Household Projection-Based Estimate of Housing Demand and Need in the West Midlands Region 2006-26: Unconstrained

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Part I : Purpose and Method

1 The purpose of this note is to put forward estimates of newly arising demand and need for housing in future years in the West Midlands Region and its constituent Unitary Authorities and Districts. These estimates bring to account the official household projections of numbers of households published by the Department of Communities and Local Government in March 2007.

2 This note first defines a number of concepts used in the estimation, and then outlines the method used to estimate future housing need from the household projections. Part II employs the method for the West Midland Region to produce an overall division into market and social housing; Part III addresses intermediate housing. The final figures for the region and its constituent areas are in Part IV, in Table 8 and Table 9 respectively. The appendices discuss some technical details of the calculations in greater detail.

Definitions

3 *Demand for housing* in this context means demand in the housing market, made effective by income, savings and access to credit. *Housing need*, in contrast, is a concept based on the policies expressed by successive Governments in terms such as 'the opportunity of a decent home for everyone' and 'a decent home for every family at a price within their means'. Implicit in policy statements in these terms is that households unable to afford a decent home from their own funds should receive assistance with their housing costs from public funds.

4 *Newly arising demand and need* is demand and need for additional housing that comes from events after the beginning of the period covered by the household forecast, in this case 2006. Newly arising demand and need is therefore distinct from existing un-met need, and sometimes demand, at the outset. Newly arising demand and need is to a very substantial extent generated by increases in the number of households, but not exclusively so. Replacement of dwellings demolished or transferred to non-residential uses is a category of need that in the past was numerically more important than it is now.

5 Un-met need existing at the start of the forecast period is often termed the *backlog of un-met need*. Such existing un-met need can be taken to include households in overcrowded, dilapidated or temporary accommodation, and concealed and sharing households. *Concealed households* are an individual or group of individuals living within a larger household who would form a household of their own if suitable accommodation were available at an affordable price. An example might be a married couple, possibly with children, living in the home of one of the spouse's parents.

6 If newly arising demand and need are fully met through new building and conversion, but no more, the backlog would be the same size at the end of the forecast period as at the beginning. It would not, though be made up of the same households. The assumption that the backlog remains the same implies that there is no net change in the number of sharing and concealed households. Estimates of the amount of new building required to reduce the backlog of un-met need is not part of the work included in this report.

7 The estimate of newly arising demand and need for housing first is divided first into market and social sectors, by methods detailed in Part II. The *market sector* comprises owner occupiers who buy houses on market terms (as distinct from assisted schemes such as HomeBuy), and private rented sector tenants who do not receive Housing Benefit.

8 The *social sector* comprises households renting from local housing authorities or housing associations (often termed Registered Social Landlords or RSLs); private tenants receiving Housing Benefit; and owner-occupiers who bought their homes on favourable terms from public sector bodies or RSLs, most commonly through the Right to Buy (RTB). The reason for including RTB owner-occupiers in the social sector is because the right can be exercised only by households already in the social sector. An RTB purchaser does not add to demand in the market sector, unlike a purchase by an ex-tenant who moves away to buy.

9 A category of need that is distinguished additionally is need for *intermediate housing*, defined as housing for households unable to afford market prices or rents for adequate housing but who could afford significantly more than the rents charged by RSLs. This category of housing need has attracted interest only fairly recently, as a result of the steep increases in house prices from the end of the 1990s which put house purchase beyond the reach of considerable number of households that hitherto would have been able to afford home ownership. Newly arising demand and need for additional housing therefore comprises a market sector, an intermediate sector and a social rented sector.

Overview of Estimation Method

10 The estimate of newly arising demand and need for housing in the West Midlands Region is produced first, and then divided between local housing authorities (UAs and Districts). The method is a 'top-down' method. The estimate of housing demand and need in the West Midlands Region was derived by the method used for an estimate for England. The estimate for the Region is then divided between local housing authorities. The reasons for using a top-down method are two: the higher the level the fuller the information; and the household projections, which are central to the method, are top-down. The national projections are divided into regions; and the regions into Unitary Authorities and counties, and counties into Districts. The projections for individual District may subsequently be summed in various combinations, for example to produce figures for Sub-Regional Housing Market Areas (HMAs) defined in the West Midlands Regional Housing Strategy[1] as groups of Districts.

11 Different methods are used for dividing newly arising demand and need into the market sector and social sectors, and for estimating need for intermediate housing. The method for the former has existed since the mid-1990s; the latter is more recent. Because the method for intermediate housing is different there can be an overlap with the estimate of need for social sector renting. Some social sector households have incomes that put them in the income range for intermediate housing. However, that does not imply that they "ought" to be in intermediate housing, given its other differences from renting.

[1] West Midlands Regional Housing Strategy 2005, Figure 3.1(d) and Table 3.1.

12 The starting point of the method is a projection of households analysed by type and age of the 'household representative'. Evidence from the Survey of English Housing as well as earlier official surveys shows that housing tenure varies systematically with type of household and age. Age for age, married couple households are most likely to be in the market sector and lone parent households the least; and for each household type the youngest and the oldest are the least likely to be in the market sector. Households do not often move between tenures at ages above the mid-40s other than by purchase as sitting tenants through the Right-to-Buy (RTB), so the proportion of couples aged 50-54 (for example) in the market sector in 2001 will be the proportion at ages 60-64 in 2011 and at ages 70-74 in 2021. Up to age 40-44 the division between the market and social sectors is taken to remain as in the base year; at higher ages the proportions are estimated by 'rolling forward' the proportions in the base year. This forecasting method depends on survey evidence about what households have done in the recent past rather than on third-party judgements about what they should do. Economic variables, notably incomes and interest rates, do not come into the calculation explicitly; but implicitly they are assumed to follow past trends taking one year with another. The estimates presented here are based upon the distribution of tenures in the years 2003 – 2005.

13 The national population projections were prepared by the Government Actuary's Department from assumptions about births, deaths, and international migration. Recent and current trends are projected on into the future, with present policies (e.g. about migration) assumed to continue. Regional population projections are derived by the Office for National Statistics from the national projections by means of allocating projected migration flows to and from the United Kingdom between regions, and projecting internal migration flows within the United Kingdom from trends in the previous five years. Such flows tend to be more uncertain for smaller areas than large.

14 The household projection similarly depends on past trends in household formation. The projections used here are derived from the official projection of the population prepared by the Government Actuary's Department from assumptions about future births, deaths, and migration that have been agreed between all Government Departments with an interest. An extended discussion of the population projection would be out of place here; but necessary to note is that the present trends and policies are projected on into the future, notably about international migration. The population projection is the principal element of the projection of future household numbers. In the 2004-based official household projection used here, between 75 and 80 percent of the projected increase in households comes from the projected growth of the population.

15 From the totals of households divided between the market and social sectors in the base year and end year (2006 and 2026 in this note) the net increase in households in each sector is derived. The net increase in occupied main residences is not necessarily the same as the net increase in the housing stock. Changes in the number of second homes and vacant dwellings enter the calculation as well. Second homes are market-determined, and do not directly affect the social sector. However a reduction in vacancies in either sector would imply that the needed increase in the stock in that sector is smaller than the projected increase in households. It is important to note that these estimates of housing demand and need in the West Midlands are "unconstrained" in that they derive from

household-based projections of population and households that do not take account of Regional Spatial, Housing and Economic Strategies. For vacant dwellings and second homes, working assumptions are made which may be replaced as the RSS Phase 2 Revision is finalised.

