1 WINCHESTER SUMMARY REPORT

1.01 The Central Hampshire and New Forest Strategic Housing Market Assessment (hereafter 'SHMA') has been undertaken to help the local authorities and their partners to understand the dynamics and drivers of their housing markets. Undertaking a SHMA is a key requirement of Government's planning for housing policy, set out in Planning Policy Statement 3 Housing[1]. SHMAs form an important part of the evidence base for developing plans and policies and for responding to changing household requirements. The purpose of this summary is to draw out the implications from the evidence for Winchester District.

Winchester's Housing Markets

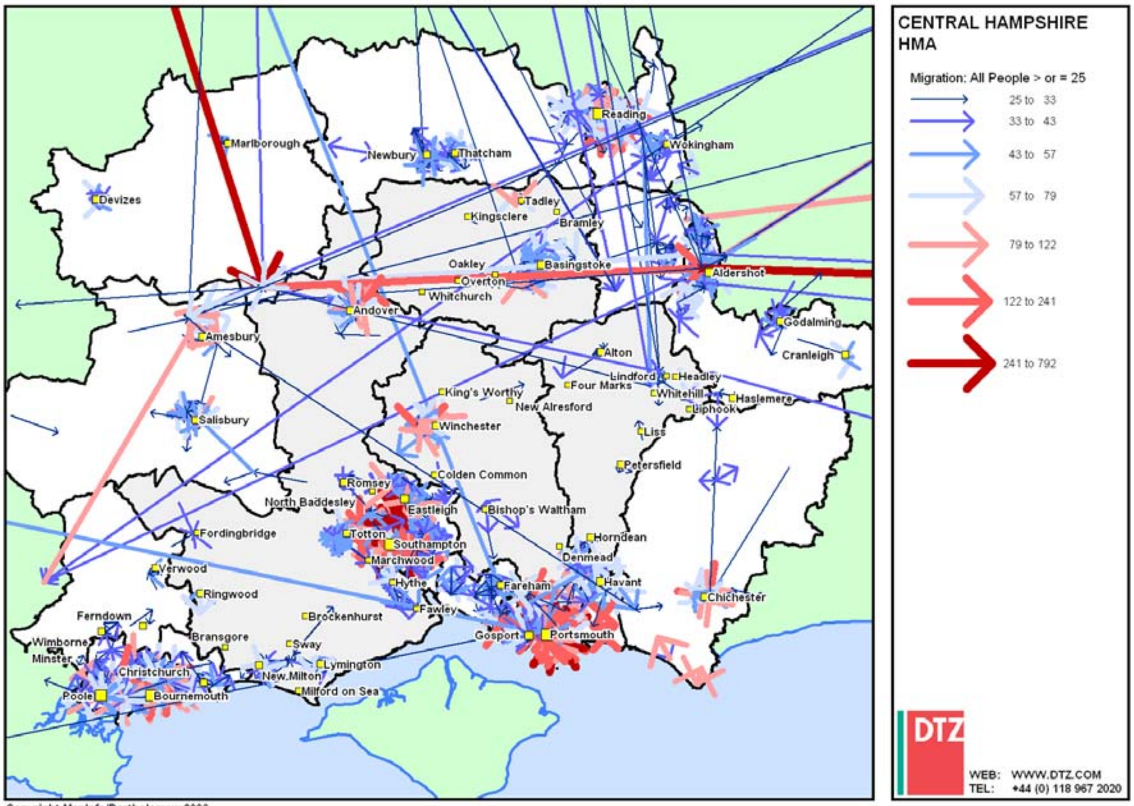
1.02 In 2004 DTZ completed research for the South East England Regional Assembly and Regional Housing Board to identify the spatial extent of sub-regional housing markets across the South East Region. This study concluded that there existed a 'North Hampshire' (as opposed to Central Hampshire) housing market associated with the M3/A303 and related rail corridors.

1.03 Figure 1 shows the origin and destination of household movements in the year prior to Census Day 2001 (the most recent data available). Overall Central Hampshire appears to function as an area with a number of localised housing markets. 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.

[1] CLG (2006) Planning Policy Statement 3 (PPS3) Housing

1.04

Figure 2: Central Hampshire Household Migration (25 Households or More)

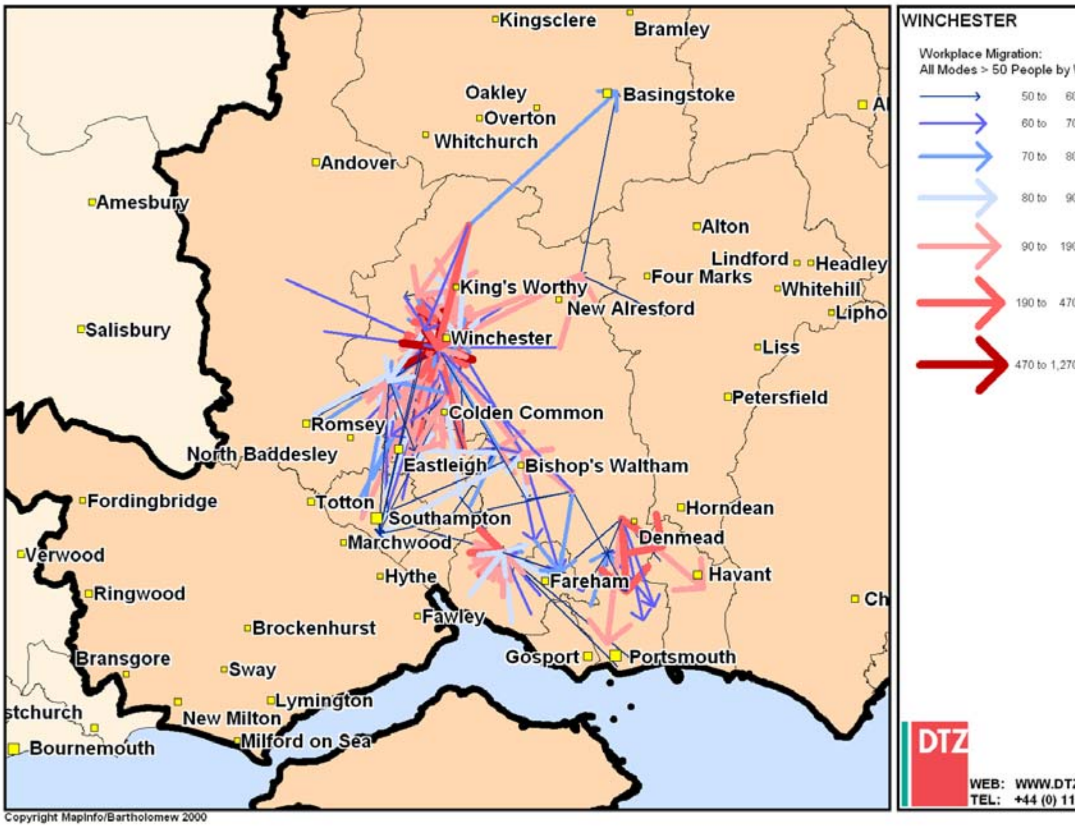


1.05 Winchester urban area receives high levels of in-migration from Southampton (200 households) and Eastleigh (160 households). These flows are, however, countered for by reciprocal movements, with 240 and 180 households moving from Winchester into Eastleigh and Southampton respectively in 2001. Additionally, Winchester receives significant levels of in-migration from households moving to the District from outside Hampshire, including Greater London, the rest of the South East and other parts of the UK. Of all households who moved home in Winchester in 2002, 22% were previously resident outside of the Hampshire and adjoining Counties, in London (4%), the rest of the South East (5%) and the rest of the UK (13%).[2] In the *prime* housing market within Winchester, there is evidence that in-migration from London in particular is more significant.[3]

1.06 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 (see Figure 2). 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.

