



**GL Hearn**

Part of Capita Real Estate

# Housing Need Assessment Final Report

## Isle of Wight

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The signatories below verify that this document has been prepared in accordance with our quality control requirements. These procedures do not affect the content and views expressed by the originator.

This document must only be treated as a draft unless it is has been signed by the Originators and approved by a Business or Associate Director.

| DATE       | ORIGINATORS                   | APPROVED                          |
|------------|-------------------------------|-----------------------------------|
| April 2018 | Nena Pavlidou, Senior Planner | Paul McColgan, Associate Director |



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## EXECUTIVE SUMMARY

1. The Isle of Wight Council commissioned GL Hearn to update the findings of the 2014 SHMA and OAN Update taking into account the more recent data and the standardised approach to determining objectively assessed housing need as set out in the draft changes to the Planning Practice Guidance.
2. For the avoidance of doubt, an OAN figure is not the housing target. It is an input to determining or reviewing housing targets in local plans alongside wider evidence. Housing targets in local plans will be informed by the OAN but will also take into account wider factors such as sustainability, infrastructure constraints and land availability; together where appropriate with unmet needs of other areas, primarily within the relevant housing market area.

### Housing Need

3. Housing need refers to the overall need for both market and affordable housing. Housing needs have been assessed using the framework set out by Government in national planning policies, which seeks to significant boost the supply of housing to improve affordability.
4. The report reflects the proposed which methodology seeks to simplify the approach to housing need and has three components:
  - Starting Point or Baseline;
  - Market Signals Adjustment; and
  - Cap.

### Starting Point

5. The latest official household projections are CLG 2014-based Household Projections, which are the starting point for considering housing need. These projections were underpinned by the 2014-based Subnational Population Projections (SNPP).
6. The latest household projections are the 2014-based Household Projections which show a household growth of 5,252 (525 households per annum). This equates to an 8.3% increase in households over the same period.

### Market Signals Adjustment

7. In 2016 the workplace affordability ratio on the Isle of Wight was 7.52 i.e. median house prices were 7.52 times the median earnings of those working on the Island. This means that the adjustment factor on the Isle of Wight is 0.22 or 22%. This equates to 641 dwellings per annum, however this does not include any capping.

### Capping

8. The final stage of the proposed methodology caps the OAN to a level which is deliverable. Paragraph 25 of the proposed methodology paper sets out the parameters of this cap setting out that:

- a) for those authorities that have adopted their local plan in the last five years, we propose that their new annual local housing need figure should be capped at 40 per cent above the annual requirement figure currently set out in their local plan; or*
- b) for those authorities that do not have an up-to-date local plan (i.e. adopted over five years ago), we propose that the new annual local housing need figure should be capped at 40 per cent above whichever is higher of the projected household growth for their area over the plan period (using Office for National Statistics' household projections), or the annual housing requirement figure currently set out in their local plan.*

9. As the Isle of Wight adopted its local plan in March 2012 (i.e. more than 5 years old), the OAN would be capped at 40% above official projections. However, as the affordability adjustment is less than 40% then no cap is applied. **The OAN for the Isle of Wight is therefore 641 dwellings per annum.**

### Housing Mix

10. Drawing on the OAN the report goes on to delineate the need for different sectors of the market by tenure and size and also for specific groups.

### Affordable Housing

11. The report has considered the need for affordable housing; using the Basic Needs Assessment Model recommended in the PPG. Using the available information, it identifies a net need for 222 affordable homes per annum across the HMA for the 2017-34 period.

### Tenure Mix

12. In analysing the need for housing of different tenures it needs to be recognised that there are a series of choices to be made with regard to the provision of new affordable housing; essentially a trade-off between the affordability of accommodation and the number of homes that can viably be provided. Hence the analysis in this report can only provide a guide to the types of affordable housing that should be provided.
13. The similar costs of different affordable products therefore results in a choice for the Council as to which type of housing should be prioritised. With some affordable products unlikely to cater for those most in need but likely to delivery more homes.

### Need for Different Types and Sizes of Homes

14. The modelling outputs provide an estimate of the proportion of homes of different sizes that are needed, there are a range of factors which should be taken into account in setting policies for provision. The mix identified below should inform strategic planning and housing policies.
15. In applying the recommended housing mix to individual development sites, regard should be had to the nature of the development site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level.

| Size        | Affordable Rented | Low-Cost Home Ownership | Market Purchase |
|-------------|-------------------|-------------------------|-----------------|
| 1-Bedroom   | 30%               | 25%                     | 5%              |
| 2-Bedrooms  | 40%               | 45%                     | 35%             |
| 3-Bedrooms  | 25%               | 25%                     | 40%             |
| 4+ Bedrooms | 5%                | 5%                      | 20%             |

16. The figures should be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by demographic change in the area or linked to macro-economic factors and local supply.

### **Older Persons Housing Need**

17. As a result of a growing older population and increasing life expectancy, the official projections would result in an increase in people with mobility problems of around 58% by 2034 and an increase of 72% in persons with dementia.
18. The report also estimates a need for additional specialist C3 dwellings for older persons On the Isle of Wight over the 2016-34 period of around 112 dpa. It also identified a need for around 538 wheelchair adapted homes (2016-34), equivalent to 5.1% of new housing provision.
19. The OAN would result in a net need for 1,169 C2 registered care bed spaces for older persons in the HMA over the 2016-34 period (65 per annum). This should be treated separately from the OAN.

## 1 INTRODUCTION

- 1.1 Isle of Wight Council commissioned GL Hearn and Justin Gardner Consulting to undertake an assessment of the housing need requirements to inform the review of Island Plan Core Strategy and the Island's Housing Strategy.
- 1.2 The study considers the appropriateness of the Government's suggested 641 dwellings per annum on the Isle of Wight and disaggregates this housing need by size, type and tenure for the Island as a unique housing market and for its different sub-markets.
- 1.3 The report complies with the requirements of the National Planning Policy Framework (the NPPF).<sup>1</sup> It is informed by Planning Practice Guidance (PPG) which sets out a clear methodology for identifying the objectively-assessed housing need.<sup>2</sup> This is based on identifying the demographic based need for housing and including adjustments – where appropriate – to improve affordability, responding to evidence of market signals and of the need for affordable housing; and/or to support economic growth.
- 1.4 At the time of writing in April 2018, the Ministry of Housing, Communities and Local Government had recently published the Draft revised National Planning Policy Framework (March 2018). The Government is currently consulting on the draft with consultation due to close on 10<sup>th</sup> May 2018.
- 1.5 In the “Planning for the right homes in the right places” consultation in September the Government sets out that the new standardised method should be used, unless the plan will be submitted for examination on or before 31 March 2018, or before the revised Framework is published (whichever is later). In light of the timetable set out above these transitional arrangements will apply to any plans submitted before the final revised Framework is published.
- 1.6 As a result the study takes forward the OAN for housing according to the new Standardised Methodology (i.e. 641 dpa) and we provide some sensitivity testing. The report provides sensitivity assessment of the standard OAN, with the intention that this will inform the future development of planning policies. This is an important factor in determining housing targets, but does not in itself represent the appropriate level of housing provision. The Council needs to bring the OAN evidence together with wider evidence, including on land availability and development constraints, in identifying policies for housing provision within their respective local plans.
- 1.7 GL Hearn's team has worked before with Isle of Wight Council to provide housing need evidence. In particular we have undertaken the Strategic Housing Market Assessment in 2014 and the

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<sup>1</sup> CLG (March 2012) *National Planning Policy Framework*

<sup>2</sup> CLG *Planning Practice Guidance – Assessment of Housing and Economic Development Needs* - <http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/>



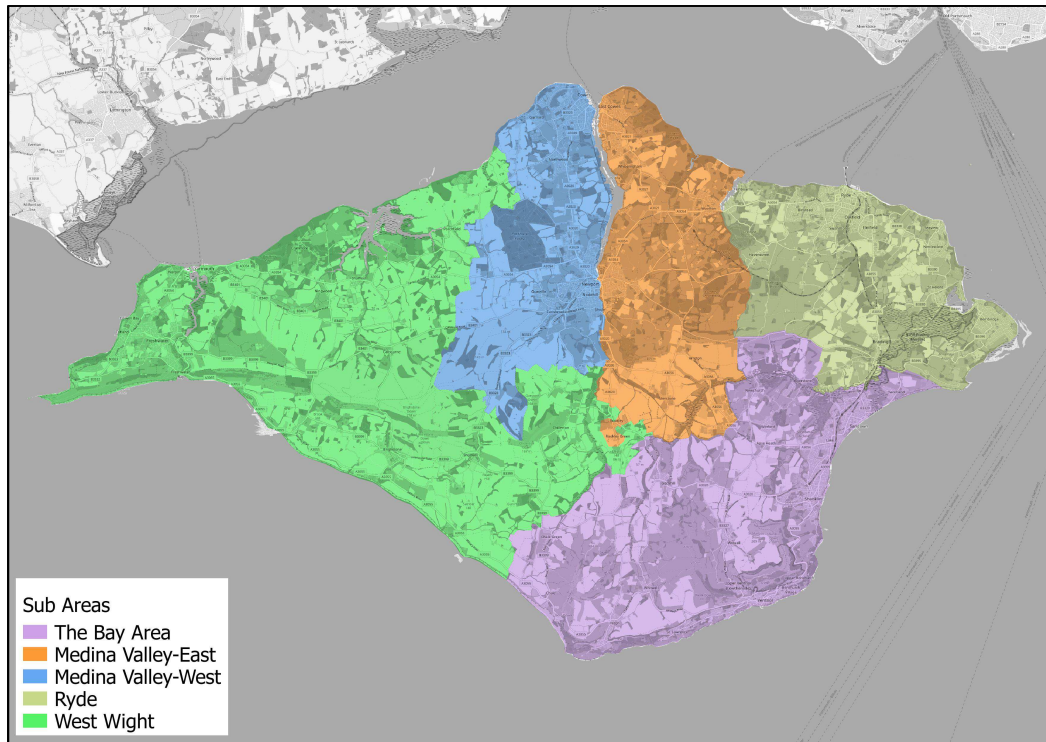
Partnership of South Hampshire Objectively-Assessed Housing Need Update (April 2016). Members of our team undertook also the Strategic Housing Need Assessment in 2007 as members of GVA at that time.

- 1.8 Since this point however new 2014-based Sub-National Population Projections (SNPP) have been published by the Office for National Statistics (ONS), in May 2016, and new household projections have been developed by the Government based on these, which were published in July 2016.
- 1.9 Consideration is also given to the latest evidence from market signals together with an updated assessment of affordable housing. The housing need is thus derived from adjustments for these factors and recognises that higher housing provision will *per se* support the delivery of additional affordable homes where viability allows.
- 1.10 The report focuses on the overall need for homes and affordable housing need including starter homes, self- and custom- built homes and elder accommodation.

### Sub-Area Analysis

- 1.11 At certain parts of the Housing Need Assessment we have provided sub-area analysis. These sub-areas were identified by the Council's Public Health Information Team to inform the Regeneration Areas on the Island. As shown in the map below the Island has been divided up into five areas. The sub-areas are based on Lower Super Output Areas (LSOA). The use of these sub-areas will allow the Council to align their sub-area strategies using a consistent set of assumptions.
- 1.12 By its nature the Isle of Wight has a substantial level of self-containment. We have however sought to confirm the commuting self-containment rates of these sub-areas and data in relation to house prices is set out later in this work. There is no readily available sub local authority data for migration.
- 1.13 The commuting analysis reveals that only the Medina Valley (aggregate) sub-area has a self-containment rate exceeding 60% with 83% of employed residents living and working in the area. This falls as low as 42% for the West Wight sub-area. This is perhaps no surprise given its proximity to the major employment centres on the Island without hosting one in its own right.

**Figure 1: Sub-market Analysis**



Source: Isle of Wight Council

- 1.14 The proposed sub-area areas splits the town Newport in two which for the purposes of housing needs analysis does not seem reasonable. We have therefore also provided aggregated data for the Medina Valley in its entirety.
- 1.15 While there are still differences within this wider area transport links and infrastructure allow it to operate as a single area with strong levels of commuting. Furthermore house prices in East Cowes and Newport broadly align with a small hotspot in Cowes waterside area (see Figure 10)

## Report Structure

- 1.16 The remainder of the report is structured as below:
- Section 2: Demographic Profile & Housing Need
  - Section 3: Market Signals
  - Section 4: Affordable Housing Need
  - Section 5: Affordable Housing Mix
  - Section 6: Housing Mix
  - Section 7: Private Rented Sector
  - Section 8: Need for Specific Groups – Older persons needs
  - Section 9: Need for Specific Groups – Other groups
  - Section 10: Conclusions

## 2 DEMOGRAPHIC PROFILE & HOUSING NEED

2.1 In this section we review future projections for population and household growth, and the objectively assessed housing need for the Isle of Wight. The analysis uses local authority level data, and compares trends on the Isle of Wight with wider areas such as Hampshire, but also with regional trends from the South East.

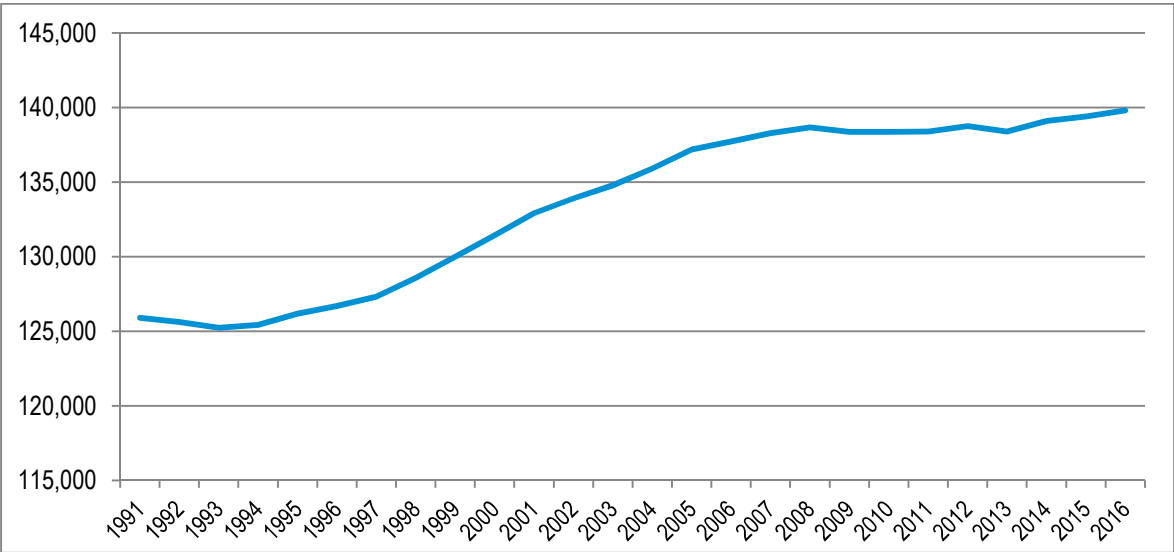
2.2 We appreciate that the Isle of Wight has not been part of Hampshire since 1090 but it is the nearest comparable wider geography. Furthermore a number of service providers such as the Hampshire Constabulary cover the Island.

### Population Trends

2.3 The Isle of Wight's population totals 139,798 persons as of mid-2016<sup>3</sup>. Figure 2 indicates how the population has changed since 1991. Over this period the population has grown by 11%, with an average annual growth of 0.4%.

2.4 As the graph shows, the population of the Island remained fairly stable between 2007 and 2013, followed by a small increase over the last 3 years. The more stable growth since 2007 is therefore likely to be reflected in all versions of the population projections since then.

**Figure 2: Population change on the Isle of Wight, 1991-2016**

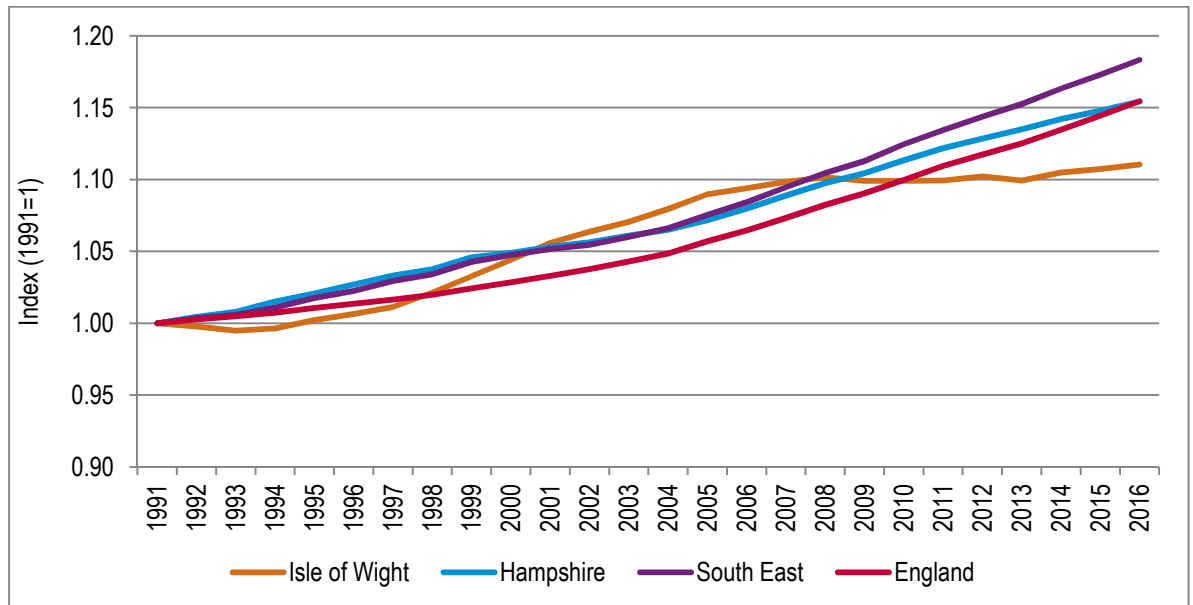


Source: ONS Mid-Year Population Estimates

<sup>3</sup> ONS 2016 Mid-Year Population Estimates

2.5 Figure 3 compares the population growth on the Isle of Wight to growth in Hampshire, the South East region and England. This shows that the population growth on the Island (11% since 1991) was not as strong in comparative terms to Hampshire (15%), the South East (18%) and England (15%). There has been a particular divergence since 2007.

**Figure 3: Benchmarking Population Growth from 1991**



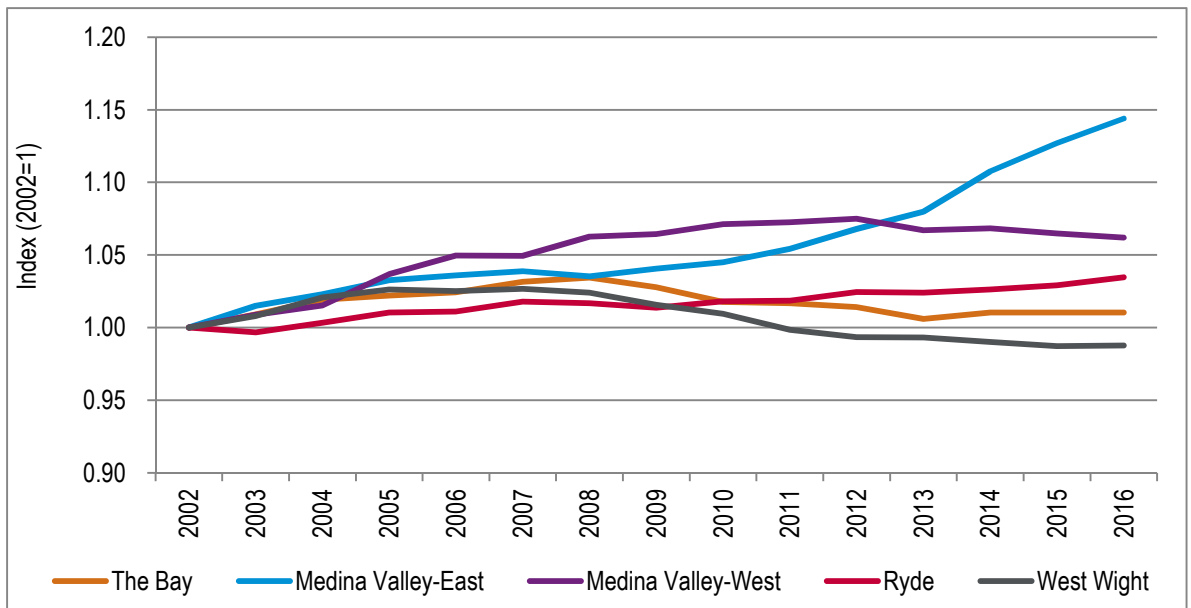
Source: ONS Mid-Year Population Estimates

2.6 As can be seen from Figure 4, the Medina Valley East has witnessed the highest percentage growth of population levels since 2002 relating to a growth rate of 14.5%, followed by the Medina Valley West (6.2%). However the latter has seen a comparatively flat growth post 2008. The Medina Valley East has seen a spike over the last three years, relating to new major developments in the Whippingham area.

2.7 The Ryde sub-area has seen relatively constant growth however this has been limited to just 6.2%. The Bay sub-area experienced only 1.03% growth with an increase of population between 2002 and 2008 followed by a drop between 2008 and 2013 since when there has been relatively slow or flat growth.

2.8 Finally, the West Wight sub-area has seen a decrease in its population by 1.23%. Similar to The Bay, West Wight has seen a drop since 2008 in its population. This data is only provided to 2016 as the lower level Mid-Year Estimates (MYE) data has not yet been published for 2017.

**Figure 4: Benchmarking Population Growth by sub-area from 2002**

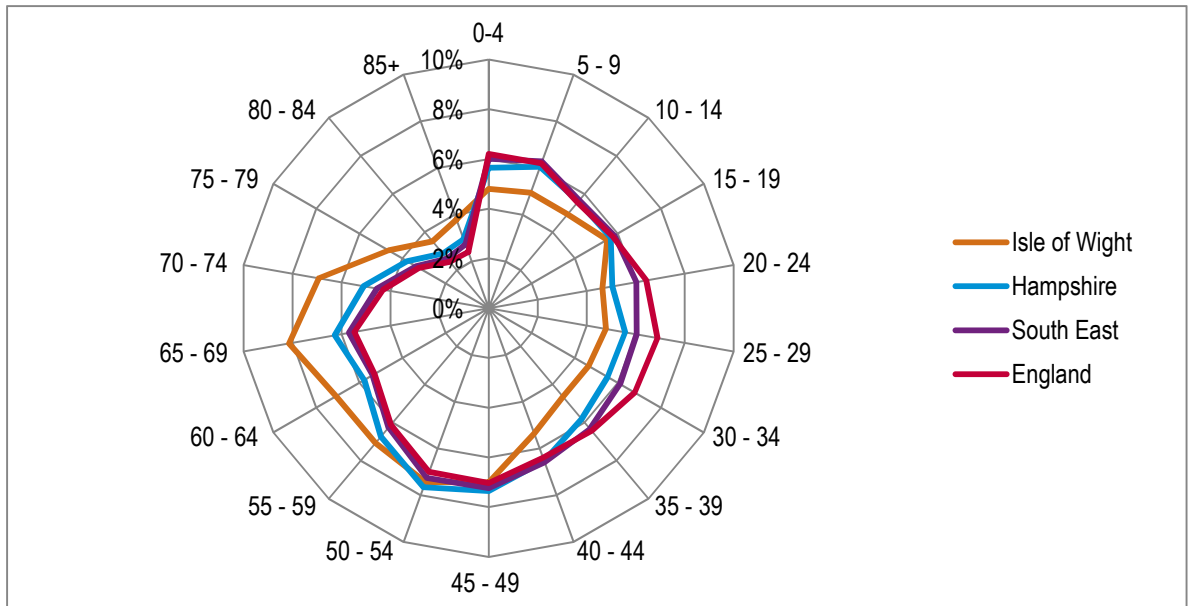


Source: ONS Lower Super Output Area Mid-Year Population Estimates

## Age Structure

- 2.9 Compared to all wider comparators (Figure 5), the Isle of Wight’s population structure has a higher proportion of people in every age cohort from 55 and over. Conversely, the Island has a low percentage across all the age bands between 20 and 45 compared to all the wider comparators. There is therefore currently a notable shortfall in the working age population and also pressure on providing facilities for the ageing population.
- 2.10 In addition, the Island has a relatively low representation of children below 15 years old compared to England, South East and Hampshire averages. This would appear to suggest that young families are migrating out of the Island. This could be due to a lack of education or employment opportunities. In contrast, the age structure indicates that a lot of the elderly population have recently or relatively recently moved to the Island to retire taking advantage of the quality of life and environment.

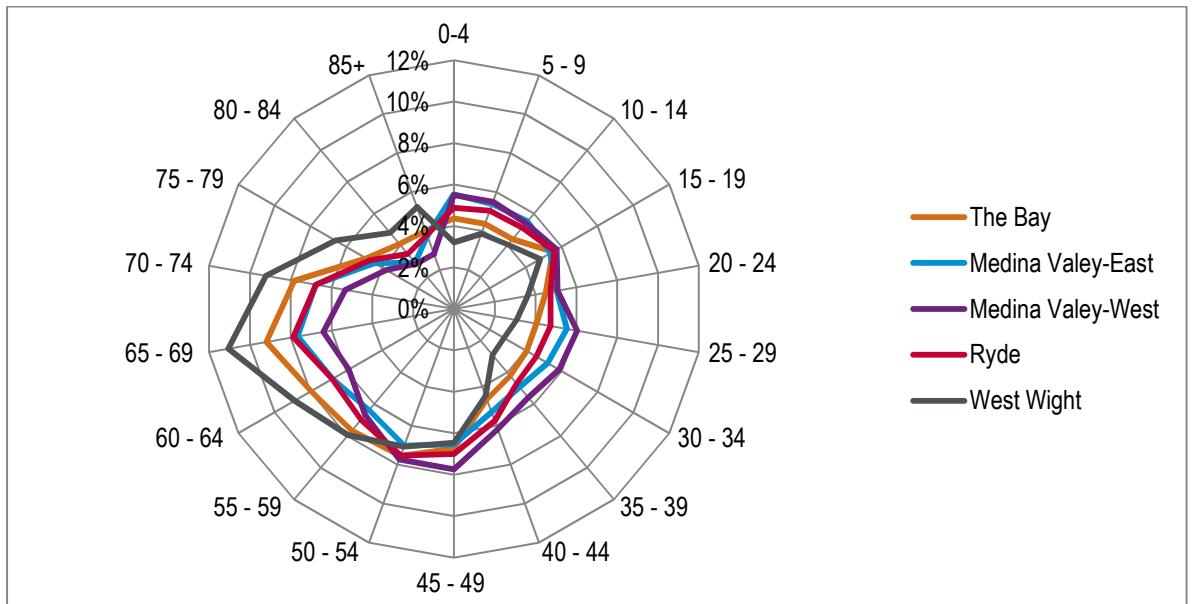
**Figure 5: Age Structure, 2016**



Source: ONS 2016 Mid-Year Population Estimates

2.11 The population age structure in the sub-areas does not differ dramatically, showing similar trends although there were differing concentrations. In terms of the ageing population, West Wight followed by the Bay area have relatively high numbers of people aged above 55 years old.

**Figure 6: Age structure in Sub-Areas 2016**



Source: ONS 2016 LSOA Mid-Year Population Estimates

2.12 The Medina Valley (both East and West) followed by Ryde have relatively high concentrations of working age population. Projecting the age structure over the next twenty years there is expected to

be a further decrease in the working population and an increase in the elderly further increasing pressure on facilities for the elderly population.

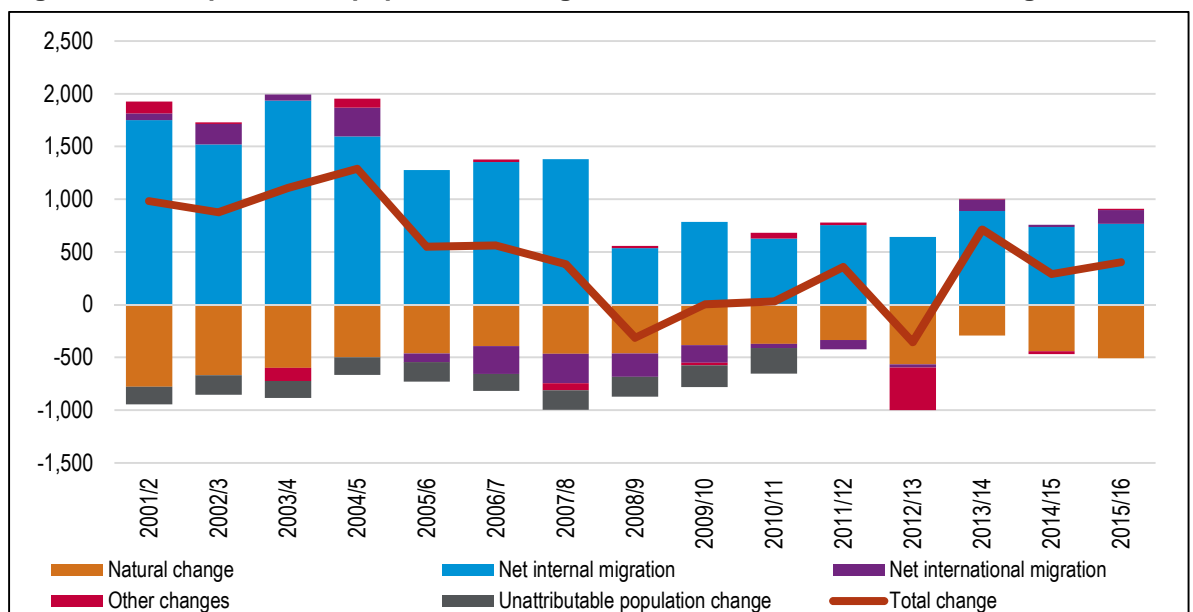
## Projected Population

- 2.13 When looking at housing need it is important to understand the demographic growth as set out in the latest population and household projections; this is emphasised in the NPPF (para 158) which states that local planning authorities should prepare a SHMA to identify the scale of housing which *'meets household and population projections, taking account of migration and demographic change'*.
- 2.14 The importance of such projections can also be seen in the PPG which states [2a-015] that *'household projections published by [CLG] should provide the starting point estimate of overall housing need'*. The CLG projections are directly linked to ONS subnational population projections (SNPP). Further emphasis is put on the CLG projections in 2a-017 where it is noted that *'the household projections... are statistically robust and are based on nationally consistent assumptions'*.
- 2.15 However, the PPG also identifies [2a-014] that *'establishing future need for housing is not an exact science. No single approach will provide a definitive answer'* and in 2a-017 notes that *'plan makers may consider sensitivity testing, specific to their local circumstances'* – this is particularly related to evidence that there have been particular events which may have impacted on migration or the profile of the local population. Furthermore, the PPG notes [2a-016] that *'where possible, local needs assessments should be informed by the latest available data'* – this is relevant in this area due to new population estimates having been published since the release of the last SNPP.
- 2.16 Additionally, it is clear that the Government is planning to bring forward a standardised methodology for assessing housing need, and in September 2017 a consultation proposal was launched. This sets out a standardised methodology, which for the Isle of Wight suggests a need to provide 641 dwellings per annum moving forward. Whilst it is unknown if the methodology proposed will remain unchanged, it is the case that it is of use to understand some of the demographic drivers sitting behind the official household projections.
- 2.17 This section therefore describes the demographic situation on the Island, before moving on to discuss the current standardised methodology proposals. The projections discussed cover the period from 2016 to 2034; 2016 is chosen as it is the latest date for which population estimates have been published by ONS, whilst an end date of 2034 is consistent with the likely end date of the emerging Local Plan.

## Components of Past Population Change

- 2.18 The figure and table below consider the drivers of population change on the Isle of Wight over the past 15-years (2001-16). The data shows that the population change is largely driven by internal migration (i.e. people moving from another part of the United Kingdom). Natural change is consistently negative (i.e. there are more births than deaths).
- 2.19 Within ONS data there is also an Unattributable population change (UPC) element – this is an adjustment made by ONS to mid-year population estimates where Census data has suggested that population growth had either been over- or under-estimated in the inter-Census years. Because UPC links back to Census data a figure is only provided for years up to 2011.
- 2.20 The key trend shown in the data is that population growth (and net migration) has been substantially lower over the last eight years or so than was seen from about 2001 to 2008. This might be a recessionary impact, and it is notable that population growth over the past three years has been slightly stronger (albeit lower than some of the historical higher growth).

**Figure 7: Components of population change, mid-2001 to mid-2016 – Isle of Wight**



Source: ONS



**Table 1: Components of population change, mid-2001 to mid-2016**

| Year    | Natural change | Net internal migration | Net international migration | Other changes | Other (Unattributable) | Total change |
|---------|----------------|------------------------|-----------------------------|---------------|------------------------|--------------|
| 2001/2  | -777           | 1,751                  | 62                          | 114           | -167                   | 983          |
| 2002/3  | -669           | 1,519                  | 194                         | 15            | -184                   | 875          |
| 2003/4  | -598           | 1,935                  | 58                          | -126          | -161                   | 1,108        |
| 2004/5  | -499           | 1,595                  | 274                         | 85            | -167                   | 1,288        |
| 2005/6  | -463           | 1,278                  | -81                         | -1            | -185                   | 548          |
| 2006/7  | -391           | 1,353                  | -264                        | 25            | -161                   | 562          |
| 2007/8  | -465           | 1,381                  | -278                        | -69           | -183                   | 386          |
| 2008/9  | -461           | 535                    | -222                        | 23            | -189                   | -314         |
| 2009/10 | -383           | 784                    | -168                        | -22           | -208                   | 3            |
| 2010/11 | -371           | 626                    | -40                         | 56            | -243                   | 28           |
| 2011/12 | -334           | 754                    | -89                         | 25            | 0                      | 356          |
| 2012/13 | -566           | 643                    | -30                         | -402          | 0                      | -355         |
| 2013/14 | -291           | 888                    | 111                         | 4             | 0                      | 712          |
| 2014/15 | -441           | 738                    | 21                          | -28           | 0                      | 290          |
| 2015/16 | -507           | 767                    | 130                         | 13            | 0                      | 403          |

Source: ONS

## Demographic Evidence of Housing Need – Start Point

- 2.21 The PPG [2a-015] states that ‘household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need. The household projections are produced by applying projected household representative rates to the population projections published by the Office for National Statistics. Projected household representative rates are based on trends observed in Census and Labour Force Survey data’.
- 2.22 The most up-to-date sub-national projections are the 2014-based CLG household projections published in July 2016. These projections were underpinned by ONS (2014-based) sub-national population projections (SNPP) – published in May 2016. The table below sets out the level of household growth expected by the CLG household projections in the 2016-34 period.
- 2.23 The CLG household projections show household growth of about 9,300 over the 2016-34 period – this is around a 15% increase. This is lower than the rate of growth expected nationally (16.6%) and regionally (18.1%).

**Table 2: Household change 2016 to 2034 (2014-based CLG household projections)**

| Area          | Households 2016 | Households 2034 | Change in households | % change |
|---------------|-----------------|-----------------|----------------------|----------|
| Isle of Wight | 63,038          | 72,351          | 9,313                | 14.8%    |

Source: CLG household projections

- 2.24 Data from the 2014-based projections can be compared with equivalent information from the previous release (2012-based CLG household projections) – this is shown in Table 3 below. Overall, it is clear that the more recent projections show a slightly lower level of household growth on the Isle of Wight.

**Table 3: Household change 2014 to 2035 (comparing 2012- and 2014-based CLG household projections)**

| Area          | 2012-based | 2014-based | Difference (2014-based – 2012-based) |
|---------------|------------|------------|--------------------------------------|
| Isle of Wight | 9,557      | 9,313      | -204                                 |

Source: CLG household projections

- 2.25 Whilst the 2014-based data is the latest ‘official’ population projection and therefore forms the starting point for analysis in line with the PPG, it is worth testing the assumptions underpinning the projections to see if they are broadly reasonable in the local context. This involves considering both the population projections (the SNPP from ONS) and also the way CLG have converted this data into households.
- 2.26 The analysis below initially considers the official population projections, before moving on to consider past trend data in more detail, and also data released since the population projections were published (in particular, ONS has subsequently published new mid-year population estimates for 2015 and 2016).

### 2014-based Subnational Population Projections (SNPP)

- 2.27 The latest SNPP were published by ONS on the 25<sup>th</sup> May 2016. They replaced the 2012-based projections. Sub-national population projections provide estimates of the future population of local authorities, assuming a continuation of recent local trends in fertility, mortality and migration which are constrained to the assumptions made for the 2014-based national population projections. The new SNPP are largely based on trends in the 2009-14 period (2008-14 for international migration distribution trends).
- 2.28 They are not forecasts and do not attempt to predict the impact that future government or local policies, changing economic circumstances or other factors might have on demographic behaviour. The primary purpose of the sub-national projections is to provide an estimate of the future size and

age structure of the population of local authorities in England. These are used as a common framework for informing local-level policy and planning in a number of different fields as they are produced in a consistent way.

### Overall Population Growth

2.29 Table 4 shows projected population growth from 2016 to 2034 across the Isle of Wight, the South East and England as a whole. The data shows that the population of the Island is projected to grow by around 12,000 people; this is an 8.5% increase. Population growth is projected to be significantly stronger nationally (11.9%) and regionally (13.4%).

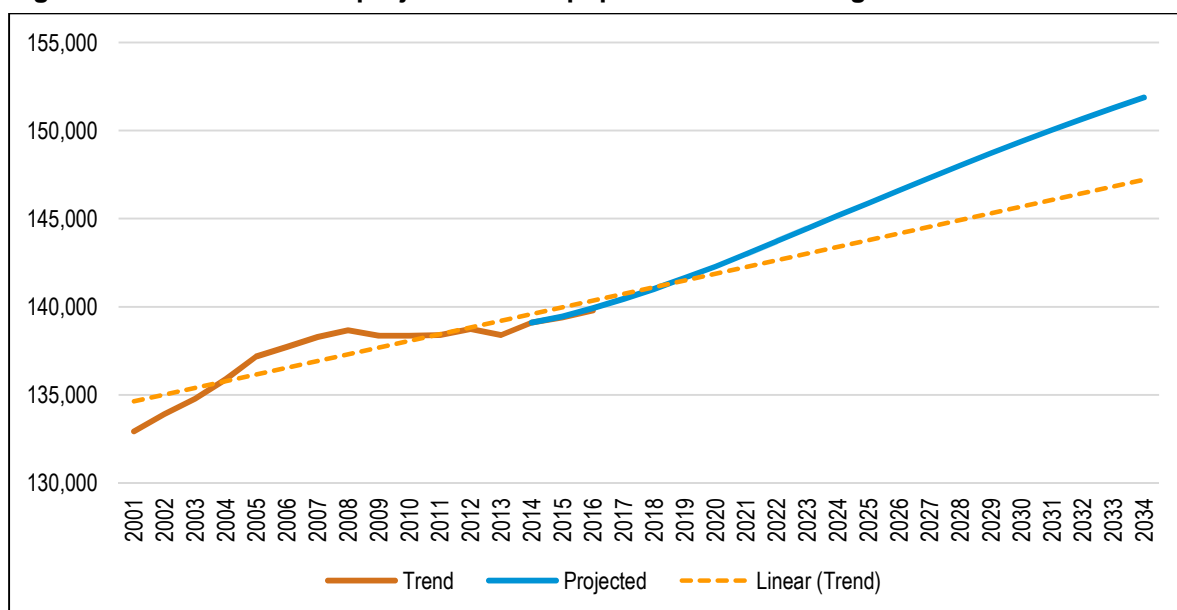
**Table 4: Projected population growth (2014-2035) – 2014-based SNPP**

| Area          | Population 2016 | Population 2034 | Change in population | % change |
|---------------|-----------------|-----------------|----------------------|----------|
| Isle of Wight | 139,922         | 151,873         | 11,951               | 8.5%     |
| South East    | 9,024,481       | 10,230,525      | 1,206,044            | 13.4%    |
| England       | 55,218,701      | 61,800,146      | 6,581,445            | 11.9%    |

Source: ONS and demographic projections

2.30 The figure below shows projected population growth and how this compares with past trends. The analysis shows that despite relatively weak growth over the past eight years or so, the projections are expecting future changes to be somewhat stronger, and more in-line with the sort of changes seen in some of the historic trends. On this basis it would be fair to say that the projections do not look to be suggesting a lower level of population growth than might be considered as reasonable.

**Figure 8: Past trends and projected future population – Isle of Wight**



Source: ONS

2.31 Arguably giving more weight to recent trends could suggest that the official projections are over estimating growth. Therefore, given wider growth and more recent slowing on the Island it is possible the growth could be higher or lower than the official projections.

### Age Structure Changes

2.32 Table 5 shows how the age structure of the population is projected to change between 2016 and 2034. This clearly shows an ageing of the population, with notable increases in age groups from about 60 onwards, and more modest increases (and some reductions) for other age groups.

