



Winchester Housing Market and Housing Need Assessment Update

A Final Report to
Winchester City Council

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1. Introduction

- 1.1 A strategic housing market assessment (SHMA) is required by Planning Policy Statement 3: Housing as part of the evidence base to inform and support housing and planning policies within local authorities.
- 1.2 A SHMA for Central Hampshire, which covered Winchester, was completed in 2007, consistent with the CLG guidance. Winchester was also covered as part of the South Hampshire HMA (2005 and 2006), reflecting the fact that the south of the District is oriented towards the South Hampshire market. Given the strategic scale of these assessments they did not provide analysis or guidance on policies at the sub-district level. Winchester City Council therefore wishes to examine the housing market that relates to the District in more detail to inform localised policies and interventions.
- 1.3 This assessment was undertaken in July 2010 and has been updated in 2011 and 2012 to reflect changes to key data - housing need figures and household projections and the introduction of the new Affordable Rent tenure. Separate research on the implications of Affordable Rent has been undertaken by DTZ for the City Council.¹ Data on the economy and house prices has not been updated since 2010 although Winchester City Council has undertaken an Employment Land Review which draws on the latest economic data and projections.²
- 1.4 There are a number of key objectives that Winchester City Council wish to focus on through the development of this local authority specific market assessment:
 - Examining how the characteristics of households and dwellings vary across the authority area and how this might influence future dwelling provision.
 - Establishing the *mix* of different households likely to require housing in the future, in terms of age, household type and size and the implications for dwelling provision.
 - Updating evidence on the need for affordable housing within Winchester, using the same methodology as the Central Hampshire SHMA.
- 1.5 It is relevant to note that this study builds on the Central Hampshire SHMA evidence base which was undertaken in 2007 and the Central Hampshire Market Monitoring Reports produced in 2008 and 2009. Collectively, this evidence will help to inform the authority's housing and planning activities.
- 1.6 The rest of the report is structured as follows:
 - The geography of the housing market
 - Population and households

¹ Winchester City Council undertaken by DTZ (January 2012) Affordable Rent – Costs, Affordability and Implications

² Winchester City Council undertaken by DTZ (July 2011) Review of Employment Prospects, Employment Land and Housing Requirements



- Economy
- Stock and supply
- Prices, rents and affordability
- The need for affordable housing
- Policy implications

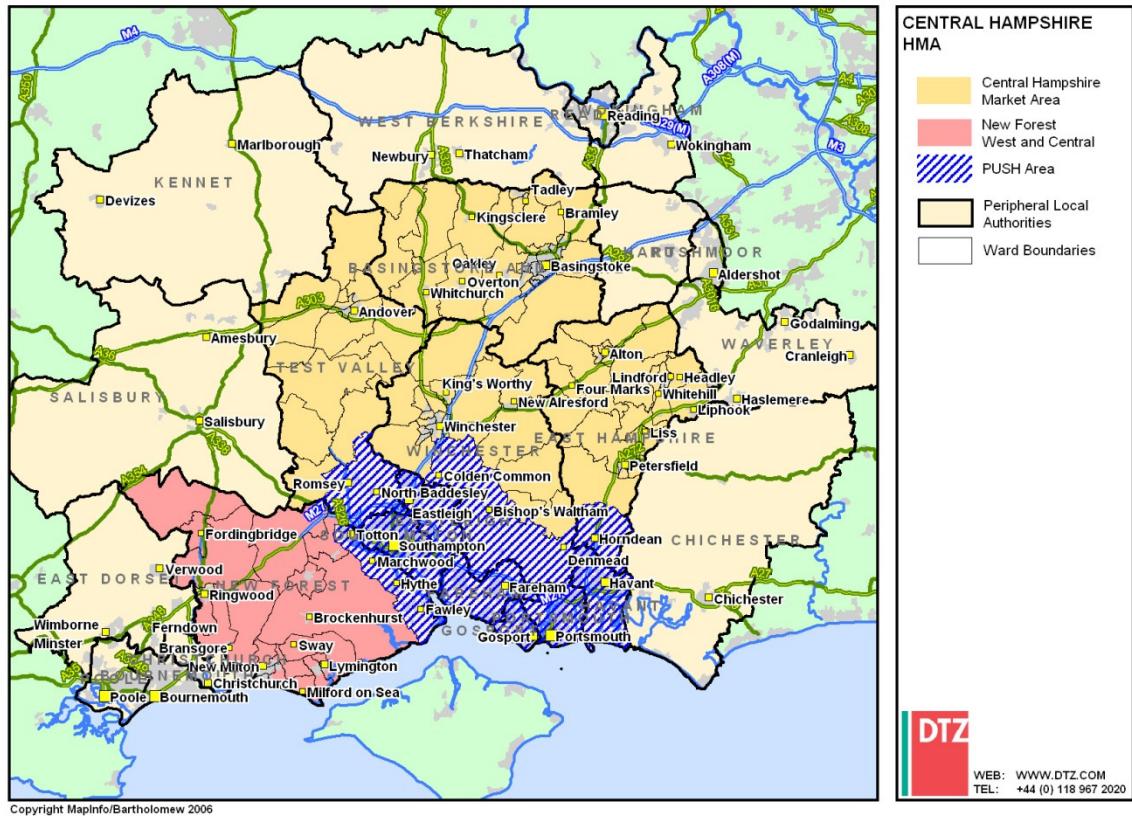
2. The Geography of the Housing Market

- 2.1 In 2004 DTZ completed research for the South East England Regional Assembly and Regional Housing Board to identify the spatial extent of sub-regional housing markets across the South East Region. This study concluded that there existed a 'North Hampshire' (as opposed to Central Hampshire) housing market associated with the M3/A303 and related rail corridors and a South Hampshire market with two poles – Portsmouth and Southampton.
- 2.2 Overall Central Hampshire functions as an area with a number of localised housing markets with Winchester, Basingstoke, and Andover forming the sub-region's key nuclei. This contrasts with the highly integrated market in South Hampshire and reflects the geography of Central Hampshire and the dispersal of its principal settlements across a relatively large area.
- 2.3 Winchester District relates to both the Central and South Hampshire housing markets:
- Winchester urban area receives high levels of in-migration from Southampton and Eastleigh but these flows are countered by reciprocal movements. Additionally, Winchester receives significant levels of in-migration from households moving to the District from outside Hampshire, including Greater London and the rest of the South East. In the *prime* housing market within Winchester, there is evidence that in-migration from London in particular is more significant.³
 - The City of Winchester has a well defined labour market that attracts travel to work movements from across the north and north east of the district. It shows signs of integration southwards, with heavy travel to work movements evident into Winchester City from Eastleigh and Southampton. There is also a labour market influence on the south east of Winchester District boundary from Fareham, Havant and Portsmouth.
 - The settlements in the southern fringes of Winchester District quite clearly relate to the urban parts of South Hampshire in both labour market and housing markets terms.
 - Additionally, around 3,000 people commuted to London from Winchester for work in 2001 and there is a strong feeling amongst stakeholders that this has increased since.
- 2.4 Figure 2.1 shows how the boundary of the South Hampshire (PUSH) sub-region reflects the integration of the southern wards of Winchester District into the housing market associated with Southampton in particular. The rest of Winchester District, including the City is considered part of a Central Hampshire market area.
- 2.5 It should also be noted that the analysis shows Winchester City to have close functional alignment with South Hampshire, with particularly sizeable travel to work movements into Winchester originating from Eastleigh in particular. However, given the links between Winchester and Basingstoke and the relationship between Winchester City and its rural

³ Savills (2007) Winchester Market Report – Suggests half of Savills clients within Winchester District had moved more than 30 miles, with the majority from London

hinterland it is appropriate to consider Winchester City as distinct from the South Hampshire market.

Figure 2.1: Definition of Central and South Hampshire Housing Market Areas



Source: Central Hampshire and New Forest SHMA (2007)

2.6 This report distinguishes where possible between parts of Winchester District that relate to the Central and South Hampshire housing markets. Data is presented and analysed for the following spatial areas:

- **Winchester District** (whole local authority area)
- **Winchester City** (wards of St Barnabas, St Bartholomew, St John and All Saints, St Michael, St Luke, St Paul)
- **Part of the District in the South Hampshire sub-region** (wards of Bishops Waltham, Boarhunt & Southwick, Colden Common & Twyford, Denmead, Owlesbury & Curdidge, Shedfield, Swanmore & Newtown, Whitely, Wickham)
- **Part of the District in the Central Hampshire area** (wards within Winchester City and additional wards of Cheriton & Bishops Sutton, Compton & Otterbourne, Droxford, Soberton & Hambledon, Itchen Valley, Kings Worthy, Littleton & Haverstock, Olivers Battery & Badger Farm, Sparsholt, The Alresfords, Upper Meon Valley, Wonston & Micheldever)



- **Central Hampshire Area** (the authority areas of Basingstoke & Deane and the majority of East Hampshire, Test Valley and Winchester authority areas, excluding those wards which are included in the South Hampshire sub-region)
- **South Hampshire sub-region** (the authority areas of Portsmouth, Southampton, Gosport, Fareham, Eastleigh and Havant, the eastern wards of New Forest and the southern wards of East Hampshire, Test Valley and Winchester Districts)
- **South East Region**

3. People and Households

3.1 Before analysing the characteristics of the current and future population of Winchester it is worth re-capping on the market area, analysed in the South and Central Hampshire SHMAs:

- Population estimates indicate that the population of Central Hampshire is just under 400,000, with the population of the large South Hampshire area over double this figure.
- Growth in population over the period 1981-2005 was 17% in Central Hampshire, exceeding that of the South East which increased by 11% in the same period
- The population of South Hampshire has grown more steadily since 1981. This steady growth can be attributed to a combination of slow population growth in the Eastern pole of the sub-region (the housing market centred on Portsmouth), more rapid growth in the Western pole (the housing market centred on Southampton) and high levels of net inward migration.
- Ownership levels in both South and Central Hampshire (72%) are above the national level (69%) but similar to the regional level (74%). However, the proportion of people within the South Hampshire area that reside in owner occupied property fell between 1991-2001, in contrast to Central Hampshire, the South East and England.

3.2 ONS Mid Year Population Estimates suggest that population growth of Winchester District and both Central and South Hampshire markets has been consistent over the last 10 years (Figure 3.1).

Figure 3.1: Total Population and Growth Rate 1998-2008

	Total Population and Overall Growth	
	Total Population 2008	Growth 1998-2008
Winchester	112,700	6%
Central Hampshire	399,218	6%
South Hampshire	870,900	6%
South East	491,400	6%

Source: ONS Mid-Year Population Estimates (2008)

3.3 The current population (2008) in Winchester has a high proportion of 45-64 year olds, consistent with the Central Hampshire market. In all other age cohorts, Winchester appears to mirror the profile of the other benchmarks, though with lower proportions of the 25-44 age group – younger working age people and slightly higher proportions of older people (65+) (see Figure 3.2).

Figure 3.2: Population Age Composition 2008

	Total Population				Percentage (%)			
	Winchester	Central Hants	South Hants	South East	Winchester	Central Hants	South Hants	South East
0 - 14	19,600	73,109	140,000	1,483,000	17%	18%	16%	18%
15 - 24	15,300	46,987	138,700	1,069,000	14%	12%	16%	13%
25 - 44	27,200	106,105	250,600	2,270,700	24%	27%	29%	27%
45 - 64	30,600	109,569	204,800	2,154,800	27%	27%	24%	26%
65 - 74	9,800	33,334	68,000	705,300	9%	8%	8%	8%
75+	10,200	30,114	68,800	697,300	9%	8%	8%	8%
Total	112,700	399,218	870,900	8,380,100	100%	100%	100%	100%

Source: ONS Mid-Year Population Estimates (2008)

- 3.4 Over the last 10 years, most of the population growth in Winchester District has been driven by the 45-64 age group (Figure 3.3), consistent with the other benchmarks and reflecting the ageing of the baby boom generation. In percentage terms, there has been significant growth in the advanced age group 75+ but this is from a smaller population base. Growth in this age group has been highest within the Central Hampshire area and significantly above that of South Hampshire and the South East as a whole.
- 3.5 In contrast to the Central and South Hampshire market areas, Winchester District has experienced growth in the 0-14 age group, indicating that the District is a popular location for families.

Figure 3.3: Population Age Change 1998-2008

	Aged 0-14	Aged 15-24	Aged 25-44	Aged 45-64	Aged 65-74	Aged 75+	Overall %	Absolute Change
Winchester	7%	1%	-4%	13%	5%	16%	6%	5,900
Central Hampshire	0%	12%	-5%	15%	16%	21%	6%	23,900
South Hampshire	-9%	25%	4%	15%	-1%	12%	6%	52,200
South East	0%	16%	-2%	15%	6%	12%	6%	491,400

Source: ONS Mid-Year Population Estimates

- 3.6 Migration is a key determinant of population change within Winchester and is likely to be increasingly important over the next 20 years as housing growth is delivered. But unlike the long standing and gradual trend toward an ageing population, changes in migration patterns can be more rapid and are much more difficult to predict. Figure 3.4 presents the current migration figures with data obtained from the NHS Patient Register in 2008. These are net figures taking into account inward and outward movements from within the UK but exclude moves to and from locations overseas.
- 3.7 Winchester experiences net in-migration of people and households from the Central and South Hampshire authorities. Collectively, net in-migration from these neighbouring authorities accounted for 340 people in 2008. The most significant source of in-migrants to Winchester in 2008 was Southampton, though if London is treated as a single location net in-migration from the capital was more significant than from any of Winchester's neighbouring authorities. The

implication of this net in-migration from London is that households are moving into Winchester from areas of higher house prices and are likely to have greater equity and probably earnings than existing residents.

3.8 Conversely, Winchester experiences net outmigration of people and households to Test Valley and the South West region.

3.9 It is worth noting that net in-migration to Winchester averaged just over 1,000 people each year in the 5 years to 2008. In the preceding 5 years (1999-2003), the average was 620. There are many factors that might explain the increase in in-migration, including the acceleration in house prices in London and the South East (fuelling moves out of London to Winchester), employment growth and the in-migration of workers from the A8 Accession Countries from 2004. Figures for the latest 2 years, 2009 and 2010, suggest net in-migration has dropped slightly to around 900 people per annum. DTZ expect to see in-migration fall further in the short term due to more limited employment growth.

Figure 3.4: Origin and Destination of Migrants to and from Winchester in 2008 (in order of highest net movements)

Location	Moves into Winchester from location	Moves out of Winchester to location	Net migration
Southampton	400	250	150
Portsmouth	290	160	130
New Forest	150	110	40
Havant	190	160	30
Eastleigh	530	510	20
Basingstoke & Deane	170	150	20
East Hampshire	300	300	0
Fareham	370	370	0
Test Valley	270	320	-50
Total Central and South Hampshire authorities	2,670	2,330	340
South East Region	4,200	3,350	850
London	830	550	280
South West	830	960	-130
Other Regions	1,140	1,040	100
Total	7,000	5,900	1,100

Source: NHS Patient Register 2008

3.10 Winchester appears to experience net in-migration of people from all age groups. However, in-migration of children and those in the 25-44 age group suggest that the District is a destination for young families and consistent with the population growth recorded in Figure 3.3. Net in-migration of older people (65+) is limited.

Figure 3.5: Age of Migrants to and from Winchester in 2008 (Number of People)

Age Group	In-Migration	Out-migration	Net
0-15	1,200	760	+440
16-24	2,000	1,920	+80
25-44	2,500	1,990	+510
45-64	900	800	+100
65+	400	360	+40
Total	7,000	5,900	1,100

Source: NHS Patient Register 2008

- 3.11 Winchester has experienced significant household growth since 1981 but the most rapid period was between 1981 and 1991 with slower (though still significant) growth in the following decade (1991-2001) and in the period since (to 2006). The data in Figure 3.6 suggests that the household population of the District has grown by 46% over the 25 year period 1981 to 2006, in line with growth in the Central Hampshire area over the same period but out-stripping the rate of growth in South Hampshire. It is worth noting that this period contained two economic recessions and housing market downturns.

