

SOUTHAMPTON

HOUSING NEEDS AND MARKET STUDY
UPDATE

FINAL REPORT
OCTOBER 2010



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I	Glossary of Terms
II	Land Registry Quarterly Sales figures (Q1 2007 to Q1 2010)

1 INTRODUCTION & METHODOLOGY

1.1 Background and Context to the Southampton Update

- 1.1.1 In July 2010, David Couttie Associates (DCA) were commissioned to update the 2005 Southampton Housing Needs & Market Study.
- 1.1.2 Due to the current economic downturn, an update at this time is particularly relevant due to the change in market conditions which have taken place since the publication of the 2005 survey.
- 1.1.3 The 2005 Study consisted of the following elements:-
- Face-to-face interviews with 2,000 households across five sub-areas in the City;
 - A housing market survey utilising the Land Registry and Halifax databases and a telephone survey of estate agents on the cost of access level property and the supply and cost of private rented housing;
 - Secondary data analysis drawing upon Housing Strategy Statistical Appendix (HSSA) and Housing Register data on the flow of social stock and need, 2001 Census, household and population projections and other national research.

1.2 The 2010 Housing Needs & Market Study Update

- 1.2.1 This update uses the most recent secondary data and re-weighted the primary data set to reflect the population in 2010.
- 1.2.2 The update report will review the outputs of the 2005 study where more recent data is available. This will include the following:-
- The Land Registry database;
 - An estate agents survey to assess the entry price levels in the market and private rented sectors in the same 5 sub-areas used in the 2005 study;
 - 2010 house prices / rents and current income levels to be able to calculate affordability thresholds;
 - The most recent population forecasts to assess the impact of demographic change on household formation and future demand and comparison to 2001 Census data;
 - Analysis of the HSSA data at 2010 to calculate an annual level of re-lets, waiting list change, right to buy and loss of stock and new delivery by tenure. The information required from the Council would be similar to the data provided for the 2005 study on these elements.
 - A new 2010 based Needs Assessment Model of affordable housing need based on the Strategic Housing Market Assessment (SHMA) Practice Guidance (Communities and Local Government, 2007).

1.3 Re-weighting the Survey Data-set

1.3.1 In undertaking this update, the 2005 household survey data file has been re-weighted using 2010 revised household numbers and social stock by ward and sub-area to update key data used in the Model. The social sector stock has been weighted to the actual figures in the 2010 Southampton HSSA. Shared Ownership stock is known to be higher than that in the survey sample (see 6.7.4) but the sample size resulted in no responses in 2005 in areas where stock existed and zero data cannot be weighted.

1.3.2 The table below show the revised weighted tenure proportions in the data file.

Table 1-1 Tenure of Existing Households

Tenure	2010 %*	N ^{os.} implied	2005 %**
Owner occupier - mortgage	34.2	33,632	34.3
			23.0
Housing Association (HA) Shared Ownership	0.1	125	0.1
			18.1
Private rented	16.7	16,435	16.7
	6.8		6.0
Tied to employment / Other	1.5	451	1.5
			0.1
Temporary Accommodation for the homeless	0.2	162	0.2
Total	100.0	97,323	100.0

* Re-weighted survey data

** 2005 Southampton Housing Needs and Market Study

1.4 The Update Report Structure

1.4.1 The key report sections contained within the update are detailed below.

Section 2 - The Active Market

1.4.2 Section 2 analyses indicators of current housing market activity within the same five sub-areas used in the 2005 study.

1.4.3 This section examines the cost of buying or renting a property in Southampton in 2010. Comparisons are made with property prices at the time of the 2005 study compared to current property prices, along with the historical property price and sales volumes from quarter 3 2005 to quarter 1 2010.

Section 3 – Housing Costs and Income

- 1.4.4 This section of the update assesses the income levels required to access the cheapest units available from the research undertaken in section 2.

Section 4 – Population Growth and Household Formation Projections

- 1.4.5 Section 4 examines:-
- Future population change forecasts;
 - Household characteristics.

Section 5 - CLG Housing Needs Assessment Model

- 1.4.6 Section 5 consists of the Southampton Communities and Local Government (CLG) Needs Assessment Model. This provides a quantitative assessment of housing need.

Section 6 – Key Findings and Housing Targets

- 1.4.7 In this section, the key findings from this update and the recommended housing targets are summarised.

1.5 Data Sources

- 1.5.1 The Strategic Housing Market Assessment (SHMA) Practice Guidance stresses the importance of using good quality data from a range of sources.
- 1.5.2 Both secondary data and the re-weighted primary data collected during the 2005 study have been used.
- 1.5.3 The sources of data used within each section of the report are referenced where appropriate.

1.6 Data Benchmarking

- 1.6.1 Throughout this study where possible, DCA have provided data at national (England), regional (the South East), and the individual local authority scale (Southampton City). These will be referred to throughout the report as benchmark areas. The use of benchmark areas aims to provide an understanding of comparative performance between Southampton and wider areas.

1.7 Glossary of Terms

- 1.7.1 A glossary of the technical terms used throughout this report is provided as an Appendix (Appendix I).

2 THE ACTIVE MARKET

2.1 Introduction

- 2.1.1 This section examines the current housing market to provide an update on house prices in Southampton.
- 2.1.2 Since 2007, the UK market has seen a crisis in economic terms starting with insecurity in the financial markets following the sub-prime mortgage crisis beginning in the American market. This led to a fall in house prices throughout the UK which has left recent purchasers, particularly first-time buyers and those on 100% mortgages with negative equity.
- 2.1.3 The prospects for the market in 2010 will depend on how the UK economy evolves. Current forecasts of increases in unemployment and further house price falls in 2010 create uncertainty in the market.
- 2.1.4 This information sets the context for the key issue of the affordability of housing in the area, and in particular the analysis can be related to the problems experienced by low income households, evaluated through the 2005 survey data (re-weighted to reflect 2010 levels).

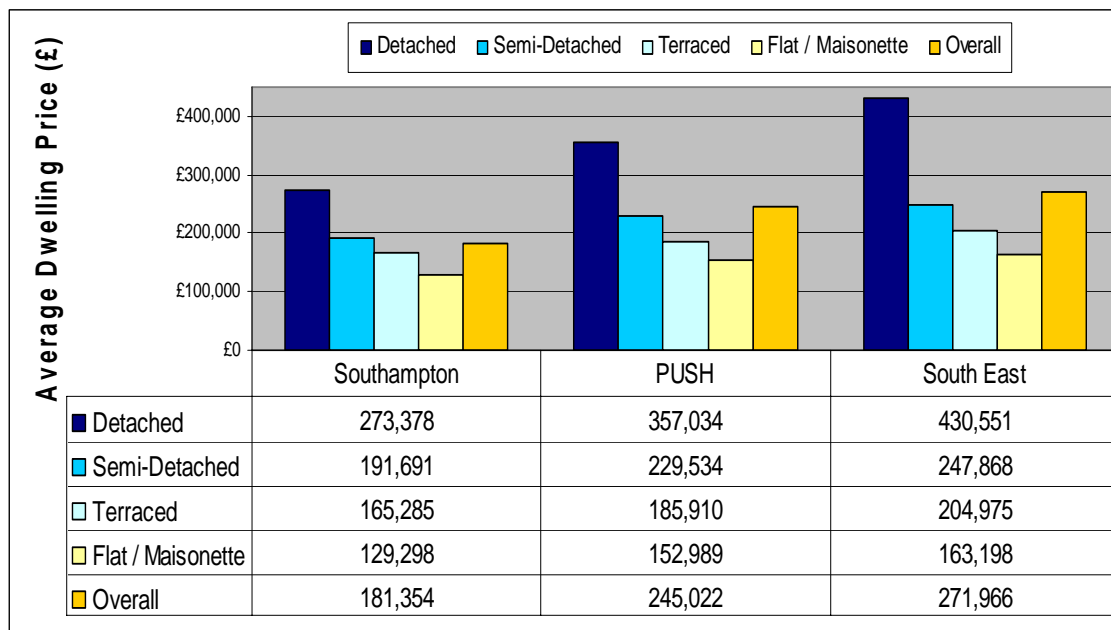
2.2 Housing Market Analysis

- 2.2.1 Two key data searches were commissioned to provide information on house price and sales volumes across the City:-
 - the Land Registry, providing data on all sales in the area;
 - an Estate Agency survey to assess entry level prices and private rental costs in each of the five sub-areas in the City.
- 2.2.2 DCA have compared the change in property prices between the land registry data used in the previous study (Quarter 3, 2005) and the latest data available (Quarter 1, 2010).
- 2.2.3 The 2005 study also analysed house price change from Quarter 3 1999 to Quarter 3 2005. This SHMA update has compared house price change over the last eleven years, using the starting point in the 2005 Study of Q3 1999, to the current data available of Q1 2010.
- 2.2.4 Comparisons have been made with the Partnership for Urban South Hampshire (PUSH) area. The average PUSH figure has been calculated from the average of the 10 authorities in the PUSH area.

2.3 Average House Prices

- 2.3.1 The latest data on average house prices during the first quarter of 2010 from Land Registry are summarised in Figure 2-1 below.

Figure 2-1 Average House Prices by Type, Q1 2010



Source: Land Registry Residential Property Price Report, Quarter 1 2010, © Crown Copyright

- 2.3.2 The average property price in Southampton is £181,354, lower than the PUSH area average level and the South East Regional benchmark.
- 2.3.3 The table below examines average house prices for Southampton as recorded by the Land Registry at Q1 2010, compared with the average property prices at the time of the Southampton Housing Needs and Housing Market Study at Q3 2005. The data is broken down by property type.

Table 2-1 2005 -2010 Average Southampton Property Price by Type

Property Type	Southampton		
	Average Q3 2005	Average Q1 2010	Change (%)
Detached	272,809	273,378	+0.2
Semi-detached	178,861	191,691	+7.2
Terraced	149,395	165,285	+10.6
Flat/ Maisonette	132,577	129,298	-2.5
All Properties	165,272	181,354	+9.7

Source: Land Registry Residential Property Price Report, Quarter 1 2010 & Quarter 3 2005, © Crown Copyright

- 2.3.4 Over the five year period Q3 2005 to Q1 2010, the average property price in Southampton has risen by around 9.7%.
- 2.3.5 Terraced properties have seen the largest rise at 10.6%. Detached properties have seen the smallest rise of 0.2% over the five year period.