[2] Hampshire County Council - Hampshire Home Movers Survey 2002. 66% had moved from within Winchester District or elsewhere in Hampshire, 11% had moved from adjoining Counties and 1% had moved from outside of the UK.
[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

Figure 1: Winchester's Travel to Work Movements



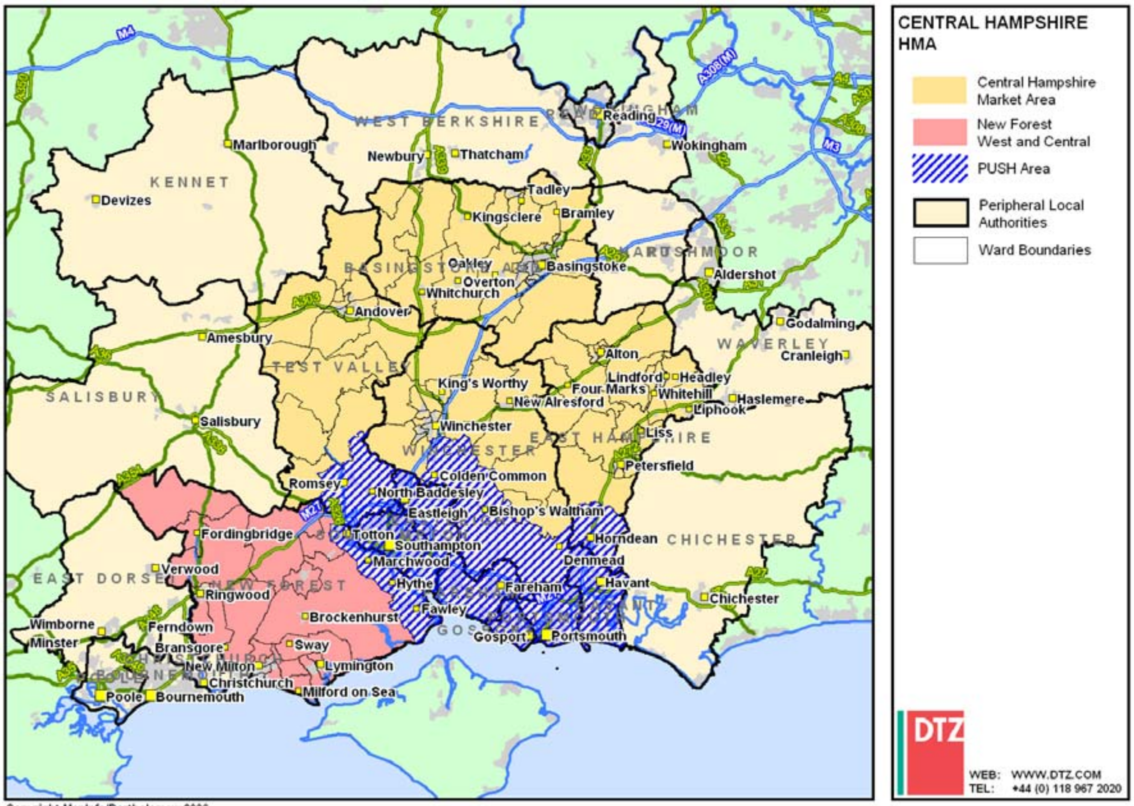
1.07 Overall, urban area travel to work movements reveal reasonably strong economic linkages between the different parts of the Central Hampshire sub-region. However, Winchester City has very large numbers of people working within its urban area that live in Southampton (1,885) and Eastleigh (3,980). This suggests that Winchester has close functional alignment with the South Hampshire sub-region. 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.

1.08 However, Central Hampshire has a number of localised but interconnected housing markets operating across it, with Winchester, Basingstoke, and Andover forming the sub-region's key nuclei. It is clear that the labour market is more integrated than the housing market, which is suggestive that people make decisions about which settlement they wish to live in, and a high proportion will continue to live there, but there is much more flexibility in where people choose to work.[4] This particular aspect of the live work balance is made possible in Central Hampshire by the existence of good road and rail links, and a relatively low density of population.

1.09 By way of contrast 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.

[4] This is supported by the research conclusions of the Countryside Agency's (2004) The Role of Rural Settlements as Service Centres – carried out as background work to the designation of the South Downs National Park (covering significant parts of Winchester and East Hampshire Districts)

Figure 3: Central and South Hampshire Areas



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1.10 Figure 3 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.

1.11 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 hinterland it is appropriate to consider Winchester City within this study, although it has an important relationship to the western market area in South Hampshire.

1.12 This summary report distinguishes where possible between parts of Winchester District that relate to the South Hampshire housing market area as well as Central Hampshire. For a full understanding of the evidence and policy implications see the Central Hampshire SHMA and the South Hampshire HMA.

Demographic Drivers of the Housing Market

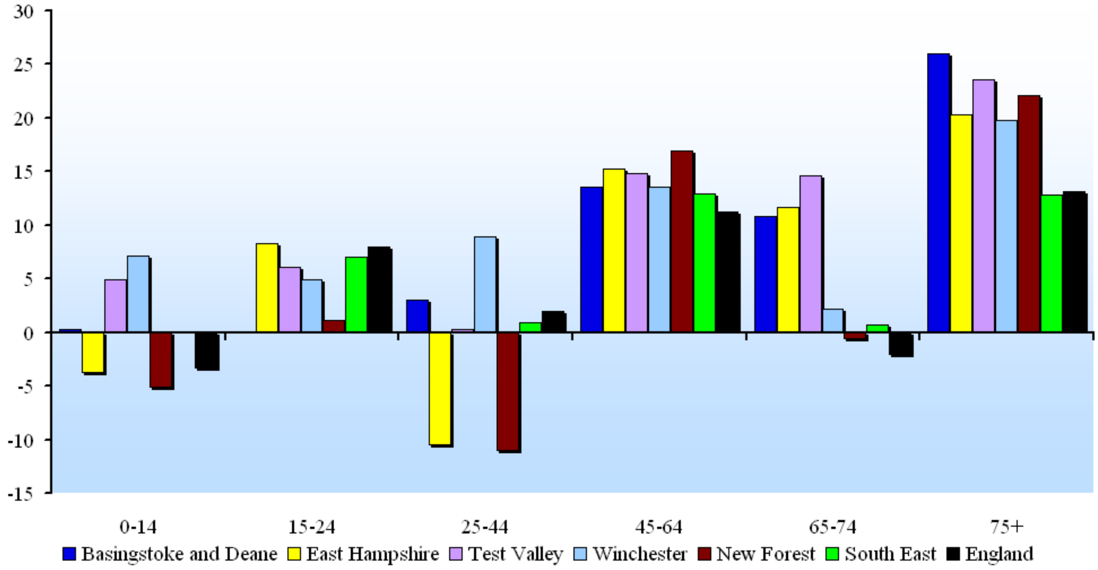
1.13 The current population of the Central Hampshire market area is estimated to be 393,000 (2005), around 5% of the population of the South East. Since 1981 the population of Central Hampshire has grown much more significantly than the growth in population in the South East as a whole, which in turn has grown much more rapidly than in England as a whole. In contrast, South Hampshire has grown more slowly, 11% in the western pole which relates to the south west of

Winchester District and just 4% in the eastern pole. Winchester District has a current population of around 111,500 (2005), which accounts for 1.4% of the South East's population and has grown by around 21% since 1981 (faster than Central Hampshire, South Hampshire and the South East as a whole).

