GL Hearn
Part of Capita Real Estate

City of York Council

Strategic Housing Market Assessment - Addendum

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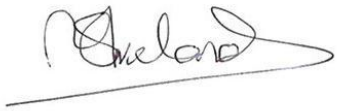

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1 IMPLICATIONS OF THE 2014-BASED SNPP

Introduction

1.1 On the 25th May 2016, ONS published a new set of (2014-based) subnational population projections (SNPP). These projections were published too late in the SHMA process to be worked through the analysis although moving forward it is likely that the Council will need to consider the potential implications of this data release on the overall need for housing.

1.2 This document therefore briefly reviews key aspects of the projections and works through to show what level of housing need is implied by the new information. Additionally, the opportunity is taken to review parts of the SHMA analysis where the new projections would potentially impact on some of the outputs. Specifically, this report considers:

- Demographic-led projections (Section 4 of the SHMA) – this includes review the level of 'market signals' uplift applied in Section 7 of the SHMA;
- Affordable housing need (Section 6 of the SHMA);
- Need for different sizes and types (tenures) of homes (Section 8 of the SHMA); and
- Specialist Housing Needs (Section 9 of the SHMA)

1.3 This report does not repeat all of the methodology used in the main SHMA and simply focusses on key outputs. The general methodology used for various aspects of the SHMA is not changed with the release of the 2014-based SNPP and so reference should be made to relevant parts of the SHMA for more information.

Demographic-led Projections

1.4 The table below shows that the 2014-based SNPP are projecting a higher level of population growth than was projected in the 2012-based version and also the core projection developed in the SHMA (which was based on the 2012-based SNPP but with an update to include population estimates for 2013 and 2014).

1.5 Overall, in the 2012-32 period, the 2014-based SNPP projects an increase in population of around 31,400 people (15.7%); this is somewhat higher than the 2012-based SNPP (12.2%) and also higher than the main SHMA projection (which had population growth of 13.7%). The level of population growth in the 2014-based SNPP is 28% higher than in the 2012-based SNPP and 15% higher than the main projection developed in the SHMA.

1.6 As has become convention, we have also considered a 10-year migration trend using the latest available evidence from the 2014-SNPP. The analysis of longer-term trends is suggested as an alternative scenario in the PAS technical advice note.

1.7 Previous analysis has identified that levels of population growth have been variable over time and this is at least in part due to a variable level of recorded migration. As with other projections, migration levels are treated as variable within the model and changed depending on the age structure (both in the local area and areas from which people might be expected to migrate).

1.8 As with the SHMA we have modelled the 10-year period from 2004 to 2014. The analysis looks at the differences in the levels of net migration in the relevant reference period (i.e. 2009-14 for internal migration and 2008-14 for international migration (in the full SHMA the respective periods were 2007-2012 and 2006-2012)) and the levels seen over the past 10-years (2004-14).

Table 1: Projected Population Growth (2012-2032)

	Population 2012	Population 2032	Change in population	% change
2012-based SNPP	200,018	224,498	24,480	12.2%
2012-based SNPP (updated)	200,018	227,340	27,322	13.7%
2014-based SNPP	200,018	231,374	31,356	15.7%
10 Year Migration Trend	200,018	222,123	22,105	11.1%

Source: ONS and GL Hearn

1.9 The higher level of population growth as set out in the 2014-based SNPP is likely to lead to a higher increase in the projected number of households (and housing need) in the City although any differences will also be influenced by the age structure. Below a comparison is made between the 2014-based projections and those based on the 2012-based SNPP in terms of the population profile in 2032. The final column in the table below shows a comparison between the main demographic projection developed in the SHMA and the 2014-based SNPP.

1.10 The analysis shows that the difference between the 2014-based and the main SHMA projection is about 4,000 people with around the same number being an additional increase in the 15-29 age groups (4,200 of the difference). These age groups typically have some of the lower household formation/headship rates and so the different age structure is likely to have less of an impact on housing need than if the differences were in older age groups.

1.11 It is also notable that the population aged 75 and over (and particularly the 85 and over category) show a lower population in 2032 than projected in the SHMA – given that these groups have the highest household formation/headship rates; the new projections would actually have a lowering of the housing need (within these cohorts).