16 The number of new dwellings built has to be higher than the net increase in the housing stock to allow for dwellings demolished or transferred to non-housing uses. The replacement does not necessarily have to be *in situ*: if a house is abandoned and then demolished, the former occupier adds to demand or need in the place they move to. Assumptions are therefore required about new building in each sector to offset demolitions and other losses.

Intermediate Housing

17 The method for estimating the need for intermediate housing is different. The method for estimating need for social sector housing from the household projection is a 'net' method. The estimated increase in households in the social rented sector is the difference between households entering the social sector (newly formed households or moving from owner-occupation or private renting) and households moving out to other tenures or dissolved. Intermediate housing does not work in this way. The existing stock is very small, only about 135,000 shared ownership dwellings nationally; and in many instances when an occupier of intermediate housing leaves the dwelling is sold and goes into the market sector stock. A different method is therefore required for intermediate housing.

18 Households most likely to need intermediate housing are either new households, or households moving from low cost to high cost areas in housing terms. Information about movers from low cost to high cost areas has not thus far been obtained from housing surveys, for reasons of sample size. Attention is therefore focussed on new households, with incomes insufficient to afford house purchase but able to afford significantly more than housing association rents.

19 For house purchase, the criterion is ability to afford the "user cost" of buying a home at the lower quartile price – that is, the price of the cheapest 25 percent of properties in the district. That price is assumed to be that of securing a fit and suitable dwelling in the local housing market. The "user cost" of buying the home is the repayments on a 90 percent mortgage, plus interest foregone on the deposit, plus mortgage and building. If a household can meet this cost with 30 percent of its net income, it is taken to be able to afford home ownership.

20 Similarly, if a household can meet the user cost of intermediate housing with 30 percent of net income, it is said to be able to afford intermediate housing. The user cost of intermediate housing is taken to be average housing association rents, plus £25 a week. The reason for adding the £25 is that without it, some households taking up intermediate housing would require almost as much subsidy as housing association rented housing. Part of the point of intermediate housing is that it should be considerably more lightly subsidised than mainstream housing association new building.

21 To make an estimate of need for intermediate housing by this method, information is required about the number of new households within the range of incomes as defined and their tenure. Considerable numbers of these new households become owner-occupiers, perhaps with the aid of gifts and loans from family and friends. Most are unlikely to want intermediate housing; though there are probably some owner-occupier new households who are hard-pressed financially and would welcome intermediate housing if it were available. Details of the calculations are in Part III.

Part II : A Demography-Based Estimate of Newly Arising Housing Demand and Need in the West Midlands 2006-26

The 2004-Based Household Projection

22 Because the household projection is so important and is the main reason why the present estimate of future housing demand and need is much higher than previous estimates, it may be briefly described. There are inevitably uncertainties in the projections, not only about migration but also about the rate of increase in longevity. Notwithstanding these uncertainties, the official 2004-based household projection is taken as it stands, so that the housing demand and need estimate presented here has a clearly defined provenance. Table 1 shows the projection of households in 2006 and the projections for 2016 and 2026 analysed by type of household and by age.

Table 1: Projections of Households in 2006 2016 and 2026 in the West Midlands

			(thousands)
	2006	2016	2026
Type of Household			
Married couple households	1,026	975	944
Cohabiting couple households	216	285	326
Lone parent households	181	202	212
Other multi-person households	138	148	156
One-person households	683	831	977
Total	**2,245**	**2,442**	**2,616**
Age of household representative			
Under 30	226	259	245
30-44	639	603	676
45-64	776	861	865
65-74	301	372	378
75 and over	302	349	454
Total	**2,245**	**2,442**	**2,616**

Note: Detail does not always add to totals due to rounding

Source: Type of household from Department for Communities and Local Government *New Projections of households for England and the regions (March 2007);* ages from tables supplied by CLG

23 Between 2006 and 2026 the household projections for the West Midlands show an average increase of between 18,000 and 19,000 households a year, significantly greater than the increase of 13,000 a year between 1991 and 2001, and higher even than in 1981-91 when the 'baby boom' generation reached household forming age.

24 In terms of size, nearly 80 percent of the projected net increase in households consists of one-person households. One person households are projected to increase at nearly 15,000 a year, but couple households at only 1,500 a year. This is the main, though not the only, reason for the reduction in average household size in the West Midlands from 2.36 persons per household in 2006, to 2.15 in 2006. The household projection system now in use does not produce distributions of households by size. It is however possible to take one-person households out of the calculation of average household size so that the average size of multi-person households can be calculated. This figure is predicted to decline slightly, from 2.95 persons per multi-person household in 2006, to 2.87 in 2026.

25 In terms of age, the projected increase consists predominantly of middle-aged and older households: 86 percent are shown in Table 1 as being aged 45 or over; more than 60 percent are over 65. Because so large a proportion of the overall projected increase in households consists of one-person households, an age analysis of them is of interest. It follows the division of the households between the market and social sector as it is convenient to include the division between sectors with the age analysis.

Division of the Increase in Households between Market and Social Sectors

26 As mentioned in Part I of this note, the projected net increase is divided between the market and social sector by reference to the market sector proportion in each category of households defined by type of household and age. There are 5 types of households (see Table 1) and 15 age groups (15-19, then 5 year ranges to 80-84, and 85 and over). For purposes of calculation the "other multi-person households" and one-person households in Table 1 were divided into male and female household heads, but are combined in Table 2. The actual number of groups is slightly less than 5 x 15=75 because lone parents are parents of dependent children, defined as below the statutory school leaving age of 16 or aged 16-18 and in full-time education. In consequence there are few lone parent household with heads higher than ages 60-64.

27 The division between the market and social sector proportions in each group was estimated from data from the Survey of English Housing (SEH) for the three most recent available years, 2003/04, 2004/05, and 2005/06. Figures for the three years are combined to increase the size of the sample. The owner-occupied proportions calculated from these data were applied to the projected number of households in each household category in 2006, and the number of market sector households added together to give a total, with social sector households derived by subtraction from the total of all households. The calculated proportions of market-sector households in 2006 formed the baseline for "rolling forward" (see paragraph 12) to 2016 and 2026. Table 2 shows the estimate of household numbers in the market and social sector at each ten-year time point, using the

definitions of those sectors given in paragraphs 7 and 8, above. For example, reading down the first column, it shows that in 2006, there are an estimated 1,026,000 married couple households, of whom 205,000 are in the social sector and 821,000 in the market sector, and that in 2016 the total number of married households is expected to be 975,000, with 797,000 in the market sector.

Table 2: Division of households into market and social sectors in 2006, 2016 and 2026, by household type. Total for each year is the projected total household population of the West Midlands Region at that point in time.

(thousands)

	Married couple households	Cohabiting couple households	Lone parent households	Other multi-person households	One-person households	All households
2006						
Market sector	821	170	59	98	409	1,548
Social sector	205	46	122	50	274	696
Total	**1,026**	**216**	**181**	**148**	**683**	**2,245**
2016						
Market sector	797	225	66	98	528	1,714
Social sector	178	60	136	50	303	727
Total	**975**	**285**	**202**	**148**	**831**	**2,442**
2026						
Market sector	783	260	70	106	637	1,856
Social sector	161	66	142	50	340	759
Total	**944**	**326**	**212**	**156**	**977**	**2,616**

Source: Table 1; and tables from the Survey of English Housing supplied by CLG

28 As can be seen, the projected increase in one-person households is a large proportion of the total increase in household numbers. This is particularly so in the social sector, although there is also growth in that sector of other household types. Therefore, an analysis of the housing sectors in which one-person households are accommodated according to age is given in Table 3.

