REPORT TO:	**HOUSING, DUNDEE CONTRACT SERVICES AND ENVIRONMENT SERVICES COMMITTEE AND CITY DEVELOPMENT COMMITTEE – 28 SEPTEMBER 2009**
REPORT ON:	**ASSESSING HOUSING NEED, DEMAND AND AFFORDABILITY IN THE GREATER DUNDEE HOUSING MARKET AREA**
REPORT BY:	**DIRECTOR OF HOUSING AND DIRECTOR OF CITY DEVELOPMENT**
REPORT NO:	**393-2009**

1. PURPOSE OF REPORT

1.1 To advise the Committee of the findings of the Housing Need, Demand and Affordability in the Greater Dundee Housing Market Area Study carried out by Housing Consultants Craigforth/Newhaven Research and to approve the use of the findings to inform the preparation of the Strategic and Local Development Plans, the Local Housing Strategy including the Strategic Housing Investment Plan.

2 RECOMMENDATION

2.1 It is recommended that the Committee:

a notes the findings, conclusions and recommendations of the Study; and

b agree that the findings, conclusions and recommendations of the Study be considered as one of the sources of data to inform the preparation of the Strategic and Local Development Plans, the Local Housing Strategy including the Strategic Housing Investment Plan.

3 FINANCIAL IMPLICATIONS

3.1 The cost of the Study was met from the City Development Department and Housing Department Revenues Budget and a contribution from the Scottish Government (previously Communities Scotland).

4 BACKGROUND

4.1 At their respective meetings on 16 April 2007, the Housing Committee and Planning and Transportation Committee agreed to appoint consultants to undertake a comprehensive study of housing need, demand and affordability issues within the Greater Dundee Housing Market Area. Craigforth and Newhaven Consultancy were subsequently appointed to undertake the study

4.2 The aim of this study was to enhance understanding of recent and likely developments in the housing system in the Greater Dundee Housing Market Area (GDHMA) and to highlight key issues and possible policy options that should be taken into consideration in developing future strategies to facilitate the development of a more balanced housing market.

4.3 The specific study objectives were to

- Provide a concise summary of national, regional, local plans and policies that set the strategic agenda for housing across the GDHMA.

- Examine residential movement and travel to work patterns to establish if the spatial extent of the GDHMA has changed since 2000.

- Examine broader economic and demographic trends and provide an interpretative account of how these are shaping the structure and function of the housing system across the GDHMA.

- Examine house price trends and the extent to which house prices, particularly at lower end of the market, have become less affordable throughout the GDHMA and Dundee City.

- Explore the factors that have shaped residential mobility across GDHMA, including the housing and locational preferences and expectations of households.

- Assess net annual housing need for the period 2008-2017 for Dundee City and the numbers of households for who ‘intermediate’ housing may be an affordable option if underlying trends continue.

- Use alternative assumptions about future economic, demographic and housing market trends to construct a small number of scenarios to explore what the housing system might look like in a decade from now and whether there is likely to be a shortfall or surplus of market and/or affordable housing stock in Dundee City.

- Comment on the mix of new housing provision and other policy responses that might contribute towards the development of a more balanced housing system within Dundee City, including the potential scope to introduce an Affordable Housing Policy.

4.4 The report uses a methodology for assessing housing need and demand as prescribed in guidance from the Scottish Government. Were the study not to be done on this consistent basis it would not be adopted by the Scottish Government as a robust base for policy decisions at local and national levels. This is to ensure consistent assessment and allocation of resources across Scotland. However, the Government has demonstrated that it will take other factors into account, indeed Dundee City council has been successful in obtaining £800,000 through the Scottish Governments £25million funding package to kick start council house building.

4.5 This study is one source for assessment of need and as the Scottish Housing Regulator highlighted, we need to improve our mechanisms for assessing ongoing need and demand for housing. The current project to introduce a new letting system in the Housing Department will, for example, enable the council to provide more robust information on need and demand for housing over time.

