



Centre for Urban and Regional Studies

**WEST MIDLANDS REGIONAL HOUSING STRATEGY  
WEST MIDLANDS REGIONAL SPATIAL STRATEGY  
PARTIAL REVIEW  
SHARED EVIDENCE BASE**

**Stage 1 Report: Housing requirements for 2006, 2007 and 2008**

Contact:

Peter Lee or Alan Murie  
Centre for Urban and Regional Studies  
University of Birmingham  
Edgbaston  
Birmingham  
B15 2TT

Telephone (0121) 414 3645/5018  
Fax. (0121) 414 3279

Email: [p.w.lee@bham.ac.uk](mailto:p.w.lee@bham.ac.uk) [a.s.murie@bham.ac.uk](mailto:a.s.murie@bham.ac.uk)

# 1. Introduction

- 1.1 The Regional Housing Strategy (RHS) is to set the strategic context for the major issues impacting on housing demand in the West Midlands for the period 2005-2026. The RHS must reconcile housing demand, changes in the population structure and the aspirations of the West Midlands population with the strategic intent of the RSS (Regional Spatial Strategy) and the major strategic documents such as the RES (Regional Economic Strategy). By identifying the major issues and reconciling these with the most significant strategic documents at regional and sub-regional level, the RHS defines the framework within which locally delivered housing policy options are delivered.
- 1.2 In order to inform the RHS the Regional Housing Board has commissioned a range of research designed to improve the understanding of housing markets and sub-markets within the West Midlands region. This has included:
  - Analysis of small area data to inform and define Housing Market Areas at sub-regional level
  - HMA and sub-HMA profiles of socio-demographic change
  - Rural research
  - BME research on aspirations and mapping of residential patterns and change
  - Specially commissioned evidence on household projections to 2026 at sub-regional level
  - Research on Homelessness to develop the regional homelessness strategy
  - Research on Supporting People
  - A specially commissioned survey of 5,000 households to inform aspects of demand and aspirations; including a booster sample of the BME population
  - A survey of households living in new build accommodation (built between 2002-2004) of 1,500 households
  - Desk-top survey and review of evidence on the impact of ASRs on housing markets within the region
  - Research and consultation on the housing needs of the Gypsy and Traveller community
- 1.3 Most of this research will be reported at a later stage but this report relates to Stage 1 as set out in the specification of research requirements. It provides indicative data to enable the split between HIP/ADP for 3 years from 2006 to 2008 to be made. It uses the best evidence available to us at this time and draws down information from the Census/Land Registry analysis and the population projections to provide statistics related to the need for housing at a regional and Housing Market Area level.
- 1.4 Within these limits we refer to the categories set out in Table 1 of the specification of research requirements and provide trend-based overall housing requirements and affordable trend-based needs for each of the years 2006, 2007 and 2008. In addition to providing indicative figures on need, the report indicates likely key issues for each of the sub-regions in relation to these requirements.
- 1.5 The estimates included in this report are indicative and the intention is to provide more robust estimates taking into account data, which will become available in the next phases of the research. This evidence includes:

- The results from household survey related to concealed and suppressed households;
- The results from household survey related to affordability;
- Revised population and household projections.

1.6 The Housing Market Areas referred to are those identified through the research and agreed by the RHB. The method of arriving at indicative statistics on housing need in each of the 4 HMAs is as follows:

- Identify pattern of population and household change associated with projections based solely on natural increase in population;
- Identify pattern of population and household change associated with projections based on natural increase and migration;
- Identify Gross household growth for each of the years 2006, 2007 and 2008;
- Assess affordability in each HMA;
- Identify the proportion of households likely to require affordable housing;
- Calculate the need for affordable housing in each of the target years;
- Note the potential impact of relets from the existing social rented sector.

1.7 The remainder of this report is organised as follows:

- Household and Population Change;
- Affordable Housing Needs;
- Estimated need for Affordable Housing;
- Other issues related to the provision of affordable housing in each HMA

## 2. Household and Population Change

### Introduction

- 2.1 At this stage in the research patterns of population and household change to 2008 have been identified through census population and migration statistics and specially commissioned tables on household change at sub-regional level.