Table 3 : Age and Housing Sector of One-Person Households: 2006-2026

					(thousands)
	Under 30	30-44	45-64	65 and over	Total
2006					
Market sector	42	99	120	148	409
Social sector	21	35	74	144	274
Total	**63**	**134**	**194**	**292**	**683**
2016					
Market sector	57	117	161	199	528
Social sector	25	40	97	141	303
Total	**76**	**157**	**258**	**340**	**831**
2026					
Market sector	52	146	188	251	637
Social sector	22	51	111	156	340
Total	**74**	**197**	**299**	**407**	**977**

Source: As Table 2

29 Table 3 shows that out of a projected increase of 294,000 one-person households between 2006 and 2026, 220,000 – or around three quarters – will be aged over 45 and only 11,000 (4 percent) will be aged under 30. That so small a proportion of the increase in one-person households is in the younger age groups implies that young men and women living independently instead of with parents is *not* a significant source of the projected increase in one-person households. More detailed national household projections show that this large projected increase in one-person households aged 30 and over consists of divorced and unmarried men and women living by themselves, and not widows and widowers. Work published by the Office of National Statistics[2] indicates that a considerable number are in relationships where they regard themselves as a couple, but without living in the same dwelling, sometimes referred to as "living apart together".

30 To show how much of the projected increase in the number of households in the market sector is arithmetically the consequence of rolling forward the base year owner-occupier proportions, a calculation may be made of what would be the projected number of market sector households in 2026 if the market sector proportions were the same as in 2006 in all age groups. The result of this calculation is shown in Table 4. It divides the overall projected increase of households in the market sector between 2006 and 2026 (308 thousand) into the increase that there would be if it were simply pro-rata to the increase in all households; the change that there would be as a result of changes in the mix of household types and ages, with the market sector proportions unchanged from 2001; and

[2] Haskey, J (2005) "Living arrangements in contemporary Britain: Having a partner who usually lives elsewhere and Living Apart Together (LAT)" Population Trends no 122.

the increase due to rolling forward the proportions in the base year. Rolling forward the base year owner occupied proportion is the main reason why the proportion of one-person households aged 65 that are in the market sector is projected to rise so much, from 50 percent in 2006 to 62 percent in 2026.

Table 4: Composition of Projected Increase in Market Sector Households 2006-26

	(thousands)
Pro-rata to total households	+256
Changes in the mix of ages and types of households	-50
Rise in market sector proportions due to "rolling forward" base-year proportions	+102
Total	**+308**

Source: Derived from the working detail behind Table 2

31 That the changes in the mix of types of households and ages worked to reduce the number of households in the market sector is the result primarily of the reduction in couple households as a proportion of the total, from 55 percent in 2001 to only 49 percent in 2026; the increase of 25 percent in the number of lone parent households; and the increase in the proportion of older households (Table 2). Households with 'representatives' aged 65 and over were 26 percent of all households in 2006, but a projected 31 percent in 2026.

32 In 2006 the estimated proportion of households in the market sector in the West Midlands is shown in Table 2 as 69.0 percent and in the social sector 31.0 percent. The projected proportions in 2026 are 70.9 percent and 29.1 percent respectively. The projected net increase in the total of households consists of 308,000 in the market sector and 63,000 in the social sector. The corresponding figures for the 2006-16 and 2016-26 sub-periods are shown in Table 4.

Table 5: Net Increases in Households in the market and Social Sectors in 2006-16 and 2016-26

	2006-16	2016-26	2006-26 (thousands)
Market sector	166	143	308
Social sector	31	32	63
All households	**197**	**174**	**371**

Source: Calculated from Table 1

33 The projected increase in households in both tenures in 2006-16 and 2016-26 are fairly similar. That is as would be expected because the household projections are trend-based, as are the divisions between the social and market sectors. That the increases in the number of households in each sector are similar in both sub-periods means that estimates of housing demand and need for housing in 2006 to 2026 can be made for the whole 20

year period and converted to annual averages without having to make calculations for each decade separately.

Adjustments for Second Homes, Vacancies, Demolitions and Right-to-Buy

34 The steps by which an estimate of new housing provision required to meet newly arising demand and need may be derived from estimates of the net increase in households in the market and social sectors outlined in paragraphs 10 and 11 above:

(a) Any increase or decrease in the number of second homes

(b) Any change in the number of vacant dwellings

(c) New provision to replace losses from the stock of dwellings through demolition or transfer to non-residential uses

(d) Replacement of social sector re-lets lost as a consequence of past Right-to-Buy sales

(e) Provision in the housing association sector to offset a reduction in the accommodation in the private rented sector available to households needing Housing Benefit

35 ***Second homes*** are defined as privately owned homes that are occupied from time to time but not as a main residence. They do not require extended discussion here as they do not affect the need for additional dwellings in the social sector. In the market sector current evidence points to an average increase of around 7,000 a year. For the West Midlands Region to assume an average increase of 500 a year, 10,000 in total between 2006 and 2026, should be adequate for the market sector. Uncertainty about the rate of rise of the stock of second homes therefore does not affect estimates of the need for social rented housing.

36 ***Vacant dwellings***. There are two ways to estimate the number of vacant dwellings that should be included in an estimate of the number of dwellings required to meet newly arising demand and need. One is to take the number of dwellings that would maintain a constant vacancy rate in a growing housing stock. The other is to take a target vacancy rate, lower than the actual vacancy rate, and subtract the difference from the number of additional dwellings inferred from the increase in households. The second method is more readily applicable to the local authority and housing association sectors than to the market sector. In the market sector the powers available to effect policies to reduce the number of vacant dwellings are very limited. The overall vacancy rate for local authority housing in the West Midlands Region in April 2006 according to Housing Strategy Statistical Appendixes was 1.8 percent and in the RSL housing stock 2.1 percent. The only areas with markedly higher figures were Walsall (6.5 percent in the RSL stock) and Wolverhampton (3.3 percent in the local authority stock). The assumption is made that in the social sector vacant dwellings will remain unchanged.

37 The market sector presents more of a problem, owing to the high vacancy rates in some areas. The highest (6.5 percent) is in Stoke; but there are rates above 4 percent in 7 other areas. To assume further increases in numbers of vacant dwellings in these areas, which is what would be implied by assuming a constant vacancy rate for the West Midlands overall, would not seem justified. For the West Midlands Region in total the private sector vacancy rate in 2005 was 3.6 percent. If areas where the rate was over 4 percent are taken out, the rate would be 2.8 percent[3]. This percentage is taken to apply pro-rata to the projected increase in the market sector stock in 2006 to 2026. This gives 9,000 (to the nearest thousand) as the increase in vacant dwellings in the market sector. This is a working assumption only (see paragraph 15).