**Table 5: Projected age structure changes – Isle of Wight**

|       | 2016    | 2034    | Change | % change |
|-------|---------|---------|--------|----------|
| 0-4   | 6,701   | 6,472   | -229   | -3.4%    |
| 5-9   | 6,968   | 7,151   | 183    | 2.6%     |
| 10-14 | 6,926   | 7,720   | 794    | 11.5%    |
| 15-19 | 7,584   | 7,515   | -69    | -0.9%    |
| 20-24 | 6,721   | 6,428   | -293   | -4.4%    |
| 25-29 | 6,870   | 6,540   | -330   | -4.8%    |
| 30-34 | 6,564   | 6,160   | -404   | -6.2%    |
| 35-39 | 6,545   | 7,138   | 593    | 9.1%     |
| 40-44 | 7,585   | 8,006   | 421    | 5.6%     |
| 45-49 | 9,771   | 8,182   | -1,589 | -16.3%   |
| 50-54 | 10,442  | 8,472   | -1,970 | -18.9%   |
| 55-59 | 9,870   | 8,571   | -1,299 | -13.2%   |
| 60-64 | 9,859   | 10,893  | 1,034  | 10.5%    |
| 65-69 | 11,213  | 12,697  | 1,484  | 13.2%    |
| 70-74 | 9,579   | 11,812  | 2,233  | 23.3%    |
| 75-79 | 6,548   | 9,690   | 3,142  | 48.0%    |
| 80-84 | 4,930   | 7,832   | 2,902  | 58.9%    |
| 85+   | 5,247   | 10,594  | 5,347  | 101.9%   |
| Total | 139,922 | 151,873 | 11,951 | 8.5%     |

Source: ONS

### 2016-based National Population Projections

2.33 The Office of National Statistics (ONS) has also published (October 2017) a new set of national population projections (NPP – 2016-based), these projections will be the starting point when ONS formulates its next set of SNPP. The latest NPP show a substantially reduced level of population growth than the 2014-based version (9.4% growth in the 2016-34 period in England, compared with 11.9%). This reflects reduced fertility, life expectancy and an expected reduction in net international migration.

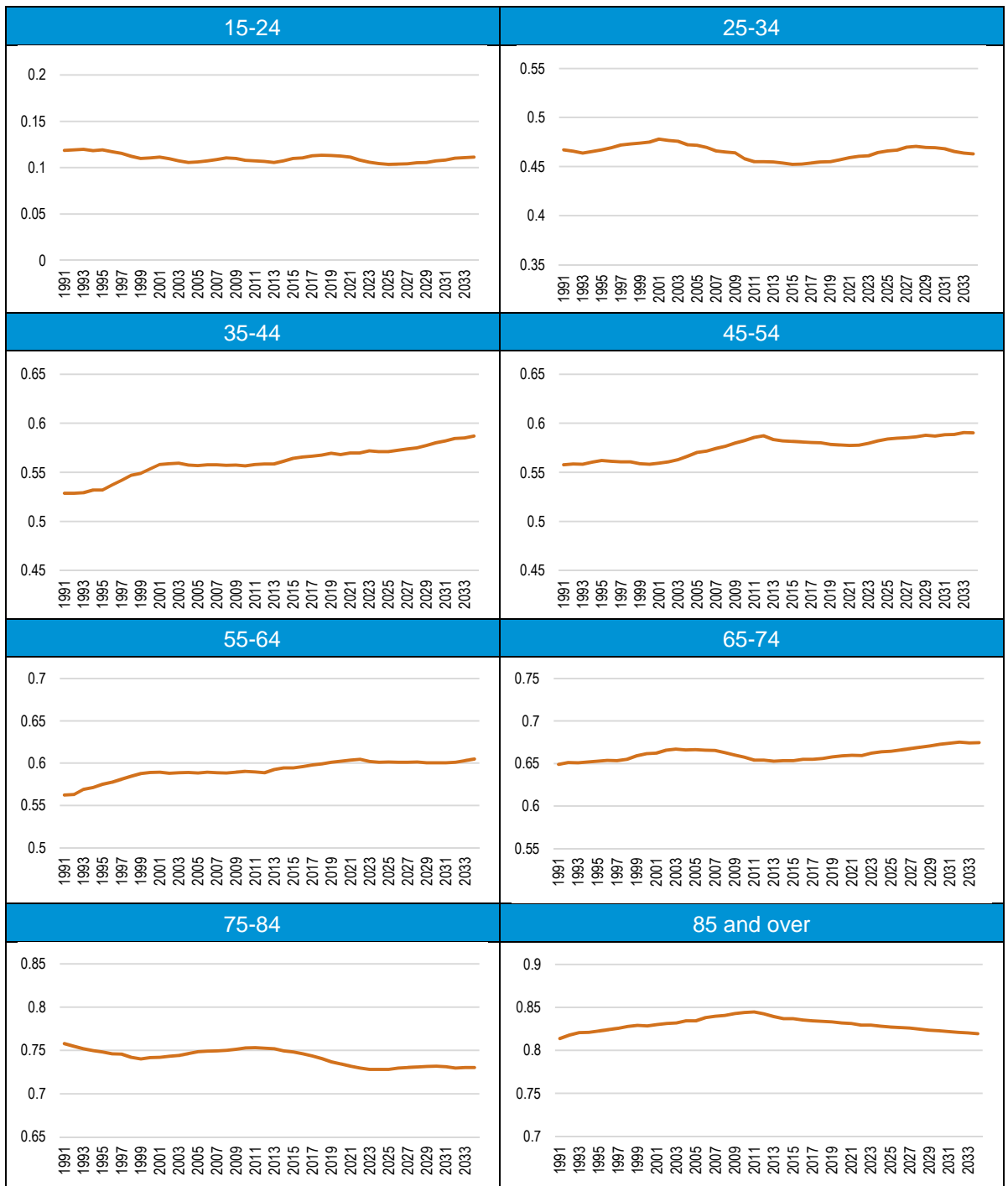
- 2.34 It is not possible to be certain about the impact the new national projections will have for individual local authority areas. However, because sub-national projections are reconciled with those for the UK as a whole (reflecting the ONS' assumptions that there will be lower long-term international migration and lower improvements in life expectancy), it would be reasonable to expect that 2016-based SNPP and Household Projections will in due course show lower growth than the current (2014-based) SNPPs and Household Projections.

### Household Formation Rates

- 2.35 Having studied the population size and the age/sex profile of the population the next step in the process is to convert this information into estimates of the number of households in the area. To do this the concept of Household Representative Rates (HRR) is used. HRRs can be described in their most simple terms as the number of people who are counted as heads of households (or in this case the more widely used Household Reference Person (HRP)).
- 2.36 In June 2016, the Department of Communities and Local Government (CLG) published the 2014-based household projections – the projections contain two core analyses. The Stage 1 household projections project HRRs based on census data from the 1971, 1981, 1991, 2001 and 2011 with outputs for age, sex and marital status. For younger age groups greater weight was given in the CLG projections methodology to the dampened logistical trend than the simple logistics trend; the effect of which is to give greater weight to the shorter-term trends.
- 2.37 The Stage 2 household projections consider household types and the methodology report accompanying the projections is clear that these projections are based on just two data points – from the 2001 and 2011 Census. Overall outputs on total household growth are constrained to the totals from the Stage 1 Projections.
- 2.38 This means that both sets of projections show the same level of overall household growth (when set against the last set of SNPP) but some of the age specific assumptions differ. Differences can however occur between the Stage 1 and 2 headship rates when modelled against different population projections (due to differences in the age structure).
- 2.39 Overall, it is considered that the Stage 1 projections should be favoured over the Stage 2 figures for the purposes of considering overall household growth; this is for two key reasons:
- a. *the Stage 1 figures are based on a long-term time series (dating back to 1971 and using 5 Census data points) whereas the Stage 2 figures only look at two data points (2001 and 2011);*
  - b. *the Stage 2 figures are constrained back to Stage 1 values, essentially meaning that it is the Stage 1 figures that drive overall estimates of household growth in the CLG household projections themselves. The analysis to follow therefore focuses on Stage 1 figures.*

2.40 Figure 9 below shows how Stage 1 figures differ for different age groups. It is evident from the analysis that household formation amongst households in their late 20s and early 30s fell slightly over the 2001-11 decade, although moving forward from 2011, the data does suggest that there will not be any notable further reduction (with any reduction only apparent after about 2029).

**Figure 9: Projected household representative rates by age of head of household – Isle of Wight**



Source: Derived from CLG data

- 2.41 Data for the 35-44 age group shows a strong increase in the rate from 1991 to 2001, and that increases since (both trend and projected) are more modest.
- 2.42 The 2014-based household projections also expect household formation rates amongst older age groups to fall over time. Given improving life expectancy this 'trend' looks to be reasonable (as it would be expected that more people would remain living as couples).

### **Sensitivity Testing Household Formation Assumptions**

- 2.43 The PPG in Para 2a-017 states that it may be sensible to undertake sensitivity testing around household formation rates; and sets out that the household formation rates may in some circumstances have been suppressed historically by an under-supply of housing and worsening affordability (Para 2a-015). Against this context, GL Hearn has considered trends in household formation in the 2014-based Household Projections.
- 2.44 As the data shows, on the Isle of Wight, household formation rates for younger households had fallen (at least in the 25-34 age group). Research by the late Alan Holmans<sup>4</sup> has suggested that this is likely in part due to increasing international migration and in part due to economic factors and affordability. His research identified that:
- 'The working assumption in this study is that a considerable part but not all of the 375,000 shortfall of households relative to trend was due to the state of the economy and the housing market. 200,000 is attributed to over-projection of households due to the much larger proportion of recent immigrants in the population, whose household formation rates are lower than for the population as a whole. This effect will not be reversed. The other 175,000 is attributed to the economy and the state of the housing market and is assumed to gradually reverse'.*
- 2.45 Broadly what Dr Holmans was saying is that about half of the changes to household formation seen nationally are due to market factors and about half due to international migration. International migration is not a notable component of demographic trends on the Isle of Wight, as the components of change analysis in shows, and international migration is therefore likely to have made less of a contribution to the fall in household formation amongst younger households than market factors (which might include access to mortgage finance).
- 2.46 Research by Neil McDonald and Christine Whitehead<sup>5</sup> has taken forward the Holmans' research to consider the 2012-based Household Projections. The assumptions on household formation in the 2014-based Household Projections are very similar to these.
- 2.47 Their research identified that changes in household formation amongst younger households are not just related to the recession and housing market factors, but to levels of student debt, impacts of

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<sup>4</sup> Holmans, A. (2013) *New estimates of housing demand and need in England, 2011-31*, TCPA, London.

<sup>5</sup> McDonald, N. and Whitehead, C. (Nov 2015) *New estimates of housing requirements in England, 2012 to 2037*.

welfare reform, changes in types of employment, and higher numbers of couple households than previously projected, as well as the impacts of international migration on changing household structures.

- 2.48 The implication of all of this is that the household formation assumptions in the 2008-based Household Projections, which pre-dated the 2011 Census, should be considered too high and it is unrealistic to assume a 'full return' to these.
- 2.49 Nonetheless, as the analysis above shows some reduction in the HRRs for the population aged 25-34 a sensitivity test has been developed to look at an alternative approach to HRRs. In this sensitivity, a 'part-return-to-trend' analysis has been developed, where the rate of household formation sits somewhere between figures in the 2014-based projections and those in an older 2008-based version.
- 2.50 The adjustment has been applied to the 25-34 age group, and is applied as part of our analysis of the emerging CLG standardised methodology (discussed below). Whilst the 35-44 age group doesn't show any reduction, either historically or in the future, it has become common practice to include a similar adjustment to this age group also. This is largely borne out of the suggested changes from the Local Plan Expert Groups suggested changes to the PPG<sup>6</sup>.

## Housing Need

- 2.51 Table 6 brings together outputs in terms of household growth and housing need using the 2014-based HRRs and with an uplift to the 25-34 and 25-44 age group. To convert households into dwellings the data includes an uplift to take account of vacant and 2<sup>nd</sup>/holiday homes. This is based on 2011 Census data with an adjustment to take account of the reduction in the number of vacant homes seen since 2011 (informed by Council Tax data). The vacancy rate applied is 9.2% which although high reflects the Island's status as a holiday home destination.
- 2.52 The analysis shows that using the 2014-based projections with a vacancy allowance would suggest a need for 565 dwellings per annum in the 2016-34 period. Increasing the HRRs for the 25-34 and 35-44 population increasing this figure by about 4% to 589 dwellings per annum.

**Table 6: Projected housing need – 2014-based SNPP and different HRR assumptions**

|                      | Households<br>2016 | Households<br>2034 | Change in<br>households | Per annum | Dwellings<br>(per annum) |
|----------------------|--------------------|--------------------|-------------------------|-----------|--------------------------|
| 2014-based HRRs      | 63,039             | 72,348             | 9,309                   | 517       | 565                      |
| Part-return to trend | 63,039             | 72,743             | 9,704                   | 539       | 589                      |

Source: Demographic projections

<sup>6</sup> <http://lpeg.org/wp-content/uploads/2016/02/Appendices-local-plans-report-to-government.pdf>



## Proposed Standardised Methodology

- 2.53 The CLGs proposed methodology takes the official projections as the starting point. This is adjusted on the basis of market signals. However, that adjustment is then capped to 40% above a shifting figure depending on the status of the local authority's local plan.

### Start Point

- 2.54 Paragraph 17 of the "Right Homes in the Right Places" consultation document proposes "that projections of household growth should be the demographic baseline for every local authority". Having previously stated at paragraph 16 area that "The Office for National Statistics' projections for numbers of households in each local authority are the most robust estimates of future growth".
- 2.55 As noted, the most up-to-date projections are the 2014-based Department for Communities and Local Government (DCLG) household projections published in July 2016. The consultation document proposes "that the demographic baseline should be the annual average household growth over a 10-year period".
- 2.56 Across the Island, the 2014-based projections show household growth of 5,252 for the 2016-26 period (525 households per annum). This equates to an 8.3% increase in households over the same period. By comparison the household growth for England is around 9.5%.
- 2.57 It should be noted that the proposed methodology does not make any adjustment to translate household growth to dwellings.

### Market Signals Adjustment

- 2.58 The proposed methodology seeks to adjust the demographic baseline on the basis of market signals. The adjustment increases the housing need where house prices are high relative to workplace incomes. This uses the published median affordability ratios from the Office for National Statistics based on workplace-based median house price to median earnings ratio for the most recent year for which data is available which is 2016.
- 2.59 Specifically, the adjustment increases the housing need derived from the household projections by 0.25% for every point the affordability ratio is above four (4.0). This is justified on the basis that four is the typical multiple used by mortgage providers to gauge affordability. The equation is as follows:

$$\text{Adjustment factor} = (\text{Local affordability ratio} - 4) / 4 \times 0.25$$

- 2.60 In 2016 the workplace affordability ratio on the Isle of Wight was 7.52; i.e. median house prices were 7.52 times the median earnings of those working in the district. This means that the

adjustment factor for the Isle of Wight is 0.22 or 22%. This is calculated as follows:  $(7.52 - 4) / 4 * 0.25$ ). To this point the housing need on the Isle of Wight would be 22% above the demographic baseline of 525 households per annum. **This equates to 641 dwellings per annum**, however this does not include any capping.

### **Capping**

2.61 The final stage of the proposed methodology is to cap the OAN to a level which is deliverable. Paragraph 25 of the proposed methodology paper sets out the parameters of this cap setting out that:

*a) for those authorities that have adopted their local plan in the last five years, we propose that their new annual local housing need figure should be capped at 40 per cent above the annual requirement figure currently set out in their local plan; or*

*b) for those authorities that do not have an up-to-date local plan (i.e. adopted over five years ago), we propose that the new annual local housing need figure should be capped at 40 per cent above whichever is higher of the projected household growth for their area over the plan period (using Office for National Statistics' household projections), or the annual housing requirement figure currently set out in their local plan.*

2.62 As the Isle of Wight adopted its local plan in March 2012 (i.e. more than 5 years old), the OAN would be capped at 40% above official projections. However, as the affordability adjustment is less than 40% then no cap is applied. **The OAN for the Isle of Wight is therefore 641 dwellings per annum.**

2.63 This is around 9% above the 589 dpa concluded by the demographic section above. Perhaps more relevant however it is 13% above the 565 dpa resulting from the official projections or "starting point". This additional 13% would contribute to both increased migration and improved household formation rates.

### **Implications of the Standardised Methodology for this report**

2.64 The analysis has shown that the need for housing when based on the latest official projections is for 565 dwellings per annum, but that with the standardised methodology a higher need of 641 per annum is shown. It is understood that the Council is minded to progress the next Local Plan on the basis of this higher figure (and noting that the current adopted plan has a figure of just 520 dwellings per annum).

2.65 In terms of the analysis in this report, it is useful to set some of the key outputs against a delivery figure of 641 dwellings per annum (e.g. to test the mix of housing and more specific needs such as those of older persons). These characteristics can change depending on the level of delivery assumed as a different housing requirement will lead to a different demographic profile.

- 2.66 To allow for an analysis set against the 641 figure to be provided, a bespoke demographic projection has been developed. This uses the 2014-based SNPP as its start point but then adds in a series of adjustments. These are summarised below:
- Rebasing population data for 2016 to align with the 2016 ONS mid-year population estimates;
  - Applying the uplift to HRRs for a part-return to 2008-based rates (for the 25-34 and 35-44 age groups); and
  - Applying a further adjustment to levels of migration, such that the number of households increases and the dwelling need figure rises to 641 per annum.
- 2.67 Analysis to follow in the report therefore provides key outputs under the assumption that housing delivery averages 641 dwellings per annum over the 2016-34 period. To provide contrast, equivalent analysis is also provided set against the 2014-based projections (with no adjustments)

## Summary

- 2.68 The National Planning Policy Framework (NPPF) and Planning Practice Guide (PPG) stress the importance of trend-based population and household projections when considering the need for housing. This study has not provided a full review of such projections or provided sensitivity testing as the Government is expected to shortly introduce a standardised methodology for assessing need. There is however some merit in looking at some of the demographic data. For the whole Island, data indicates that population growth over the 2008-16 period was somewhat more modest than had previously been observed (2001-2008) – the change has been driven by reduced levels of internal migration (i.e. people moving home within the United Kingdom).
- 2.69 Moving forward, the latest ONS subnational population projections (SNPP) do however project for there to be fairly strong population growth, particularly in comparison with recent trends. With this population growth there is projected to be a notable ageing of the population, with large increases to be seen in the number of people aged 60 and over.
- 2.70 The 2014-based household projections (which link to the SNPP) suggest household growth of about 517 per annum from 2016 to 2034; if a vacancy allowance is added to take account of vacant and second homes, then there is an implied need for around 565 dwellings per annum. Taking account of suppressed household formation would increase the need to about 589 dwellings per annum.
- 2.71 In contrast, the CLG standardised methodology suggests a need for 641 dwellings per annum. This is based on using the 2014-based projections and then adding on 22% for market signals (based on a median affordability ratio).

- 2.72 Part of this assessment it has been necessary to develop a projection that links to this level of housing delivery – doing this allows for a range of outputs to be provided that are consistent with the 641 figure.
- 2.73 The proposed standardised methodology does not provide any guidance on the assumptions that the market signals adjustment will result in i.e. higher in migration or higher household formation rates. Although it is suggested that both of these issues will be addressed in some way or other.
- 2.74 Our approach has been to develop a projection that takes account of the latest mid-year population estimates (to 2016), applies an uplift for suppressed household formation, and also models an increase in net migration. This projection (alongside the official 2014-based projections) has been used in a range of analysis to follow in the report.
- 2.75 Furthermore, the projections and market signals are only based on local authority wide data. Based on the current age profile of each sub-area we have disaggregated the OAN to the identified sub areas. The result of which is set out below.

**Table 7: OAN by Sub-Area (2016-34)**

|                      | House-holds 2016 | House-holds 2034 | OAN (2016-34) | OAN (per annum) | % of OAN      |
|----------------------|------------------|------------------|---------------|-----------------|---------------|
| Bay                  | 17,518           | 20,828           | 3,615         | 201             | 31.3%         |
| Medina Valley        | 22,460           | 26,078           | 3,950         | 219             | 34.3%         |
| Medina Valley – East | 8,074            | 9,341            | 1,384         | 77              | 12.0%         |
| Medina Valley – West | 14,387           | 16,736           | 2,566         | 143             | 22.2%         |
| Ryde                 | 15,789           | 18,297           | 2,740         | 152             | 23.8%         |
| West Wight           | 7,249            | 8,373            | 1,228         | 68              | 10.6%         |
| <b>Total</b>         | <b>63,016</b>    | <b>73,576</b>    | <b>11,533</b> | <b>641</b>      | <b>100.0%</b> |

Source: DCLG, ONS and JGC modelling

### Key Points

- The Isle of Wight's population totals 139,800 persons as of mid-2016. This has grown by 11% since 1991, with an average annual growth of 0.4%.
- A large proportion (27%) of the district's residents is aged 65 or over. There is a concentration of elderly people across all the subareas. In contrast, young population up to 15 years old and working age population between 25 and 50 years old have a very small representation.
- Despite relatively weak population growth over the past eight years or so, the population projections are expecting future changes to be somewhat stronger, and more in-line with the sort of changes seen in some of the pre-recessionary trends.
- The starting point of the assessment is the 2014-based projections which show an average household growth of about 525 household per annum for the period 2016-26 – this is a 8.3% increase over a ten-year period.
- The proposed methodology adjusts this figure on the basis of local affordability. On the Isle of Wight this increases the demographic need by 22% to reach an OAN of 641 dpa.
- No capping is applied on the Isle of Wight case as the affordability adjustment is less than 40%.
- According to CLG's methodology the OAN on the Isle of Wight is 641 dpa. This is used in the remainder of this report.

### 3 MARKET SIGNALS

3.1 In this section consideration is given to market signals within the Isle of Wight as a Housing Market Area and its identified sub-markets. PPG para 2a-019 outlines the market signals which should be assessed, and goes on to set out that:

*“The housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings. Prices or rents rising faster than the national/local average may well indicate particular market undersupply relative to demand.”*

3.2 It is clear that a comparative analysis is required. In preparing the analysis herein, GL Hearn has also sought to consider longer-term trends, recognising that for some indicators there can be short-term volatility. We have assessed trends consistent to the input period to the main demographic projections considered in the sections above (2009-14 for the SNPP as well as a 10 year period - 2006-16 - for testing purposes).

3.3 We sought to supplement the quantitative analysis with findings from our engagement with a range of stakeholders including housing officers, locally active developers, estate and letting agents, registered providers and sales staff in the key schemes which are currently delivered on the Island.

3.4 In this section we firstly present the local dynamics across the Isle of Wight as a whole. Where possible comparisons against regional (South East) and National (England) benchmarks are given. We also presented a comparison against the other Partnership for Urban South Hampshire (PUSH) local authorities (Southampton, Portsmouth, Eastleigh, Fareham, Gosport and Havant, Fareham, Test Valley, Winchester, New Forest and East Hants). The PUSH area, including the Isle of Wight, has a recent history of working together on strategic matters.

3.5 A separate section, is provided with the market dynamics across the different sub-areas of the Island. These are defined in Chapter 1 of this report.

#### **Land Values**

3.6 There is limited published data relating to land prices nationally. That available was produced by the DCLG in December 2015 in a publication entitled *Land value estimates for policy appraisal*. Since 2015 there has been no update to land value estimates.

3.7 Table 8 demonstrates the land values across the Island and its wider comparators. Values are the highest in PUSH Area (as an average) as well as in all PUSH authorities apart from Gosport (£1.2million). Isle of Wight's land value of £1.4 million is 157% below the regional and 50% below the national equivalent. This is influenced by house prices.

**Table 8: Post permission residential land value estimates, per hectare**

| Land Values                | 2015       |
|----------------------------|------------|
| Isle of Wight              | £1,400,000 |
| PUSH HMA (Average)         | £2,271,667 |
| South East                 | £3,600,000 |
| England (excluding London) | £2,100,000 |

Source: DCLG (2015) Land value estimates for policy appraisal

- 3.8 One surveyor suggested that this data is misleading and that land values on the Island for housing land is typically sub £500,000 per hectare (akin to those in locations such as Kings Lynn) . However they did concede that the NHS England use the £1.4m per hectare figure reported. In any case these values do not have any material input into the findings of this report, and are likely to be more relevant to any viability assessment work undertaken by the Council.

### Median House Prices

- 3.9 Using the latest available data full year's data from the Land Registry, for 2016, the median house price across the Isle of Wight was £195,000. This was below all the comparators as presented in the table below.
- 3.10 Across Hampshire, the house prices of Gosport (£185,000) and Portsmouth (£190,000) were below the Isle of Wight's equivalent although overall the PUSH Average was 16% higher. The housing values in the South East are 54% above those on the Island; similarly the national equivalent is 12% higher than the Isle of Wight's house prices.
- 3.11 Table 9 shows the change in housing values over the last 5, 10 and 15 years. Over the last 5 years, house prices on the Isle of Wight have increased by 15%. However this level of change is below the national equivalent of 21% and almost half of the regional one (32%). In absolute terms the median price on the Island has increased by £25,500 on average. This is £13,500 below the national equivalent and £47,500 below the regional.

**Table 9: Absolute and Percentage Change in Median House Prices (2001-2016)**

|                 | 2016     | Q3 2011-2016    |          | Q3 2006-2016    |          | Q3 2001-2016    |          |
|-----------------|----------|-----------------|----------|-----------------|----------|-----------------|----------|
|                 |          | Absolute Change | % Change | Absolute Change | % Change | Absolute Change | % Change |
| Isle of Wight   | £195,000 | £25,500         | 15%      | £15,000         | 8%       | £106,500        | 120%     |
| PUSH (Av.)      | £227,654 | £51,154         | 29%      | £58,579         | 35%      | £126,963        | 126%     |
| South East      | £301,000 | £73,000         | 32%      | £91,000         | 43%      | £171,050        | 132%     |
| England & Wales | £218,000 | £38,000         | 21%      | £47,000         | 27%      | £124,000        | 132%     |

Source: CLG Live table 582 & Land Registry

- 3.12 The PPG however advises that consideration is given to longer-term trends. Over the 2006-16 decade, prices increased by 8% across the Island, representing a relatively weaker growth than that seen at a regional or national level. Over the last 15 years the Isle of Wight has seen a smaller house price increase against all the comparators.

### Price by Type

- 3.13 Median house prices are influenced by the mix of properties sold. Table 10 provides an analysis which considers the relative price for comparable properties. It confirms that all the wider comparators have higher house prices than Isle of Wight across almost all of the different types of properties.

**Table 10: Average Current House Price by Type of Dwelling**

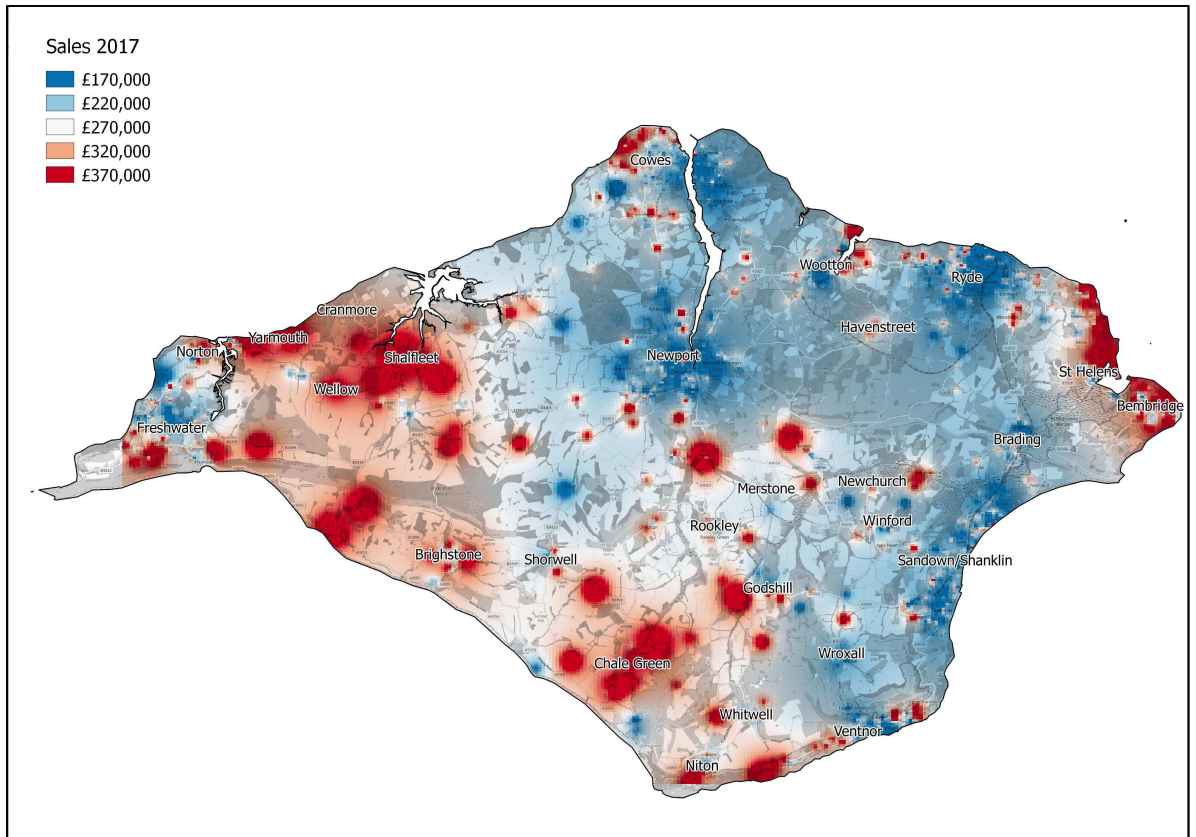
|                 | Detached | Semi-Detached | Terrace  | Flat     |
|-----------------|----------|---------------|----------|----------|
| Isle of Wight   | £280,000 | £198,000      | £163,000 | £124,995 |
| PUSH (Av)       | £386,643 | £266,750      | £222,964 | £155,714 |
| South East      | £495,000 | £335,000      | £276,000 | £215,000 |
| England & Wales | £320,000 | £195,000      | £170,675 | £206,000 |

Source: Land Registry (January – November 2017)

- 3.14 The Semi-Detached prices in the Isle of Wight do achieve a slightly higher median value than those nationally. In contrast flatted properties on the Island and particularly low cost in comparison to the national prices.
- 3.15 Figure 10 illustrates house prices across the Island in 2017 as recorded by Land Registry. The north and eastern areas have respectively less expensive properties compared to the south and west of the Island although there are notable exceptions at the coastal areas in the north and west.
- 3.16 This is linked to the type of stock in particular, the coastal locations of Yarmouth, Seaview and Bembridge have mainly large family houses or second homes which usually attract investors from the mainland.



**Figure 10: House Price 2017 Heatmap**



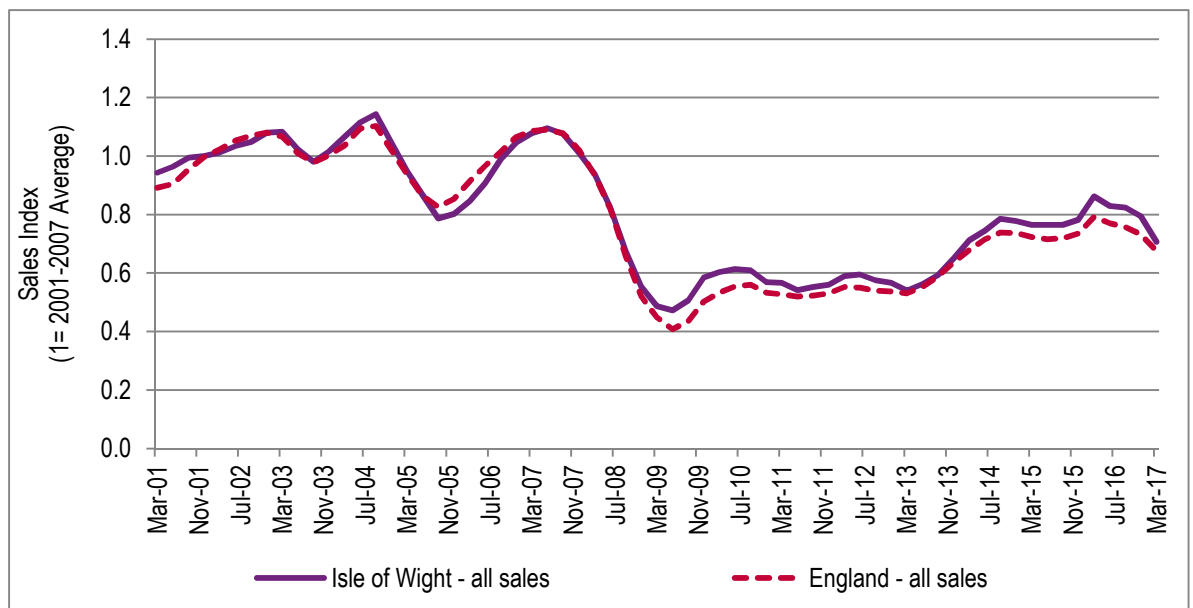
Source: Land Registry 2017 – edited by GL Hearn

- 3.17 In contrast, Newport, Ryde and The Bay are more urban settlements with a smaller stock on average. Most notably a large supply of terraced homes. These locations tend to cater for the Island's native population and in particular to young families and professionals (entry housing levels).

#### **Sales Volumes and Effective Demand**

- 3.18 Sales volumes are an important indicator of effective demand for market housing. We have benchmarked sales performance against long-term trends to assess the relative demand for market homes for sale. Figure 11 benchmarks annual sales over the period 2001 to 2016 against the pre-recession index (average of 2001-2007).

**Figure 11: Sales Volume Trends, Indexed to 2001**



Source: ONS House Price Statistics for smaller areas Datasets 6 and 7

3.19 As illustrated sales volumes nationally and on the Isle of Wight experienced a significant drop between 2007 and 2008. During 2008-12 recessionary period the sales volumes have been very modest.

3.20 Since 2013, there has been a gradual growth in sales at a national level and the Island. However since 2015 due to the availability of stock across the market there has been a fall in the number of sales.

### Rental trends

3.21 Median average rents on the Isle of Wight (£605 per calendar month (pcm)) are substantially lower than both the regional (£875 pcm) and national (£675 pcm) averages. Similarly, the rents across all different size of properties (based on the number of rooms) are lower on the Isle of Wight compared to the wider comparators (see Table 11).

3.22 There is a fairly narrow range across all rental properties on the Isle of Wight with lower quartile rents only showing a difference of around £225 per month to the upper quartile. In contrast there is around a £450 per month range nationally and regionally. It is also notable that the lower quartile price nationally is identical to the equivalent figure for the Isle of Wight.

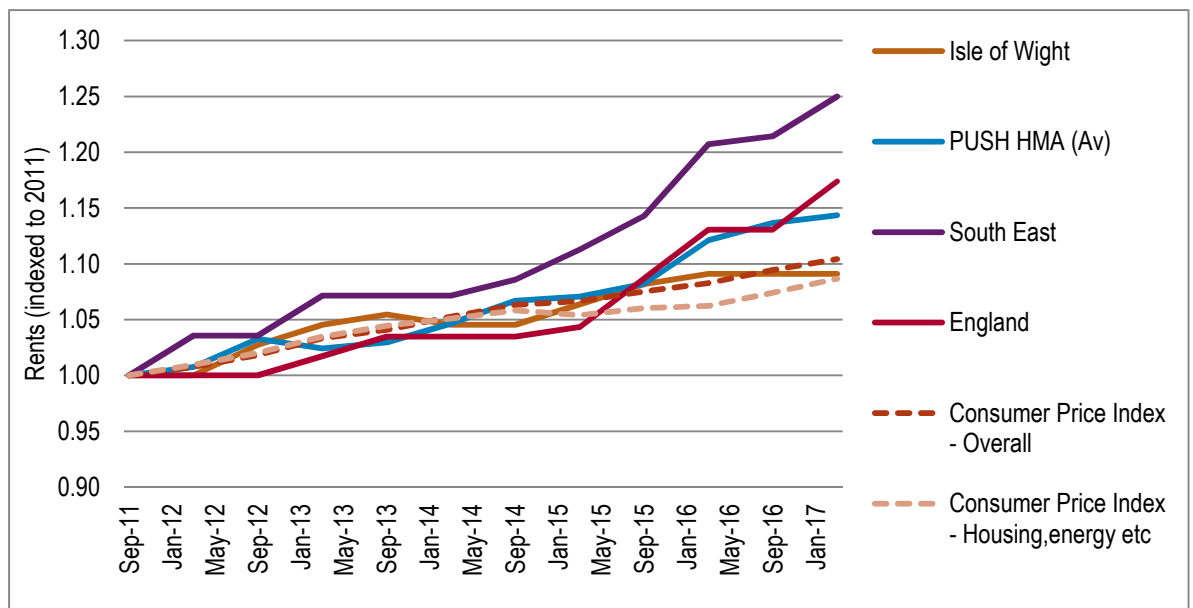
**Table 11: Rental Data by number of bedrooms 2016/17**

| Rents for 2016/17            | Count of rents | Mean   | Lower quartile | Median | Upper quartile |
|------------------------------|----------------|--------|----------------|--------|----------------|
| <b>One Bedroom</b>           |                |        |                |        |                |
| England                      | 86,440         | £705   | £450           | £595   | £825           |
| South East                   | 17,530         | £710   | £595           | £695   | £800           |
| Isle of Wight                | 520            | £466   | £423           | £455   | £500           |
| <b>Two Bedrooms</b>          |                |        |                |        |                |
| England                      | 201,230        | £774   | £520           | £650   | £875           |
| South East                   | 32,520         | £911   | £750           | £875   | £1,025         |
| Isle of Wight                | 1,160          | £603   | £550           | £600   | £650           |
| <b>Three Bedrooms</b>        |                |        |                |        |                |
| England                      | 119,650        | £887   | £595           | £750   | £995           |
| South East                   | 17,490         | £1,127 | £895           | £1,075 | £1,300         |
| Isle of Wight                | 600            | £763   | £695           | £750   | £820           |
| <b>Four or more Bedrooms</b> |                |        |                |        |                |
| England                      | 40,780         | £1,563 | £895           | £1,300 | £1,850         |
| South East                   | 8,520          | £1,896 | £1,375         | £1,680 | £2,200         |
| Isle of Wight                | 180            | £1,033 | £850           | £950   | £1,100         |
| <b>Overall</b>               |                |        |                |        |                |
| England                      | 487,680        | £831   | £500           | £675   | £950           |
| South East                   | 83,060         | £979   | £695           | £875   | £1,150         |
| Isle of Wight                | 2,560          | £632   | £500           | £605   | £725           |

Source: VOA's administrative database as at year to 30 Sept 2017

- 3.23 Figure 12 shows the trends in the number of rental values recorded by the Valuation Office Agency (VOA), indexed against 2011 figures. This illustrates a comparatively moderate increase on the Island compared to the trend across the country and the region.
- 3.24 In particular, over the last 6 years, median rental values on the Isle of Wight have grown by 10% compared to 13% nationally and 21% regionally. The equivalent for the PUSH area as a whole is an increase of 14% varying from 8% in Gosport to 15% in Southampton and Eastleigh.
- 3.25 Of particular note median rents on the Isle of Wight have grown at a comparable rate to inflation whereas the wider areas growth has exceeded this. This means that rents are no less (or more) affordable than they were in 2011.

**Figure 12: Median Rental trends, indexed to 2011**



Source: VOA Private Rental Data

### Affordability

- 3.26 We sought to consider evidence of affordability in both median and lower quartile house prices and workplace-based incomes over the last 15 years.
- 3.27 Table 12 shows the lower quartile (LQ) affordability ratio based on the earnings of those working in the area (rather than those residing in the area). It considers the most recent published ratio (2016), and how this has changed over the last 5 years, 10 year and 15 years.
- 3.28 On the Isle of Wight the LQ affordability ratio was 8.44 in 2016. This was below all the comparable areas except for the national average which was 7.16, indicating that although the housing prices have not grown significantly on the Island; these are still less affordable for people on the lower quartile compared to national equivalents.
- 3.29 Over the last 5 years the affordability ratio has increased across all geographies, with the greatest increases seen in the South East (19% increase) and the PUSH area (16%). Over a ten year period, Isle of Wight has seen a decrease (improvement) of -0.6 in its affordability ratio since 2006. For the same period England has had an unchanged LQ affordability ratio where, in contrast, Hampshire and the South East have seen an increase of 12% and 15% respectively.

**Table 12: Lower quartile house price to lower quartile workplace-based income, 2001-16**

| LQ            | 2016  | 2011-16         |          | 2006-16         |          | 2001-16         |          |
|---------------|-------|-----------------|----------|-----------------|----------|-----------------|----------|
|               |       | Absolute Change | % Change | Absolute Change | % Change | Absolute Change | % Change |
| Isle of Wight | 8.44  | 0.56            | 7%       | -0.60           | -7%      | 3.64            | 76%      |
| PUSH HMA (Av) | 8.71  | 1.18            | 16%      | 0.58            | 7%       | 3.59            | 70%      |
| Hampshire     | 10.01 | 1.33            | 15%      | 1.04            | 12%      | 4.09            | 69%      |
| South East    | 9.99  | 1.60            | 19%      | 1.30            | 15%      | 4.41            | 79%      |
| England       | 7.16  | 0.44            | 7%       | -0.01           | 0%       | 3.08            | 75%      |

Source: ONS Ratio of house price to workplace-based earnings (lower quartile and median), 1997 to 2016

3.30 Over the last 15 years affordability has worsened across all the geographies. The Isle of Wight has seen an increase (worsening) of 76% in their LQ ratio, the second highest after South East (79%).

3.31 We have also considered and compared the median price-earnings ratio to identify whether affordability is an issue across the market or within a particular segment (i.e. entry levels). A similar pattern emerges that there has been a comparatively moderate growth over the last 5 years in the affordability ratio across the Island.