Figure 3.6: Household Growth 1981-2006

	1981	1991	2001	2006	Household Growth 1981-2006	% Change 1981-2006
Winchester	31,300	37,500	43,100	45,700	14,400	46%
Central Hampshire	108,700	136,900	154,300	161,500	52,800	49%
South Hampshire	321,600	368,100	407,000	423,900	102,300	27%

Source: Census 1981, 1991 & 2001 and Hampshire County Council Household Forecasts (based on dwelling completions since 2001)

- 3.12 The current profile of households in Winchester District is similar to the wider Central Hampshire area though there is a higher proportion of single older households and a lower proportion of family households. There is also a higher proportion of multi-person (sharing households) within Winchester when compared to the Central Hampshire area and the South East as a whole but Figure 3.7 reveals that this is driven by the household composition in Winchester City.
- 3.13 In the sub-district areas of Winchester it is possible to make the following observations (see Figure 3.7):
- The part of the District which relates to the South Hampshire (western pole) housing market has a relatively higher proportion of family households when compared to the wider South Hampshire market. The southern wards of Winchester District therefore play an important role in housing families that live within the South Hampshire housing market.



- The part of the District which relates to the Central Hampshire area (which includes both the City and rural hinterland) has a relatively higher proportion of single pensioner households and couples without dependents. There are fewer family type households when compared to Central Hampshire as a whole. The household composition of this part of the District is however strongly influenced by the make-up of households living in the City.
- Winchester City has a high proportion of single households, comprised of both single older people and other single adults. Related to this, is a relatively high proportion of multi-person (sharing households) which is likely to result from single adults choosing to share to reduce accommodation costs and Winchester's students become graduates and continue to form shared households for a period in the early stages of their careers. Conversely, there are fewer family type households within the City.



Figure 3.7: Household Composition 2001

	Winchester District	Winchester City	Winchester South Hampshire Area	Winchester Central Hampshire Area (includes Winchester City)	Central Hampshire	South Hampshire	South East
Single Pensioner	18%	19%	13%	16%	14%	15%	14%
Single Adult	15%	17%	10%	14%	14%	15%	14%
Lone Parent without Dependents	2%	3%	2%	2%	3%	3%	3%
All Single Person Households	34%	39%	26%	32%	31%	33%	31%
Pensioner Couple	12%	9%	11%	11%	10%	10%	10%
Couple with no dependents	21%	21%	30%	26%	23%	25%	25%
All Couple Households	33%	31%	40%	37%	33%	35%	35%
Couple with dependents	22%	17%	25%	21%	25%	21%	22%
Lone Parent with Dependents	4%	5%	4%	4%	5%	6%	5%
Other with Dependents	1%	1%	2%	1%	2%	2%	2%
All Family Households (with children)	27%	23%	31%	26%	32%	29%	29%
Student	1%	2%	0%	1%	0%	1%	0%
Other Pensioner	1%	0%	0%	0%	0%	0%	0%
Other Multi-person	4%	5%	3%	4%	4%	4%	4%
All 'Other' households	6%	7%	3%	5%	4%	5%	4%

Source: Census 2001

Blue shading denotes households which are under-represented when compared to household composition of the housing market as a whole (note that Winchester City and Winchester Central Hampshire area is compared to Central Hampshire and Winchester South Hampshire area is compared to South Hampshire).

Red shading denotes households which are over-represented when compared to the households composition of the housing market as a whole

3.14 Figure 3.8 presents household growth 2011 – 2031. Figure 3.8 uses Hampshire County Council’s projections, which were produced to inform Winchester City Council’s Housing Technical Paper. Previous forecasts assumed that the South East Plan (2009) housing allocations would be delivered. However the Coalition Government is in the process of legislating to revoke all Regional Strategies including the South East Plan. The new projections are based on the ONS 2008 based sub-national population projections and the number of dwellings required are an output of the modelling rather than an input.

Figure 3.8: Population (number of people) and Dwelling Projections 2011-2031

	2011	2031	Absolute change 2011-2031	Per Annum	% change 2011-2031
Population (number of people)	117,050	133,600	16,550	830	14%
Dwellings	49,300	60,300	11,000	550	22%

Source: Hampshire County Council forecasts for Winchester District, contained in Winchester’s Housing Technical Paper, June 2011.

3.15 Figure 3.9 provides household projections broken down by broad household type⁴. These are produced by CLG and are based on the 2008 based sub-national population projections. Winchester’s projections suggest an increase of 5,000 couple households over the period 2008-2033. The projections expect an increase of 8,000 single households and an increase in 2,000 lone parent households but no net increase in other multi-person households. The total number of household produced by the CLG projections are higher than those produced by Hampshire County Council (notwithstanding a slightly different time period). A key reason that the Government’s projections are higher is the assumptions made in the underlying sub-national population projections about migration. DTZ has considered this in detail in Winchester’s Review of Employment Prospects, Employment Land and Housing Requirements. Nevertheless, the Government projections provide a useful breakdown of household types.

Figure 3.9: Broad Household Projections (number of households) for Winchester

	Single Person	Couple	Lone Parent	Other - multi person	Total
2008	13,000	27,000	2,000	2,000	44,000
2033	21,000	32,000	4,000	2,000	59,000
Growth 2008 - 2033	8,000	5,000	2,000	0	15,000

Source: CLG 2008 based sub-national household projections by type (figures rounded)

⁴ Note these forecasts are based on CLG Household Projections which do not provide a break down in terms of the size of couple households. Couple household will include both couples with and without dependents. See table 3.11 for a detailed estimate of household formation, based on the share of the household population in 2001.

Indicative Dwelling Size Estimates for Winchester

- 3.16 The relationship between household size and type and dwelling size and type is not straightforward. The assumption that household size and dwelling size have a direct correlation is misleading. Research by Professor David King at Anglia University for example, highlights that dwellings with more than seven rooms (around 4 bed rooms) are commonly bought and occupied by single or two-person households, and that these households comprise many of those living in such properties. According to this research, policy orientated towards building smaller properties for smaller households fails to understand the aspirations and needs of households today and in the future.
- 3.17 The complexity of the relationship between household size and dwelling size is illustrated in Figure 3.10. This shows the relationship of household type and dwelling size in the South East of England. Although around one third of single person households live in 1 bedroom properties, broadly equal proportions of single households live in 2 and 3 bedroom properties. This evidence reflects the fact that patterns of occupancy and demand for different sized homes reflect income, wealth and life stage rather than household size.
- 3.18 Bearing in mind the lack of a linear relationship between household size and type and dwelling size, which means all projections must be treated with caution, DTZ has produced indicative estimates of the types of dwellings that might be required, based on projected household growth within Winchester. These are set out in Figure 3.11 and 3.12. Figure 3.10, based on data from the Survey of English Housing shows how different types of households are currently housed.

Figure 3.10: Size of Home Occupied by Household Type, South East

	Single Person	Couple	Lone Parent	Other - multi person
1 bedroom	32%	5%	1%	1%
2 bedroom	31%	19%	32%	23%
3 bedroom	29%	47%	54%	43%
4 bedroom	7%	22%	10%	25%
5 bedroom	1%	5%	3%	8%
6+ bedroom	0%	1%	0%	1%
Total	100%	100%	100%	100%

Source: Survey of English Housing

- 3.19 We have used the projections by the broad household groups in Figure 3.9 and disaggregated these into more detailed household groups, based on their share of the population in 2001. Applying these proportions to the forecast change in the numbers of different households in Winchester produces Figures 3.11 and 3.12. This shows the size of property that new households are likely to occupy, by type of household, if growth in these types of households is achieved as expected.
- 3.20 It is interesting to note that this illustration suggests that, despite the majority of future household growth coming from single person households, only 19% of the homes future households are likely to occupy will be 1 bedroom properties (Figure 3.12). Furthermore, the

majority of single person households will occupy homes that have 2 or more bedrooms. A significant factor in this is the ageing population. Many of the single households which form in Winchester will be older people living alone, and frequently occupying properties larger than their basic needs require.

- 3.21 The estimates in Figure 3.11 and 3.12 suggest growth in over 3,000 family households – households with children. The vast majority of these households will occupy dwellings with 2 or more bedrooms. Over half of this group will required homes with 3 bedrooms.
- 3.22 Our estimate suggests that over one third of the growth in households in Winchester District 2008-2033 is likely to result in demand for 3 bedroom properties (see Figure 3.12).



Figure 3.11: Estimated Size of Dwellings Required by Future Households in Winchester

	1 bedroom	2 bedroom	3 bedroom	4 bedroom	5 bedroom	6+ bedroom
Single Pensioner	1,400	1,357	1,269	306	44	0
Single Adult	1,160	1,123	1,051	254	36	0
Lone Parent without Dependents	7	239	403	75	22	0
All Single Person Households	2,567	2,719	2,723	635	102	0
Pensioner Couple	45	170	421	197	45	9
Couple with no dependents	85	324	802	375	85	17
Couple Family Households - all children non-dependent	24	91	224	105	24	5
All Couple Households	154	585	1,447	677	154	31
Couple with dependents	90	343	849	397	90	18
Lone Parent with Dependents	13	401	677	125	38	0
Other with Dependents	6	22	54	25	6	1
All Family Households (with children)	109	766	1,579	548	134	19
Student	0	0	0	0	0	0
Other pensioner	0	0	0	0	0	0
Other multi person	0	0	0	0	0	0
All 'Other' households	0	0	0	0	0	0
Total	2,830	4,070	5,750	1,860	390	50

Source: DTZ (figures in total column rounded to nearest 10)



Figure 3.12: Size of Dwellings Required by Future Households in Winchester (%)

	1 bedroom	2 bedroom	3 bedroom	4 bedroom	5 bedroom	6+ bedroom	Total
Single Pensioner	32%	31%	29%	7%	1%	0%	100%
Single Adult	32%	31%	29%	7%	1%	0%	100%
Lone Parent without Dependents	1%	32%	54%	10%	3%	0%	100%
All Single Person Households	29%	31%	31%	7%	1%	0%	100%
Pensioner Couple	5%	19%	47%	22%	5%	1%	100%
Couple with no dependents	5%	19%	47%	22%	5%	1%	100%
All Couple Households	5%	19%	47%	22%	5%	1%	100%
Couple with dependents	5%	19%	47%	22%	5%	1%	100%
Lone Parent with Dependents	5%	19%	47%	22%	5%	1%	100%
Other with Dependents	1%	32%	54%	10%	3%	0%	100%
Couple Family Households - all children non-dependent	5%	19%	47%	22%	5%	1%	100%
All Family Households (with children)	3%	24%	50%	17%	4%	1%	100%
Student	0%	0%	0%	0%	0%	0%	0%
Other pensioner	0%	0%	0%	0%	0%	0%	0%
Other multi person	0%	0%	0%	0%	0%	0%	0%
All 'Other' households	0%	0%	0%	0%	0%	0%	0%
% breakdown of demand by bedroom type	19%	27%	38%	12%	3%	0%	100%

Source: DTZ

4. Economy

- 4.1 This section examines the economy of Winchester and how this impacts upon the housing market. The data in this section was not reviewed as part of the 2011 update but Winchester's Review of Employment Prospects, Employment Land and Housing Requirements includes up to date economic data and projections.⁵
- 4.2 The economic performance of any area has an important impact on the performance and character of the housing market. However the broader national and international financial and economic environment will shape the patterns of demand for and supply of housing in Winchester in the following ways:
- The availability and cost of mortgage finance will have an impact on how many people can expect to become home owners, or at what age they can expect to become home owners. Attitudes to home ownership may also have changed as a consequence of the experience of a substantial short term reduction in house prices.
 - As a consequence of the downturn, unemployment may remain at a much higher level for a number of years than prior to the downturn; some people may permanently withdraw from the labour market, which will have an impact on economic activity rates. Unemployment and reduced economic activity will have an impact on household incomes, and hence the affordability of housing.
 - Employment growth is a major driver of in-migration both within the UK and internationally. If the rate of employment growth in Winchester and the Central and South Hampshire markets in future years is less than it would have been in the absence of the recession, or wages less attractive in an EU context because the depreciation of the £, then the area may attract fewer in-migrants, which would reduce housing demand and relieve housing pressures.
 - Winchester has a close relationship with London. The impact of the downturn and the restructuring of the financial services sector may have an impact on employment growth and earnings in London, and thereby on migration and population growth in London. This will very likely have knock on effects in Winchester in terms of both household migration and commuting patterns to and from London.
- 4.3 It is also important to understand that the housing market impacts upon economic performance through the way it shapes the quality of life within an area. The performance of the economy in Winchester and its performance relative to other areas are driven primarily by accessibility, skills and quality of life factors:
- Winchester benefits from a relatively high degree of **strategic accessibility** afforded by the M3 motorway and strategic rail network with direct services to London as well as adjacent towns. However, it is generally very difficult to fundamentally change accessibility.

⁵ Winchester City Council undertaken by DTZ (July 2011) Review of Employment Prospects, Employment Land and Housing Requirements

- The **skills** base of an area is also key to its economic performance. A large highly skilled workforce will attract companies to locate, even if economic activity rates are already high.
- A key component of **quality of life** within Winchester is the homes and neighbourhoods within the town and surrounding settlements. Research suggests that housing affordability affects business decisions and performance through the impact it has on recruiting staff, specifically those doing lower paid work. But the type, size and quality of the housing stock and the attractiveness of local neighbourhoods is a driver in the decision of highly skilled mobile workers to locate in an area and can also be a driver in the decision of businesses to locate. The quality of homes and places is something that Winchester City Council and its partners can influence through their housing, planning and regeneration activities in particular.

4.4 The overall wealth generating capacity of Winchester's economy is a key factor in earnings and hence in household incomes. High levels of economic activity, which are typically associated with areas of strong job growth are also a major influence on household incomes. Household income impacts on housing in the following ways:

- Household income growth is strongly correlated to increased demand for housing. Various academics have modelled this relationship over time. Christine Whitehead of LSE and Cambridge Centre for Housing and Planning Research finds that a 1% increase in household incomes tends to result in a greater than 1% increase in the demand for homes ie as household incomes rise households in the UK tend to spend a higher proportion of their wealth on housing.
- The distribution of household incomes impacts on household tenure choice, the type, size and quality of homes they are able to access and the requirement for affordable housing. The distribution of incomes within Winchester is considered further in Section 6.

4.5 Furthermore, areas with high average earnings and strong employment growth act as a magnet for in-migration and hence underpin demographic growth. The buoyancy of the economy also has an impact on demographic structure. Buoyant economies tend to have a younger age profile, and fewer older and economically inactive people. The latter may gravitate to areas where housing is cheaper because there are fewer well paid jobs.

Income and Earnings

4.6 Figure 4.1 reveals that resident incomes (individual) in Winchester in 2009 remain higher than both of the housing market areas to which the District relates and are above the average for the South East as a whole. Resident earnings refer to those people who live within Winchester, though a significant proportion actually work elsewhere, including London, where they are able to access higher earnings.

Figure 4.1: Resident Based Earnings (Mean Average Full Time) Individual Earnings (Full Time Mean) and Household Incomes, 2004-2009 (Whole Authorities included in Central Hampshire Area)

	Household Income	Individual Earnings 2008	Individual Earnings 2009	% Change 2004-09	% Change 2008-09
Winchester	£47,100	£31,100	£34,200	14%	10%
Central Hampshire Area	£49,400	£31,100	£32,700	12%	5%
South Hampshire	£40,600	£23,200	£24,600	25%	6%
South East	£49,000	£29,700	£30,100	16%	4%

Source: Hometrack & Annual Survey of Hours and Earnings.

Employment

- 4.7 Figure 4.2 demonstrates that total employment in Winchester stands at around 66,000 jobs (2008). It is important to note that this data represents jobs within Winchester District not the number of people who are employed and live within the authority area. The number of jobs in Winchester significantly exceeds the number of households (around 46,000 households in 2006) so the ratio of jobs to households is 1:1.4 (Figure 4.3). This measure is commonly used to quickly assess whether an area has a balance between jobs and homes.
- 4.8 In both the Central Hampshire and South Hampshire sub-regions the number of jobs exceeds the number of households, though the ratio is slightly lower than for Winchester District.