### Household Forecasts

- 2.2 In the absence of sub-regional household forecasts Anglia Polytechnic University were commissioned to supply sets of forecasts to 2021 at sub-regional level. The forecasts are based on 2001 census outcomes, but headship rates are based on 1996 ODPM baseline. These are the best available figures at this time and will be revised as soon as more robust data are available. At this stage the figures are supplied for illustrative purposes and should be used with caution and as providing the best available indicative data for the development of policy scenarios.
- 2.3 APU forecasts do not use the most recent headship rates available because of doubts over their reliability. The forecast of population and households to regional level is significantly below the most recent (ODPM based) official forecasts for household growth to 2021 (287,000 households). We have recalculated the population figures for each HMA by distributing the additional households to HMAs in direct proportion to maintain the share of household growth the same as in the APU forecasts. This means that their share is consistent with of the APU provided estimate and the total numbers of households is in line with the ODPM forecast. We have utilised the same method in relation to a hypothetical 300,000 increase in household population over the 20-year period to 2021.

**Table 2.1** Household forecasts (2001-2021) for WM HMAs based on Chelmer model (Anglia Polytechnic University)

	2001 hhold pop.	APU Chelmer model		Proportioned on ODPM 2003 based forecast		Proportioned on an increase of 300,000 (trend based)	
		No.	%	No.	%	No.	%
<b>1) Chelmer model natural change (migration constrained)</b>							
Central	1381091	192770	14.0	213699	15.5	223379	16.2
North	290834	23319	8.0	25851	8.9	27022	9.3
South	330895	28421	8.6	31507	9.5	32934	10.0
West	195896	14382	7.3	15943	8.1	16666	8.5
<b>WM Total</b>	<b>2198716</b>	<b>258892</b>	<b>11.8</b>	<b>287000(1)</b>	<b>13.1</b>	<b>300000(2)</b>	<b>13.6</b>
<b>2) Chelmer model with migration built in</b>							
Central	1381091	129952	9.4	146995	10.6	153653	11.1
North	290834	14331	4.9	16210	5.6	16945	5.8
South	330895	63252	19.1	71547	21.6	74788	22.6
West	195896	46190	23.6	52248	26.7	54614	27.9
<b>WM Total</b>	<b>2198716</b>	<b>253725</b>	<b>11.5</b>	<b>287000(1)</b>	<b>13.1</b>	<b>300000(2)</b>	<b>13.6</b>

Chelmer Forecast 1, uses zero net migration control, with unit gross flows age/sex structure (nearest equivalent to 'natural change'); Chelmer Forecast 2, uses short-term (97-02based) migration control, with Census 91 gross flows age/sex structure; Notes: (1) 2002 ODPM household forecast for the WM region; (2) estimate for 2005 ODPM forecast based on RPG and ODPM based projections.

- 2.4 Table 2.1 provides three sets of household forecasts based on two models (see also Appendix Tables A1 and A2):
- a *natural change model* which takes into account migration into the region; and
  - a *migration model* which accounts for inter and intra regional flows.
- 2.5 Based on a household growth of 287,000 (ie: the 2003 ODPM regional forecast) the Central HMA would see an additional 214,000 households to 2021 (an increase of some 15.5%); however, when factoring in migration flows, this is reduced to around 147,000 (an increase of less than 11%) with significant redistribution of household growth around the region. For example, natural growth in the West and South increases from less than 10% to 27% and 22% respectively when factoring in migration. An additional 124,000 housing units would be required if migration followed the trend. However, if growth is constrained to natural change and migration was zero, these two HMAs would require approximately 47,000 additional units over the period to 2021.