38 ***Replacing 'lost' social rented sector re-lets*** – this comes into the calculation because when a Right-to-Buy owner-occupier household dissolves, the dwelling it occupies is bought by another owner-occupier, or rented out by a private landlord; but if it had remained in the social rented sector it would have been available for re-letting to a household needing a social sector tenancy. The number of re-lets 'lost' depends on the number of Right-to-Buy owner-occupier households dissolved. Estimating the number during the two decades to 2026 is a complicated calculation. The necessary detail is available only for England as a whole, and is summarised in Annex A, where the figure for England as a whole is put at 28,000 a year in 2006 to 2026. A figure for the West Midlands Region may be derived pro-rata to the number of Right-to-Buy owner-occupiers as estimated from the Survey of English Housing in the West Midlands Region and England, and the total numbers of sales, which gives a figure of about 3,000 a year for the West Midlands Region. This is perhaps a maximum figure as it assumes that the need for social sector tenancies is strong enough in all areas for the "lost" re-lets to be replaced. Note that Right-to-Buy sales are also accounted as a reduction in need in the market sector, because subsequent sales of these dwellings on the open market go towards meeting need for private housing.

39 ***Provision in the housing association sector to offset falling numbers of private sector lettings accessible to households with Housing Benefit***. In the first half of the 1990s substantial numbers of households in need of assisted housing were accommodated in the private rented sector, with the aid of Housing Benefit. In the later 1990s, however, the number of private sector tenants receiving Housing Benefit fell by more than could be accounted for by falling unemployment and improved employment opportunities. This was interpreted as evidence of private landlords being less willing to let tenants who depended on Housing Benefit. More recent information shows no further fall in the number of private sector tenants receiving Housing Benefit, so no social sector provision under this head appears to be needed. Future planned reforms of Housing Benefit may put this back on the agenda, however, if the rent allowance scheme to pay monies to tenants rather than direct to landlords makes the latter less willing to let to those receiving Housing Benefits.

40 ***Replacement of losses of dwelling due to demolitions and changes to non-residential use*** – this is taken from figures provided by Unitary Authorities, Metropolitan Districts,

[3] Housing Strategy Statistical Appendixes 2005/06, Section A, items hsa1e, hsa7ae

and other Districts and forwarded by the West Midlands Regional Assembly. Their estimates of households requiring re-housing from demolished stock sum to 70,430 in total, of which 59,664 are in the West Midlands Conurbation and 5,459 in Stoke. The figure is rounded to 70,000 for present purposes. Information about private enterprise demolitions, for instance of houses with large gardens to provide sites for apartment blocks or town houses, is sparse. A figure of 500 a year is put in, which amounts to 10,000 in the 20 year period. This figure is not part of the 70,000 total. It is largely illustrative, and based on fuller information about private sector demolition collected for the South-East region.

41 The increases in total households in Table 4 and the items in paragraph 34 to 38 are brought together in Table 6 which shows the estimated net increase in the dwelling stock in the market and social sectors, and new building (and provision by conversions) to bring about these stock increases. The figures are for the twenty year period and then converted to annual averages. The figures for the individual items are shown to the nearest thousand for arithmetical reasons, not because they purport to such a degree of accuracy.

Table 6: Estimates of New Housing Provision Required to Meet Newly Arising Demand and Need in the West Midlands 2006-2026

			(thousands)
	Market sector	Social sector	Total
Net increase in households (Table 4)	308	63	371
Second homes (paragraph 35)	10	0	10
Vacant dwellings (paragraphs 36-37)	9	0	9
Offset to "loss" of re-lets due to past Right-to-Buy sales (paragraph 38)	-60	+60	0
Offset to reduction in private sector lettings to tenants with Housing Benefit (paragraph 39)	0	0	0
Net increase in dwelling stock to meet newly arising demand and need	**267**	**123**	**390**
Replacement of losses (paragraph 26)	10	70	80
New provision required from new building and conversions	**277**	**193**	**470**
Annual average	**18.7**	**9.7**	**23.5**

Source: See text

42 Both the market sector and the social sector include households within the range of income for intermediate housing. The division of households between the market and social sector is based on past trends, as explained in 12, above. But recent house prices have been a long way above trend. A three-way division between market, intermediate and social sectors is given in the next part of the note.

43 That required provision in the social sector is over 40 percent of the total is explained by the figure for re-housing households displaced by demolition. Without this item its share would be just over 30 percent.

Part III : Intermediate Housing

44 For reason explained in paragraphs 17 and 18 above, need for intermediate housing has to be estimated separately from the division between the market and social sectors of the net increase in households. The need for intermediate housing comes from households unable to afford market house prices and rents but could afford significantly more than housing association rents. The households to whom this applies were considered to be new households and households moving from low cost to high cost areas, of whom the latter cannot currently be included for lack of information. Other categories of households who might be interested in intermediate housing if it were available to them are owner-occupiers with mortgages and private sector tenants who are financially hard pressed. But that has still to be studied. An estimate of households needing intermediate housing has therefore to start with the number of new households, and the proportions of those households which have incomes too low for house purchase but high enough to afford significantly more than housing association rents. New households are a continuous flow; so the calculation yields an annual figure for need for intermediate housing that can be set alongside the annual averages in Table 6.

45 The income required for house purchase is inferred from the lower quartile of house prices, as supplied by the Land Registry. From this figure is derived a "user cost" of home purchase with a mortgage. Similarly, a user cost is estimated for intermediate tenure. The way in which these costs are calculated is described in paragraphs 19 and 20.

46 The average "user cost" for house purchase in the West Midlands Region based on lower quartile house prices in 2003/04, 2004/05, and 2005/06 is £143 a week, and average housing association rents plus £25, £84 a week. The user cost exceeds average rents plus £25 a week in all areas except Stoke. The corresponding range of net income for intermediate housing is £280 to £480 a week. The corresponding gross incomes depend on the number of earners in the household. With one earner the gross weekly income that corresponds to £280 a week net is £370 a week, and the gross equivalent of £480 a week net is £650 (approximately). The number of new households with incomes within this range year by year in the West Midlands Region has to be estimated from information from the Survey of English Housing. The total number of new households in the Region is estimated at about 35,000 a year. The tenure of those in the range of incomes for intermediate housing is shown in Table 7. The estimate is approximate, owing to the need to interpolate within £100 a week ranges of income.

Table 7: Tenure of New Households in the West Midlands 2003-06

				(thousands)
	Owner-occupiers	Social sector tenants	Private sector tenants	All households
Gross Income				
Below intermediate housing level (under £370)	3	10	7	19
Within intermediate housing range (£370 to £650)	5	1	3	10
Above intermediate income range (£650 or over)	5	0	0	5
All ranges of income	**13**	**11**	**10**	**34**

Source: Survey of English Housing

47 Half of the new households in the intermediate housing range are owner-occupiers, who may perhaps be spending more than 30 percent of their net income on housing, or are being helped financially by family or friends. They are unlikely to want intermediate housing, though a few may be financially stretched and would take it up if available. Not all the private sector tenants would necessarily want it. One-third may be assumed to prefer to rent, which leaves 2,000 households a year in the market sector as the need for intermediate housing. The 1,000 in the social sector constitute an overlap. There is no presumption that they would prefer intermediate housing if they had the opportunity, still less that they "ought" to have it, so where to put them in a three-way tenure analysis – market sector, intermediate sector, social sector - is arbitrary. In Table 8 they are included in the intermediate sector.

48 Private rented tenants appear partly in the market and partly in the social sector. They are included in the social sector if they are renting with the aid of Housing Benefit, and in the market sector if they are not.