Figure 4.2: Number of Jobs (Workplace Based)

	Winchester District	Central Hampshire Area	South Hampshire	South East	London
1998	64,100	171,026	430,964	3,391,700	3,763,200
1999	60,000	171,920	425,190	3,566,200	3,956,300
2000	62,000	180,863	448,981	3,637,100	4,060,000
2001	62,600	179,268	436,808	3,636,900	4,015,800
2002	65,000	184,456	444,422	3,650,500	3,931,400
2003	63,700	180,644	434,616	3,602,500	3,927,900
2004	64,100	186,072	452,322	3,630,500	3,968,700
2005	64,100	192,928	463,854	3,725,900	4,060,600
2006	64,000	186,599	446,937	3,643,000	3,993,800
2007	66,500	190,417	455,931	3,701,800	4,096,900
2008	66,200	194,166	455,466	3,727,700	4,167,900

Source: Annual Business Inquiry

Note: Due to a change in the ABI methodology 1998-2005 and 2006-08 the two periods cannot be compared directly

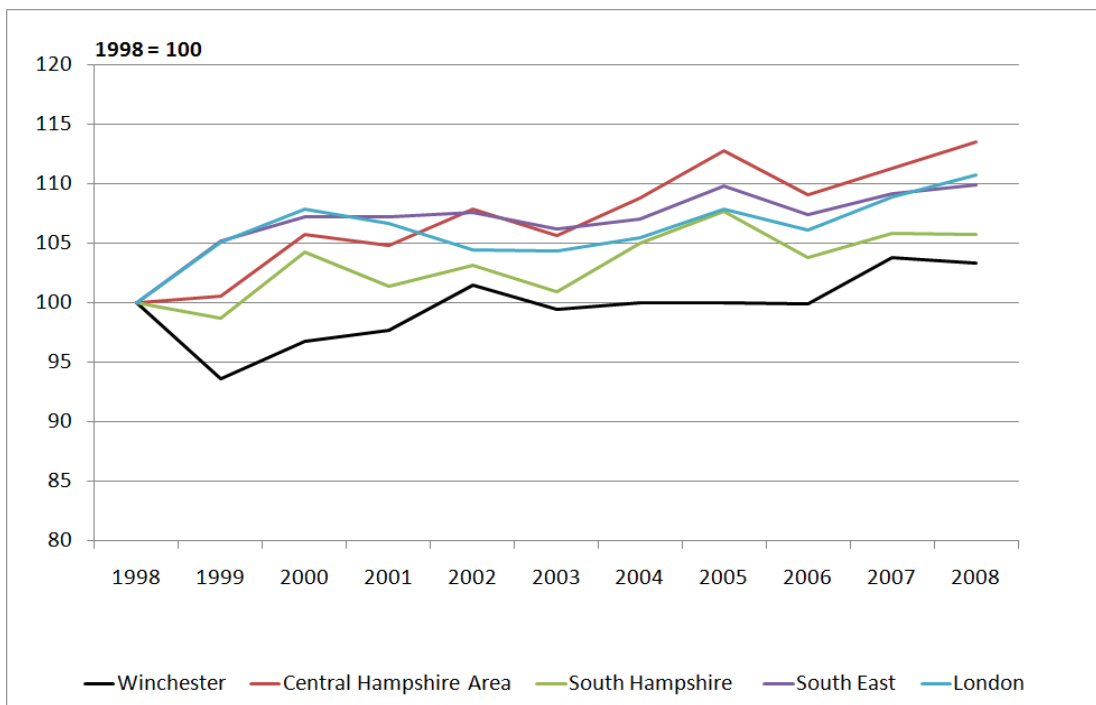
Figure 4.3: Comparison of Numbers of Jobs and Numbers of Households

	Number of Jobs (2006)	Number of Households (2006)	Ratio of Households: Jobs
Winchester	64,000	45,700	1:1.4
Central Hampshire	186,600	161,500	1:1.2
South Hampshire	446,900	423,900	1:1.3

Source: ABI for number of jobs (workplace based); Hampshire County Council for number of households

- 4.9 Employment and job growth are important drivers of the demand for housing. Winchester has experienced relatively limited employment growth over the last 10 years – just over 3% over the period (see Figure 4.4). The rate of job growth has been higher in the wider market areas, particularly Central Hampshire.

Figure 4.4: Index of Job Growth 1998-2008 (1998 = 100)



Source: Annual Business Inquiry

Unemployment

- 4.10 At the end of 2009, Winchester had a total of 1,210 claimants, 1.8% of the working age population. This level of unemployment is double that of the previous year (650 claimants) and the highest level since 1996. Nevertheless, at the time of writing, Winchester continues to experience unemployment rates lower than 2% – a rate typically associated with full employment.
- 4.11 It is possible that claimant levels may continue to increase however and then remain high for a number of years even after economic growth resumes. It was noted in the South East

Economy Review in June 2009 that the labour market is a lagging indicator of economic activity. The review did suggest however that the long-term prospects for the South East are 'reasonably good' on the condition that a strong skills base is retained, with post recession economies tending to return quite quickly to their long term growth path once they have recovered. However international studies indicate that recessions brought on by financial crises tend to have more long lasting effects on national economies than those that result from other factors.

Figure 4.3: Unemployment Rate (Claimant Count) *Economic Activity and Unemployment*

	Economic Activity		Unemployment			
	Number	%	Number Aug 2008	Number Dec 2009	Rate Aug 2008 %	Rate Dec 2009 %
Winchester	52,500	80.7	650	1,210	1.0	1.8
Central Hampshire	328,500	83.3	2,930	6,720	1.2	2.2
South Hampshire	438,400	81.2	10,840	1.3	19,880	3.6
South East	4,172,200	82.4	80,630	152,630	1.6	3.0

Source: Annual Population Survey, 2009/ Job Seekers Allowance Claimant Count

Future Employment Growth

- 4.12 Employment forecasts produced by Oxford Economics in 2009 indicate that total employment in the South East as a whole is expected to recover to previous peak levels from 2013 onwards. Although employment is likely to start growing again in 2010 onwards, it will take a further 3 years to reach the employment levels recorded in 2007. There is consensus amongst economic forecasters that the recovery will be gradual rather than a rapid rebound and that these projections now seem optimistic (see Winchester Review of Employment Prospects report).

5. Housing Stock and Supply

- 5.1 The purpose of this analysis is to identify any broad imbalances in the housing stock, which might be addressed through actions to influence the nature of new development in Winchester or strategies to regenerate or renew the existing stock.
- 5.2 In most areas, even if housing completions are delivered in line with planned allocations, the majority of homes that residents will occupy in 20 years time have already been built. This is true for Winchester but the District has the potential to gradually change its housing stock through new supply. If housing completions are delivered in line with current proposals in Winchester, this would add around 1% to the stock each year and new supply delivered over the period 2011-2031 would account for around 18% of the total housing stock in the District in twenty years time. This is based on an estimate that the stock equated to around 49,300 homes in 2011 and an additional 11,000 homes proposed to 2031 (see Figure 5.1).
- 5.3 An addition of 1% per annum to the housing stock of a local authority is generally considered a healthy rate of growth (relative to the rate of growth in the housing stock in England as a whole).

Figure 5.1: Total Housing Stock

Area	Housing Stock 2001	Estimated Stock in 2011	Proposed Allocations 2011-33	Estimated Stock in 2033
Winchester	44,300	49,300	11,000	60,300

Source: Census, 2001, Hampshire County Council projections, Winchester City Council Housing Technical Paper June 2011.

- 5.4 The nature of the existing housing stock in terms of tenure, type and size should also be a key consideration for the District Council in influencing the nature of new housing provision. Over time, new housing provision can be used to address biases and gaps in the existing stock and widen the choice of homes available to residents.
- 5.5 The tenure of homes within Winchester is broadly similar to the Central Hampshire market area and the South East as a whole, although there is a slightly higher proportion of social renting than the South East and a higher proportion of renting than in the Central Hampshire area as a whole (Figure 5.2).
- 5.6 However, tenure patterns vary considerably within the District with comparatively low levels of owner occupation within Winchester City and the part of the District within Central Hampshire. Conversely, levels of social and private renting are higher.

- 5.7 To assess likely changes in tenure since 2001 it is necessary to examine data from the Survey of English Housing from 2001 onwards in the South East. Key points to note are:
- Since 2001 the proportion of households who are home owners has fallen from 75% to 72%, and the absolute number of households owning a home has fallen by around 110,000 from a peak of 2.586 million in 2005.
 - Since 2001 the proportion of households renting from a social landlord has fallen from 14% of households to 13% of households. There were around 12,000 fewer households renting from a social landlord in 2008, than 2001.
 - The proportion of households renting from a private landlord has increased from 11% in 2001 to 14% in 2008, representing an increase in the number of households that rent from a private landlord of 142,000, meaning that around ½ million households in the South East of England are private tenants.
- 5.8 If these patterns have been replicated in Winchester, and there is a reasonable expectation that they will have been, then the proportion of households who rent privately will have increased from 13% to around 16%; and the numbers of both owner occupiers and social housing tenants will have fallen slightly in absolute terms, and in percentage terms with the bigger fall in terms of the share of all households being attributable to declining numbers of home owners.
- 5.9 This means that all the growth in households in Winchester since 2001 is likely to have been accommodated by the growth of the private rented sector, and this sector has claimed 'market share' even of the base population at 2001. The absolute number and proportion of the market accounted for by owner occupiers appears to have peaked in 2005. On balance the downturn in the housing market, linked as it is to a shortage of mortgage finance, is likely to reinforce the trend of growth in the private rented sector at the expense of owner occupation. Paradoxically, in the short term there is likely to be a levelling off of PRS stock due to a decline in the BTL mortgage finance for new entrants to the market. Any potentially further short term growth in this sector will be driven by financially unencumbered professional landlords who have large asset bases and access to finance.

Figure 5.2: Tenure of Homes in 2001

	Owned	Social Rented	Private Rented
Winchester	71%	16%	13%
- <i>Winchester City</i>	57%	29%	15%
- <i>Part in Central Hampshire</i>	66%	19%	15%
- <i>Part in South Hampshire</i>	80%	10%	10%
Central Hampshire Market Area	73%	16%	11%
South Hampshire	72%	17%	12%
South East	74%	14%	12%
England	69%	19%	12%

Source: Census 2001

Red shading indicates high proportion of tenure type compared to District, relevant market area and South East average

Blue shading indicates low proportion of tenure type compared to District, relevant market area and South East average

- 5.10 The growth of the private rented sector has not been an objective of government policy. Rather it has been a market response to the emergence of a sizeable number of households who cannot access social rented housing but who cannot afford to, or choose not to, buy their own home.
- 5.11 The sector has grown across the country as a whole, but the growth has been more pronounced in the south (where 15% of households rent privately), than in the north (11%) or midlands (10%); and it has grown particularly in the big cities. In London 20% of households now rent from private landlords.
- 5.12 Affordability constraints and the shortage of social rented housing provided the environment for growth of the private rented sector. But growth in the sector has been enabled by a key legislative change, by financial innovation, and favourable tax treatment:
- The key legislative change was the introduction of Assured Tenancies in the 1988 Housing Act, which rebalanced security of tenure in favour of landlords so they could secure vacant possession of property. It also abolished rent control on new tenancies, allowing rents to be set by the market.
 - The key financial innovation was the development of mortgage products introduced in the early 1990s, for investors wanting to buy property in order to let it out – known as Buy to Let (BTL) mortgages. In 2007 the BTL market accounted for just over 12% of all new mortgage advances.
 - Less universally acknowledged is the favourable tax treatment BTL landlords receive. Mortgage interest payments on BTL properties is treated as a business cost so can be offset against rental income. Sales of BTL properties are subject to Capital Gains Tax, though if a landlord chooses to make it their main residence for a period of time, they may become exempt.
- 5.13 In the period to 1998-2003 the expansion of the BTL market was spectacular reaching as high as 60% year on year growth and continuing at 30% through until 2007. The development of

BTL – in government terms, a totally unplanned and unanticipated market response – has unlocked very substantial new investment in the housing sector; it has contributed to the provision of new homes, since many new homes have been bought by investors rather than home owners. In 2006 around two thirds of all new homes in London were bought by investors.

- 5.14 The BTL market expanded under favourable economic conditions, with cheap credit available to mortgage lenders. With house prices continuously increasing through the early 2000s, mortgage lenders became increasingly confident in the risk profile of this segment of the market, resulting in narrowing interest rate margins, relaxation of income servicing covenants and average loan-to-value ratios (LTVs) increasing from 75% (1998) to 85% (2007) enabling BTL investors to grow their portfolios through higher leveraging.
- 5.15 The BTL phenomenon has introduced a whole new set of private landlords to the sector – though it has also been widely used to refinance the portfolios of existing landlords, since it has often provided more attractive terms than business loans.
- 5.16 CLG's most recent Private Landlords Survey provides insight into the relative inexperience of BTL investors, modest scale of investment portfolios and also their motivation for investment.
- 63% view their BTL activity as their only involvement in the property industry;
 - 74% are sole traders or partnerships;
 - 70% view their BTL portfolio as their pension pot; and
 - 70% view capital appreciation as the principal source of return as opposed to rental income.
- 5.17 Thus BTL investors are largely investing on their own behalf, using leveraged positions with their primary interest being the prospects of capital gains. This focus on wealth accumulation as a means of providing for older age is therefore effectively a substitute for traditional savings through financial institutions. BTL investors are reliant on positive house price growth to deliver their objectives and are directly exposed to economic downturns.
- 5.18 A key question for the future is the extent to which the BTL sector will grow. It is instructive to examine what has happened in the BTL sector since the market downturn:
- Lending volumes in terms of BTL mortgages have fallen dramatically; this is the outcome of a number of significant lenders withdrawing from the market entirely (Bradford and Bingley and Northern Rock), and the drying up of wholesale finance for mortgages and their ability to sell on BTL mortgage packages in the form of Residential Mortgage Backed Securities (RMBS).
 - The appetite for lending has also been affected by the worsening performance of BTL mortgage books. Arrears rates have significantly increased and repossession rates have doubled between 2007 and 2008. Typical LTVs have fallen to 50% and interest margins have increased.
 - Not surprisingly, in an environment where the prospects of capital growth have become less certain demand for BTL mortgages have fallen, especially in the light of uncertain rental demand, and higher costs of borrowing. However investment has continued –

anecdotally with investment by landlords in existing properties which can be acquired at significant discounts.

- The BTL investor who underpinned many new flatted developments, especially outside of London, has disappeared given the disastrous financial performance of many of those more recent investments. This has significant implications for the funding of high density housing led urban regeneration schemes.

5.19 The future of the BTL sector is uncertain, but the following is likely:

- It is a mistake to believe that the majority of the BTL rented stock is in the hands of very small landlords. While small landlords owning less than 5 properties make up the majority of landlords they account for a very much smaller proportion of the stock. It is estimated that the largest 20% of BTL landlords, owning portfolios of over 50 properties, account for the majority of BTL rented stock. The majority of the stock is therefore in the hands of people who have a significant commitment to the sector and run their activities as small businesses – with a substantial asset base.
- It is likely that over time there will be growing concentration in the rented sector. Professional landlords who have substantial unencumbered assets will be well placed to borrow on reasonable terms. Investors will be very wary of borrowing to buy new build flats in many areas, and lenders will be wary of lending on such properties.
- New investment outside of London is therefore likely to flow into existing properties that provide reasonable rental yields, and longer term prospects for capital growth. The BTL sector will therefore support the further growth of the rented sector but not at the same pace as in the past; but it will not support *new* build development in the same way as it did between 2000 and 2007.
- There is likely to be a shake out of small investors, particularly those who have fallen into arrears and those who need to refinance. Lower LTV criteria combined with reductions in the value of investors' residential property will substantially reduce refinancing opportunities, with higher margins on interest reducing rental yields.
- Those who bought into new flatted developments in recent years are most exposed. It is likely that these properties will continue to be rented for the time being, since lenders show little appetite to crystallise losses on lending on BTL properties. They seem likely to await a recovery in prices.
- Significant numbers of individuals who bought into new flatted developments in recent years probably face losses. This experience is likely to result in the withdrawal of the small scale investor from the sector in future. With the memory of bad experiences and uncertainty about future capital growth, BTL will no longer be seen as a good product. Regulation is likely to be tightened up to prevent lending to individuals.
- Conversely, falling house prices present an opportunity for new entrants who are capable of funding their own equity contribution and who are able to access debt facilities. This suggests that new entrants into the PRS are likely to need greater financial muscle than was true during the BTL boom and, indeed, the possibility that late entrants into the BTL market may struggle to survive.

5.20 In summary, while BTL is by no means dead, it will not grow at the pace it has in the past. Growth in lending volumes will slow substantially, and is likely to be more focused on lending to those with substantial unencumbered assets – essentially those who have built up a

portfolio of properties over the past decade rather than recent investors. It is likely that investment will be directed into existing properties rather than new build developments, since these are likely to offer better value. The sector is likely to become more professional, though it will remain highly fragmented in terms of ownership structures. Over the medium to long term, as market conditions stabilise and improve, it is likely that institutional investors will show greater interest in the PRS market.

5.21 Figure 5.3 presents data on the type of homes within Winchester. Within the District as a whole, the following key differences are evident when the stock is compared to the wider market areas and the South East region:

- Winchester has a significantly higher proportion of detached housing (39% of the stock) compared to Central Hampshire (36%), South Hampshire (28%) and the South East (29%).
- The proportion of semi detached, terraces and flats is more closely in line with either Central or South Hampshire as a whole, although taking terraces and flats together indicates that there are fewer smaller properties within Winchester when compared to both market areas.