**Table 13: Median house price to median workplace-based income, 2001-16**

| Median        | 2016 | 2011-16         |          | 2006-16         |          | 2001-16         |          |
|---------------|------|-----------------|----------|-----------------|----------|-----------------|----------|
|               |      | Absolute Change | % Change | Absolute Change | % Change | Absolute Change | % Change |
| Isle of Wight | 7.52 | 0.42            | 6%       | -0.51           | -6%      | 3.09            | 70%      |
| PUSH HMA (Av) | 7.87 | 1.25            | 19%      | 0.63            | 9%       | 2.94            | 60%      |
| Hampshire     | 9.66 | 1.48            | 18%      | 1.55            | 19%      | 3.65            | 61%      |
| South East    | 9.75 | 1.70            | 21%      | 1.73            | 22%      | 3.87            | 66%      |
| England       | 7.72 | 0.92            | 14%      | 0.77            | 11%      | 3.22            | 72%      |

Source: ONS Ratio of house price to workplace-based earnings (lower quartile and median), 1997 to 2016

3.32 Similar to the lower quartile affordability, over the last ten years, there has been an improvement to the affordability ratio on the Isle of Wight (-0.51 or -7%). In contrast, for the same period England has seen an increase (worsening) in the median affordability ratio.

3.33 Over the last 15 years, there has been a 70% increase on the Island's affordability ratio, indicating that in longer terms affordability has worsened across the whole market.

3.34 Finally, it should be noted that both Portsmouth and Southampton are more affordable in median and lower quartile terms than the Isle of Wight. In addition Gosport is more affordable only in median terms (7.01). Portsmouth had a LQ ratio of 7.34 (against 8.44 on the Isle of Wight) and a

median of 6.45 (against 7.52 on the Isle of Wight) in 2016. Similarly Southampton had a LQ ratio of 7.11 and a median ratio of 6.36.

- 3.35 Tables 13 and 14 demonstrate the lower quartile and median affordability trend for residence-based earnings. In comparison to the workplace-based earnings ratio, there is lower rate of change in the Island's affordability.

**Table 14: Lower quartile house price to lower quartile residence-based income, 2002-16**

| LQ            | 2016 | 2011-16         |          | 2006-16         |          | 2002-16         |          |
|---------------|------|-----------------|----------|-----------------|----------|-----------------|----------|
|               |      | Absolute Change | % Change | Absolute Change | % Change | Absolute Change | % Change |
| Isle of Wight | 8.37 | 0.33            | 4%       | - 0.26          | -3%      | 2.28            | 37%      |
| PUSH HMA (Av) | 8.69 | 0.99            | 13%      | 0.66            | 8%       | 2.58            | 42%      |
| Hampshire     | 9.51 | 1.14            | 14%      | 0.84            | 10%      | 2.55            | 37%      |
| South East    | 9.74 | 1.60            | 20%      | 1.32            | 16%      | 3.50            | 56%      |
| England       | 7.16 | 0.44            | 7%       | -               | 0%       | 2.65            | 59%      |

Source: ONS Ratio of house price to residence-based earnings (lower quartile and median), 2002 to 2016

- 3.36 In both cases the 2016 affordability ratio for residents is marginally more affordable than for those working on the Island. Although given the high levels of self-containment the difference is negligible with those commuting off the Island earning slightly more than those working on the Island.

**Table 15: Median house price to median residence-based income, 2002-16**

| Median        | 2016 | 2011-16         |          | 2006-16         |          | 2002-16         |          |
|---------------|------|-----------------|----------|-----------------|----------|-----------------|----------|
|               |      | Absolute Change | % Change | Absolute Change | % Change | Absolute Change | % Change |
| Isle of Wight | 7.51 | 0.39            | 5%       | -0.22           | -3%      | 1.50            | 25%      |
| PUSH HMA (Av) | 7.85 | 1.11            | 16%      | 0.71            | 10%      | 1.99            | 34%      |
| Hampshire     | 9.10 | 1.29            | 17%      | 1.38            | 18%      | 2.67            | 42%      |
| South East    | 9.43 | 1.76            | 23%      | 1.76            | 23%      | 3.31            | 54%      |
| England       | 7.72 | 0.93            | 14%      | 0.77            | 11%      | 2.61            | 51%      |

Source: ONS Ratio of house price to residence-based earnings (lower quartile and median), 2002 to 2016

### Rents to income ratio

- 3.37 A household is considered able to afford market rented housing in cases where the rent payable would constitute no more than a particular percentage of gross income. The choice of an appropriate threshold is an important aspect of the analysis.
- 3.38 CLG guidance from 2007 suggested that 25% of income is a reasonable start point but also notes that a different figure could be used. Analysis of current letting practice suggests that letting agents typically work on a multiple of 40% (although this can vary by area). Government policy (through

Housing Benefit payment thresholds) would also suggest a figure of 40%+ (depending on household characteristics).

3.39 For the purposes of analysis in the affordable housing section, it has been assumed that a household should spend no more than 30% of their income on housing. This is to provide consistency with the main analysis of affordable housing need and to be consistent with the previous SHMA assessment on the Island.

3.40 Tables 15 and 16 present the LQ and median rental affordability ratios for the last five published years (based on available data). With a LQ rental affordability ratio of 34%, the rents are (based on out assumed threshold) unaffordable for the lower segment of the market

**Table 16: Lower Quartile Rental Affordability Ratio, workplace-based earnings 2011-16**

|               | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------------|------|------|------|------|------|------|
| Isle of Wight | 33%  | 31%  | 36%  | 34%  | 34%  | 34%  |
| PUSH HMA Av.  | 36%  | 37%  | 38%  | 37%  | 36%  | 38%  |
| South East    | 35%  | 34%  | 36%  | 36%  | 41%  | 37%  |
| England       | 29%  | 28%  | 28%  | 29%  | 30%  | 30%  |

Source: ONS earnings; VOA monthly rents

3.41 In median terms the rents are marginally affordable with an affordability ratio of 29%. The Island is more affordable compared to all wider comparators apart from England in both LQ and median rental terms.

**Table 17: Median Rental Affordability Ratio, workplace-based earning 2011-16**

|               | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------------|------|------|------|------|------|------|
| Isle of Wight | 28%  | 27%  | 30%  | 38%  | 30%  | 29%  |
| PUSH HMA Av.  | 30%  | 31%  | 31%  | 30%  | 31%  | 32%  |
| South East    | 30%  | 31%  | 32%  | 32%  | 33%  | 34%  |
| England       | 26%  | 26%  | 26%  | 26%  | 27%  | 27%  |

Source: ONS earnings; VOA monthly rents

3.42 The change in affordability ratios at both a Lower Quartile and Median level has not substantially changed on the Island since 2011 with only a 1% change with interim changes. This is similar to the trends across the country and for the PUSH area however the South East region has seen consistent growth.

### Rate of Development

3.43 GL Hearn has assessed housing delivery compared to housing targets across four separate time periods, 3 year, 5 year, 10 years and 14 years based on data availability. Table 18 identifies the percentages of delivery for the Isle of Wight.

3.44 There has been an under-delivery of homes on the Island in most recent years and for all of the time periods except for the 14 year period. The Island has seen an under-delivery of 650 homes since 2012/13 (over the last 5 years). Over the last 10 years period the Island has seen an under-delivery of 750 homes.

3.45 However, over the period since 2003/04 has been an over delivery of 371 homes. This was largely driven by 1622 homes being delivered in 2006/7. This potentially related to under-counting in previous years.

**Table 18: Rate of Development, Isle of Wight, 2003/04-2016/17**

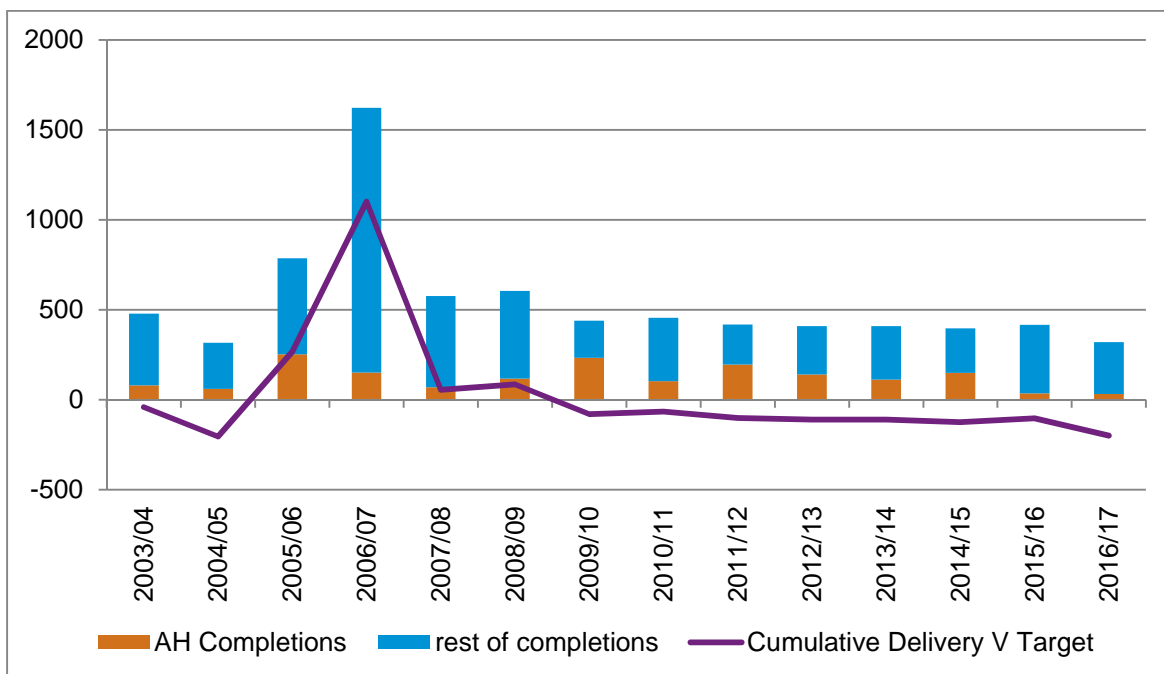
| 3 years delivery  | Target | Under/Over delivery | % of delivery |
|-------------------|--------|---------------------|---------------|
| 1,134             | 1,560  | -426                | 73%           |
| 5 years delivery  | Target | Under/Over delivery | % of delivery |
| 1,953             | 2,600  | -647                | 75%           |
| 10 years delivery | Target | Under/Over delivery | % of delivery |
| 4,447             | 5,200  | -753                | 86%           |
| 14 years delivery | Target | Under/Over delivery | % of delivery |
| 7,651             | 7,280  | 371                 | 105%          |

Source: AMR reports (2003/04-2015/16)

3.46 In percentage terms housing delivery over the longer term has met a higher percentage of the Islands target for that period than in more recent periods. Housing Delivery in the last 5 years has only been around 75% of its target while over the longer term delivery was around 88%. Figure 13 presents the completions including the affordable and market split.



**Figure 13: Housing Completions 2003/04-2016/17**



Source: AMR reports (2003/04-2015/16)

3.47 On average across the Island affordable homes have contributed 23% of overall delivery since 2003. However, this varies based on different periods, as following:

- 19% affordable homes of total completions over the last three years
- 24% affordable homes of total completions over the last five years; and
- 27% affordable homes of total completions over the last ten years;

### Overcrowding

3.48 Since the preparation of the 2014 SHMA some of the market signals presented below have not changed as these were based on Census releases. Therefore, we have summarised the Census based findings for overcrowding herein.

3.49 Data about overcrowding is based on the 'bedroom standard'. This is defined by the difference between the number of bedrooms needed to avoid undesirable sharing (given the number, ages and relationships of the household members) and the number of bedrooms available to the household. A household is defined as overcrowded if there are fewer bedrooms available than required by the bedroom standard.

3.50 Overcrowding on the Isle of Wight was 2.5% in 2011. This was below the national (4.6%) and regional (3.6%) levels. Conversely, the Island had higher than average level of under-occupied homes (72.5%) compared to both the South East (70.5%) and England (68.7%) equivalents.

### Vacant and Second Homes

- 3.51 In 2011 there were just over 6,500 vacant and second homes (no usual residents, Census 2011, QS417UK) on the Island (equivalent to 9.7% of the dwelling stock). This level was significantly higher than the regional (4.0%) and national (4.3%) averages.
- 3.52 The Council has now a dedicated monitoring database for empty properties based on Council tax reductions and exemptions for empty properties. According to this:
- Exempt and PCLC<sup>7</sup> greater than 2 year = 143 as in January 2018
  - Exempt and PCLC empty greater than 6 months = 823 as in January 2018
  - Exempt and PCLC empty less than 6 months = 1,506 as in January 2018
- 3.53 The Database can also be used to identify the number of second homes on the Island is 3213 of which according to the database includes:
- Exempt and PCLB<sup>8</sup> greater than 2 year = 68 as in January 2018
  - Exempt and PCLB empty greater than 6 months = 166 as in January 2018
  - Exempt and PCLB empty less than 6 months = 490 as in January 2018

### Sub-market Analysis

- 3.54 Using the latest available data from the Land Registry, (June 2017), the lower quartile house price across the Isle of Wight was £160,000. At a sub-area level only the Medina Valley is below this Isle of Wight lower quartile. In contrast, lower quartile house prices were highest on the West Wight reaching £200,000. That was 20% higher than the Island's equivalent.
- 3.55 Table 19 below shows the increase in housing values over the last 5, 10 and 15 years for each of the sub areas. For comparison over the last 5 years, house prices on the Isle of Wight have increased by 18%. However in absolute terms this relates to an increase of £24,000.
- 3.56 As a sub-area level the greatest absolute increase has been in The Bay Area which increased in excess of £24,000. On the other hand, the lowest increase in lower quartile terms has been seen in the Medina Valley-East where house prices have only increased by £18,700 since 2011.

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<sup>7</sup> PCLC refers to Prescribed Class C discount and applies to properties that are substantially unfurnished and are no-ones sole or main residence

<sup>8</sup> PCLB refers to Prescribed Class B discount and applies to second homes where continuous occupancy for 28 days or more is not prohibited

**Table 19: Lower Quartile House Prices per sub-area, 2002-17**

|   | Jun-17          | 5 years change  |            | 10 years change |            | 15 years change |             |
|---|-----------------|-----------------|------------|-----------------|------------|-----------------|-------------|
|   |                 | Absolute Change | % Change   | Absolute Change | % Change   | Absolute Change | % Change    |
| The Bay                                       | £163,990        | £24,214         | 17%        | £16,994         | 12%        | £86,764         | 112%        |
| Medina Valley                                 | £155,881        | £21,123         | 16%        | £12,721         | 9%         | £78,179         | 101%        |
| <i>Medina Valley-East</i>                     | <i>£151,382</i> | <i>£18,715</i>  | <i>14%</i> | <i>£8,257</i>   | <i>6%</i>  | <i>£73,618</i>  | <i>95%</i>  |
| <i>Medina Valley-West</i>                     | <i>£158,451</i> | <i>£22,499</i>  | <i>17%</i> | <i>£15,272</i>  | <i>11%</i> | <i>£80,786</i>  | <i>104%</i> |
| Ryde  | £163,235        | £19,452         | 14%        | £13,046         | 9%         | £84,865         | 108%        |
| West Wight                                    | £200,886        | £19,136         | 11%        | £17,541         | 10%        | £102,629        | 104%        |
| Isle of Wight<br>(median figure of all LSOAs) | £160,000        | £24,000         | 18%        | £14,000         | 10%        | £85,050         | 113%        |

Source: ONS HPSSA Dataset 48: Lower quartile price paid for residential properties by LSOA

- 3.57 Over a 10 year period from 2006 to 2016, The Bay area has seen the greatest increase in house prices with an absolute change of almost £17,000; whereas the Medina Valley-East has seen the lowest increase of just over £8,000 since 2006. It should be noted at this point that the ten year change includes the recession when the market was significantly affected. Over the last 5 years we can see some recovery signs.
- 3.58 Finally, there is a similar pattern over the 15 year period. Overall lower quartile house prices have increased by 113%. While the equivalent growth in the Medina Valley-East the increase was only 95% since 2002.
- 3.59 Table 20 below demonstrates the median house prices by sub-area. In comparison to lower quartile house prices, similar patterns occur. Prices in June 2017 were highest on the West Wight (£264,000) and lowest on the Medina Valley-East (£184,000). This reflects the stock availability in terms of the type and size of properties across each area.
- 3.60 Over the last 5 years median house prices have increased the most in Ryde with a growth of 21% (£36,000). The smallest growth has been seen in the West Wight sub-area with 12% growth (£28,500). The Island wide equivalent was 17% growth (£29,000).

**Table 20: Median House Prices per sub-area, 2002-17**

|   | Jun-17          | 5 years change  |            | 10 years change |            | 15 years change |             |
|---|-----------------|-----------------|------------|-----------------|------------|-----------------|-------------|
|   |                 | Absolute Change | % Change   | Absolute Change | % Change   | Absolute Change | % Change    |
| The Bay                                       | £205,576        | £30,828         | 18%        | £16,859         | 9%         | £102,943        | 100%        |
| Medina Valley                                 | £189,444        | £27,880         | 17%        | £22,243         | 13%        | £94,027         | 99%         |
| <i>Medina Valley-East</i>                     | <i>£184,875</i> | <i>£26,243</i>  | <i>17%</i> | <i>£16,606</i>  | <i>10%</i> | <i>£90,464</i>  | <i>96%</i>  |
| <i>Medina Valley-West</i>                     | <i>£192,055</i> | <i>£28,815</i>  | <i>18%</i> | <i>£25,465</i>  | <i>15%</i> | <i>£96,063</i>  | <i>100%</i> |
| Ryde  | £212,465        | £36,806         | 21%        | £27,141         | 15%        | £110,685        | 109%        |
| West Wight                                    | £264,045        | £28,670         | 12%        | £32,875         | 14%        | £131,870        | 100%        |
| Isle of Wight<br>(median figure of all LSOAs) | £195,500        | £29,000         | 17%        | £19,005         | 11%        | £100,500        | 106%        |

Source: ONS HPSSA Dataset 46: Median price paid for residential properties by LSOA

- 3.61 Longer term trends for median house prices are also analysed. Over the 10 year period, median house prices have increased the most, in absolute terms, in Ryde (£27,000); whereas the lowest absolute change has been seen in the Medina Valley-East with an increase of £16,600.
- 3.62 Since 2002 the greatest increase has been in the West Wight sub-area in absolute terms. However the greatest proportional increase has been in Ryde (109% growth). Ryde was the only sub-area to have a greater percentage growth in median house prices when compared to the increase across the Isle of Wight as a whole. The Medina Valley-East has seen the lowest absolute and percentage increase over the 15 year period.

### Sales

- 3.63 Sales volumes over the last year have been highest in Ryde with 755 sales. This accounts for 26% of all the sales on the Isle of Wight; whereas the sub-area with the lowest volumes was the West Wight where sales accounted for 12% of total sales on the Island.
- 3.64 The table below shows sales volumes over the last 5, 10 and 15 years. Over the five year period - from 2012 to 2017 - sales volumes have increased in all sub-areas. The greatest increase, in absolute terms, has been in the Medina Valley-West with 150 more sales since 2012. This is closely followed by the sales in Ryde with 148 more sales than the equivalent in 2012. The Bay has seen the lowest sales increase since 2012, with a growth of 58 sales.

**Table 21: House Sales Volumes and Change per sub-area, 2002-17**

|                           | Jun-17     | 5 years change  |            | 10 years change |             | 15 years change |             |
|---------------------------|------------|-----------------|------------|-----------------|-------------|-----------------|-------------|
|                           |            | Absolute Change | % Change   | Absolute Change | % Change    | Absolute Change | % Change    |
| The Bay                   | 709        | 58              | 9%         | -504            | -42%        | -359            | -34%        |
| Medina Valley             | 1,058      | 221             | 26%        | -377            | -26%        | -392            | -27%        |
| <i>Medina Valley-East</i> | <i>388</i> | <i>71</i>       | <i>22%</i> | <i>-52</i>      | <i>-12%</i> | <i>-83</i>      | <i>-18%</i> |
| <i>Medina Valley-West</i> | <i>670</i> | <i>150</i>      | <i>29%</i> | <i>-325</i>     | <i>-33%</i> | <i>-309</i>     | <i>-32%</i> |
| Ryde                      | 755        | 148             | 24%        | -465            | -38%        | -364            | -33%        |
| West Wight                | 352        | 111             | 46%        | -79             | -18%        | -69             | -16%        |
| Isle of Wight             | 2,874      | 538             | 23%        | -1,425          | -33%        | -1,184          | -29%        |

Source: DCLG based on HMLR data, 2018

- 3.65 Since 2007, the Isle of Wight's sales volumes have decreased by 1,425 with the biggest decrease in sales being in the Bay area with -504 house sales representing a decrease of 42%. Ryde has also experienced a large decrease in house sales from 2007 to 2017, with a decrease of 465 sales (-38%); whereas the Medina Valley-East house sales have decreased by just 52 (-12%) since 2007. This 10 year period covers the period of the financial crash and recession which could account for a decrease in the sales.
- 3.66 The 15 year period from 2002 to 2017 covers pre and post-recession and therefore gives a stronger indication of house sales volumes over time. All sub-areas experienced a decrease in their house sales during 2002-17, although the differences are not as great as those over the 10-year period.
- 3.67 When comparing 2002 sales volumes with those in 2017, the sub-areas of Ryde and The Bay have seen the greatest decreases with -33% and -34%, respectively. The smallest difference has been seen in the West Wight as sales decrease by 16% from 2002 to 2017.

## Rents

- 3.68 Median and lower quartile rents for the subareas were identified by conducting searches (in January 2018) for current available properties to rent on Rightmove and Gumtree. Table 22 shows the lower quartile and median rents for properties by size.
- 3.69 The Medina Valley-East has the highest lower quartile rents for a one bedroom unit; whereas Ryde has the highest median rental value for the same property size. For two bedroom units, the highest lower quartile rental values are in the West Wight sub-area; whereas median rents peak in the Medina Valley.

**Table 22: Median & Lower Quartile Rental Costs by Size, (2017)**

|                           | 1-bedroom   |             | 2-bedrooms  |             | 3-bedrooms  |             | 4-bedrooms  |               |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------|
|                           | LQ          | Median      | LQ          | Median      | LQ          | Median      | LQ          | Median        |
| The Bay                   | £325        | £475        | £425        | £595        | £600        | £750        | £995        | £1,300        |
| Medina Valley             | £435        | £513        | £538        | £650        | £575        | £738        | £895        | £1,200        |
| <i>Medina Valley-East</i> | <i>£475</i> | <i>£525</i> | <i>£525</i> | <i>£650</i> | <i>£525</i> | <i>£775</i> | -           | -             |
| <i>Medina Valley-West</i> | <i>£395</i> | <i>£500</i> | <i>£550</i> | <i>£650</i> | <i>£625</i> | <i>£700</i> | <i>£895</i> | <i>£1,200</i> |
| Ryde                      | £395        | £540        | £515        | £595        | £570        | £780        | £895        | £1,400        |
| West Wight                | £425        | £475        | £525        | £595        | £725        | £800        | £895        | £1,250        |
| Isle of Wight             | £403        | £503        | £508        | £617        | £609        | £761        | £920        | £1,288        |

Source: Rightmove and Gumtree

- 3.70 The highest lower quartile and median rental values for three bedroom properties are in the West Wight area. The four bedroom units in The Bay sub-area have the highest lower quartile rents; whereas median rents for a four bedroom property are currently the highest in Ryde.

### Overcrowding

- 3.71 A symptom of affordability pressures, restrictions on access to mortgage finance and housing under-supply (all related to each other) is an increase in overcrowded households which include young people living with their parents for longer periods than usual.
- 3.72 Over-crowding is based on the number of rooms required for a given household against the number of rooms exist in their home. Where there are too few rooms this would be classed as overcrowding. This is identified through Census and has not been updated since 2011. Using 2011 Census data overcrowded and under-occupied households are shown in Table 23.
- 3.73 The Isle of Wight had approximately 61,000 households as recorded in 2011 with around 44,300 of these households (74%) classified as 'under-occupied' and 1,600 households (3%) as 'overcrowded' by household standards.

**Table 23: Under-occupied and overcrowded households by subarea, 2011**

| Submarket                 | All households | Under-occupied | %          | Over-crowded | %         |
|---------------------------|----------------|----------------|------------|--------------|-----------|
| Bay                       | 16,131         | 11,529         | 71%        | 423          | 3%        |
| Medina Valley             | 22,254         | 16,110         | 72%        | 563          | 3%        |
| <i>Medina Valley-East</i> | <i>8,105</i>   | <i>5,964</i>   | <i>74%</i> | <i>212</i>   | <i>3%</i> |
| <i>Medina Valley-West</i> | <i>14,149</i>  | <i>10,146</i>  | <i>72%</i> | <i>351</i>   | <i>2%</i> |
| Ryde                      | 15,926         | 11,181         | 70%        | 443          | 3%        |
| West Wight                | 6,774          | 5,482          | 81%        | 125          | 2%        |
| Isle of Wight             | 61,085         | 44,302         | 73%        | 1,554        | 3%        |

Source: Census 2011, QS412EW

- 3.74 In absolute terms, the Bay sub-area has the greatest number of under-occupied households accounting for 26% of total under occupied households on the Isle of Wight; whereas the West Wight has the lowest, accounting for 12% of the total.
- 3.75 The West Wight also has the lowest number of over-crowded households with just 125 households; whereas Ryde has the highest number of over-crowded households, with 443 households, out of all the sub-areas.

### Qualitative evidence – Stakeholder Engagement

- 3.76 This section presents the key findings of our consultation with stakeholders including estate and letting agents and qualitative research of housing market conditions on the Isle of Wight housing market area and the various sub-markets. The aim is to add a local perspective to support SHMA findings. It describes market dynamics and the state of supply at the time of the assessment in mid-January 2018.
- 3.77 Our findings are based upon 15 in-person interviews with sales/lettings agents, local developers, practitioners and council officers together with visits to the new housing development sales points across the Island. We have also received three written responses (via email).
- 3.78 Estate and letting agents were asked to provide information about their local market and it should be noted that this covers both the market town in which they are based and surrounding villages as appropriate. Developers and practitioners provided feedback for the Island as whole and specific sub-markets as relevant.
- 3.79 Interviews were designed to broadly understand local housing market conditions, trends and drivers, and which parts of the market serve the needs of specific groups such as locals, incomers, first-time buyers, investors, those on low income and vulnerable people. The research also explored the interfaces between the sales and letting markets and affordable housing.
- 3.80 This evidence is presented at face value based on the conversations had. This may mean that the anecdotal evidence of one person may not be that experienced by another. It may also mean that statements are made without statistical evidence to support it. This does not mean the statements are factually incorrect but simply the opinion/experience of those who make it.

### **The Isle of Wight market**

- 3.81 It is widely acknowledged that a range of factors including mortgage restrictions and Brexit had slowed the market. However, the key reason, which was highlighted from all the estate agents, was the shortage of available properties over the last couple of months.

- 3.82 However, when compared to last year (i.e. 2017) the market seemed stronger or at least at the same levels in 2018. When agents were asked to predict the future market, they unanimously suggested that house prices should continue to increase in 2018 based on the fact that there is still unfulfilled demand for properties.
- 3.83 All parties agreed that there was a need for additional 3 bedroom houses (with a garden and parking) across the Island. All the agents suggested that a property like this will not stay on the market more than a week. Indicating that the strong demand which is driven by the shortage of this type of properties. Others stated that there was also a high need of properties in the £160,000 to £180,000 bracket. This typically reflects the average price for a 2 or 3 bed home.
- 3.84 The market on the Island is driven by a) investors from the mainland (buy-to-let), second homes investors and retirement accommodation buyers and b) local first-time buyers, local up-sizing and local elders who want to downsize their properties. Although it should be noted that downsizing on the Island generally relates to people moving from a 3 or 4 bedroom house to a house with a smaller garden and home but not necessarily a significantly different number of rooms.
- 3.85 Stakeholders have also mentioned a third category, that of inward migrants or mainlanders. Mainlanders show an interest for the Island's housing property mainly for two reasons. Firstly those who want a more affordable home compared and secondly those who want to purchase an "executive or premium house" in exclusive locations (usually with a sea view). This is an increasing trend on the Island.

### **Sub-Areas**

- 3.86 The profile of buyers differ in each sub-area across Isle of Wight. In particular, first-time buyers are more common in Newport and Ryde while second home owners and investors – particularly from the mainland - are interested in areas such as Seaview, Bembridge, Yarmouth, Ventnor, the Bay and Freshwater.
- 3.87 Another difference between mainland and local buyers is their buying power and consequently the size of properties that they look for purchase. This will be analysed in detail in the sections below.



3.88 Agents suggest that although the Island is one housing market area; there are some distinctions across the different parts. There are also distinctions between the coastal areas and inland markets, with the former of more interest to mainlanders while the inland areas are left to Island natives. Local agents typically identified the following sub-areas:

- Newport
- Ryde/Bembridge/Seaview
- Cowes
- East Cowes/Whippingham
- Shanklin/Sandown
- Ventnor
- Freshwater/Yarmouth and the West Wight

3.89 Although this split of sub-markets might serve local estate agents and their catchment areas; these do not serve the purposes of a housing need study while some of these locations are too small to be considered a distinctive sub-market.

3.90 According to active developers the market, and consequently its sub-markets, are defined by the activity of national builders. The Medina Valley has been a distinctive market over the last fifty years according to developers. This area includes Cowes, East Cowes and Newport and has concentrated development activity on the Island (Barratt Homes and David Wilson are active on these areas<sup>9</sup>). The developers suggested that these areas have seen an increase in people who out-commute daily to the mainland for work.

3.91 Locally active developers said that the Bay area sub-market has developed over the last twenty years. It is seen as mainly a second home/holiday home destination with an increasing demand for elderly accommodation.

### **New Build**

3.92 New build development activity has slowed down recently. Overall there is a 50%-50% split between locals and buyers from the mainland with varying percentages for each location across Isle of Wight.

3.93 The demand in Ryde, Newport and Cowes is driven mainly by local first-time buyers while the demand in Yarmouth, The Bay, Bembridge/Seaview and Ventnor is driven by mainland investors. Prices being achieved in new developments in the Yarmouth, The Bay, Bembridge/Seaview and Ventnor include properties valued at up to £600,000+ for a 3-4 bed “premium” house.

3.94 The majority of new build developments are delivered by local developers and builders. National developers such as Barratt Homes and David Wilson (which are the same company) have been active across the Island for the last five to ten years; however their activity is still limited. There have only been 3-4 major schemes of 200+ units over the last five years.

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<sup>9</sup> David Wilson Riverside, Barratt Homes Hawthorn Meadows, Barratt Homes and Spectrum (Sovereign) Pan Meadows

## Rental Market

3.95 There is a healthy rental market across the Island with all the settlements having some level of private renting. That said the rental market is concentrated in Newport, Ryde and East Cowes. Local letting agents suggested that 3 bedroom houses are also the most popular type and size of property in the rental market.

## Sub-Areas

### Medina Valley: Newport

3.96 Newport is the key settlement of the Island. Located at the heart of the Island, it is the focal point in terms of infrastructure and facilities. It is the town with the highest percentage of local demand according to the agents, followed by Ryde, Cowes and East Cowes.

3.97 Newport is particularly popular for young families, single professionals due to employment and education opportunities. Newport is also popular with older residents due to the offer of facilities, including St Mary's Hospital, and good transport connections.

3.98 The town has been identified as the key area of demand for first time buyers. Agents suggested that this is related to the stock with high levels of smaller, and consequently more affordable homes. However all agents suggested that the 1 bed flats in the town are the least popular across the Island as a whole. Young families are mainly interested in 2 bed terrace houses which again is concentrated in Newport.

3.99 Again reflecting the stock Newport is one of the most affordable areas on the Island. According to local agents *entry levels* house prices can currently reach:

- £50,000-£75,000 for a studio
- £80,000-£100,000 for 1bed flat (Rightmove range<sup>10</sup>: £70,000-£170,000)
- £100,000-£120,000 2 beds flat (Rightmove range: £70,000-£280,000)
- £120,000-£140,000 2 beds house (Rightmove range: £75,000-£300,000)
- £150,000-£180,000 3 beds house (Rightmove range: £110,000-£530,000)
- £180,000-£200,000 4+ beds house (Rightmove range: £140,000-£650,000)

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<sup>10</sup> 18/01/18

- 3.100 The rental market is also fairly active in Newport. There has been a notable increase in demand from young local couples seeking to rent family homes of 2/3 bedrooms over the last 18 months. According to agents, the rents start from:
- £300-£400 pcm for studios
  - £400-£525 pcm for 1 bed flat
  - £525-£700 pcm for 2 beds property
  - £650-£900 pcm for 3 beds property
- 3.101 Rental yields reach a healthy 5-6% in Newport. The average term of tenancy is around 2 years; although the most common contract term is for 6 months followed by a series of renewals. Indicating that there would be investor demand had there not been changes to tax relief.
- 3.102 New builds are scarce around Newport. According to developers there is a particularly high demand for 3-bed properties. Any activity is mainly from local developers but Barratt Homes and David Wilson have recently built a couple of sites including the Bluebell Meadows scheme (2/3bedroom properties of £150,000 to £230,000) in Newport East, although this scheme is yet to be fully built out.

#### **Medina Valley: Cowes**

- 3.103 Cowes offers a diverse property market as it provides housing for both young families and first-time buyers on one hand but also provides second homes for affluent mainlanders seeking large holiday homes with sea view. It is therefore characterised as one of the most challenging markets on the Island to understand.
- 3.104 Local agents expressed that it is not possible to say that certain areas of Cowes are associated with certain level of house price as this can vary from road to road. Local agents noted that entry level prices for certain types of properties as below:
- £100,000 - £140,000 for 1 bed flat
  - £150,000-£160,000 for a 2 bed house; and
  - £175,000+ for a 3 bed house.
- 3.105 Although entry level property prices appear similar to that of properties in other areas, the Cowes area also includes a large amount of properties in the higher end driven by mainland purchasers which account for over 70% of the purchasers who acquire a property in the area. However according to agents, local residents in Cowes who are looking to move tend to find a property which allows them remain in the area.

3.106 Finally the rate of sales reflect those of other settlements i.e. between 5 and 10 sales per month. This indicates that the market activity is similar across the Island. However it was noted that the market appears slower compared with the same period last year unlike in other areas.

#### **Medina Valley: East Cowes**

3.107 All agents consulted agreed that East Cowes is a distinctive market to Cowes. Whippingham which lies to the South is however considered as part of the East Cowes sub-area.

3.108 The market in East Cowes is quite diverse ranging from entry-level properties that are oriented to young professionals and young families to two major premium developments that have river views. The area is reportedly also popular with the elderly population and there are a couple of care homes located there.

3.109 Similar to Cowes there are no specific range of prices but there are certain roads which achieve premium prices for example Alverstone Road in Whippingham with its large detached properties. Local agents noted entry level prices for certain types of property as:

- £80,000-£100,000 for 1 bed flat
- £110,000-£130,000 for a 2 beds property
- £150,000-£160,000 for a 3 beds property
- £200,000+ for a 4+ beds property

3.110 East Cowes is a developing market. It is in a good place to fulfil the need for comparatively affordable “aspirational homes” that can attract higher earnings population who are willing to commute to the mainland for work.

3.111 This is the focus across the sub-area and national developers may have already seen this trend as they have recently focused development in this area (i.e. David Wilson Riverside, Barratt Homes Hawthorn Meadows).

#### **The Bay: Shanklin / Sandown**

3.112 Shanklin is a relatively affluent area of the Isle of Wight with a third of its population being retirees. A high proportion of second homes are purchased in the area, mainly due to the proximity to the coast and the area’s lower house prices than similar coastal locations, such as Cowes.

3.113 A high level of demand and low level of supply is driving property prices in the area. It was estimated that there has been an increase in property prices of approximately 7% over the last 12-18 months.

- 3.114 The nature of the area with higher than the average property prices has resulted in a lack of first time buyers in the market. It was mentioned by a sales agent in Shanklin that people who have owned a property in the area for some time tend to remain in the property and extend rather than move in to a larger property due to higher property prices.
- 3.115 It was noted that three bedroom semi-detached homes in the area are the most popular due to their appeal to retirees. However as with elsewhere in the market there is a lack of supply of such properties in the area.
- 3.116 The entry levels house prices across the sub-area are typically in the following range:
- £105,000 - £110,000 for 1bed property;
  - £190,000 for a 2 bed property; and
  - +£215,000 for a 3 bed property.
- 3.117 There is a large supply of flats in the area which tend to be a mixture of older converted flats and new builds; however there is limited demand for this type of property due to a lack of younger population.
- 3.118 Family homes with two or three bedrooms are in greatest demand but there is a short supply in the area as the market demand is driven by equal parts by families and retirees/downsizers.
- 3.119 Investment buyers in Shanklin, similar to other areas, have decreased although they still have a presence in the area. It was estimated that approximately a third of buyers in Shanklin were investment buyers.
- 3.120 It was noted that Brexit had little effect on the investment market with no further changes expected. Similarly, the changes in Stamp Duty tax have also had little impact on the local market for second homes sales although it has slowed the buy to rent market. One local agent suggested that the lower offers being made from potential second homes owners reflected the increase in Stamp Duty.
- 3.121 The local market is relatively active in the Shanklin area with agents selling between eight and ten properties per month, on average. One of the main estate agents on the Island informed us that they had sold in excess of 100 properties in the previous year.

### **The Bay: Ventnor**

- 3.122 The local market in the town of Ventnor is similar to that of Shanklin in that it has a high proportion of older people. However holiday/second homes is the main driver of the housing market. Conversely there is a large supply of flats area however these are again not too popular. There is also a distinct lack of one bedroom properties.

- 3.123 Holiday homes have a specific requirement in the area of a minimum of two bedrooms houses however these properties are in short supply in the local market. The area's high demand for holiday/second homes comes from mainlanders purchasing property in the area. A local agent estimated that between 60-70% of properties purchased in the area are by those looking for holiday/second homes from the mainland.
- 3.124 Sales in the area have declined and according to agents this is mainly due to the lack of stock. Indicatively, a local agent suggested that during the same period last year they had double the number of properties for sale in their portfolio.
- 3.125 The lack of stock in the area has also been a driver of house price growth. Entry level house prices are:
- n/a for 1 bed as these are not common in the area;
  - £120,000 for a 2 beds flats; and
  - £160,000 for a 2 beds houses;
- 3.126 According to local agents Stamp Duty changes have had no impact on the local market as the demand tends to come from mainlanders looking to downsize or purchase a second home.
- 3.127 There is a limited demand for new build and self-build properties in The Bay area including all three sub-areas of Shanklin, Sandown and Ventnor, and also any intermediate products i.e. shared ownership, starter homes etc. This is likely to be a result of the area appealing to older buyers and retirees who are looking for a 'pre-loved' retirement or a second home property.

### **Ryde**

- 3.128 Ryde is the largest town on the Island in terms of the number of dwellings however low wages are a restricting factor to people buying properties. The area is characterised by young families and first-time buyers looking to get onto the property ladder, therefore any lower priced properties are sold quickly.
- 3.129 First-time buyers tend to be young couples as opposed to single purchasers. Although there is a large proportion of young families and first time buyers, there is also a high proportion of older residents and retirees.
- 3.130 Similar to East Cowes, Ryde is oriented towards a commuter market. It is one of the most accessible settlements on the Island with fast transport links (10-15 mins via hovercraft) to the mainland and therefore is appealing to young couples or families who choose to commute to the mainland generally for higher paid work.

- 3.131 It was noted that approximately 30-40% of property buyers in the Ryde sub-area are from the mainland and are relocating to Ryde either for work, comparatively lower property prices to the mainland.
- 3.132 It was noted by local agents that the proportion of people moving to the Isle of Wight and commuting to the mainland may increase due to advancement in the technology enabling working remotely.
- 3.133 First-time buyers and young couples/families are looking to purchase two or three bedroom houses. There is a large supply of flats in the area due to the conversion of many Victorian houses into flats; however flats are in less demand than houses which has resulted in an oversupply. It was detailed by a local agent that cheaper flats (i.e. £80,000-£90,000) do not tend to sell well and can be on the market for long periods.
- 3.134 Property prices in Ryde are lower than in other settlements with the entry level price being:
- £50,000 for a studio flat (although these are limited);
  - £70,000-£80,000 for a 1 bed flats;
  - £90,000-£100,000 for a 2 bed flat;
  - £120,000 a 2 bed house;
  - £160,000 and £180,000 for a 3 bed house; and
  - Over £200,000 for a 4 bed house.
- 3.135 Similar to those agents in the Bay sub-area, agents in Ryde noted that previously they would have up to 100 properties on the market but this has now reduced to about 40 properties. Although this can demonstrate a reduction of stock in the market and imply that fewer properties are being sold, the number of agents in the area has increased. Even taking this into account there is probably still a lower supply of properties on the market. This has led to an increase in property prices by approximately 7%, as noted by a local agent.
- 3.136 In previous years investors for buy-to-let properties accounted for approximately 20% of the property sales in Ryde whereas currently they account for approximately 10%. It was also noted that the majority of investors in Ryde tend to be small scale, local investors with a small number of properties in their portfolio.
- 3.137 There are limited new build developments in Ryde, with a few developments in the potential pipeline. A local agent estimated that there were approximately 10-15 new build properties in the area each year, with 12 properties in the latest year. Any new build developments tend to be small scale and developed by small, often local developers.

- 3.138 The rental market in Ryde is strong and active due to the accessibility to new schools and increased accessibility to amenities as an urban area. Demand in the rental market is predominantly for two or three bed houses and due to limited supply, these are let quickly.
- 3.139 Local agents expect the market to remain steady over the next 12 months as uncertainty around Brexit continues. Increased interest rates are expected to continue to affect the market, but it is not expected to result in a drop in the market.

