GVA Grimley

FB3a

Housing Market Addendum

Final Note - Draft

Isle of Wight Council

October 2008

IOW Housing Market Assessment – Additional Work

Step 1 – Household Projections to 2026 (By Tenure)

1.1   Population forecasts were obtained from the ONS population forecasts as this source provides population forecasts up to 2026. Experian forecasts, which were used in the original HMA report does not provide data up to 2026.

1.2   The age grouping in the ONS data was adjusted to match the Experian data. Specifically, this meant adjusting the 10-14 age group and 15 – 19 age group in the ONS data to match the Experian data, which uses 10-15 and 16-19 age groups. This was necessary to get comparable projections of working age populations at 2026.

1.3   The method used to do this was to divide 15-19 group in the ONS data by 4 and add this to the 10-14 groups to make this group equivalent to 10-15. The same amount of population was deducted from the 15-19 group to make it equivalent to a 16-19 age group.

1.4   The adjusted population data was then grouped into the following categories: School Age (0-15), Working age (16-64) (divided into three sub-groups -Working Age Employed, Working Age Unemployed, Working Age Inactive) and Retirement age (64+). The population in each working age sub-group was calculated by applying the percentages provided in Experian data at 2026 for the Isle of Wight.

1.5   The population breakdowns by age group are shown below:

	Population at 2026
School Age	24,375
W.A. In Employment	68,030
W.A. Unemployed	4,470
W.A. Economically Inactive	23,125
Retirement Age	50,300
Total	170,300

1.6 Following this the percentage distribution of each population category was applied to the three main tenures groups identified in the HMA report (owner occupied, social rented and private rented). These tenure distributions were taken from the Census 2001. These percentages are shown below:

2026	WA in Employment	WA Unemployed	W.A. Economically Inactive	Retirement Age	School Age	Totals
Owner Occupied	56,823	2,863	17,839	42,429	16,612	136,567
Social Rented	3,395	700	2,978	4,401	4,209	15,683
Private Rented	7,812	907	2,307	3,469	3,555	18,050

1.7 Finally a total number of households on the Island at 2026 was generated by applying average projected household sizes in each tenure at 2026. This was calculated by applying the overall projected change in household size on the Isle of Wight from DCLG data. The rate of decline in household size (2001-2026) was then applied to the average household sizes in each tenure at 2001 to get an estimated household size at 2026.

1.8 This analysis generated an estimate of 81,766 as the total number of households on the Island at 2026.

1.9 The split of demand from these households for market and affordable housing has been derived from the Housing Needs Survey.

1.10 The Housing Needs Survey (2006, undertaken as part of the Housing Market Assessment) showed that in the first five years following the survey the total housing needs for social housing was 1,595. This included an annual backlog of 106 social units.

1.11 The annual demand for social units in the period 2011-2026 has therefore been calculated as the total annual demand minus the backlog demand. This generates a total annual demand of 1,489 during this 15 year period.

1.12 The total demand for affordable housing units at 2026 is therefore estimated as:

- Existing supply at 2008: 6,600, plus

- Supply for the first five years post HNS (2006-2011): 7,975, plus

- Supply for the fifteen years post 2011 to 2026 (minus backlog of affordable housing units): 22,335

- Total demand for affordable housing units at 2026: 36,910

1.13 As a proportion of total households at 2026 therefore a breakdown between market and affordable housing is:

- 45% affordable housing units (includes shared ownership schemes)

- 55% market units

1.14   It is not possible at this stage to project the longer-term effects of the current conditions in the housing market on affordability. However, these results are consistent with the Three Dragons report referenced in the original HMA report at paragraph 8.43.

Step 2 – Household Profile by Tenure at 2026

1.15   A profile of household type within each tenure group (% in each group) has been taken from the Census 2001. The household groups within this data have been aggregated to provide a simplified breakdown under the following classifications to get an indicative percentage of each household type in each tenure:

- Pensioners – Single pensioners, couples and other household types

- Other single households

- Other households

- Students

- Couples with no children

- Couple and Lone parents with dependent children

- Couple and Lone parent with non-dependent children

1.16   The tables below show the distribution of household types within each tenure according to these groupings and the resulting profile of households at 2026:

OWNER OCCUPIED

	% (Census 2001)
One person - Pensioner	18%
Other households - All pensioner	1%
One family and no others - Pensioners	15%
One person - Other	10%
Other households - Other	3%
Student	0%
Couple with no children	21%
Couple and lone parent with dependent children	24%
Couple and lone parent with non dependent children	9%
ALL HOUSEHOLDS	100%

AFFORDABLE HOUSING*

	% (Census 2001)
One person - Pensioner	24%
Other households - All pensioner	0%
One family and no others - Pensioners	7%
One person - Other	15%
Other households - Other	2%
Student	0%
Couple with no children	7%
Couple and lone parent with dependent children	38%
Couple and lone parent with non dependent children	6%
ALL HOUSEHOLDS	100%

*Combined profiles for social rented and shared ownership units

PRIVATE RENTED

	% (Census 2001)
One person - Pensioner	12%
Other households - All pensioner	0%
One family and no others - Pensioners	3%
One person - Other	27%
Other households - Other	4%
Other households - All student	0%
Couple with no children	14%
Couple and lone parent with dependent children	36%
Couple and lone parent with non dependent children	3%
ALL HOUSEHOLDS	100%

Step 3 – Update on Economic Forecasts for the Isle of Wight and Potential Impacts on Housing Market Demand at 2026

1.17   In the original HMA report, we included an analysis of employment growth by sector over the 2006-16 decade with the degree of specialism of employment on the Isle of Wight using location quotients. Figure 9.4 then compared projected growth to median earnings by sector.

1.18   Figure 9.4 has been updated for the purpose of this Addendum to update the situation with regard to projections of employment growth and as assessment of how any changes in this outlook might impact on the profile of households in each sector of the housing market. It has been possible to extend the economic forecasts to 2020 using Experian data.

1.19   The original conclusions made in the HMA report were:

- 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.**

1.20   Due to recent economic crisis it has been appropriate to update this analysis based on available intelligence. Forecasts for short-term growth in the country are downbeat. Economic growth is expected to be 1% this year, with negative growth expected in 2009 at -0.8%. In 2010, we expect growth to improve at 1.3% with, 2.2% expected from 2011-2013. The South East has generally been relatively well protected from economic downturn due to a lack of reliance on one particular sector.

1.21   Figure 9.4 is reinserted below with updated figures on employment growth between 2007 and 2020. The main changes this shows to the profile of economic growth against earnings in up to 2020 are:

- There is a **severe drop off in employment growth expected within Public Administration and Defence and Education sectors** compared with the analysis in 2006

- While the forecasts retain good levels of employment growth in Business Services and Construction sectors which have average earnings levels above the UK average, there is also expected growth in the retail, hotels and catering and health sectors which have lower average earnings and result in an **overall reduction in the level of earnings expected at 2020** compared with previous analysis.

1.22   There is no evidence therefore to suggest a significant shift towards better paid sectors which could be expected to result in changes within the household profile. It is therefore reasonable to plan on the basis of household profile being reinforced around existing patterns.

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