Table 8: Three-Sector Analysis of Net Housing Demand and Need in the West Midlands 2006 to 2026

	Market sector	Intermediate sector	Social sector	Total
Whole period (20 years)	227,000	60,000	103,000	390,000
Annual average	11,350	3,000	5,150	19,500
Percentage shares	58	15	26	100

Source: Table 6 and see text (paragraph 47)

49 The above shows an annual average of 5,150 new social sector dwellings, versus 9,700 in Table 6. This is because, firstly, the above table is based on provision to meet only newly arising need, net of demolitions, which reduces the 20-year requirement to 103,000. It is also because some social sector households from Table 6 are now in the intermediate sector. If these tenants in the income range for intermediate housing were included in the social sector, the intermediate sector would be between 8 and 9 percent of the total.

Part IV : Unitary Authority and District Estimates of Newly Arising Demand and Need in the Market and Social Sector

50 The estimates in Table 8 show newly arising demand for 11,350 additional market sector dwellings and 3,000 in the intermediate sector each year, and need for 5,150 each year in the social sector. These totals for the West Midlands Region have to be divided between the 3 Unitary Authorities and 7 Metropolitan Districts and 24 other districts. The division between them is based on Unitary Authority and District level household projections issued by the Department for Communities and Local Government (CLG). These projections are trend-based. There are inevitable doubts about how far past trends in inter-area migration will continue. But the great virtue of these sub-regional projections is that they are consistent one with another. Very important is that in all 34 areas the number of households is projected to increase significantly. Even in Stoke an increase of nearly 6 percent is shown between 2006 and 2026.

51 In each area the projected increase in household has first to be divided between the market and social sectors. As with the West Midlands Region as a whole, this is done by dividing the total of households in 2006 and 2026 into the market and social sectors. For 2006 the 2001 census data are used, from *Key Statistics for Local Authorities,* Table KS18. The proportion of households in the market sector comprises the proportions of households that were owner-occupiers, in shared ownership, plus rented from a private landlord or letting agency or rent free, minus a deduction for Right-to-Buy owner-occupiers (see paragraph 8). Whilst district figures for RTB sales are published back to 1978/9, boundary changes over the period mean that it is not possible to derive authoritative figures for current districts for the whole period. Therefore, the regional total of Right-To-Buy owner-occupiers is distributed between Unitaries and Districts pro-rata to the number of owner-occupiers, on the grounds that a large proportion of owner-occupiers in total is likely to be associated with comparatively large numbers of Right-to-Buy purchases over the years.

52 The proportions of households in the market sector in 2026 are estimated by adding to the estimated proportion in 2006 the same percentage increase as in the West Midlands Region as a whole. The proportion of households in the market sector is shown in paragraph 32 as increasing from 69.0 percent in 2006 to 70.9 percent in 2026. This increase of 1.9 percentage points is added to the percentage in 2006 in each Unitary Area and District. The increase in vacant dwellings in the market sector is apportioned pro-rata to the increase in households in the market sector in areas where the vacancy rate was less than 4 percent in 2006; in other districts the vacancy rate is assumed to remain constant.

53 The estimated need for 60,000 dwellings in the intermediate sector over 20 years (Table 8) is apportioned between Unitary Authorities and Districts in proportion to the size of the income range for intermediate housing; and the number of households under age 45[4].

[4] Very few new households have heads over the age of 45. Although there are some low-cost home-ownership schemes aimed at the elderly, they form a tiny proportion of LCHO scheme sales overall. For example, between October 2006 and March 2007 there were 6 such sales out of a total of 880 LCHO sales in the West Midlands (CORE Sales Bulletin Issue 28, p3).

Nearly all new households are in the under 30 and 30-44 age ranges. The variations from authority to authority in average rents (and therefore average rents plus £25) is much less than the range of variations in house prices. Effectively, what governs the distribution of estimated need for intermediate housing is the inter-area variation in house prices, and the distribution of households under age 45 in 2006 and 2026 (averaged).

Table 9: Estimate of Demand and Need for Housing in the Market, Intermediate, and Social Sectors; West Midlands Districts and Counties 2006-2026

				(thousands)
	All sectors	Market sector	Inter-mediate sector	Social sector
Hereford UA	**19.1**	**12.4**	**2.3**	**4.4**
Stoke-on-Trent UA	**6.3**	**3.5**	**0.0**	**2.8**
Telford and the Wrekin UA	**16.8**	**10.1**	**1.6**	**5.1**
Bridgnorth	3.4	2.2	0.5	0.7
North Shropshire	6.3	4.1	0.7	1.5
Oswestry	5.4	3.9	0.4	1.1
Shrewsbury and Atcham	7.6	5.0	1.4	1.2
South Shropshire	5.3	3.7	0.4	1.2
Shropshire total	**28.0**	**18.9**	**3.4**	**5.7**
Cannock Chase	5.7	3.3	0.8	1.6
East Staffordshire	10.3	6.7	1.0	2.6
Lichfield	6.7	4.1	1.0	1.6
Newcastle-under-Lyme	6.0	3.0	1.0	2.0
South Staffordshire	3.8	1.9	1.0	0.9
Stafford	8.9	5.5	1.4	2.0
Staffordshire Moorlands	5.7	3.8	0.6	1.3
Tamworth	4.5	2.6	0.8	1.1
Staffordshire total	**51.7**	**31.0**	**7.6**	**13.1**
North Warwickshire	4.5	2.9	0.5	1.1
Nuneaton and Bedworth	8.9	5.7	0.9	2.3
Rugby	10.6	6.9	1.2	2.5
Stratford-on-Avon	17.3	11.6	2.0	3.7
Warwick	30.0	19.2	4.3	6.5
Warwickshire total	**71.4**	**46.4**	**8.9**	**16.1**

Table 9: Estimate of Demand and Need for Housing in the Market, Intermediate, and Social Sectors; West Midlands Districts and Counties 2006-2026 (cont/d)

	All sectors	Market sector	Inter-mediate sector	Social sector
Birmingham	66.2	33.9	14.2	18.1
Coventry	14.2	6.7	3.8	3.7
Dudley	14.9	7.8	2.2	4.9
Sandwell	17.0	8.7	1.9	6.4
Solihull	11.6	5.8	3.0	2.8
Walsall	7.2	2.6	2.1	2.5
Wolverhampton	13.1	6.7	1.4	5.0
W Mids Conurbation total	**144.1**	**72.1**	**28.6**	**43.4**
Bromsgrove	8.6	5.7	1.1	1.8
Malvern Hills	7.5	4.9	0.9	1.7
Redditch	6.4	3.5	1.0	1.9
Worcester	8.6	4.8	2.0	1.8
Wychavon	13.6	8.9	1.6	3.1
Wyre Forest	7.7	4.8	1.0	1.9
Worcestershire total	**52.5**	**32.7**	**7.6**	**12.2**
West Midlands Regional Total	**390.0**	**227.0**	**60.0**	**103.0**

Source: Household projections and see text

54 With the projected need assigned to unitary authorities and districts, it is possible to derive figures for the four housing market areas identified in the Regional Housing Strategy.