Table 2: Projected Age Structure in 2032

Age band	2012-based SNPP	2012-based SNPP (updated)	2014-based SNPP	Difference (12-14SNPP)	Difference (12 Updated -14SNPP)
0-4	10,724	11,052	11,160	436	108
5-9	10,888	11,399	11,377	489	-22
10-14	11,078	11,420	11,351	273	-69
15-19	14,884	14,738	15,347	463	609
20-24	22,031	22,164	24,425	2,394	2,261
25-29	14,257	14,288	15,620	1,363	1,332
30-34	13,479	13,559	14,159	680	601
35-39	13,967	14,132	14,458	491	326
40-44	13,957	15,555	14,491	534	-1,064
45-49	12,909	12,592	12,857	-52	265
50-54	12,077	12,021	12,210	133	189
55-59	11,197	11,193	11,313	116	120
60-64	12,716	12,816	12,819	103	3
65-69	12,551	12,591	12,653	102	63
70-74	11,046	11,040	11,066	20	26
75-79	8,956	8,959	9,001	45	42
80-84	7,952	7,969	7,933	-19	-36
85 & over	9,830	9,852	9,132	-698	-720
Total	**224,498**	**227,340**	**231,374**	**6,876**	**4,034**

Source: ONS and GL Hearn

1.12 However, the growth in the younger age group is likely to reflect the strong growth in the student population which occurred in the City between 2008 and 2014 as a result of a new campus opening. This is expanded on in Chapter 10 of the full SHMA document, but to summarise, the University of York expanded from 13,500 students to 16,700 (+3,500) over the period feeding into the 2014-based projections. Furthermore they have suggested that its prospects for future growth are somewhat weaker than that experienced in the previous decade.

1.13 This would therefore throw some doubt on the realism of projections which reflect the historic trends. These concerns were shared with ONS during consultation on the 2014-based subnational population projections. Their response is below.

> *"The international migration figures for York reflect the trend for England as national assumptions are proportionately distributed across the local authorities relative to the number of international migrants entering/leaving each local authority.*
>
> *The impact of a new university campus on the projections will be reflected in the inflow into York but delayed re-registration when students leave university may mean that the outflow from York may be underestimated. This can be seen in the population pyramid where there are more males in the 25 to 44 age group than females. This is a known methodological issue and we advise that particular care should be taken in using or interpreting age distributions in the early 20s for areas with substantial student populations."*

1.14 It should therefore be considered that while the 2014-based projections (and indeed the 2012-based projections) reflect national trends some locally specific issues may not be fully considered. As such these projections should, as advised, be "treated carefully".

1.15 That said whilst the higher level of population growth in the 2014-based SNPP is likely to lead to a higher level of household growth and housing need; the age structure differences suggest that any changes might be more modest than would be the case if differences were consistent across age groups – i.e. a 15% higher level of population growth will not translate into a 15% uplift in household growth. Estimates of the household growth and housing need can be found below.

Household Growth

1.16 Consistent with the SHMA analysis, the next stage of the process is to apply age specific household formation rates to the population data. At the time of writing the latest information was from the 2012-based CLG household projections (as was used in the SHMA) and so this data has been applied to the new projections. Additionally, information about the institutional population needs to be applied (to turn population information into household population) and again data from the 2012-based household projections has been used. To be consistent with the SHMA, data from the Stage 1 release of CLG projections has been used in the analysis along with a 3.8% vacancy allowance.

1.17 The analysis shows that with the 2014-based SNPP (and other assumptions consistent with the SHMA) that the level of need would be for 889 dwellings per annum – this is about 7% higher than the figure (of 833) derived in the SHMA for the main demographic based projection while the longer term migration scenario results in a need for 698 dwellings per annum.

Table 3: Projected Household Growth 2012-32 – range of demographic based scenarios

	Households 2012	Households 2032	Change in households	Per annum	Dwellings (per annum)
2012-based SNPP	84,244	99,338	15,093	755	783
2012-based SNPP (updated)	84,244	100,300	16,056	845	833
2014-based SNPP	84,244	101,378	17,134	857	889
10-Year Migration Trend	84,244	97,701	13,457	673	698

Source: Derived from ONS and CLG data

1.18 Within the SHMA, analysis was also undertaken (as part of the market signals analysis) to recognise a modest level of supressed household formation – this essentially took the form of returning the household formation/headship rates of the 25-34 age group back to the levels seen in 2001 (which is when they started to drop). A consistent analysis has therefore been carried out applied to the 2014-based and 10-year migration trend projections with the table below showing relevant outputs.