- 2.3.6 The 2005 study examined the change in average property prices in the six year period between 1999 and 2005. The table below shows the change between Q3 1999 and Q3 2005 and also the change between Q3 1999 and Q1 2010 to show the extent to which house prices have changed in Southampton in the last eleven years (Quarter 3, 1999 to Quarter 1, 2010).

Table 2-2 Average Property Price (Q3 1999 – Q1 2010)

Property Type	Southampton				
	Average Q3 1999	Average Q3 2005	Change Q3 1999 to Q3 2005 (%)	Average Q1 2010	Change Q3 1999 to Q1 2010 (%)
Semi-detached	80,204	178,861	+123.0	191,691	+139.0
Terraced	67,311	149,395		165,285	+145.6
Flat/ Maisonette	52,144	132,577	+154.3	129,298	+148.0
All Properties	75,429	165,272	+119.1	181,354	+140.4

Source: Land Registry Residential Property Price Report, Quarter 3 1999 to Quarter 1 2010, © Crown Copyright

- 2.3.7 The data shows similar results in the change from Q3 1999 to Q3 2005 and the change from Q3 1999 to Q1 2010. Detached properties rose by 113.2% between Q3 1999 and Q3 2005 and by 113.6% from Q3 1999 to Q1 2010.

2.4 Sales Transactions

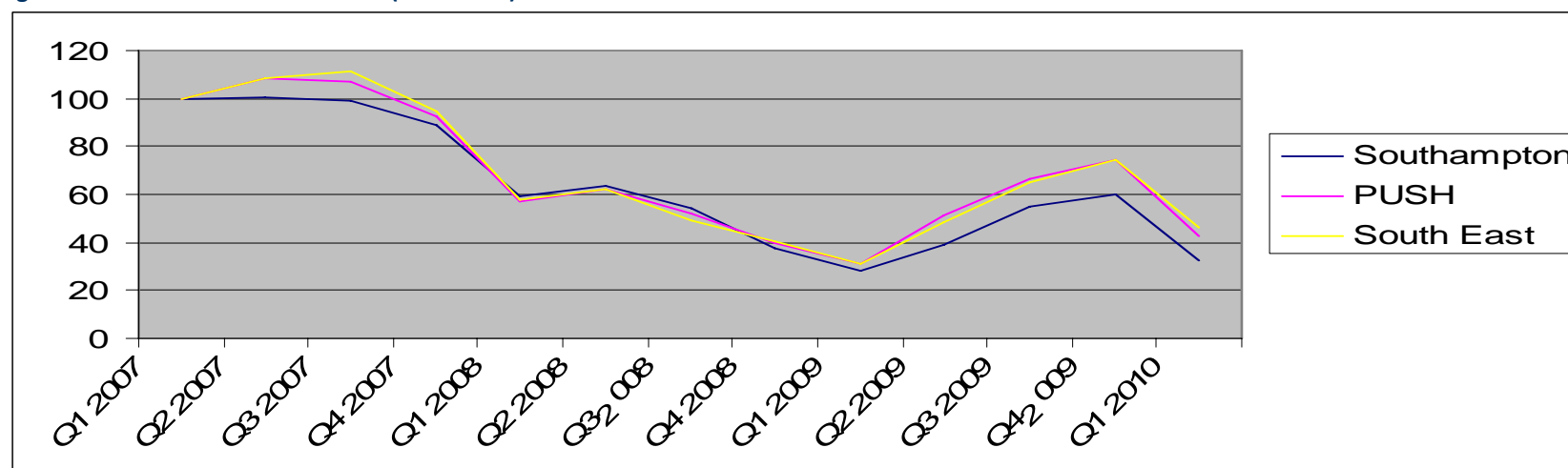
- 2.4.1 The table below shows the volume of sales per quarter between Quarter 1 2007 and Quarter 1 2010.
- 2.4.2 Overall the volume of sales per quarter has fallen in the three year period. Sales levels in the Southampton area decreased throughout 2008 and the first quarter of 2009. This was followed by an increase from Q2 to Q4 2009 and then another decrease was seen in Q1 2010.

Table 2-3 Absolute Trend in Sales Q1 2007 to Q1 2010

Area	Sales												
	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010
PUSH	7,649	8,298	8,175	7,072	4,366	4,753	3,980	3,059	2,365	3,935	5,099	5,713	3,289
South East	66,827	72,417	74,419	63,138	38,838	41,365	33,086	27,166	20,665	32,605	43,539	49,805	31,049

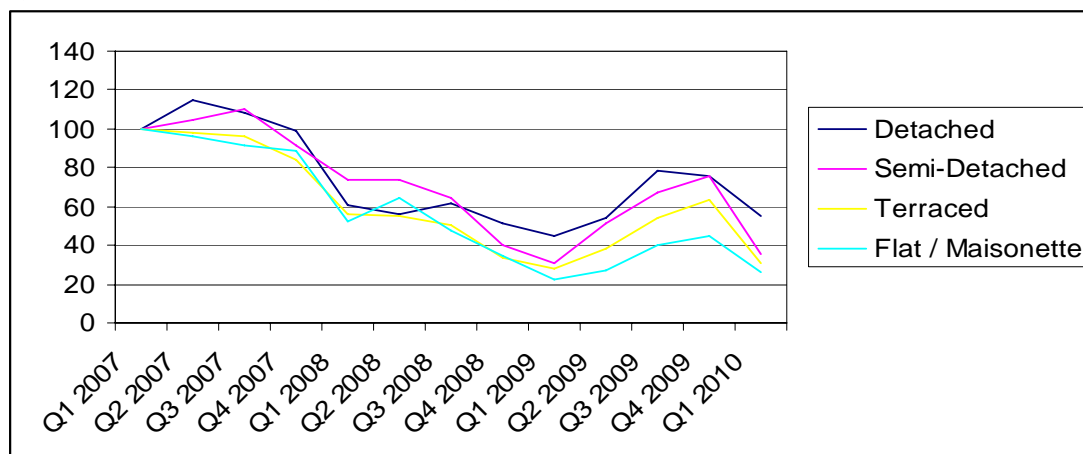
Source: Land Registry, Quarter 1 2007 to Quarter 1 2010

- 2.4.3 The trend in the absolute sales volumes recorded between 2007 and 2010 is shown in the graph below. The data has been indexed to give a common starting point (Q1 2007 = 100).
- 2.4.4 The data shows that the volume of sales per quarter in Southampton and the benchmark areas decreased significantly between 2007 and Q1 2008, before showing a slight increase in Q2 2008. The data shows a further dip in sales up to Q1 2009 before sales increase in the period up to Q4 2009.

Figure 2-2 Volume of Sales (2007-2010)

- 2.4.5 The chart and table below shows the sales transactions in Southampton by property type for the three year period Q1 2007 – Q1 2010. The data in Figure 2-3 has been indexed to give a common starting point (Q1 2007 = 100). The actual quarterly sales figures between Q1 2007 and Q1 2010 can be found at Appendix II.

Figure 2-3 Southampton Sales by Type (Q1 2007-Q1 2010)



2.5 The UK Mortgage Market

- 2.5.1 The Council of Mortgage Lenders' (CML) members are banks, building societies and other lenders who together undertake around 94% of all residential mortgage lending in the UK. They produce statistics research and public commentary on the market and the issues facing lenders.
- 2.5.2 The impact of the credit crunch was first felt in the UK in the mortgage lending industry with the demise of the Northern Rock in 2007. The major government support into the industry has assisted in providing stability; however there remains a major problem of a lack of funds to lend across virtually all lenders.
- 2.5.3 There has been a 15% increase in gross mortgage lending in June 2010, an estimated £13.1 billion in June from £11.4 billion in May and a 7% increase from June 2009.
- 2.5.4 The following table show the difference in gross mortgage lending over the past 9 years.

Table 2-4 Gross Mortgage Lending

Year	Total £m
2001	160,123
2002	220,737
2003	277,342
2004	291,258
2005	288,280
2006	345,355
2007	362,632
2008	254,023
2009	142,639

Source: CML Research, Bank of England

- 2.5.5 The Council of Mortgage Lenders (CML) states that there are signs of house prices stabilising and more properties coming onto the market following the elimination of home information packs. This could improve liquidity in the market but transaction levels are subdued and are likely to remain so while access to credit remains constrained.
- 2.5.6 House purchase lending rose moderately in May 2010. The 42,000 loans were up 2% from April 2010 and 15% from May 2009. The number of re-mortgage loans also increased in May 2010 by 6% from April 2010, but were down by 14% from May 2009.
- 2.5.7 The following table shows the full details of house purchase loans and re-mortgage loans from May 2009 to May 2010.

Table 2-5 Loans for house purchase and re-mortgage

	Number of house purchase loans	Value of house purchase loans £m	Number of re-mortgage loans	Value of re-mortgage loans £m
May 2010	42,000	6,000	26,000	3,200
Change from April 2010	+2%	+3%	+6%	+10%
Change from May 2009	+15%	+28%	-14%	-14%

- 2.5.8 First time buyers made up the lowest proportion of house purchase loans since September 2007 according to data released in June 2010 by the Council of Mortgage Lenders. They accounted for 35% of all house purchase mortgages, down from 39% in March and 38% in April 2009.
- 2.5.9 The low share in the market shows that getting a mortgage remains a problem for first time buyers who don't have a substantial deposit.
- 2.5.10 The latest data on loans specifically to first-time buyers is outlined below.

Table 2-6 Loans to first-time buyers 2009/2010

	Number of loans	Value of loans £m	Average loan to value	Average income multiple
May 2010	14,800	1,800	75%	3.14
Change from April 2010	+2%	+6%	75%	3.16
Change from May 2009	+8%	+20%	84%	3.04

Source: CML July 2010

- 2.5.11 We found no available mortgage products from high street lenders at 95% to first time buyers or existing borrowers. Lenders are offering a 90% Loan to Valuation (LTV) mortgage over a fixed term, but most have high arrangement fees in excess of £700, with some as high as £1,500. The reality is the lower the deposit, the higher the interest rate.
- 2.5.12 Variable rate mortgages were mostly offered at 75% LTV as a minimum. Lloyds TSB did offer a 95% LTV to first time buyers, but relatives were to act as a guarantor to the loan and had to show £20,000 in savings to qualify.