### **West Wight**

- 3.140 West Wight is a well situated place to purchase a property for those who commute for work in the mainland due to the ferry links between Yarmouth and Lymington. There is a particularly strong demand for upper end properties due to the setting and its nature.
- 3.141 Demand for properties in the Freshwater Bay area is driven by retiree's relocating from the mainland. Local agents stated that around 50% of homes on the market in this area are sold to those who are retiring or downsizing from the mainland.
- 3.142 The central area of Freshwater has a higher proportion of local buyers in comparison to those purchasing from the mainland. Properties in highest demand in central area of Freshwater are two bedroom terrace houses with gardens and mainly by local young families.
- 3.143 Despite the high house prices there are some first-time buyers in Freshwater, however not as many as other areas on the Island, such as Newport and Ryde.
- 3.144 There is also very limited demand for one bedroom flats in the area as most buyers are looking for a minimum of two bedrooms. Overall, demand for properties remains strong with activity than at this time last year.
- 3.145 Local agents identified house prices in Freshwater which are higher than other settlements in the area. Entry house price levels suggested include:
- £175,000-£200,000 for a 2-bed house; and
  - £180,000-£195,000 for a 3-bed house.
- 3.146 Three bedroom properties are most popular although they tend to be too expensive for younger buyers. The properties in particular demand are either smaller affordable houses around £160,000, 2 beds or 3 beds semi-detached properties around £230,000 and bungalows around £250,000.
- 3.147 Freshwater also has a strong rental market, particularly 2-bed and 3-bed houses which have relatively higher rents for the Island (£700-£800 pcm) due to their popularity coupled with their limited supply.



- 3.148 Buy to let investors remain active in the local housing market and are typically single investors, as opposed to those with large portfolios of properties, or retirees looking to invest savings into property. Investment has been slightly affected by changes in Stamp Duty however this is more reflected in offers put forward for a property rather than the overall number of buyers.
- 3.149 Local agents listed a number of new build schemes in the area ranging from 10 to 15 homes all of which are being undertaken by local developers.
- 3.150 Purchasers of new build properties in the area were an equal mix of those purchasing from the mainland for re-location or a second home and local residents looking to upsize/downsize. New build properties sell quickly in the area and particularly quickly in the coastal developments.
- 3.151 A local agent also informed us on the prices of new build properties which start at:
- £220,000 for a 2 bed house;
  - £375,000-£400,000 for a 3 bed house; and
  - £495,000-£600,000 for a 4 bed house.
- 3.152 On average, 1 new property is sold by local sales agents each month. The average price achieved is over £1,750/sq.m (or £163/sq.ft).
- 3.153 It was also noted that there was a lack of self/custom build properties in the area.
- 3.154 For the different sub-areas we can conclude that:
- Median house prices for the West Wight (£265,000); Ryde (£212,000) and The Bay (£206,000) stand above the HMA's equivalent while the median house prices of the rest of the submarkets falls below with the Medina Valley East being at the lowest level (£185,000).
  - LQ house prices in the West Wight are well above the Island's average (£200,000). LQ housing values in The Bay and Ryde are slightly above the Islands average and finally the entry level prices in Medina Valley (both West and East) are slightly below the Island's average.
  - Over the last 10 years, median house prices have increased by 15% in Ryde and on the Medina Valley – West and only by 9% on The Bay. In terms of LQ, the highest increase of 12% has been seen on The Bay (12%) and the smallest on the Medina Valley East (6%) for the same period.
  - Sales Volumes have been decreased on the Island by 33%. House sales have been decreased by 42% on The Bay and by 38% in Ryde. The sales volumes have been least decrease in Medina Valley East (-12%).
  - Rents are slightly more expensive on the West Wight although the availability is more constraint there; followed by The Bay. Ryde has a wide range of stock for lettings reflecting the high difference between LQ and median rents across the area.
  - Through the stakeholder consultation we acknowledged that:
    - The key drivers of the market are: the mainland investment; second-home demand and retirement accommodation preference for the Island together with the local demand from first-time buyers or people willing to either upgrade or downsize their properties.

- The emerging demand for “aspirational homes” for higher earnings incomers from the mainland is a focal point of the market. This has been also highlighted through the national builders’ activity in specific parts of the area such as East Cowes.
- In contrast to the comparatively cheaper housing offer, the Island still “struggles” in terms of affordability. This is mainly based on the comparatively low wages on the Island. In addition there is a significant amount of either unemployed or temporarily employed population.
- Sales volumes have been decreased due to the lack of available stock. There has been also a decrease in investors’ activity. New developments are predominantly based on the activity of small local builders on the Island.
- The rental market is increasing on the Island due to the increased unaffordability levels for specific groups such as young families and unemployed or not permanently employed population who is not able to take mortgage.
- Older persons accommodation: Both bungalows and 3bed houses are on demand together with needs for care accommodation on the Island. In addition, there are a few aged restricted (above 55 years old) schemes and products that have been introduced and it seems to gain ground in the market.
- Affordable housing: the affordable housing need is mainly driven by the low wages on the Island. Recently affordable housing activity has been limited with no new affordable schemes being planned from key providers.

## Summary

- 3.155 Median house prices on the Isle of Wight stand at £195,000 (2016), which is 12% below the national and 54% below the regional equivalent. Long-term growth in prices has been modest. Over the last 10 years, prices have increased by £15,000 with annual price growth averaging 0.8% per annum, which is below the rates of England (2.5% pa) and South East (3.7% pa). Nationally prices over this period have increased by £47,000 and regionally by £73,000.
- 3.156 The number of transactions decreased by a third over the last ten years on the Isle of Wight.
- 3.157 Land values in 2015 are 157% below the regional equivalent and 50% below the national (excluding London) level. Land values are influenced by housing costs.
- 3.158 Lower quartile house prices are on average around 8.4 times the lower quartile earnings (based on either workplace or residents incomes) in 2016 across the Island. This ratio is similar of where it was 10 years ago (-0.01). The affordability ratio is above the national equivalent but below the regional one indicating that although there are comparatively lower house prices across the Island these are still unaffordable for the population that work on the Island. The evidence points to comparative pressures for affordable housing
- 3.159 Rental costs are below the South East and England equivalents. Rental growth since 2011 has seen an increase of 10%. This is below the national (17%) and regional (25%) equivalent, with rental growth on the Island effectively following the inflation.

- 3.160 The LQ rental affordability ratio (LQ rents/LQ earnings at 34% is below regional (37%) and above the national equivalent (30%).
- 3.161 Rates of development on the Isle of Wight have fallen below planned housing provision with the last five years delivery meeting just 75% of the targets. The scale of under-delivery to the base point of this assessment in 2016/17 was 650 homes since 2012/13; 750 homes since 2006/07; and 850 homes since 2003/04 (when data is available).
- 3.162 While there is market pressure on the Island these are far less severe than the South East Region. Reflecting this the standardised methodology makes a 22% adjustment to the demographic growth while the maximum uplift allowed would be 40%.

#### **Key Points**

- Median house prices on the Isle of Wight stand at 12% below the national and 54% below the regional equivalent. Long-term growth in prices has been modest, and below the rates of England and the South East.
- Lower quartile house prices are on average 8.44 times the lower quartile earnings (based on workplace incomes) in 2016 across the Island although this ratio is similar of where it was 10 years ago.
- Rates of development on the Isle of Wight have fallen below planned housing provision with the last five years delivery meeting just 75% of the targets.
- The market signals evidence show modest pressure on the Island compared to the wider South East. Under the standard methodology the market signals evidence result in a 22% increase above the demographic growth.

## 4 AFFORDABLE HOUSING NEED

### Introduction

- 4.1 This section discusses the level of affordable housing need on the Isle of Wight. National Planning Practice Guidance (PPG) (paragraph 2a-022) describes affordable housing need as being an estimate of *'the number of households and projected households who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market'*.
- 4.2 The PPG sets out a model for assessing affordable housing need – this model largely replicates the model set out in previous SHMA guidance (of 2007). The 2007 guide contained more detail about specific aspects of the analysis and so is referred to in this section as appropriate. The analysis is based on secondary data sources. It draws on a number of sources of information including the Isle of Wight Housing Register, 2011 Census data, demographic projections, house prices/rents and income information.
- 4.3 The affordable housing needs model is based largely on housing market conditions (and particularly the relationship of housing costs and incomes) at a particular point in time – the time of the assessment – as well as the existing supply of affordable housing which can be used to meet the need. The base date for analysis is 2017 (e.g. data about housing costs and incomes is for 2017). It is recognised that the analysis should align with other research and hence estimates of affordable housing need are provided in this section on an annual basis for the 17-year period between 2017 and 2034 (the end date being consistent with the expected end date of the new Local Plan).

### Key Definitions

- 4.4 The analysis begins by setting out key definitions relating to affordable housing need, affordability and affordable housing.

#### **Current Affordable Housing Need**

- 4.5 Current affordable housing need is defined as the number of households who lack their own housing or who live in unsuitable housing and who cannot afford to meet their housing needs in the market. This is sometimes referred to as the 'backlog'.

#### **Newly-Arising Need**

- 4.6 Newly-arising (or future) need is a measure of the number of households who are expected to have an affordable housing need at some point in the future. As per paragraph 25 of the PPG this is made up of newly forming households and existing households falling into need.

## Supply of Affordable Housing

- 4.7 An estimate of the likely future supply of affordable housing is also made (drawing on secondary data sources about past lettings). The future supply of affordable housing is subtracted from the newly-arising need to make an assessment of the net future need for affordable housing.

## Affordability

- 4.8 Affordability is assessed by comparing household incomes against the cost of suitable market housing (to either buy or rent). Separate tests are applied for home ownership and private renting and are summarised below:
- a. *Assessing whether a household can afford home ownership: A household is considered able to afford to buy a home if it costs up to 4 times the gross household income – this is at the upper end of typical ratios used in analysis of this nature and ensures that affordable housing need figures are not over-estimated. In practical terms it makes little difference to the analysis due to the inclusion of a rental test (below) which tends to have less stringent income requirements for households to be able to afford access to market housing;*
  - b. *Assessing whether a household can afford market renting: A household is considered able to afford market rented housing in cases where the rent payable would constitute no more than a particular percentage of gross income. The choice of an appropriate threshold is an important aspect of the analysis, CLG guidance (of 2007) suggested that 25% of income is a reasonable start point but also notes that a different figure could be used. Analysis of current letting practice suggests that letting agents typically work on a multiple of 40% (although this can vary by area). Government policy (through Housing Benefit payment thresholds) would also suggest a figure of 40%+ (depending on household characteristics). Consideration of a reasonable proportion of income to use in analysis can be found later in this section.*
- 4.9 It should be recognised that a key challenge in assessing affordable housing need using secondary sources is the lack of information available regarding households' existing savings. This is a key factor in affecting the ability of young households to purchase housing, particularly in the current market context where a deposit of at least 10% is typically required for the more attractive mortgage deals. In many cases households who do not have sufficient savings to purchase have sufficient income to rent housing privately without support, and thus the impact of deposit issues on the overall assessment of affordable housing need is limited.

## Local Prices & Rents

- 4.10 An important part of the affordable needs model is to establish the entry-level costs of housing to buy and rent. The affordable housing needs assessment compares prices and rents with the incomes of households to establish what proportion of households can meet their needs in the market, and what proportion require support and are thus defined as having an 'affordable housing need'.

- 4.11 For the purposes of establishing affordable housing need, the analysis focuses on overall housing costs (for all dwelling types and sizes). The following section expands on this information in more detail to present a consideration of the types of affordable housing that might meet local needs. This section focuses on establishing, in numerical terms, the overall need for affordable housing.
- 4.12 Analysis below considers the entry-level costs of housing to both buy and rent across the Council area. The approach has been to analyse Land Registry and Valuation Office Agency (VOA) data to establish lower quartile prices and rents – using a lower quartile figure is consistent with the PPG and reflects the entry-level point into the market.
- 4.13 Data from the Land Registry for the year to September 2017 (i.e. Q2-Q4 of 2016 and Q1 of 2017) shows estimated lower quartile property prices on the Island by dwelling type. The data shows that entry-level costs to buy are estimated to start from about £97,500 for a flat and rising to in excess of £230,000 for a detached home. Looking at the lower quartile price across all dwelling types the analysis shows a lower quartile ‘average’ price of £150,100.

**Table 24: Lower quartile cost of housing to buy – year to September 2017**

|                 | Isle of Wight |
|-----------------|---------------|
| Flat/maisonette | £97,500       |
| Terraced        | £137,000      |
| Semi-detached   | £165,000      |
| Detached        | £232,800      |
| All dwellings   | £150,100      |

Source: Land Registry

- 4.14 A similar analysis has been carried out for private rents using Valuation Office Agency (VOA) data – this covers a 12-month period to September 2017. For the rental data, information about dwelling sizes is provided (rather than types); the analysis shows an average lower quartile cost (across all dwelling sizes) of £500 per month.

**Table 25: Lower Quartile Market Rents, year to September 2017 – Isle of Wight**

|                | Lower Quartile rent, pcm |
|----------------|--------------------------|
| Room only      | £348                     |
| Studio         | £360                     |
| 1-bedroom      | £423                     |
| 2-bedrooms     | £550                     |
| 3-bedrooms     | £695                     |
| 4-bedrooms     | £850                     |
| All properties | £500                     |

Source: Valuation Office Agency

- 4.15 The rental figures above have been taken from VOA data, it is however of interest for this study to see how these vary by location. The table below shows an estimate of the overall lower quartile private rent in each of the five sub-areas; this is based on analysis of Rightmove data on available lettings which has then been adjusted to be consistent with the data from VOA. The analysis shows lower quartile rents varying from about £475 per month in the Bay and Ryde areas, up to £550 in West Wight. In interpreting these figures it should be noted that the lower quartile figure can vary depending on the mix of homes available for rent; this is most notable in the case of West Wight, which seems to have a lower proportion of flatted accommodation to rent than other locations (and a generally smaller private rented sector generally).

**Table 26: Lower Quartile Market Rents, by sub-area**

|                      | Lower Quartile rent, pcm |
|----------------------|--------------------------|
| Bay                  | £475                     |
| Medina Valley – East | £525                     |
| Medina Valley – West | £525                     |
| Ryde                 | £475                     |
| West Wight           | £550                     |
| All properties       | £500                     |

Source: Internet private rental cost search

### What is an Appropriate Threshold for Affordability?

- 4.16 Having undertaken an analysis of the cost of housing, it is useful to think about what might be a reasonable figure to use as an affordability threshold (in terms of the amount of income that could be spent on housing costs). As noted previously there is no guidance on this topic within the PPG and an earlier discussion shows that analysis based upon a figure in the range of 25% to 40% could be considered a reasonable starting point.
- 4.17 The threshold of percentage of income to be spent on housing should be set by asking the question *‘what level of income is expected to be required for a household to be able to access market housing without the need for a subsidy (e.g. through Housing Benefit)?’* The choice of an appropriate threshold will to some degree be arbitrary and will be linked to the cost of housing rather than income.
- 4.18 Income levels are only relevant in determining the number (or proportion) of households who fail to meet the threshold. It would be feasible to find an area with very low incomes and therefore conclude that no households can afford housing, alternatively an area with very high incomes might show the opposite output. The key here is that local income levels are not setting the threshold, but are simply being used to assess how many can or can’t afford market housing.

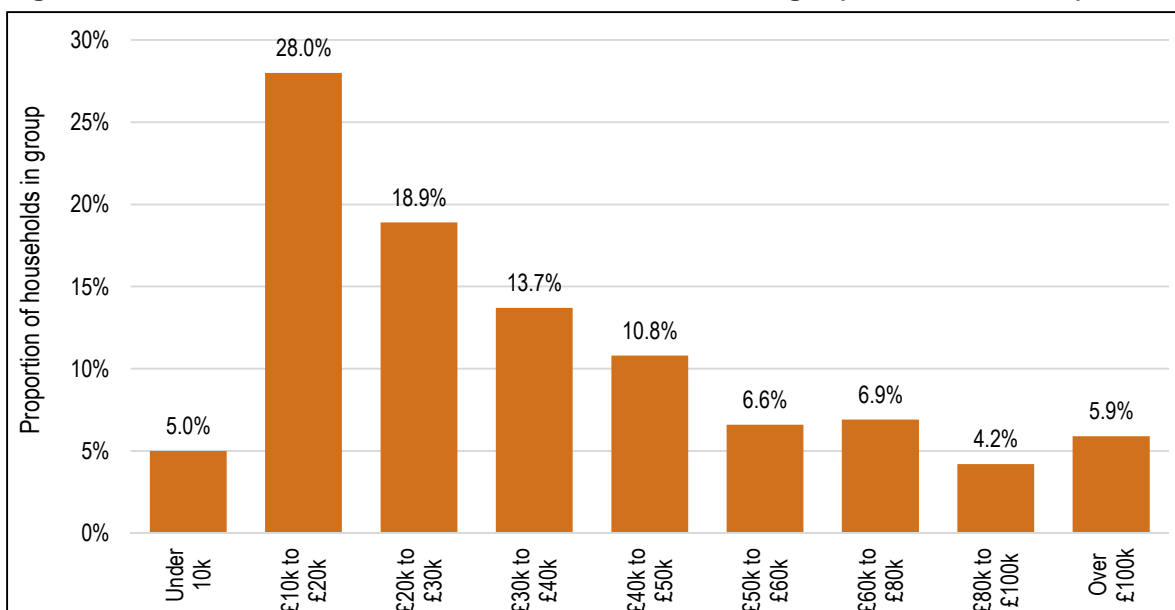
- 4.19 To look at a reasonable threshold on the Isle of Wight a national benchmarking exercise has initially been carried out. Across the country, evidence (from VOA) points to the cheapest areas having lower quartile rents of around £350 per month (Liverpool). It is assumed that these areas would have a 25% affordability threshold (i.e. the bottom end of the threshold range reflects the bottom end of the housing cost range).
- 4.20 On the Island, rents are somewhat higher (lower quartile figure of £500 per month) and it is not considered appropriate to use the same 25% figure; a higher threshold (of 30%) has therefore been applied in this area and is considered to be a reasonable threshold given the differing housing costs – the use of 30% is consistent with the previous SHMA in 2014.

### Income Levels and Affordability

- 4.21 Following on from the assessment of local prices and rents it is important to understand local income levels as these (along with the price/rent data) will determine levels of affordability (i.e. the ability of a household to afford to buy or rent housing in the market without the need for some sort of subsidy). Data about total household income has been based on ONS modelled income estimates, with additional data from the English Housing Survey (EHS) being used to provide information about the distribution of incomes.
- 4.22 Drawing all of this data together we have therefore been able to construct an income distribution for the whole Council area for 2017. The figure below shows that around a third (32%) of households have incomes below £20,000 with a further third in the range of £20,000 to £40,000. The overall average (median) income of all households in the Council area was estimated to be around £28,900 with a mean income of £38,000.
- 4.23 The average income is estimated to be somewhat higher than was the case in the 2014 SHMA (mean income of £31,300) – this is due to using the updated ONS source and this difference may not reflect actual changes over the period studied.



**Figure 14: Distribution of Household Income on the Isle of Wight (mid-2017 estimate)**



Source: Derived from EHS and ONS data

4.24 Analysis has also been undertaken to estimate how incomes vary by sub-area, with the table below showing mean incomes in each area and how this varies from the Island-wide average. The analysis shows the highest incomes to be in the Medina Valley – West area and the lowest in Bay. Overall however, the range of incomes (from £35,500 to £41,400) is not substantial.

**Table 27: Estimated average (mean) household income by sub-area (mid-2017 estimate)**

|                             | Mean income | % of Island average |
|-----------------------------|-------------|---------------------|
| Bay                         | £35,500     | 93.3%               |
| <i>Medina Valley – East</i> | £38,800     | 101.9%              |
| <i>Medina Valley – West</i> | £41,400     | 108.8%              |
| Ryde                        | £37,700     | 99.1%               |
| West Wight                  | £37,300     | 98.0%               |
| Total                       | £38,000     | 100.0%              |

Source: Derived from EHS and ONS data

4.25 To assess affordability, the analysis has looked at households' ability to afford private rented housing. This is because the income threshold for such housing (across the Island) is lower than for buying a home. The distribution of household incomes is then used to estimate the likely proportion of households who are unable to afford to meet their needs in the private sector without support, on the basis of existing incomes. This analysis brings together the data on household incomes with the estimated incomes required to access private rented housing.

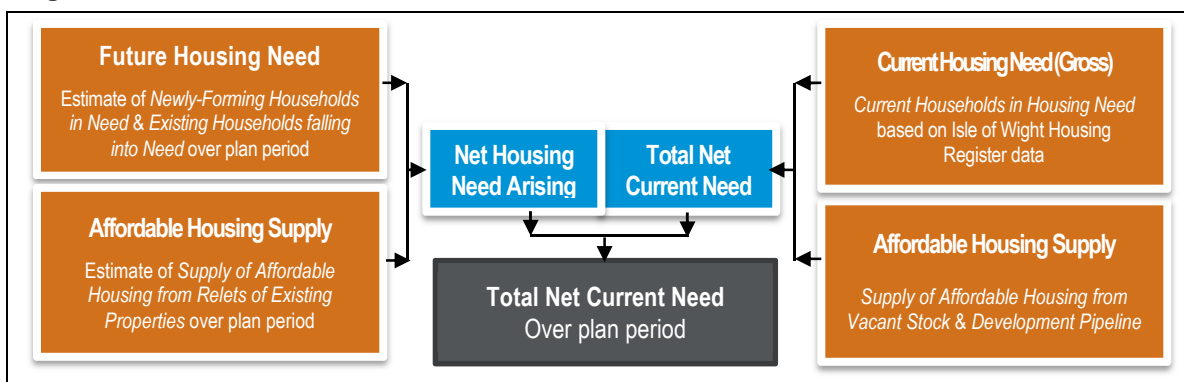
4.26 Different affordability tests are applied to different parts of the analysis depending on the group being studied, e.g. recognising that newly forming households are likely on average to have lower

incomes than existing households (this has consistently been shown to be the case in the English Housing Survey and the Survey of English Housing). Assumptions about income levels for specific elements of the modelling are discussed where relevant in the analysis that follows.

## Affordable Housing Needs Assessment

- 4.27 Affordable housing need has been assessed using the Affordable Needs Assessment Model as set out in the PPG (2a-023 to 2a-029) which is virtually identical to models set out in previous guidance (such as the 2007 CLG SHMA guide). This model is summarised in the chart below.

**Figure 15: Overview of Affordable Needs Assessment Model**



Source: Derived from CLG Planning Practice Guidance

- 4.28 Due to the analysis being based on secondary data sources only, there are a number of assumptions that need to be made to ensure that the analysis is as robust as possible. Key assumptions include understanding the likely income levels of different groups of the population (such as newly forming households), recognising that such households' incomes may differ from those in the general population.
- 4.29 To overcome the limitations of a secondary-data-only assessment, additional data has been taken from a range of survey-based affordable needs assessments carried out by JGC over the past five years or so. These surveys (which cover a range of areas and time periods) allow the assessment to consider issues such as needs which are not picked up in published sources and different income levels for different household groups. This data is then applied to actual data for Isle of Wight (e.g. about income levels) as appropriate. It is the case that outputs from surveys in other areas show remarkably similar outputs to each other for a range of core variables (for example the income levels of newly forming households when compared with existing households) and are therefore likely to be fairly reflective of the situation locally on the Island. Where possible, data has also been drawn from national surveys (notably the English Housing Survey).

- 4.30 It should also be stressed that the secondary data approach is consistent with the PPG. Specifically, paragraph 2a-014 states that:

*'Plan makers should avoid expending significant resources on primary research (information that is collected through surveys, focus groups or interviews etc. and analysed to produce a new set of findings) as this will in many cases be a disproportionate way of establishing an evidence base. They should instead look to rely predominantly on secondary data (e.g. Census, national surveys) to inform their assessment which are identified within the guidance.'*

- 4.31 The analysis that follows is therefore consistent with the requirements of the Planning Practice Guidance.

### Current Affordable Housing Need

- 4.32 In line with the PPG the current need for affordable housing is assessed through analysis of Housing Register information. As part of this project an anonymised download of the register was provided (as of January 2018) which has been interrogated to estimate the number of households with an affordable housing need.
- 4.33 As of January 2018, there were 1,976 households on the Register. Not all of the households registered for housing will have significant housing needs and the analysis below shows the banding of need as assessed on the Register by the Council (along with descriptions of the banding).
- 4.34 For the purposes of this report, it has been assumed that those households in bands 1 to 4 can be considered as in housing need. Across the Isle of Wight some 1,752 households fall into the bands from 1 to 4 and would be considered as having an assessed housing need (and not just an expressed need) – this is 89% of all households on the register).

**Table 28: Number of households on Isle of Wight Housing Register by housing need banding (January 2018)**

| Band         | Description  | Number of households | % of households |
|--------------|--|----------------------|-----------------|
| 1            | <ul style="list-style-type: none"> <li>Urgent medical/welfare issues</li> <li>Multiples of Band 2</li> </ul>   | 16                   | 0.8%            |
| 2            | <ul style="list-style-type: none"> <li>Severe overcrowding (at least 2 bedrooms)</li> <li>Severe under occupation (social housing tenants resident on the Island)</li> <li>Severe medical/welfare issues</li> <li>Applicants identified as being ready for 'move-on' accommodation</li> <li>Social housing tenants on the Island vacating disable adapted accommodation</li> </ul>   | 253                  | 12.8%           |
| 3            | <ul style="list-style-type: none"> <li>Multiples of Band 4</li> </ul>  | 881                  | 44.6%           |
| 4            | <ul style="list-style-type: none"> <li>Homeless applicants</li> <li>Significant medical/welfare issues</li> <li>Hazardous property condition as defined by the Housing Renewal team</li> <li>Lacking or sharing amenities</li> <li>Households within insecure accommodation</li> <li>Minor overcrowding (1 bedroom)</li> <li>Minor under occupation (private tenants or owner occupiers resident on the Island)</li> </ul> | 602                  | 30.5%           |
| 5            | <ul style="list-style-type: none"> <li>Households with secure accommodation and no other housing need</li> </ul>   | 224                  | 11.3%           |
| <b>Total</b> |  | <b>1,976</b>         | <b>100.0%</b>   |

Source: Isle of Wight Housing Register

- 4.35 As well as looking at the level of need of households on the register, it is important to understand the living circumstances of those households. In particular, this focusses on current tenure, recognising that households already living in affordable housing would release a home for use by another household if they were to move and hence there is no additional need for housing to be provided (although there may be a mismatch between the homes needed and those released, both in terms of size and location).
- 4.36 The table below shows that around 608 households are currently living in affordable housing leaving 1,368 within private sector housing or without accommodation (over half of these are living in private rented accommodation).
- 4.37 Excluding households in Band 5, this analysis shows 1,330 households as in need (and not currently living in affordable accommodation). This figure is taken forward into the final analysis of

affordable housing need (where it is divided by 17 to give an annualised figure for the full projection period of 2017-34).

**Table 29: Current tenure of households on Housing Register and in need – by priority banding**

|                            | LA/RP housing | Other        | Total        |
|----------------------------|---------------|--------------|--------------|
| Band 1                     | 11            | 5            | 16           |
| Band 2                     | 168           | 85           | 253          |
| Band 3                     | 59            | 822          | 881          |
| Band 4                     | 184           | 418          | 602          |
| Band 5                     | 186           | 38           | 224          |
| <b>Total (inc. Band 5)</b> | <b>608</b>    | <b>1,368</b> | <b>1,976</b> |

Source: Isle of Wight Housing Register

4.38 The table below shows the locations of the households treated as in need for the purposes of this assessment. The information is taken from the correspondence postcode entered on the Housing Register. In a small number of cases (11%) the postcode was outside of the area, and these cases have been included on a pro rata basis. The analysis shows that of the 1,330 households in need, the highest proportion are found in the Ryde area, closely followed by Bay. The numbers in need in West Wight were shown to be relatively low.

**Table 30: Estimated number of households on Housing Register and in need – by sub-area**

|                             | Total in need | % of need     |
|-----------------------------|---------------|---------------|
| Bay                         | 376           | 28.2%         |
| <i>Medina Valley – East</i> | 165           | 12.4%         |
| <i>Medina Valley – West</i> | 320           | 24.1%         |
| Ryde                        | 377           | 28.3%         |
| West Wight                  | 92            | 6.9%          |
| <b>Total (exc. Band 5)</b>  | <b>1,330</b>  | <b>100.0%</b> |

Source: Isle of Wight Housing Register

### Newly-Arising Need

4.39 To estimate newly-arising (projected future) need, two key groups of households based on the PPG (2a-025) have been studied. These are:

- Newly forming households; and
- Existing households falling into need.

### **Newly-Forming Households**

- 4.40 The number of newly-forming households has been estimated through the demographic modelling with an affordability test also being applied. This is based on the demographic growth and not the OAN derived from the standardised methodology although this is subsequently provided.
- 4.41 This has been undertaken by considering the changes in households in specific 5-year age bands relative to numbers in the age band below, 5 years previously, to provide an estimate of gross household formation. This differs from numbers presented in the demographic projections which are for net household growth.
- 4.42 The numbers of newly-forming households are limited to households forming who are aged under 45 – this is consistent with CLG guidance (from 2007) which notes after age 45 that headship (household formation) rates ‘plateau’. There may be a small number of household formations beyond age 45 (e.g. due to relationship breakdown) although the number is expected to be fairly small when compared with formation of younger households.
- 4.43 The estimates of gross new household formation have been based on outputs from the 2014-based CLG household projections to allow for a consistent approach across areas. In looking at the likely affordability of newly-forming households, data has been drawn from previous surveys. This establishes that the average income of newly-forming households is around 84% of the figure for all households. This figure is remarkably consistent across areas (and is also consistent with analysis of English Housing Survey data at a national level).
- 4.44 The analysis has therefore adjusted the overall household income data to reflect the lower average income for newly-forming households. The adjustments have been made by changing the distribution of income by bands such that average income level is 84% of the all household average. In doing this it is possible to calculate the proportion of households unable to afford market housing without any form of subsidy (such as LHA/HB). The assessment suggests that overall around two-fifths of newly-forming households will be unable to afford market housing (to rent) and that a total of 350 new households will have a need on average in each year to 2034.

**Table 31: Estimated Level of Affordable Housing Need from Newly Forming Households (per annum)**

|                      | No. of new households | % unable to afford | Total in need |
|----------------------|-----------------------|--------------------|---------------|
| Bay                  | 194                   | 41.2%              | 80            |
| Medina Valley – East | 117                   | 41.7%              | 49            |
| Medina Valley – West | 199                   | 38.9%              | 77            |
| Ryde                 | 232                   | 38.6%              | 89            |
| West Wight           | 119                   | 45.8%              | 55            |
| <b>Total</b>         | <b>861</b>            | <b>40.7%</b>       | <b>350</b>    |

Source: Projection Modelling/affordability analysis

#### **Existing Households falling into Affordable Housing Need**

- 4.45 The second element of newly arising need is existing households falling into need. To assess this, information from CoRe<sup>11</sup> has been used. This looked at households who have been housed over the past three years – this group will represent the flow of households onto the Housing Register over this period.
- 4.46 From this newly forming households (e.g. those currently living with family) have been discounted as well as households who have transferred from another social/affordable rented property. An affordability test has also been applied.
- 4.47 The numbers over this period or indeed in future could be influenced by changes to government policy or if there is a substantial increase in unemployment resulting from the closure of a major employer.
- 4.48 This method for assessing existing households falling into need is consistent with the 2007 SHMA guide which says on page 46 that *'Partnerships should estimate the number of existing households falling into need each year by looking at recent trends. This should include households who have entered the housing register and been housed within the year as well as households housed outside of the register (such as priority homeless household applicants)'*.
- 4.49 Following the analysis through suggests a need arising from 225 existing households each year from 2017 to 2034.

<sup>11</sup> The continuous recording of lettings and sales in social housing in England (referred to as CoRe) is a national information source that records information on the characteristics of both private registered providers and local authority new social housing tenants and the homes they rent

**Table 32: Estimated Level of Affordable Housing Need from Existing Households falling into need (per annum)**

|                      | Total additional need | % of total    |
|----------------------|-----------------------|---------------|
| Bay                  | 60                    | 26.6%         |
| Medina Valley – East | 41                    | 18.3%         |
| Medina Valley – West | 48                    | 21.5%         |
| Ryde                 | 51                    | 22.9%         |
| West Wight           | 24                    | 10.6%         |
| <b>Total</b>         | <b>225</b>            | <b>100.0%</b> |

Source: CoRe/affordability analysis

### Supply of Affordable Housing

- 4.50 The future supply of affordable housing is the flow of affordable housing arising from the existing stock that is available to meet future need. This focusses on the annual supply of social/affordable rent relets.
- 4.51 The Practice Guidance suggests that the estimate of likely future relets from the social rented stock should be based on past trend data which can be taken as a prediction for the future. Information from the CoRe system has been used to establish past patterns of social housing turnover. The figures include general needs and supported lettings, but exclude lettings of new properties and also exclude an estimate of the number of transfers from other social rented homes. The re-let figure also excludes new-build properties let for the first time. These exclusions are made to ensure that the figures presented reflect relets from the existing stock.
- 4.52 On the basis of past trend data it has been estimated that 431 units of social/affordable rented housing are likely to become available each year moving forward.

**Table 33: Analysis of past social/affordable rented housing supply (per annum – based on data for 2014-17 period)**

|                               | General needs | Supported housing | Total        |
|-------------------------------|---------------|-------------------|--------------|
| Total lettings                | 416           | 286               | <b>702</b>   |
| % as non-new build            | 87.2%         | 100.0%            | <b>92.4%</b> |
| Lettings in existing stock    | 363           | 286               | <b>649</b>   |
| % non-transfers               | 59.9%         | 74.8%             | <b>66.5%</b> |
| Total lettings to new tenants | 217           | 214               | <b>431</b>   |

Source: CoRe

- 4.53 The table below shows the estimated supply of affordable housing from relets in each sub-area. The sub-area figures have been based on the size of the stock in each sub-area as of 2011 (Census data).



**Table 34: Estimated supply of affordable housing from relets of existing stock by sub-area (per annum)**

|                      | Annual supply | % of supply   |
|----------------------|---------------|---------------|
| Bay                  | 114           | 26.4%         |
| Medina Valley – East | 78            | 18.0%         |
| Medina Valley – West | 95            | 22.0%         |
| Ryde                 | 102           | 23.6%         |
| West Wight           | 43            | 10.0%         |
| <b>Total</b>         | <b>431</b>    | <b>100.0%</b> |

Source: CoRe/Census (2011)

- 4.54 The PPG model also includes the bringing back of vacant homes into use and the pipeline of affordable housing as part of the supply calculation. These have however not been included within the modelling in this report. Firstly, there is no evidence of any substantial stock of vacant homes (over and above a level that might be expected to allow movement in the stock) – as of 2016, CLG data shows just 16 vacant general needs homes on the Island. Secondly, with the pipeline supply, it is not considered appropriate to include this as to net off new housing would be to fail to show the full extent of the need, although in monitoring it will be important to net off these dwellings as they are completed.

### Net Affordable Housing Need

- 4.55 The table below shows the overall calculation of affordable housing need. This excludes supply arising from sites with planning consent (the ‘development pipeline’). The analysis shows that there is a need for 222 dwellings per annum to be provided – a total of 3,800 over the 17-year period (2017-34).

**Net Need = Current Need + Need from Newly-Forming Households + Existing Households falling into Need – Supply of Affordable Housing**

**Table 35: Estimated Need for Affordable Housing**

|                                       | Per annum  | 2017-34      |
|---------------------------------------|------------|--------------|
| Current need                          | 78         | 1,330        |
| Newly forming households              | 350        | 5,954        |
| Existing households falling into need | 225        | 3,822        |
| Total Gross Need                      | 653        | 11,106       |
| Re-let Supply                         | 431        | 7,334        |
| <b>Net Need</b>                       | <b>222</b> | <b>3,772</b> |

Source: Census (2011)/CoRe/Projection Modelling and affordability analysis (annual figures may not sum due to rounding)

4.56 The table below shows the estimated need for affordable housing by sub-area. This shows a need in all parts of the Island, with the highest figure being seen in Ryde. Despite only 13% of the gross need being shown to be in West Wight, this area makes up 18% of the net need. The opposite trend can be seen in Medina Valley – East (15% of the gross need and 10% of net) – this latter figure looks to be driven by a larger current stock in this area than other locations.

**Table 36: Estimated Need for Affordable Housing by sub-area (per annum)**

|                             | Current need | Newly forming households | Existing households falling into need | Total Gross Need | Re-let Supply | Net Need   |
|-----------------------------|--------------|--------------------------|---------------------------------------|------------------|---------------|------------|
| Bay                         | 22           | 80                       | 60                                    | 162              | 114           | 48         |
| Medina Valley               | 29           | 126                      | 89                                    | 245              | 173           | 77         |
| <i>Medina Valley – East</i> | 10           | 49                       | 41                                    | 100              | 78            | 22         |
| <i>Medina Valley – West</i> | 19           | 77                       | 48                                    | 145              | 95            | 50         |
| Ryde                        | 22           | 89                       | 51                                    | 163              | 102           | 61         |
| West Wight                  | 5            | 55                       | 24                                    | 84               | 43            | 41         |
| <b>Total</b>                | <b>78</b>    | <b>350</b>               | <b>225</b>                            | <b>653</b>       | <b>431</b>    | <b>222</b> |

Source: CoRe/Census (2011) (figures may not sum due to rounding)

4.57 The 222 dwelling per annum need for affordable housing is in the context of modelling based on official population and household projections (from ONS/CLG). If the Council were to increase their housing requirement (e.g. to meet the higher figure in the standardised methodology), it is possible that the affordable housing need would also rise. However, any increase would be fairly modest for any given increase in overall numbers.

#### **OAN Sensitivities**

4.58 If the level of housing delivery was increased to 641 dwellings per annum (based on the standardised methodology) rather than a baseline figure of 565 from CLG projections, then the net affordable need would increase by 9% to 242 dwellings per annum (this is under the assumption that other parts of the model (e.g. incomes and housing costs) remain the same). Hence the increase in affordable need is only about a quarter of the increase in overall delivery.

4.59 These indicative figures are shown in the table below. It can be seen that the only change is made to the number of newly forming households, which are projected to increase with higher levels of population/household growth.

4.60 For the purposes of modelling, the current need and existing households falling into need have been assumed to be constant. In reality the needs from these groups could also go up (due to there being more households).

- 4.61 However, the modelling also keeps the re-let supply constant; with higher housing delivery, it could be expected that the affordable stock would increase, and over time the number of re-lets would also increase. For the purposes of modelling it is essentially assumed, that any changes in need from existing households would be balanced out against changes to the re-let supply.

**Table 37: Indicative Estimated Need for Affordable Housing with different levels of housing delivery**

|                                       | Main modelling (565 dpa) | 641 dwellings per annum |
|---------------------------------------|--------------------------|-------------------------|
| Current need                          | 78                       | 78                      |
| Newly forming households              | 350                      | 370                     |
| Existing households falling into need | 225                      | 225                     |
| Total Gross Need                      | 653                      | 673                     |
| Re-let Supply                         | 431                      | 431                     |
| <b>Net Need</b>                       | <b>222</b>               | <b>242</b>              |

Source: Census (2011)/CoRe/Projection Modelling and affordability analysis (figures may not sum due to rounding)

- 4.62 Looking at the estimated changes to affordable housing need in more detail, the analysis suggests that the affordable need will increase by about 26% for every additional dwelling provided (e.g. increasing delivery by 100 units would see the affordable need increase by 26).
- 4.63 The reason for the change in affordable need being lower than the overall change in dwellings/households is due to only a fraction of additional households being unable to afford housing; many of the additional households in the modelling will be existing households of working-age and in employment.
- 4.64 The bulk of the increase in additional affordable need is projected to come from other households forming from these additional 'existing' households (e.g. children growing up over time and needing independent accommodation). In other words, a greater increase in the number of households overall, would be projected over time to also generate some increase in the number of new households seeking their own home – this is what drives the changes in estimated levels of affordable housing need.

### Comparison with Previous Analysis of Affordable Need

- 4.65 It is worthwhile to briefly make a comparison between the findings in this report and the last assessment of affordable housing need. The last full assessment was undertaken in the 2014 SHMA; a comparison has therefore been made with this assessment, figures being taken from Table 41 of the SHMA.

- 4.66 The analysis shows a lower affordable need in this assessment compared with previous work – a need for 222 dwellings per annum (or 242 if linked to a housing requirement of 641 dwellings per annum), compared with 304.
- 4.67 The difference is largely due to reduced estimates of gross need (although there are also changes to estimated supply) – this has been driven by a situation where the lower quartile rent has not changed, but new income data (from ONS) is showing higher incomes than estimated in 2014. Hence affordability looks to have improved and the net need has fallen.
- 4.68 However, regardless of any difference, both studies show a substantial need for additional affordable housing, and the Council should seek to provide such accommodation where the opportunities arise.

**Table 38: Comparison of affordable housing needs assessments (2014 and 2017) – all figures per annum**

|                                       | 2017-based (this study) | 2014 SHMA |
|---------------------------------------|-------------------------|-----------|
| Current need                          | 78                      | 39        |
| Newly forming households              | 350                     | 445       |
| Existing households falling into need | 225                     | 291       |
| Total Gross Need                      | 653                     | 774       |
| Re-let Supply                         | 431                     | 469       |
| Net Need                              | 222                     | 304       |

Source: This study and 2014 SHMA

## Summary

- 4.69 An assessment of affordable housing need has been undertaken which is compliant with Government guidance to identify whether there is a shortfall or surplus of affordable housing on Isle of Wight. Overall, in the period from 2017 to 2034 a net deficit of 222 affordable homes per annum is identified, along with a need for additional affordable housing in all sub-areas of the Island. There is thus a requirement for new affordable housing and the Council is justified in seeking to secure additional affordable housing.
- 4.70 The estimated need for affordable housing is slightly lower in this assessment than previous SHMA research. Nevertheless, despite a lower level of need being suggested in this report, it is still clear that provision of new affordable housing is an important and pressing issue for the Council. It does however need to be stressed that this report does not provide an affordable housing target; the amount of affordable housing delivered will be limited to the amount that can viably be provided. The evidence does however suggest that affordable housing delivery should be maximised where opportunities arise.