Figure 5.3: The Type of Homes within Winchester and Surrounding Market Areas

	Detached	Semi-Detached	Terraced	Flat/Maisonette	Other
Winchester	39%	26%	20%	13%	1%
- Winchester City	19%	26%	26%	28%	1%
- Part in Central Hampshire	35%	26%	22%	17%	0%
- Part in South Hampshire	49%	27%	17%	7%	0%
Central Hampshire Area	36%	26%	25%	13%	1%
South Hampshire (Western Pole)	28%	28%	21%	22%	1%
South East	29%	29%	23%	18%	1%
England	23%	32%	26%	19%	0%

Source: Census 2001

Red shading indicates high proportion of tenure type compared to District, relevant market area and South East average

Blue shading indicates low proportion of tenure type compared to District, relevant market area and South East average

5.22 Figure 5.3 also shows that within Winchester there is significant diversity in the type of homes in different parts of the District:

- In Winchester City, there is a high proportion of flats (28% of properties) and terraces (26%) when compared to the Central Hampshire market area and the South East as a whole. Many of these flats have been developed from existing houses which have been subdivided.
- The part of the District in Central Hampshire (which includes the City) has a bias towards detached properties however, reflecting the fact that Winchester City has a large rural hinterland which is characterised by larger properties.

- On the whole, the type of properties within the Central Hampshire area of Winchester reflect the type of properties in this wider market, although there is a relatively higher proportion of flats within Winchester and in this respect, the City in particular is likely to play an important role in providing choice within the wider Central Hampshire area.
- The part of the District in South Hampshire has a strong bias towards detached properties, reflecting its rural character. This provides important choice for households within the South Hampshire market, the core of which is characterised by a large urban area and relatively high proportions of smaller properties and flats.

5.23 It is difficult to source definitive data on the size of properties within any area in terms of numbers of bedrooms because the Census (the only comprehensive source of information) only records information on the number of rooms. The number of rooms listed does not include bathrooms, toilets, halls or landings, or rooms that can only be used for storage. All other rooms are counted – although two rooms converted into one are counted as one room. Rooms shared between more than one household (i.e. a shared kitchen) are not counted.

5.24 Nevertheless, it is possible to make broad estimates about property size based on this data. DTZ work with the following assumptions regarding the relationship between habitable rooms and the number of bedrooms in a property, which is the more generally understood yardstick of dwelling size:

- 1-4 room dwellings equate to a 1-2 bed property – if we assume this includes a kitchen, and could include 1 or 2 reception rooms
- 5-6 room dwellings equate to a 2-3 bed property – if we assume a kitchen and 1 or 2 reception rooms
- 7 plus room dwellings equate to 4 bed properties or larger – if we assume a kitchen and 2 reception rooms

Figure 5.4: The Size of Homes within Winchester and Market Areas

	1-2 Bedrooms (1-4 room)	2-3 Bedrooms (5-6 rooms)	4+ Bedrooms (7+ rooms)
Winchester	26%	40%	35%
- <i>Winchester City</i>	37%	38%	25%
- <i>Part in Central Hampshire</i>	28%	39%	33%
- <i>Part in South Hampshire</i>	20%	41%	39%
Central Hampshire Market Area	26%	44%	31%
South Hampshire	31%	49%	20%
South East	30%	45%	25%
England	33%	48%	20%

Source: Census 2001, adapted by DTZ

Red shading indicates high proportion of tenure type compared to District, relevant market area and South East average

Blue shading indicates low proportion of tenure type compared to District, relevant market area and South East average

- 5.25 Figure 5.4 demonstrates that Winchester has a slightly higher proportion of larger (4+ bedroom) properties than Central and South Hampshire and the South East as a whole. This is unsurprising given the high proportion of detached properties in the District. The number of small properties (1-2 bedrooms) is broadly on a par with the market areas and the South East.
- 5.26 Figure 5.4 also shows that within Winchester there is significant diversity in the size of homes in different parts of the District, as with dwelling types, reflecting the nature of these areas and the housing markets to which they relate:
- In the City, there is a high proportion of small (1-2 bed) properties, consistent with the type of properties concentrated in the urban area.
 - In the part of the District within Central Hampshire, the size of properties broadly reflects the rest of the Central Hampshire market area.
 - In the part of the District within South Hampshire, there is a strong bias towards larger properties (4 bedrooms or more) which complements the choice of properties available within the wider sub-region.
- 5.27 The size of the housing stock changes relatively slowly over time because new completions add around 1% to the stock each year, so the data from the Census 2001 is likely to be broadly representative of the nature of homes within the District. It is possible to estimate how the housing stock may have changed in relation to new completions by analysing data on the nature of new housing supply.
- 5.28 However, research in 2007 suggested that more 4 bedroom homes have been added to the housing stock over time through householders extending their homes than have been delivered through new housing development.⁶ The study estimated that in the 10 years to March 2005 around 74,000 large houses (four bedrooms) were produced through changes in the existing stock, compared to 66,000 produced through new building in the South East. It is important to keep in mind therefore that the size of the existing stock may change through conversion and extension activities as well as new supply.
- 5.29 Figure 5.5 illustrates that since 2001 (up to 2010/11) the number of new homes built within Winchester District was around 4,865. This suggests that the housing stock has grown by 10% since 2001 through new completions (just over 1% each year).
- 5.30 It is interesting to consider how recent completions compare to both the nature of properties in the existing stock and indicative projections on the size of homes future households are likely to occupy. Whilst Figures 5.6 - 5.8 provide data for the latest years, this pattern is representative of the nature of completions in the District since 2001.⁷
- Delivery of significant proportions of flats (56% of completions in 2008/09) would appear to provide greater choice within the existing stock within the District. The same

⁶ Cambridge Centre for Housing and Planning Research and Forum for the Future (2006) The Use of Existing Stock in the South East for the South East England Regional Assembly

⁷ Data on the size and type of completions has not been reviewed as part of the 2011 update.

is true for the delivery of 1 and 2 bedroom properties (71% of completions in 2008/09).

- However, indicative estimates of the size of property likely to be required to accommodate new household growth suggests that around half of the growth in households over the next 15 years will need to be accommodated in properties with 3 or more bedrooms.
- Section 7 considers the size requirements of those in housing need and whether the bias towards smaller properties and flats in recent completions reflects priority needs.
- Figure 5.8 shows that the pattern of affordable housing completions by size over the last 3 years has been dominated by smaller dwellings (1 and 2 bed properties). However, in the most recent year (2009/10), 26% (30 affordable dwellings) were delivered as 3 and 4 bedroom properties which may reflect the Council's recent efforts to secure larger affordable homes to reflect priority need.

Figure 5.5: Net Housing Completions in Winchester 2001/02 – 2010/11

Year	Net Completions
2001/02	366
2002/03	506
2003/04	603
2004/05	694
2005/06	490
2006/07	496
2007/08	562
2008/09	359
2009/10	286
2010/11	503
Total Since 2001	4,865

Source: Hampshire County Council

Figure 5.6: The Size of New Homes 2008/09

	1-Bed	2-Bed	3-Bed	4-Bed	5-Bed	Total (Net)
Winchester	23%	48%	19%	8%	2%	359
Central Hampshire	22%	39%	23%	14%	2%	2,180
South Hampshire	33%	48%	13%	5%	1%	3,990

Source: Hampshire County Council (*All dwellings excluding Open Market HomeBuy purchases*).

Figure 5.7: Completions by Type – All Dwellings and Affordable 2008/09

	All Dwellings			Affordable Dwellings		
	Flat	House	Total (net)	Flat	House	Total (net)
Winchester*	56%	44%	359	84%	16%	39
Central Hampshire	51%	49%	2,180	58%	42%	779
South Hampshire	74%	25%	3,990	81%	19%	1,240

Source: Hampshire County Council. *Total completions figures differ from Winchester City Council data presented in Figure 5.6 and 5.8 due to different method of collection but are used here to allow comparison on a consistent basis with the Central and South Hampshire market areas.

Figure 5.8: The Size of New Affordable Homes, Winchester 2007/08-2009/10

	1-Bed	2-Bed	3-Bed	4-Bed	5-Bed	Total (Net)
2009/10	39	47	22	8	0	116
- <i>Social rented</i>	33	36	22	8	0	99
- <i>Intermediate</i>	6	11	0	0	0	17
2008/09	41	20	6	0	0	67
- <i>Social rented</i>	27	10	6	0	0	43
- <i>Intermediate</i>	14	10	0	0	0	24
2007/08	62	79	15	0	0	156
- <i>Social rented</i>	20	27	10	0	0	57
- <i>Intermediate</i>	42	52	5	0	0	99

Source: Winchester City Council (includes social rented and intermediate, flats and houses)

Figure 5.9: Affordable Housing Completions by Size 2008/09

	1-Bed	2-Bed	3-Bed	4-Bed	5-Bed	Total (Net)	% of Completions Affordable
Central Hampshire	29%	47%	22%	3%	0%	779	36%
South Hampshire	31%	57%	11%	1%	0%	1,240	31%

Source: Hampshire County Council

6. Prices, Rents and Affordability

- 6.1 House prices, affordability and housing need in Winchester are a product of the demand and supply – evidence of which is presented earlier in this report. This section has not been reviewed as part of the 2011 update; with the exception of rental costs which have been updated as part of the Affordable Rent research. There are a number of reasons to analyse house prices (current and past):
- Allows assessment of affordability and provides evidence of the extent to which households are priced out of the market and may need subsidised housing
 - Provides evidence on the relative price of homes in different locations, which is one of the factors that influences migration and commuting patterns alongside employment opportunities
 - Provides evidence of the relative prices of different sized homes, one of the factors which indicates preference or demand for particular sizes of homes and can reflect shortages of certain sizes of properties relative to others – a useful indicator for Winchester City Council in considering policies on the mix of new homes in their areas
- 6.2 The latest data on house prices are summarised in Figures 6.1 and 6.2. Average prices in Winchester District significantly exceed those in both the Central and South Hampshire market areas. Prices are highest within the Central Hampshire area of the District.
- 6.3 Figure 6.1 shows that, despite the housing market downturn, triggered by global events in mid 2007, house prices within the District and market areas have doubled over the last 10 years. Although individual earnings and household incomes have grown over the same period (see Section 4) they have not grown by the same scale and the result has been declining affordability of home ownership.
- 6.4 Winchester appears to have experienced similar peak to trough house price falls as the South East as a whole. This pattern is consistent with house price change recorded by national indices including Nationwide and HBOS house price indices. The downturn has not fundamentally changed the position of Winchester in relation to the two market areas – the District remains more expensive on average than both Central and South Hampshire as a whole.

Figure 6.1: Long Run House Price Change and the Down Turn (2008/08) Mean Average House Prices (based on two-quarter weighted average), Q2 1999 – Q2 2009

	1999	2008	2009	% change 1999-2009	% change Q2 2008 – Q2 2009
Winchester	£150,200	£352,000	£319,800	113%	-10%
Central Hampshire	£134,500	£292,200	£276,700	106%	-9.5%
South Hampshire	£83,600	£205,900	£186,900	123%	-13%
South East	£108,800	£270,000	£241,800	124%	-10%

Source: Land Registry/DTZ

Figure 6.2: Current Average Prices at Sub-District Level Q2 2010

	Q2 2010
Winchester City	£365,700
- Part in Central Hampshire	£446,400
- Part in South Hampshire	£342,900
- Winchester District	£375,200

Source: Hometrack June 2010 (note different methodology to Land Registry and therefore prices for whole District differ)

- 6.5 Figure 6.3 illustrates the current profile of house prices within Winchester by type of property. Although average prices in Winchester City appear cheaper than the part of the District in Central Hampshire, it is only flat prices which are cheaper and combined with the relative bias in the stock towards flats and terraces this makes average prices appear cheaper than in other parts of the District. The southern part of Winchester District, which relates to the South Hampshire housing market area, is relatively cheaper across all property types.

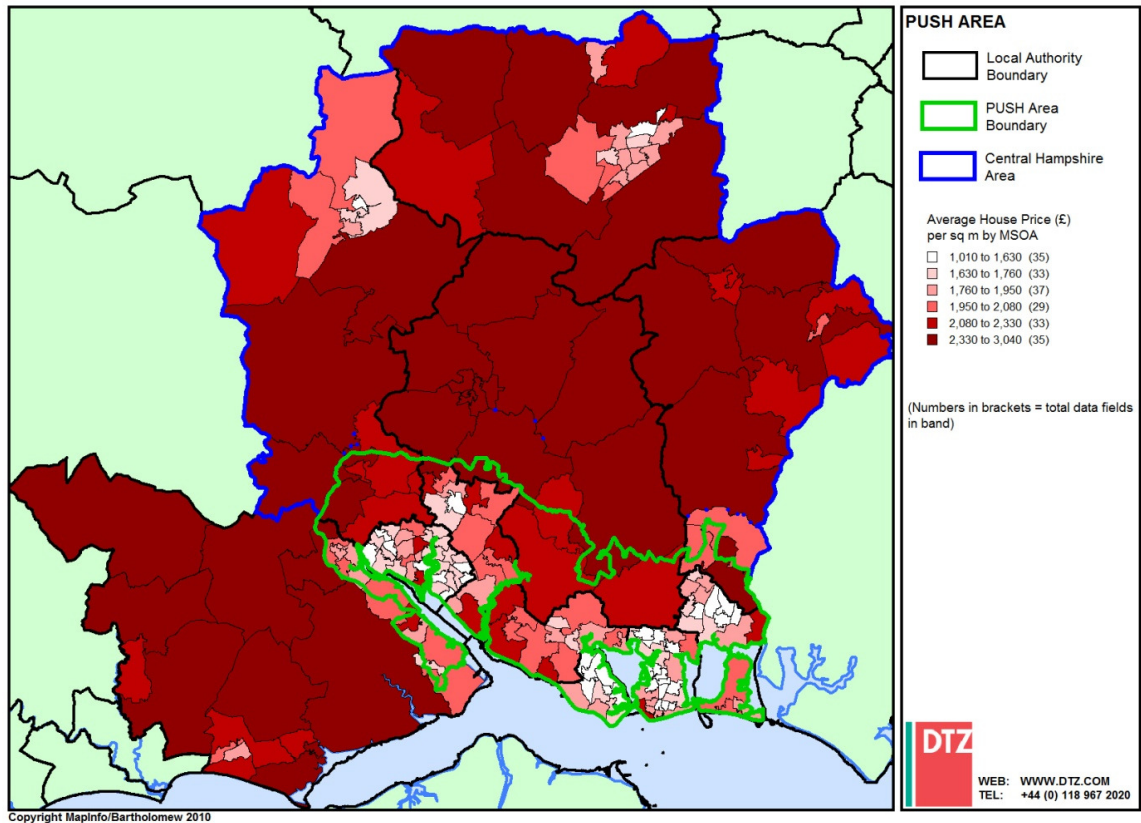
Figure 6.3: Current Price of Property by Type and Size (June 2010)

	Detached	Semi-detached	Terraced	Flat
Winchester District	£538,000	£313,700	£274,700	£181,800
- Winchester City	£677,100	£373,600	£310,100	£190,500
- Part in Central Hampshire	£634,400	£346,600	£303,100	£196,600
- Part in South Hampshire	£458,500	£270,900	£209,500	£124,700

Source: Hometrack

- 6.6 Although the concentration of larger properties in parts of the District does influence overall average prices, the difference in average house prices between Winchester and the markets of Central and South Hampshire is not explained by differences in the type and size of the housing stock.
- 6.7 Figure 6.4 illustrates the variation in house prices on a per square metre basis. Price per sq m controls for differences in the type and size of property in different locations and is therefore a clearer indicator of how demand pressure varies within and between authority areas. Figure 6.4 shows that when prices are compared on a like for like basis (price per sq m), Winchester is the highest price District within the Central and South Hampshire areas. Unlike the other urban areas of the two housing markets, Winchester City does not provide cheaper housing, relative to the rural hinterland.