2.6 Southampton Market Sub-Area Breakdown

- 2.6.1 The City has been divided into the same five sub-areas used in the 2005 study to further analyse house prices and rental costs locally in the areas outlined below:

Sub-Area	Wards
West	Millbrook, Redbridge, Coxford, Shirley
Central	Bargate, Freemantle, Bevois
North	Portswood, Swaythling, Bassett
South	Peartree, Woolston, Sholing
East	Harefield, Bitterne Park, Bitterne

2.7 Entry Sales Levels in Southampton

- 2.7.1 Entry to the market is clearly dependent on availability, a factor which is particularly critical for low income households who can only enter the market in any numbers where there is an adequate supply of affordable dwellings.
- 2.7.2 First-time buyers as new entrants to the housing market do not purchase houses at average prices as they do not have average incomes. Although average prices are useful for comparisons in general they are not the purchase levels used in assessing the ability of households to enter local markets.
- 2.7.3 In broad terms new purchasers of either flats or terraced properties buy in the lowest quartile of prices i.e. the bottom 25%.
- 2.7.4 An internet search of the local estate agents was undertaken to ascertain the cost of the cheapest units available i.e. the lowest quartile stock costs in the 5 sub-areas.
- 2.7.5 It should be noted that highest point of the lowest quartile sales are used in the tables below as opposed to the average of the lowest quartile. Use of the highest point of the lowest quartile gives an indication of entry level prices of properties in reasonable condition which is the type of home most typically bought by people entering the market who don't have the capital or experience to do significant remedial work required on the cheapest properties.

Table 2-7 Entry Sales Levels (£) in Southampton – July 2010

	1 Bed Flat	2 Bed Flat	2 Bed Terraced	3 Bed Terraced	2 Bed Semi-Detached	3 Bed Semi-Detached
West	97,500	99,950	140,000	149,000	145,000	160,000
Central	95,900	126,950	150,000	169,950	150,000	169,950
North	84,950	135,000	144,995	155,950	160,000*	179,950
South	109,950	129,950	143,950	144,950	149,950	165,000
East	94,950	129,995	134,995	142,950	155,500	174,950
City-Wide	95,000	124,950	143,000	151,950	149,950	169,950

* Low sample

Source: DCA House Price Survey July 2010

- 2.7.6 Although the average price of flat / maisonette properties in Southampton according to the Land Registry survey is £129,298, entry sales levels vary across the City with the lowest entry prices, starting at around £84,950 for a 1-bed flat in the North, rising to £135,000 for a 2-bed flat / maisonette in the same area.

- 2.7.7 2 bed terraced properties start at £134,995 in the East rising to £150,000 in the Central area. 3-bed terraced properties start from £142,950 in the East rising to £169,950 in the central area. 2 bed semi-detached properties start from £145,000 in the West rising to £160,000 in the North. 3-bed semi-detached properties start at £160,000 in the West rising to £179,950 in the North.

2.8 The Private Rented Sector

- 2.8.1 DCA undertook a survey of the main estate / letting agents in each area to gather data on the entry rent levels for each sub-area, set out below.
- 2.8.2 As mentioned in 2.7.5, it should be noted that the highest point of the lowest quartile rental costs per month are used in the tables below as opposed to the average of the lowest quartile.
- 2.8.3 Some property types had low levels of supply and the data should be treated with caution.

Table 2-8 Average and Entry Rent Levels, July 2010 (£ p/m)

	West		Central		North		South		East		City-wide	
	Average	Entry	Average	Entry	Average	Entry	Average	Entry	Average	Entry	Average	Entry
1-Bed Flat	529	495	560	525	588	595	512	475	537	480	544	480
2-Bed Flat	716	620	757	670	846	795	713	675	687	595	741	650
2-Bed Terraced	694*	650*	675	-nd-	713*	675*	665*	625*	650	-nd-	682	650
3-Bed Terraced	790	695	946	900	929	895	760*	725*	750	-nd-	882	750
2-Bed Semi-detached	680*	675*	-nd-	-nd-	-nd-	-nd-	-nd-	-nd-	650	-nd-	674*	650*
3-Bed Semi-detached	899	850	825	-nd-	844	795	788*	775*	764*	695*	839	780

nd – No Data

* Low level of data

Source: DCA House Price Survey, July 2010

- 2.8.4 Entry rental costs in the private rented sector vary by location within the City.
- 2.8.5 The private rented sector entry level rents are £475 per month in the South area, rising to £595 in the North for a one bedroom flat, the smallest unit.
- 2.8.6 Entry level rents for a 2-bed flat range from £595 in the East to £795 in the North.
- 2.8.7 In the case of 2-bed terraced houses, entry rent levels range from £625 per month in the South, rising to £675 in the North.
- 2.8.8 3-bed terraced properties rents are from £695 per month in the West area, rising to £900 in the Central area.

3 HOUSING COSTS AND INCOME

3.1 Introduction

- 3.1.1 The ability of a household to satisfy its own housing requirement is fundamentally a factor of the relationship between local house prices and households income. This section of the report assesses the income levels required to access the cheapest units available in reasonable supply from the research detailed in Section 2.7 and the change in incomes from the 2005 study.

3.2 Purchase Income Thresholds

- 3.2.1 The cheapest entry levels (lowest quartile) of the smallest units were assessed to enable threshold income levels to be calculated. These are based on 95% mortgage availability and a 3.5x gross income lending ratio for single earner households and 2.9x gross household income for dual income households, the levels recommended in the 2007 Strategic Housing Market Assessments Practice Guidance (page 42).
- 3.2.2 In practice, lending ratios are now much lower with no 95% loan to valuation mortgages available in the market, a situation expected to continue for some time. With the majority of mortgage lenders offering only 75% loan to value (LTV), buyers may have an income to support the mortgage but do not have a 25% deposit. See paragraphs 3.2.7 and 3.2.8.
- 3.2.3 Table 3-1 and Table 3-2 below outline the income ranges needed to enter the market in the 5 sub-areas for single and dual households using the Guidance recommended lending ratios of 95%.

Table 3-1 Single Income Thresholds – July 2010

Area	Income Thresholds (£)		
	1 bed Flat	2 bed Flat	2 bed Terraced
West	26,500	27,100	38,000
Central	26,000	34,500	40,700
North	23,100	36,600	39,400
South	29,800	35,300	39,100
East	25,800	35,300	36,600
City-Wide	26,200	33,800	38,800

Table 3-2 Dual Income Thresholds – July 2010

Area	Income Thresholds (£)		
	1 bed Flat	2 bed Flat	2 bed Terraced
	31,900		
Central	31,400	41,600	49,100
	27,800		
South	36,000	42,600	47,200
	31,100		
City-Wide	31,600	40,800	46,800

Source: DCA House Price Survey July 2010

Note: Figures rounded to nearest hundred.

- 3.2.4 According to the data collated from the house price survey, entry level prices for flats require a single income of £23,100 in the North for a 1-bed flat and rise to £29,800 in the South. Entry income levels for 2-bed flats start at £27,100 in the West and rise to £36,600 in the North.
- 3.2.5 The income needed to buy the entry level terraced properties vary across the City with the lowest entry prices for a 2-bed terraced property, starting at around £36,600 in the East rising to £40,700 in the Central area.
- 3.2.6 On average 85.6% of concealed households earn below the entry level income requirement as a single household alone for a 1bed flat in the North of the City, the cheapest market area (See Table 3-6). The ability of concealed households to access the market within the City in 2010 is clearly very limited.
- 3.2.7 These levels are therefore theoretical as mortgage lending to first time buyers is generally still at a level of around 75%. The key problem of affordability now focuses on the availability of a large deposit rather than income levels and lending multipliers.
- 3.2.8 On average a deposit of around £25,000 to £30,000 would be required to buy one and two bedroom flats and £35,000 for a two bedroom terraced house in the Southampton market.
- 3.2.9 The data from the re-weighted survey shows that 74.1% have savings of less than £1,000 and 21.6% have between £1,000 and £5,000 for a deposit. Only 1.5% had in excess of £20,000 and on the basis of savings levels 98% will not be able to buy.
- 3.2.10 We have no evidence that parents or relatives in the City have resources available to provide this level of deposit for their children. Current forecasts of increases in unemployment and further house price falls in 2010 create uncertainty in the market.
- 3.2.11 New entrants to the market are therefore restricted to private rent whether they want to be in that sector or not even if there was an available supply of private rented housing.
- 3.2.12 The Planning Policy Statement 3 (PPS3) Guidance for eligibility to access subsidised affordable housing is an inability to buy or rent in the private market, without assistance. Ultimately, because costs are lower this virtually always means the cost and incomes in the private rented sector are used.
- 3.2.13 The inability to rent in the private sector without assistance is the basis of the calculation of those requiring affordable housing in section 5.9.

3.3 Rental Income Thresholds

- 3.3.1 The cheapest rental prices of the smallest units in the City were assessed in order to calculate the rental income threshold levels. These are based on the Guidance recommended ratio for private rent at 25% of gross income (equivalent to 30% of net income). Table 3-3 below shows the income levels needed to access the private rented market in Southampton.

Table 3-3 Rental Income Thresholds – July 2010

Area	Income Thresholds (£)		
	1 bed Flat	2 bed Flat	2 bed Terrace
West	23,800	29,800	31,200*
Central	25,200	32,200	-nd-
North	28,600	38,200	32,400*
South	22,800	32,400	30,000*
East	23,000	28,600	-nd-
City-Wide	24,700	32,200	31,200

Source: DCA House Price Survey July 2010

* Low Level of Data – nd- No Data

Note: Figures rounded to nearest hundred.

- 3.3.2 The cheapest property in the City to rent is in the South and requires an income threshold of £22,800.
- 3.3.3 To rent a two bedroom flat requires an income of £28,600 in the East and for a two bed terraced property requires an income of £30,000 in the South.
- 3.3.4 Based on the incomes of concealed households and their requirements for one and two bedroom properties, 85.1% of concealed households could not afford to access private rent in the City.