1.19 With an uplift to the 25-34 age group, the housing need (when linked to 2014-based projections) increases to 898 dwellings per annum. For the 10-year migration scenario the uplifted need is calculated at 706 dwellings per annum. The higher end of this range is some 57 dwellings per annum higher than in the SHMA (an increase of 7%).

Table 4: Projected Household Growth 2012-32 – range of demographic based scenarios (with uplift to headship rates for 25-34 age group)

	Households 2012	Households 2032	Change in households	Per annum	Dwellings (per annum)
2012-based SNPP	84,244	99,494	15,249	762	792
2012-based SNPP (updated)	84,244	100,456	16,212	811	841
2014-based SNPP	84,244	101,547	17,302	865	898
10-Year Migration Trend	84,244	97,855	13,611	681	706

Source: Derived from ONS and CLG data

1.20 Using the latest available data and allowing for both a return to historic household formation rates and recognising concerns around the impact of historic student growth, this addendum identifies an overall housing need of up to 898 dwellings per annum.

1.21 While the 10-year migration trend calculations are sound from a technical perspective, they do not represent official projections. Additionally, the evidence does suggest a general trend of increasing migration over time and the longer-term projections will not fully reflect this (although there are some concerns about projections of the student age population in the 2014-based SNPP). Hence, whilst there is merit in considering the 10-year trend projection, it should not be given any greater weight than the figures emerging from official statistics. The 10-year trend projection is however useful in identifying the range within which OAN sits.

1.22 We have used the higher end of this range for illustrative purposes in the remainder of the document. This is set out as a sensitivity only.

Affordable Housing Need

1.23 The 2014-based SNPP have a limited impact on the different stages of the affordable needs modelling and only affects the estimates of the number of new households forming (and hence the need from such households). The analysis below shows the level of affordable need if estimates of newly forming households in need are updated to reflect the new population projections. This shows that the number of newly forming households in need is projected to increase from 732 to 787 (an 8% increase). Holding all other parts of the model constant would mean that the bottom-line estimate of affordable need rises from 573 to 627 (a 9% increase).

1.24 These levels of increase are higher than shown in the main demographic modelling and this will be due to difference between the 2012- and 2014-based projections being focussed on the 15-29 age groups (groups from which new households are projected to emerge).

Table 5: Estimated level of Affordable Housing Need (comparing SHMA with update for 2014-based SNPP) – per annum

	SHMA	With 2014-based SNPP
Current need	83	83
Newly forming households	732	787
Existing households falling into need	279	279
Total Gross Need	1,095	1,149
Supply	522	522
Net Need	573	627

Source: North Yorkshire SHMA (2011) and this assessment

Need for Different Sizes and Types (tenures) of Homes

1.25 The next analysis that can usefully be updated with the new projections is around the mix of housing (by size) in each of the market and affordable sectors. The methodology in the SHMA looked at age/sex specific occupancy patterns and projected how these would change as the population profile of the area changes in the future. The methodology employed with regard to the 2014-based SNPP is the same as used in the SHMA.

1.26 The table below shows estimated need in the market sector when applying the 2014-based SNPP. This shows a very small shift towards 1-bedroom homes and also homes with 4 or more bedrooms. The differences are however quite minor and do not impact on the overall conclusions drawn in the SHMA.

Table 6: Estimated Size of Dwellings Needed 2012 to 2032 – Market Housing – York

Size	SHMA	2014-based SNPP
1 bedroom	6.6%	7.3%
2 bedrooms	37.7%	37.0%
3 bedrooms	39.2%	38.8%
4+ bedrooms	16.5%	16.9%
Total	**100.0%**	**100.0%**

Source: Housing Market Model

1.27 The table below shows the same information for the affordable sector; in this case there is a reduction in the need for 1-bedroom homes and slight increases in the need for 3 or more bedroom homes. As with the analysis in the market sector, the differences are not so great as to change the general conclusions for this sector as set out in the SHMA.