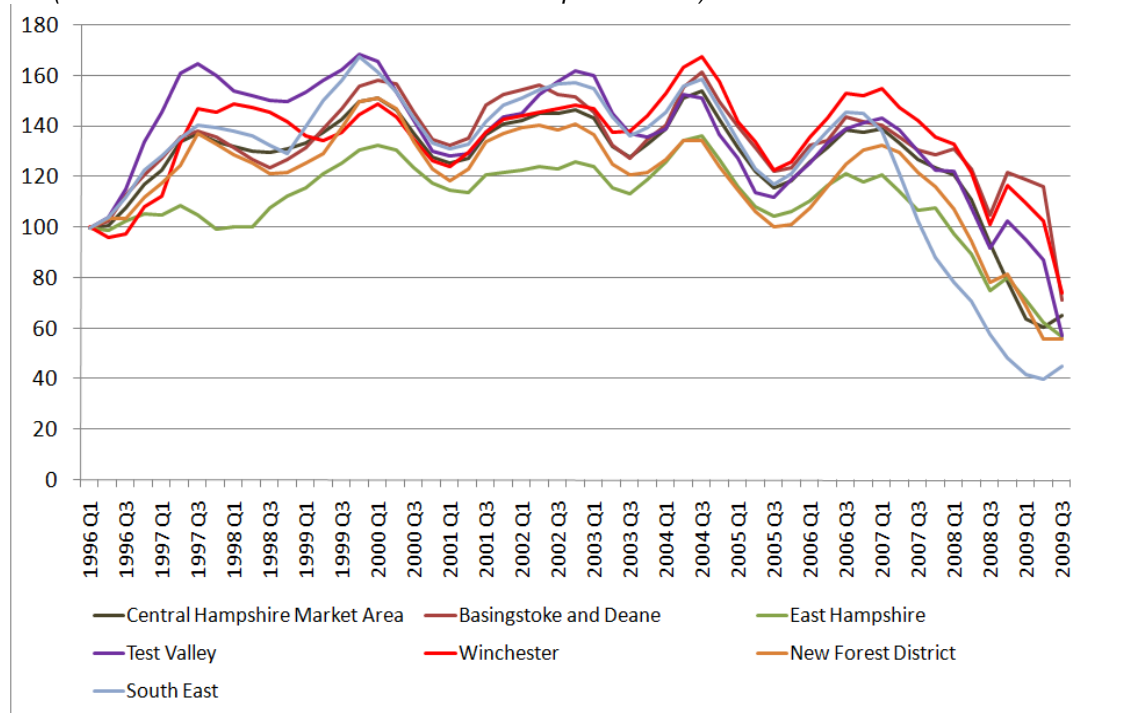
Figure 6.4: Variability in House Prices, Winchester, South and Central Hampshire Mean Average House Prices Per Square Metre September 2009 (MSOA = Middle Super Output Area; Numbers in Brackets Refer to the Number of MSOAs which fall into that Price Band)ⁱ



Source: Hometrack & DTZ

- 6.8 It is important to keep in mind that activity within the housing market (sales market) has significantly declined as a result of the downturn and transactions (sales) remain around half the levels associated with the decade to mid 2007 (see Figure 6.5). This means that price indices at the local level are less robust. It also has implications for the housing and labour market since the reduction in transactions means that fewer households are moving and there is less fluidity in the housing market which, all other things being equal, reduces flexibility within the labour market.

Figure 6.5: Significant Reduction in the Volume of Properties Sold
Indexed Change in Volume of Transactions (Four Quarter Moving Average) 1995 Q3 – 2009 Q3 (Whole Authorities included in Central Hampshire Area)



- 6.9 It is possible to analyse the price gaps between different ‘rungs’ of the housing ladder using data on house prices by dwelling size. This can demonstrate where households, particularly families, may face difficulties in trading up in the local market, even where they have been able to buy their first home in the area. It is assumed that the next step up the ladder is a dwelling with an extra bedroom, or in the case of a household currently inhabiting a two bedroom flat the next step is assumed to be a two bedroom house.
- 6.10 The difference between the price of a one and two bedroom flat in Winchester is 34% which is broadly consistent with the surrounding market areas. The average price of a two bedroom flat in the South East is 36% higher than a one bedroom flat. Caution needs to be applied in interpreting the figures for a single district area given the low level of transactions in the current market. Nevertheless, the data suggests that trading up from a 1 bedroom to two bedroom property involves significant additional cost and the gap in percentage terms is greater than trading up from a 2 bed to a 3 bed property. The data illustrates that households at the foot of the housing ladder, many of which may be young couples or families needing to occupy larger dwellings, face a significant jump in prices to trade up.
- 6.11 The price differential is highest between a 3 bed house and a 4 bed house. In Winchester, households would have to pay 44% more for a 4 bed house than they would on average for a 3 bed house. This price gap is likely to reflect a variety of factors however, not simply the supply (or lack) of larger, 4 bedroom homes. It may be the result of differences in quality of 3 and 4 bedroom homes, the location, garden size, or relative attractiveness of the neighbourhood in which they are found.

Figure 6.6: Additional Cost of Trading Up the Housing Ladder in Winchester (June 2010)

	Average Price	Additional Cost	Additional Cost (%)
1 bed Prices (Flat)	£141,978	-	-
2 bed Prices (Flat)	£189,774	+£47,796	34%
2 bed Prices (House)	£237,072	+£47,298	25%
3 bed Prices (House)	£314,759	+£77,687	33%
4 bed Prices (House)	£453,360	+£138,601	44%

Source: DTZ using Hometrack data

- 6.12 Lower quartile house prices within Winchester in Q2 2010 were £211,200. Assuming households require a minimum of a 10% deposit to access a mortgage and can borrow three times their household income; households need to have a minimum income of £63,400 in order to purchase a property in the District (Figure 6.7).
- 6.13 This is significantly above the average earnings of residents (£34,000 in 2009) though within the reach of households with two earners on average (full time) earnings. The mean average **household** income in Winchester in 2009 was around £47,100 and therefore the majority of Winchester's residents would be unable to purchase a property within the District, based on their current income levels. The implication of this analysis is that properties within the District are purchased by Winchester households on above average incomes or with access to equity and those with higher incomes (and equity) moving in from outside of the District.

Figure 6.7: Purchase Income Thresholds in Winchester

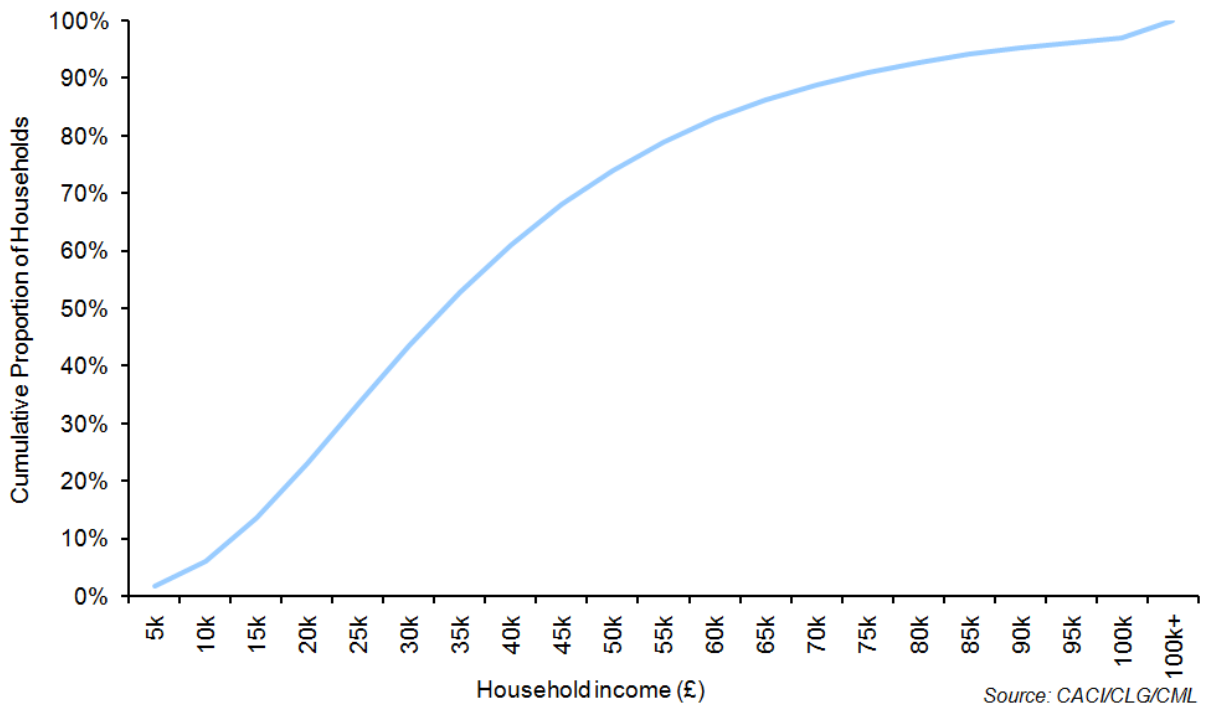
	Average Lower Quartile House Price (Q2 2010)	Minimum Deposit (10%)	Income Required to Borrow at 90% Loan to Value ratio (based on 3x income multiplier)
Winchester District	£211,200	£21,100	£63,400
- Winchester City	£229,400	£22,900	£68,800
- Part in Central Hampshire	£271,300	£27,100	£81,400
- Part in South Hampshire	£209,200	£20,900	£62,800

Source: Hometrack, CACI household income distribution (used in Central Hampshire SHMA 2007)

- 6.14 Winchester households with two earners, both on average full time earnings (£34,000 per annum each) would be able to afford a lower quartile priced property in the South Hampshire area of the District and within Winchester City but the Central Hampshire area of the district would be beyond the means of these households (unless they have access to significant savings, equity or family assistance).
- 6.15 Figure 6.8 provides a graphical illustration of the income distribution of Winchester households in £5,000 income brackets and can be used to extrapolate the point at which different housing options become affordable or unaffordable depending on household income. According to our analysis of lower quartile house prices, households require an income above

£63,400⁸ in order to purchase a property within the District (see Figure 6.7). Figure 6.8 illustrates that 84% of Winchester households have incomes below this level and are therefore priced out of homeownership on the basis of their household income. Of course this analysis does not take account of household savings, or the fact that most households are existing home owners and have equity within their properties. It also hides the fact that many households are retired, having purchased their properties decades ago when they were earning higher incomes. Nevertheless, it provides an illustration of the cost of property within Winchester compared to the incomes of households and highlights the difficulty that new households and first time buyers will have in accessing home ownership.

Figure 6.8: Winchester Household Income Distribution



Source: DTZ using CACI household income distribution data (used in Central Hampshire SHMA 2007)

- 6.16 Figure 6.9 illustrates the cost of renting within the District. These are calculated on the basis that households can afford to spend 25%-33% of their income on rental costs. Two bedroom properties are used in this analysis as a proxy for the size of home the average household will require even though there are cheaper 1 bedroom or house share options available since these are only suitable for the smallest households.
- 6.17 In Winchester, the income required to rent a 2 bedroom property is around £30-40,000. Therefore, approximately 30-45% of households are unable to afford to rent a 2 bedroom property in the open market (depending on how far they are able to stretch their incomes to afford open market rents).
- 6.18 This also implies that around 54% of households would be able to rent within the open market but would be unable to purchase, based on their incomes. The majority of these households,

⁸ This also assumes that the household has access to a deposit of 10% of the value of the property

on the basis of their incomes (which are generally below £60,000) would be eligible for intermediate products and this demonstrates the extent of overlap between the private rented sector and intermediate housing (low cost home ownership).

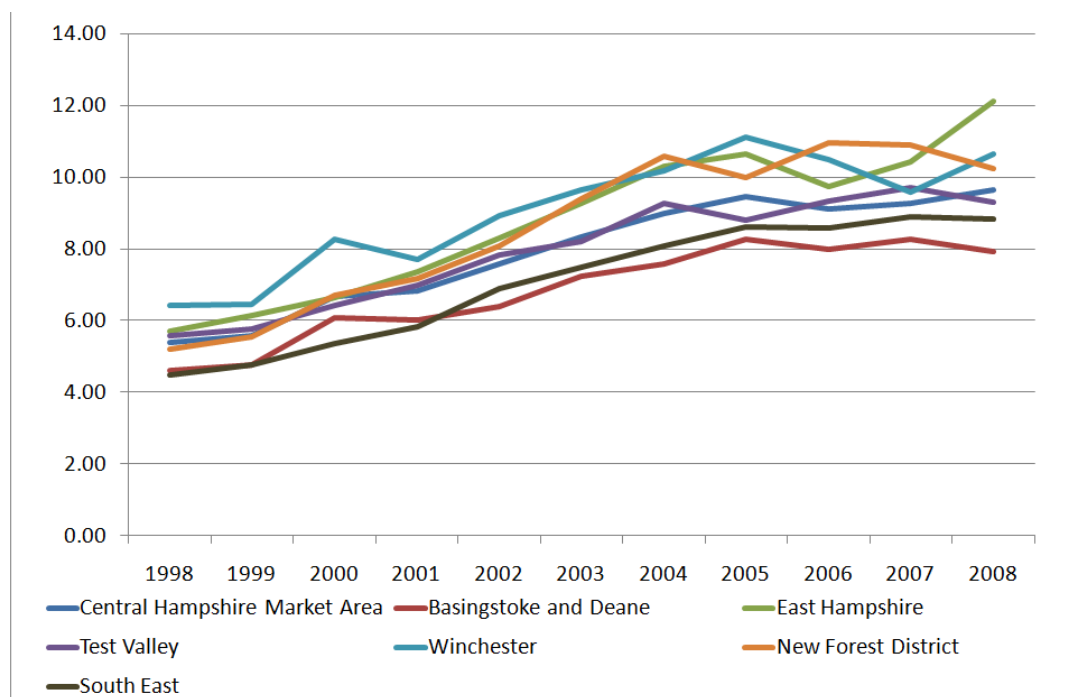
Figure 6.9: Income Required to Rent 2 Bedroom Property (August 2011)

	Market Rents				Housing Association Rents (excludes Local Authority Stock)			
	2 bed Property		Income Required		2 bed Property		Income Required	
	Cost Per Week	Cost Per Annum	25% of gross income	33% of gross income	Cost Per Week	Cost Per Annum	25% of gross income	33% of gross income
Winchester	£200	£10,400	£41,500	£31,000	£97	£5,000	£20,100	£15,100

Source: Rightmove & Dataspring (based on the assumption that households spend between 25% and 33% of income on rent)

6.19 It is important to understand the affordability of the private rented sector as well as home ownership as this has a direct impact on the number of households who fall into housing need because they are unable to meet their accommodation requirements within the market. Figure 6.10 illustrates the Government’s preferred measure of affordability and shows that Winchester District has become less affordable over time and, along with East Hampshire, is one of the least affordable Districts in Central Hampshire.

Figure 6.10: Declining Affordability



Source: CLG Ratio of Lower Quartile House Prices to Lower Quartile Earnings, 1998-2008 (Whole Authorities included in Central Hampshire Area)

7. Affordable Housing Need

- 7.1 This section demonstrates the broad scale and nature of housing need within Winchester. The analysis in this section has been updated in August 2012, following a review of the Council's waiting list. DTZ has repeated the housing need assessment which was undertaken for Winchester and the other Central Hampshire authorities in 2007 as part of the Central Hampshire and New Forest SHMA. A consistent methodology has been followed with three exceptions: data from the Council's new Choice Based Lettings System (Hampshire Home Choice) has been used, household projections have been updated and DTZ has reviewed the proportion of households unable to rent in the market (explained further below). We have also considered the implications of addressing the backlog over a longer time horizon.
- 7.2 DTZ has also undertaken research on the implications of the new Affordable Rent tenure – where rents can be set at up to 80% of market rents. This does not affect the results of the HNA but will have implications for how the identified needs can be met.