- 4.71 Finally, it should be made clear that the housing needs research represents a point in time and the need for affordable housing going forward is dependent on a number of factors. For example, current Government policies around Universal Credit, Supported Housing, Local Housing Allowance, Homeless Reduction Act and other related policies may mean an increase in the need for affordable housing need going forward. The Council will need to be mindful of such policies and monitor their impact in its administrative area.
- 4.72 In previous SHMA assessments the OAN would require to consider the affordable housing need. However within the new standardised methodology this is no longer the case. However the expectation is that increases to address market signals will also provide more affordable homes.

#### **Key Points**

- An assessment of affordable housing need has been undertaken which is compliant with Government guidance to identify whether there is a shortfall or surplus of affordable housing on the Isle of Wight. Overall, in the period from 2017 to 2034 a net deficit of 225 affordable homes per annum is identified based on the demographic baseline.
- The affordable housing need increases to 242 dpa when the assessment of household growth is based on the OAN of 641 dpa.
- There is thus a requirement for new affordable housing and the Council is justified in seeking to secure additional affordable housing.
- The identified affordable housing need of 242 per annum comprises around 38% of the 641 dpa need resulting from the OAN. This is slightly higher than the current Council policy and gives some justification to the Council continuing to seek the maximum level of affordable housing contribution where it is viable to do so.
- The increased delivery of homes resulting from the OAN will also result in increased delivery of affordable homes. There is therefore no need either in policy or in reality to increase overall housing need to address affordable housing need.
- The housing needs research represents a point in time and the need for affordable housing going forward is dependent on a number of factors. For example, current Government policies around Universal Credit, Supported Housing, Local Housing Allowance, Homeless Reduction Act and other related policies may mean an increase in the need for affordable housing need going forward. The Council will need to be mindful of such policies and monitor their impact.

## 5 HOUSING MIX BY TENURE

### Introduction

- 5.1 This section provides an indication of the range of tenure options that meet the needs of a broad spectrum of households. A particular focus of the analysis is to consider the (proposed) wider definition of affordable housing as set out in the Housing White Paper (HWP) of February 2017.
- 5.2 The analysis looks at the cost of housing of different tenures, and develops this to seek to understand of what this might mean in terms of an income required to access such housing. The analysis looks at both market housing and the full range of affordable housing options set out in the HWP.

### NPPF and HWP definitions of affordable housing

- 5.3 Affordable housing is currently defined in national policy (National Planning Policy Framework (NPPF), Annex 2: Glossary) as follows:

*Affordable housing: Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.*

*Social rented housing is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency.*

*Affordable rented housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).*

*Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing.*

*Homes that do not meet the above definition of affordable housing, such as “low cost market” housing, may not be considered as affordable housing for planning purposes.*

- 5.4 Affordable housing is also re-defined in emerging national policy (Draft revised National Planning Policy Framework (Draft NPPF), Annex 2: Glossary) as follows:

**Affordable housing:** *housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers); and which complies with one or more of the following definitions:*

*a) **Affordable housing for rent:** meets all of the following conditions: (a) the rent is set in accordance with the Government's rent policy, or is at least 20% below local market rents (including service charges where applicable); (b) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme (in which case the landlord need not be a registered provider); and (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision. For Build to Rent schemes affordable housing for rent is expected to be the normal form of affordable housing provision (and, in this context, is known as Affordable Private Rent).*

*b) **Starter homes:** is as specified in Sections 2 and 3 of the Housing and Planning Act 2016 and any secondary legislation made under these sections. The definition of a starter home should reflect the meaning set out in statute at the time of plan preparation or decision-making. Income restrictions should be used to limit a household's eligibility to purchase a starter home to those who have maximum household incomes of £80,000 a year or less (or £90,000 a year or less in Greater London)*

*c) **Discounted market sales housing:** is that sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households.*

*d) **Other affordable routes to home ownership:** is housing provided for sale that provides a route to ownership for those who could not achieve home ownership through the market. It includes shared ownership, relevant equity loans, other low cost homes for sale and rent to buy (which includes a period of intermediate rent). Where public grant funding is provided, there should be provisions for the homes to remain at an affordable price for future eligible households, or for any receipts to be recycled for alternative affordable housing provision, or refunded to Government or the relevant authority specified in the funding agreement.*

5.5 While this is a suitable definition of affordable housing the Draft NPPF is still subject to change. As such the work should be assessed the current original version of the NPPF.

5.6 The HWP had previously proposed amending the definition of affordable housing to include starter homes and 'affordable private rent'. The proposed new definition of affordable housing in the HWP was follows:

***Affordable housing:** housing that is provided for sale or rent to those whose needs are not met by the market (this can include housing that provides a subsidised route to home ownership), and which meets the criteria for one of the models set out below.*

***Social rented and affordable rented housing:** eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.*

*Social rented housing is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the Government's rent policy. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency.*

*Affordable rented housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).*

*Starter homes is housing as defined in Sections 2 and 3 of the Housing and Planning Act 2016 and any subsequent secondary legislation made under these sections. The definition of a starter home should reflect the meaning set out in statute at the time of plan-preparation or decision-taking. Local planning authorities should also include income restrictions which limit a person's eligibility to purchase a starter home to those who have maximum household incomes of £80,000 a year or less (or £90,000 a year or less in Greater London).*

*Discounted market sales housing is housing that is sold at a discount of at least 20 per cent below local market value. Eligibility is determined with regard to local incomes and local house prices. It should include provisions to remain at a discount for future eligible households.*

*Affordable private rent housing is housing that is made available for rent at a level which is at least 20 per cent below local market rent. Eligibility is determined with regard to local incomes and local house prices. Provision should be made to ensure that affordable private rent housing remains available for rent at a discount for future eligible households or for alternative affordable housing provision to be made if the discount is withdrawn. Affordable private rented housing is particularly suited to the provision of affordable housing as part of Build to Rent Schemes.*

*Intermediate housing is discount market sales and affordable private rent housing and other housing that meets the following criteria: housing that is provided for sale and rent at a cost above social rent, but below market levels. Eligibility is determined with regard to local incomes and local house prices. It should also include provisions to remain at an affordable price for future eligible households or for any receipts to be recycled for alternative affordable housing provision, or refunded to Government or the relevant authority specified in the funding agreement. These can include Shared Ownership, equity loans, other low cost homes for sale and intermediate rent (including Rent to Buy housing).*

## Initial Discussion of Proposed Changes to Definition of Affordable Housing

- 5.7 The HWP proposals are interesting in that the basic definition of who affordable housing is for does not change (households whose needs are not met by the market) but at the same time a series of additional options for meeting affordable need are suggested. In particular, some of the home ownership options (such as Starter Homes) might arguably be seen as unaffordable when looking at access to the housing market generally (i.e. they may be more expensive than the private rented sector).
- 5.8 However, Central Government is clear in its desire to see more home ownership options being made available, stating that *'to promote delivery of affordable homes to buy, we propose to make it clear in national planning policy that local authorities should seek to ensure that a minimum of 10% of all homes on individual sites are affordable home ownership products'*. The figure of 10% is considered to provide a balance between renting and home ownership.
- 5.9 Whilst home ownership options may not be affordable in the traditional sense of the term (i.e. to only apply to those who cannot afford any form of market housing), it is clear that enabling additional households to access home ownership will release other forms of housing for use by other households – this will particularly be in the private rented sector, and it is noteworthy that the HWP now includes a form of private renting within the affordable definition.



- 5.10 Looking more closely at some of the individual forms of affordable housing in the HWP, there appears to be some degree of similarity. For example, both affordable rented and affordable private rent are said to be based on a discount from market costs of 20% - hence in cost terms they are arguably identical. However, the difference is that affordable private rent is seen to be a suitable tenure on Build to Rent schemes, whereas affordable rented housing would be let by local authorities or Registered Providers. It is also important to note intermediate rents which can be applied to rented intermediate housing at above social rent, but below market levels i.e. up to 20% market rent.
- 5.11 The difference is therefore partly how housing might be allocated and hence the eligibility criteria; this would make a difference to the size profile of such housing (particularly as affordable private rent would be expected to be *'physically indistinguishable'* from other types of housing in a development).
- 5.12 This discussion is designed to show that the widening range of affordable options within the HWP and highlight the degree of overlap between these products. As a result it would not necessarily lend itself to a straight suggestion of different percentages of delivery of different types of housing. For example, affordable private rent (given that this is seen as most suitable on Build to Rent schemes) might arguably not have any target, but could be provided should an appropriate scheme come forward.
- 5.13 Additionally, some home ownership schemes might not be affordable in a traditional sense (depending on the cost of other forms of housing) but might be considered suitable to allow households to move out of private rented accommodation and to meet the 10% provision level suggested in the HWP. All of these issues are discussed in more detail in the analysis to follow.

## Housing Costs

- 5.14 The analysis below looks at the cost of housing of different tenures and develops this to seek to understand what this might mean in terms of an income required to access each of these tenures. The analysis looks at both market housing and the full range of affordable housing options set out in the HWP.

### **Owner-occupied housing**

- 5.15 Data from the Land Registry for the year to September 2017 (i.e. Q4 of 2016 and Q1-Q3 of 2017) shows that the average (mean) cost of housing on the Island was £231,000, with a median cost of £200,000. When looking at the bottom end of the market (traditionally viewed by reference to lower

quartile house prices) it can be seen that the ‘average’ cost is £150,000. Note that the different time period in this section to that in Chapter 3.

**Table 39: Cost of housing to buy – year to September 2017 – Isle of Wight**

|                 | Lower quartile | Median   | Mean     |
|-----------------|----------------|----------|----------|
| Flat/maisonette | £97,500        | £124,700 | £143,500 |
| Terraced        | £137,000       | £160,100 | £173,200 |
| Semi-detached   | £165,000       | £194,700 | £211,400 |
| Detached        | £232,800       | £280,000 | £325,000 |
| All dwellings   | £150,100       | £200,000 | £230,800 |

Source: Land Registry

- 5.16 To put the data for the Isle of Wight into context, it is possible to compare figures with other areas; this is shown in the table below (just for median prices). This shows that prices on the Island are generally cheaper than those seen across other areas, with the most notable difference being in the case of flatted accommodation.

**Table 40: Median cost of housing to buy – year to September 2017**

|                 | Isle of Wight | Hampshire | South East | England & Wales |
|-----------------|---------------|-----------|------------|-----------------|
| Flat/maisonette | £124,700      | £180,000  | £202,000   | £207,999        |
| Terraced        | £160,100      | £255,100  | £269,000   | £170,018        |
| Semi-detached   | £194,700      | £300,100  | £325,000   | £194,287        |
| Detached        | £280,000      | £450,000  | £483,800   | £319,999        |
| All dwellings   | £200,000      | £300,000  | £305,000   | £220,000        |

Source: Land Registry

- 5.17 The data above is from actual sales and split by the built form of properties, however in analysis of affordability, and to be consistent with analysis for other tenures of housing, it is more useful to consider the cost of housing in terms of the number of bedroom. The Land Registry analysis (which does not record the number of bedrooms) has therefore been supplemented by a search of homes for sale On the Island with the table below showing estimated lower quartile prices by size.
- 5.18 In this case it is estimated that housing costs would vary from about £77,000 for a one-bedroom home and up to £238,000 for a four bedroom home.

**Table 41: Estimated lower quartile property price by dwelling size –Isle of Wight**

|           | Lower quartile |
|-----------|----------------|
| 1-bedroom | £77,000        |
| 2-bedroom | £101,000       |
| 3-bedroom | £162,000       |
| 4-bedroom | £238,000       |

Source: Land Registry and Internet price search (January 2018)

5.19 To complete the initial analysis of owner-occupied housing, it is of interest to look at the cost of new homes compared with second-hand properties. The analysis below is taken from Land Registry (and hence looks at built form) and is for a median property in each case.

5.20 The analysis shows for all types of dwelling that the cost of a new home is higher than that for second-hand properties (with a range of 13% for detached homes up to 44% for flats/maisonettes). Interestingly, the overall average price for second-hand homes was actually slightly higher than for new homes, this reflects the mix of new homes; in the period studied, some 38% of new homes were flats, compared with just 19% of re-sales.

**Table 42: Median cost of housing (year to September 2017) by new or resale home – Isle of Wight**

|                 | New home | Second-hand | Difference |
|-----------------|----------|-------------|------------|
| Flat/maisonette | £173,000 | £120,700    | £52,600    |
| Terraced        | £197,000 | £160,000    | £37,000    |
| Semi-detached   | £223,500 | £193,500    | £30,000    |
| Detached        | £315,000 | £279,700    | £35,300    |
| All dwellings   | £199,700 | £200,000    | -£300      |

Source: Land Registry

5.21 Overall, it is difficult to draw conclusions about the relative costs of new and second-hand homes. This is mainly because new and second-hand homes will in many cases not be readily comparable (e.g. a new-build 3-bedroom semi-detached home will be different to a 3-bedroom semi-detached home in the resale market).

5.22 At a national level, it is estimated that new-build homes are around 15% more expensive than the equivalent all property figure, and this 15% figure has been used in analysis where appropriate.

### Private Rented Housing

- 5.23 The table below sets out the cost of renting a property on the open market on the Isle of Wight by size of property. Average rents start at around £455 per calendar month for a 1-bedroom property, rising to £950 for a 4-bedroom family sized home. For comparison, lower quartile rents are also presented in the figure below along with the local housing allowance (LHA) available to those receiving housing benefit.
- 5.24 The figure below shows local housing allowance rates for the Isle of Wight which is covered by the Isle of Wight Broad Rental Market Area (BRMA). The analysis shows that LHA is insufficient to cover the cost of renting a lower quartile property in the Council area for all dwelling sizes, meaning that many households are likely to need to 'top up' their rent to be able to access private rented housing. For some households, a benefit cap could also impact on the ability to afford private rented housing; this is likely to particularly affect larger family households.

**Table 43: Average (median) and Lower Quartile Market Rents, year to September 2017 – Isle of Wight**

|                | Rent                 |                    | Local Housing Allowance by Broad Rental Market Area (as at Jan 2018) |
|----------------|----------------------|--------------------|--|
|                | Average (median) pcm | Lower Quartile pcm | Isle of Wight  |
| Room only      | £375                 | £348               | £297   |
| Studio         | £375                 | £360               | -  |
| 1-bedroom      | £455                 | £423               | £404   |
| 2-bedrooms     | £600                 | £550               | £529   |
| 3-bedrooms     | £750                 | £695               | £648   |
| 4-bedrooms     | £950                 | £850               | £798   |
| All properties | £605                 | £500               | -  |

Source: Valuation Office Agency

- 5.25 As with purchase prices, the rent levels can be compared with other areas (as in the table below for median rents by property size). This shows that rents are generally below equivalent figures for other areas, with a particularly large difference shown in comparison with the South East region.

**Table 44: Average (median) Market Rents, year to September 2017**

|                | Isle of Wight | Hampshire | South East | England |
|----------------|---------------|-----------|------------|---------|
| Room only      | £375          | £433      | £410       | £377    |
| Studio         | £375          | £510      | £550       | £550    |
| 1-bedroom      | £455          | £650      | £695       | £595    |
| 2-bedrooms     | £600          | £825      | £875       | £650    |
| 3-bedrooms     | £750          | £995      | £1,075     | £750    |
| 4-bedrooms     | £950          | £1,575    | £1,680     | £1,300  |
| All properties | £605          | £850      | £875       | £675    |

Source: Valuation Office Agency

### Affordable Rents

- 5.26 The table below sets out what an affordable rent would be if calculated at 80% of the average and lower quartile market rents within the Isle of Wight. The rents in this case are more closely aligned with the LHA limits and would suggest that households claiming benefits would in many cases be able to afford an affordable rent, whilst the private rent is likely to put some strain on household finances.
- 5.27 It should be noted that the private rent data from VOA does not include service charges (whereas an affordable rent cost would do so). If such service charges were added to the VOA data, then the estimates of the cost of an affordable rent (as in the table below) would increase. It is possible that these additional costs would take the cost above LHA limits, and again could cause difficulties for some households in affording rents. It is not however possible from the data available to estimate if and/or how much the private rent costs would increase with the inclusion of service charges.
- 5.28 The costs below for affordable rented housing are likely to be similar to those for affordable private rent housing (a new tenure being proposed for introduction in the Housing White Paper (HWP)) and so private rent housing has not been separately studied.

**Table 45: Estimated Affordable Rent level (2017)**

|            | 80% of Average Market Rents pcm | 80% of Lower Quartile Market Rents pcm | LHA limit |
|------------|---------------------------------|--|-----------|
| Room only  | £300                            | £278                                   | £297      |
| 1-bedroom  | £364                            | £338                                   | £404      |
| 2-bedrooms | £480                            | £440                                   | £529      |
| 3-bedrooms | £600                            | £556                                   | £648      |
| 4-bedrooms | £760                            | £680                                   | £798      |

Source: Derived from Valuation Office Agency data

## Social Rents

- 5.29 The final main tenure analysed is social rent. The figures provided are median average rents and include a service charge. The figures have been derived by looking at rent levels for 2015/16 (as evidenced by CoRe<sup>12</sup> data) and then figures for different sizes established by looking at historical data (to iron out any potential year-on-year anomalies) and also the profile of dwellings let at social rents.
- 5.30 The analysis shows social rent levels starting at £386 per month for a 1-bedroom home and rising to around £509 for four (or more) bedrooms. The figures for the 4-bedroom category should be treated with some caution as there are generally very few lettings of properties of this size on the Island. For comparison, the Local Housing Allowance limit has also been provided – this shows for all sizes that social rents are less than LHA.

**Table 46: Estimated average social rent by dwelling size**

|           | Average (median) social rent | LHA limit |
|-----------|------------------------------|-----------|
| 1-bedroom | £386                         | £404      |
| 2-bedroom | £418                         | £529      |
| 3-bedroom | £479                         | £648      |
| 4-bedroom | £509                         | £798      |

Source: CoRe and VOA data

## Income Required to Access Different Tenures of Housing

- 5.31 Having established the likely cost of housing, the next step is to estimate what level of income might be required to access the different products. Separate tests are applied for home ownership and private renting; home ownership is based on looking at mortgage multiples (mortgage affordability) with accessing private rented housing being based on consideration of the proportion of income that might need to be spent on housing (rental affordability).

### Mortgage Affordability

- 5.32 A household is considered able to afford to buy a home if it costs less than four times the gross household income; it has also been assumed that a household will have a 10% deposit.
- 5.33 Previous CLG guidance (of 2007) suggests using thresholds of 2.9× for households with multiple incomes and 3.5× for those with a single income. The use in this study of a four times multiple reflects the fact that there is likely to be some keenness from Government to ensure that

<sup>12</sup> Continuous Recording of Lettings and Sales in Social Housing in England – a national information source funded by the Department for Communities and Local Government that records information on the characteristics of both Private Registered Providers' and Local Authorities' new social housing tenants and the homes they rent and buy

prospective households are able to access the finance they need (for example, with the Help-to-Buy Scheme, the maximum income multiple is 4.5). Additionally, a brief review of a number of lenders indicates that four times income is generally available across the market; although the exact availability of finance will also depend on an individual household's circumstances.

- 5.34 The 10% deposit is used to reflect the typical minimum deposit required to access mortgage finance. Again deposit availability will vary by household and raising this sort of level of capital would potentially be an issue for a number of households. However, there are initiatives available to help households to raise a deposit (such as Help-to-Buy ISAs).
- 5.35 Hence, as with other analysis, the affordability measure used should be treated as indicative given that there are a number of variables that will differ based on the circumstances of individual households – this cannot be captured within this study.
- 5.36 We are aware that mortgage lenders now typically undertake an affordability assessment of individual borrowers rather than standard earnings to value ratios. The affordability assessment takes into account a wider range of factors including credit card debt, outstanding loans, predicted household utility bills, living costs etc.
- 5.37 However, undertaking such tailored assessments for the population of the Island is not possible nor justified in the guidance (para 14 of the PPG states that plan makers should avoid expending significant resources on primary research). Therefore, while the earnings to value ratio is arguably a crude tool it remains the best available assumption.

### **Rental Affordability**

- 5.38 A household is considered able to afford a market rented house in cases where the rent payable would constitute no more than a particular percentage of gross income. The choice of an appropriate threshold is an important aspect of the analysis, CLG guidance (of 2007) suggested that 25% of income is a reasonable start point but also notes that a different figure could be used. Analysis of current letting practice suggests that letting agents typically work on a multiple of 40% (although this can vary by area) and has been ratified with our engagement with local agents. Government policy (through Housing Benefit payment thresholds) would also suggest a figure of 40%+ (depending on household characteristics).
- 5.39 For the purposes of analysis in this section, it has been assumed that a household should spend no more than 30% of their income on housing. This is to provide consistency the previous analysis of the need for affordable housing (2014 SHMA).

- 5.40 It is not considered appropriate to use the same ratios for all tenures of rented housing, as lower housing costs for social/affordable rented homes would reduce levels of residual income (if matched to the same percentage of income to be spent on housing).
- 5.41 In the analysis it has been assumed that there should be a stepped reduction such that a 25% figure is used for social renting (a figure of 27.5% has therefore been used when studying affordable rented housing). The table below summarises the assumptions used.

**Table 47: Affordability thresholds for different tenures of rented housing**

|               | LQ private rent | Affordable rented | Social rented |
|---------------|-----------------|-------------------|---------------|
| Isle of Wight | 30%             | 27.5%             | 25%           |

Source: Housing costs from VOA and CoRe

- 5.42 In checking if these thresholds are of the right order of magnitude it is worth considering recent evidence on this subject. The English Housing Survey headline report (2015/16) provides data on the proportion of household income spent on housing costs, by tenure. This showed, on average, those buying their home with a mortgage spent 18% of their household income on mortgage payments whereas rent payments were 28% of household income for social renters and 35% of household income for private renters. Excluding Housing Benefit, the average proportion of income spent on rent was 37% for social renters and 41% for private renters (Annex Table 1.13 and Figure 1.8).
- 5.43 This suggests that the assumption that households could spend more than 25% of their gross income on housing costs reflects reality for those living in the private and social rented sectors in England. Overall it is considered that the threshold of 30% of gross household income is a reasonable threshold based on the available evidence.

#### **Income thresholds for different tenures of housing**

- 5.44 The table below brings together an analysis of the different tenures discussed so far to consider what level of income would indicatively be required to access a home. Although the measures for mortgage and rental affordability are different; both ultimately lead to an estimate of the income required. Looking at figures for the whole of the Council area it can be seen that it is estimated that an income of around £22,700 would be the minimum required for open market purchase of a 2-bedroom property (assuming a suitable deposit can be saved); with lower figures generally seen for rental options.
- 5.45 The analysis shows a figure of around £18,500-£24,400 to afford social rented housing and therefore it is assumed that any household with an income below this level would need this tenure



of housing (probably supported by Housing Benefit). In reality, affordable rental housing might also be a solution for such a household, as long as sufficient Housing Benefit was available.

- 5.46 The estimated incomes to access social rented housing should also be considered in light of benefit caps; all dwelling sizes other than 1-bedroom show an income requirement which is higher than the upper end of benefit caps (£20,000 per annum for non-single person households). **It should however be remembered that this is based on a 25% affordability threshold**; if the threshold were changed to 30% (consistent with that used for private renting) then income estimates would only be above the benefit cap for 4-bedroom homes.

**Table 48: Indicative affordability (income) thresholds for different tenures of housing – by size**

|            | LQ purchase | LQ private rent | Affordable rented (LQ) | Social rented (median) |
|------------|-------------|-----------------|------------------------|------------------------|
| 1-bedroom  | £17,325     | £16,920         | £14,767                | £18,528                |
| 2-bedrooms | £22,725     | £22,000         | £19,200                | £20,064                |
| 3-bedrooms | £36,450     | £27,800         | £24,262                | £22,992                |
| 4-bedrooms | £53,550     | £34,000         | £29,673                | £24,432                |

Source: Derived from a range of sources as described

- 5.47 As of November 2017, data from the Department for Work & Pensions (DWP) shows that 116 households in the Council area were having their benefits capped (and around 41% of these by more than £50 a week).
- 5.48 Further analysis of DWP data identifies that all of these households have at least two children and that 72% are lone parent households. This confirms that benefit cap issues are likely to disproportionately impact on households needing larger homes.
- 5.49 With regard to the use of Housing Benefit (particularly to assist households affording affordable rented homes) it should be noted that there are a number of implications. The most obvious one is that the higher rents potentially charged will see a greater burden on the public purse. Additionally, with households being subject to the tapering of Housing Benefit as their income rises, the higher rents potentially provide for a longer 'benefit trap'.

### Affordable Home Ownership

- 5.50 The analysis above has considered some of the main tenures of housing. There are also a series of other tenures in the NPPF and HWP that can be considered in this report. These are under the banner of affordable home ownership, and in terms of the HWP could include Starter Homes, discounted market sales housing and intermediate housing (taken in this report to be largely shared ownership).

### **Intermediate Housing (shared ownership)**

- 5.51 Looking at affordability for shared ownership draws on both a mortgage and rental affordability test and is discussed separately below. Shared ownership starts with an open market value (OMV) and then part of the property is sold and the rest is rented (normally from a Registered Provider).
- 5.52 It is difficult to know exactly what the OMV of shared ownership might be (as this will depend on a range of factors such as the location of the dwelling), however, for the purposes of an indicative analysis, it is assumed that the OMV for shared ownership will be approximately lower quartile house price plus 15% (the estimated new-build premium).
- 5.53 Taking the example of a 2-bedroom property, it is estimated that the OMV would be about £116,000. If buying a 25% share in the property, the income required for the purchase part of the tenure would be around £6,500 (this assumes a 10% deposit and 4x income multiple). The rental element would be about £2,600 per annum (based on paying a rent of 3% per annum on the unsold equity) and based on 33% of income for this (which seems to be a fairly standard figure for shared ownership) an additional income of about £7,800 would be needed. The overall income required for shared ownership would therefore be around £14,400.
- 5.54 The table below shows the same calculation (working through to an income requirement) for all dwelling sizes and also considering a 50% share (as well as 25%). This shows that shared ownership is affordable for 1- and 2-bedroom homes for both a 25% and 50% share (this is based on considering if there is an income requirement which is below the LQ private rent figure).
- 5.55 Additionally, 3-bedroom dwellings are affordable with a 25% share but not quite if this is raised to 50% share. For a 4-bedroom home, shared ownership arguably just about 'works' with a 25% share but not if this is raised to 50%.
- 5.56 This means that with a 50% share of larger homes, shared ownership is arguably not an affordable product. That said enabling households to access shared ownership would potentially release other accommodation into the market for use by another household.
- 5.57 In interpreting the data below it should also be noted that some of the income levels are quite low (e.g. £11,000 per annum for a 1-bedroom shared ownership with 25% equity share). In reality it may be the case that this sort of income level would be too low to be able to readily secure mortgage finance and hence this analysis can only provide an indication of what might be affordable.

**Table 49: Indicative affordability (income) thresholds for shared ownership – by size**

|            | 25% equity share | 50% equity share | LQ private rent |
|------------|------------------|------------------|-----------------|
| 1-bedroom  | £10,958          | £13,947          | £16,920         |
| 2-bedrooms | £14,374          | £18,294          | £22,000         |
| 3-bedrooms | £23,055          | £29,342          | £27,800         |
| 4-bedrooms | £33,870          | £43,108          | £34,000         |

Source: Derived from a range of sources as described

5.58 Additionally, the calculations all assume a 10% deposit on the equity part of the home; if a household were to be able to pay a larger deposit, then the mortgage cost (and income requirement) would reduce, and hence the housing would be more affordable. That said, it may be that some shared ownership is available with deposits lower than 10% - this in turn would increase the monthly housing cost.

5.59 Overall, it should therefore be noted that the analysis is based on a specific set of circumstances; these would be different for individual households seeking to access shared ownership accommodation and should therefore be seen as indicative (albeit consistent with the analysis carried out when looking at the affordability of other tenures).

5.60 In looking at shared ownership, the question about affordability can be shifted to ask what level of equity purchases would be needed for a home to be affordable (i.e. at the same cost or less than access level private rented accommodation). The table below estimates these percentages and shows that an equity purchase of 74% for a 1-bedroom home would bring the cost in at a level close to the private rented sector along with a figure of 73% for 2-bedrooms. For larger homes, a household would only be able to equal the income requirement to access the private rented sector if the equity purchase was as low as 25-43%.

5.61 The analysis (particularly for the larger dwelling sizes) does not mean that the Council should not consider this type of accommodation within the mix of housing, as larger shared ownership can add to the mix of housing and will be affordable to some households who are able to rent but not to buy.

**Table 50: Equity share needed to make shared ownership income requirements the same as requirements in the private rented sector**

|            | Affordable equity share |
|------------|-------------------------|
| 1-bedroom  | 74%                     |
| 2-bedrooms | 73%                     |
| 3-bedrooms | 43%                     |
| 4-bedrooms | 25%                     |

Source: Derived from a range of sources as described

5.62 Additionally, whilst 1-bedroom shared ownership looks to be relatively affordable, it would need to be established if there is actually demand for this size and tenure of accommodation in a local area – experience elsewhere has suggested that one-bedroom shared ownership is not typically of high demand and even those who can only afford an intermediate home may still desire an extra bedroom.

5.63 Despite this evidence a common sense reality check dictates that social rental properties should be seen as the bottom end of the market. The households that have been identified as being able to afford intermediate accommodation at the more affordable end are likely to have difficulty accessing mortgages. Furthermore they are also likely to be in an earnings bracket which would make them eligible for social rental properties.

#### **Starter Homes/discounted market sales housing**

5.64 One additional question arising from this analysis is to study at what point increasing the discount on a Starter Homes (above the minimum 20% assumed above) will put this tenure on an equal footing (in affordability/income requirement terms) as the access level to the market (i.e. a lower quartile private rent).

5.65 The final tenures to be considered are Starter Homes and discounted market sales housing. These are considered together as in many cases they would be the same product (having a discount of at least 20% from open market value (OMV)). There are some differences in terms of eligibility and the extent to which the discount is held in perpetuity, but for the purposes of this report they are most readily considered as a single tenure.

5.66 Consistent with other analysis, to establish the likely OMV we have looked at lower quartile prices and added 15%. Then a discount of 20% is applied and all of the same assumptions about deposits and income multiples as for full open market purchase. The table below shows a worked example of the income requirement for a 2-bedroom home. This shows an income requirement of £20,900, which is below the income required for open market purchase (£22,700) and also slightly below the equivalent figure for a lower quartile private rented home (£22,000).

**Table 51: Income Required for Starter Home/discounted market sales housing – 2-bedroom**

|   | Assumptions  | Value (£) |
|---|--|-----------|
| Overall price of SH/DMS (before discount) | Price is 15% above estimated lower quartile second-hand purchase | £116,150  |
| Price of home after 20% discount          | 20% discount on market value                                     | £92,920   |
| Deposit                                   | 10% required   | £9,292    |
| Mortgage required                         | Minus 20% discount and 10% deposit                               | £83,628   |
| Income required to afford home            | Assuming a mortgage up to 4 times income                         | £20,907   |

Source: Derived from a range of sources as described

5.67 The simplest way to consider this is to look at the discount required so that the income required is in line with that needed to access a lower quartile private rented home which is the most affordable fully market accommodation. Hence an additional analysis has been undertaken to test what level of discount might be needed for Starter Homes/Discounted Market Sale housing to be an intermediate product, as currently defined in the NPPF.

5.68 The table below shows equivalent income requirement figures for all dwelling sizes. The analysis shows that a discounted market sale home would be affordable for smaller (1- and 2-bedroom) homes but not for homes with 3- or more bedrooms. In the case of larger homes the income requirement sits somewhere between the income for open market purchase and the income required to access the private rented sector (also shown in the table below for clarity).

**Table 52: Affordability thresholds for Starter Homes and Discounted Market Sale housing**

|            | Discounted market sale/Starter Home | LQ purchase | LQ private rent |
|------------|-------------------------------------|-------------|-----------------|
| 1-bedroom  | £15,939                             | £17,325     | £16,920         |
| 2-bedrooms | £20,907                             | £22,725     | £22,000         |
| 3-bedrooms | £33,534                             | £36,450     | £27,800         |
| 4-bedrooms | £49,266                             | £53,550     | £34,000         |

Source: Derived from a range of sources as described

5.69 The table below shows for a Starter Home to just fall into the bracket of intermediate housing, that the discount from OMV would need to be in the order of 16% for a 1- or 2-bedroom home (i.e. lower than the minimum 20%) and rising to 45% for homes with 4-bedrooms.

**Table 53: Theoretical discount needed from OMV to make a Starter Home/Discounted Market Sale as 'affordable' as intermediate housing**

|            | Discount from OMV |
|------------|-------------------|
| 1-bedroom  | 16%               |
| 2-bedrooms | 16%               |
| 3-bedrooms | 34%               |
| 4-bedrooms | 45%               |

Source: Derived from a range of sources as described

- 5.70 An alternative way to look at discounts to make housing affordable is to use the income thresholds for private rented accommodation and work these back into a house price (again assuming a four times income multiple and a 10% deposit). The table below shows what the sale price would need to be if low-cost home ownership were to essentially be at the access level to the market.

**Table 54: The Isle of Wight affordable home ownership prices (aligned with cost of accessing private rented sector)**

|            | Affordable Housing Prices (AHP)<br>(initial fixed sale prices) |
|------------|--|
| 1-bedroom  | £75,200  |
| 2-bedrooms | £97,800  |
| 3-bedrooms | £123,600   |
| 4-bedrooms | £151,100   |

Source: Derived from a range of sources as described

- 5.71 One advantage of looking at the cost of housing in this way is that it can readily be updated (every six months by reference to Valuation Office Agency data). However, it is not entirely clear if setting low-cost home ownership costs at these levels would be a worthwhile exercise.
- 5.72 Firstly, whilst these costs would theoretically mean that an affordable home ownership unit would meet the current NPPF definition of affordable housing; it would remain the case, that many households who are able to afford such a product, could already afford open market housing without the need for subsidy/discount (unless strict income limits were to be applied, which certainly in the case of Starter Homes looks unlikely (given an £80,000 upper income limit)).
- 5.73 Secondly, providing larger homes at these costs (e.g. a 3-bedroom home for £123,600) will be less viable than providing the same home at (say) a 20% discount (e.g. in the case of a 3-bedroom home a 20% discount would roughly equate to a property price of £149,000). The larger discount could have a knock-on effect on the ability for other forms of affordable housing to be provided (such as social/affordable rent).

- 5.74 As with many aspects of looking at affordable housing provision, there will be a series of choices to be made by the Council which will need to balance up overall delivery, the affordability of housing and the viability of provision.
- 5.75 The Council of Mortgage Lenders (CML) position on Starter Homes is set out on their website<sup>13</sup>. However their latest position is in response to the Housing White Paper (HWP) rather than the Draft NPPF
- 5.76 The CML believed that starter homes complement, rather than potentially challenge, the government's other housing initiatives, such as increasing the shared ownership tenure and providing more custom-built homes.
- 5.77 The CML were also supportive of widening the definition of 'affordable housing' in order to allow a wider range of products, enabling increased access to home ownership.
- 5.78 The updated proposals set out in the HWP also allowed more lenders to feel comfortable to lend mortgages on properties under the scheme. However, they still required further details about the scheme to be confirmed. Until then they would not be in a position to consider whether their member would be able to lend on the scheme.
- 5.79 Furthermore while the CML recognise that part of the intention of widening the definition of 'affordable housing' is to introduce models which are not subject to in-perpetuity such as starter homes this is not without its drawbacks.
- 5.80 Some lenders are able to support existing affordable housing models on the basis that they are affordable 'in perpetuity' or that the subsidy is recycled. This helps to preserve the housing stock to remain affordable. This approach also provides a 'constant' against which to value the security property from the lenders' perspective. Therefore, changing the definition away from primarily in-perpetuity models is a significant step.
- 5.81 Moving to models without in-perpetuity or longer-term restrictions will present valuation challenges. It is important to note that lenders will, from a credit risk perspective, consider their approach to lending on the affordable housing tenure generally, rather than on a scheme by scheme basis.
- 5.82 The CML had previously raised concerns in relation to both the 20% minimum requirement and the resale period requiring a repayment of the discount (5 years). However after these have been changes to 10% and 15 years respectively they are content. In particular in the relation to the 10% they hope this avoids distortion of the market.

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<sup>13</sup> <https://www.cml.org.uk>

## Stakeholder Discussions

- 5.83 There is a high demand of affordable housing across the Island. Although market house prices are comparably lower than those on the mainland this consequently attracts investors from the mainland which typically have greater spending power than locals.
- 5.84 Indicatively, the gross annual earnings of residents in full-time jobs averages £26,000 with the lower quartile being £19,000 in 2017 (Nomis: Annual Survey of hours and earnings). For the same year England's average was over £29,000 (lower quartile £20,700) and the regional equivalent climbed to over £31,600 (lower quartile: £22,400).
- 5.85 Of the Registered Providers of Affordable Homes currently operating on the Island, Sovereign Housing group, Southern Housing, and Vectis housing all have schemes in the pipeline, although not all of them have come forward for planning and some are still in negotiation.
- 5.86 There is also Island Cottages who are a Registered Provider of affordable homes who are working to build affordable homes conjunction with Vectis housing. In addition Funding for Affordable Homes have just secured a site and Homes England funding to deliver additional affordable homes .
- 5.87 Furthermore there are at least two other private developers who are working to provide affordable homes, including affordable rented and shared ownership, housing for people with disabilities and older person's homes on the island. The pipeline supply of affordable homes is most likely to deliver at Shalfleet which is due to start on site very shortly and at Ryde Extra care village which has just started on site.
- 5.88 The last major 'Housing Association' homes provided at Pan in Newport (+250 homes). However there have been several smaller schemes that have come forward since for example Victoria Walk and Hawthorn Meadows as well as other small sites.
- 5.89 Consultees suggested that there is insufficient knowledge on the Island about intermediate housing products and a lack of knowledge by from providers about what can be achieved. They suggested that shared ownership and shared equity schemes can address the need for affordable homes.
- 5.90 One consultee suggested that demand for intermediate products can be related to the number of households who took up the Help to Buy scheme. Although this is not an "affordable" housing scheme as defined by the NPPF it demonstrates that there are middle income households who also need more accessible housing and can purchase more than a 40-50% share. This group would be enlarged further to keep the rent charge low.



## Types of Affordable Housing – Discussion

- 5.91 The cost of housing to buy on the Isle of Wight Council area is relatively cheap compared with many other areas particularly those in the South East. A lower quartile terraced home (regardless of size) is estimated to cost around £137,000, whilst a lower quartile two-bedroom home is estimated to be around £101,000. To access a 2-bedroom home (assuming a 10% deposit and a four times income multiple) a household would need an income of around £22,700.
- 5.92 The cost of private rented accommodation is also cheaper than seen nationally and even more so in comparison to the South East region. A lower quartile 2-bedroom home costs around £550 per month, and the income needed to access this accommodation (assuming that around 30% of income could reasonably be spent on housing) would be around £22,000.
- 5.93 The amount of Housing Benefit that can be claimed is generally lower than lower quartile market rents, meaning that benefit dependent households could find it difficult to access market housing (without having to top-up the rent to be paid).
- 5.94 The cost of affordable rented housing (at 80% of market rents) looks likely to have a cost at or below the maximum Housing Benefit levels, and hence can be considered as an affordable product likely to be available to most households.
- 5.95 However, for households requiring larger homes, it is possible that the benefit cap would make it difficult to access this form of affordable housing. Social rents are notably cheaper than private rents and are the most affordable form of accommodation (although it is possible that affordable rents could be at a similar cost).
- 5.96 Analysis has been carried out to look at the potential cost of a range of affordable home ownership options. Starter Homes or Discounted Market Sales homes have the potential to be expensive relative to the income requirements for private rented accommodation when looking at larger accommodation sizes (3+-bedrooms).
- 5.97 Generally, if such homes were sold at a 20% discount to Open Market Value (OMV) then they would not be meeting affordable need (i.e. those able to afford such accommodation could also afford to rent privately without any subsidy).
- 5.98 To make home ownership as affordable as the private rented sector, discounts on OMV of in excess of 20% would typically be needed (for a 3-bedroom home a discount of around 34% is estimated as being necessary).