## Migration

- 2.6 Intra and inter regional migration trends have a major impact on where housing demand is expressed in the region. In this context the success of the RSS in changing the pattern is of critical importance for housing and household projections. However this report focuses on the period to 2008 therefore the impact of RSS is less critical and trends are less likely to show such short term shifts.
- 2.7 A synthesis of views emerging through consultation and the messages coming out of local housing strategies indicates that a lot of rural authorities in the South and West felt that the last RHS put too heavy an emphasis on low demand and urban renaissance as a mechanism for responding to the rural renaissance agenda.
- 2.8 However, migration patterns across the region differ markedly. Previous analyses at District level have repeatedly demonstrated net migration flows outwards from the MUAs and a cascade effect with a succession of flows outwards from the older urban centres. Table 2.2 summarises the main trends from the 2001 census at HMA level and breaks these down by intra and inter regional flows of population.
- 2.9 The pattern of migration can be summarised as follows:
- The greatest net flows within the region are outwards from the Central HMA to the South and the North
  - There are substantial net flows to the West from each of the other HMAs
  - The Central HMA is the only net loser from inter regional migration flows with the biggest loss to the South West followed by the East Midlands
  - The South HMA is the biggest recipient through inter and intra regional migration – followed by the West
  - All sub-regions have net surplus of migration from the South East region
  - All lose population to the South West region
  - When including international migration, the Central HMA ceases to be a net exporter of population
  - Relative to population size, the pressure exerted on the housing market through migration is greatest in the South and West.

**Table 2.2** Intra and Inter-regional migration by HMA, 2001 census

Origin	Destination			
	Central	North	South	West
<i>Within Region</i>				
Central	-	1125	4453	195
North	-1125	-	52	169
South	-4453	-52	-	179
West	-195	-169	-179	-
<b>Intra-regional total</b>	<b>-5773</b>	<b>904</b>	<b>4326</b>	<b>543</b>
<i>Outside region</i>				
Lon	-665	-286	-298	170
SE	378	321	441	502
East	461	256	276	171
EM	-2111	341	-500	118
NE	102	-34	5	1
NW	-600	-139	112	563
SW	-1515	-170	-917	-366
YH	-747	-246	-235	-75
Sco	-103	-65	-96	-71
Wales	-1189	-46	-200	-123
NI	-90	19	-48	275
<b>Inter-regional total</b>	<b>-6079</b>	<b>-49</b>	<b>-1460</b>	<b>1165</b>
<b>Net UK migration</b>	<b>-11852</b>	<b>855</b>	<b>2866</b>	<b>1708</b>
<b>International Migration</b>	<b>15,728</b>	<b>2,082</b>	<b>4,499</b>	<b>1,831</b>
<b>Overall Net Migration Total</b>	<b>3,876</b>	<b>2,937</b>	<b>7,365</b>	<b>3,539</b>

2.10 There are some additional important points to note related to the analysis in this report;

- The population dynamics of the HMAs differ with the Central HMA having a major net loss through migration but has high 'natural' population growth
- The South and North are most affected by inter and intra regional migration and therefore potentially most affected by any changes in migration arising from Urban Renaissance
- The West is likely to be least affected by Urban Renaissance.

### 3. Affordable housing Needs

#### Introduction

- 3.1 At this stage our approach to understanding affordable housing needs across the region involves producing an estimate of the proportion of households likely to experience affordability problems in each HMA and applying this to the projected population and household figures referred to above.

#### Incomes and house prices

- 3.2 All local authorities within the region highlight affordability problems as a key issue. Previous analysis of data from HM Land Registry on average house prices and CACI data on average and lower quartile incomes, indicated that the problem of affordability is most acutely experienced in the West and South of the region. Land Registry data presents problems and as in previous analyses we have excluded detached dwellings in order to have a better fit with the supply of potentially affordable housing. We are aware that this is not a wholly satisfactory approach especially in the West where detached dwellings form such a large proportion of the market but until other survey data are available this remains the best approach.
- 3.3 Table 3.1 shows that an average house price (excluding detached dwellings) would have required a mortgage of up to 6 times average incomes in the North and 9 times average incomes prevailing in the South and West. Within the HMAs the multiplier by LA district varies considerably (see Appendix Table A3). For example average prices to incomes in Stoke-on-Trent are 5.4 compared with 9.7 in Herefordshire.
- 3.4 Given these differentials in average prices compared with incomes, it is estimated that more than 62% of new households could not afford to enter the for sale housing market in the South of the region. This compares with 42% of new households in the North. These affordability quotients can be used in conjunction with household projections to assess the number of households requiring affordable housing in each HMA.
- 3.5 When reducing the borrowing allowance to 3.5 times household income the proportion estimated to be unable to enter the market rises to almost three-quarters in the South and half of new households in the North.