Table 7: Estimated Size of Dwellings Needed 2012 to 2032 – Affordable Housing – York

Size	SHMA	2014-based SNPP
1 bedroom	39.5%	37.9%
2 bedrooms	34.0%	34.1%
3 bedrooms	23.3%	24.5%
4+ bedrooms	3.3%	3.5%
Total	**100.0%**	**100.0%**

Source: Housing Market Model

1.28 Within the SHMA, an analysis was also carried out to assess the potential need for different types of affordable housing with a conclusion that around 20% of the need cold be met by intermediate housing (e.g. shared ownership) and 80% with the affordable/social rented sector. Updated analysis using the 2014-based SNPP does not change this conclusion.

Specialist Housing Needs

1.29 The final section of the SHMA where the 2014-based SNPP has implications is around the need for specialist accommodation for older people. In the SHMA this was split between C3 (e.g. sheltered and extra-care) housing and C2 (residential care bedspaces) and below an overall analysis of the needs in these two categories is shown.

1.30 The SHMA identified a need for around 1,688 units of C3 accommodation for older people in the 2012-32 period (84 per annum). With the 2014-based SNPP this figure reduces to 1,574 (79 per annum) – the difference being due to a reduction in the projected population growth of people aged 75 and over. A figure of 79 per annum represents around 9% of the total need for housing identified in previous analysis (898 dwellings per annum) which is a slightly lower proportion than identified in the SHMA (10%; based on an overall need for 841 dwellings).

Table 8: Projected need for Specialist Housing for Older People (2012-32)

	Population aged 75+ (2012)	Population aged 75+ (2032)	Change in population aged 75+	Specialist housing need (@ 170 units per 1,000)
SHMA	16,808	26,738	9,930	1,688
2014-based SNPP	16,808	26,066	9,258	1,574

Source: Derived from demographic projections and Housing LIN

1.31 With regard to residential care bedspaces, the SHMA analysis identified a potential need for around 748 additional spaces over the 2012-32 period (37 per annum). With the 2014-based SNPP this figure drops by around 100 (to 648 – 32 per annum).

Table 9: Potential Need for Residential Care Housing

	Institutional population aged 75+ (2012)	Institutional population aged 75+ (2032)	Change in institutional population aged 75+
SHMA	1,162	1,910	748
2014-based SNPP	1,162	1,810	648

Source: Derived from demographic projections

Conclusions

1.32 The 2014-based SNPP show a higher level of population growth than suggested by the 2012-based versions or an updated projection (as contained in the SHMA). However, due to differences in the age structure there is not a direct link between the differences in population growth and household growth/housing need. Modelling the 2014-based SNPP in a consistent manner to the SHMA (an including a 'market signals' adjustment) suggest a need for some 898 dwellings per annum in the 2012-32 period – this is about 7% higher than derived in the SHMA (a need for 841).

1.33 However as identified there are some concerns relating to historic growth within the student population and how this translates into the SNPP projections. This looks to be a particular concern in relation to the 2014-based SNPP where there is relatively strong growth in some of the student age groups when compared with the 2012-based version (which looks to be sound for those particular age groups). Some consideration could be given to longer term dynamics although this does also need to recognise that the evidence suggests some shift in migration patterns over the more recent years – a 10-year migration trend using the latest available evidence calculates a need for 706 dwellings per annum, although as noted this will not fully reflect some of the more recent trends. This projection is therefore not considered to be an appropriate starting point for which to assess housing need although it can be used to help identify the bottom end of a reasonable range.

1.34 Given that the full SHMA document identifies an objectively assessed need for 841 dwellings per annum which sits comfortably within this range set out in this addendum (706-898 dwellings per annum), it is suggested that the Council do not need to move away from this number on the basis of the newly available evidence – particularly given the potential concerns about the impact of student growth in the 2014-based SNPP and also longer term trends not reflecting the most recent trends.

1.35 Other aspects of the SHMA are relatively unaffected by the new SNPP; the level of affordable need would be projected to increase slightly (due to differences in projections being focussed on age groups from which households would be expected to form); the mix of housing (by size) changes slightly, but not enough to change the conclusions of the SHMA and finally, the need for accommodation for older persons is projected to be slightly lower than in the SHMA (although again differences are fairly minor).

1.36 Again given the evidence set out in this addendum there is not likely to be a need for the Council to move away from the fully developed analysis as set out in the full SHMA document.