Table 10 Estimate of Demand and Need for Housing in the Market, Intermediate, and Social Sectors; West Midlands Housing Market Areas 2006-2026

					(thousands)
		All sectors	Market Sector	Intermediate Sector	Social Sector
Central HMA, 2006-26		205.6	109.6	36.4	59.6
Annual average		10.3	5.5	1.8	3.0
	(% share)	*100*	*53*	*18*	*29*
Northern HMA, 2006-26		37.3	22.6	4.0	10.7
Annual average		1.9	1.1	0.2	0.5
	(% share)	*100*	*61*	*11*	*29*
Southern HMA, 2006-26		99.8	63.5	13.9	22.4
Annual average		5.0	3.2	0.7	1.1
	(% share)	*100*	*64*	*14*	*22*
Western HMA, 2006-26		47.1	31.3	5.7	10.1
Annual average		2.4	1.6	0.3	0.5
	(% share)	*100*	*66*	*12*	*21*
West Midlands Regional Total		390.0	227.0	60.0	103.0

Annex A : Right-to-Buy Owner-Occupier Households Dissolved

55 Estimating the number of Right-to-Buy (RTB) owner-occupier households that will be dissolved during the forecast period is complex. It depends on mortality (a function of sex and age) and to a lesser extent on moves to "communal establishments", principally residential care homes and nursing homes. The calculation has to be made first at national level, and then a regional share estimated. The data necessary for a direct regional calculation are not available, owing to sample sizes in the Survey of English Housing (SEH). SEH is the source of information about the type of household, sex, and age of RTB owner-occupiers.

56 Dissolutions of RTB owner-occupier households through deaths may be considered first. Separate calculations are needed for: (a) couple households; (b) male one-person households; and (c) one person households. For (b) and (c) the number of households at the base date (2001) that will survive until the end date (in this instance 2026) can be estimated directly from male and female life tables. For couple households a more complex calculation is needed because when one member of a couple household dies, the survivor continues as an independent household in over 90 percent of instances. The proportion of these one-person successor households that will survive until 2026 has then to be estimated.

Table A.1:RTB Owner-Occupier Households in England in 2001 That Will Have Dissolved Through Death by 2026

			(thousands)
	Married couple households	Male one-person households	Female one-person households
Total in 2001	**891**	**116**	**213**
Surviving in 2026			
Married couple households	276	---	---
One-person successor households	276	---	---
Total in 2026	**555**	**36**	**49**
Households dissolved by death 2001-2026	**336**	**80**	**164**

The total of RTB owner-occupier households in being in England in 2001 that will dissolve through death by 2026 is thus estimated at **580,000.**

Dissolutions of households by moves to communal establishments are of one-person households. It appears to be very rare for both husband and wife to move together to a nursing home or residential care home. If one does so, a couple household is converted into a one-person household. Proportions of older men and women living in communal establishments as reported in the 2001 census were (in percentages):

	65-69	70-74	75-79	80-84	85 and over
Men	0.8	1.0	2.4	4.6	12.2
Women	0.7	1.4	3.4	7.6	22.9

One-person households dissolved by moves to communal establishments are predominantly female. The number of dissolutions over the period from 2001 to 2026 are estimated at 17,000 male and 93,000 female one-person households. These include of course one-person households formed from couple households. The total of **110,000** one-person households dissolved by moves to communal establishments may be added to the 580,000 dissolved by death, to give a total of 690,000 RTB owner-occupier households dissolved between 2001 and 2026. This would be 57 percent of the estimated 1,220,000 married couple and one-person RTB owner-occupier households in being in 2001. Expressed as an annual average it is equivalent to **28,000** a year.

Annex B : Division of the Increase in Households Between Market and Social Sectors

57 The stages of the calculation are;

(a) Number of market sector households in 2001, from tenure analysis in Census tables KS18. Market sector: owner-occupier and shared ownership households minus RTB households (170,000 from SEH tenure analysis distributed pro-rata to owner-occupier households) plus 75 percent of private rented sector (including rent free)

(b) Market sector proportions of households in 2001 from (a), assumed to apply in 2006 as well

(c) Market sector proportion in 2026 equals (b) plus 1.9 the increase in the market sector proportion in the West Midlands as a whole

(d) Market sector household totals in 2002 and 2026, the projected household totals times (b) and (c)

(e) Net increase in market sector households between 2006 and 2026 from (d), scaled to agree with the market sector net increase in the West Midlands as a whole

(f) Net increase in the social sector by subtraction of (e) from the net projected net increase in households.

58 This calculation produces the primary division between market and social sector households, before introducing households needing intermediate housing. As noted above in Part III, the final intermediate sector is drawn two-thirds from the market sector, and one-third from the social sector.

Table B.1 : Increase in Households in the Market and Social Sectors 2006-2026

	Market Sector Proportion (percent)		Increase in households (thousands)		
	2006	2026	Market sector	Social sector	Total
Hereford UA	73.4	75.3	14.9	3.1	18
Stoke-on-Trent UA	65.5	67.4	5.9	0.1	6
Telford and the Wrekin UA	67.9	69.8	12.2	3.8	16
Shropshire					
Bridgnorth	74.6	76.5	2.7	0.3	3
North Shropshire	75.8	77.7	5.0	10.	6
Oswestry	79.0	80.9	4.3	0.7	5
Shrewsbury and Atcham	74.4	76.3	6.6	0.4	7
South Shropshire	76.3	78.2	4.2	0.8	5
Staffordshire					
Cannock Chase	70.4	72.3	4.2	0.8	5
East Staffordshire	74.7	76.6	8.4	1.6	10
Lichfield	75.5	77.4	5.3	0.7	6
Newcastle-under-Lyme	70.2	72.1	5.2	0.8	6
South Staffordshire	75.5	77.4	3.1	-0.1	3
Stafford	75.0	76.9	7.0	1.0	8
Staffordshire Moorlands	79.6	81.5	4.8	0.2	5
Tamworth	69.0	70.9	3.4	0.6	4
Warwickshire					
North Warwickshire	73.4	75.3	3.5	0.5	4
Nuneaton and Bedworth	73.9	75.8	6.9	1.1	8
Rugby	74.2	76.1	8.2	1.8	10
Stratford-on-Avon	75.8	77.7	14.0	3.0	17
Warwick	74.3	76.2	23.6	6.4	30

Table B.1 : Increase in Households in the Market and Social Sectors 2006-2026 (cont/d)

W Mids Conurbation					
Birmingham	62.5	64.4	50.4	13.6	64
Coventry	70.8	72.7	12.4	1.6	14
Dudley	68.4	70.3	12.0	2.0	14
Sandwell	60.6	62.5	12.7	4.3	17
Solihull	73.7	75.6	9.7	1.3	11
Walsall	63.4	65.3	6.4	0.6	7
Wolverhampton	61.5	63.4	9.9	3.1	13
Worcestershire					
Bromsgrove	78.4	80.3	7.0	1.0	8
Malvern Hills	74.8	76.7	5.9	1.1	7
Redditch	67.5	69.4	4.7	1.3	6
Worcester	73.1	75.0	6.7	1.3	8
Wychavon	74.4	76.3	10.8	2.2	13
Wyre Forest	74.2	76.1	6.0	1.0	7
West Midlands Region	**69.0**	**70.9**	**308**	**63**	**371**

Annex C : Market Sector Demand for New Housing Provision Before Allowance for Intermediate Housing 2006-2026

59 The stages of the calculation are:

(a) Net increase in households, from Annex B

(b) Second homes, assumed nil in the West Midlands Conurbation, Stoke and Newcastle under Lyme, otherwise pro-rata to owner-occupied stock

(c) Increase in vacant dwellings, assumed nil where vacancy rates higher than 4 percent otherwise pro-rata to owner-occupied stock

(d) Replacement of losses: pro-rata to market sector stock

(e) Offset to "loss" of re-lets through Right-to-Buy: pro-rata owner-occupied stock

Total requirements equals (a) + (b) + (c) + (d) – (e)

Table C.1 : Market Sector Demand for New Housing Provision

(thousands)