**Table 3.1 Average House Price to Income Ratios by HMA (2003)**

<b>HMA</b>	<b>Multiplier: Ave price: Income</b>	<b>New households unable to purchase on market at 4.25 income</b>	<b>New households unable to purchase on market at 3.5 income</b>
Central	6.9	52.8	62.4
North	5.9	42.5	50.0
South	9.0	62.2	73.9
West	8.8	57.5	68.2

## Affordable housing need in the region

- 3.6 But what is the overall level of affordable housing need given the differentials in house prices and incomes across the HMAs?
- 3.7 Here we have to return to the forecasts in household growth for the region and across the HMAs. These forecast household growth of between 253,000 and 300,000 additional households over the 20 year period to 2021.
- 3.8 In the following analysis we have disregarded the lower estimate of household growth. Whilst the 2003 ODPM forecasts for regional household growth show a projected 287,000 increase to 2021, it does not break this down for sub-regions. Across the HMAs the increase is dependent on the level of migration assumed and assumptions about the rate of formation of new households. We have therefore used the specially commissioned forecasts at HMA level to proportion regional growth to these sub-regional estimates.
- 3.9 Table 3.2 sets out the numbers of households requiring affordable housing in 2006, 2007 and 2008. It refers to the two different forecasts of regional household growth and applies the affordability quotients based on house price to income evidence assuming 4.25 times income is the cut off for affordability.

**Table 3.2** Affordable Trend-based Need by HMA (RPG based: 287,000 increase to 2021) (migration based)

	2006	2007	2008
Central	3,483	3,878	3,878
North	415	427	427
South	2,480	2,158	2,158
West	1,536	1,418	1,418
<b>Total West Midlands</b>	<b>7,914</b>	<b>7,881</b>	<b>7,881</b>

**Table 6.3** Affordable Trend-based Need by HMA (RPG based: 287,000 increase to 2021) (natural change)

	2006	2007	2008
Central	5,926	5,756	5,756
North	496	582	582
South	920	927	927
West	398	480	480
<b>Total West Midlands</b>	<b>7,740</b>	<b>7,744</b>	<b>7,744</b>

**Table 6.4** Affordable Trend-based Need by HMA (300,000 increase to 2021) (migration based)

	2006	2007	2008
Central	3,640	4,054	4,054
North	434	447	447
South	2,592	2,256	2,256
West	1,606	1,482	1,482
<b>Total West Midlands</b>	<b>8,272</b>	<b>8,238</b>	<b>8,238</b>