3.4 Annual Survey of Hours and Earnings

- 3.4.1 Income data is always difficult to gather at local level. The 2009 Annual Survey of Hours and Earnings (ASHE) has been used, prepared by the Office for National Statistics. This provides data at County and District-wide level of full-time employees of adult rates who have been in the same job for more than a year.
- 3.4.2 The ASHE 2009 published shows a median income of £22,683 for Southampton, a 3.4% increase on the 2005 ASHE figure reported in the 2005 Study of £21,934.
- 3.4.3 Analysis has also been undertaken of the income levels of local households, in order to assess the proportion of people now able to access market housing. This has been based on the updated house price information detailed in Section 2.
- 3.4.4 The table below highlights the incomes of existing households from the 2005 Study and current 2010 incomes.

- 3.4.5 The average incomes for Southampton have increased by 3.4% between 2005 ASHE and 2009 ASHE data, a period of 20 quarters, an average of 0.17% per quarter. As the 2005 income data was collected in September 2005 (Quarter 3) and this update was conducted in Q1 2010, the annual income boundaries taken from the 2005 Study have an income inflation of 3.23% applied to cover the 19 quarters to determine the 2010 annual income boundaries for Southampton (19 x 0.17%).

Table 3-4 Incomes of Existing Households 2005 & 2010

Annual Income 2005*		Annual Income 2010**		%
Below	£ 10,000	Below	£ 10,323	36.4
£15,001 - £ 20,000		£15,486 - £ 20,646		8.9
£27,501 - £ 32,500		£28,389 - £ 33,550		6.0
£37,501 - £ 40,000		£38,712 - £ 41,292		3.5
£45,001 - £ 50,000		£46,455 - £ 51,615		2.3
£60,001 - £ 80,000		£61,939 - £ 82,584		3.0
Above	£100,000	Above	£103,230	0.4
Total				100.0

Source: * 2005 Southampton Study

** Re-weighted survey data

- 3.4.6 36.4% of existing households earn less than £10,000, with 71.4% earning less than £27,500 per annum.
- 3.4.7 Table 3-5 below highlights the 2005 and 2010 incomes of concealed households from the 2005 Study. The 2005 annual income bands taken from the 2005 Study have an income inflation of 3.23% applied to determine the 2010 annual income levels.

Table 3-5 Incomes of Concealed Households 2005 & 2010

Annual Income 2005		Annual Income 2010		%
Below	£ 10,000	Below	£ 10,323	37.8
£10,000 - £ 15,000		£10,323 - £ 15,485		27.4
£15,001 - £ 20,000		£15,486 - £ 20,646		16.3
£20,001 - £ 22,500		£20,647 - £ 23,227		4.3
£22,501 - £ 27,500		£23,228 - £ 28,388		6.7
£27,501 - £32,500		£28,389 - £33,550		1.8
£32,501 - £40,000		£33,551 - £41,292		0.0
£40,001 - £45,000		£41,293 - £46,454		1.6
Above	£45,000	Above	£46,454	4.1

- 3.4.8 The following table outlines the incomes required by concealed households to access owner occupation based on the lowest and highest purchase single income thresholds across the City for 1 and 2-bed flats properties and 2-bed terraced properties.
- 3.4.9 37.8% of concealed households earn less than £10,000, with 92.5% earning less than £27,500 per annum.
- 3.4.10 Overall the calculation of the proportion of concealed households unable to access the private sector takes account of those who need one and two bedroom housing in the lowest quartile cost stock across the City.

Table 3-6 Concealed Households – Incomes Needed to Buy (Single Income) and % Unable to Buy

Type of Property	Area	Income Required	% unable to buy
1-bed Flat	North	£23,100	85.6
2-bed Flat	West	£27,100	90.8
2-bed Terraced	East	£36,600	92.6

- 3.4.11 Using the income requirements from Table 3-1 (single income), Table 3-6 shows that 85.6% of concealed households are unable to buy the cheapest 1-bed flat in the North and 90.8% are unable to buy the cheapest 2 bed flat in the West.
- 3.4.12 92.6% of concealed households in the East were unable to buy the cheapest 2-bed terraced house.
- 3.4.13 Table 3-7 below outlines the income required by concealed households to access the private rental market based on the lowest and highest rental income thresholds across the City for 1 and 2-bed flats and terraced properties, as illustrated in Table 3-3.

Table 3-7 Concealed Households – Incomes Needed and % Unable to Rent in the Private Market

Type of Property	Area	Annual Income Required	% Unable to rent
1-bed Flat	South	£22,800	85.1
2-bed Flat	East	£28,600	92.7
2-bed Terraced	East	£30,000	93.1

- 3.4.14 Table 3-7 above shows that 85.1% of concealed households cannot afford to rent a 1-bed flat in the South, the cheapest area.
- 3.4.15 92.7% are excluded from renting a 2-bed flat in the East and 93.1% of concealed households are excluded from the cheapest 2-bed terraced house in the East area.

3.4.16 The incomes of households who had formed in the previous year were analysed

Table 3-8 Income of Recently Formed Households (formed previous year)

Annual Income 2005		Annual Income 2010		%
Below	£10,000	Below	- £10,323	51.7
£10,000	- £15,000	£10,323	- £15,485	10.7
£15,001	- £20,000	£15,486	- £20,646	3.6
£20,001	- £27,500	£20,647	- £28,388	5.3
£27,501	- £32,500	£28,389	- £33,550	5.9
£32,501	- £40,000	£33,551	- £41,292	12.7
£40,001	- £45,000	£41,293	- £46,454	4.2
Above	£45,000	Above	£46,454	5.9
				100.0

3.4.17 The proportion of newly formed households assessed as being unable to buy is shown in the table below.

Table 3-9 Newly Formed Households – Incomes Needed to Buy (Single Income) and % Unable to Buy

Type of Property	Area	Income Required	% unable to buy
1-bed Flat	North	£23,100	67.7
2-bed Flat	West	£27,100	70.4
2-bed Terraced	East	£36,600	82.2

3.4.18 67.7% were assessed as being unable to buy the lowest priced 1-bed flat and 82.2% were unable to buy a 2-bed terraced.

3.4.19 The proportion of newly formed households assessed as being unable to rent in the private market is shown in the table below.

Table 3-10 Newly Formed Households – Incomes Needed and % Unable to Rent in the Private Market

Type of Property	Area	Annual Income Required	% Unable to rent
1-bed Flat	South	£22,800	67.6
2-bed Flat	East	£28,600	71.3
2-bed Terraced	East	£30,000	73.1

3.4.20 67.6% were assessed as being unable to rent the lowest priced 1-bed flat and 73.1% were unable to rent a 2-bed terraced property.

4 POPULATION GROWTH & HOUSEHOLD PROJECTIONS

4.1 Introduction

- 4.1.1 Changes in population and household profiles are essential in enabling an understanding of the level of housing need and demand within an area. Monitoring population and household forecasts allow the council to see if any significant changes are occurring that could affect the Southampton housing market.
- 4.1.2 Demographic change creates the need for different levels and types of housing provision and is a key factor influencing the requirements for market and affordable housing. Migration can be an important factor in demographic structure.
- 4.1.3 There are four basic components to changes in the number and composition of households. The aim of this section of the report is to highlight the issues which are relevant to the evaluation of housing needs in Southampton, particularly the changes in:-
- the age distribution of the population arising from births, deaths and ageing of the indigenous population;
 - family units such as marriage, divorce and child bearing patterns;
 - the number and composition of households arising from migration, particularly due to employment opportunities in the area;
 - the probabilities that family units form a separate household, particularly in response to changes in incomes in the labour market area.
- 4.1.4 In local area forecasting new household formation is mainly due to responses to income and employment opportunities. New household formation is also affected by life cycle patterns. This purely demographic influence on the number of households contributes to about 40% of the growth in the number of new households at any one time (Dicks, 1988; Ermisch, 1985).
- 4.1.5 The factors which combine to produce the population and household forecasts are:- population age-sex structures, headship rates, survival factors, infant mortality, fertility rates, base numbers of dwellings, vacancy rates, building / demolition programmes and the age-sex structure of migrants.

4.2 Updating the Southampton Population and Household Forecasts

- 4.2.1 The demographic forecasts used in the 2005 SHMA were the Chelmer 2004 based projections.
- 4.2.2 This 2010 HNS update uses the 2008-based Office for National Statistics (ONS) population forecasts published on the 28th May 2010 and CLG household projections for the period 2006 to 2031.
- 4.2.3 Being trend based projections, assumptions for future levels of births, deaths and migration are based on observed levels; mainly over the previous five years (2003 to 2008). They show what the population will be if recent trends continue.

- 4.2.4 The projections are produced on a consistent basis across all local authorities in England. They do not take into account any future policy changes or local development policies that have not yet occurred.
- 4.2.5 These projections are produced periodically by the Government and use the 2001 mid year estimate as their starting point. They assume the continuation of current trends in fertility and mortality and migration moves into and out of the area. They do not reflect change due to future housing development in the area.
- 4.2.6 The projections in Table 4-1 outline the population change between 2008 and 2033.

Table 4-1 Population Change in Southampton, 2008 – 2033

	2008	2013	2018	2023	2028	2033	Change
Total Population	234,100	248,000	258,100	267,300	278,400	287,700	
Change		+13,900	+10,100	+9,200	+11,100	+9,300	+53,600
% Change		+5.9	+4.1	+3.6	+4.2	+3.3	+22.9

Source: ONS 2008-based sub-national population projections (Published 27 May 2010)

- 4.2.7 The table shows a forecast increase in the population of Southampton of 53,600 people (22.9%) over the forecast period to 2033. This is higher than the forecast rise in population of 18.0% nationally and 20.1% in the South East region.
- 4.2.8 The next stage in the forecast is to disaggregate the Southampton population data into age bands because there may be changes in the population structure with significant housing implications.

Table 4-2 Population Age Band Forecast, Southampton, 2008 – 2033

	2008	2013	2018	2023	2028	2033	Change	% Change
0 - 19	52,700	54,200	56,500	60,200	62,800	63,900	+11,200	+23.1
20 – 29	56,900	62,300	62,100	59,000	60,700	64,000	+7,100	+12.5
30 - 44	47,300	50,700	54,700	59,900	61,200	60,000	+12,700	+26.8
45 - 64	46,500	48,200	50,200	51,200	53,100	53,500	+7,000	+15.1
65 +	30,800	32,700	34,500	37,200	40,400	44,300	+13,500	+43.8
Total	234,100	248,000	258,100	267,300	278,400	287,700	+53,600	
% Change		+5.9	+4.1	+3.6	+4.2	+3.3	+22.9	

Source: ONS 2008-based sub-national population projections

Figures are rounded to the nearest 100 so totals may not agree with the sum of their rounded counterparts.

