double the current housing requirement.
- 11.5 Under-provision has implications for further house price appreciation (although recognising that prices are linked to macro-economic and regional/ national market performance), for access to housing and affordability; and ultimately for economic growth potential. In the absence of intervention we would expect it to contribute to growth in concealed households, to further increase in housing need and to limiting the access of Islanders to housing. This could potentially help to drive out-migration particularly within younger age groups. It could contribute to an increasingly dormitory population profile.
- 11.6 As we have explored, migration of working-age people to the Island has helped to support its economy. There is a risk that under-provision of housing could reduce in-migration which may impact upon future economic performance.
- 11.7 We recognise that there is pressure to limit housebuilding. However the potential to deliver more housing than is currently planned for should be considered, as far as this is

achievable within current environmental and infrastructure constraints. This will help to support a balanced housing market and the Isle of Wight economy.

- 11.8 It needs to be recognised that housing growth is constrained by environmental parameters, including the availability of brownfield development opportunities and a range of broader environmental designations which affect a high proportion of the Island's land area. These contribute to the character of the Island and indeed to its economy.
- 11.9 In recognition that it is not likely to be realistic to double the housing requirement, economic and labour market interventions are required to support the economy and the efficient operation of the housing market. These will help to mitigate the impact of a shortfall of housing on the economy and labour market, affordability and housing need. Intervention is required to address economic inactivity and to increase full-time working such as through provision of training and support programmes. Interventions and business support are also required to facilitate a shift towards a higher-value economic base, particularly to improve the income profile of Island residents and enhance access to housing.
- 11.10 To achieve this, an effective policy framework is required with integrated housing and economic strategies which support one another. An effective monitoring framework should feed into this to ensure that the right types of housing are provided to support economic change and emerging economic opportunities.
- 11.11 We conclude that the Island should consider the potential to increase the rate of housing delivery as far as is practicable. We believe that the regional policy framework will provide the flexibility to do this. In December 2006 the Government published Proposed Changes to the East of England Plan. Against the regional context of demand pressures which is consistent with the South East, the Government established housing requirement figures for local authorities as 'minima' which should be exceeded if more housing can be delivered without breaching environmental and infrastructure constraints. It is likely that a similar approach will be adopted in the South East region. This would allow flexibility.
- 11.12 Therefore the following issues have to be considered as a priority:

Issue 1: The Isle of Wight Council should consider the potential to increase the rate of housing delivery if possible within existing policy and environmental parameters. A proactive approach to supporting housing development should be applied including working with housebuilders to address development constraints.

Issue 2: The Isle of Wight Council should ensure that its housing and economic development strategies are mutually supportive. The Council should ensure that its housing policies support its economy and emerging economic opportunities.

Types of Housing Required

11.13 The type of housing products required – segmented by type, tenure and size – are equally important as the quantum of housing to establishing and maintaining a balanced housing market. Demand reflects demographic and economic trends, realistic household preferences and price/affordability.

11.14 A robust and detailed analysis has been undertaken of future housing requirements. This has concluded that:

- More smaller housing will be required to meet demand from newly-forming households and an ageing population. Provision of sufficient and attractive housing will allow older households to downsize, potentially releasing supply of larger family housing for other groups
- There will be a growing requirement over the longer-term for supported housing and adaptations to existing housing stock. Desirable locations for older households are particularly in coastal locations and close to amenities
- Some additional 'mid-market' housing products are required, including three and four bed homes, across the Island to support demand from middle-aged families and continued in-migration of economically active professional households who make an important contribution to the Island's economy
- Additional social housing is required, particularly in the shorter-term, to support the Island's economic profile and in response to current market dynamics. The potential ambition should be to raise the proportion of social housing to between 14 – 16% of the housing stock over the next decade. Additional housing is required to meet acute demand pressures for larger units (four and more beds). However, the balance of new provision should remain in providing homes with between one and three bedrooms
- There is a significant potential role for intermediate housing and the private rented sector under current market conditions which significantly inhibit access to the owner occupied sector for those without existing equity. However, this segment of the market is particularly sensitive to price and the relationship between prices and earnings

which are currently at historically high levels. Growth in these markets should be closely monitored and linked to market dynamics.