Figure 7.1: Housing Need Assessment Update

WINCHESTER HOUSING NEED ESTIMATE UPDATE	
Stage and Step in Calculation	Baseline
STAGE 1: CURRENT NEED	
1.1 Transfer tenants in housing need	450
1.2 <i>plus</i> Waiting list applicants in housing need	1,883
1.3 <i>plus</i> Homeless households without self-contained accommodation (included above)	-
1.4 <i>equals</i> Total current housing need (1.1 + 1.2 + 1.3)	2,333
1.5 <i>times</i> Annual quota for the reduction of current need (assuming the backlog of need will be addressed over 5 years)	20%
1.6 <i>equals</i> Annual requirement of units to reduce current need (2.6 x 2.7)	467
STAGE 2: NEWLY ARISING NEED	
2.1 New household formation (per year)	550
2.2 <i>times</i> Proportion of new households unable to rent in the market	30%
2.3 <i>plus</i> Existing households falling into need	173
2.4 <i>equals</i> Total newly arising need per year (2.1 x 2.2) + 2.3	338
STAGE 3: SUPPLY OF AFFORDABLE HOUSING	
3.1 Dwellings available when transfer tenants (1.1) re-housed over 5 years	90
3.2 <i>plus</i> Annual supply of social rented re-lets (net - excluding transfers, mutual exchanges etc)	344
3.3 <i>plus</i> Annual supply of intermediate housing available for re-let or re-sale at sub market levels	0
3.4 <i>plus</i> surplus stock	0
3.5 <i>plus</i> Committed supply of new social rented homes (per annum)	0
3.6 <i>minus</i> units to be taken out of management over 5 years	0
3.7 <i>equals</i> annual supply of affordable units (3.1 + 3.2 + 3.3 + 3.4 + 3.5 – 3.6)	434
NET SHORTFALL (OR SURPLUS) OF AFFORDABLE UNITS PER ANNUM	
Overall shortfall (1.6 + 2.4 – 3.7) per annum	371

- 7.3 Figure 7.1 summarises the assessment and concludes there is a need for around 371 affordable homes each year, provided at subsidised rents, to address the current backlog over 5 years as well as meeting newly arising housing need within the District. It should be noted that this estimate only includes the need for subsidised rented accommodation (social or affordable rented housing). This is because the incomes of those identified as in housing need in Figure 7.1 would not allow them to access the private rented sector and low cost home ownership options are also likely to be out of reach of these households. The need for intermediate affordable housing is considered separately in this section.
- 7.4 The shortfall in affordable accommodation in Figure 7.1 is broadly consistent with the shortfall calculated in the Central Hampshire SHMA (2007) and 2010 report although there are some differences in the inputs to each assessment, including:
- Higher number of households in need on the waiting list in 2012 (3,505) compared to 2007 (2,590), including those in Band 5.
 - We have also assumed that households can stretch their incomes to spend 33% of their gross income on rent, rather than 25%. This is much more reflective of what households do in practice and particularly those on lower incomes.
- 7.5 As with the HNA in the original SHMA (2007) and 2010 report, the calculation excludes Band 5 applicants on the waiting list as they are unable to demonstrate a clear need for housing under government guidance. If all applicants on the waiting list were counted the net shortfall would be 605⁹.
- 7.6 Figure 7.1 excludes supply from the delivery of new affordable housing since it is uncertain. If an average level of new affordable supply (over last 4 years) is assumed this would reduce the outstanding requirement for affordable homes by around 130 units, leaving the needs of around 241 households unmet each year though re-lets and new supply.
- 7.7 We have not assessed whether households are currently *in need* as part of this housing need assessment unless they are registered on the authority's waiting lists. However, it is worth noting that the Central Hampshire SHMA (2007) suggested that Winchester's waiting list did not appear to be reflective of the scale of households receiving housing assistance to the same extent as other Central Hampshire authorities. There were relatively fewer households on Winchester's waiting list when compared to the other authorities although the authority had one of the highest proportions of its population on housing benefit. This reflected the fact that Winchester has a relatively significant rural population and that households in housing need within rural areas often do not register their needs with the local authority because of they perceive that there is limited opportunity to accessing affordable housing. This updated assessment suggests that the proportion of Winchester's households on the Council's waiting list has increased since the 2007 assessment. However, it is still likely that affordable housing needs are in excess of those suggested by the model, due to the hidden nature of some need (eg non registration of households).

⁹ The Central Hampshire SHMA 2007 also provided an upper estimate of housing need, assuming that all waiting list applicants required affordable housing, not just those demonstrating clear needs. This upper estimate suggested a shortfall of around 440 affordable homes per annum.

Approach to the Housing Need Assessment

- 7.8 The inputs in this assessment are based on a variety of data sources which, in most cases, represent **actual** numbers and the real circumstances of individual households who have approached Winchester City Council for assistance regarding their housing situation¹⁰. DTZ has also used projections based on historic trends and outturns. This approach reflects the objective of the CLG SHMA guidance to undertake housing needs assessment using secondary data as far as possible.
- 7.9 Therefore, the figures arising from this housing needs assessment are not directly comparable to those produced using the household survey approach. Housing need surveys record the situations and aspirations of a sample of households and these are then grossed up to provide estimates of the level of housing need among the population as a whole.
- 7.10 There are three main stages in the assessment of housing need, which are explained in the rest of this section:
- Current need (often referred to as the backlog of housing need)
 - Newly arising need
 - Supply of affordable homes to meet need

Current Need (Backlog)

- 7.11 Stage 1 of the assessment considers the number of existing and hidden households who are currently in housing need. Current need comprises three main groups of households:
- Current occupiers of affordable housing in need i.e. existing tenants in need
 - Households from other tenures in need – predominately the private rented sector
 - Households without self-contained accommodation i.e. homeless households and households living with family/friends or multi-adult households sharing facilities.
- 7.12 There are 3,505 households registered on the Winchester City Council's waiting list (choice based letting system) which represents around 8% of all households within the District.
- 7.13 The estimate set out in Figure 7.1 includes only those applicant households whose circumstances fall within the housing need criteria set out in Figure 5.1 of the CLG guidance i.e. households who are:
- Homeless or have insecurity of tenure
 - Overcrowded
 - Living in property too difficult to maintain
 - Living in accommodation where they lack/share facilities such as a kitchen and/or bathroom

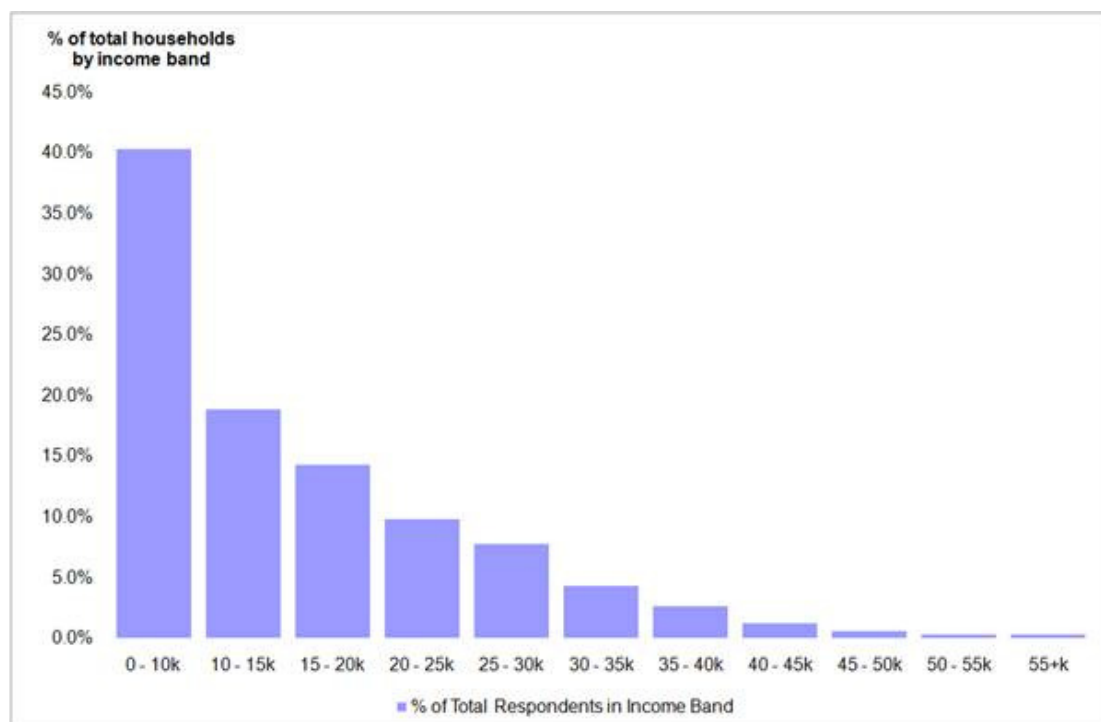
¹⁰ As at August 2012

- Living in unsuitable dwellings without the means to repair or adapt
- In social need due to harassment or threats of harassment which cannot be resolved except through a move.

7.14 Winchester’s housing waiting list (Hampshire Home Choice) allocates applicants to Bands according to their needs. Broadly, Bands 1 to 4 contain households experiencing the needs described above, with Band 1 being most acute and covering urgent homeless cases. Band 5 (763 households) has been excluded from the need assessment because these applicants do not have a clear need. A further 409 households in Bands 1-4 have been excluded from the assessment because they appear able to afford a market rent for the property size they need on the basis of their current income. This does not take into account any debts the household may have or whether they may need a more secure tenure.

7.15 It is worth noting that in the Central Hampshire SHMA DTZ recommended the collection of income data as part of the application process. This provides a useful addition to the authority’s information in relation to assessing the scale of need and also the affordability of intermediate housing products to those households on local authority waiting lists. Since the SHMA, Winchester has implemented a new choice based lettings system which collects income data from applicants. This significantly increases the robustness of the need assessment. This data shows that the majority of applicants have incomes of less than £20,000 and therefore are unlikely to be able to afford low cost home ownership options. This income data also allows us to exclude households from the HNA who may be able to afford market rents for the property size they need.

Figure 7.2: Annual Income (Including Earnings and Benefits) of Winchester’s Choice Based Letting Applicants



Source: Winchester City Council Hampshire Home Choice

7.16 Figure 7.1 shows that in total there are 2,333 current applicants who fall into Bands 1, 2, 3 and 4 and are unable to afford a market rent for the property size they need.¹¹ They are therefore in housing need. Figure 7.1 breaks this figure down:

- 450 are existing social rented tenants in need of a transfer
- 1,883 are households from other tenures in housing need (predominately the private rented sector or sharing with other households)

7.17 The need assessment assumes that this backlog of households in need will be addressed over a 5 year period. This equates to an annual backlog of 467 households. Given that the backlog of households in need has been building up for many years (even decades) and given past levels of affordable housing supply, it may be unrealistic to suggest that it is capable of being addressed over a 5 year period. In this assessment, we have considered the scenarios of clearing the backlog over 10 and 15 years (the latter period being consistent with the Council's Core Strategy). This does not mean that households will have to wait for 15 years to be housed. It means that we are allowing 10 or 15 years for the number of households in need to come into balance with the supply of properties available through lettings and new supply.

7.18 Figure 7.3 shows the impact of extending the time horizon to address the backlog of housing need. If new affordable supply (of 130 homes per annum) is taken into consideration and indeed maintained over the whole period, the shortfall falls to zero over 15 years. In practice, not all of the 130 new affordable homes would be suitable for those in housing need – some are likely to be provided as intermediate accommodation. Nevertheless, this does demonstrate the potential to address housing need if new affordable housing supply is maintained over a long period of time.

Figure 7.3: Total Affordable Housing Shortfall Under Different Time Horizons for Addressing the Backlog

Scenario	Time period for addressing backlog	Without new supply	With new supply of 130 affordable homes per annum
A	5 years	370	240
B	10 years	140	10
C	15 years	60	0

NB: rounded to nearest 10

Stage 2: Newly Arising Need

7.19 Stage 2 of the housing needs assessment considers the number of new and existing households who are likely to fall into housing need in the future. This stage of the assessment is based upon:

- New household formation and the proportion of newly forming households unable to buy or rent in the market
- Existing households falling into need.

¹¹ In August 2012 there were no households in Band 1

- 7.20 The projected level of household growth in Winchester is based on the latest household forecasts prepared by Hampshire County Council, presented in Winchester's Housing Technical Paper 2011 which supports Plan for Places. The Government is in the process of legislating to allow it to revoke all Regional Strategies including the South East Plan in July 2010 and local authorities can now determine their own housing requirements. Winchester City Council's proposed dwelling requirements, using Hampshire County Council's projections, are 550 per annum over the plan period (2011-2031).
- 7.21 The assessment then estimates the number of these new households unable to afford to buy or rent in the market place. The guidance recommends that the approach taken here is based on a comparison of minimum incomes required to access market housing against the distribution of incomes for **newly** forming households. However, while data on the distribution of incomes amongst all households is available, it is only possible to estimate the incomes of **new** households.
- 7.22 DTZ has used CACI household income data to provide the proportion of households unable to afford to *buy or rent* market housing in Winchester. The proportion of households able to access different tenures is analysed in Section 6.
- 7.23 In Winchester the household income threshold required to rent a two bedroom property is £30-40,000 (based on households spending 25-33% of their gross incomes on rent). This means that 30-45% of households are unable to afford to rent in the open market. However, these figures relate to the general household population not new households, whose incomes are generally much lower.
- 7.24 The Central Hampshire SHMA demonstrated that the incomes of new households are on average around two thirds of the incomes of households as a whole, using data from the Survey of English Housing. The implication of applying this assumption would be that over 70% of new households were unable to afford to rent in the open market in Winchester. However, in the baseline need assessment we have made a more moderate assumption that 30% of households are unable to afford to rent in the open market. This is consistent with the proportion of Winchester residents with insufficient incomes to afford to rent though we assume they can spend 33% of their gross incomes on rent. When combined with assumptions about household growth within the District, this equates to 165 **new** households falling into need each year on the basis of affordability.
- 7.25 However, if the assessment used different assumptions about the ability of new households to afford open market housing or the level of household growth, this would result in different calculations of the overall shortfall. Unlike the calculation of current need, newly arising need is an estimate and is dependent on the relationship between future house prices and incomes and the level of household growth. For this reason, Figure 7.4 sets out the implications for the shortfall of affordable housing based on different scenarios for household growth and affordability in the open market (to rent).

Figure 7.4: Impact of Different Household Growth and Affordability Assumptions on the Affordable Housing Shortfall

Household Growth Per Annum	Basis for Household Growth Assumption (historic trend or forecast)	Proportion of New Households Unable to Afford to Rent in the Market			
		25%	30%	45%	55%
400	Average rate between 1991-2001 recorded by Census	310	330	390	430
500	Average rate between 1981-2001 recorded by Census	330	360	430	480
550	Proposed housing allocation in Core Strategy 2011-2031	340	370	450	510
600	Average rate between 1981-1991 recorded by Census	360	390	480	530

Note: figures rounded to nearest 10. Figure in bold highlights the baseline estimate set out in Figure 7.1. These figures do not take account of new affordable housing supply in the future. The shortfall could be reduced if new affordable supply is taken into account, with the potential to secure higher levels of supply with higher levels of overall housing growth.

7.26 The implication of Figure 7.4 is that, even under the lowest recorded historic annual household growth rate and assuming rental affordability improves within Winchester, there remains a shortfall of affordable homes. These homes either need to be provided through new supply and/or by radically increasing net re-lets within the existing stock over the next 5 years. It is important to note that our baseline assessment of housing need (Figure 7.1) and the scenarios in Figure 7.4 do not include new affordable homes which could be provided in the future. New supply has the effect of reducing the shortfall and higher levels of new supply could be secured with higher levels of overall housing growth.

7.27 The second component of the estimate of newly arising need is the number of *existing* households falling into need. The CLG guidance considers that this should be estimated by the net average number of households joining housing registers each year. We have used the average figure for the last 5 years. Using Winchester’s waiting list, it is possible to analyse the needs of new applicants. Around 70% of new applicants are registered in Bands 1-4 (can demonstrate housing need) and are unable to afford a market rent for the property size they need. This equates to 173 households falling into need each year. We have excluded new applicants falling into Band 5 and those in Bands 1-4 who can afford a market rent for the property size they need.

Stage 3: Affordable Housing Supply to Offset Need

7.28 Stage 3 in the assessment seeks to establish the level of supply available to offset need and takes into account:

- The number of units that will become available when existing tenants are re-housed (transfers within the social rented stock)
- Re-lets within the existing stock

- Any surplus social rented units e.g. long term vacant property (which could be brought into use to improve supply)
 - Any units that will be taken out of management e.g. demolitions, disposals (which would reduce supply).
- 7.29 The rate at which transfer applicants are re-housed varies depends on turnover rates, allocation policies and the priority afforded to different categories of applicants and needs groups. The assumption set out in the CLG guidance has been adopted. This assumes that those existing tenants (transfer applicants) in housing need identified in Stage 1 of the assessment will be re-housed and will therefore create a vacancy for another household in need (thus having a nil effect on the overall housing need figures). In Winchester, 450 dwellings will become available when existing tenants on the transfer list are re-housed (90 per annum over the 5 year period).
- 7.30 The annual supply of social rented re-lets is based on past trends and excludes lets to transfers, mutual exchanges, successions and assignments. This provides a net annual supply figure for social rented stock, based on an average of the last 5 years. In Winchester, local authority and RSL re-lets taken together, excluding transfers and mutual exchanges, give an estimated supply of 344 rented units per annum.
- 7.31 The latest figure on vacant social rented dwellings (voids) within Winchester across local authority stock is 66 units (HSSA return 2011). The CLG guidance states that '*a certain level of voids is normal and allows for transfers and works on properties. However, if the rate is in excess of approximately 3 per cent and properties are vacant for considerable periods of time, these should be counted as surplus stock.*'¹² As voids within Winchester account for just over 1% of the social rented stock they are therefore not considered as part of the available supply.
- 7.32 The baseline assessment does not include the number of intermediate tenure units becoming available for re-let each year since data on household incomes of those on Winchester's waiting list suggests over 90% would be unable to afford intermediate options. Nevertheless, evidence suggests that intermediate products could be used in a targeted way to support the release of social rented accommodation. Data from the Local HomeBuy Agent (HomesinHants) reveals that there are a modest number of households living in social rented accommodation who are interested in accessing intermediate options (considered further on in this section).
- 7.33 The baseline assessment does not include new affordable housing supply, which, to an extent, depends on planning policy requirements. We have estimated new affordable supply to deliver around 130 homes each year, based on the average of the last 4 years and cross checked with future allocations (2011-2014). Although if a policy requirement for 40% of all new dwellings to be affordable were introduced this would deliver up to 220 homes per annum. Delivery of 130 new affordable homes housing will address around one third of the shortfall in affordable housing in the District, with 220 new affordable homes meeting over half. However, if this level of new supply is maintained over the whole plan period and the backlog of need is addressed over this period, the model suggests that the shortfall would be addressed.