**Table 6.5** Affordable Trend-based Need by HMA (300,000 increase to 2021) (natural change)

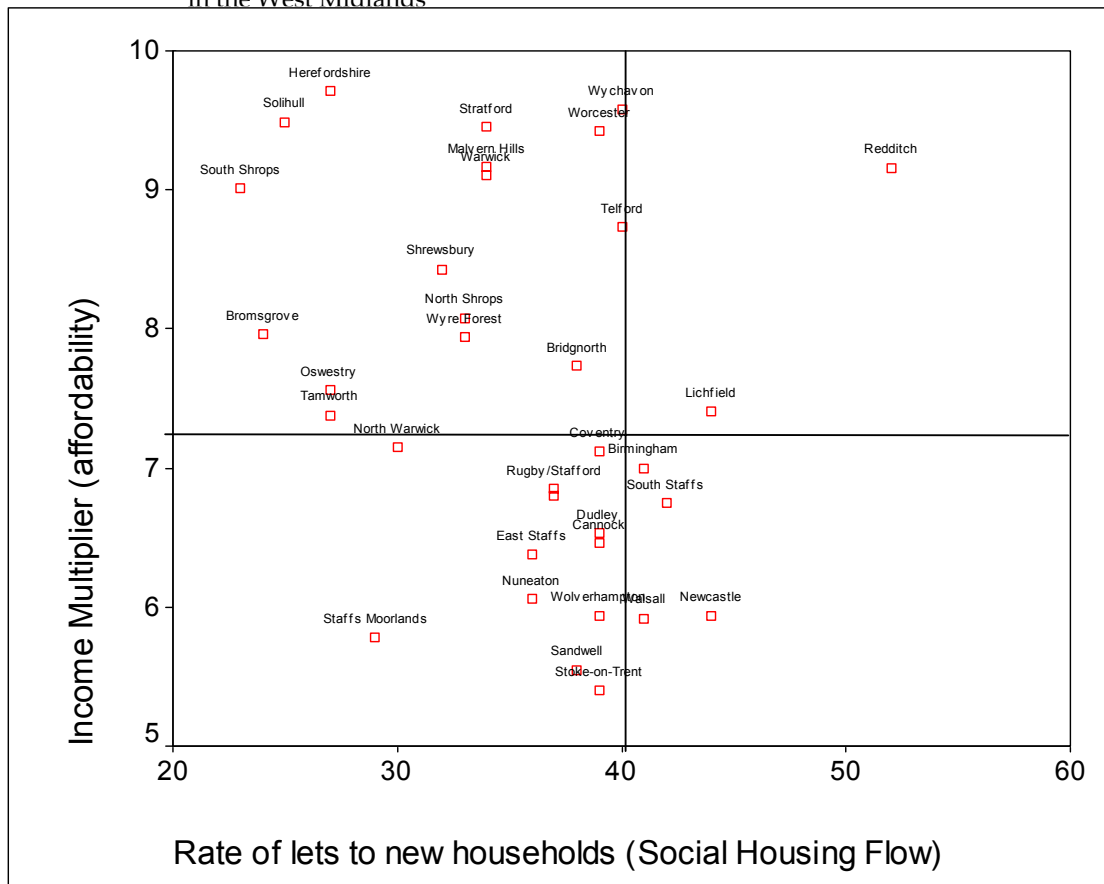
	2006	2007	2008
Central	6,194	6,016	6,016
North	518	608	608
South	962	969	969
West	416	501	501
<b>Total West Midlands</b>	<b>8,091</b>	<b>8,094</b>	<b>8,094</b>

- 3.10 An important methodological consideration, which arises from these different population dynamics, is that affordability thresholds are affected by migration. Put simply, house prices are inflated by intra-regional and international migration based

demand (see Table 2.2) and so the migration pressure is reflected in the proportion of the population deemed to require affordable housing.

- 3.11 If the migration flow out of the conurbation or from outside the UK into the South and West is largely comprised of more affluent households, should we apply this figure of the proportion of households requiring affordable housing to all households including the 'migration flow'?
- 3.12 It may be that including them in the calculation inflates the estimate of need for affordable housing and involves double counting because the higher affordability threshold already measures their impact on the market. For this reason it may be appropriate to adjust these figures in the Stage 2 report.
- 3.13 The figures presented above make no allowance for demolitions, replacement or modernisation of existing affordable housing or for existing shortages in affordable housing. Nor do they take account of the flow of relets or vacancies within the social rented sector.
- 3.14 In the New Year revised affordable and social housing needs figures for the Stage 2 report will take account of the flow of social housing lets and the proportion of lettings to newly forming households. Figure 3.1 illustrates the relationship between affordability (measured by income multipliers) and the flow of social housing lettings (measured by the proportion of lets to newly forming households).

**Figure 3.1** Comparison of Affordability to Lets to New Households by Local Authority in the West Midlands



- 3.15 Birmingham is positioned at the centre of the scattergram - illustrating some affordability problems but balanced by a relatively high percentage of lets to newly forming households.
- 3.16 Newcastle, Sandwell, Stoke and Walsall, have relatively high flows of lets and low affordability problems, whereas Local Authorities in the South such as Malvern Hills, Stratford, Warwick, South Shropshire and Herefordshire demonstrate high affordability problems and low flows of relets.
- 3.17 The implications of this are clear: a need to re-balance housing markets and in parts of the such as the West and the South - where the flow of relets will not provide a significant impact on affordability - development needs to be reflected in high rates of affordable housing.
- 3.18 The estimates above are indicative and the provision of more robust estimates taking into account the results from household survey related to concealed and suppressed households; and tenure aspirations as well as revised population and household projections will be included in the Stage 2 report.