- 5.99 For smaller homes, Starter Homes/Discounted Market Sale Homes do look to be affordable, although the difference in income requirements compared with that needed to rent privately (or indeed buy in the existing market) are not substantial.
- 5.100 Turning to shared ownership, this tenure would generally sit at an effective cost somewhere between the cost of outright ownership and renting privately (potentially cheaper than privately renting for smaller homes). This type of accommodation is in some instances (larger homes) not affordable in terms of the definitions in the NPPF (and reaffirmed in the HWP).
- 5.101 However, this analysis is based on a specific set of assumptions; the affordability of any particular dwelling could vary depending on the OMV and the individual circumstances of prospective purchasers.
- 5.102 It is clear from the analysis that shared ownership is likely to be the most affordable home ownership option available and should ideally be included in the mix of housing where an affordable home ownership element is to be included (which is likely to be necessary if the suggestions in the HWP are followed through).
- 5.103 The range of analysis around the cost of housing (including affordable housing) does provide the Council with a series of choices. The analysis clearly identifies a need for affordable housing based on the current NPPF definition, as well as a potential role of affordable home ownership (although it is recognised that this may not always meet 'needs' as currently defined, it is the case that such housing would be expected to be a cheaper option than buying a home in the open market).
- 5.104 There are clear overlaps between different 'affordable' products, with the analysis only able to provide a broad overview; for example, shared ownership could be provided with different equity shares and lower rents to that assumed in this study, whilst Starter Homes could be provided with a greater discount than 20% on open market value.
- 5.105 For homes with 3- or more bedrooms, affordable home ownership with 'standard' discounts would typically require an income that is above the income needed to access private rented accommodation. This means that such housing is not technically affordable (i.e. it is more expensive than some market properties); however, inclusion of larger affordable home ownership products as part of the mix of housing would enable some households to move out of private rented accommodation, as well as fulfilling the Government desire to increase home ownership.
- 5.106 It is therefore suggested that the Council should still consider seeking 10% of all housing to be affordable home ownership (as set out in the HWP). There will be decisions to make about the form such housing takes. The analysis is clear that a 20% discount from OMV will not always make such housing affordable, but higher discounts will impact on viability, with the possibility that such

housing still does not meet an ideal target audience (e.g. if households with relatively high incomes are able to access such housing). Hence any policy to include the 10% in affordable housing contributions should be carefully thought through. Furthermore, it is not considered that there is any basis (in affordability terms) to increase the provision of affordable home ownership above the 10% figure currently suggested in the HWP.

- 5.107 The Council will also need to consider what forms of affordable home ownership are most appropriate in local circumstances. The discussion when looking at different tenures within this broad 'affordable home ownership' category clearly points towards shared ownership as being the most affordable option; the Council should therefore focus on this tenure as a start point, with other options potentially being considered where viability is a concern.
- 5.108 It should be noted that one local developer is seeking to provide an intermediate product whose rental element is effectively a peppercorn rent (e.g. 0.5% on 25% share). This will encourage low cost home ownership with their business model seeking re-invest in additional affordable homes from eventual stair-casing.
- 5.109 Subject to viability, in addition to 10% of affordable home ownership, the Council should be seeking to provide additional rental housing; the provision of such housing should be maximised where opportunities arise.
- 5.110 Analysis in this report suggests that rented housing could be split broadly equally between social and affordable rents, although the amount of affordable rent could be increased as long as the rent level does not fall above LHA limits (and also being mindful of the impact of benefit caps for larger households).
- 5.111 In terms of the choices, the delivery of affordable housing will be limited by the finance available to provide such housing, and this will need to be balanced against the need for different types of accommodation. The analysis clearly indicates the main need is likely to be for rented homes; this is not just due to relative housing costs, but also because of the availability of Housing Benefit within the rented sector to support households on low incomes. Within the rented tenures the analysis shows that social rents are the most affordable tenure of housing; however, social rent is typically less viable to provide than say shared ownership (or in many cases affordable rents) – therefore fewer social rented homes would be able to be provided than homes of other tenures.
- 5.112 Additionally, affordable home ownership may not always meet the current NPPF definition of affordable housing; however, all planning authorities in England are under a general duty to *promote* the supply of Starter Homes, with the HWP looking to include a 'policy expectation' that 10% of all new homes will be some form of affordable home ownership. Hence, there will be further

choices to make regarding the provision of affordable home ownership and this will include consideration of issues such as the discount on OMV.

- 5.113 There are further considerations when looking at the tenures of affordable homes to be provided. This includes the cost to the public purse of Housing Benefit and also the extent to which households might get caught in a benefit trap if rent levels are too high (which could act as a disincentive to seek employment).
- 5.114 Differences in the pricing and availability of housing in different areas will also be a consideration when deciding what mix of housing is most appropriate. However our analysis does not indicate substantial earnings differences across the various sub areas (+/- 9% from average) nor lower quartile rental costs (+/- 10%).
- 5.115 As show in the table below only the West Wight sub-area has an above average lower quartile rent but below average income. This may mean a higher delivery of affordable rental homes are located in this area.

**Table 55: Income and Market Access Costs, by sub-area**

|                      | Mean income | Lower Quartile rent, pcm |
|----------------------|-------------|--------------------------|
| Bay                  | £35,500     | £475                     |
| Medina Valley – East | £38,800     | £525                     |
| Medina Valley – West | £41,400     | £525                     |
| Ryde                 | £37,700     | £475                     |
| West Wight           | £37,300     | £550                     |
| All properties       | £38,000     | £500                     |

Source: ASHE and Internet private rental cost search

- 5.116 It may also mean that those so-called “affordable” products such as low cost home-ownership may be less suited in the area where disposable income is lower and the ability to save for a deposit is less.
- 5.117 Overall, whilst the analysis provides an evidence base about different types/tenures of housing, it remains the case that the local authority will need to recognise that there are a series of choices to be made with regard to the provision of new affordable housing; essentially a trade-off between the affordability of accommodation and the number of homes that can viably be provided.
- 5.118 It is also important to bear in mind that these are strategic conclusions and recommendations and that viability consideration will impact on the mix and scale of affordable housing on any given site.

## Summary

- 5.119 Analysis was undertaken to consider the affordability of housing options on the Isle of Wight; this was with a particular focus on the (wider) proposed definition of affordable housing in the Housing White Paper (HWP) of February 2017 (including proposals to introduce a ‘policy expectation’ that at least 10% of new homes are in an ‘affordable home ownership’ tenure).
- 5.120 The table below provides a summary of estimated income requirements to access a range of different property sizes and tenures. This clearly identifies that affordable home ownership with ‘standard’ discounts would in many cases require an income that is above the income needed to access private rented accommodation. This means that such housing is not technically affordable; however, it needs to be noted that the figures below are based on a specific set of assumptions; the affordability of any particular dwelling could vary depending on the open market value and the individual circumstances of prospective purchasers.
- 5.121 Overall, the analysis would generally support shared ownership as the most affordable form of affordable home ownership that can be promoted by the Council (when compared with standard 20% discounts as included in the HWP).

**Table 56: Indicative affordability (income) thresholds for different tenures of housing – by size**

|                                     | 1-bedroom | 2-bedrooms | 3-bedrooms | 4-bedrooms |
|-------------------------------------|-----------|------------|------------|------------|
| Lower Quartile purchase             | £17,325   | £22,725    | £36,450    | £53,550    |
| Starter Home/Discounted market      | £15,939   | £20,907    | £33,534    | £49,266    |
| Shared ownership (50% equity share) | £13,947   | £18,294    | £29,342    | £43,108    |
| Lower Quartile private rent         | £16,920   | £22,000    | £27,800    | £34,000    |
| Affordable rented (median)          | £15,884   | £20,945    | £26,182    | £33,164    |
| Affordable rented (lower quartile)  | £14,767   | £19,200    | £24,262    | £29,673    |
| Shared ownership (25% equity share) | £10,958   | £14,374    | £23,055    | £33,870    |
| Social rented                       | £15,440   | £16,720    | £19,160    | £20,360    |

- 5.122 On the basis of the analysis of housing costs, income requirements and an understanding of potential changes to the definition of affordable housing; the main conclusions from the analysis are:
- The Council should consider seeking 10% of all housing to be affordable home ownership (as set out in the HWP);
  - The bulk of the affordable home ownership should be shared ownership – this is the most affordable of the home ownership options; and
  - **Subject to viability**, in addition to the affordable home ownership, the Council should be seeking to provide additional rented housing. A broadly equal split between social and affordable rented could be considered, although the costs and affordability of affordable rented housing should be monitored over time.

- 5.123 Overall, it needs to be recognised that there are a series of choices to be made with regard to the provision of new affordable housing; essentially a trade-off between the affordability of accommodation and the number of homes that can viably be provided. Hence the analysis in this report can only provide a guide to the types of affordable housing that should be provided.
- 5.124 In making these decisions the Council should be mindful that some of these “affordable” products will still be out of reach of vast swathes of the Island’s population. As a result the less viable products may result in fewer affordable homes but provide housing for those in most acute need.
- 5.125 Even shared ownership schemes which are nominally the most affordable product there are still eligibility criteria (such as good a credit history) which may prohibit those it is intended to help from accessing it.
- 5.126 On a site by site basis the Council may also wish to consider the location of the scheme and the differing incomes across the Island. This may allow the mix of the various affordable products to suit the local demand.

### **Key Points**

- Analysis was undertaken to consider the affordability of housing options on the Isle of Wight.
- This identifies that affordable home ownership would in many cases require an income in excess of that required to privately rent. This means that such housing is not technically affordable.
- Overall, the analysis supports shared ownership as the most affordable form of affordable home ownership particularly for smaller homes. In theory this should form the bulk of affordable homes although in reality groups that have the required income for this product may struggle to get a mortgage for it.
- This group would also be earning a level which would make them eligible for social rental products. A choice therefore should be made about which of these products to prioritise.
- The Council should consider seeking 10% of all housing to be affordable home ownership products particularly 2-bedroom homes.
- Subject to viability, the Council should be seeking to provide additional rented housing. A broadly equal split between social and affordable rented could be considered.
- Overall, it needs to be recognised that there are a series of choices to be made with regard to the provision of new affordable housing; essentially a trade-off between the affordability of accommodation and the number of homes that can viably be provided.
- Subject to viability, in addition to the affordable home ownership, the Council should be seeking to provide additional rented housing with an equal split between social and affordable rented to be considered.

## 6 HOUSING MIX BY SIZE

### Introduction

- 6.1 A further area of analysis is around the size of homes to be provided and in particular family housing, with paragraph 2a-021 of the PPG noting that *'plan makers can identify current numbers of families, including those with children, by using the local household projections'*.
- 6.2 Beyond this quote, the PPG says relatively little about the analysis to be carried out although the introduction to paragraph 2a-021 does note that overall housing needs should be broken down by a range of groups (including by tenure and household type).
- 6.3 The PPG also notes a need to understand age profiles and the size of the housing stock (in terms of bedrooms). The PPG says that *'information should be drawn together to understand how age profile and household mix relate to each other, and how this may change in the future'*.
- 6.4 The Housing White Paper makes a number of references to families, covering a range of issues such as affordability, security of tenure (children being forced to move school) and space standards. The September 2017 consultation document (Right Homes in the Right Places) also includes families with children as a key specific group and highlights the desire to support families into home ownership.
- 6.5 This chapter therefore looks at a range of statistics in relation to families (generally described as households with dependent children) before moving on to look at how the numbers are projected to change moving forward.
- 6.6 The analysis finishes by looking at the mix of housing required (covering all household groups and tenures); this analysis takes account of the way different groups occupy housing and links to projections of changes to household types and ages.

### Background Data

- 6.7 The number of families (defined for the purpose of this assessment as any household which contains at least one dependent child) on the Isle of Wight totalled 15,300 as of the 2011 Census, accounting for 25% of households.
- 6.8 This proportion is notably lower than that seen across Hampshire (29.3%), region (29.4%) and nationally (29.1%). Compared with other areas, the Isle of Wight does however appear to have a relatively high proportion of lone parents (6.8%).



**Table 57: Households with dependent children (2011)**

|               |     | Married couple | Cohabiting couple | Lone parent | Other households | All other households | Total  | Total with dependent children |
|---------------|-----|----------------|-------------------|-------------|------------------|----------------------|--------|-------------------------------|
| Isle of Wight | No. | 7,373          | 2,526             | 4,164       | 1,189            | 45,833               | 61,085 | 15,252                        |
|               | %   | 12.1%          | 4.1%              | 6.8%        | 1.9%             | 75.0%                | 100%   | 25.0%                         |
| Hampshire     | %   | 17.8%          | 3.7%              | 5.8%        | 2.0%             | 70.7%                | 100%   | 29.3%                         |
| South East    | %   | 17.1%          | 3.9%              | 6.1%        | 2.3%             | 70.6%                | 100%   | 29.4%                         |
| England       | %   | 15.3%          | 4.0%              | 7.1%        | 2.6%             | 70.9%                | 100%   | 29.1%                         |

Source: Census (2011)

6.9 The table below shows how the number of households with dependent children changed from 2001 to 2011. Overall there was only a modest increase in the number of households with dependent children, increasing by 300 (an increase of 2%).

6.10 Within this, there was an increase in the number of cohabiting couples (+655), which was more than offset by a decrease in married couples (-1,000); the number of lone parents increased by 18% whilst 'other' households also saw an increase in numbers (+72%).

**Table 58: Change in households with dependent children (2001-11) – Isle of Wight**

|                               | 2001   | 2011   | Change | % change |
|-------------------------------|--------|--------|--------|----------|
| Married couple                | 8,455  | 7,373  | -1,082 | -12.8%   |
| Cohabiting couple             | 1,871  | 2,526  | 655    | 35.0%    |
| Lone parent                   | 3,516  | 4,164  | 648    | 18.4%    |
| Other households              | 1,117  | 1,189  | 72     | 6.4%     |
| All other households          | 42,560 | 45,833 | 3,273  | 7.7%     |
| Total                         | 57,519 | 61,085 | 3,566  | 6.2%     |
| Total with dependent children | 14,959 | 15,252 | 293    | 2.0%     |

Source: Census (2001 and 2011)

6.11 The table below shows the projected change to the number of children (aged Under 15) from 2016 to 2034 in both the official projections and our assumed growth derived from the OAN. This shows an increase of up to 5.8%; this figure compares with total population growth of around 10% (using the higher of the scenarios).

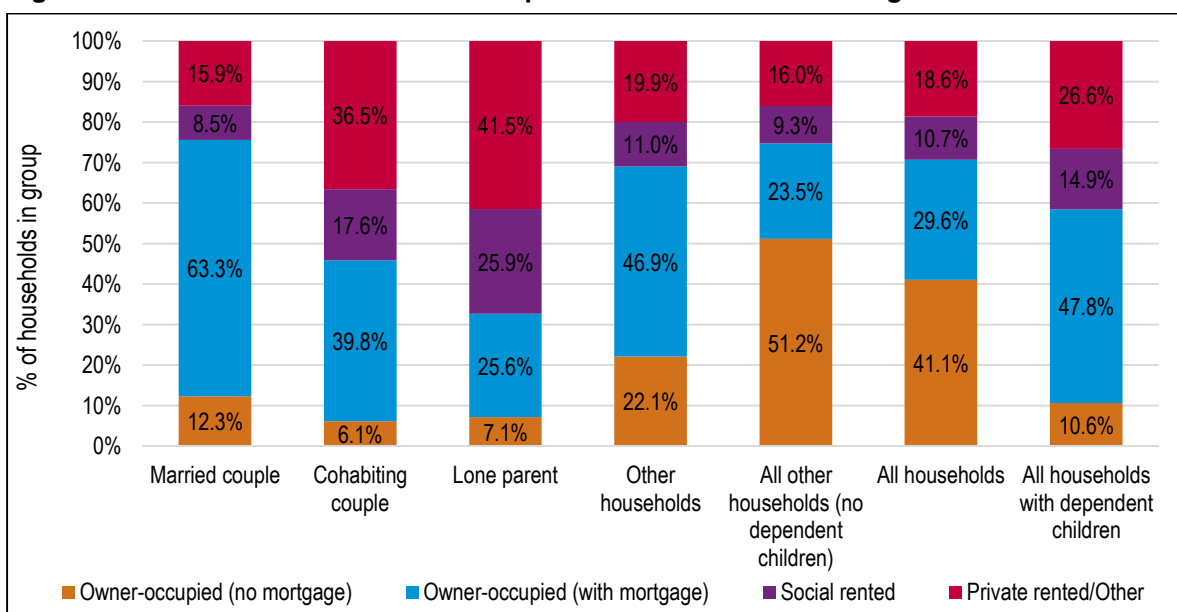
**Table 59: Estimated change in population aged 15 and under (2016-34) – Isle of Wight**

|                          | Population aged 15 and under |        | Change (2016-34) | % change from 2016 |
|--------------------------|------------------------------|--------|------------------|--------------------|
|                          | 2016                         | 2034   |                  |                    |
| 2014-based SNPP          | 22,117                       | 22,930 | 813              | 3.7%               |
| Linked to OAN of 641 dpa | 22,036                       | 23,315 | 1,279            | 5.8%               |

Source: Derived from demographic modelling

6.12 The figure below shows the current tenure of households with dependent children. There are some considerable differences by household type with lone parents having a very high proportion living in the social rented sector and also in private rental accommodation. Only around a third of lone parent households are owner-occupiers compared with around 76% of married couples with children.

**Figure 16: Tenure of households with dependent children – Isle of Wight**

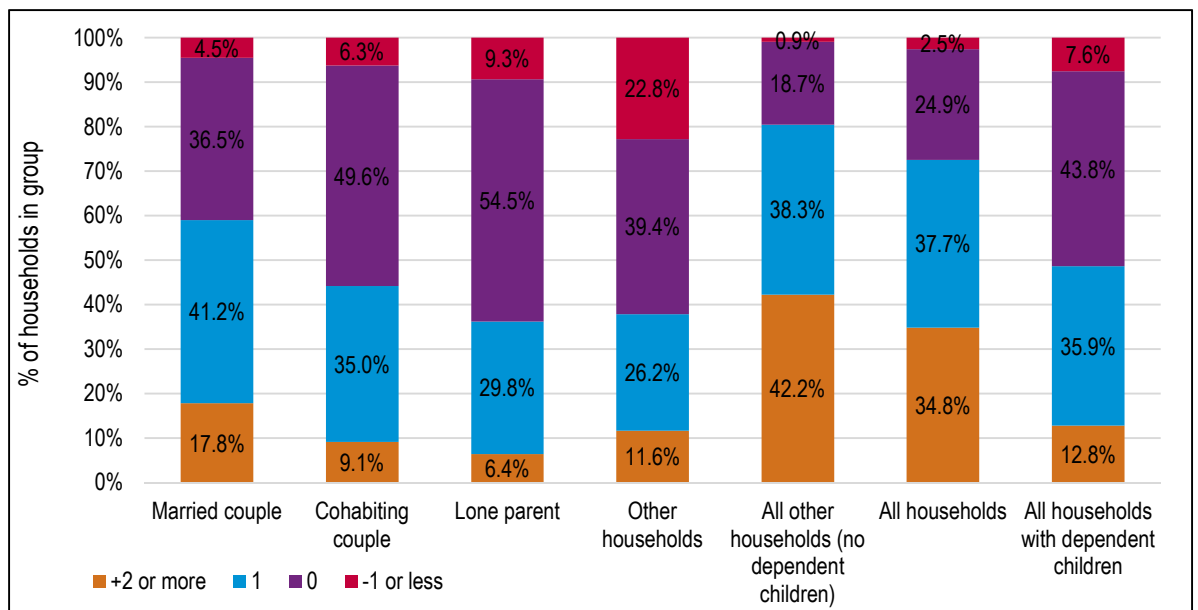


Source: Census (2011)

6.13 Overcrowding is often a key theme when looking at the housing needs of households with children and the figure below shows that households with children are about eight times more likely than other households to be overcrowded.

6.14 In total, some 8% of all households with dependent children are over-crowded and included within this, the data shows 9% of lone parent households are over-crowded along with 23% of 'other' households with dependent children. Levels of under-occupancy amongst households with dependent children are also very low.

**Figure 17: Occupancy rating and households with dependent children**



Source: Census (2011)

- 6.15 As well as households containing dependent children there will be others living as part of another household (typically with parents). The table below shows the number of households in the Council area with non-dependent children. In total, some 8% of households (5,100) contained non-dependent children as of 2011.
- 6.16 This may to some degree highlight the difficulties faced by young people in accessing housing. Ineligibility for social housing, lower household incomes and the unaffordability of owner occupation (as well as restricted access to mortgages) for such age groups all contribute to the current trend for young people moving in with or continuing to live with parents.
- 6.17 However these issues are not isolated to the Isle of Wight and as a result of lower housing costs the proportion of households with non-dependent children on the Island (8.3%) is slightly lower than the regional (9.1%) and national average (9.6%).

**Table 60: Households with non-dependent children (2011)**

|               |     | Married couple | Cohabiting couple | Lone parent | All other households | Total  | Total with non-dependent children |
|---------------|-----|----------------|-------------------|-------------|----------------------|--------|-----------------------------------|
| Isle of Wight | No. | 2,774          | 289               | 2,015       | 56,007               | 61,085 | 5,078                             |
|               | %   | 4.5%           | 0.5%              | 3.3%        | 91.7%                | 100%   | 8.3%                              |
| Hampshire     | %   | 5.9%           | 0.5%              | 2.9%        | 90.7%                | 100%   | 9.3%                              |
| South East    | %   | 5.5%           | 0.5%              | 3.1%        | 90.9%                | 100%   | 9.1%                              |
| England       | %   | 5.6%           | 0.5%              | 3.5%        | 90.4%                | 100%   | 9.6%                              |

Source: Census (2011)

- 6.18 The table below shows that the number of households with non-dependent children has increased from 2001 to 2011. In total the number of households with non-dependent children increased by around 500 (+12%) with over half of this being attributable to lone parent households (300).

**Table 61: Change in households with non-dependent children (2001-11) – Isle of Wight**

|                                   | 2001   | 2011   | Change | % change |
|-----------------------------------|--------|--------|--------|----------|
| Married couple                    | 2,678  | 2,774  | 96     | 3.6%     |
| Cohabiting couple                 | 159    | 289    | 130    | 81.8%    |
| Lone parent                       | 1,717  | 2,015  | 298    | 17.4%    |
| All other households              | 52,965 | 56,007 | 3,042  | 5.7%     |
| Total                             | 57,519 | 61,085 | 3,566  | 6.2%     |
| Total with non-dependent children | 4,554  | 5,078  | 524    | 11.5%    |

Source: Census (2001 and 2011)

### Projected changes to family households

- 6.19 As well as looking at the number of households with dependent children, the characteristics of these households and how numbers have changed over time, it is possible to use household projections to see how the number of households is likely to change moving forward.
- 6.20 The CLG household projections use a range of household typologies with three categories for dependent children depending on the number of children. Unfortunately, the CLG projections no longer look at projecting lone parent households separately from couples.
- 6.21 The first table below looks at the change in the number of households based on the CLG household projections. This shows that the number of households with dependent children is projected to increase by about 1,300 (9%) – this includes a 23% increase in households with one dependent child and reductions in the numbers with two or more children.

6.22 The change in the number of households with dependent children is projected to be lower (8.9%) than the change in all households (15%). The increase in the number of households with dependent children represents 14% of all projected household growth.

**Table 62: Change in household types 2016-34 (2014-based CLG household projections) – Isle of Wight**

|  | 2016   | 2034   | Change | % change |
|--|--------|--------|--------|----------|
| One-person household (aged 65 and over)                      | 11,233 | 14,635 | 3,402  | 30.3%    |
| One-person household (aged under 65)                         | 9,794  | 10,558 | 764    | 7.8%     |
| Couple (aged 65 and over)                                    | 10,752 | 15,739 | 4,987  | 46.4%    |
| Couple (aged under 65)                                       | 8,596  | 6,341  | -2,255 | -26.2%   |
| A couple and one or more other adults: No dependent children | 4,112  | 4,561  | 449    | 10.9%    |
| Households with one dependent child                          | 7,593  | 9,322  | 1,730  | 22.8%    |
| Households with two dependent children                       | 5,149  | 4,899  | -250   | -4.9%    |
| Households with three dependent children                     | 2,209  | 2,053  | -156   | -7.1%    |
| Other households   | 3,603  | 4,243  | 640    | 17.8%    |
| Total  | 63,040 | 72,351 | 9,311  | 14.8%    |
| Total households with dependent children                     | 14,950 | 16,274 | 1,324  | 8.9%     |

Source: 2014-based CLG household projections

6.23 As well as looking at the latest official projections, analysis has been undertaken to consider what the profile of households might be with dwelling delivery of 641 homes each year – this is shown in the table below.

**Table 63: Change in household types 2016-34 (linked to provision of 641 dwellings per annum) – Isle of Wight**

|  | 2016   | 2034   | Change | % change |
|--|--------|--------|--------|----------|
| One-person household (aged 65 and over)                      | 11,314 | 14,830 | 3,516  | 31.1%    |
| One-person household (aged under 65)                         | 9,766  | 10,780 | 1,014  | 10.4%    |
| Couple (aged 65 and over)                                    | 10,841 | 15,936 | 5,095  | 47.0%    |
| Couple (aged under 65)                                       | 8,584  | 6,472  | -2,112 | -24.6%   |
| A couple and one or more other adults: No dependent children | 4,126  | 4,611  | 485    | 11.8%    |
| Households with one dependent child                          | 7,553  | 9,570  | 2,016  | 26.7%    |
| Households with two dependent children                       | 5,114  | 5,025  | -89    | -1.7%    |
| Households with three dependent children                     | 2,191  | 2,124  | -67    | -3.1%    |
| Other households   | 3,608  | 4,314  | 707    | 19.6%    |
| Total  | 63,096 | 73,662 | 10,566 | 16.7%    |
| Total households with dependent children                     | 14,859 | 16,718 | 1,860  | 12.5%    |

Source: Demographic modelling

6.24 This shows a slightly higher change in the number of households with dependent children, and that households with dependent children make up a greater proportion of the total change (18% of the

increase in households). In this instance there is still projected to only be increases in the number of households with one dependent child (+26%).

### The Mix of Housing – Introduction

- 6.25 The analysis above has looked at households with children and also projected changes to the number of households in different categories. The analysis now moves on to consider what mix of housing (by size) would be most appropriate for the changing demographic in The Isle of Wight.
- 6.26 Two different methods are used to provide an overall view about needs, the first uses the data presented above about household types and links this to current occupancy patterns, whilst the second uses similar information, but is more closely linked to the age of the head of household; the second methodology also separates out different tenures of housing.
- 6.27 Essentially, both models start with the current profile of housing (as of 2016 to align with the base date of projections developed) in terms of number of bedrooms (for both methods) and tenure (for the second method only).
- 6.28 Within the data, information is available about the household type or age of households and the typical sizes of homes they occupy. By using demographic projections, it is possible to see which age groups are expected to change in number, and by how much.
- 6.29 On the assumption that occupancy patterns for each age group (within each tenure where relevant) remain the same, it is therefore possible to work out what the profile of housing should be at a point in time in the future (2034 in terms of this assessment).
- 6.30 By subtracting the current profile of housing from the projected profile, it is possible to calculate the net change in housing needed (by size). Many of the tables to follow therefore have a '2016' heading and a '2034' one; the difference between the figures in these two columns is the net change in housing over the 17-year period (if the assumptions used play out). Conventionally, the main outputs are presented as a percentage need for each size of home within each tenure category.

### Current Stock of Housing by Size and Tenure

- 6.31 It should be noted that the current stock of housing (by size) can have a notable impact on the outputs of the modelling. The table below shows a comparison of the size profile of accommodation in a range of areas in three broad tenure groups.

6.32 This shows generally across all tenures that the Isle of Wight has a fairly typical size profile. The main difference to note is the relatively small proportion of homes with 4+-bedrooms in the owner-occupied sector, although this may to some extent be explained by the population and household profile on the Island (more older people and fewer families with dependent children). The current (2011) stock profile is however taken into account in drawing conclusions.

**Table 64: Number of bedrooms by tenure and a range of areas**

|                |             | Isle of Wight | Hampshire | South East | England |
|----------------|-------------|---------------|-----------|------------|---------|
| Owner-occupied | 1-bedroom   | 4%            | 4%        | 5%         | 4%      |
|                | 2-bedrooms  | 30%           | 20%       | 22%        | 23%     |
|                | 3-bedrooms  | 45%           | 45%       | 44%        | 48%     |
|                | 4+-bedrooms | 20%           | 32%       | 30%        | 25%     |
|                | Total       | 100%          | 100%      | 100%       | 100%    |
| Social rented  | 1-bedroom   | 30%           | 30%       | 32%        | 31%     |
|                | 2-bedrooms  | 37%           | 34%       | 33%        | 34%     |
|                | 3-bedrooms  | 30%           | 32%       | 31%        | 31%     |
|                | 4+-bedrooms | 3%            | 4%        | 4%         | 4%      |
|                | Total       | 100%          | 100%      | 100%       | 100%    |
| Private rented | 1-bedroom   | 23%           | 18%       | 24%        | 23%     |
|                | 2-bedrooms  | 44%           | 38%       | 37%        | 39%     |
|                | 3-bedrooms  | 27%           | 33%       | 27%        | 28%     |
|                | 4+-bedrooms | 7%            | 11%       | 12%        | 10%     |
|                | Total       | 100%          | 100%      | 100%       | 100%    |

Source: Census 2011

### Method 1 – household types

- 6.33 In Method 1, a combination of the Isle of Wight's population and current occupancy patterns is used. By estimating future household growth by type and applying local occupancy patterns it is possible to determine what mix of new housing might be appropriate.
- 6.34 By using current occupancy patterns, account can be taken of the relationship between different groups and the housing they occupy (for example, older households who live in accommodation larger than they technically need). The method has been used as it has been observed as the preferred method of the development industry when providing their own evidence about future mix.
- 6.35 However it does serve to reinforce occupancy patterns which may not be the best use of the accommodation. For example the Isle of Wight in 2011 had a higher than average level of under-occupied homes (72.5%) compared to both the South East (70.5%) and England (68.7%) equivalents.

6.36 It should also become a policy choice as to whether additional larger homes should be provided if 8% of existing single pensioner older households occupy properties with four bedrooms or more. Alternatively they could provide more suitable accommodation in greater numbers for these households to downsize in to.

6.37 The table below shows the relationship between different household groups and the size of homes they occupy. The data is for all tenures due to availability of data on this topic and is therefore used just to provide an initial overview (further tenure specific analysis is considered under Method 2).

**Table 65: Occupancy Patterns by Household Type (2011) – Isle of Wight**

|                                    |     | 1- bedroom | 2- bedrooms | 3- bedrooms | 4+ bedrooms | Total  |
|------------------------------------|-----|------------|-------------|-------------|-------------|--------|
| One person 65+                     | No. | 1,851      | 4,217       | 3,225       | 762         | 10,055 |
|                                    | %   | 18%        | 42%         | 32%         | 8%          | 100%   |
| One person <65                     | No. | 2,976      | 3,851       | 2,390       | 685         | 9,902  |
|                                    | %   | 30%        | 39%         | 24%         | 7%          | 100%   |
| Couple 65+                         | No. | 294        | 2,514       | 3,075       | 1,061       | 6,944  |
|                                    | %   | 4%         | 36%         | 44%         | 15%         | 100%   |
| Couple <65                         | No. | 830        | 3,888       | 4,903       | 1,943       | 11,564 |
|                                    | %   | 7%         | 34%         | 42%         | 17%         | 100%   |
| Households with dependent children | No. | 304        | 3,915       | 7,360       | 3,673       | 15,252 |
|                                    | %   | 2%         | 26%         | 48%         | 24%         | 100%   |
| Other                              | No. | 165        | 1,908       | 3,572       | 1,723       | 7,368  |
|                                    | %   | 2%         | 26%         | 48%         | 23%         | 100%   |
| Total                              | No. | 6,420      | 20,293      | 24,525      | 9,847       | 61,085 |
|                                    | %   | 11%        | 33%         | 40%         | 16%         | 100%   |

Source: Census (2011)

6.38 The choice of household typologies also differs from other analysis, and has been chosen to represent the largest set of groups that can be consistently assessed from both Census data and household projections.

6.39 The two tables below show the size mix needed from applying the occupancy patterns shown above with projected changes to the number of households in each household type group (the figures are for all tenures).

6.40 When linked to official projections, the main need is shown to be for 3-bedroom homes (40% of the total) followed by 2-bedroom accommodation (36%). This largely reflects the commentary of local agents who have suggested that there is a current deficit of 2 and three bedroom properties.



6.41 At only 10% of all growth in both scenarios the demand for flatted property is relatively low. This again reflects the demand on the Island as told to us by local agents. Although again this could be linked to the existing offer.

**Table 66: Estimated Housing Mix Requirements – Isle of Wight (based on CLG household projections)**

|                                    | 1-<br>bedroom | 2-<br>bedrooms | 3-<br>bedrooms | 4+-<br>bedrooms | Total  |
|------------------------------------|---------------|----------------|----------------|-----------------|--------|
| One person 65+                     | 626           | 1,427          | 1,091          | 258             | 3,402  |
| One person <65                     | 230           | 297            | 184            | 53              | 764    |
| Couple 65+                         | 211           | 1,805          | 2,208          | 762             | 4,987  |
| Couple <65                         | -162          | -758           | -956           | -379            | -2,255 |
| Households with dependent children | 26            | 340            | 639            | 319             | 1,324  |
| Other                              | 24            | 282            | 528            | 255             | 1,089  |
| Total                              | 956           | 3,393          | 3,695          | 1,267           | 9,311  |
|                                    | 10%           | 36%            | 40%            | 14%             | 100%   |

Source: Derived from Census (2011) and demographic projections

6.42 With an increase level of household growth (linked to an OAN of 641 dwellings per annum) there is no notable difference in the outputs by percentage although the numbers themselves are obviously higher.

**Table 67: Estimated Housing Mix Requirements – Isle of Wight (linked to an OAN of 641 dwellings per annum)**

|                                    | 1-<br>bedroom | 2-<br>bedrooms | 3-<br>bedrooms | 4+-<br>bedrooms | Total  |
|------------------------------------|---------------|----------------|----------------|-----------------|--------|
| One person 65+                     | 647           | 1,475          | 1,128          | 266             | 3,516  |
| One person <65                     | 305           | 394            | 245            | 70              | 1,014  |
| Couple 65+                         | 216           | 1,845          | 2,256          | 778             | 5,095  |
| Couple <65                         | -152          | -710           | -895           | -355            | -2,112 |
| Households with dependent children | 37            | 477            | 897            | 448             | 1,860  |
| Other                              | 27            | 309            | 578            | 279             | 1,192  |
| Total                              | 1,080         | 3,790          | 4,209          | 1,487           | 10,566 |
|                                    | 10%           | 36%            | 40%            | 14%             | 100%   |

Source: Derived from Census (2011) and demographic projections

### Method 2 – age of household reference person

6.43 The second method used is similar to that in the 2014 Isle of Wight SHMA; this looks at the ages of the Household Reference Person (HRP – often more normally called the head of household) and how these are projected to change over time.

6.44 One difference in this method is that the analysis can be segmented by tenure. In comparison with the analysis undertaken in the SHMA, this study has been able to draw on more up-to-date information from the 2011 Census, as well as the updated projections (drawing on the latest ONS and CLG population/household projections/estimates). The sub-sections to follow describe some of the key analysis.

### **Understanding how Households Occupy Homes**

6.45 Whilst the demographic projections provide a good indication of how the population and household structure will develop, it is not a simple task to convert the net increase in the number of households into a suggested profile for additional housing to be provided. The main reason for this is that in the market sector, households are able to buy or rent any size of property (subject to what they can afford) and therefore knowledge of the profile of households in an area does not directly transfer into the sizes of property to be provided.

6.46 The size of housing which households occupy relates more to their wealth and age than the number of people they contain. For example, there is no reason why a single person cannot buy (or choose to live in) a four-bedroom home as long as they can afford it, and hence projecting an increase in single person households does not automatically translate into a need for smaller units.

6.47 That said, issues of supply can also impact occupancy patterns, for example it may be that a supply of additional smaller bungalows (say 2-bedrooms) would encourage older people to downsize but in the absence of such accommodation these households remain living in their larger accommodation. It was suggested to us by local agents that this would be the case.

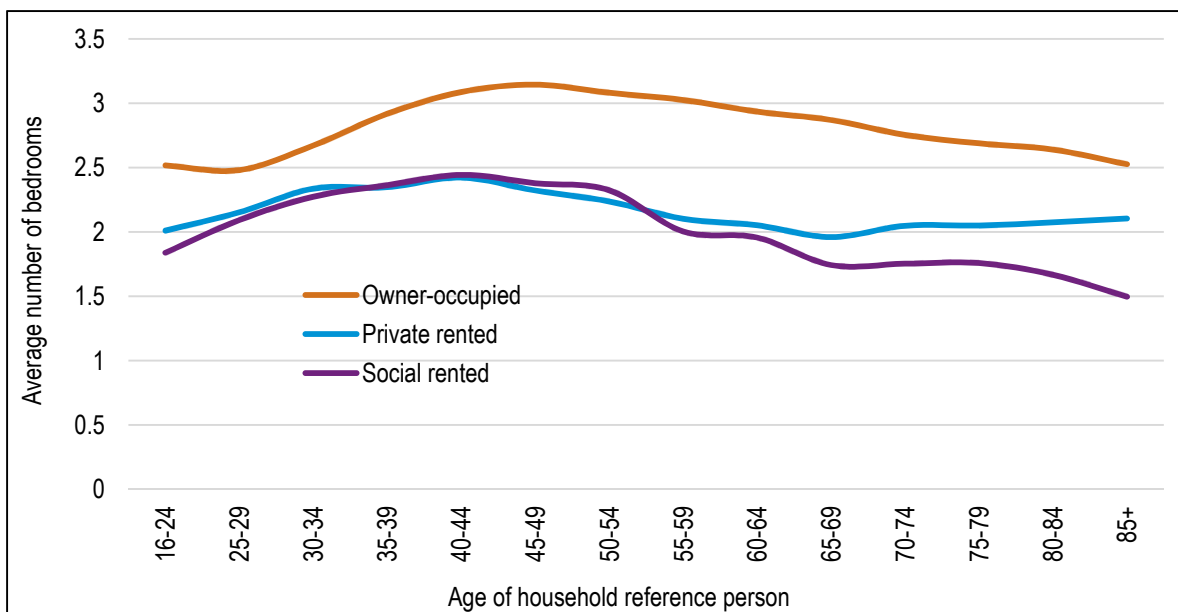
6.48 The issue of choice is less relevant in the affordable sector (particularly since the introduction of the social sector size criteria) although there will still be some level of under-occupation moving forward with regard to older person and working households who may be able to under-occupy housing.

6.49 The approach used is to interrogate information derived in the projections about the number of household reference persons (HRPs) in each age group and apply this to the profile of housing within these groups. The data for this analysis has been formed from a commissioned table by ONS (Table CT0621 which provides relevant data for all local authorities in England and Wales from the 2011 Census). The figure below shows an estimate of how the average number of bedrooms varies by different ages of HRP and broad tenure group.

6.50 In the owner-occupied sector the average size of accommodation rises over time to typically reach a peak around the age of 45-49. In the social and private rental sectors, this peak arguably appears earlier.

6.51 Some of the data for older age groups in the PRS should be treated with caution due to a low number of households. After peaking, the average dwelling size decreases – as typically some households downsize as they get older.

**Figure 18: Average Bedrooms by Age and Tenure – Isle of Wight**



Source: Derived from ONS Commissioned Table CT0621

6.52 In terms of the analysis to follow, the outputs have been segmented into three broad categories. These are market housing, which is taken to follow the occupancy profiles in the owner-occupied sector; affordable home ownership, which is taken to follow the occupancy profile in the private rented sector (this is seen as reasonable as the Government’s desired growth in home ownership looks to be largely driven by a wish to see households move out of private renting) and affordable (rented) housing, which is taken to follow the occupancy profile in the social rented sector. The affordable sector in the analysis to follow would include affordable rented housing.

**Tenure Assumptions**

6.53 The housing market model has been used to estimate the future need for different sizes of property over the 18-year period from 2016 to 2034. The model works by looking at the types and sizes of accommodation occupied by different ages of residents and attaching projected changes in the population to this to project need and demand for different sizes of homes. However, the way households of different ages occupy homes differs between the market and affordable sectors (as shown earlier).

6.54 It is therefore necessary on this basis to make some judgement for modelling purposes on what proportion of net completions might be of market and affordable housing. For modelling purposes,

the analysis assumes that 30% of net completions are either affordable housing (rented) or affordable home ownership and therefore that 70% are market housing (designed to be sold for owner-occupation). This is slightly below the 39% of overall delivery achieved since 2003.

- 6.55 Within the 30% affordable housing, a split of 67:33 has been used; this means an estimated total of 20% of completions as affordable housing (rented) and 10% as affordable home ownership. A discussion of the need for affordable housing and the different tenures of housing can be found in Section 5 and 6 of this report.
- 6.56 It should be stressed that these figures are not policy targets. Policy targets for affordable housing on new development schemes in some cases are above this; but not all sites deliver policy-compliant affordable housing provision. Whilst some delivery is on sites below the affordable housing policy threshold equally some housing development is brought forward by Registered Providers and local authorities and may deliver higher proportions of affordable housing than in current policy.
- 6.57 To reiterate the figures used are not a policy position and have been applied simply for the purposes of providing outputs from the modelling process. To confirm, it has been assumed that the following proportions of different tenures will be provided moving forward:
- Market housing – 70%;
  - Affordable home ownership – 10%; and
  - Social/affordable rent – 20%

#### **Projected changes by age of HRP**

- 6.58 The table below shows the projected change by age of HRP under each of the two projections used in this report. In both cases it can be seen that the vast majority of changes are projected to occur in older age groups.
- 6.59 It is also notable that some age groups are projected to see a decline or very modest increases in numbers (the 45-59 age groups being most notable in this). These findings are important as this will influence the sizes of homes needed in the future; notably the small changes in HRPs are typically in groups who occupy larger homes and vice versa.