	Net increase in households	Increase in second homes	Increase in vacants	Replace losses	Replace "loss" re-lets	Total
Hereford UA	14.9	0.8	0.4	0.4	2.1	14.4
Stoke-on-Trent UA	5.9	0	0	0.5	2.7	3.7
Telford and the Wrekin UA	12.2	0.6	0.3	0.3	1.8	11.6
Shropshire						
Bridgnorth	2.7	0.2	0.2	0.1	0.6	2.6
North Shropshire	5.0	0.2	0.2	0.1	0.7	4.8
Oswestry	4.3	0.3	0.1	0.1	1.5	4.3
Shrewsbury and Atcham	6.6	0.4	0.2	0.2	1.2	6.2
South Shropshire	4.2	0.2	0.1	0.1	0.5	4.1
Staffordshire						
Cannock Chase	4.2	0.3	0.3	0.2	1.1	3.9
East Staffordshire	8.4	0.4	0	0.2	1.3	7.7
Lichfield	5.3	0.4	0.3	0.2	1.2	5.0
Newcastle-under-Lyme	5.2	0	0	0.2	1.5	3.9
South Staffordshire	3.1	0.4	0.3	0.2	1.3	2.7
Stafford	7.0	0.5	0.3	0.3	1.5	6.6
Staffordshire Moorlands	4.8	0.4	0.3	0.2	1.3	4.4
Tamworth	3.4	0.3	0.2	0.1	0.8	3.2
Warwickshire						
North Warwickshire	3.5	0.3	0.2	0.1	0.8	3.3
Nuneaton and Bedworth	6.9	0.5	0.4	0.2	1.5	6.5
Rugby	8.2	0.4	0.3	0.2	1.1	8.0
Stratford-on-Avon	14.0	0.6	0	0.2	1.4	13.4
Warwick	23.6	0.5	0	0.3	1.5	22.9

Table C.1 : Market Sector Demand for New Housing Provision (cont/d)

	Net increase in households	Increase in second homes	Increase in vacants	Replace losses	Replace "loss" re-lets	Total
W Mids Conurbation						
Birmingham	50.4	0	2.3	1.6	9.5	44.8
Coventry	12.4	0	0	0.6	3.4	9.6
Dudley	12.0	0	0.7	0.6	3.6	10.4
Sandwell	12.7	0	0	0.5	2.8	10.4
Solihull	9.7	0	0.5	0.4	2.5	8.1
Walsall	6.4	0	0	0.4	2.6	4.2
Wolverhampton	9.9	0	0	0.4	2.4	7.9
Worcestershire						
Bromsgrove	7.0	0.4	0.2	0.2	1.2	6.6
Malvern Hills	5.9	0.3	0.2	0.2	0.9	5.7
Redditch	4.7	0.3	0.2	0.1	0.9	4.4
Worcester	6.7	0.4	0.2	0.2	1.2	6.3
Wychavon	10.8	0.5	0.3	0.2	1.4	10.4
Wyre Forest	6.0	0.4	0.3	0.2	1.2	5.7
West Midlands Region	**308**	**10**	**9**	**10**	**60**	**277**

Annex D : Social Sector Need for New Housing Before Allowance for Intermediate Housing 2006-26

60 The stages in the calculation are:

(a) Net increase in households in the social sector, form Annex B

(b) Offset to “loss” of re-lets from dissolution of Right-to-Buy owner-occupier households, items (e) in Annex C with positive sign.

(c) Provision for re-housing households displaced by demolitions, etc, as given in figures forwarded by the West Midland Regional Assembly

(d) Change in vacant dwelling, set at zero by assumption

Table D.1 : Social Sector Need for New Housing Provision

				(thousands)
	Net increase in households	Offset to loss of re-lets	Re-housing	Total
Hereford UA	3.1	2.1	0.8	6.0
Stoke-on-Trent UA	0.1	2.7	5.5	8.3
Telford and the Wrekin UA	3.8	1.8	0.2	5.8
Shropshire				
Bridgnorth	0.3	0.6	(a)	0.9
North Shropshire	1.0	0.7	(a)	1.7
Oswestry	0.7	0.5	(a)	1.2
Shrewsbury and Atcham	0.4	1.2	(a)	1.7
South Shropshire	0.8	0.5	(a)	1.3
Staffordshire				
Cannock Chase	0.8	1.1	0.2	2.1
East Staffordshire	1.6	1.3	0.3	3.2
Lichfield	0.7	1.2	0	1.9
Newcastle-under-Lyme	0.8	1.5	0.7	3.0
South Staffordshire	-0.1	1.3	0.2	1.4
Stafford	1.0	1.5	0.2	2.7
Staffordshire Moorlands	0.2	1.3	(a)	1.5
Tamworth	0.6	0.8	(a)	1.4

Table D.1 : Social Sector Need for New Housing Provision (cont/d)

	Net increase in households	Offset to loss of re-lets	Re-housing	Total
Warwickshire				
North Warwickshire	0.5	0.8	0.3	1.6
Nuneaton and Bedworth	1.1	1.5	0	2.6
Rugby	1.8	1.1	0	2.9
Stratford-on-Avon	3.0	1.4	0.4	4.8
Warwick	6.4	1.5	0.2	8.1
W Mids Conurbation				
Birmingham	13.6	9.5	26.9	49.9
Coventry	1.6	3.4	2.7	7.7
Dudley	2.0	3.6	6.4	12.0
Sandwell	4.3	2.8	6.4	13.5
Solihull	1.3	2.5	4.3	8.1
Walsall	0.6	2.6	6.4	9.6
Wolverhampton	3.1	2.4	6.5	12.0
Worcestershire				
Bromsgrove	1.0	1.2	0.2	2.4
Malvern Hills	1.1	0.9	0.3	2.3
Redditch	1.3	0.9	0.1	2.3
Worcester	1.3	1.2	0.1	2.6
Wychavon	2.2	1.4	0.4	4.0
Wyre Forest	1.0	1.2	0.4	2.6
West Midlands Region	**63**	**60**	**70**	**193**

Annex E : Need for Intermediate Housing 2006-2026

61 District and Unitary Authority figures for need for intermediate housing are apportionment of the total of 3,000 a year for the West Midlands region, based on 60,000 for the two decades from 2006 to 2026. 2,000 are included in the market sector and 1,000 in the social sector in Tables B.1, C.1 and D.1. The apportionment is pro-rated to an indicator that combines the projected number of households with heads under age 45 (because very few new households are older than this) and the width of spread between average housing associations rent plus £25 and owner-occupiers' user cost based on lower quartile house prices. Table E.1 shows the proportionate distribution between authorities given by this indicator, and the numbers of households in the market and social sectors assumed to be in need of (or eligible for) intermediate housing.