1.14 The age structure of the population influences the level, type and tenure of housing that is required. A population that is younger tends to be more mobile and has accumulated less in the way of housing equity and savings. Younger households therefore have more difficulty in becoming home owners, and their mobility means that they are less inclined to buy. Areas with a larger population of people in their 20s therefore typically have a relatively large stock of private rented accommodation. Conversely areas with an older age profile often have high levels of owner occupation, but may have a relatively greater need to consider how best to meet the housing and health needs of older people.

1.15 A particular feature within Winchester and throughout Central Hampshire and South Hampshire is the rapid percentage growth in population of people aged over 75. Growth in this age group is markedly higher in Central Hampshire than in the South East as a whole and in England. There has also been significant growth in the population aged 45-64 – but this is much more in line with regional and national trend, though still somewhat higher. The ageing population is a national phenomenon. The growth in the 45-64 age group is a consequence of the baby boom of the 1950s, and the growth in the population aged 75+ is a consequence of growing longevity. In South Hampshire the population of the eastern pole, which relates to the south east corner of Winchester District has an older age bias and the western pole has relatively high proportions of 15-24 year olds, partly because of the University population.

Figure 4: Population Age Change 1995-2005 (%)



1.16 Winchester has experienced relatively high growth in the numbers of children in contrast to national and regional trends. Winchester has also experienced growth in the population aged 25-44 – perhaps the city itself appeals to young professionals or there may be parts of the district accommodating younger couples and families.

1.17 Figure 5 shows net migration figures, with data obtained from the 2001 Census. The figures suggest that within the Central Hampshire districts there are inward movements of couples with children (family households). DTZ expect, however, that a number of the family household movements into areas such as Winchester are likely to comprise moves from areas with very high housing equity (mainly London) due to reasons associated with quality of life, better environment, larger and (relatively) more affordable housing and a higher standard of local services (most notably schools). It is also likely that the out-migration of single (non-pensioner households) is partly the result of poor affordability in Winchester and these households are likely to move to adjacent areas such as Eastleigh and Southampton, to access more affordable housing.

Figure 5 Net Migration Figures (Whole Districts)

	Winchester	Basingstoke & Deane	East Hampshire	Test Valley	New Forest
One Person (excluding pensioner)	-129	148	-109	-63	-124
One Person Pensioner	46	-9	46	18	55
Pensioner Couples	8	-31	-3	10	78
Couples without children	-25	7	78	67	215
Couples with children	157	130	215	109	214
Lone parent households	-7	-15	-5	35	-3

Source: 2001 Census

1.18 The total number of households in Central Hampshire increased by 13% in the period from 1991 to 2001. This level of growth is in line with the South East average and above the national average. Higher levels of growth occurred in Winchester at 17%.

1.19 Household projections prepared by CLG suggest that future household growth in Winchester and is expected to be above that of the South East and England. It is important to realise that these forecasts are trend based; they tend to reflect the past pattern of household growth (2003 based). They therefore imply a continuation of past trends, though they also reflect the underlying demographic structure of the population. They do not take account of planned changes in the pattern of future housing provision, and linked to this, patterns of household movement between local authority areas. However, the policy based forecasts (Hampshire County Council) which take account of future housing provision predict similar levels of household growth for Winchester. However, the distribution of this growth between the part of the District that relates to South Hampshire and the rest of the District, including Winchester City, will in part depend on where new houses are provided. Under current plans, the bulk of future housing provision is proposed in the South Hampshire (eastern pole) part of Winchester District, largely associated with the development of West of Waterlooville MDA.

1.20 At present, couple households with or without children account for the most significant household groups in Winchester and the Central Hampshire market area. This is also true for South Hampshire although changes in the composition of households in all areas is expected over the next 20 years. An estimate of the profile of households in 2026 is provided in Figure 6. It is important to keep in mind that these projections are based on past trends continued forward.

1.21 Growth in numbers of households in Winchester and across both Central Hampshire and South Hampshire market areas will be driven by large increases in the numbers of single person households and moderate growth in the numbers of multi-person households (households of unrelated individuals sharing a dwelling). It is worth bearing in mind that a significant proportion (around half) of the single person households will be elderly and is the result of an ageing population.

1.22 There is also a projection of smaller increases in absolute numbers of family type households (lone parents with children and couples with children) in Winchester. This contrasts to the changes expected in South Hampshire, which anticipates a greater reduction in family type households. Proportionately, in 2026, family type households are expected to comprise a smaller proportion of the overall household population in Winchester – although they will remain a significant group.

Figure 6: Household Projections by Household Type, 2001-2026

	Winchester District (number)		Winchester District (%)	
	2001	2026	2001	2026
Total	**43,100**	**57,900**	**43,100**	**57,900**
One person - pensioner	6,700	12,400	16%	21%
One person - other	5,400	10,000	13%	17%
Pensioner Couples	4,700	5,200	11%	9%
Couple Households Without Children	9,300	10,200	22%	18%
Couple Households - With Dependent Children	9,900	10,900	23%	19%
Couple Households - All Children Non Dependent	2,600	2,800	6%	5%
Lone Parent Households - with dependent children	1,100	1,400	3%	2%
Lone Parent Households - all children non dependent	700	900	2%	2%
Other households - with dependent children	600	900	1%	2%
Other households - all student	300	500	1%	1%
Other households - all pensioner	200	300	0%	1%
Other households - other	1,700	2,500	4%	4%

Source: Hampshire County Council *Figures may not sum due to rounding

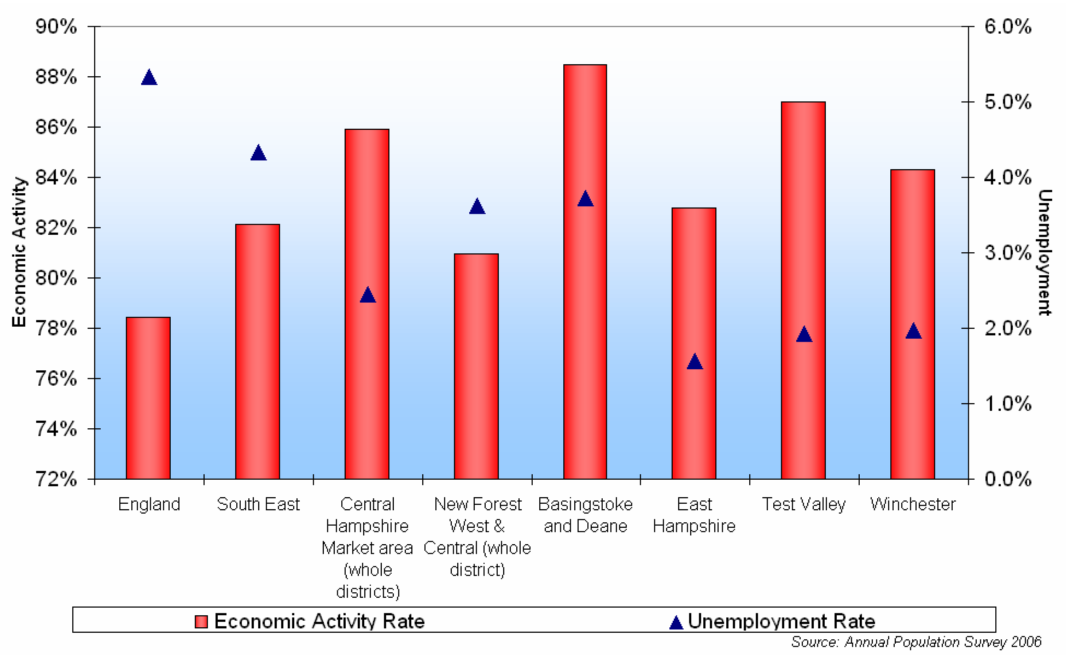
Economic Drivers of the Housing Market

1.23 Employment and job growth are important drivers of the demand for housing. In 2005 some 203,600 people were employed (working) in the Central Hampshire market area, which represents 5.4% of the people employed in the South East. The total was around 65,000 in Winchester, 1.7% of the South East total compared to 1.4% of the South East's population). Winchester District punches above its weight therefore in the South East economy. This is in contrast to South Hampshire, which as a sub-region, has historically under performed economically relative to the size of its population.