- 4.2.9 The 0-19 age range shows an increase of 11,200 people (+21.3%). Numbers rise throughout the forecast period.
- 4.2.10 The 20-29 age range comprises new households forming and will have implications for future affordable housing need both in the short and longer term. Overall this age group shows a rise of 7,100 (+12.5%).
- 4.2.11 The 30-44 age group, the main economically active and household forming and moving group also shows a rise of 12,700 (+26.8%).

- 4.2.12 The 45-64 age group shows an increase in numbers of 7,000 people (+15.1%).
- 4.2.13 The most significant feature is the growth of the population in the over 65 age group with an increase of 13,500 people (+43.8%) over the forecast period.
- 4.2.14 The table below shows the 65+ age structure breakdown to 2033. Within the older age group, numbers of people aged 85+ increase by 4,700 (+56.6%) up to 2033. Given the resource demands often associated with very elderly people, these are significant figures.

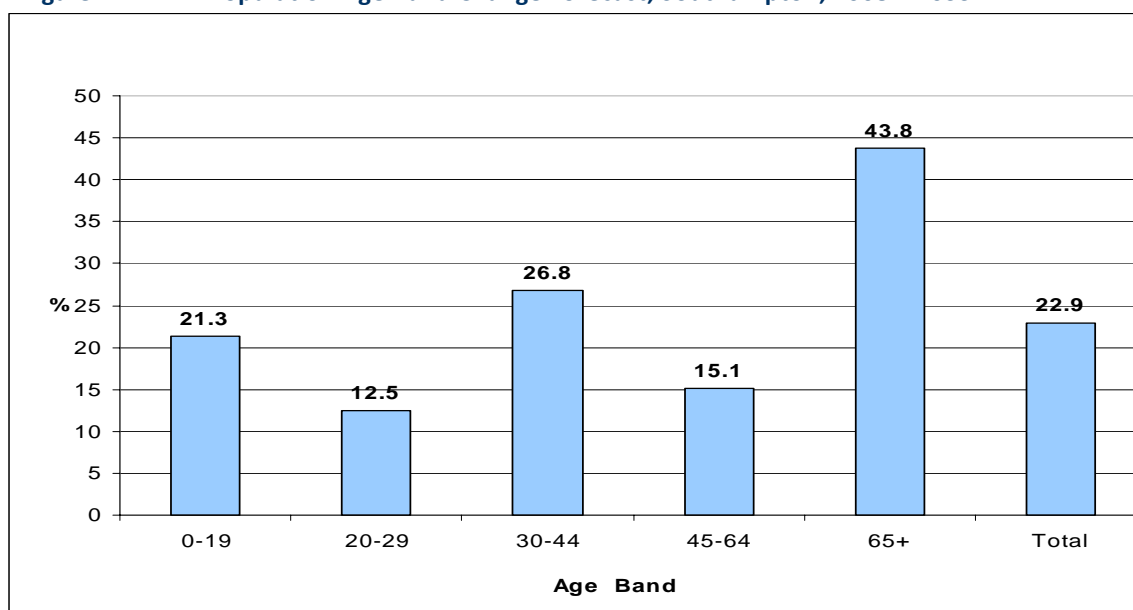
Table 4-3 Numbers of 65 + in Southampton, 2008 – 2033

	2008	2013	2018	2023	2028	2033	Change	% Change
65-69	8,000	9,500	9,000	9,400	10,300	11,200	+3,200	+40.0
70-74	6,600	7,100	8,500	8,200	8,500	9,400	+2,800	+42.4
75-79	6,200	5,700	6,200	7,600	7,300	7,600	+1,400	+22.6
80-84	4,900	4,800	4,600	5,200	6,400	6,300	+1,400	+28.6
85-89	3,400	3,200	3,400	3,500	4,000	5,100	+1,700	+50.0
90+	1,700	2,400	2,800	3,300	3,900	4,700	+3,000	+176.5
Total	30,800	32,700	34,500	37,200	40,400	44,300	+13,500	
% Change		+6.2	+5.5	+7.8	+8.6	+9.6		

Source: ONS 2006-based sub-national population projections

- 4.2.15 The following graph shows the percentage population change by age group to 2033.

Figure 4-1 Population Age Band Change Forecast, Southampton, 2008 – 2033



4.3 Forecast Change in Households

4.3.1 Table 4-4 below outlines the household forecasts for Southampton from 2006 to 2031.

4.3.2 The household projections were sourced from CLG and are 2006 based ONS sub-regional household projections.

Table 4-4 Forecast Change in Households in Southampton, 2008 – 2031

	2006	2011	2016	2021	2026	2031	Change
Households	98,000	105,000	112,000	118,000	124,000	129,000	
Household change		+7,000	+7,000	+6,000	+6,000	+5,000	+31,000
% Change		+7.1	+6.7	+5.4	+5.1	+4.0	+31.6

Source: CLG

4.3.3 There is predicted to be 31,000 (31.6%) more households in Southampton in 2031 than in 2006.

5 CLG NEEDS ASSESSMENT MODEL

5.1 Introduction

- 5.1.1 The SHMA Guidance indicates that housing partnerships should estimate the number of households who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market. Table 5-1 outlines the types of housing considered unsuitable as specifically defined in the guidance.

Table 5-1 **Types of Housing Deemed Unsuitable**

Unsuitable Housing	
Homeless households or insecure tenure	Homeless households
	Households with tenure under notice, real threat of notice or lease coming to an end; housing that is too expensive for households in receipt of
Mismatch of housing need and dwellings	Overcrowded according to the 'bedroom standard'
	Couples, people with children and single adults over 25 sharing a kitchen, bathroom or WC with another household
Dwelling amenities and condition	Lacks a bathroom, kitchen or inside WC and household does not have the resources to make fit (e.g. through equity release or grants)
Social Needs	Harassment from others living in the vicinity which cannot be resolved except through a move

Source: Strategic Housing Market Assessments Practice Guide, CLG.

- 5.1.2 This element of the assessment is essential to identify the total scale of need of those not able to access the market, the provision from existing stock turnover and the net need which requires to be addressed from future new provision.
- 5.1.3 It provides essential evidence for affordable housing targets in Local Development documents.

5.2 The CLG Needs Assessment Model Structure

- 5.2.1 There are three 'Stages' in the needs assessment model, combined into three distinct sections assessing current and future housing need and supply.

STAGE 1 CURRENT HOUSING NEED

- 1.1 Homeless households and those in temporary accommodation
Plus
- 1.2 Overcrowded (households who failed the CLG 'bedroom standard') and concealed households (those over 25 who share facilities with another household)
Plus
- 1.3 Other groups
- 1.4 ***Equals - Total Current Housing Need***



STAGE 2 FUTURE HOUSING NEED (GROSS)

- 2.1 New household formation (gross per year)
Times
- 2.2 Proportion of new households unable to rent in the market
Plus
- 2.3 Existing households falling into need
- 2.4 ***Equals - Total Newly Arising Need***



STAGE 3 AFFORDABLE HOUSING SUPPLY

- 3.1 Affordable dwellings occupied by households in need
Plus
- 3.2 Surplus stock
Plus
- 3.3 Committed supply of new affordable housing
Minus
- 3.4 Units to be taken out of management
- 3.5 ***Equals - Total Affordable Housing Stock Available***
- 3.6 Annual supply of social re-lets (net)
Plus
- 3.7 Annual supply of intermediate affordable housing available for re-let or re-sale at sub-market levels.
- 3.8 ***Equals - Annual Supply of Affordable Housing***

5.3 Model Structure

- 5.3.1 The Housing Needs Assessment Model is based on the 2007 Strategic Housing Market Assessment Practice Guidance, and is designed to estimate the number of households who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market.
- 5.3.2 The model is structured on a 'flows' basis, taking account of recent experience over the previous three years and examining projections over the next two years. It has to be assumed that this 'annualised' data will occur each year. Major changes in the house price and income relationship could cause significant variation in the overall situation. It is not directly comparable to the previous Model used in 2005.
- 5.3.3 In this section the assessment of affordable housing need has been conducted using both primary data from the Housing Needs Survey Up-date and secondary data from CORE (The Continuous Recording of sales and lettings in social housing in England), HSSA and local authority records.

5.4 Southampton CLG Needs Assessment Model

- 5.4.1 The first element of this Stage of the model estimates the number of homeless households including those in temporary accommodation.
- 5.4.2 The latest data available, the P1(E) return at 31 March 2010 identified 133 homeless households in temporary accommodation. However, all of these households are living in Council, HA or leased private general stock and would potentially have been captured in the survey data.
- 5.4.3 To avoid double counting a total of **zero** is therefore applied at **Stage 1.1**.
- 5.4.4 The second element in Stage 1 of the model estimates the number of households in over-crowded conditions (i.e. those who fail the 'bedroom standard'), and concealed households (couples, people with children and single adults aged over 25 who share facilities with another household).

Table 5-2 Over-crowded and Concealed Households

Over-crowded Households	5,655
Net Overcrowded	4,270
Stage 1.2 – Over-crowding and concealed households	3,958

- 5.4.5 There are 5,655 households who are over-crowded by the 'bedroom standard'; however 1,385 of these will be resolved by a newly forming household or by these households leaving the City, a total net over-crowded group of 4,270.
- 5.4.6 69.9% of these households stated that they cannot afford to resolve their housing difficulties through market housing, hence a total of 3,958 households have been applied in the model at **Stage 1.2**.
- 5.4.7 The third element in Stage 1 of the model examines households living in unsuitable accommodation whose problem cannot be solved 'in-situ' and who therefore require to move home in order to resolve their difficulty.

- 5.4.8 SHMA Practice Guidance identifies that households who are overcrowded, were suffering harassment, those whose rent / mortgage was too expensive, housing was affecting their health, whose tenancy was insecure or whose home was too large are all assessed to need to move home.
- 5.4.9 The survey data identified 1,565 households with one or more of these inadequacies, of whom 224 were already counted in Stage 1.2 and need to be removed to avoid double-counting.
- 5.4.10 This leaves a net group of 1,341 households, 84.2% of whom stated that they are unable to afford to resolve their housing difficulties through market housing in the area, leaving 1,130 households to be applied in the model at **Stage 1.3**.
- 5.4.11 The final element of Stage 1 of the model is a sum of steps 1.1, 1.2 and 1.3 above, a total of 5,088 applied at **Stage 1.4**.