Table E.1 : Households Needing Intermediate Housing

		Intermediate sector households (thousands)			
	Intermediate housing share (percent0	Market	Social	Market excluding intermediate	Social excluding intermediate
Hereford UA	3.8	1.5	0.8	12.9	5.2
Stoke-on-Trent UA	0	0	0	3.7	8.3
Telford and the Wrekin UA	2.7	1.1	0.5	10.5	5.3
Shropshire					
Bridgnorth	0.9	0.3	0.2	2.3	0.7
North Shropshire	1.1	0.5	0.2	4.3	1.5
Oswestry	0.7	0.3	0.1	4.0	1.1
Shrewsbury and Atcham	2.2	1.0	0.4	5.2	1.3
South Shropshire	0.7	0.3	0.1	3.8	1.2
Staffordshire					
Cannock Chase	1.3	0.5	0.3	3.4	1.8
East Staffordshire	1.7	0.7	0.3	7.0	2.9
Lichfield	1.7	0.7	0.3	4.3	1.6
Newcastle-under-Lyme	1.6	0.7	0.3	3.2	2.7
South Staffordshire	1.6	0.7	0.3	2.0	1.1
Stafford	2.4	0.9	0.5	5.7	2.2
Staffordshire Moorlands	1.0	0.4	0.6	4.0	1.3
Tamworth	1.4	0.5	0.3	2.7	1.1

Table E.1 : Households Needing Intermediate Housing (cont/d)

	Intermediate housing share (percent0	Market	Social	Market excluding intermediate	Social excluding intermediate
Warwickshire					
North Warwickshire	0.9	0.3	0.2	3.0	1.4
Nuneaton and Bedworth	1.5	0.6	0.3	5.9	2.3
Rugby	2.0	0.8	0.4	7.2	2.5
Stratford-on-Avon	3.4	1.3	0.7	12.1	4.1
Warwick	7.2	2.9	1.4	20.0	6.7
W Mids Conurbation					
Birmingham	23.6	9.3	4.9	35.5	45.0
Coventry	6.3	2.5	1.3	7.1	6.4
Dudley	3.7	1.5	0.7	8.2	11.3
Sandwell	3.1	1.3	0.6	9.1	12.8
Solihull	5.0	3.0	1.0	6.1	7.1
Walsall	3.5	1.4	0.7	2.8	8.9
Wolverhampton	2.4	0.9	0.5	7.0	11.5
Worcestershire					
Bromsgrove	1.8	0.7	0.4	5.9	2.0
Malvern Hills	1.5	0.6	0.3	5.1	2.0
Redditch	1.7	0.7	0.3	3.7	2.0
Worcester	3.3	1.3	0.7	5.0	1.9
Wychavon	2.6	1.1	0.5	9.3	3.5
Wyre Forest	1.7	0.7	0.3	5.0	2.3
West Midlands Region	**100.0**	**40**	**20**	**237**	**173**

Annex F : Demand and Need for New Provision of Housing in Gross Terms

62 The focus of the estimate of newly arising demand and need for new housing provision between 2006 and 2026 is the net increase in the housing stock that is required for the increase in occupied main residences to match the increase of households. As noted in paragraph 15 the net increase in *occupied* main residences is not necessarily exactly the same as the net increase in the *total* stock of dwellings. Second homes can add to the housing stock without adding to the number of main residences. If the vacancy rate goes up at the same time as there is an increase in the total dwellings, the increase in *occupied* dwellings will be less than the increase in total dwellings. Conversely, a fall in the vacancy rate implies that the number of occupied main residences will have grown more than the number of dwellings added to the total stock. A calculation in net terms will however not produce the total required new provision of housing from new building and conversions if dwellings are lost from the stock through demolition or changes of use (e.g. large houses being converted to hotels or offices).

63 Demolition of houses occurs for a variety of reasons, which range from replacement of unsatisfactory housing through regeneration schemes to developers demolishing houses with large gardens to provide sites for apartment blocks or terrace houses. For present purposes separate consideration is necessary for dwellings for re-housing people from dwellings demolished by action of local authorities, both in their own stock and privately owned; and private enterprise demolitions.

64 The West Midlands Regional Assembly (WMRA) provided estimates of "households requiring re-housing from demolished stock 2006-2026". The source is the Regional Land and Urban Capacity Study. This study included demolitions estimated for 2001 to 2026; reported actual demolitions in 2006 to 2026 have been deducted, to leave figures for 2006-2026. A summary of WMRA's estimates of "households requiring re-housing from demolished stock" are in Table F.1.

Table F.1 Households Requiring Re-Housing From Demolished Stock 2006-2026

Birmingham	26,900
Coventry	2,700
Black Country	25,799
Solihull	4,265
Stoke	5,459
Newcastle-under-Lyme	677
Shropshire and Telford and Wrekin	388
Staffordshire (excluding Newcastle-under-Lyme)	1,003
Warwickshire	868
Worcestershire	1,615
Herefordshire	756
Total	70,430

Note: Figures exact to the last digit can arise from subtraction of reported actual demolitions from rounded estimates of demolitions in 2001-2026

65 The "major urban areas", the West Midlands Conurbation[5] plus Stoke and Newcastle-under-Lyme account for 65,800 of the "households to be re-housed", 93 percent of the total.

66 "Households to be re-housed" do not necessarily equate to new dwellings to be provided by the social sector. Private owners whose dwellings are demolished receive compensation, and assistance in obtaining loans or grants to bridge the gap between the compensation and the price of houses above the demolition threshold. Some tenants are understood to find accommodation in the private rented sector. Local authorities report that even with demolitions of unsatisfactory dwellings in their own stock not all the displaced tenants remain in the social sector.

67 The requirement for new building by the social sector is therefore likely to be considerably less overall than the total in Table F.1. How much less is very difficult to assess. But from the evidence available – much of it anecdotes three-fifths would seem a maximum figure. This would apply in the "major urban areas", where there are large stocks of older (pre-World War I) privately owned property. This would be less so in the other areas where house prices are much higher. This argument implies a total social sector

[5] Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton

requirement of 44,000 over the 20 year period of re-housing people displaced by public authority demolitions. The figure could well prove to come out lower.

68 The 26,000 households assumed not to be re-housed by the social sector would be very unlikely to just disappear. They would go to the lower end of the owner-occupied and private rented sectors. What would then happen would be strongly influenced by how many would be accommodated by reducing the number of privately owned vacant dwellings. Privately owned vacant dwellings at April 2006 were just over 33,000[6] in total across the districts in the West Midlands Conurbation. But if, as in paragraph, 37 2.8 percent is taken as a "normal" rate of private sector vacancies, the vacant private sector dwellings over and above this rate totalled 9,100. If vacancy rates in the absence of indirect effects from demolitions did not increase of their own accord in future years, not all of the demand for displaced private sector household could be absorbed by reductions in the number of vacant dwellings. There would be some impact, indirectly, in the market for new houses via sales chain effects. A stronger demand for older houses would enable occupiers who wished to trade up to sell more quickly at higher prices. There are loose links in house purchase chains. But some consequential effect on new building for private owners, perhaps in about 10-15,000 over the whole period, would seem likely. These numbers have not been included in the main tables of estimates in Part III and IV above, as all those are figures given net of demolitions.

69 Private enterprise demolitions are not at all well documented. Improved procedures for collecting information are being put in place. The information collected in the South East region where new procedures are being tested indicates that a figure for the West Midlands pro-rata to the privately owned stock with an allowance for market pressure being not quite as high in the West Midlands of about 500 a year, 10,000 over the 20 year period, would be reasonable.

70 Table F.2 takes the assumptions just discussed as a basis for deriving a figure for gross new housing provision from the net total in Table 6.

Table F.2 Gross New Housing Provision Required in the West Midlands 2006-2026

			(thousands)
	Market sector	Social sector	Total
Required net increase in stock to meet newly arising demand and need	267	123	390
New provision to meet re-housing need generated by local authority action	12	44	56
New provision generated by private new development	10	0	10
Total gross new provision	**289**	**167**	**456**

[6] Housing Strategy Statistical Appendix 2005/06; Section A; item hsa7ae