1.24 The economy of Central Hampshire has undergone considerable change over the past decade. Although growth has been strong within most of the employment sectors, absolute employment growth including in Winchester has been largely driven by growth within sectors such as Banking, Finance and Insurance activities and Public Administration, Education & Health. As such, Winchester has a strong representation of higher value/ higher paid occupations which is true for Central Hampshire as a whole but contrasts to the employment profile of South Hampshire.

1.25 Winchester has an economic activity rate of 84% (higher than the regional and national average activity rate) and an unemployment rate generally associated with full employment at 2%. The unemployment rate across the Central Hampshire Districts is 2.4%, lower than the South East rate of 4.4% and the England rate of 5.3%.

Figure 6: Economic Activity Rate and Unemployment Rate, Working Age Population, 2006 (Whole Districts)



1.26 Historically, the Central Hampshire market area had some capacity to increase job growth by drawing surplus (unemployed) labour resources into the economy. However, in the future (given activity rates are already high and unemployment very low), employment growth may become increasingly reliant upon either greater in-commuting (perhaps from urban South Hampshire where unemployment rates are higher) or in-migration. Further employment growth is likely to increase demand for housing by stimulating in-migration, and also potentially by increasing earnings and economic wealth. The degree to which the need for labour can be satisfied is in part linked to the provision of new dwellings within the market area. The alternative to this is to seek to push activity rates still higher, which may be difficult, or to draw more people of retirement age into the labour market.

1.27 Drawing labour into the area from increasingly further afield is likely to entail even greater long distance commuting and would add to congestion on transport networks. This is not attractive in terms of sustainable development and underlines the relationship between future economic development within the Central Hampshire area and plans for housing provision.

1.28 Winchester also has a largest disparity between resident and workplace pay levels, indicating that there are a large proportion of residents within the districts that commute elsewhere to achieve higher earnings. It is highly likely that these people live within the study area but commute to London or other major urban centres in order to earn higher wages.

Winchester's Housing Stock and Completions

1.29 The stock of housing in an area also impacts on housing market outcomes for example by attracting certain types of in-migrants and/or impacting on the affordability of housing.

1.30 Central Hampshire generally has slightly lower proportions of 1-4 room dwellings (1-2 bedroom properties) than the England or the South East. In terms of the largest 7+ room properties (4 bedrooms or more), Central Hampshire has a higher proportion of large houses than either England or the South East and this is also reflected in the type of dwellings, with higher proportion of detached homes than the South East (see Figure 7). Winchester has much higher proportions (39%) of detached homes. Although in the south of the District, this complements the smaller stock of homes in other parts of the South Hampshire market area (see Figure 7).

Figure 7: Housing Stock by Type 2001

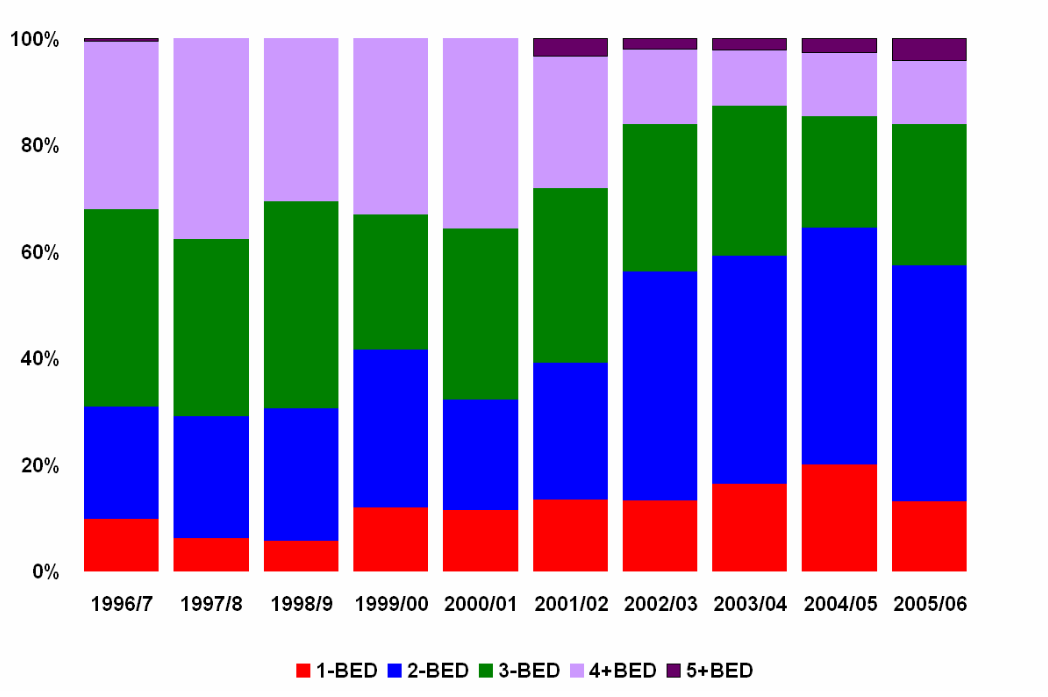
	Detached	Semi-detached	Terraced	Flat/maisonette/ apartment	Caravan/other mobile/temporary structure
Winchester	39%	26%	20%	13%	1%
Part in Central Hampshire	35%	26%	22%	17%	0%
Part in South Hampshire	49%	27%	17%	7%	0%
Central Hampshire Market Area	36%	26%	25%	13%	1%
South Hampshire (Western Pole)	28%	28%	21%	22%	1%
Basingstoke & Deane	33%	25%	30%	11%	0%
East Hampshire	44%	25%	17%	13%	1%
Test Valley	40%	26%	23%	11%	1%
New Forest	48%	23%	15%	11%	2%
South East	29%	29%	23%	18%	1%
England	23%	32%	26%	19%	0%

1.31 In Winchester, there has been steady growth over the last 10 years in the completions of 1 bedroom and 2 bedroom dwellings, matched by a decline in 3 and 4 bedroom dwellings (see Figure 8). To some extent the pattern of recent completions is likely to have been driven by declining affordability, which means that households (as a whole) can afford less space. Declining affordability has also meant that households have delayed purchasing properties, which, in turn, has created additional demand for private rented dwellings and, in turn, facilitated the growth of the Buy-to-Let market. The emphasis in planning policies on delivering development within town centres on brownfield and at higher densities has supported and reinforced this pattern.

1.32 A further factor that has led to the growing emphasis on provision of flats and smaller units is competition for land. Potential purchasers of land bid up the price of land by assuming ever more dense levels of development, knowing that in general some local authorities are not averse to approving high-density developments.

1.33 City centres such as Winchester (and Southampton and Portsmouth to a greater extreme) are seen to be good rental markets where graduates, young professionals and corporate lets currently provide a strong market. The influence of the buy to let investment market on the type and size mix of new completions is a source of concern given that the long term implications are uncertain. The BTL phenomenon has enabled the growth of the private rented market and at present rents remain robust (in part this may be supported by recent Eastern European in-migration). Private renters express different preferences to buyers since renting is almost always viewed as a temporary housing solution. Discussions with developers operating within the South East and estate agents suggest that over 75% of flat development within town centres is purchased by investors for private renting and, to a more limited extent, corporate lettings and serviced apartments.