11.15 We consider that further work is required to assess the level and form of affordable housing which can realistically be achieved on development sites of different sizes and in different parts of the Island. This would assess the affect of potential affordable housing policy scenarios on land value and development viability.

11.16 The Council should also revise its affordable housing policy to reflect the role which intermediate housing products can make to addressing housing need. Based upon the findings of the Housing Market Assessment (including the assessment of housing needs) and other local evidence the Council should set out the balance of market, social and intermediate housing needed, and the size and type of affordable housing it wishes to see.

Issue 3: The Council should undertake viability testing to assess the potential affordable housing contribution for a range of potential housing and mixed-use sites and to examine potential affordable housing policy options. This should inform development of the Housing and Employment Land DPD.

Issue 4: The Council should revise its definition of affordable housing in line with PPS3.

Distribution of Development

11.17 A robust policy framework for the distribution of development is set out in the Island Plan Core Strategy which includes a phasing programme. This emphasises the urban areas as the focus for development as these contain the majority of brownfield land and are where access to services, employment and public transport is best. This is a sustainable model for housing provision.

11.18 The type, tenure and size characteristics of development need to be mindful of the differing role and function of the various sub-markets and of current imbalances in their housing profile. The particular mix of housing to be delivered on individual sites whilst needing to be cognisant of Island-wide need and demand, should reflect the role and function of different sub-markets. The mix of housing should reflect and support the function of individual sub-markets. We consider that:

- The principal urban areas of Newport, Cowes and Ryde are particularly attractive to younger, economically active households. They afford good access to employment,

schools, shops, public transport, and entertainment/leisure. These locations should form the focus of affordable and entry-level market housing products

- Housing development in the rural sub-markets of South Wight and West Wight and in Wootton should focus on the provision of family housing including high-quality aspirational housing targeted at managerial and professional occupations in order to support the Island's economy. This will need to be balanced with appropriate provision of affordable housing and low-to-mid range market housing to meet localised needs, aimed at supporting access to housing for existing residents
- Housing provision in Ryde, the Bay Area and Ventnor needs to support the broader regeneration agenda for these towns. The focus should be on family-orientated housing provision. However housing will also be required to cater for demand from older households and for affordable housing, recognising the low wage bias and seasonality of employment. A strategy for the management and intervention in the housing market may be required in these settlements to address quality issues and the supply of former holiday accommodation becoming permanent residences
- The tranquil coastal sub-markets of Bembridge and St Helens; and Freshwater, Totland and Yarmouth cater primarily for older and retired households. Future housing provision should continue to support this role while recognising that affordable and some low/mid-range market products will also be needed to meet localised needs and contribute to the vibrancy of these places

Issue 5: The Isle of Wight Council should aim to provide a mix of housing in the housing sub-markets which balances the role and function of the sub-market with projected Island-wide housing needs and requirements.

Governance and Monitoring

- 11.19 Close monitoring of the housing market will be essential to ensure that new housing meets needs, works towards a balance in the housing market and the functioning of individual places, and supports the Island's economy.
- 11.20 There is evidence to suggest that 'housing offer' is a component of the competitive advantage of successful places. Therefore, an evolving policy framework is required which delivers the right types of housing in the right locations to support the Island's economic growth ambitions.

11.21 The HMA has established a strong structure for monitoring which needs to be applied in a co-ordinated manner across Council departments and with partners. A strong synergy needs to be achieved between planning and housing policies and economic development ambitions on the Island. A mutually supporting policy framework and co-ordinated monitoring is required. To ensure effective outcomes are achieved, monitoring needs to inform the development, revision and application of policies.

Issue 6: The Isle of Wight Council should convene a policy development group to strengthen relationships between its housing, planning and economic development functions. This should be responsible for implementing the monitoring framework and tailoring policies to ensure that the Island's housing market and economic development agendas support one another.