## Appendix Tables

**Table A1** Sub Regional Housing Market Trend (RPG based: 287,000 increase to 2021)  
(migration based) and affordable housing need

	2006	2007	2008
<b>Central HMA</b>			
Trend-based Overall Housing Requirement	6,829	7,482	7,482
Affordable Trend-based Need	3,483	3,878	3,878
<b>North HMA</b>			
Trend-based Overall Housing Requirement	851	933	933
Affordable Trend-based Need	415	427	427
<b>South HMA</b>			
Trend-based Overall Housing Requirement	3,962	3,431	3,431
Affordable Trend-based Need	2,480	2,158	2,158
<b>West HMA</b>			
Trend-based Overall Housing Requirement	2,708	2,504	2,504
Affordable Trend-based Need	1,536	1,418	1,418
<b>Total West Midlands</b>			
Trend-based Overall Housing Requirement	<b>14,350</b>	<b>14,350</b>	<b>14,350</b>
Affordable Trend-based Need	<b>7,914</b>	<b>7,881</b>	<b>7,881</b>

**Table A2** Sub Regional Housing Market Trend (RPG based: 287,000 increase to 2021)  
(natural change) and affordable housing need

	2006	2007	2008
<b>Central HMA</b>			
Trend-based Overall Housing Requirement	10,886	10,550	10,550
Affordable Trend-based Need	5,926	5,756	5,756
<b>North HMA</b>			
Trend-based Overall Housing Requirement	1176	1395	1395
Affordable Trend-based Need	496	582	582
<b>South HMA</b>			
Trend-based Overall Housing Requirement	1577	1560	1560
Affordable Trend-based Need	920	927	927
<b>West HMA</b>			
Trend-based Overall Housing Requirement	711	845	845
Affordable Trend-based Need	398	480	480
<b>Total West Midlands</b>			
Trend-based Overall Housing Requirement	<b>14,350</b>	<b>14,350</b>	<b>14,350</b>
Affordable Trend-based Need	<b>7,740</b>	<b>7,744</b>	<b>7,744</b>

**Table A3** Affordability multipliers and income thresholds fro entry-level house price by Local Authority

HMA	Local Authority	Unable at 4.25	Unable at 3.5	Multiplier
Central	Birmingham	60.3	71.5	7.0
	Cannock Chase	47.3	55.8	6.5
	Coventry	51.6	61.1	7.1
	Dudley	52.6	62.3	6.5
	Lichfield	53.6	63.4	7.4
	North Warwickshire	51.5	60.9	7.1
	Nuneaton and Bedworth	47.0	55.5	6.1
	Rugby	51.4	60.8	6.9
	Sandwell	51.9	61.4	5.5
	Solihull	61.6	73.2	9.5
	South Staffordshire	55.8	66.1	6.8
	Tamworth	51.1	60.4	7.4
	Telford and Wrekin UA	44.0	51.8	8.7
	Walsall	51.7	61.2	5.9
Wolverhampton	49.5	58.5	5.9	
North	East Staffordshire	43.9	51.7	6.4
	Newcastle-under-Lyme	41.3	48.6	5.9
	Stafford	48.4	57.1	6.8
	Staffordshire Moorlands	43.7	51.4	5.8
	Stoke-on-Trent UA	36.0	42.1	5.4
South	Bromsgrove	63.9	76.0	8.0
	Malvern Hills	69.7	83.1	9.2
	Redditch	48.9	57.7	9.2
	Stratford-on-Avon	69.8	83.1	9.4
	Warwick	71.4	85.1	9.1
	Worcester	60.5	71.9	9.4
	Wychavon	59.0	70.0	9.6
Wyre Forest	51.2	60.6	7.9	
West	Bridgnorth	61.8	73.4	7.7
	Herefordshire UA	58.1	69.0	9.7
	North Shropshire	52.2	61.8	8.1
	Oswestry	46.7	55.1	7.6
	Shrewsbury and Atcham	57.4	68.1	8.4
	South Shropshire	70.1	83.4	9.0