Figure 8: Size of Completions in Winchester, 1996-2006



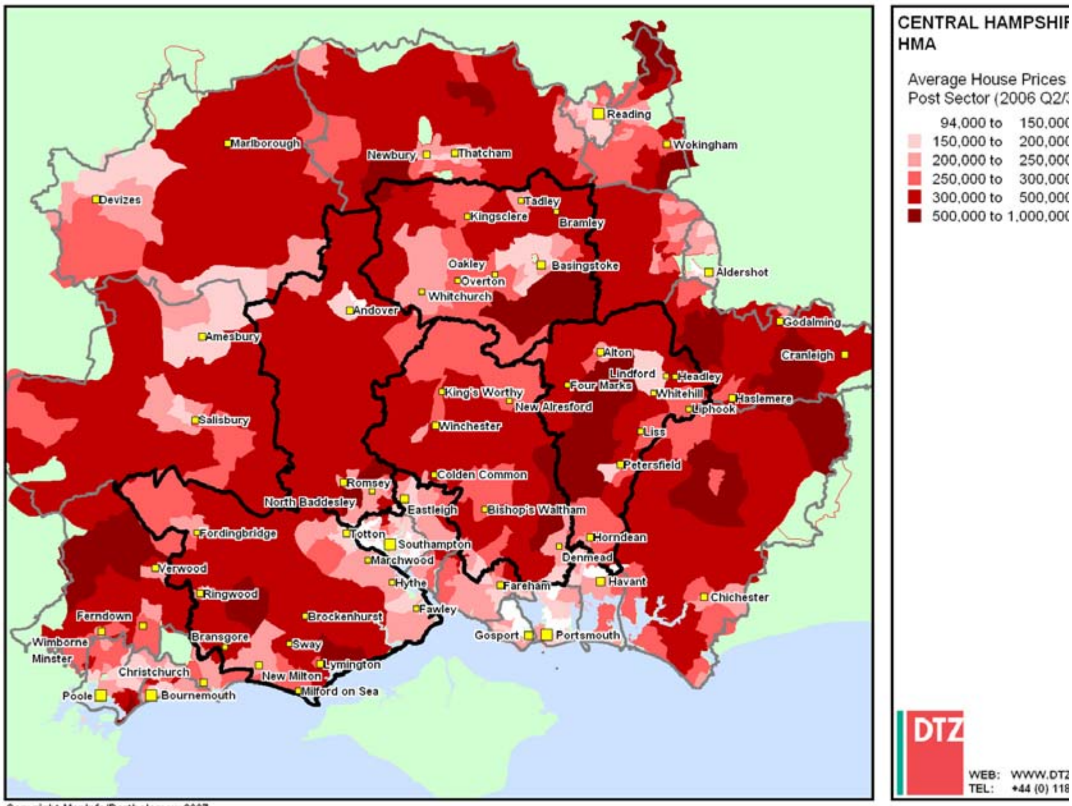
Housing Market Outcomes

1.34 The housing market works well for the majority of people within Winchester and the housing markets that operate across the District. However, there is a significant and growing proportion of households who are priced out of the market, with implications for future housing, planning and economic development policies.

1.35 Average house prices in Winchester are around £308,000 (2006), above that of the Central Hampshire market area (£266,000) as a whole. The effect of London is apparent with the highest house prices in the region located in the areas encircling the capital, though the spread of relatively high house price locations extends out into Winchester and East Hampshire. Furthermore, Winchester is one of the most expensive areas in the South East and Figure 9 shows that this pattern is fairly uniform across the District, with average prices within the Winchester City at £302,000[5] (double the average prices found in Basingstoke, Andover, Southampton and Portsmouth).

1.36 Of the Central Hampshire Districts, Winchester has also experienced the largest increase in house prices of 187% over the last 10 years and percentage price increases for flats/maisonettes are almost 60% higher than the percentage increase of overall prices over the same period. This trend is likely to indicate the impact of the development and sale of significant volumes of new flats in recent years (with sales of new flats having a significant price premium on the sale of the second hand stock).

Figure 9: Average House Prices by Post Sector, Q2/3 2006



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1.37 In general the pattern of rental affordability reflects the pattern of purchase affordability, with the areas that are least affordable in terms of purchase also

[5] Land Registry weighted average for Q2 and Q3 2006 (total of 700+ sales) for the 7 postcode areas covering the City.

being the least affordable in terms of market renting. However, Winchester~~,~~ is relatively more affordable to rent property than would be expected by its house prices, although a third of all households would be unable to afford to rent privately based on their current incomes. One explanation for this pattern might be that Winchester has attracted high levels of Buy-to-Let investment because of perceived opportunities for capital growth, but that the supply has meant that rental values have become more affordable. Winchester already relatively higher levels of private renting (13%) compared to the other authorities in Central Hampshire (and the South East and England) in 2001 (12%) although levels of private renting are consistent with those in the western pole of South Hampshire (13%).

1.38 Figure 9 shows that significantly cheaper house prices (as well as rents) are found in South Hampshire, Southampton in particular, where average prices are under £200,000, which encourages commuting from areas of cheaper house prices to Winchester for work.

1.39 In the period 2002 to 2006[6], affordability worsened in Winchester, Central Hampshire and South Hampshire. Over the past year affordability pressures have eased somewhat in some districts, including Winchester, which has been due to a reduction in lower quartile prices, although affordability remains very poor (lower quartile house prices are 10.5 times lower quartile earnings in Winchester). Companies in areas with high affordability ratios may struggle to recruit workers due to the high house prices. One particular concern is the extent to which key workers are able to afford to live within an area. Key workers in Winchester live in the least affordable area compared with their colleagues elsewhere in the Central Hampshire Housing market area, the average key worker salary equates to just 47% of the income required to purchase a home in the District.

1.40 The income threshold required to purchase houses at the lower quartile level in Winchester is around £50,000 (including within Winchester City itself) and in Central Hampshire is just over £42,000. As shown by Figure 10, 60% of households in Central Hampshire have an income below this threshold, and are therefore unable to afford to purchase a dwelling at current price. Winchester is shown to be the least affordable area, with 74% of households being unable to afford to buy at lower quartile prices. In the southern fringe of Winchester District, households have access to cheaper accommodation in Southampton and Eastleigh within the South Hampshire market area. It is also worth noting that the incomes of *newly forming* households are generally lower than the population as a whole.

[6] This is the longest time series for which Earnings data is currently available through the Annual Survey of Hours and Earnings

Figure 10: Number and Proportion of Households Unable to Purchase (Whole Districts)

	Lower Quartile House Price (2006)	Household income needed to purchase	% of households unable to purchase	Number of households unable to purchase
Winchester	£192,000	£50,000	74%	34,000
Winchester City	*£192,300*	*£50,000*	-	-
Central Hampshire Market Area	£162,000	£42,000	60%	98,000
Basingstoke & Deane	£148,000	£39,000	51%	33,000
East Hampshire	£170,000	£45,000	60%	27,000
Test Valley	£153,000	£40,000	62%	29,000
New Forest	£165,000	£43,000	69%	53,000
South East	£148,000	£39,000	56%	1,841,000

Source: CACI, CML, CLG

Housing Need

1.41 In the context of house prices and affordability within Winchester and Central Hampshire it is inevitable that a proportion of households find themselves unable to access housing in the open market. Estimating the number of households in housing need is therefore a key element in understanding the housing market.