**Table 68: Projected change in households by age of household reference person – Isle of Wight**

|           | 2014-based CLG projections |          |               |          | Linked to OAN of 641 dpa |          |               |          |
|-----------|----------------------------|----------|---------------|----------|--------------------------|----------|---------------|----------|
|           | Hhs 2016                   | Hhs 2034 | Change in hhs | % change | Hhs 2016                 | Hhs 2034 | Change in hhs | % change |
| 16-24     | 1,526                      | 1,499    | -27           | -1.8%    | 1,491                    | 1,515    | 24            | 1.6%     |
| 25-29     | 2,569                      | 2,424    | -145          | -5.6%    | 2,507                    | 2,609    | 102           | 4.1%     |
| 30-34     | 3,249                      | 3,187    | -62           | -1.9%    | 3,233                    | 3,417    | 184           | 5.7%     |
| 35-39     | 3,519                      | 3,971    | 452           | 12.9%    | 3,473                    | 4,297    | 824           | 23.7%    |
| 40-44     | 4,172                      | 4,606    | 434           | 10.4%    | 4,132                    | 4,535    | 403           | 9.8%     |
| 45-49     | 5,281                      | 4,479    | -801          | -15.2%   | 5,258                    | 4,538    | -720          | -13.7%   |
| 50-54     | 6,086                      | 4,969    | -1,117        | -18.3%   | 6,071                    | 5,000    | -1,071        | -17.6%   |
| 55-59     | 5,732                      | 5,007    | -725          | -12.6%   | 5,740                    | 5,000    | -739          | -12.9%   |
| 60-64     | 5,771                      | 6,506    | 735           | 12.7%    | 5,756                    | 6,560    | 804           | 14.0%    |
| 65-69     | 7,076                      | 8,224    | 1,148         | 16.2%    | 7,218                    | 8,304    | 1,086         | 15.0%    |
| 70-74     | 6,351                      | 8,112    | 1,761         | 27.7%    | 6,428                    | 8,152    | 1,724         | 26.8%    |
| 75-79     | 4,524                      | 6,560    | 2,036         | 45.0%    | 4,512                    | 6,643    | 2,132         | 47.3%    |
| 80-84     | 3,650                      | 5,647    | 1,997         | 54.7%    | 3,654                    | 5,703    | 2,050         | 56.1%    |
| 85 & over | 3,533                      | 7,156    | 3,622         | 102.5%   | 3,543                    | 7,307    | 3,763         | 106.2%   |
| Total     | 63,039                     | 72,348   | 9,309         | 14.8%    | 63,015                   | 73,581   | 10,566        | 16.8%    |

Source: Demographic projections

### Key Findings: Market Housing

- 6.60 There are a range of factors which can influence demand for market housing in different locations. The focus of this analysis is on considering long-term needs, where changing demographics are expected to be a key influence. It uses a demographic-driven approach to quantify demand for different sizes of properties over the 18-year period from 2016 to 2034.
- 6.61 Looking first at projecting on the basis of the 2014-based CLG projections, an increase of 6,500 additional households is modelled over the period. The majority of these need two- and three-bed homes.
- 6.62 The data suggests that housing need can be expected to reinforce the existing profile, but with a slight shift towards a requirement for smaller dwellings relative to the distribution of existing housing. This is understandable given the fact that household sizes are expected to fall slightly in the future – particularly as a result of an ageing population living in smaller households.

**Table 69: Estimated Size of Dwellings Needed 2016 to 2034 – Market Housing – 2014-based CLG projections – Isle of Wight**

|             | 2016   | 2034   | Additional households 2016-2034 | % of additional households |
|-------------|--------|--------|---------------------------------|----------------------------|
| 1-bedroom   | 2,024  | 2,374  | 350                             | 5%                         |
| 2-bedrooms  | 13,830 | 16,270 | 2,440                           | 37%                        |
| 3-bedrooms  | 20,370 | 23,157 | 2,788                           | 43%                        |
| 4+-bedrooms | 9,076  | 10,015 | 938                             | 14%                        |
| Total       | 45,300 | 51,817 | 6,517                           | 100%                       |

Source: Housing Market Model

6.63 When looking at a demographic projection based on housing delivery of 641 dwellings per annum, it can be seen that the number of households in the market sector would be projected to increase by 7,400. The estimated size profile required is still focused on two- and three-bedroom homes and the profile needed does not differ substantially from the analysis set against CLG projections.

**Table 70: Estimated Size of Dwellings Needed 2016 to 2034 – Market Housing – 641 dwellings per annum – Isle of Wight**

|             | 2016   | 2034   | Additional households 2016-2034 | % of additional households |
|-------------|--------|--------|---------------------------------|----------------------------|
| 1-bedroom   | 2,026  | 2,421  | 395                             | 5%                         |
| 2-bedrooms  | 13,860 | 16,582 | 2,722                           | 37%                        |
| 3-bedrooms  | 20,399 | 23,579 | 3,180                           | 43%                        |
| 4+-bedrooms | 9,086  | 10,185 | 1,099                           | 15%                        |
| Total       | 45,371 | 52,767 | 7,396                           | 100%                       |

Source: Housing Market Model

6.64 The statistics are based upon the modelling of demographic trends. As has been identified, it should be recognised that a range of factors including affordability pressures and market signals will continue to be important in understanding market demand; this may include an increased demand in the private rented sector for rooms in a shared house due to changes in housing benefit for single people. In determining policies for housing mix, policy aspirations are also relevant.

6.65 At the strategic level, when considering which sites to allocate the Council can consider what type of development would likely be delivered on these sites. It can also provide guidance on housing mix implicitly through policies on development densities.

6.66 On applying the suggested mix the Council may wish to make a policy choice to provide housing which supports the economy. This would likely entail additional 'mid-market' housing products, including three and four bed homes, across the Island to support demand from middle-aged families

and continued in-migration of economically active professional households who make an important contribution to the Island's economy.

- 6.67 Other local factors that should be taken into account is the need to support the rural economy with appropriate provision of affordable housing and low-to-mid range market housing to meet localised needs as well as supporting access to housing for existing residents.

### Mix by Sub Area

- 6.68 We have also modelled an indicative size mix for each sub area and for each tenure. These are modelled on the same basis as the strategic conclusions set out above. It should be noted that this is indicative mix only and does not constitute a policy starting point for mix negotiation which should remain at the strategic level.

- 6.69 For Market Housing the Medina Valley East sub-area requires a slightly greater number of 2-bedroom homes than the Island wide figure. In contrast the Ryde area is likely to require a slightly greater number of larger 4-bedroom homes.

**Table 71: Estimated size mix of dwellings required by sub-area – market housing**

|                             | 1-bedroom | 2-bedrooms | 3-bedrooms | 4+-bedrooms |
|-----------------------------|-----------|------------|------------|-------------|
| Bay                         | 4%        | 36%        | 46%        | 14%         |
| Medina Valley               | 6%        | 40%        | 40%        | 14%         |
| <i>Medina Valley – East</i> | 8%        | 40%        | 37%        | 15%         |
| <i>Medina Valley – West</i> | 5%        | 40%        | 42%        | 14%         |
| Ryde                        | 5%        | 37%        | 40%        | 18%         |
| West Wight                  | 7%        | 33%        | 44%        | 16%         |
| <b>Total</b>                | 5%        | 37%        | 43%        | 15%         |

Source: Housing Market Model

- 6.70 The Bay area should seek a slightly reduced number of 1-bedroom and +4-bedroom properties than the rest of the Island. Similarly the Medina Valley West should also seek less +4- bedrooms than the island wide figure.

- 6.71 In relation to affordable home ownership products the Bay and West Wight areas should seek a substantially less proportion of one and two bedroom homes with a converse increase in larger, particularly 3-bedroom homes. The reverse is broadly true of the Median Valley East area.

**Table 72: Estimated size mix of dwellings required by sub-area – affordable home ownership**

|                             | 1-bedroom | 2-bedrooms | 3-bedrooms | 4+-bedrooms |
|-----------------------------|-----------|------------|------------|-------------|
| Bay                         | 16%       | 42%        | 35%        | 7%          |
| Medina Valley               | 24%       | 47%        | 24%        | 5%          |
| <i>Medina Valley – East</i> | 27%       | 47%        | 20%        | 6%          |
| <i>Medina Valley – West</i> | 22%       | 47%        | 26%        | 5%          |
| Ryde                        | 23%       | 45%        | 25%        | 7%          |
| West Wight                  | 20%       | 40%        | 30%        | 9%          |
| <b>Total</b>                | 23%       | 45%        | 25%        | 6%          |

Source: Housing Market Model

6.72 Rental affordable housing products show the most significant variation on sub-area basis although there is very little deviation when it comes to 4+ bedroom properties. The Medina Valley East and to a lesser extent Ryde sub-areas should plan for a greater number of smaller homes than the Island wide figure with a converse reduction in three bedroom homes.

6.73 In contrast the West Wight sub-area requires a substantially smaller amount of 1-bedroom homes than the Island equivalent with a proportional increase in 2 and 3-bedroom affordable rental properties.

**Table 73: Estimated size mix of dwellings required by sub-area – affordable housing (rented)**

|                             | 1-bedroom | 2-bedrooms | 3-bedrooms | 4+-bedrooms |
|-----------------------------|-----------|------------|------------|-------------|
| Bay                         | 33%       | 39%        | 25%        | 3%          |
| Medina Valley               | 37%       | 38%        | 24%        | 2%          |
| <i>Medina Valley – East</i> | 47%       | 36%        | 16%        | 2%          |
| <i>Medina Valley – West</i> | 31%       | 39%        | 28%        | 2%          |
| Ryde                        | 41%       | 39%        | 19%        | 2%          |
| West Wight                  | 23%       | 40%        | 33%        | 4%          |
| <b>Total</b>                | 37%       | 35%        | 26%        | 2%          |

Source: Housing Market Model

#### **Key Findings: Affordable home ownership**

6.74 The tables below show estimates of the need for different sizes of affordable home ownership based on the analysis of demographic trends (firstly linked to the 2014-based CLG projections and then to the 641 dwellings per annum scenario).



**Table 74: Estimated Size of Dwellings Needed 2016 to 2034 – affordable home ownership – 2014-based CLG projections – Isle of Wight**

|             | 2016   | 2034   | Additional households 2016-2034 | % of additional households |
|-------------|--------|--------|---------------------------------|----------------------------|
| 1-bedroom   | 2,551  | 2,774  | 223                             | 24%                        |
| 2-bedrooms  | 4,883  | 5,303  | 420                             | 45%                        |
| 3-bedrooms  | 2,938  | 3,168  | 230                             | 25%                        |
| 4+-bedrooms | 795    | 852    | 57                              | 6%                         |
| Total       | 11,167 | 12,098 | 931                             | 100%                       |

Source: Housing Market Model (numbers may not sum due to rounding)

- 6.75 The data suggests in the period between 2016 and 2034 that the main need is again for homes with two- or three-bedrooms, although the proportions in the 1-bedroom category are significantly higher than for market housing.

**Table 75: Estimated Size of Dwellings Needed 2016 to 2034 – affordable home ownership – 641 dwellings per annum – Isle of Wight**

|             | 2016   | 2034   | Additional households 2016-2034 | % of additional households |
|-------------|--------|--------|---------------------------------|----------------------------|
| 1-bedroom   | 2,537  | 2,781  | 244                             | 23%                        |
| 2-bedrooms  | 4,845  | 5,324  | 479                             | 45%                        |
| 3-bedrooms  | 2,918  | 3,185  | 267                             | 25%                        |
| 4+-bedrooms | 790    | 855    | 66                              | 6%                         |
| Total       | 11,089 | 12,146 | 1,057                           | 100%                       |

Source: Housing Market Model (numbers may not sum due to rounding)

- 6.76 The higher housing target also results in a slight lower percentage of smaller homes although this is a barely noticeable difference.

#### **Key Findings: Affordable Housing (rented)**

- 6.77 The tables below show estimates of the need for different sizes of affordable homes based on the analysis of demographic trends (firstly linked to the 2014-based CLG projections and then to the 641 dwellings per annum scenario). The data suggests in the period between 2016 and 2034 that the main need is for homes with one- or two-bedrooms.
- 6.78 This analysis provides a longer-term view of the need for different sizes of affordable housing and does not reflect any specific priorities such as for family households in need rather than single people.

6.79 In addition, it should be noted that smaller properties (i.e. one-bedroom homes) typically offer limited flexibility in accommodating the changing needs of households, whilst delivery of larger properties can help to meet the needs of households in high priority and to manage the housing stock by releasing a supply of smaller properties.

**Table 76: Estimated Size of Dwellings Needed 2016 to 2034 – affordable housing (rented) – 2014-based CLG projections – Isle of Wight**

|             | 2016  | 2034  | Additional households<br>2016-2034 | % of additional<br>households |
|-------------|-------|-------|------------------------------------|-------------------------------|
| 1-bedroom   | 2,040 | 2,744 | 704                                | 38%                           |
| 2-bedrooms  | 2,413 | 3,060 | 648                                | 35%                           |
| 3-bedrooms  | 1,924 | 2,390 | 466                                | 25%                           |
| 4+-bedrooms | 195   | 239   | 44                                 | 2%                            |
| Total       | 6,572 | 8,434 | 1,862                              | 100%                          |

Source: Housing Market Model

6.80 As with market housing, the data again shows that relative to the current profile there is a slight move towards a greater proportion of smaller homes being needed (again related to the ageing population and the observation that older person households are more likely to occupy smaller dwellings).

**Table 77: Estimated Size of Dwellings Needed 2016 to 2034 – affordable housing (rented) – 641 dwellings per annum – Isle of Wight**

|             | 2016  | 2034  | Additional households<br>2016-2034 | % of additional<br>households |
|-------------|-------|-------|------------------------------------|-------------------------------|
| 1-bedroom   | 2,042 | 2,819 | 777                                | 37%                           |
| 2-bedrooms  | 2,402 | 3,148 | 746                                | 35%                           |
| 3-bedrooms  | 1,916 | 2,455 | 539                                | 26%                           |
| 4+-bedrooms | 194   | 246   | 52                                 | 2%                            |
| Total       | 6,554 | 8,667 | 2,113                              | 100%                          |

Source: Housing Market Model

### Comparing Outputs – Method 1 and 2

6.81 Before moving on to draw conclusions from the analysis above, it is worth quickly comparing the headline outputs from the two methods developed. This can be done for the overall need only (i.e. adding the three tenures together in the case of Method 2) and for both projection scenarios.

6.82 The table below shows that Method 2 results in a need for a smaller dwelling size requirement than Method 1 – with a lower need for 3+-bedroom homes and a higher need for homes with 1-bedroom.

**Table 78: Comparing overall need outputs from Methods 1 and 2**

|          |                          | 1-bedroom | 2-bedrooms | 3-bedrooms | 4+-bedrooms |
|----------|--------------------------|-----------|------------|------------|-------------|
| Method 1 | CLG projections          | 10%       | 36%        | 40%        | 14%         |
|          | Linked to OAN of 641 dpa | 10%       | 36%        | 40%        | 14%         |
| Method 2 | CLG projections          | 14%       | 38%        | 37%        | 11%         |
|          | Linked to OAN of 641 dpa | 13%       | 37%        | 38%        | 12%         |

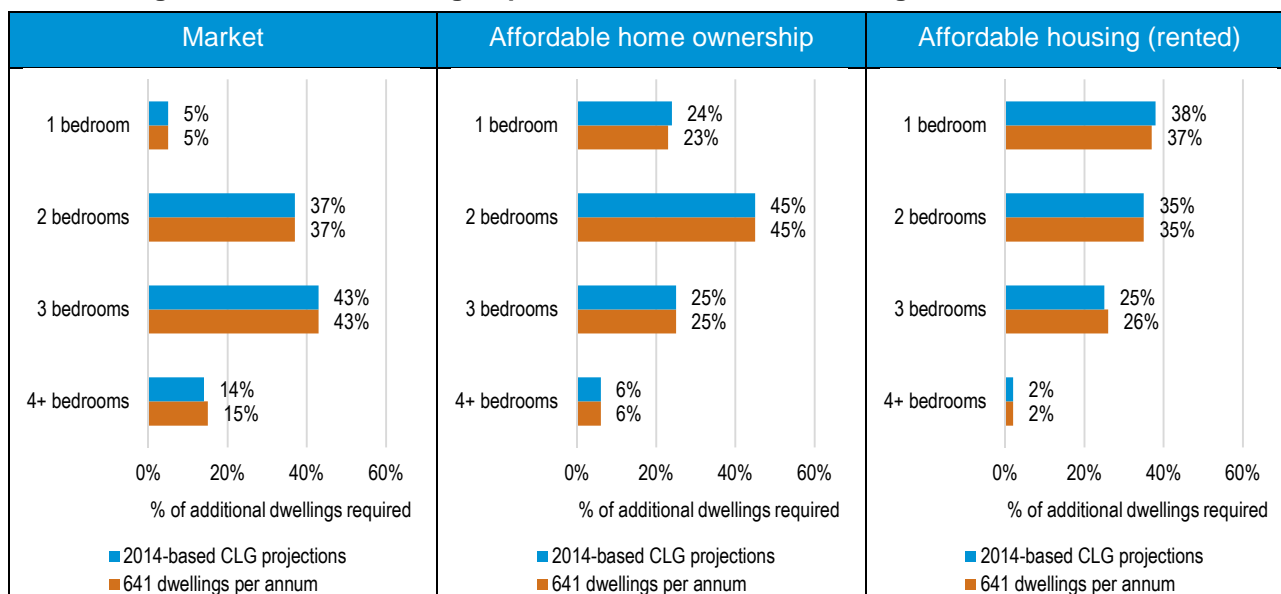
Source: Derived from Census (2011) and demographic projections

- 6.83 This difference will be driven by the assumptions around affordable delivery, with the modelling assuming a higher level of delivery than seen in the current stock (for example, the analysis assumes 20% of future delivery as social/affordable rented housing, whereas the current stock is only 11% in the social rented tenure).
- 6.84 If the modelling were to be adjusted to match the current proportions in each tenure group then there would be little difference between the two methods. On this basis, Method 2 (which also has a tenure distinction) can reasonably be taken forward into conclusions.
- 6.85 This still provides the vast majority of homes in 2 and 3 bedroom properties which local agents inform us are most in demand.

### Indicative Targets by Tenure

- 6.86 The figure below summarises the above data in both the market and affordable sectors under the modelling exercise. The analysis clearly shows the different profiles in the three broad tenures with affordable housing being more heavily skewed towards smaller dwellings, and affordable home ownership sitting somewhere in between the market and affordable housing.

**Figure 19: Size of housing required 2016 to 2034 – Isle of Wight**



Source: Housing Market Model

- 6.87 Whilst the output of the modelling provides estimates of the proportion of homes of different sizes that are needed, there are a range of factors which should be taken into account in setting policies for provision. This is particularly the case in the affordable sector where there are typically issues around the demand for and turnover of one-bedroom homes (as well as allocations to older person households) – e.g. one bedroom homes provide limited flexibility for households (e.g. a couple household expecting to start a family) and as a result can see relatively high levels of turnover – therefore, it may not be appropriate to provide as much one-bedroom stock as is suggested by the modelling exercise.
- 6.88 At the other end of the scale, conclusions also need to consider that the stock of four-bedroom affordable housing is very limited and tends to have a very low turnover. As a result, whilst the number of households coming forward for four or more bedroom homes is typically quite small, the ability for these needs to be met is even more limited.
- 6.89 Through our discussions with housing officers there are a small number of families on the Island with very large household sizes in affordable housing need. It is somewhat of a rarity that suitable affordable accommodation becomes available of households of this size. While a supply of very large affordable homes would be welcome, a flexible design of adjoining properties allowing them to be combined and sub-divided may be a more useful product in the longer term to supply.
- 6.90 For these reasons, it is suggested in converting the long-term modelled outputs into a profile of housing to be provided (in the affordable sector) that the proportion of one bedroom homes required

is reduced slightly from these outputs with a commensurate increase in four or more bedroom homes also being appropriate.

6.91 There are thus a range of factors which are relevant in considering policies for the mix of affordable housing (rented) sought through development schemes. At an Island wide level, the analysis would support policies for the mix of affordable housing (rented) of:

- 1-bed properties: 30%
- 2-bed properties: 40%
- 3-bed properties: 25%
- 4-bed properties: 5%

6.92 The strategic conclusions recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues.

6.93 The need for affordable housing of different sizes will vary by area (at a more localised level) and over time. In considering the mix of homes to be provided within specific development schemes, the information herein should be brought together with details of households currently on the Housing Register in the local area and the stock and turnover of existing properties.

6.94 In the affordable home ownership and market sectors a profile of housing that more closely matches the outputs of the modelling is suggested. On the basis of these factors it is considered that the provision of affordable home ownership should be more explicitly focused on delivering smaller family housing for younger households. On this basis the following mix of affordable home ownership is suggested:

- 1-bed properties: 25%
- 2-bed properties: 45%
- 3-bed properties: 25%
- 4-bed properties: 5%

6.95 Finally, in the market sector, a balance of dwellings is suggested that takes account of both the demand for homes and the changing demographic profile, this sees a slightly larger recommended profile compared with other tenure groups and the conclusions take account of the earlier observation of a low proportion of 4+-bedroom homes in the sector. The following mix of market housing is suggested:

- 1-bed properties: 5%
- 2-bed properties: 35%
- 3-bed properties: 40%
- 4-bed properties: 20%

- 6.96 Based on the evidence, it is expected that the focus of new market housing provision will be on two- and three-bed properties. Continued demand for family housing can be expected from newly forming households.
- 6.97 There may also be some demand for medium-sized properties (2- and 3-beds) from older households downsizing and looking to release equity in existing homes, but still retaining flexibility for friends and family to come and stay.
- 6.98 Although the analysis has quantified this on the basis of the market modelling and an understanding of the current housing market, it does not necessarily follow that such prescriptive figures should be included in the plan making process.
- 6.99 The 'market' if functioning properly is to some degree a better judge of what is the most appropriate profile of homes to deliver at any point in time, and demand can change over time linked to macro-economic factors and local supply.
- 6.100 The figures can however be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by demographic change in the area.

### Need/demand for Bungalows

- 6.101 The sources used for analysis in this report make it difficult to quantify a need/demand for bungalows in the Council area as Census data (which is used to look at occupancy profiles) does not separately identify this type of accommodation.
- 6.102 However, it is typical (where discussion are undertaken with local estate agents) to find that there is a demand for this type of accommodation. This was also the case in the Isle of Wight where the elderly population are driving demand for this type of property.
- 6.103 Bungalows are often the first choice for older people seeking suitable accommodation in later life and there is generally a high demand for such accommodation when it becomes available. As a new build option, it is, however, the case that bungalow accommodation is often not supported by either house builders or planners (due to potential plot sizes and their generally low densities).
- 6.104 There may, however, be instances where bungalows are the most suitable house type for a particular site; for example, to overcome objections about dwellings overlooking existing dwellings or preserving sight lines.

- 6.105 One developer on the Isle of Wight has suggested that a quarter –detached property where adjoining homes on two aspects with gardens facing out from each façade. This would deliver more single storey accommodation in a more land intensive manner.
- 6.106 There is also the possibility of a wider need/demand for retirement accommodation. Retirement apartments can prove very popular if they are well located in terms of access to facilities and services, and in an attractive setting (e.g. have a good view). However, some potential purchasers may find high service charges unacceptable or unaffordable and new build units may not retain their value on re-sale.
- 6.107 Bungalows are also not the only solution to single storey living. Modern flats with reliable lifts can also provide this type of living. Communal gardens can also ensure much desired outdoor space for this type of accommodation.
- 6.108 Overall, the Council should consider the potential role of bungalows as part of the future mix of housing. Such housing may be particularly attractive to older owner-occupiers (many of whom are equity-rich) which may assist in encouraging households to downsize. However, the downside to providing bungalows is that they are relatively land intensive for the amount of floorspace created.

## Summary

- 6.109 The proportion of households with dependent children is lower in the Isle of Wight than other areas although there are a relatively high proportion of lone parents. There was minimal growth in the number of 'family' households from 2001 to 2011 (increasing by 2%) although there has been a more notable growth in the number of households with non-dependent children (likely in many cases to be grown-up children living with parents).
- 6.110 Projecting forward, there is expected to be some increase in the number of households with dependent children – although changes are likely to be below overall changes (of all household types).
- 6.111 The strategic conclusions in the affordable sector recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households.
- 6.112 Also recognised is the limited flexibility which one-bed properties offer to changing household circumstances, which feed through into higher turnover and management issues. The conclusions also take account of the current mix of housing in the Council area (by tenure).
- 6.113 Based on the evidence, it is expected that the focus of new market housing provision will be on two- and three-bed properties. Continued demand for family housing can be expected from newly

forming households. There may also be some demand for medium-sized properties (2- and 3-beds) from older households downsizing and looking to release equity in existing homes, but still retaining flexibility for friends and family to come and stay.

- 6.114 The Council should also consider the potential role of bungalows as part of the future mix of housing. Such housing may be particularly attractive to older owner-occupiers which may assist in encouraging households to downsize. However, the downside to providing bungalows is that they are relatively land intensive for the amount of floorspace created.
- 6.115 The analysis of an appropriate mix of dwellings could also inform the ‘portfolio’ of sites which are considered by the local authority through its local plan process. Equally it will be of relevance to affordable housing negotiations.

**Key Points**

- Two housing mix models have been considered. The first based on occupancy patterns by household type and the second using occupancy patterns by age and tenure. Both model the implications of demographic growth on the need/demand for different sizes of homes.
- Based on the demographic led projections and also the OAN there is a clear need across the Island for market housing delivery to be focussed on 2- and 3-bedrooms.
- Similarly affordable home ownership/Intermediate should also focus delivery on 2-and 3- although a greater percentage should be delivered as smaller homes compared to the market sector.
- The focus of affordable rented housing delivery should be for 1- and 2-bedroom properties. This reflects the closer links between need and occupation.
- Overall the following mix should be considered as a starting point for site by site negotiations and for longer term monitoring:

| Size        | Market | Intermediate | Affordable |
|-------------|--------|--------------|------------|
| 1-bedroom   | 5%     | 25%          | 30%        |
| 2-bedrooms  | 35%    | 45%          | 40%        |
| 3-bedrooms  | 40%    | 25%          | 25%        |
| 4+-bedrooms | 20%    | 5%           | 5%         |

- In applying these to individual development sites regard should be had to the nature of the development site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level.



## 7 PRIVATE RENTED SECTOR

### Introduction

- 7.1 Planning Practice Guidance on housing and economic development needs assessments highlights the Private Rented Sector (PRS) as one of the specific groups that should be analysed – comments on this sector being included in paragraph 2a-021 although there is little advice on the analysis expected and the outputs. Specifically, the PPG says: *‘tenure data from the Office of National Statistics can be used to understand the future need for private rented sector housing’* and *‘market signals in the demand for private rented sector housing could be indicated from a change in rents’*.
- 7.2 The Housing White Paper (HWP) makes a number of comments about the PRS, including recognising growth in the sector (particularly for households with dependent children), issues with rent to income ratios (and Housing Benefit payments), tenancies and housing standards.
- 7.3 A key part of the HWP is the encouragement of *‘Attracting institutional investment: building more homes for private rent’* and to change the NPPF to make it easier for Build-to-Rent developer to provide affordable private rented housing instead of other forms of affordable housing.
- 7.4 The September 2017 consultation document also includes private rented sector and build to rent housing as potential categories of need that Councils should consider in the plan making process. Although it should be stressed that there is only minimal interest in the build to rent tenure on the Isle of Wight.
- 7.5 This section therefore looks at a range of statistics in relation to the PRS on the Isle of Wight. Where reasonable comparisons are made with other tenures (i.e. owner-occupied and social rented) as well as contrasting data with other area. The aim is to bring together a range of information to inform the need for additional private rental housing in the Council area.

### Size of the Private Rented Sector

- 7.6 The table below shows the tenure split of housing in 2011 on the Isle of Wight and a range of other areas. This shows a total of 10,600 households living in private rented housing on the Isle of Wight – 17.4% of all households. This proportion is slightly higher than seen across the South East (16.3%) and England (16.8%), and notably above the equivalent figure for Hampshire (12.5%).
- 7.7 The vast majority of households in the PRS are living in housing rented from a landlord or through a letting agency, although 976 (1.6% of all households) are recorded as living in ‘other’ PRS accommodation, this is likely to mainly be housing that is linked to employment.

**Table 79: Tenure (2011)**

|                         | Isle of Wight | Hampshire | South East | England    |
|-------------------------|---------------|-----------|------------|------------|
| Owns outright           | 25,091        | 188,397   | 1,156,081  | 6,745,584  |
| Owns with mortgage/loan | 18,088        | 206,522   | 1,287,716  | 7,403,200  |
| Social rented           | 6,523         | 75,257    | 487,473    | 3,903,550  |
| Private rented          | 10,639        | 68,326    | 578,592    | 3,715,924  |
| Other                   | 744           | 6,752     | 45,601     | 295,110    |
| Total                   | 61,085        | 545,254   | 3,555,463  | 22,063,368 |
| % private rented        | 17.4%         | 12.5%     | 16.3%      | 16.8%      |

Source: Census (2011)

7.8 As well as looking at the current tenure profile, it is of interest to consider how this has changed over time; the table below shows (for the whole of the Isle of Wight) data from the 2001 and 2011 Census. From this it is clear that there has been significant growth in the number of households living in privately rented accommodation as well as an increase in outright owners (this will be due to mortgages being paid off, which may have been assisted by a period of low interest rates).

7.9 There has also been a decline in the number of owners with a mortgage and also a modest increase in the number of households in social rented housing. The former can be linked to a lack of access to mortgage products.

**Table 80: Change in tenure (2001-11)**

|                         | 2001 households | 2011 households | Change | % change |
|-------------------------|-----------------|-----------------|--------|----------|
| Owns outright           | 23,966          | 25,091          | 1,125  | 4.7%     |
| Owns with mortgage/loan | 20,299          | 18,088          | -2,211 | -10.9%   |
| Social rented           | 5,786           | 6,523           | 737    | 12.7%    |
| Private rented          | 6,532           | 10,639          | 4,107  | 62.9%    |
| Other                   | 936             | 744             | -192   | -20.5%   |
| TOTAL                   | 57,519          | 61,085          | 3,566  | 6.2%     |

Source: 2001 and 2011 Census

7.10 The tenure changes on the Isle of Wight are broadly similar to that seen in other areas (as shown in the table below). All areas have seen an increase in outright ownership, a decrease in owners with a mortgage and substantial increases in the private rented sector.

7.11 That said, the proportionate increase in the number of households in the PRS is less notable on the Isle of Wight than other locations. This reflects the relative levels of affordability on the Island. Although the PRS has clearly been growing rapidly over time, on the Island as with other locations.

**Table 81: Change in tenure (2001-11) – Isle of Wight and other areas**

|                         | Isle of Wight | Hampshire | South East | England |
|-------------------------|---------------|-----------|------------|---------|
| Owns outright           | 4.7%          | 18.6%     | 12.4%      | 13.0%   |
| Owns with mortgage/loan | -10.9%        | -9.5%     | -8.2%      | -8.4%   |
| Social rented           | 12.7%         | 10.6%     | 6.2%       | -0.9%   |
| Private rented          | 62.9%         | 78.1%     | 73.0%      | 82.4%   |
| Other                   | -20.5%        | -27.3%    | -27.2%     | -29.6%  |
| TOTAL                   | 6.2%          | 8.5%      | 8.2%       | 7.9%    |

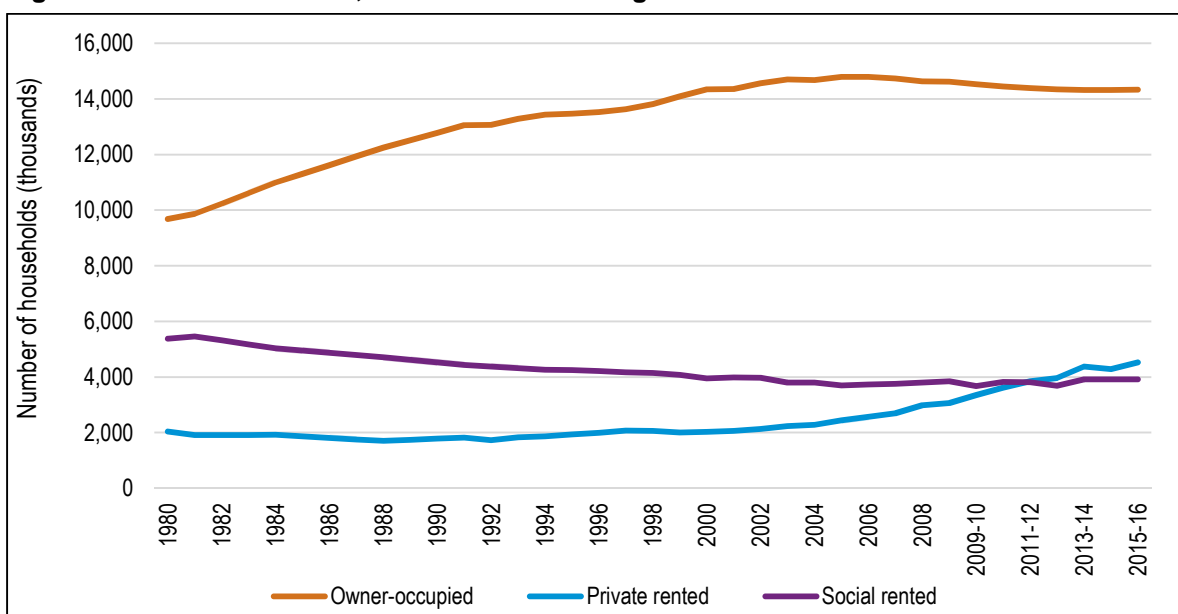
Source: 2001 and 2011 Census

7.12 It is also worth considering what further changes may have occurred since 2011. Unfortunately, robust local data on this topic is not available; however a national perspective can be drawn from the English Housing Survey (EHS) which has data up to 2016.

7.13 The figure below shows changes in three main tenures back to 1980. This clearly shows the increase in the number of households living in private rental accommodation from about 2001 and also a slight decrease in the number of owners.

7.14 Since 2011, the EHS data shows that that PRS has increased by a further 25% and if the Isle of Wight has seen a similar level of increase then this would imply about 2,700 additional households in the sector since the last census.

**Figure 20: Trends in tenure, 1980 to 2015-16 – England**



Source: English Housing Survey

7.15 The data above shows information for all households and it is of interest to study this information for younger households. Interrogating changes for a full range of age groups is difficult as the two

Census (2001 and 2011) use different age bandings. It is however possible to provide an indication of the change in tenure by looking at households aged under 35 and this is shown in the table below.

- 7.16 For the Under 35 age group the analysis again shows a sharp increase in the number of households living in private rented accommodation. The analysis also highlights a significant decrease in the number of owner occupiers (decreasing by over 40% in just 10-years) and a small decline in the number of young people in social rented accommodation.

**Table 82: Change in tenure 2001-11 (all households aged under 35) – Isle of Wight**

|                | 2001  | 2011  | Change | % change |
|----------------|-------|-------|--------|----------|
| Owned          | 4,151 | 2,380 | -1,771 | -42.7%   |
| Social rented  | 1,203 | 1,168 | -35    | -2.9%    |
| Private rented | 2,540 | 3,877 | 1,337  | 52.6%    |
| Total          | 7,894 | 7,425 | -469   | -5.9%    |

Source: ONS, Census 2001 and 2011

- 7.17 The data clearly shows a substantial growth in PRS within younger households on the Island with can converse reduction in owner occupation. Social rental property had a small reduction which can be linked to changes to housing benefit.

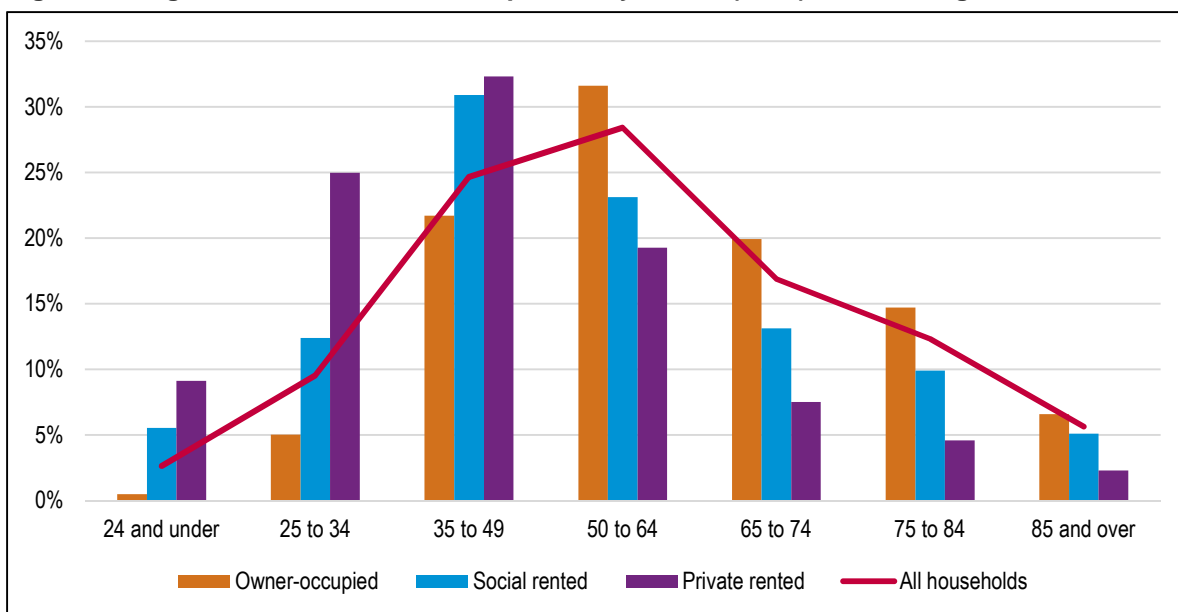
### Profile of Private Renters

- 7.18 This section presents a profile of people/households living in the private rental sector. Whenever possible comparisons are made with those living in other tenures.

#### Age

- 7.19 Private renters are younger than social renters and owner occupiers. In 2011, the average age of household reference persons (HRPs) in the private rented sector was 45 years (compared with 53 years for social renters and 61 years for owner occupiers).
- 7.20 About two-thirds (66%) of private rented sector HRPs were aged under 50 compared with 49% of social renters and 27% of owner occupiers.
- 7.21 At a national level, the EHS notes that the proportion of younger people in the PRS has increased over time. It notes that the proportion of those aged 25 to 34 who lived in the private rented sector increased from 24% in 2005-6 to 46% in 2015-16.

**Figure 21: Age of household reference person by tenure (2011) – Isle of Wight**



Source: Census (2011)

7.22 Over the same period, there was a corresponding decrease in the proportion of people in this age group in both the owner occupied (from 56% in 2005-6 to 38% in 2015-16) and social rented (from 20% in 2005-6 to 16% in 2015-16) sectors.

### Household type

7.23 The table below shows the composition of households living in the private rented sector (and compared with other tenures). This shows a particularly high proportion of households with dependent children, making up 36% of the PRS.

7.24 The sector also sees a relatively high proportion of households in the 'other' category. Many of these households are likely to be multi-adult households living in shared accommodation (i.e. houses in multiple occupation (HMOs)).

7.25 Between 2001 and 2011, Census data shows that the number of households with dependent children in the PRS rose from 2,233 to 4,060 – nearly doubling; the proportion of the sector made up of households with dependent children rose from 30% to 36%. The EHS also shows a similar pattern nationally.

**Table 83: Household composition by tenure (2011) – Isle of Wight**

|  | Owner-occupied |          | Social rented |          | Private rented |          | Total  |          |
|--|----------------|----------|---------------|----------|----------------|----------|--------|----------|
|  | Hhs            | % of hhs | Hhs           | % of hhs | Hhs            | % of hhs | Hhs    | % of hhs |
| Single person aged 65+                   | 7,748          | 17.9%    | 1,243         | 19.1%    | 1,064          | 9.3%     | 10,055 | 16.5%    |
| Single person aged <65                   | 5,300          | 12.3%    | 1,507         | 23.1%    | 3,095          | 27.2%    | 9,902  | 16.2%    |
| Couple aged 65+                          | 6,391          | 14.8%    | 276           | 4.2%     | 277            | 2.4%     | 6,944  | 11.4%    |
| Couple, no children                      | 9,200          | 21.3%    | 522           | 8.0%     | 1,842          | 16.2%    | 11,564 | 18.9%    |
| Couple, dependent children               | 6,733          | 15.6%    | 1,070         | 16.4%    | 2,096          | 18.4%    | 9,899  | 16.2%    |
| Couple, all children non-dependent       | 2,654          | 6.1%     | 218           | 3.3%     | 191            | 1.7%     | 3,063  | 5.0%     |
| Lone parent, dependent children          | 1,360          | 3.1%     | 1,077         | 16.5%    | 1,727          | 15.2%    | 4,164  | 6.8%     |
| Lone parent, all children non-dependent  | 1,431          | 3.3%     | 331           | 5.1%     | 253            | 2.2%     | 2,015  | 3.3%     |
| Other households with dependent children | 821            | 1.9%     | 131           | 2.0%     | 237            | 2.1%     | 1,189  | 1.9%     |
| Other households                         | 1,541          | 3.6%     | 148           | 2.3%     | 601            | 5.3%     | 2,290  | 3.7%     |
| Total                                    | 43,179         | 100.0%   | 6,523         | 100.0%   | 11,383         | 100.0%   | 61,085 | 100.0%   |
| Total dependent children                 | 8,914          | 20.6%    | 2,278         | 34.9%    | 4,060          | 35.7%    | 15,252 | 25.0%    |

Source: Census (2011)

### Size and type of accommodation

7.26 The tables below show the size and type of accommodation in the PRS compared with other sectors. From this it can be seen that the PRS is dominated by flatted accommodation, making up nearly half of all homes; only around a third of homes in the sector are detached or semi-detached.