¹² Step 3.2, Chapter 5, CLG (March 2007) Strategic Housing Market Assessments – Practice Guidance

7.34 However, this assumes that the new affordable housing delivered contributes to addressing the needs of households on the waiting list. Under Government proposals, the majority of new affordable housing will be delivered as Affordable Rent (where rents are set at up to 80% of market rents). In a separate study¹³, DTZ has considered the extent to which rents set at 80% of market levels would be affordable to those in housing need. In summary:

- Affordable Rent is allowing Providers to continue to deliver affordable housing with much reduced grant levels. Without the flexibility to increase rents, affordable housing supply would be significantly reduced in the period 2011-15 compared to the past.
- However, the impact of this new tenure on the ability to meet housing need within Winchester will depend on the level of rents set by Providers.
- Affordable Rents set at 80% of market rents within many parts of Winchester District would be unaffordable to those claiming housing benefit. In many parts of the District, including Winchester City, 80% of market rents would lie above Local Housing Allowance rates.
- Affordable Rents set at 70% of market rents would be affordable across most of the District to those claiming Housing Benefit. There would still be some larger properties in the City will remain unaffordable at this level.
- Using an affordability benchmark of 33% of household incomes would imply that Affordable Rents need to be set significantly below 80% of market rents to be affordable to those in housing need. However, in practice, many households spend more than 33% of their incomes on rent.
- Households in need but *not* reliant on benefits are generally better able to afford Affordable Rents set at 80% of market rents. The incomes of these working households appear to be higher than other applicants.
- There is scope for some existing social rented tenants to afford Affordable Rents (set at 80% of market rents) but it is uncertain whether they would be willing to change their tenancy. If existing tenants are reluctant to move to Affordable Rented properties – either because of higher rents or less secure tenancies – this may reduce the supply of re-lets within Winchester and impact on the Council’s ability to meet housing need.

Size Requirements for Social Rented Homes

7.35 It is important to bear in mind in this analysis that assessments of housing need generally identify more need that can be addressed through new affordable housing development. This inevitably means that the local authority needs to prioritise who they assist. The type, size and tenure of housing to address these priority needs may well be different to the generality of need identified. For example, households with children living in overcrowded conditions are likely to be a high priority for housing on Winchester waiting list and this implies the need for family type accommodation. This contrasts to the need implied by looking at the generality of households on the waiting lists who ‘need’ a 1 bed property.

7.36 In reality, even those households judged to ‘need’ a 1 bed property may prefer a larger home but given the shortage of affordable housing, local authority allocation policies will provide households with only their minimum requirements. This means that households identified on

¹³ Winchester City Council, undertaken by DTZ (January 2012) Affordable Rent: Cost, Affordability and Implications

waiting lists as needing a 1 bed property include couples as well as single people. Many of these couples may go on to start a family and will need re-housing in the short term.

- 7.37 Similarly, households containing two young children may be allocated a home with just two bedrooms, with the expectation that the children can share a bedroom. The size requirements of households accessing the social rented sector are therefore fundamentally different to the market sector because households are only allocated a property that meets their basic minimum requirements. In contrast, in the market sector households may be able to choose more space to allow for the expansion of their household or to provide space for other activities, visitors etc.
- 7.38 In examining the size requirements of those identified as in housing need it is important to keep this rationing process in mind. Furthermore, small properties become available for re-let most frequently in Winchester, both because they are more numerous and also because households living in these properties are more likely to move for the reasons discussed above. Similarly, larger properties are less numerous and, particularly in rural areas are more likely to have been sold through Right to Buy, and households living in larger homes are less likely to move.

Figure 7.5: Proportion of Households Requiring Different Sized Properties by Band

	Band 1	Band 2	Band 3	Band 4	Band 5	All
1 bed	0	83	1269	354	407	2,113
2 bed	0	19	409	107	166	701
3 bed	0	6	253	53	133	445
4 bed	0	2	138	46	57	243
Total	0	110	2069	560	763	3,502

Source: Winchester City Council Hampshire Home Choice 2012

Figure 7.6: % of Priority Households Requiring Different Sized Properties

	Bands 1 & 2	Bands 1, 2 & 3	Bands 1-4
1 bed	75%	62%	62%
2 bed	17%	20%	20%
3 bed	5%	12%	11%
4 bed	2%	6%	7%
Total	100%	100%	100%

Source: Winchester City Council Hampshire Home Choice 2012

- 7.39 Overall, 62% of households require a one bedroom property (Figure 7.6). When the profile of households in need is compared to the profile of re-lets within the social rented stock (in the year to August 2012) this analysis reveals where the pressures lie. Comparing the requirements of all households on the waiting list with the pattern of re-lets in the social rented stock suggests that the greatest pressure is on the largest dwellings (4 bed properties) because so few of them are available for re-let.

Figure 7.7: Comparison of Requirements of All Applicants with Re-Lets by Size

	Size Required by Applicants	Size of Re-lets	Size Required by Applicants %	Size of Re-lets %	Ratio of Applicants: Property
1 bed	2,113	124	60%	42%	17
2 bed	701	114	20%	39%	6
3 bed	445	50	13%	17%	9
4 bed	243	4	7%	1%	61
Total	3,502	292	100%	100%	12

Source: Winchester City Council Hampshire Home Choice 2012

- 7.40 Focusing on applicants in highest priority need (given the shortage of accommodation those most likely to be housed) suggests there remains significant pressure on 4 bedroom properties.

Figure 7.8: Comparison of Requirements of Bands 1-3 with Re-Lets by Size

	Size Required	Size of Re-lets	Size Required %	Size of Re-lets %	Ratio of Applicants: Property
1 bed	1,706	124	62%	42%	14
2 bed	535	114	20%	39%	5
3 bed	312	50	11%	17%	6
4 bed	186	4	7%	1%	47
Total	2,739	292	100%	100%	9

Source: Winchester City Council Hampshire Home Choice 2012

- 7.41 It is useful therefore to consider whether affordable housing delivery in recent years has provided the kind of homes that those in priority need require (those in Bands 1, 2 and 3 in particular). Figure 7.9 shows that over the 2007/08-2008/09, the majority (90%) of affordable homes have been delivered as 1 and 2 properties. This compares to 63% of high priority households on the waiting list requiring 1 and 2 bedroom properties and suggests relative under-delivery of larger affordable homes when compared to priority needs in the District. Delivery in 2009/10 included a higher proportion of 3 and 4 bed properties which may reflect the Council's recent efforts in securing more larger homes to meet priority need.

Figure 7.9: The Size of New Affordable Homes, Winchester 2007/08-2009/10

	1-Bed	2-Bed	3-Bed	4-Bed	5-Bed	Total (Net)	% 1 and 2 Bedroom
2009/10	39	47	22	8	0	116	74%
- <i>Social rented</i>	33	36	22	8	0	99	70%
- <i>Intermediate</i>	6	11	0	0	0	17	100%
2008/09	41	20	6	0	0	67	91%
- <i>Social rented</i>	27	10	6	0	0	43	86%
- <i>Intermediate</i>	14	10	0	0	0	24	100%
2007/08	62	79	15	0	0	156	90%
- <i>Social rented</i>	20	27	10	0	0	57	82%
- <i>Intermediate</i>	42	52	5	0	0	99	95%

Source: Winchester City Council (*includes social rented and intermediate, flats and houses*)

Demand for Intermediate Affordable Housing

- 7.42 There are a significant proportion of households within Winchester who are unable to access home ownership but who are able to afford more than a social rent. This includes a proportion of households in need on Winchester's waiting list who have incomes which suggest they are able to afford more than a social rent for the size of property they need. This is particularly relevant when considering the extent to which the new Affordable Rent tenure can meet housing need within the District.
- 7.43 Figure 7.10 sets out the number of households who have applied for intermediate products within Winchester and in the two market areas. These include low cost home ownership and intermediate rental products. This suggests there are 325 households actively looking to access intermediate products within the District. Figure 7.10 includes only those households who have applied to the Local HomeBuy Agent. There are an additional 413 households on Winchester's waiting list (Hampshire Home Choice) who fall within priority Bands 1-4 but who can afford a market rent for the property size they require but would be unable to afford to buy. These combined 'waiting lists' suggest there may be interest from 738 intermediate households for intermediate type products within Winchester.
- 7.44 In theory, there is a much larger intermediate market on the basis of household incomes within Winchester. Section 6 demonstrates that, on the basis of households incomes in the District around half of the households in Winchester fall into the intermediate market ie they cannot afford to buy but can afford to rent without subsidy. However, it is important to keep in mind that households registered with the Local HomeBuy Agent often have other choices within the housing market. Most are able to access the private rented sector; some may be able to access home ownership with family assistance.
- 7.45 Over the last decade, there has been an expansion of low cost home ownership aimed at meeting the needs of households on the margins of accessing home ownership. Public subsidy has been provided through the Housing Corporation and HCA to support the development of intermediate ownership products as a proportion of new housing development. These products are now all branded under the 'HomeBuy' name. Access to,

and marketing of, new intermediate homes delivered by housing associations is organised by Local HomeBuy Agents. Within Winchester and both Central and South Hampshire areas, Swaythling act as the Local HomeBuy Agent and maintain a list of households who have registered their interest in these products and meet the eligibility criteria. To be eligible, households must have incomes of less than £60,000 and are also assessed by Local HomeBuy Agents for their ability to afford intermediate options.

- 7.46 More recently, Government introduced intermediate rental products (Rent to HomeBuy and Intermediate Market Rent) which give households up to a 20% discount on market rents. Though the same eligibility criteria used for LCHO has been applied to these products and so in practice they have been aimed at and accessed by households on the margins of home ownership rather than those on the margins of private renting. It is important to note that the new Affordable Rent tenure is not intermediate housing; it is intended to be for those in housing need who would have traditionally accessed social rented accommodation. DTZ would suggest that, if Affordable Rents are set at levels above the Local Housing Allowance or at levels which are unaffordable to those in housing need, these properties should be defined as intermediate housing.

Figure 7.10: Demand for Intermediate Housing (Low Cost Home Ownership and Intermediate Rental Products)

	Numbers Actively Looking	Current Tenure					
		Private Rented	Family/Friends	Social Rented	Owner Occupied	Shared/Ownership	Other
Winchester	325	47%	29%	8%	4%	4%	8%
Central Hampshire	2,910	40%	34%	10%	9%	3%	5%
South Hampshire	3,930	39%	36%	9%	8%	1%	6%

Source: HomesinHants –HomeBuy agent responsible for marketing intermediate products in Hampshire. Data as at October 2009 for South and Central Hampshire; as at July 2011 for Winchester

- 7.47 Intermediate affordable housing has been aimed primarily at households on the margins of home ownership, with an explicit purpose of extending home ownership to more households. However, there may be some scope for intermediate housing to play a greater role in addressing housing needs by helping local authorities and housing associations to free up social rented accommodation. Figure 7.10 suggests that around 8% of households registered for intermediate housing and are eligible for the products available are already social rented tenants within Winchester. This provides potential for intermediate housing to be targeted at social tenants who are willing and able to afford it, thus freeing up social rented accommodation for households in need on the local authority waiting lists.

Figure 7.11: Size of Intermediate Households

1 person	2 person	3 person	4 person	5 person	Total
92	128	65	32	8	325
28%	39%	20%	10%	3%	

Source: HomesinHants –July 2011

- 7.48 The majority of households interested in intermediate options within Winchester are one and two person households. However, the preference amongst households who have registered their interest with HomesinHants is for properties which are larger than their basic needs might require. Half of those households interested would prefer a 2 bedroom property. A further 16% would prefer 3 bedrooms or more. Delivery of new intermediate affordable homes over the last 3 years has been dominated by 1 and 2 bedroom homes however. The majority of households would also prefer a house to a flat.

Figure 7.12: Size of Home Required by Intermediate Households

Size of Home Preferred	Number	%
1 bed	106	33%
2 bed	165	51%
3 bed	53	16%
4 bed	1	0%
Total	325	100%

Source: HomesinHants –July 2011

- 7.49 The data suggests that it is predominately young working households who are interested in intermediate products. Over half of those registered with the Local HomeBuy Agent are aged 25-34. This is consistent with data collated at the national level through the Survey of English Housing which suggests that the age at which households become homeowners has increased over time as a result of declining affordability.

Figure 7.13: Age of Intermediate Household (Applicant)

Age group of applicant household								Total
Under 20	20-24	25-29	30-34	35-44	45-54	over 55	Not known	Total
1%	17%	32%	19%	19%	8%	4%	0%	100%

Source: HomesinHants –July 2011

- 7.50 Figure 7.14 provides data on the household income of those interested in intermediate housing products, collected by the Local HomeBuy Agent. Given that the household income threshold required to access home ownership within Winchester is around £63,000 (see Section 6), none of those interested in intermediate affordable housing would be able to afford to access the open market unless they are able to secure assistance from family or have access to significant equity. However, Figure 7.15 shows that only around 13% of those registered have savings approaching the level required for a 10% deposit on a lower quartile property in the District (in excess of £20,000).

Figure 7.14: Household Incomes of Intermediate Households

Bed Size	Household Income £ (Thousands)					Total
	Less than 20,000	20,000 - 29,999	30,000 - 39,999	40,000 - 49,999	50,000 plus	
1 bed	17	50	25	12	2	106
2 bed	26	50	48	31	10	165
3 bed	6	15	20	10	2	53
4 bed	0	0	0	0	1	1
Total	49	115	93	53	15	325
	15%	35%	29%	16%	5%	100%

Source: HomesinHants –HomeBuy agent responsible for marketing intermediate products in Hampshire.

Figure 7.15: Savings of Intermediate Households

Bed Size Wanted	Level of Savings							Total
	under £3,000	3,000-4,999	5,000-9,999	10,000-14,999	15,000-19,999	20,000-24,999	25,000 plus	
as a % of total registered	34%	21%	17%	10%	4%	3%	10%	100%

Source: HomesinHants –HomeBuy agent responsible for marketing intermediate products in Hampshire.

- 7.51 However, the household income data also suggests that the majority of intermediate households can afford to access the private rented sector within Winchester without assistance. Section 6 estimated that the income threshold required to afford a 2 bedroom property in the private rental market was around £30,000. The household income levels of intermediate households suggest that over half of them could afford to rent a property in the open market and 80% of those households needing a 1 bedroom property could afford to rent in the open market. Affordable Rents set at 80% of market levels would extend affordability to over 70% of all intermediate households and would particularly help those needing 3 bedroom properties.¹⁴

Housing Need Summary

- 7.52 The evidence presented in this section can be summarised as follows:
- There is a need for an additional 371 homes for those in need, each year, available at subsidised rents (social or affordable rents). This is under the assumption that the shortfall in affordable homes is addressed over 5 years.
 - If new affordable homes are delivered in line with past rates and the current pipeline (130 new homes each year) this would reduce the shortfall to 241 homes per annum. If the Council were able to secure more affordable housing eg 40% of all new homes

¹⁴ Winchester City Council undertaken by DTZ (January 2012) Affordable Rent: Cost, Affordability and Implications

then this could deliver up to 220 new affordable homes per annum, reducing the shortfall to 151 per annum.