1.42 The figures arising from the housing need assessment are not directly comparable to those produced using the more traditional household survey approach and so these figures should not be used to demonstrate a decline or increase in housing need over time by comparing them to previous surveys.

1.43 Around 15,000 households have current housing applications registered with a local authority within the five authorities in Central Hampshire (2,590 in Winchester) of which around 9,700 in Central Hampshire (2,150 in Winchester) fall within the definition of housing need set out in the CLG guidance and their needs are unlikely to be met within the market[7]

1.44 We have not assessed whether households are currently *in need* as part of the housing need assessment **unless they are registered on one of the authority's waiting lists**. However, it is worth noting that Winchester's housing register does not appear to be reflective of the scale of households receiving housing assistance to the same extent as the other authorities. There are relatively fewer households on Winchester's waiting list when compared to the other authorities although the authority has one of the highest proportions of its population on housing benefit compared to the other Central Hampshire authorities.[8]

[7] The figures for the number of households in need exclude applicant households who are not resident within the local authority (or without a strong local connection) to avoid double counting of households across the 5 authorities.
[8] This may change when the authority moves to a Choice Based Letting system and it would be a valuable exercise to review the need assessment once this is up and running. Experience from other authorities suggests that the number of applicants may increase significantly

1.45 Further need for affordable housing will arise in the future as new households form and some existing households fall into need. Around 390 households in Winchester will fall into need each year, based on household projections, the incomes of new households and net numbers of households joining waiting lists each year.

1.46 The annual supply of affordable housing across the authorities through re-lets is equivalent to around 6% of total stock in the social rented sector. Along with new supply from affordable completions, this provides 2,440 dwellings in Central Hampshire, 510 in Winchester which can be offset against the level of housing need.

1.47 The level of housing need exceeds what will be delivered by way of new affordable housing each year. In Winchester the minimum estimate of housing need suggests that there is a need for around 310 social rented homes each year on top of what is planned by way of new completion of social rented homes in the District over the next 5 years (see Figure 11). The figure is 380 when future completions are taken out of the calculation.

1.48 DTZ consider that it is useful to produce a range for the level of housing need given that any assessment of housing need is an estimate and based on a number of assumptions. The minimum estimate in Figure 11 underestimates the level of housing need in the Winchester authority because we have excluded from the calculation of current need any households that could not be identified as having an element of housing need.

1.49 It is also possible to illustrate the existence of housing need, beyond those households registered with each local authority, by considering the circumstances of households who have expressed an interest in intermediate housing options. A significant number of households (over 300 households) are interested in intermediate housing in Winchester but do not have sufficient income to access the private rented sector (and therefore most intermediate options) but are <u>not</u> registered on any of the local authority waiting lists. These households may need to access social rented accommodation but are not included in our estimates of housing need. If these households were included, this would add a further 60 households per annum to the estimates presented in Figure 11, taking the minimum estimate to 370 per annum (or 440 if new supply is excluded).

Figure 11: Need for Additional Social Rented Homes, Winchester District

	Estimated Range Based on Winchester's Waiting Lists	
	Minimum	**Higher**
Current Need (per annum) assuming backlog is met over 5 years	430	520
	Plus	
Newly Arising Need (per annum)	390	420
	Minus	
Supply per annum including future completions over next 5 years	510	570
	Equals	
Shortfall (per annum)	**310**	**370**

Shortfall per annum (excluding new completions over next 5 years)	**380**	**440**

1.50 The figures in this range of housing need equate to over 60% of the total housing provision planned in the District. In reality, social rented completions are, at best, likely to account for one third of all completions (assuming 25-35% social renting on all development sites). This implies that in order to deliver the 380 social rented homes needed each year, Winchester would need to deliver around 1,200 homes overall, double what is currently planned under the Panel's recommendation. This justifies the highest priority being given to the provision of social rented homes within a context of what is viable and sustainable.

1.51 In terms of the size of social rented homes, the majority of households *registered* require a one bedroom home. However, the requirement of those in *need* differs. The pattern of re-lets in the social rented stock in each authority shows that 1 and 2 bedroom properties are re-let most frequently – highlighting pressures on larger stock in some authorities. There are particular pressures in the district on 1 and 3 bed homes. It is worth noting that the need as illustrated by housing registers does, to some extent, reflect the allocation policies of individual local authorities. If allocation policies entitled households to similar amounts of space as owner occupiers the main requirement would be for 2 and 3 bed properties.

1.52 In addition to the need for affordable (social rented) homes identified in Figure 11, around 3,000 households in Central Hampshire (over 600 in Winchester) have expressed an interest in intermediate housing options. The majority of households would prefer 2 bedrooms, with around one third preferring a 3 bedroom home.

1.53 There is limited overlap between those interested in intermediate housing and those on local authority housing registers (10% of households interested in intermediate housing are registered on waiting lists) although this does suggest there is some scope to encourage mobility between the social rented and intermediate sectors and free up much needed social rented accommodation.

1.54 On the whole, around 50% of those interested (300 households in Winchester) would be able to afford intermediate options on the basis of their incomes which suggests that these products should form part of the Council's affordable housing policy. However, although households who could afford intermediate options have constrained choices in the housing market they do have other choices – including the private rented sector and in some cases the open market.

Implications for Policy

1.55 Across Winchester District, including the City, rural settlements and the parts of the District that relate to the South Hampshire markets, the following themes are relevant and also relate to the key requirements of PPS3 and Government's housing policy:

- The need for affordable housing
- Influencing the housing mix (type and size of market and affordable homes)
- Ensuring the delivery of housing provision

Affordable Homes

1.56 The assessment of housing need demonstrates that there is a need to maximise the delivery of affordable housing within Winchester. This raises two questions:

- How far can the authorities maximise the provision of affordable housing through new development?
- How can the authorities make the best use of affordable housing as a scarce resource (in terms of both the use of the existing stock and new supply)?

1.57 How far Winchester can secure new affordable housing through new development will vary according to the following factors, which are likely to vary between the geographical levels outlined above:

- Development economics and the health of the housing market
- Availability of grant
- The level of housing growth proposed (and the distribution between South and Central Hampshire areas of the District)
- The site specific and neighbourhood context

1.58 It is also relevant to consider that a 40% affordable housing quota has been proposed and is likely to be adopted across the PUSH sub-region. DTZ recommend that the authorities aim to secure 40% affordable housing from new development, across the area. For Winchester this would mean increasing the affordable housing quota set out in current plans. It would be appropriate, and may be possible, to achieve a higher level (up to 50%) in settlements of less than 3,000 people and in rural areas where development economics are often robust.[9] Given the scale of development likely in these locations the authorities may be less reliant on new housing to deliver their overall numbers and therefore have relatively more leverage over the nature of development.

[9] Exception sites in rural areas capable of delivering 100% affordable housing is also a tool that should be used, where achievable

1.59 Given the level of need in relation to the amount of affordable housing that is available and is likely to be delivered in the future, the authorities are likely to want to *prioritise* in terms of the type of affordable housing secured and this is likely to mean securing social rented accommodation first. Within the quota of affordable housing, DTZ suggest that not more than 25% of all new housing is delivered as social rented accommodation on large developments (where new communities are effectively being created) or in neighbourhoods with existing concentrations of social and private renting. DTZ suggest that the authorities use the balance between social rented and intermediate housing within the affordable housing quota to provide flexibility in negotiations with developers and over the plan period when the market changes.