Table 5-3 Current Housing Need (Gross)

STAGE 1 – CURRENT HOUSING NEED (GROSS)		
1.1	Homeless households and those in temporary accommodation	0
1.2	Overcrowding and concealed households	3,958
1.3	Other groups	1,130
1.4	TOTAL CURRENT HOUSING NEED (GROSS) 1.1 + 1.2 + 1.3	5,088

5.5 Stage 2 – Future Need (Gross per year)

- 5.5.1 The first element of Stage 2 of the model estimates the annual number of newly forming households in the City.
- 5.5.2 The 4,199 concealed households identified in the survey to be forming over two years is annualised at an average level of 2,100 households.

Table 5-4 Time of Move – Concealed Households

Time of Move	Nos. implied	Annual Average
Within 1 year	2,066	2,100
1 - 2 years	2,133	

- 5.5.3 In order to avoid double counting due to two-person household formation, duplication is removed. 31.6% of concealed households forming over the next two years specified formation as a couple, with 53.0% of these having a partner who lived separately elsewhere in the City, which would cause a double count.

- 5.5.4 However data on recently formed households suggests couple formation of around 44.4%. The 53.0% has therefore been applied to this higher level in the table below ($44.4\% \times 50.3\% = 23.6\%$).

Table 5-5 Double Counting Removal

New household formation (gross p.a.)	2,100
MINUS - Two person formation (2,100 x 23.6%) x 0.5	247
Total	1,853

- 5.5.5 This results in an annual average formation level of 1,853 households per annum, used at **Stage 2.1** of the model.
- 5.5.6 The income of recently formed households would normally be used to test future concealed households ability to both purchase in the lower quartile stock and access the private market to buy or rent 1, 2 and in some cases 3 bedroom units suitable for their requirements.
- 5.5.7 Even at the Guidance recommended lending proportions and income ratios, 85.1% of concealed households about to form are considered to be unable to purchase in the market. Based on recently formed households with dual incomes, 75.1% could not buy.
- 5.5.8 However the impact of the credit crunch now means that 75% loans are the norm, making the need for 25% deposit the key affordability issue. On the basis of savings data, 98% will not be able to buy without significant capital from parents or relatives.
- 5.5.9 Based on these household incomes and using standard ratios of 25% of gross income, 71.6% are unable to rent in the private market and this rental proportion is used at **Stage 2.2** of the model.
- 5.5.10 The final element of Stage 2 of the model estimates the number of households in need who register and are housed within a year. These households are normally those in priority need whose circumstances need to be addressed quickly. The major groups are homeless households, and for example those with medical needs, suffering harassment, living in accommodation which is unfit or in high levels of disrepair, are over-crowded or have insecure tenancies.
- 5.5.11 The calculation of existing households in this category was calculated from Council records at 534 and is used at **Stage 2.3** of the model.

- 5.5.12 The final element of Stage 2 of the model is a sum of step 2.1 multiplied by step 2.2, added to step 2.3 above, giving a total of 885 applied at **Stage 2.4**

Table 5-6 Future Need (Gross per Year)

STAGE 2 – FUTURE NEED (GROSS PER YEAR)	
2.1 New household formation (gross per year)	1,853
2.2 Proportion of new households unable to buy or rent in the market	71.6%
2.3 Existing households falling into need	534
2.4 TOTAL ANNUAL NEWLY ARISING NEED (2.1 x 2.2) + 2.3 (1,853 x 71.6% = 1,327 + 534 = 1,861)	1,861

5.6 Stage 3 – Affordable Housing Supply

- 5.6.1 The first element of Stage 3 of the model determines the number of households analysed in Stages 1.2 and 1.3 who currently occupy social rented or shared ownership dwellings. It is assumed that any move by these households would release a unit of affordable housing, and it is therefore assumed that there would be no overall net effect on the annual flow model.
- 5.6.2 The survey data shows that 2,504 of the households at Stages 1.2 and 1.3 of the model live in affordable units, and this total is applied at **Stage 3.1**.
- 5.6.3 The second element of Stage 3 of the model assesses the level of surplus affordable stock. The level of affordable units which are vacant for more than six months is 1.4% of the stock. Guidance states that where the level is below 3% it should be considered that there is no surplus vacant stock. A total of zero is therefore applied at **Stage 3.2** of the model.
- 5.6.4 The third element of Stage 3 of the model forecasts the number of new affordable units to be built on an annual basis. The HSSA returns for the three years to 31/03/2010 show the following recent new unit trends:-

Table 5-7 New Affordable Housing Supply (HSSA) 2005 to 2009

Supply	2007 / 08	2008 / 09	2009/10	Average	%
New HA Rent	189	207	136	177	54.6
HA Shared Ownership	144	154	90	130	40.1
Other New Supply	18	11	22	17	5.3
Total	351	372	248	324	100.0

- 5.6.5 If there is a consistent level of recent and immediate future new delivery it is normal practice to take account of the average annual level.
- 5.6.6 The average annual new supply total from 2008 to 2010 is 324 units per annum, with a broad tenure split of 55% social rented and 45% intermediate housing.

- 5.6.7 HSSA data however shows that future new delivery over the next two years is expected to be 465 new units built in 2010 / 11, and 495 units are planned in 2011 / 12, an annual average of around 480 units. The five year average from 2007 to 2011 is 386 units, reflecting lower previous delivery levels. which are more likely
- 5.6.8 In view of the current market conditions it is recommended that the previous average delivery of 324 units is used at **Stage 3.3**.
- 5.6.9 The next element of the model estimates the number of units to be taken out of management through stock demolition and Right to Buy (RTB) on an annual basis.
- 5.6.10 The table below shows the RTB and demolition levels from Council data for the three years to 31/03/2010.

Table 5-8 2007 to 2010 Right to Buy and Demolition

	2007 / 08	2008 / 09	2009/10	Average
Right to Buy	80	31	29	47
Demolition	0	0	41	13
Total	80	31	70	60

- 5.6.11 The average annual loss of stock through RTB is 47 units with 13 lost due to demolition, a total of 60 a year.
- 5.6.12 The average stock re-let rate of 4.5% per annum applied to the average figure of 60, equals 2.7 units and a figure of 3 units is applied at **Stage 3.4** of the model.
- 5.6.13 **Stage 3.5** of the model is the sum of Stages 3.1 (2,504), 3.2 (0) and 3.3 (324), less Stage 3.4 (3), a net total of 2,825.

5.7 Re-let Supply

- 5.7.1 The average annual re-let supply of affordable units over the last three years is used in the model as a prediction for the future annual affordable housing supply from re-lets which is likely to arise. It is important firstly to establish the average general needs stock re-let level (i.e. excluding transfers and new unit delivery).
- 5.7.2 Data from HSSA and CORE returns for the three years to 31/03/2010 have been examined, which show the following:-

Table 5-9 Social Rent Re-let Supply (2007 to 2010)

Social Stock Re-lets	2007 / 08	2008 / 09	2009/10	Average
Council	910	795	887	864
HA	331	134	181	215
Total Re-lets	1,241	929	1,068	1,079

Note: 2009 HSSA.

- 5.7.3 The overall average net re-let figure for the social stock for the three year period to 2009 / 10 is 1,079 units a year, which has been applied at **Stage 3.6**.

- 5.7.4 The shared ownership stock level with HA's at the 2001 Census was 739 and a further 1,220 units have been built from 2002 to 2010 providing a total stock total of 1,959 units. Assuming a re-sale rate based at 4.5%, similar social stock turnover, 89 units would become available each year and this number is incorporated at **Stage 3.7**.
- 5.7.5 The final element of Stage 3 of the model is a sum of Stages 3.6 and 3.7, a total of 1,168 applied at **Stage 3.8**.

Table 5-10 Affordable Housing Supply

STAGE 3 – AFFORDABLE HOUSING SUPPLY	
3.1 Affordable dwellings occupied by households in need	2,504
3.2 Surplus stock	0
3.3 Committed supply of new affordable housing	324
3.4 less Units to be taken out of management	3
3.5 TOTAL AFFORDABLE HOUSING STOCK AVAILABLE 3.1 + 3.2 + 3.3 – 3.4	2,825
3.5 Annual supply of social re-lets (net)	1,079
3.6 Annual supply of intermediate affordable housing available for re-let or resale at sub market levels	89
3.8 ANNUAL SUPPLY OF AFFORDABLE HOUSING 3.5 + 3.6 + 3.7	1,168

5.8 Affordable Housing Needs Model

STAGE 1 – CURRENT HOUSING NEED (GROSS)		2010
1.1	Homeless households and those in temporary accommodation	0
1.2	Overcrowding and concealed households	3,958
1.3	Other groups	1,130
1.4	TOTAL CURRENT HOUSING NEED (GROSS) 1.1 + 1.2 + 1.3	5,088
STAGE 2 – FUTURE NEED (GROSS PER YEAR)		
2.1	New household formation (gross per year)	1,853
2.2	Proportion of new households unable to buy or rent in the market	71.6%
2.3	Existing households falling into need	534
2.4	TOTAL ANNUAL NEWLY ARISING NEED (2.1 x 2.2) + 2.3 (1,853 x 71.6% = 1,327 + 534 = 1,861)	1,861
STAGE 3 – AFFORDABLE HOUSING SUPPLY		
3.1	Affordable dwellings occupied by households in need	2,504
3.2	Surplus stock	0
3.3	Committed supply of new affordable housing	324
3.4	less Units to be taken out of management	3
3.5	TOTAL AFFORDABLE HOUSING STOCK AVAILABLE 3.1 + 3.2 + 3.3 – 3.4	2,825
3.6	Annual supply of social re-lets (net)	1,079
3.7	Annual supply of intermediate affordable housing available for re-let or resale at sub market levels	89
3.8	ANNUAL SUPPLY OF AFFORDABLE HOUSING 3.5 + 3.6 + 3.7	1,167
A	TOTAL NET CURRENT NEED 1.4 – 3.5 (5,088 – 2,825 = 2,263)	2,263
B	QUOTA TO ADDRESS NEED OVER 5 YEARS	20%
C	ANNUAL CURRENT NEED (A x B)	453
D	TOTAL ANNUAL NEWLY ARISING NEED (2.4)	1,861
E	TOTAL AFFORDABLE NEED PER YEAR (C + D)	2,314
F	ANNUAL SUPPLY OF AFFORDABLE HOUSING (3.8)	1,167
	OVERALL ANNUAL SHORTFALL (E – F)	1,147

5.9 Affordable Needs Assessment

- 5.9.1 Elimination of the backlog over a five year period is recommended in the SHMA Guidance for model purposes but the Council could make a Policy decision to do so over a longer period (e.g. 10 years or the number of years to the end of the Local Development Framework period). These are more often used where the scale of the backlog clearly cannot be addressed.
- 5.9.2 The 5 and 10 year periods are used for further analysis in Table 5-11 below. The 10 year calculation uses 10% as the quota to address need, instead of 20% which is the quota for 5 years applied at section B above.
- 5.9.3 Net re-lets of the existing social stock are the major means of addressing the scale of need identified.
- 5.9.4 After allowing for this level of existing social stock net re-let supply and 89 estimated shared ownership re-sales, there will still be a total annual affordable housing shortfall of 1,167 or 920 units.
- 5.9.5 However, in arriving at the net shortfall, the Model already incorporates the projected future delivery of 324 additional new units and the total net annual need, prior to new delivery, is therefore either 1,471 units (compared to 1,395 in 2005) dealing with the backlog over 5 years or 1,244 or 10 years.
- 5.9.6 The table below outlines the calculation.