- If the City Council aim to deal with the affordable housing shortfall over a longer period the model suggests that the shortfall could be eliminated over 10-15 years if consistently high levels of affordable housing delivery are maintained (100 plus new homes per annum). It would take 7-8 years to address the affordable housing shortfall if the Council was able to secure 220 affordable homes per annum (40% of all new housing based on the proposed housing allocation).
- There would still be housing need within the District on an ongoing basis, even after these long periods of sustained supply, but this would be more likely to be met through re-lets within the existing stock of affordable homes.
- In practice, not all of the new affordable housing delivered will be suitable and affordable to those in need of subsidised rental accommodation and so a shortfall may persist for longer.
- If a long period (15 years) was used to address the backlog of housing need the Council would need to monitor progress closely to ensure that new affordable housing supply was addressing priority needs and to identify changing trends in both housing needs and supply.
- There are an additional 738 intermediate households – either registered with Homes in Hants or the City Council. These households can, by and large, afford market rents and are primarily interested in low cost home ownership options.
- If this current level of ‘demand’ for intermediate housing is spread over 5 years this would equate to an additional 148 intermediate affordable homes each year and would represent just over one quarter of the total affordable housing requirement. Taken together, the need for subsidised rental accommodation and intermediate homes equates to around 519 affordable homes per annum (over a 5 year period).

8. Policy Implications

Key Policy Themes and Principles

- 8.1 The following policy themes follow from the evidence presented in this report and also relate to the key requirements of PPS3 (to be replaced by the National Planning Policy Framework) and Government's housing policy¹⁵:
- Ensuring the delivery of new housing.
 - Influencing the housing mix (type and size) of market homes.
 - The need for affordable housing and the size of homes required.
- 8.2 The purpose of this Winchester SHMA is to analyse evidence at the sub-district level to complement the evidence of strategic housing demand and need in the South Hampshire and Central Hampshire SHMAs. Within its Core Strategy, the Council is developing policies which relate to:
- The strategic needs of the authority and wider housing market(s) to which it relates.
 - The characteristics and needs of the sub-district areas within Winchester.
- 8.3 These twin considerations aim to ensure that the nature of housing development on Winchester's development sites over the plan period respond to local characteristics as well as the authority's strategic needs. The second point, however, raises questions about how far the Council wish to try and create a more balanced mix of households or types of homes through new development, particularly where concentrations of particular groups, tenures or types of housing can be identified.

Overall Housing Provision

- 8.4 There has been considerable uncertainty about the overall level of housing that local authorities need to plan for since the Government set out its intention to abolish Regional Spatial Strategies and allowed local authorities to determine their own housing requirements. Winchester City Council has undertaken work to establish the appropriate level of housing supply over the plan period 2011-2031. This is presented in the Housing Technical Paper (2011) which supports Plan for Places (the City Council's consultation on the Core Strategy). This proposes the delivery of 11,000 homes (550 per annum) over the next 20 years, taking into account household forecasts, economic growth and capacity for new development.
- 8.5 It is important to keep in mind that in order to be able to maintain the delivery of affordable housing and influence its type and size, Winchester City Council needs to secure the delivery of housing overall. This is made more challenging by uncertainty in the planning system, in addition to the housing market downturn and weak economy which has made new housing development more difficult to deliver.

¹⁵ At the time of writing the shape of planning for housing policy is uncertain. The policy implications outlined in this section are therefore shaped by the evidence in the SHMA and the existing policy framework at the national and local level.

- 8.6 Winchester City Council will need to bear in mind that the mix of sites allocated in development plan documents will influence the mix (size and type) of new housing developed – market and affordable. This will also be important to maintaining delivery in the downturn, when developers may need to change the mix on sites in order to secure their viability and whilst the market for apartments remains challenging as a result of the drop in buy-to-let investors and off plan sales.

Consider Planning for Growth of the Private Rented Sector

- 8.7 Evidence in this SHMA suggests that a significant proportion of households within Winchester will be unable to access home ownership on the basis of their household incomes. Although demand for new homes within Winchester will arise through in-migration as well as the needs of existing residents, this SHMA suggests that growth in the proportion of home owners may have peaked as a result of long term declines in affordability and fundamental changes in the availability and cost of credit following the global credit crunch and housing market downturn. The private rented sector has grown in recent years and further growth of the sector seems inevitable given the limits to owner occupation and constraints on public sector funding of affordable housing.
- 8.8 Winchester City Council may wish to consider whether to put in place policies or activities to actively facilitate and support the private rented sector in the future. There are two main reasons why support would be justified:
- As a means of **securing the delivery of new homes** through ‘build to let’ and funded by institutional investment in the private rented sector. There is a significant level of funding which could be directed from institutional investors (pension funds etc) into new housing development given the right level of returns and appropriate development schemes. This is the focus of the HCA’s Private Rented Sector Initiative.
 - As a means of **addressing needs of intermediate households**. Evidence in this SHMA suggests that there is significant overlap between those households who are interested in or who have accessed low cost home ownership products (subsidised by Government) and those households who live in the private rented sector (unsupported by Housing Benefit). In an era of constrained resources and funds for affordable housing the encouragement of the development of a high quality private rented sector could increasingly become the means by which the needs of intermediate households are met.
- 8.9 Whilst it is too early to tell whether institutional investment in the private rented sector will take off, and it is likely to be focused in London initially, Winchester City Council may wish to set out in policy (perhaps in relation to specific sites) that it will consider build to let schemes favourably, either as part of a large development scheme or on a scheme exclusively designed for private renting.
- 8.10 Any policy in relation to the private rented sector will need to take into account the development of new Affordable Rented homes (which may be let at 80% of market rents). If Affordable Rents are set at 80% of market rents then there may be some overlap between the sectors in terms of the households who may take up these properties. However, the availability of properties at the lower priced end of the private rented sector within Winchester is very limited so this is a limited risk within the District.

Influencing the Mix of New Homes

- 8.11 PPS3 states that local authorities should plan for market housing by setting out the **profile** of households likely to require market housing. Developers are then expected to respond by bringing forward developments that meet these broad requirements. Although PPS3 is likely to be replaced with the National Planning Policy Framework, which has no such guidance on housing development, it is a useful exercise for the purposes of local planning to consider the profile of current and future households. Drawing on the evidence presented in previous sections of this report, the following points can be made about the profile of households requiring market housing in Winchester as a whole:
- In Winchester, around 70% of households could afford to access market housing (to rent or buy) based on their current incomes. Within this, we estimate that 16% could access home ownership and 54% could access the private rented sector without assistance (and by implication some of these could afford intermediate rent and sale products). This is an estimate since some additional households may benefit from financial support from their families to access home ownership. Furthermore, in-migration is likely to boost the demand for market housing since many of these households are affluent, or have access to equity having moved from more expensive areas, including London.
 - In the past, growth in population Winchester has been experienced predominately amongst the older age groups (45-64 and 75+). But over one quarter of Winchester's households are families with children and there has been growth in the population of children over the last 10 years. There is a lower proportion of family households in the Central Hampshire part of the District (the City and rural hinterland) which has a stronger bias towards older households (single and couples).
 - Single households (young and older people) are forecast to grow at the greatest rate over the next 20 years and Winchester has a relatively high proportion of single older people when compared to the Central and South Hampshire markets. Despite the greater growth amongst single households, the majority of households living in Winchester in 2031 will contain 2 or more people. These will include families with children and couples, including those whose children have recently left home.
 - Demographic factors alone do not drive demand for the type and size of housing required and in fact household incomes and life stage are more important determinants in the market. The majority of single person households in the market sector occupy homes with 2 or more bedrooms. This is particularly the case amongst older households.
 - The implication for Winchester is that half of the anticipated household growth over the next 20 years is likely to result in demand for homes with 1 or 2 bedrooms and half will result in demand for 3 or more bedrooms. DTZ estimates suggest around 19% of new households will occupy 1 bedroom homes and around 27% will occupy 2 bedroom homes.
- 8.12 The Central Hampshire SHMA suggested that addressing broad imbalances in the stock of housing within the market would be appropriate but that local authorities should not seek to *prescribe* the type and size of homes that the market provides.

- 8.13 It is also important that the nature of development on specific sites need to be considered within the context of existing stock and the characteristics of the surrounding neighbourhood. These considerations should include the following:
- Stock mix in the authority area as a whole which, although relatively balanced, contains a high proportion of large properties in the suburban and rural areas and concentration of smaller properties in the urban area.
 - Tenure mix and whether there is a concentration of a particular tenure of housing that would benefit from diversification or greater choice.
 - Household characteristics and whether there is a bias towards younger or older households, families or sharers and how the new development will fit into this context
 - Economic performance and whether there are issues around deprivation and regeneration which need to be taken into account in terms of the type of housing that is developed
 - Site specific viability and development context and whether a particular mix of housing is important to ensure the development ‘stacks up’
- 8.14 Delivery of a different housing mix will be challenging unless development sites allocated for housing include a mix of types, sizes and locations. To some extent, site types, sizes and locations will influence the type of product that can be developed.

The Need for Affordable Housing

- 8.15 The Housing Need Assessment demonstrates the need for 371 affordable homes each year to address the backlog of housing need if this is to be cleared over the next five years. If the City Council aim to deal with the affordable housing shortfall over a longer period the model suggests that the shortfall could be eliminated over 10-15 years if consistently high levels of affordable housing delivery are maintained (100 plus new homes per annum). These households need some form of subsidised rental accommodation. This could include social rented accommodation or affordable rented accommodation, providing the latter is available at rents which are affordable to those in housing need. This figure takes into account affordable housing supply within the existing stock as households transfer and properties are re-let but excludes future affordable housing supply.
- 8.16 The introduction of the new Affordable Rented tenure does not influence the results of the HNA update. However, over time there is the risk that this new form of supply could affect overall housing need levels. The key risk is that households already occupying Social Rented housing may be reluctant to move to new Affordable Rented properties because of higher rents and less secure tenancies. If this is the case, the supply of properties through re-lets in the social rented sector could be reduced and this will reduce the overall supply of affordable housing to address the need. All other things being equal, this will cause the waiting list (and backlog of housing need) to grow over time. The implications of Affordable Rent are discussed in detail in a separate report.¹⁶

¹⁶ Winchester City Council undertaken by DTZ (January 2012) Affordable Rent: Cost, Affordability and Implications

- 8.17 In addition to the households identified as in need of subsidised rented housing, there are over 700 households within Winchester who have either registered as interested in intermediate affordable homes or are in housing need on Winchester's waiting list but could afford to pay market rents. DTZ's analysis of the relationship between household incomes and house prices in Winchester suggests that up to 54% of all households in the authority area can afford to rent in the open market but cannot afford to buy a home. This suggests there is significant potential demand for intermediate products such as low cost home ownership, though it is important to keep in mind that many of these households have the choice of renting in the private sector.
- 8.18 The majority of those Winchester households who have registered as interested in intermediate housing products do not have a deposit which would be sufficient to purchase a lower quartile priced property. Just over half of households have some savings, though in many cases these would be insufficient for a deposit, even on a shared ownership property. This suggests that low cost home ownership products which provide the option of renting whilst saving for a deposit (eg Rent to HomeBuy or similar schemes) could provide intermediate households with suitable route into home ownership in the current economic environment. Such products are, however, more costly to deliver in the short term than shared ownership or shared equity schemes.
- 8.19 The Council may also wish to consider marketing intermediate affordable housing to those households willing and able to move out of social rented accommodation. 8% of households interested in intermediate housing within Winchester currently live within social rented accommodation. Whilst the numbers are small at present, activities targeted at such households to support a move into low cost home ownership or intermediate renting would release social rented accommodation and enable the Council to better address priority housing needs. It is possible that the new Affordable Rent tenure could play a similar role by housing those who can afford to pay more than a social rent and releasing social rented accommodation for those on lower incomes. Although this will depend to some extent on whether there is the incentive to move out of social rented accommodation to affordable rented, given the higher rent to be paid.

Size Mix of Affordable (Subsidised Rented) Homes

- 8.20 Local authorities have greater leverage over the type and size of homes households in the social rented sector can access. For this reason, Government planning policy (under PPS3) has asked local authorities to set out the size of affordable homes required in their local development documents. This issue was considered in the Central Hampshire SHMA and the points made in this report are consistent with the approach used in the original SHMA, though it has been possible to update data and expand analysis on the nature of housing need as a result of the implementation of Winchester's new housing register.
- 8.21 There are three key factors that need to inform the type and size of affordable homes that the authorities seek through new housing development:
- The overall scale of housing need within Winchester exceeds what is likely to be delivered through new development which means that the allocation of homes in the social rented stock is likely to be focused on those in priority need.

- The stock of social rented accommodation is biased towards smaller properties (when compared to the market sector) and the pattern of re-lets is biased towards smaller properties (1 and 2 bed homes) where turnover is greatest.
 - The success of affordable housing delivery is inherently tied to market development and this includes the mix of homes delivered. If the majority of market housing developed is small flats and houses then the authorities are only likely to secure small affordable homes.
- 8.22 There are larger numbers of smaller households on Winchester's total waiting list, indicative of a broad split as follows:
- 62% 1 bed homes
 - 20% 2 bed homes
 - 18% 3 bed or larger
- 8.23 However, re-lets within the stock are biased to smaller homes which means that those households needing larger homes, particularly 4 bedroom properties (and many of these may be in higher priority need as families with children) will face a longer wait to be housed.
- 8.24 Furthermore, over the last 3 years, the majority of new affordable homes have been delivered as 1 and 2 bed properties (and the vast majority of these have been flats). However, in the most recent year (2009/10) a greater proportion of 3 and 4 bedroom affordable properties have been delivered, reflecting the Council's recent efforts to secure a greater supply of larger affordable homes.
- 8.25 DTZ suggest that Winchester City Council continue to prioritise the provision of larger homes within new affordable housing completions. Based on housing need by size, the pattern of re-lets and completions of affordable housing over the last 3 years, DTZ suggest that Winchester aims for:
- Up to 20% 1 bed properties: reflecting continued need for smaller properties but that re-lets within the existing stock are biased towards smaller accommodation so these needs can be met more easily. These properties can only be delivered as flats and therefore do not give much flexibility to cope with the changing development climate.
 - Around 20-40% 2 bed properties: broadly consistent with the proportion of households in need who require 2 beds and these properties provide more flexible accommodation, being able to meet the needs of a wider range of households. They can also be provided as houses or flats, giving more flexibility to cope with the changing development climate.
 - Around 50% 3 bed or larger properties: there are relatively substantial numbers of households needing larger properties and they often wait longer to be household because of limited supply. Increasing the proportion of larger properties would help to rebalance the social rented stock and allow the Council to meet housing need more effectively in the future. It would be worth specifying that 10% or so of these larger properties should be 4 bed homes, reflecting the need of priority households and limited supply.
- 8.26 Provision of larger properties will require some consideration since development economics may mean that fewer affordable homes are delivered on some sites than if the focus was on

smaller dwellings.¹⁷ There are also concerns amongst Providers that the development of larger properties will be more difficult under the Affordable Rent model because there may be a bigger gap between the cost of providing a larger property and the rent that can be charged affordably. But the provision of larger dwellings may allow the Council to create a chain of lettings within the social rented stock so the overall impact on housing need might be greater than the number of dwellings suggests. Despite the recession Winchester Council has negotiated a consistent supply of larger homes through S106 negotiations and has not had to compromise on the overall number of units delivered. It is highly likely the limited funding available under the current affordable housing programme will require Local Authorities to insist on nil grant units being delivered through the S106 process on Greenfield sites. This in turn may trigger developers to try and negotiate more profitable densities and mixes of housing as well as reducing the requirement for Affordable Housing.

- 8.27 Clearly these indicative proportions need to be balanced against the viability of development and the availability of public subsidy, but would have the following benefits:
- It would give the authority the potential to create a chain of lettings within the social rented stock by allowing those occupying smaller properties to move up, allowing the Council to accommodate more households.
 - It would promote more flexible accommodation in longer term, capable of housing a range of different households and not just the smallest households.
 - The affordable housing stock is biased towards smaller properties and securing a larger mix of new affordable homes would help to diversify the stock
- 8.28 DTZ recommend that the Council also consider setting out criteria in their affordable housing policies alongside any specific targets for different types and size of social rented homes. Fixed targets are less capable of being reviewed in response to changing circumstances so these criteria will provide the authority with the ability to respond to changing circumstances and site specific factors. Criteria set out in policy could include:
- The characteristics of priority households on the authority's waiting list
 - The size of homes in the existing social rented stock
 - The pattern of re-lets in the social rented stock
 - The type and size of recent completions and losses through demolition or Right to Buy
- 8.29 Such a policy approach would need to be accompanied by engagement with developers, as well as housing associations, in advance of applications being submitted for development.

¹⁷ Development economics and viability considered in a separate study for Winchester City Council by Adams Integra.