1.60 In Winchester, securing the quota of affordable housing set out in plans has by and large been achieved, but the key constraint in the delivery of additional affordable housing, under current planned targets, is that many development sites have fallen below affordable housing thresholds and have therefore not provided affordable housing. This means that, overall, the proportion of affordable housing secured through new development has been less than optimal – just 23% in 2005/06 (of the 490 new homes delivered, 113 were affordable). The fact that small sites make up a significant proportion of new housing development means that the opportunity to secure affordable housing is far from optimal.

1.61 Ideally, the authorities could adopt a principle of securing affordable housing on all sites, regardless of the size of the development. However, how far the authorities are able to remove affordable housing thresholds depends on whether the benefits to them (and to the delivery of affordable housing) of being involved in negotiations on small sites outweighs the cost and the viability of sites.

1.62 Winchester needs to consider the type and size of sites that they allocate or identify for development in the future. Whilst the effect of thresholds may be difficult to avoid on windfall sites, it should be possible to ensure that future allocations are of sufficient size to ensure that they deliver affordable housing. Indeed, it would be a good objective to ensure that there are a sufficient number of larger sites allocated for development to deliver affordable housing targets without the need to rely on the smallest sites. This is likely to be more challenging in villages where development sites may be smaller in scale. However, if this can be achieved it may reduce the 'effort' required to secure affordable housing by making the task more manageable through focusing resources on fewer sites and reducing the number of site specific negotiations. [10]

1.63 In an ideal world, it would be possible to meet housing need and demand where it arises. A situation where households had free choice on where they wanted to live ought to deliver better social outcomes for them and their communities. But in the context of a shortfall of housing (market and affordable), constrained supply as a result of limited resources and environmental and infrastructure limitations, the location of new development is always likely to be a compromise. This is part of the justification for thinking in terms of housing market areas rather than administrative boundaries. Housing market areas broadly represent the area that households are prepared to move within to access housing. By implication,

[10] DTZ is undertaking an assessment of viability for Basingstoke & Deane, East Hampshire and Winchester which is considering these factors

housing provided within a market area should serve the demands and needs of households within that area.

1.64 However, evidence demonstrates that mobility and choices in relation to housing are more limited amongst social rented tenants[11] and those on lower incomes so this needs to be borne in mind in the location of new affordable homes.

1.65 The housing register in Winchester provides an indication of the preferences that applicant households have in terms of where they want to live. There is housing need in all of localities[12] as indicated by the preferences expressed by applicant households. However, the highest preferences are for the main settlements and in Winchester City itself. These areas fall within the Central Hampshire market area, where at present, limited development is planned. However, the 'preferences' or 'choices' that applicants have indicated in their applications can be misleading because they are likely to reflect the households' assessment of the likelihood of being housed which in turn reflects the availability of re-lets and stock of existing social rented accommodation. This means that housing need in rural parishes is likely to be under-represented by the preferences expressed by applicant households on housing registers.

1.66 Analysis of intermediate households suggests that intermediate housing products should form part of Winchester's affordable housing policies. It is hard to say how significant an element it should play since the affordability of intermediate products varies with market conditions and interest rates; funding opportunities come and go; and there remains a generally poor understanding of intermediate housing products among consumers – which is not helped by the variety of initiatives and different products launched, each with different eligibility criteria and characteristics.

1.67 However, there is significant interest building up in Central Hampshire and given evidence on house prices and incomes in Winchester there is a significant potential market. Whilst this is a useful indication of the scale of the market, it would also be useful to inform the level of intermediate housing by the rate of take up of different types of products locally. DTZ suggest that intermediate housing makes up around 15% of new housing provision (or that is makes up the balance of affordable housing provision depending on the level of social rented accommodation secured). The proportion of intermediate housing might be higher on developments that deliver less social rented accommodation for reasons of site viability or local circumstances and could be informed by take up rates.

Influencing Housing Mix

1.68 The size of new affordable homes secured through new development needs to be based on an understanding of housing need and affordable housing strategy that goes beyond a simple assessment of the size requirements of households on local authority housing waiting and transfer lists. There are a number of pieces of evidence that need to inform affordable housing size requirements.

[11] Survey of English Housing (2005/06) demonstrates that, nationally, 72% of social rented tenants move less than 5 miles when moving home, compared to 54% of owner occupiers and 50% of private renters. Only 15% of social rented tenants move more than 10 miles compared to 29% of owner occupiers and 28% of private renters.

[12] Locational preferences of households on Winchester's waiting and transfer lists are in zones rather than parishes

1.69 The housing need assessment indicates the need for a range of different sized homes given the size of dwellings required by households in need and the pattern of re-lets across Winchester. There is significant pressure on 1 bedroom properties but this must be viewed in the context of a shortage of affordable housing overall and allocation policies which limit households to accessing the minimum amount of space to which they are entitled. Therefore there are a large number of households who are only entitled to 1 bedroom and effectively competing for the same properties.

1.70 However, there is also pressure on larger (3 bed) homes in Winchester. It is beyond the scope of this study but the authorities may wish to consider how targeted provision of certain sizes or types of affordable dwellings could help to create a chain of lettings and thus maximise the number of households re-housed through the provision of new affordable dwellings.

1.71 DTZ suggest that, as far as possible, the five authorities avoid enshrining a prescriptive size mix within local development documents. Rather, they set out a process or set of criteria, in a Local Development Document, for informing the appropriate mix on sites or at a particular point in time. This could be linked to aspirations in the Local Housing Strategy or regular monitoring included in Annual Monitoring Reports – both of which can be updated more regularly than LDF documents.

1.72 One of the key policies in the new PPS3 is concerned with achieving a mix of housing to support mixed communities. However, local authorities have limited policy levers available to them in order to influence the delivery of mixed communities (assuming such a community could be defined).

1.73 Discussions with stakeholders during the SHMA process have revealed that the meaning of a mixed community is difficult to define. What most stakeholders *can* agree on is what a mixed community is not. It is not a neighbourhood that is dominated by one particular tenure or income group. DTZ take the view that it is clearly important to avoid creating concentrations of disadvantage. It is also desirable to avoid neighbourhoods where everyone is of the same income and socio-economic group, though in practice this is what many homeowners would prefer and is characteristic of many neighbourhoods. It is also important to recognise that neighbourhoods have different characteristics and that this is important to providing a variety of choice in the housing market.

1.74 In relation to the mix of households, the evidence demonstrates that:

- Growth in one person households is expected in Winchester and across both Central and South Hampshire markets but does not imply the need for the majority of market dwellings to be small units. The demand for market homes reflects a complex set of factors relating to household income and life stage rather than simply household size and evidence suggests new homes are often bought by those ‘trading up’ who often want more space
- There is a relatively wide choice of types and sizes of dwellings. However, there is relatively a high proportion of larger dwellings in Winchester particularly the rural areas when compared to the South East as a whole but in the South of the District this complements the stock in the urban part of South Hampshire

- Recent completions in Winchester have included a large proportion of flats and over a relatively long time period compared to the South East.
- Consultation with developers and some local agents suggest that a significant proportion, if not the majority, of flats within town centres are rented out to private tenants. Although the development of the private rented sector is generally regarded as positive in providing flexibility and choice, this has implications for the turnover of residents within these new developments since turnover within the private rented sector can be higher than in other tenures
- Furthermore, continued provision of flats would have implications for the stock over time and may place pressures on adjacent (rural) areas, which have higher proportions of larger dwellings. Although the prices of flats in Winchester appeared to dip in 2006 so this trend may not continue indefinitely
- There is evidence of pressure on all sizes of affordable dwellings in the authorities, including on the larger 3 bed dwellings in Winchester, partly because of lower turnover of larger homes.
- Data on the type and size of completions by RSLs since 2001 demonstrate that the vast majority of new dwellings developed are flats and around 70-80% are two bedrooms or less. Thus the pattern of new completions is likely to limit what the authority can do about the pressure on larger dwellings within the social rented stock

1.75 Determining the appropriate mix of homes in the future is a highly imprecise science. It is therefore only possible (and appropriate) for the authorities to address serious imbalances in the dwelling stock through influencing the provision of new development.