4.6 The findings from the study will be used to inform the preparation of the Council Plan Strategic and Local Development Plans the Local Housing Strategy and the Strategic Housing Investment Plan.

4.7 The consultants submitted the finalised Study to the Council in April 2009.

5 **KEY FINDINGS**

5.1 The key findings from the Study are summarised in the Appendix to this Report. The findings are broken down into the main areas covered by the Study. The findings of the Study are wide ranging and may require further consideration as to their significance for both Housing and Planning within the City. As a result there may be future reports to the City Development Committee and/or Housing, Dundee Contract Services and Environment Services Committee on particular relevant aspects of the Study.

5.2 It is clear that though there has been considerable effort and success in tackling surplus housing and improving the attractiveness of the city as a place where people choose to live. However, there are still mismatches between the supply of housing in the city and the needs and demands people who wish to live here. The Study highlights that there are particular challenges facing the city. These include:

- A disproportionately steep increase in homelessness.
- A need for more 4 apartment accommodation in the social rented sector.
- Housing preferences and patterns of residential mobility suggest a broad mix of dwelling types is required. Specifically evidence suggests a potential continuing need to improve the range and quality of housing and locations suitable for family households.
- A requirement, based on the General Registrar's Office for Scotland's estimates, for 5,400 new dwellings up to the year 2022 to accommodate increases in household numbers.
- A better balance in the dwelling mix within Dundee is required to encourage and enable more resident households to move up the ‘housing ladder’ within Dundee, and thus to remain in the City for longer as their aspirations and requirements change.

6 **CONCLUSIONS**

6.1 It is considered that the Assessing Housing Need, Demand and Affordability in the Greater Dundee Housing Market Area have fulfilled the specific study objectives set out in the approved brief. The Study will provide a robust evidence base for the preparation of the Strategic and Local Development Plans, the Local Housing Strategy and the Strategic Housing Investment Plan.

6.2 It is concluded from the Study that:

- The strategy set out in the Dundee Local Plan Review 2005 for addressing the housing issues facing the City is still relevant.
- There is still a need to seek to retain more of Dundee's resident population over the medium to long term.
- There is a need to continue to plan for a broad mix of house types and in particular larger properties to improve the range and quality of housing and locations to meet current housing preferences and provide for choice.

- There is insufficient evidence to justify the introduction of an Affordable Housing Policy within Dundee at present.

- There has been no new major policy issues raised for housing in land use planning terms.

- Although the study shows less of a surplus than previous studies, housing supply and demand are broadly in balance.

- There is a mismatch between the size of housing available and the sizes of houses required within the social rented sector, particularly for larger (3 bedroom plus) family housing and housing to meet particular needs.

- The demolition programme has helped to reduce the risk of low demand housing. This must be matched with a strong programme of building in this sector to ensure that the mismatch in size, type and quality of social rented housing is addressed.

7 POLICY IMPLICATIONS

7.1 This Report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

8 CONSULTATIONS

8.1 The Chief Executive, Depute Chief Executive (Support Services), Depute Chief Executive (Finance), Head of Finance and Assistant Chief Executive have been consulted and are in agreement with the contents of this report.

9 BACKGROUND PAPERS

9.1 Dundee Partnership 'Assessing Housing Need, Demand and Affordability in the Greater Dundee Housing Market Area' report by Craigforth and Newhaven.

9.2 Report No 198-2007 "Proposed Housing Need, Demand and Affordability Study in the Greater Dundee Housing Market Area" Housing Committee and Planning and Transportation Committee 16 April 2007.

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31 July 2009

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APPENDIX

DUNDEE PARTNERSHIP: ASSESSING HOUSING NEED, DEMAND AND AFFORDABILITY IN THE GREATER DUNDEE HOUSING MARKET AREA

REPORT BY CRAIGFORTH AND NEWHAVEN: APRIL 2009

MAIN FINDINGS:

The following summarises the Consultants key findings emerging from the Study and the potential policy implications.