Table 5-11 Annual Affordable Need and Supply

		5 Years		10 Years
Total Net Current Need		2,263		2,263
Backlog rate	20%	453	10%	226
Newly arising Need		1,861		1,861
Annual Affordable Need		2,314		2,087
Less Social Stock re-lets	1,079		1,079	
Share ownership re-sales	89	1,167	89	1,167
Net annual need		1,147		920
Plus Assumed new units of supply		324		324
Total Need after existing stock turnover		1,471		1,244

5.10 Future Housing Targets

- 5.10.1 The small net backlog results in only a very minor difference in the annual net scale of need and the decision on which period to use is marginal in terms of target setting.
- 5.10.2 The net need level after existing stock turnover, but before any new unit delivery is 1,471 units a year based upon dealing with the backlog over a 5 year period.
- 5.10.3 The annual affordable need in Southampton is greater than the previous total annual housing allocation in the RSS.
- 5.10.4 The up-dated assessment still reveals a larger scale of affordable need than could be delivered, either in terms of sustainability or economic viability and the scale of need continues to justify the affordable housing targets in Policy CS 15.
- 5.10.5 The viability assessment model should allow for changing land values to be continuously re-assessed over the Plan period. On the basis of needs levels alone there would be no change to the overall target.

5.11 Tenure Mix Targets

- 5.11.1 PPS3 requires the provision of tenure mix targets within affordable housing policies which may vary by location within the District to take account of demand, need and current affordable supply at local level.
- 5.11.2 The tenure balance of new affordable delivery over the last three years detailed in the Council HSSA 2010 has averaged 55% social rent and 45% intermediate housing.
- 5.11.3 Tenure mix is a key factor in site viability and in the 2005 assessment we recommended a tenure mix balance of 50:50 between social rent and intermediate housing. The subsequent target set and adopted in Policy CS 15 was for a mix of 65% social rent and 35% intermediate housing.
- 5.11.4 However, bearing in mind existing social stock levels and the impact of the recession on economic viability, it would be reasonable to deliver a higher level of intermediate housing in the short to medium term.

5.12 Making Best Use of the Existing Stock

- 5.12.1 A broad assessment of 'under-occupation' and 'over-occupation' was conducted using the re-weighted 2005 Housing Study data. This was based on a detailed analysis of the family composition data.
- 5.12.2 The number of bedrooms required in each household was established allowing for age and gender of occupants as defined by the 'bedroom standard'. In the case of over-occupation any dwelling without sufficient bedrooms to meet that requirement has been categorised as over-occupied.
- 5.12.3 In the case of under-occupation, any dwelling with more than one 'spare' bedroom above requirement has been categorised as under-occupied. This in effect is at least two spare bedrooms.
- 5.12.4 The assessment of under / over occupation[†] by tenure revealed some disparity between tenure types as indicated at below.

- 5.12.5 The table below outlines both under and over-occupation levels, broken down by tenure.

Table 5-8 Under and Over- Occupation (%) by Social Landlord Type

Sub-Area	Under Occupied		Over Occupied	
	%	Nos.	%	Nos.
Council Rented	9.6	1,640	9.1	1,565
HA Rented	2.0	133	6.3	423
Total Social Stock		1,773		1,988
City-wide	24.2	23,771	5.8	5,655

Source: Up-dated 2010 Southampton Housing Survey

5.13 Over-occupation

- 5.13.1 The overall over-occupation level in the City is 5.8%, higher than the average UK level indicated by the Survey of English Housing Preliminary Report 2007 / 08 of 2.7%.
- 5.13.2 It is particularly high in the Council and Housing Association social rented sector at 9.1% and 6.3%. These levels represent a total of 1,988 currently over-crowded households.

5.14 Under-occupation

- 5.14.1 There is no comparable data against which to measure the overall under-occupation figure of 24.18%, but it is lower than the average found in recent DCA surveys (around 40%).
- 5.14.2 Under-occupation in the Council rented stock was 9.6%, equating to 1,640 households, but a relatively small proportion in the HA stock.
- 5.14.3 The up-dated Housing Survey estimates that 1,773 social rented properties are currently under-occupied by two or more bedrooms.
- 5.14.4 This figure is likely to continue to rise annually as more properties are occupied by “empty nester” tenants in line with the future demographic profile.
- 5.14.5 Tackling under-occupation of family houses to make best use of the existing stock would make a positive contribution to meeting the needs of families through better re-let supply, although in practice it is recognised that this is difficult to achieve.
- 5.14.6 The level of under-occupation should be monitored, both to address the needs of over-crowded households and to improve access to family units.
- 5.14.7 This is an issue for Housing Strategy to consider, both to make best use of the housing stock and address the needs of over-crowded families in this sector.

5.15 Property Type and Size Targets

- 5.15.1 The overall affordable housing target and the need for different types and sizes in the affordable sector have been provided to assist Planning and Housing Officers to support delivery of the types of housing to create a better balance in the local stock.

Affordable Sector

- 5.15.2 A major factor in decisions determining the tenure mix between social rented and intermediate housing on each site is the current local supply of social rented and intermediate units.
- 5.15.3 Future development has to address current and future requirements by stock type and size, and both by tenure and location to create a more sustainable and better balanced housing market across the City and the wider market area.
- 5.15.4 However, in view of the higher scale of the average expected affordable delivery of 324 units a year, there is greater capacity to create better balance in the stock.
- 5.15.5 Council data showed that although there was a relatively small need for larger family units, it was highly unlikely to be met by stock turnover.
- 5.15.6 Local Development Documents need to provide targets on the size of future affordable housing units required. Stock balance, turnover and waiting list demand analysis are vital to identify the gaps in the stock and the proportions by type and size required to address current and future need.
- 5.15.7 The following table provides an up-dated analysis of the social stock in the City by bedroom size and the levels of registered need and actual supply from turnover at March 2010.

Table 5-12 Social Stock, Waiting List Demand and Social Turnover

Stock Size	Social Stock*		Waiting List (LA) *		Social Stock Turnover *		Demand v. Supply
	Nos.	%	Nos.	%	Nos.	%	
1-bedroom	6,112	35.8	8,373	60.3	651	49.0	12.9 : 1
2-bedrooms	5,814	34.0	3,111	22.4	498	37.5	6.3 : 1
3-bedrooms	4,789	28.0	1,878	13.5	166	12.5	11.3 : 1
4+ bedrooms	370	2.2	525	3.8	14	1.1	37.5 : 1
Total	17,085	100	13,887	100.0	1,329	100.0	

Southampton Council data (2010)

- 5.15.8 The ratio of waiting list demand to supply is the number of years it would take for the waiting list for individual property sizes to be met through the turnover of the existing stock. This also makes the extreme assumption that there was no future need other than the current backlog which clearly will not be the case.
- 5.15.9 **Even if no future new need arose**, it would take over:-
- Almost 13 years to meet the requirements for 1-bed properties;
 - Over 6 years to address the 2-bedroom requirement;
 - Over 11 years to address the 3-bedroom stock requirement;
 - Over 37 years to meet the need for larger 4 or more bedroom family units.

- 5.15.10 Generally, 86.5% of turnover is from 1 and 2 bedroom units, slightly higher than the 82.7% level of need for these units on the waiting list.
- 5.15.11 Although 1 bedroom units are over half of the waiting list, significantly the highest need in terms of unit numbers, a number of factors need to be considered in determining targets by size which clearly also influence property type.
- 5.15.12 Small units turn over significantly more regularly in the existing stock than family units and the waiting list, in particular for one bedroom properties contains a large number of households who have very low priority or are older households registering for sheltered housing, as insurance for a future potential need.
- 5.15.13 Allocation policy flexibility on provision of two bedroom units for couples without children can provide more effective use of the stock than purely needs based rules.
- 5.15.14 These factors are important in judging future delivery to meet priorities rather than arithmetic scale of recorded need. The important factor is to meet priority needs and there is still a requirement for 1-bedroom units to meet the needs of young, single, homeless households in the City.
- 5.15.15 The 3 bedroom property re-let supply to meet the needs of families of this size is only 8.8% of the need although these units are 28% of the stock.
- 5.15.16 Although numerically less significant than the scale of small unit need, four bedroom unit needs are the most difficult to address. They are the smallest in terms of numbers but the scale of need is over 140% of the whole stock of these units.
- 5.15.17 This need is the most difficult to resolve due to extremely low turnover levels with only 14 units, less than 3% of the waiting list, becoming available in the year to March 2010. These households must also be currently over-crowded and therefore a priority needs group.
- 5.15.18 Based on stock and re-let levels many families on the waiting list, currently overcrowded, will not require a family unit by the time it becomes available unless there is a significant change in turnover rates or new units are added to the stock.
- 5.15.19 In view of the current stock balance and turnover and the requirement to address priority household need, a lower proportion of future delivery in the affordable sector should be for small units of one and two bedrooms compared to the current need levels of around 82%.
- 5.15.20 Future delivery targets could be 60% flats and terraced houses for single / couple and small family households, 30% one and 30% two bedrooms.
- 5.15.21 A level of 40% could be considered to address the needs of larger families, 20% three and 20% four bedroom houses. Even if the projected new delivery of 324 units was achieved, 210 would be rented and at the suggested levels, around 42 three bedroom and 42 four bedroom units would be delivered.
- 5.15.22 When added to existing stock turnover of 166 and 14 units respectively, it would still take over nine years to address the current waiting list for both 3 and 4 bedroom units, even if no future need arose.
- 5.15.23 The Core Strategy Policy CS 16 proposes 30% three bedrooms or more family homes but this relates to all housing sectors.