1.76 In the rural areas of all of Winchester it would be appropriate to encourage a proportion of smaller market dwellings as part of a mix to build in a wider choice of homes into the existing stock (which currently has a high proportion of large dwellings). However, on larger sites a broad mix is likely to be appropriate in order to appeal to a range of segments in the market. The southern wards of Winchester also provide a complementary mix of housing within the South Hampshire market areas, with relatively smaller and cheaper dwellings available in Southampton and Portsmouth.

1.77 DTZ do not suggest that local authorities set targets for the type and size of market homes, but authorities have relatively strong levers to influence the pattern of completions in the open market through the type and size of *sites* allocated for new development. One means of encouraging a greater range of different types and sizes of homes to be developed is to consider allocating a variety of different types and sizes of housing land (in a similar way to that required in employment land allocations). This would also help to ensure that, were the market to change, there is the opportunity to deliver a different type of development. Winchester needs to ensure that a range of different sites is available to facilitate the delivery of a range of different dwellings across the district (and in both housing market areas), and to provide the opportunity to deliver different types of dwellings at different times as market circumstances change. A sufficient supply of developable land and choice of sites would also ensure that the authorities have more leverage over the nature of development in the future.

1.78 Local authorities also have relatively strong influence over the design and density of new development and issues around the appropriate nature of development in terms of local character. National policy has generally encouraged higher densities, which has meant that, where competition for land is intense, developers have bid up the price of land by assuming that they will be permitted to deliver at higher densities in order to recoup the cost of the land. This in turn has favoured the development of lots of small units at higher densities on sites. This implies that Winchester should give relatively high priority to developing policies or principles on design, particularly on significant sites or areas expected to accommodate the majority of new development – this may also go some way to managing developers' expectations about the densities that could be achieved.

1.79 The population in all of the authority areas is ageing and the growth in households in the future is expected to be driven to some extent by the ageing population. The evidence suggests that older households require choice and quality options within the housing market, including options within mainstream housing (where most prefer to live) to take account of a variety of ages and circumstances

1.80 The design of neighbourhoods will be important, particularly with regard to access, mobility, services and activities on offer. This issue is common to all authorities and would merit further investigation by Winchester, perhaps working jointly, in order to investigate different types of provision (market and affordable) and locations that will be attractive to older households in the future.

1.81 Winchester also has a significant number of disabled people within the population – some of whom require specific adaptations to their accommodation in order to live independently. The most efficient way to achieve this is likely to be through the provision of grants to individual households and their dwellings since changes to stock of housing through new development take a long time to come into effect

1.82 Most other specific groups within the housing market (including BMEs, recent migrants and people on low incomes living in rural areas) appear to face issues in terms of their *access* to the market, particularly owner occupation rather than their need for specialised accommodation. The conclusions in relation to these groups are therefore related to affordability and the need for delivery of affordable housing. However, there are specific issues that need to be considered by the authorities. BME groups and recent migrants may not be aware of the choices available to them (reluctance to talk about their housing needs is often an issue). There may also be higher interest in intermediate tenures amongst BME households. Both of these points indicate the need to ensure that choices are communicated to specific groups

1.83 For some BME households, but more significantly in Winchester, recent migrants, students and households needing more flexible accommodation, the private rented sector is an important tenure. DTZ suggest Winchester consider how their interventions could best support a quality private rented sector. There are a range of things to consider:

- The overlap and competition at the low end of the private rented sector, often housing people on housing benefit, recent migrants and students

- Interventions at the low end of the private rented sector, including HMO licensing and working with landlords to ensure that dwellings meet certain standards

- Working with Winchester University to monitor growth plans and the possible impact on the private rented sector and particular neighbourhoods (at present the expansion of student numbers will be met through expansion of institutional property though the student population occupies a significant proportion of private rented dwellings particularly in the city centre so this will be important to monitor)

- The overlap between households in the private rented sector and those that might access intermediate housing options in all authority areas – in some areas, whether the growth of a higher quality and affordable private rented sector might be a better option than intermediate housing (all authorities)

- The high end private rented sector, housing highly mobile workers who may prefer renting (or are renting accommodation for short periods of time or during the working week but live elsewhere), including corporate lets

- Working with developers and investors/ landlords to understand how new developments will be occupied and the implications this might have for some neighbourhoods

Securing Delivery

1.84 A fundamental requirement in achieving the level of affordable housing and a different mix of development is the delivery of new housing overall. Figure 12 sets out the proposed housing numbers in the South East Plan and, following the Panel Report, the Inspector's recommended housing numbers which would represent an increase for Winchester, although the Panel did not specify whether this should be distributed to the part in South Hampshire or Central Hampshire. Given the robust demand identified in earlier sections of this report these numbers are unlikely to present a challenge in terms of delivery providing there are sufficient sites identified.

1.85 The southern parts of Winchester, East Hampshire and Test Valley Districts are included in the PUSH sub-region which has also been awarded Growth Point Status and has been allocated an initial £3.6million to support work to ensure that the planned level of housing provision across the sub-region (around 80,000 new homes by 2026) can be delivered sustainably. For Winchester, the majority of housing development in the District is planned for the southern part of the District, including West of Waterlooville in the far south east corner of the District, which largely relates to the Eastern Pole of South Hampshire (Portsmouth, Havant and the south of East Hampshire).

1.86 In all authorities, particularly Winchester, there is a need to consider the location of available sites and the housing markets that new developments might serve, given the relationship with the South Hampshire housing markets as well as the Central Hampshire market and the market associated with Winchester City itself. For example, development in the South East corner of Winchester District at West of Waterlooville is unlikely to serve the demands and needs of the market associated with Winchester City and the Central Hampshire market area.

Figure 12: Proposed Housing Targets for Winchester

District	Total 2006-2026	Annual Average (District)	Annual Average (Part in Central Hampshire)	Annual Average (Part in South Hampshire)	EIP Panel Recommendation
Winchester District	10,440	520	180	340	610 (+17%)
South Hampshire Total	80,000	-	-	4,000	(distribution between markets not determined)
Central Hampshire Total	29,000	-	1,450	-	(distribution between markets not determined)

Source: Draft South East Plan (Regional Spatial Strategy) 2006-2026 *Growth Point Status proposed delivery of 960 per annum to 2016; Draft South East Plan Panel Report August 2007

1.87 In all of the authorities land supply is important to delivery although the scale of land supply will vary. DTZ suggest Winchester aim to allocate, or identify as far as possible, a sufficient supply of land for the plan period, in line with PPS3. This would deliver a number of benefits:

- It would provide the authorities with greater leverage over the timing and nature of development by ensuring that they are not dependent on one site or any one developer to deliver their housing targets or mix of housing and target levels of affordable housing

- It would provide flexibility for the market to switch to building something else if demand changes by bringing forward development in a different location on a different type of site – it is highly likely that the market will change during the plan period (if it has not done so already)

- It would provide scope to ensure that the sites allocated are capable of delivering affordable housing i.e. there are enough sites of sufficient size and less reliance on negotiations on very small sites to deliver affordable housing (given the difficulties associated with this as discussed earlier in the section)

1.88 Adherence to the new policies on land supply within PPS3 would achieve the benefits above, providing the sites allocated or identified are available and viable for development. A sufficient pipeline of land would allow authorities to bring forward land identified for a later date if required to meet their targets in the event of encountering difficulties with another site.