1 KEY DEMOGRAPHIC, ECONOMIC AND HOUSING TRENDS

1.1 Dundee's population has continued to decline over the past decade. There has been some recent reduction in the rate of decline over the period to 2007, but evidence suggests that this may be primarily due to rising student numbers and migrant workers. If these flows do not persist then underlying trends suggest a continued decline in the Dundee population over the medium to longer term.

1.2 Despite expected population decline, an increase in the number of households within Dundee is projected over the next decade to 2017/18. Growth in single and couple households in particular is expected.

1.3 Evidence suggests that this will not necessarily translate into demand for smaller properties, with many smaller single and couple households currently choosing or preferring larger 3+ bedroom properties. This indicates that there is a need to improve the dwelling mix within Dundee, and particularly ensure an adequate supply of larger properties. This will be important in meeting current housing preferences, and also in providing households with options within Dundee as their housing requirements change through the life course.

1.4 This links with the need to stem population decline from Dundee. Evidence in relation to housing preferences suggests that the range and quality of residential offer will need to be improved if resident households are to be encouraged to remain within the City. In particular a substantial proportion of the younger economically active population in the City are currently choosing to move out to the suburbs as their economic prospects, family circumstances and housing aspirations change.

1.5 In terms of tenure, the profile across GDHMA as a whole is similar to that seen nationally. However Dundee continues to have a lower proportion of home owners than most Scottish authorities and levels of home ownership appear to have changed little since 2001. This is consistent with the suggestion that there may not be sufficient housing opportunities within Dundee for those who wish to buy.

1.6 Housing market and wider economic trends are cyclical, and at present there is very little clarity in terms of the duration and severity of the current recession. It will therefore be important for the Council and housing market partners to monitor housing market trends over the short to medium term to assess the extent to which recent trends persist.

2 EMERGING AFFORDABILITY PRESSURES

2.1 House prices across GDHMA increased sharply between 2003 and 2007, in line with national trends. Prices remain significantly higher in the GDHMA hinterland than in the City. This in part reflects differences in the profile of private housing stock between Dundee and other parts of GDHMA, but locational factors can also have a significant impact on house prices.

2.2 Affordability pressures within the owner occupied market have increased alongside price growth. However it was only at the peak of the housing boom in 2007 that entry level prices became a barrier for single earners on median incomes. Moreover prices in Dundee remain more affordable than across the GDHMA hinterland and much of the rest of Scotland.

2.3 The social rented sector has also seen some increase in pressure suggesting that pressure in the wider market has had some impact on social rented demand. However there is no suggestion of a significant problem of under-supply in social rented housing within Dundee.

2.4 Nevertheless there remains an important policy question as to whether future new social housing development should focus on addressing unmet housing need. If so this would require an increase in the supply of 4+ apartment dwellings within the sector.

3 RESIDENTIAL MOBILITY AND HOUSING PREFERENCES

3.1 Residential mobility is greatest for a range of household groups; specifically private renters, those with dependent children, households with at least one earner and students. Higher income households and those with at least two earners play a significant role within the owner occupied sector in particular, and this is consistent with the market being most affordable for these groups.

3.2 Although the majority of Dundee households choose to move within the City, moves out from Dundee to the GDHMA hinterland remain significant - and much more significant than reverse flows. This is consistent with recent and projected population decline within Dundee, although evidence suggests that moves from Dundee out of the Tayside area (driven in part by student households) are also a significant factor.

3.3 It is important to note that the outflow from the City to other parts of GDHMA is despite affordability pressures being greater in the GDHMA hinterland than within Dundee. This highlights the apparent need to improve the residential offer within Dundee in order to retain more resident households. Evidence on ‘push’ and ‘pull’ factors driving these moves suggest a shortage of housing suitable for family households. Single pensioners seeking smaller housing also form a substantial part of this outflow, although locational preferences appear to be a factor for this group.