- 5.15.24 Applying this to the social sector would extend the waiting list timescale to 11.7 years for 4 bedrooms and to 9.5 years for three bedrooms. Both waiting times would be reduced if initiatives to make best use of the existing under-occupied stock were successful.

Intermediate Housing Sector

- 5.15.25 The intermediate sector of the housing market has increased in importance because despite the impact of the recession on prices, affordability is still a major issue for both new forming and for some existing households and tenure mix is a key factor in viability.
- 5.15.26 The survey data identified that the majority of need is for one and two bedrooms. However, there is specific interest in three bedroom units from existing households which often relates to relationship breakdown and should be monitored locally.
- 5.15.27 To meet the preference of existing households and concealed households forming unable to access the private market, property size target balance in this sector could be 25% one bedroom and 50% two bedroom and 25% three bedroom units.
- 5.15.28 Although the household survey found no need or preference for four bedroom units, housing associations have sold eight 4 bedroom properties through low cost home ownership and this sector could be a solution for some of the waiting list applicants for larger properties.

6 KEY FINDINGS AND HOUSING TARGETS

- 6.1.1 Outlined below are the key market changes which have occurred since the 2005 study and their impact on the issues to be considered when setting future housing targets.

Housing Market Change

- Between Q3 2005 and Q2 2010, the average property price increased by around 9.7%; Terraced properties have seen the largest increase of 10.6%;
- However prices rose by 140% between September 1999 and March 2010;
- Overall the volume of sales per quarter has fallen in the period from Q1 2007 to Q2 2010. Sales levels fell throughout 2008 and the first quarter of 2009. There was an increase from Q2 to Q4 2009 followed by a decrease again in Q1 2010.
- Lower quartile sales levels across the City average £95,000, for a 1-bed property and £124,950 for a two bedroom flat. These properties require a household income level of £26,200 (single) and £31,600 (dual);
- A deposit of £21,250 to £33,750 would be required to buy one and two bedroom units in the lower quartile of the Southampton market. Despite low mortgage interest rates, the requirement for a high deposit of 25% compared to 5% to 10% as a norm in 2005 is the key affordability problem for those wishing to buy.
- The data from the survey shows that only 1.5% of new forming households have savings of more than £20,000 for a deposit. Due to the level of deposit needed, 98% of new forming households are unable to buy in the private market
- Entry rental levels vary across the City with the lowest monthly rents, averaging £480 to £650 for one and two bedroom flats, requiring average incomes of £24,700 to £32,200.
- On average 71.6% of concealed households forming cannot afford to rent and 75.1% cannot buy across the City.
- These levels, particularly the rise in the proportion unable to buy in 2010 will have an increased impact on the need for affordable homes, both for intermediate and social rented properties.

Income Change

- The Annual Survey of Hours and Earnings (ASHE) 2009 shows a median income of £22,683 for Southampton, an increase of only 3.4% on the 2005 ASHE figure of £21,934;

Under Occupation

- 6.1.2 The up-dated Housing Survey data estimates that 1,773 social rented properties are currently under-occupied by two or more bedrooms. Tackling under-occupation of family houses to make best use of the existing stock and address over-crowding should be a housing priority.

Population Projections

- 2008-based Office for National Statistics (ONS) population forecasts predict an increase in the population of Southampton of 53,600 people (+22.9%) over the forecast period to 2033;
- There is an increase in all age groups. The increase in the numbers of children aged 0-19 and in the 20-29 age range which comprises new households forming and will have implications for future affordable housing need both in the short and longer term;
- The most significant growth is in the over 65 age group with an increase of 13,500 people (+ 43.8%) over the forecast period.
- Within the older age group, numbers of people aged 85+ rise by 4,700 (+56.6%). Given the support resource demands and specialist accommodation needs often associated with very elderly people, these are significant figures.

Affordable Need Targets

- The total affordable housing need annually is for 1,471 units on a 5 years basis and 1,244 units on a 10 year basis.
- The overall affordable housing target in Policy CS 15 at 20% to 35%, subject to site size should remain.
- Tenure mix balance, of 65%/35% between social rent and intermediate housing can still be supported but viability will be a key factor;
- Local Development Documents also need to provide targets on the proportion and size of future housing required. A summary of targets which could be adopted is shown in the table below.

Table 6-1 Future Affordable Housing Delivery by Tenure

Tenure	Bedroom Size (%)			
	1-Bed	2-Bed	3-Bed	4-Bed +
Social Rented	30	30	20	20
Intermediate	25	50	25	0

APPENDIX I

Glossary of Terms

GLOSSARY

Affordability	<p>A measure of whether households can access and sustain the costs of private sector housing. DCA use two types of affordability: mortgage and rental.</p> <p><u>Mortgage affordability</u> measures whether households can afford a deposit and a mortgage; <u>rental affordability</u> measures whether a household can afford a private rental.</p> <p>Mortgage affordability is based on conditions set by mortgage lenders - a minimum level of household income and savings. We use a 3 times multiple of gross income. Rental affordability is defined as the rent being less than a proportion of a household's gross income. We use a 25% level of rental affordability.</p>
Affordable Housing	<p>Affordable housing is that provided, with subsidy¹, for people who are unable to resolve their housing requirements, in the general housing market because of the relationship between local housing costs and incomes. This definition covers housing for social rent and intermediate housing through shared ownership, shared equity and sub-market rent.</p>
Bedroom Standard²	<p>The standard number of bedrooms allocated to each household in accordance with its age/sex/marital status composition and the relationship of the members to one another.</p> <p>A separate bedroom is allocated to each married couple, any person aged 21 or over, each pair of adolescents aged 10 – 20 of the same sex, and each pair of children under 10. Any unpaired person aged 10 – 20 is paired, if possible with a child under 10 of the same sex, or, if that is not possible, he or she is given a separate bedroom, as is any unpaired child under 10. This standard is then compared with the actual number of bedrooms available for the sole use of the household and the differences are tabulated.</p>
CLG	<p>Communities and Local Government. CLG has responsibility for local and regional government, housing, planning, fire, regeneration, social exclusion and neighbourhood renewal with the ambition to create sustainable communities for all. Previously known as DETR, DTLR and ODPM.</p>
Concealed Household	<p>A concealed household is someone living within a household wanting to move to their own accommodation and form a separate household (e.g. adult children living with their parents).</p>

¹ This subsidy is not always public subsidy.

² This definition is taken from the Survey of English Housing, CLG.

CORE	<p>The Continuous Recording of sales and lettings in social housing in England. CORE provides valuable information about new social housing lettings and sales, and tenants and buyers, across England.</p> <p>This national information source is used by government bodies and organisations to inform social housing funding, regulatory and housing policy decisions.</p>
Existing Household	An existing household encompasses the household in its entirety.
Household	<p>The Census definition of a household is:-</p> <p><i>“A household comprises either one person living alone or a group of people (not necessarily related) living at the same address with common housekeeping - that is, sharing at least one meal a day or sharing a living room or sitting room.”</i></p>
Housing Demand	Is the quantity and type / quality of housing which households wish to buy or rent and are able to afford. It therefore takes account of preferences and ability to pay.
Housing Need	Refers to households lacking their own housing or living in housing which is inadequate or unsuitable, who are unlikely to be able to meet their needs in the local housing market without some assistance.
Housing Register	A register of people waiting for affordable housing. It may have two components: a list for those not currently occupying affordable housing (more properly known as the Housing Register) and a Transfer List for those tenants who wish to move to another affordable home within the same local authority area..
Intermediate Housing	Housing at prices or rents above those of social rented but below market prices or rents. This includes shared ownership, shared equity and sub-market renting
Over Occupation	Over occupation occurs when, using the bedroom standard , there are insufficient bedrooms in the property based on the number of residents and their age/sex/marital status composition. Over occupation is more common in the public sector than the private sector.
PPS	Planning Policy Statement. PPSs are prepared by the government after public consultation to explain statutory provisions and provide guidance to local authorities and others on planning policy and the operation of the planning system.
Relets	Local Authority or HA rented accommodation that becomes vacant due to the departure of a previous tenant; therefore the accommodation can be re-let to another tenant or new applicant on the Housing Register.

RSS	The objective of the Regional Spatial Strategy is to add to the achievement of sustainable development. The RSS provides a broad development strategy for a period of fifteen to twenty years. The strategy also informs regional and sub-regional strategies and programmes that have a bearing on land use activities.
RTB	Right To Buy. The Right To Buy Scheme gives eligible council tenants the right to buy their property from their council at a discount.
SHMA – Strategic Housing Market Assessment	An assessment of data (both primary and secondary) on all aspects of a housing market in a defined geographical area.
Tenure	The property tenure refers to the conditions under which a property is held e.g. owner occupation, private rent.
Transfer List	A list of Local Authority and HA tenants that have applied for alternative Local Authority housing. Housing Associations may keep their own Transfer Lists.
Under Occupation	A household is under-occupying if more than one spare bedroom is available, using the bedroom standard as a test. Under-occupation is common in the private sector.

APPENDIX II

Sales Transactions (2002-2009)

Southampton Sales Transactions Q1 2007 / Q1 2010

Area	Sales												
	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010
Detached	144	165	156	142	87	80	89	74	65	78	113	109	79
Semi detached	304	318	336	278	223	224	196	121	93	156	205	231	108
Terraced	334	327	321	281	186	185	167	112	92	127	182	211	104
Flat / Maisonette	498	480	456	441	261	323	238	172	111	135	200	221	129
Total	1280	1290	1269	1142	757	812	690	479	361	496	700	772	420

Source: Land Registry, 1st Quarter 2007 to 1st Quarter 2010