4 ASSESSMENT OF NET HOUSING NEED

4.1 In our approach to assessing annual housing need within Dundee we have sought to ensure consistency with the principles and detailed approach recommended in Scottish Government Housing Needs and Demand Assessment Guidance. This required some modification to the research approach as guidance was published after commissioning of the study.

4.2 However some further work will be required to ensure that the housing needs and demand assessment (HNDA) process is wholly “fit for purpose” in line with key processes and outputs set out in Government guidance.

4.3 Specifically it was not part of the study brief to estimate housing requirements for specific household groups (eg including those with particular housing needs). We therefore recommend that the Council and other SDP stakeholders conduct subsequent analysis to assess the scale and nature of housing requirement for specific household groups, in line with forthcoming Scottish Government guidance.

4.4 Our assessment of net housing need in Dundee indicates that:

- Backlog net housing need standard at a total of 2,128 households.
- Over the period to 2017/18 a total of 1,112 newly forming and existing housings will be unable to afford to secure suitable housing through the open market.
- The number of lettings becoming available for new tenants is expected to continue to fall, averaging 1,492 lets per annum over the 10 year period.
- On this basis Dundee’s affordable housing supply is more than sufficient to address current net housing need, and to meet newly arising need over the period to 2017/18.
- There could be a potential oversupply of up to 164 social rented lettings per annum over the period to 2017/18.

4.5 Although not directly comparable due to changes in approach and guidance over time, the scale of housing surplus identified in Dundee is significantly lower than in national studies. A key factor here appears to be the reduction in Dundee’s social housing supply over the past 4 to 7 years due to falling relet rates and reduction of total housing stock through demolition.

4.6 The assessment of net annual housing need requires a degree of judgment. In line with Government guidance we have made clear the main assumptions affecting the above estimate. We also considered the extent to which our central estimate of housing need is sensitive to changes in underlying trends and assumptions. This suggests that:

- The scale of housing surplus could increase to around 170 per annum if the housing market recovers by 2013 and economic growth is sufficient to produce an increase in inward migration.
- The scale of housing surplus could reduce to around 88 per annum if the economic and housing market recession is more severe, with full recovery not achieved until 2015.

4.7 These scenarios highlight that there is no evidence to suggest an overall shortage of affordable housing provision is likely to arise within Dundee over the medium to longer term as the UK and local area emerges from recession. Scenarios also highlight the key factors affecting net housing need, and that will require to be monitored over coming years to ensure that policy makers are able to respond to emerging trends.

4.8 The assessment of net housing need within Dundee confirms that the key challenge facing Dundee City and its partners remains how to reduce the potential oversupply of social rented housing.

4.9 It is important to note that the question of changes to current affordable housing supply - whether through new development, demolition or decommissioning - is not an issue directly addressed by the assessment of net housing need.

4.10 Rather a policy judgment is required on the potential scale and nature of any change in affordable housing supply, in the context of wider strategic issues facing Dundee. Specifically, as has been highlighted by demographic, economic and housing market trends, a key question for the Council and partners is how to retain more of Dundee's resident population over the medium to longer term.

4.11 In housing terms a better balance in the dwelling mix within Dundee is required to encourage and enable more resident households to move up the 'housing ladder' within Dundee, and thus to remain in the City for longer as their aspirations and requirements change.

4.12 As highlighted earlier, housing preferences and patterns of residential mobility suggest a broad mix of dwelling types is required. Specifically evidence suggests a potential continuing need to improve the range and quality of housing and locations suitable for family households.

4.13 In light of this requirement, it will also be important to encourage developers to provide a broad range of housing for consumers within the City - in addition to increasing overall supply.

4.14 LIFT low cost home ownership options would not be appropriate for Dundee as a means of addressing housing need specifically, due to the apparent overall surplus in affordable housing. Indeed widespread use of LIFT could adversely impact demand for entry level owner occupation market, and potentially for private and social rented sectors. However it may be appropriate for any future policy discussion around the strategic role of LIFT to consider its potential role in contributing to social stability within Dundee.