**Table 84: Accommodation type by tenure (households) – Isle of Wight**

|               | Owner-occupied | Social rented | Private rented | Total  |
|---------------|----------------|---------------|----------------|--------|
| Detached      | 45.3%          | 2.4%          | 13.7%          | 34.8%  |
| Semi-detached | 30.1%          | 35.2%         | 22.5%          | 29.2%  |
| Terraced      | 14.1%          | 19.4%         | 18.1%          | 15.4%  |
| Flat/other    | 10.6%          | 42.9%         | 45.8%          | 20.6%  |
| Total         | 100.0%         | 100.0%        | 100.0%         | 100.0% |
|               | 43,179         | 6,523         | 11,383         | 61,085 |

Source: Census (2011)

7.27 When looking at the size of accommodation, it is clear that the PRS is strongly focussed on 2- and 3-bedroom homes (making up 70% of all households in this tenure). The owner-occupied sector in contrast is dominated by 3+ bedroom homes (66% of the total in this tenure) whilst social renting is focussed on 1- and 2-bedroom accommodation (66% of the total).

**Table 85: Accommodation size by tenure (households) – Isle of Wight**

|             | Owner-occupied | Social rented | Private rented | Total  |
|-------------|----------------|---------------|----------------|--------|
| 1-bedroom   | 4.5%           | 29.6%         | 22.5%          | 10.5%  |
| 2-bedrooms  | 30.0%          | 36.8%         | 43.5%          | 33.2%  |
| 3-bedrooms  | 45.2%          | 30.4%         | 26.7%          | 40.1%  |
| 4-bedrooms  | 15.3%          | 2.7%          | 5.5%           | 12.1%  |
| 5+-bedrooms | 5.1%           | 0.4%          | 1.8%           | 4.0%   |
| Total       | 100.0%         | 100.0%        | 100.0%         | 100.0% |
|             | 43,179         | 6,523         | 11,383         | 61,085 |

Source: Census (2011)

### Overcrowding and under-occupation

- 7.28 The analysis below studies levels of overcrowding and under-occupation – this is based on the bedroom standard with data taken from the 2011 Census. The box below shows how the standard is calculated and this is then compared with the number of bedrooms available to the household (with a negative number representing overcrowding and a positive number being under-occupation). Households with an occupancy rating of +2 or more have at least two spare bedrooms.

For the purposes of the bedroom standard a separate bedroom shall be allocated to the following persons –

- (a) A person living together with another as husband and wife (whether that other person is of the same sex or the opposite sex)
- (b) A person aged 21 years or more
- (c) Two persons of the same sex aged 10 years to 20 years
- (d) Two persons (whether of the same sex or not) aged less than 10 years
- (e) Two persons of the same sex where one person is aged between 10 years and 20 years and the other is aged less than 10 years
- (f) Any person aged under 21 years in any case where he or she cannot be paired with another occupier of the dwelling so as to fall within (c), (d) or (e) above.

- 7.29 The analysis shows that levels of overcrowding in the PRS are substantially higher than in the owner-occupied sector, with 5% of households being over-crowded in 2011 (compared with 1% of owner-occupiers).

- 7.30 Levels of under-occupation are also relatively low, with around 50% of households having at least one spare bedroom – the equivalent figure for owners is 84%.

**Table 86: Overcrowding and under-occupation by tenure (households) – Isle of Wight**

|            | Owner-occupied | Social rented | Private rented | Total  |
|------------|----------------|---------------|----------------|--------|
| +2 or more | 44.4%          | 9.5%          | 13.0%          | 34.8%  |
| +1 or more | 39.3%          | 28.2%         | 37.1%          | 37.7%  |
| 0          | 14.9%          | 56.1%         | 45.2%          | 24.9%  |
| -1 or less | 1.4%           | 6.2%          | 4.7%           | 2.5%   |
| Total      | 100.0%         | 100.0%        | 100.0%         | 100.0% |
|            | 43,179         | 6,523         | 11,383         | 61,085 |

Source: Census (2011)

### Economic Activity

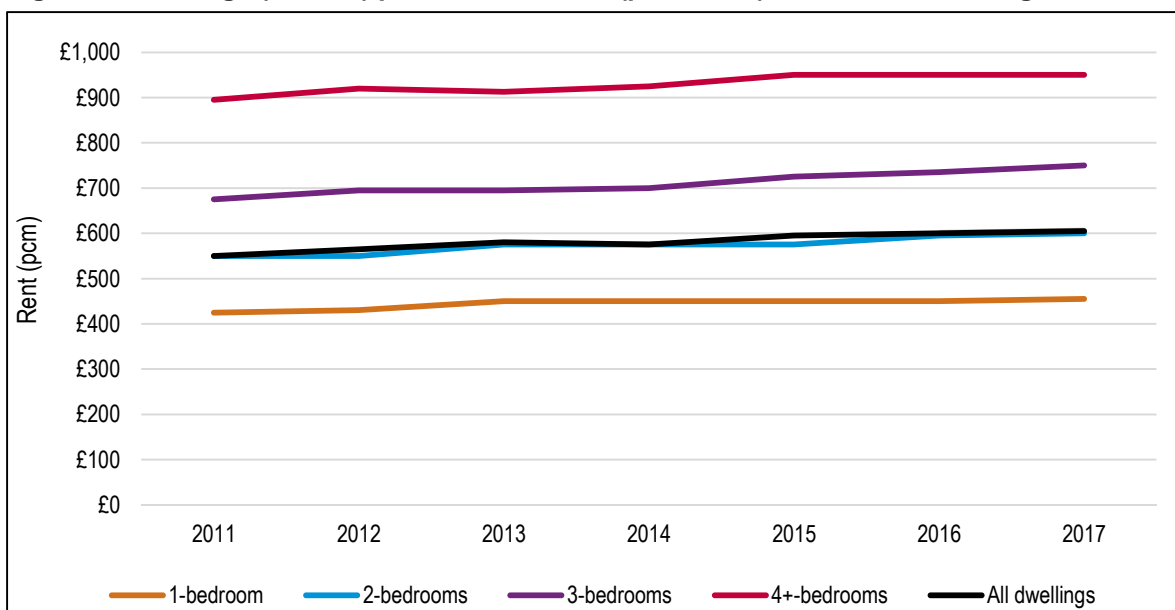
- 7.31 Data from the 2011 Census shows that 67% of private renters on the Island were working, this is higher than the proportion of owner occupiers (56%) and notably higher than the proportion of social renters in work (37%). Smaller proportions of private renters were retired (15%) compared with 30% of social renters and 40% in the owner-occupied sector.

### Housing Costs

- 7.32 Section 4 of this report describes the current cost of housing in the PRS on the Isle of Wight. Below, analysis is carried out to look at how costs have changed over time. This draws on data from the Valuation Office Agency (VOA) which has a time series back to 2011 – the data provided in this section looks at the year to the end of September (for any given year) for different sizes of rental accommodation.
- 7.33 The figure below shows a time-series of average (median) rents by dwelling size from 2011 to 2017; this shows that there have been only modest increases in rent levels in the Council area, and does not point to any shortage in supply of private rented homes.



**Figure 22: Average (median) private sector rent (per month) 2011-17 – Isle of Wight**



Source: Valuation Office Agency

- 7.34 The table below shows that the overall median average rent in The Isle of Wight rose by £55 per month from 2011 to 2017 (a 10% increase). In comparison, rents increased by 15% across Hampshire, 25% in the South East and 17% nationally.

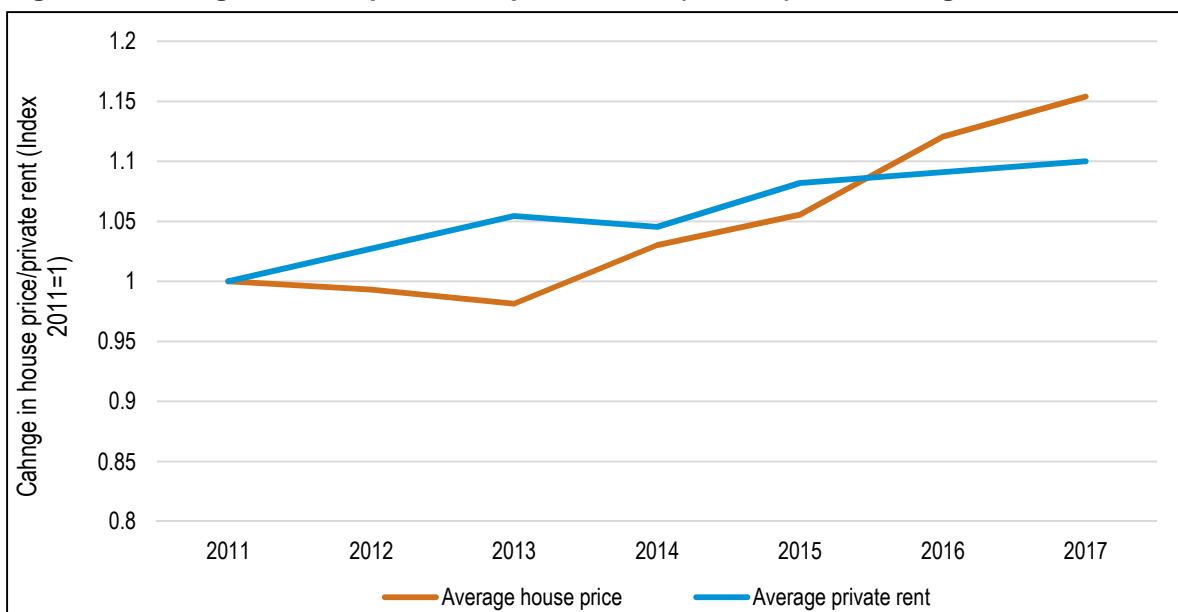
**Table 87: Median monthly private sector rent 2011 and 2017 – The Isle of Wight**

|               | 2011 | 2017 | Change | % change |
|---------------|------|------|--------|----------|
| 1-bedroom     | £425 | £455 | £30    | 7%       |
| 2-bedrooms    | £550 | £600 | £50    | 9%       |
| 3-bedrooms    | £675 | £750 | £75    | 11%      |
| 4+-bedrooms   | £895 | £950 | £55    | 6%       |
| All dwellings | £550 | £605 | £55    | 10%      |

Source: Valuation Office Agency

- 7.35 The figure below shows despite the increase in private sector rents in the 2011-17 period, that house prices (to buy) have increased at an even faster rate. Using data from Land Registry, it is estimated that the average (mean) property price in the Council area over the same period rose by 15%.

**Figure 23: Change in house prices and private rents (2011-17) – Isle of Wight**



Source: Valuation Office Agency and Land Registry

7.36 The VOA source also provides an indication of the number of homes that have been rented each year by size. The VOA source is unlikely to be a comprehensive list of all homes being privately let and so figures for overall turnover should be treated with caution. However, the data can be used to give an indication of the sizes of homes that have higher and lower turnover.

7.37 The table below uses VOA data for the past three years (3-years to September 2017) and compares the figures with the estimated stock by size in 2011 (from the Census). The Census data is only for homes rented from a private landlord or through a letting agency (i.e. it excludes other forms of private renting such as homes that are tied to employment).

**Table 88: Turnover of private rented stock by size of dwelling (data for 3-years to September 2017)**

|             | Average lettings per annum | Estimated stock (2011) | Turnover |
|-------------|----------------------------|------------------------|----------|
| Room only   | 68                         | -                      | -        |
| Studio      | 34                         | -                      | -        |
| 1-bedroom   | 489                        | 2,329                  | 21.0%    |
| 2-bedrooms  | 1,075                      | 4,265                  | 25.2%    |
| 3-bedrooms  | 563                        | 2,454                  | 22.9%    |
| 4+-bedrooms | 172                        | 615                    | 28.0%    |
| Total       | 2,397                      | 9,663                  | 24.8%    |

Source: Valuation Office Agency and Census (2011)

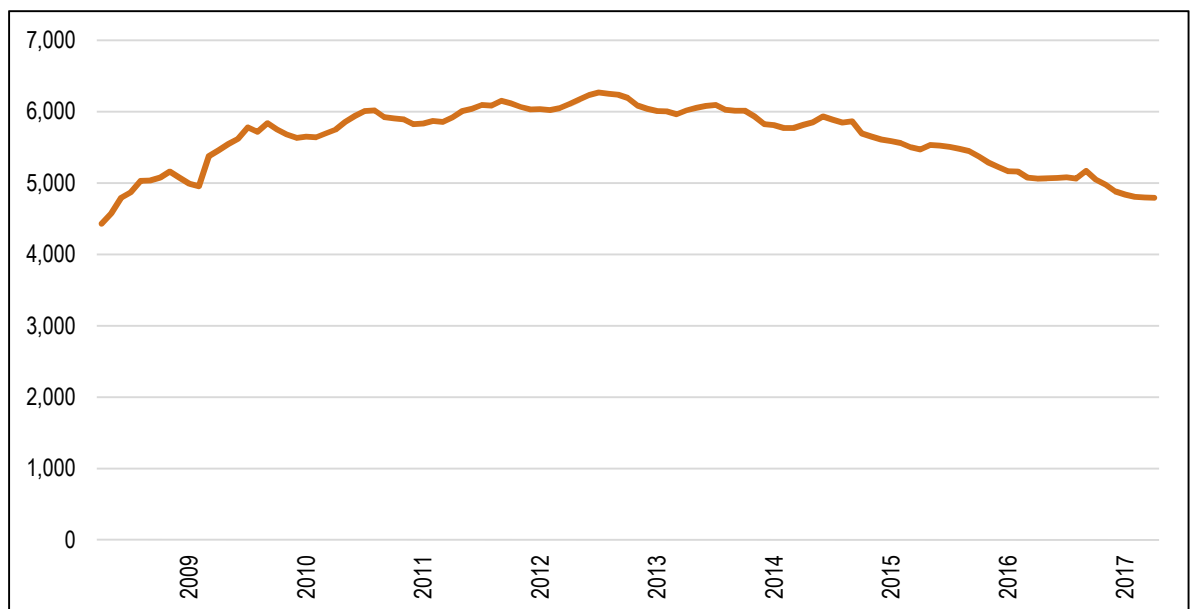
7.38 The VOA data also provides information about room only lettings; this cannot be compared with the stock data, but it would be expected that most of the room only lettings are in larger multiple

occupancy homes. The data shows that turnover does not vary substantially by dwelling size, although the highest turnover is shown for 4+ bedroom homes (28%) and the lowest for homes with 1-bedroom (21%).

### Housing Benefit Claimants

- 7.39 A further analysis has been carried out to look at the number of housing benefit claimants in the sector. This provides an indication of the number of people who are using the sector as a form of affordable housing, and in many cases will be living in private rented accommodation due to a lack of affordable housing (e.g. in the social rented sector).
- 7.40 It should however be noted that some of these households may also be in the sector through choice, although earlier analysis of rent levels compared to Local Housing Allowance does suggest that many households are likely to see a shortfall in benefits compared to rent.
- 7.41 The analysis shows that from 2008, the number of claimants in the PRS rose steadily to peak at around 6,250 in 2012/13. Since then the number of claimants has fallen, with the number currently standing at about 4,800.

**Figure 24: Number of Housing Benefit claimants in the private rented sector – Isle of Wight**



Source: Department of Work and Pensions

- 7.42 It is clear that the PRS still has a significant role in providing accommodation for those who cannot afford the market, but that this is reducing over time. The change is likely to be mainly due to economic improvements (e.g. reducing unemployment), although the relative unaffordability of the

sector may also be playing a role – with some households seeking to move into the social rented sector.

### Build-to-Rent

- 7.43 As noted, the size of the PRS has grown substantially on the Isle of Wight since 2011 and this has been the main growth sector in the market. Nationally and regionally there has also been a substantial increase in the size of the PRS.
- 7.44 Linked in part to this, there is an increased (national) interest from developers in “Build to Rent” housing, which is specifically built not for open market sale but for the Private Rented Sector. Arguably, the sector provides the opportunity for good quality, well-managed rental accommodation which is purpose-built.
- 7.45 Additionally, the sector provides the opportunity to boost overall housing delivery on the Island, as it does not compete directly with traditional housing development schemes which are built for sale.
- 7.46 The Government has been promoting Build-to-Rent housing. It has set up a Private Rented Sector Taskforce; and supported delivery through other measures – including a Build to Rent Fund which provides Government-backed loans to support new development. The sector is currently relatively small, but is one with growth potential.
- 7.47 The Housing White Paper (HWP) notes the desire to change the NPPF so that local authorities *‘should plan proactively for Build to Rent where there is a need, and to make it easier for Build to Rent developers to offer affordable private rental homes instead of other types of affordable housing’*.
- 7.48 On the Isle of Wight, there is currently no evidence of a need for Build to Rent or any significant activity in the sector. Indeed nationally, Build to Rent schemes are mainly coming forward in major urban areas (notably London) and are focussed on young professionals in locations close to transport hubs.
- 7.49 Given private sector rent levels on the Island, it seems unlikely that there would be any notable investment in this sector at present. However, if schemes were to come forward, the Council should consider them on merit, including taking account of any affordable housing offer (such as rent levels and the security of tenure).

## Summary

- 7.50 The private rented sector (PRS) accounts for around 17% of all households on the Isle of Wight (as of 2011) – a larger proportion to that seen the South East, and a similar level to the national average (17%). The number of households in this sector has however grown substantially (increasing by 63% in the 2001-11 period).
- 7.51 The PRS has some distinct characteristics, including a much younger demographic profile and a high proportion of households with dependent children (notably lone parents) – levels of overcrowding are relatively high.
- 7.52 In terms of the built-form and size of dwellings in the sector, it can be noted that the PRS generally provides smaller, flatted accommodation when compared with the owner-occupied sector. That said, around 34% of the private rented stock has three or more bedrooms and demonstrates the sector's wide role in providing housing for a range of groups, including those claiming Housing Benefit and others who might be described as 'would be owners' and who may be prevented from accessing the sector due to issues such as deposit requirements.
- 7.53 Additional analysis suggests that rent levels have not changed significantly over time (when looking at the 2011-17 period) – this would suggest that despite the large increase in the size of the sector, there is no obvious lack of supply of private rented homes.
- 7.54 There is no evidence of a need for Build to Rent housing (i.e. developments specifically for private rent). However, given the current Government push for such schemes, the Council should consider any proposals on their merit, including taking account of any affordable housing offer (such as rent levels and the security of tenure).
- 7.55 This study has not attempted to estimate the need for additional private rented housing. It is likely that the decision of households as to whether to buy or rent a home in the open market is dependent on a number of factors which mean that demand can fluctuate over time; this would include mortgage lending practices and the availability of Housing Benefit.
- 7.56 A general (national and local) shortage of housing is likely to have driven some of the growth in the private rented sector, including increases in the number of younger people in the sector, and increases in shared accommodation. If the supply of housing increases, then this potentially means that more households would be able to buy, but who would otherwise be renting.

### **Key Points**

- The private rented sector (PRS) accounts for around 17% of all households which is similar level to the national average (17%).
- The number of households in this sector has however grown substantially since 2011 although not significantly since 2011.
- The PRS has some distinct characteristics, including a much younger profile and a high proportion of households with dependent children.
- The PRS generally provides smaller, flatted accommodation when compared with the owner-occupied sector.
- The sector assists in accommodating those claiming Housing Benefit and others who might be described as 'would be owners'.
- There is no evidence of a need for Build to Rent housing on the Island.

## 8 SPECIFIC GROUPS – OLDER PERSONS NEEDS

### Introduction

- 8.1 Planning Practice Guidance section 56 (Housing: optional technical standards) sets out how local authorities can gather evidence to set requirements on a range of issues (including accessibility and wheelchair housing standards, water efficiency standards and internal space standards). This section looks at the first two of these (i.e. accessibility and wheelchair housing) as well as considering the specific needs of older people.
- 8.2 The PPG sets out that the reason for the approach to setting standards is designed to *'rationalise the many differing existing standards into a simpler, streamlined system which will reduce burdens and help bring forward much needed new homes'* (56-001) and that *'local planning authorities will need to gather evidence to determine whether there is a need for additional standards in their area'* (56-002).
- 8.3 The PPG sets out that local authorities should be using their assessment of housing need (and other sources) to consider the need for M4(2) (accessible and adaptable dwellings), and/or M4(3) (wheelchair user dwellings), of the Building Regulations. It sets out that there are a range of published statistics which can be considered, including:
- the likely future need for housing for older and disabled people (including wheelchair user dwellings);
  - size, location, type and quality of dwellings needed to meet specifically evidenced needs (for example retirement homes, sheltered homes or care homes);
  - the accessibility and adaptability of existing housing stock;
  - how needs vary across different housing tenures; and
  - the overall impact on viability.
- 8.4 This section of the report draws on a range of statistics, including those suggested in the PPG (for which the Government has provided a summary data sheet 'Guide to available disability data') – termed the Guide in analysis to follow. The discussion below begins by looking at older persons' needs.
- 8.5 Additionally, for some analysis it is necessary to project the population forward. To do this, reference is made to the 2014-based subnational population projections (SNPP) and also a model developed to provide for 641 dwellings per annum (this being the OAN suggested in the MHCLG standardised methodology).

- 8.6 To be consistent with other analysis in this report, the projections (where used) cover the 2016-34 period although other data takes a different base date depending on availability (e.g. Census data is 2011).

### Current Population of Older People

- 8.7 The table below provides baseline population data about older persons and compares this with other areas. The data for has been taken from the published ONS mid-year population estimates and is provided for age groups from 65 and upwards; the data is for 2016 to reflect the latest published data for local authority areas and above.

**Table 89: Older Person Population (2016)**

|           | Isle of Wight |          | Hampshire | South East | England  |
|-----------|---------------|----------|-----------|------------|----------|
|           | Pop           | % of pop | % of pop  | % of pop   | % of pop |
| Under 65  | 101,978       | 72.9%    | 79.0%     | 81.1%      | 82.1%    |
| 65-74     | 21,095        | 15.1%    | 11.4%     | 10.3%      | 9.8%     |
| 75-84     | 11,463        | 8.2%     | 6.6%      | 6.0%       | 5.7%     |
| 85+       | 5,262         | 3.8%     | 3.0%      | 2.7%       | 2.4%     |
| Total     | 139,798       | 100.0%   | 100.0%    | 100.0%     | 100.0%   |
| Total 65+ | 37,820        | 27.1%    | 21.0%     | 18.9%      | 17.9%    |

Source: ONS

- 8.8 The data shows, when compared with data for any of the other areas that the Council area has a substantially higher proportion of older persons; in 2016, it is estimated that 27% of the population of the Council area was aged 65 or over compared to 18% nationally.

### Future Change in the Population of Older Persons

- 8.9 As well as providing a baseline position for the proportion of older persons in the Council area, population projections can be used to provide an indication of how the numbers might change in the future compared with other areas.
- 8.10 The data presented below uses the 2014-based SNPP for consistency across areas and runs from 2016 to 2034 to be consistent with other analysis developed in this report. The data shows that the Council area is expected to see a notable increase in the older person population with the total number of people aged 65 and over expected to increase by 40% over the 18-years from 2016; this compares with overall population growth of 8.5% and a decrease in the Under 65 population of 3.1%.



- 8.11 The proportionate increase in the number of older people in the Council area is generally slightly lower than that projected for other areas, although this will to some extent be driven by a higher start point in terms of the proportion of older people.

**Table 90: Projected Change in Population of Older Persons (2016 to 2034) – 2014-based SNPP**

|                   | Under 65 | 65-74 | 75-84 | 85+    | Total | Total 65+ |
|-------------------|----------|-------|-------|--------|-------|-----------|
| The Isle of Wight | -3.1%    | 17.9% | 52.7% | 101.9% | 8.5%  | 40.3%     |
| Hampshire         | 0.7%     | 25.7% | 53.7% | 118.3% | 10.5% | 47.6%     |
| South East        | 3.0%     | 25.6% | 53.8% | 110.9% | 11.1% | 45.3%     |
| England           | 4.9%     | 27.4% | 48.0% | 101.1% | 11.9% | 43.9%     |

Source: ONS subnational population projections (2014-based)

- 8.12 In total population terms, the projections show an increase in the population aged 65 and over of 15,100 people, this is against a backdrop of an overall increase of 11,950 – population growth of people aged 65 and over therefore accounts for 126% of all population growth.

**Table 91: Projected Change in Population of Older Persons (2016 to 2034) – Isle of Wight (2014-based SNPP)**

|           | 2016 population | 2034 population | Change in population | % change |
|-----------|-----------------|-----------------|----------------------|----------|
| Under 65  | 102,406         | 99,248          | -3,158               | -3.1%    |
| 65-74     | 20,792          | 24,509          | 3,717                | 17.9%    |
| 75-84     | 11,478          | 17,522          | 6,044                | 52.7%    |
| 85+       | 5,247           | 10,594          | 5,347                | 101.9%   |
| Total     | 139,923         | 151,873         | 11,950               | 8.5%     |
| Total 65+ | 37,517          | 52,625          | 15,108               | 40.3%    |

Source: ONS subnational population projections (2014-based)

- 8.13 The figures above are all based on the latest (2014-based) SNPP. It is possible to also show how the outputs would be expected to change under different scenarios. The table below shows a similar analysis when linked to the delivery of 641 homes each year from 2016 to 2034.

**Table 92: Projected Change in Population of Older Persons (2016 to 2034) – Isle of Wight (linked to 641 dwellings per annum)**

|           | 2016 population | 2034 population | Change in population | % change |
|-----------|-----------------|-----------------|----------------------|----------|
| Under 65  | 101,978         | 100,626         | -1,352               | -1.3%    |
| 65-74     | 21,095          | 24,704          | 3,609                | 17.1%    |
| 75-84     | 11,463          | 17,764          | 6,301                | 55.0%    |
| 85+       | 5,262           | 10,803          | 5,541                | 105.3%   |
| Total     | 139,798         | 153,898         | 14,100               | 10.1%    |
| Total 65+ | 37,820          | 53,272          | 15,452               | 40.9%    |

Source: Demographic Projections

- 8.14 In this case there is still a significant ageing of the population but the increase in the population aged under 65 is more notable (with a slightly lower change to the population aged 65 and over). The change in the under 65 age group relative to older groups reflects the migration assumptions, migration being largely concentrated in typical working-age groups (and their associated children).

### Older Persons' Housing Needs

- 8.15 Given the ageing population and higher levels of disability and health problems amongst older people there is likely to be an increased requirement for specialist housing options moving forward. The analysis in this section draws on data from the Housing Learning and Information Network (Housing LIN) along with demographic projections to provide an indication of the potential level of additional specialist housing that might be required for older people in the future.
- 8.16 A toolkit has been developed by Housing LIN, in association with the Elderly Accommodation Council and endorsed by the Department of Health, to identify potential demand for different types of specialist housing for older people and model future range of housing and care provision. It suggests that there should be around 170 units of specialised accommodation (other than registered care home places) per thousand people aged over 75 years.
- 8.17 The table below shows the change in the population aged 75 and over and what this would mean in terms of provision at 170 units per 1,000 population. The analysis shows a potential need for around 1,900-2,000 units – 110 per annum in the 2016-34 period – this is around 17% of the OAN of 641 dwellings per annum.

**Table 93: Projected need for Specialist Housing for Older People (2016-34) – Isle of Wight**

|   | 2014-based SNPP | Linked to OAN of 464 dpa |
|---|-----------------|--------------------------|
| Population aged 75+ (2016)                      | 16,725          | 16,725                   |
| Population aged 75+ (2034)                      | 28,116          | 28,568                   |
| Change in population aged 75+                   | 11,391          | 11,843                   |
| Specialist housing need (@ 170 units per 1,000) | 1,937           | 2,013                    |
| Per annum need (2016-34)                        | 108             | 112                      |

Source: Derived from demographic projections and Housing LIN

- 8.18 The Housing LIN source also suggests a broad tenure split of 40% rented housing (affordable housing) and 60% in the market (including shared ownership)<sup>14</sup> - this is likely to be a reasonable tenure split to consider on the Isle of Wight.

<sup>14</sup> See: [http://www.housinglin.org.uk/library/Resources/Housing/Support\\_materials/Reports/MCGVdocument.pdf](http://www.housinglin.org.uk/library/Resources/Housing/Support_materials/Reports/MCGVdocument.pdf)

- 8.19 The table below shows that older households are more likely to live in market housing than younger households and so a split biased towards market homes seems reasonable. This also reflects the greater equity that older households typically have.

**Table 94: Current tenure of households aged 75 and over (2011)**

|                   | Market | Affordable | Total  | % in affordable |
|-------------------|--------|------------|--------|-----------------|
| Age 74 and under  | 44,593 | 5,546      | 50,139 | 11.1%           |
| Age 75 and over   | 9,969  | 977        | 10,946 | 8.9%            |
| Total             | 54,562 | 6,523      | 61,085 | 10.7%           |
| % age 75 and over | 18.3%  | 15.0%      | 17.9%  | -               |

Source: 2011 Census

- 8.20 Within the 170 units per 1,000 population in the Housing LIN data, an indicative split is provided between sheltered housing, enhanced sheltered and extra-care. In reality, most additional specialist housing can be expected to be within the extra-care category, this is because many areas already have a notable supply of sheltered accommodation.

### Registered Care Bed-spaces (C2 use class)

- 8.21 As well as the need for specialist housing for older people, the analysis needs to consider Registered Care. As with the analysis of potential need for specialist accommodation, the analysis below considers changes to the number of people aged 75 and over who are expected to be living in some form of institutional housing.

**Table 95: Potential Need for Residential Care Housing – Isle of Wight**

|   | 2014-based CLG projections | Linked to OAN of 641 dpa |
|---|----------------------------|--------------------------|
| Institutional population aged 75+ (2016)    | 1,538                      | 1,541                    |
| Institutional population aged 75+ (2034)    | 2,664                      | 2,710                    |
| Change in institutional population aged 75+ | 1,126                      | 1,169                    |
| Per annum 'need' (2016-34)                  | 63                         | 65                       |

Source: Derived from demographic projections

- 8.22 This is a direct output of demographic modelling which indicates an increase of around 1,100-1,200 people living in institutions over the 2016-34 period (65 per annum) depending on the scenario we have reviewed. This group is not included within the OAN.

### Health-related Population Projections

- 8.23 In addition to providing projections about how the number and proportion of older people is expected to change in the future the analysis can look at the likely impact on the number of people

with specific illnesses or disabilities. For this, data from the Projecting Older People Information System (POPPI) website has been used.

8.24 The website provides prevalence rates for different disabilities by age and sex. For the purposes of this study, analysis has focussed on estimates of the number of people with dementia and mobility problems. These illnesses/disabilities are chosen as they are the most likely to impact accommodation needs.

8.25 For both of the health issues analysed the figures relate to the population aged 65 and over. The figures from POPPI are based on prevalence rates from a range of different sources and whilst these might change in the future (e.g. as general health of the older person population improves) the estimates are likely to be of the right order.

8.26 The table below shows that both of the illnesses/disabilities are expected to increase significantly in the future although this would be expected given the increasing population. In particular, there is projected to be a large rise in the number of people with dementia (up 72%) along with a 58% increase in the number with mobility problems.

**Table 96: Estimated Population Change for range of Health Issues (2016 to 2034) – Isle of Wight**

|                             | Type of illness/<br>disability | 2016  | 2034   | Change | % increase |
|-----------------------------|--------------------------------|-------|--------|--------|------------|
| 2014-based<br>SNPP          | Dementia                       | 2,631 | 4,471  | 1,840  | 70.0%      |
|                             | Mobility problems              | 6,840 | 10,701 | 3,861  | 56.5%      |
| Linked to OAN<br>of 641 dpa | Dementia                       | 2,641 | 4,540  | 1,899  | 71.9%      |
|                             | Mobility problems              | 6,876 | 10,863 | 3,987  | 58.0%      |

Source: Data from POPPI and demographic projections

8.27 When related back to the total projected change to the population, the increase of 3,900 people with a mobility problem represents 32% of the total population growth projected by the 2014-based SNPP, with the same proportion if planning for a higher need/requirement (and hence a higher level of population growth). Linked to the 641 dwellings per annum, the increase is also estimated to represent about 28% of population growth.

### People with Disabilities

8.28 The CLG Disability data guide provides data about households with a long-term illness or disability from the English Housing Survey. This is given at a national level, and does not provide more localised data. Hence the analysis below has drawn on the 2011 Census (which has a definition of long-term health problem or disability (LTHPD)).

8.29 The table below shows the proportion of people with LTHPD, and the proportion of households where at least one person has a LTHPD. The data suggests that across the Council area, some 38% of households contain someone with a LTHPD. This figure is higher than that seen across any of the other areas studied. The figures for the population with a LTHPD again show a similar pattern in comparison with other areas (an estimated 23% of the population of the Council area have a LTHPD).

**Table 97: Households and people with a Long-Term Health Problem or Disability (2011)**

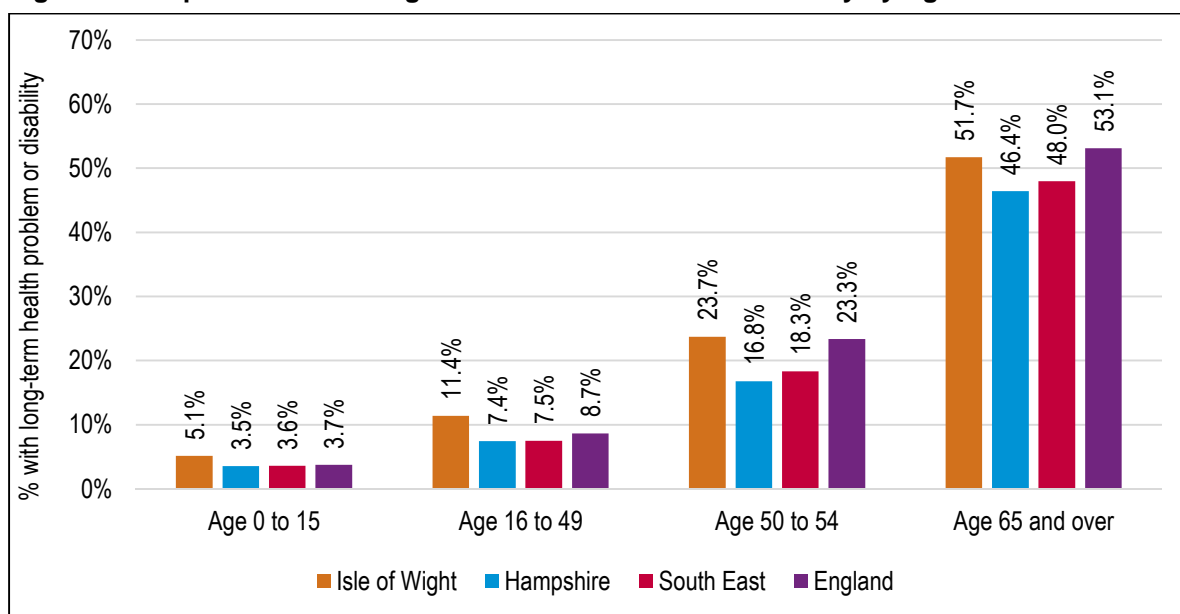
|                   | Households containing someone with a health problem |       | Population with a health problem |       |
|-------------------|---|-------|----------------------------------|-------|
|                   | Number  | %     | Number                           | %     |
| The Isle of Wight | 23,151  | 37.9% | 31,246                           | 22.6% |
| Hampshire         | 160,310   | 29.4% | 207,325                          | 15.7% |
| South East        | 1,048,887   | 29.5% | 1,356,204                        | 15.7% |
| England           | 7,217,905   | 32.7% | 9,352,586                        | 17.6% |

Source: 2011 Census

8.30 It is likely that the age profile will impact upon the numbers of people with a LTHPD, as older people tend to be more likely to have a LTHPD. Therefore, the figure below shows the age bands of people with a LTHPD.

8.31 It is clear from this analysis that those people in the oldest age bands are more likely to have a LTHPD. Additionally, for all age groups, the population of the Isle of Wight is more likely to have a health problem than is the case across Hampshire and the South East.

**Figure 25: Population with Long-Term Health Problem or Disability by Age**



Source: 2011 Census

8.32 The age specific prevalence rates shown above can be applied to the demographic data to estimate the likely increase over time of the number of people with a LTHPD. In applying this information to the demographic projections, it is estimated that the number of people with a LTHPD will increase by up to 7,500 (a 22% increase) between 2016 and 2034.

8.33 Across the Council area, all of this increase is expected to be in age groups aged 65 and over (110% of the increase). The population increase of people with a LTHPD represents about 60% of the total increase in the population estimated by the projections.

**Table 98: Estimated change in population with LTHPD (2016-2034) – Isle of Wight**

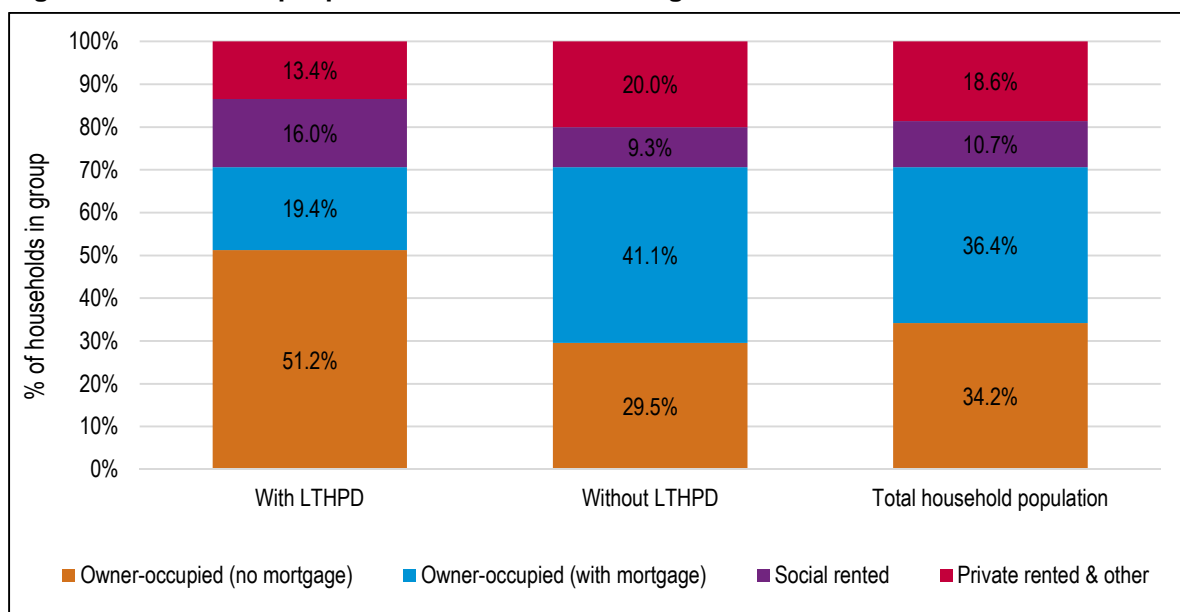
|                          | Population with LTHPD |        | Change (2016-34) | % change from 2016 |
|--------------------------|-----------------------|--------|------------------|--------------------|
|                          | 2016                  | 2034   |                  |                    |
| 2014-based SNPP          | 33,392                | 40,520 | 7,128            | 21.3%              |
| Linked to OAN of 641 dpa | 33,512                | 41,008 | 7,496            | 22.4%              |

Source: Derived from demographic modelling and Census (2011)

8.34 The figure below shows the tenures of people with a LTHPD – it should be noted that the data is for 'population living in households' rather than 'households'. The analysis clearly shows that people with a LTHPD are more likely to live in social rented housing or are also more likely to be outright owners (this will be linked to the age profile of the population with a disability).

8.35 Given that typically the lowest incomes are found in the social rented sector, and to a lesser extent for outright owners, the analysis would suggest that the population/households with a disability are likely to be relatively disadvantaged when compared to the rest of the population.

**Figure 26: Tenure of people with LTHPD – Isle of Wight**



Source: 2011 Census

- 8.36 The table below shows further information about the tenure split of the household population with a LTHPD. This shows that people living in the social rented sector are about 50% more likely to have a LTHPD than those in other tenures.

**Table 99: Tenure of people with a LTHPD (2011)**

|               | % of social rent with LTHPD | % of other tenures with LTHPD |
|---------------|-----------------------------|-------------------------------|
| Isle of Wight | 31.9%                       | 20.2%                         |

Source: Census (2011)

### Wheelchair User Housing

- 8.37 Information about the need for housing for wheelchair users is difficult to obtain (particularly at a local level) and so some brief analysis has been carried out based on national data within a research report by Habinteg Housing Association and London South Bank University (Supported by the Homes and Communities Agency) - *Mind the Step: An estimation of housing need among wheelchair users in England*. This report provides information at a national and regional level although there are some doubts about the validity even of the regional figures; hence the focus is on national data.
- 8.38 The report identifies that around 84% of homes in England do not allow someone using a wheelchair to get to and through the front door without difficulty and that once inside, it gets even more restrictive.
- 8.39 Furthermore, it is estimated (based on English House Condition Survey data) that just 0.5% of homes meet criteria for 'accessible and adaptable', while 3.4% are 'visitible' by someone with mobility problems (data from the CLG Guide to available disability (taken from the English Housing Survey)) puts the proportion of 'visitible' properties at a slightly higher 5.3%.
- 8.40 Overall, the report estimates that there is an unmet need for wheelchair user dwellings equivalent to 3.5 per 1,000 households (this is described in the Habinteg report as the *number of wheelchair user households with unmet housing need*). On the Isle of Wight, as of 2016, this would represent a current need for about 220 wheelchair user dwellings.
- 8.41 Moving forward, the report estimates a wheelchair user need from around 3% of households. If 3% is applied to the household growth in the demographic projections (2016-34) then there would be an additional need for around 280-320 adapted homes. If this figure is brought together with the estimated current need then the total wheelchair user need would be for around 500-540 homes – this is about 5% of the total household growth in the projections.

**Table 100: Estimated need for wheelchair user homes (2016-2034) – Isle of Wight**

|                          | Current need | Projected need (2016-34) | Total | Total household growth | % wheelchair user |
|--------------------------|--------------|--------------------------|-------|------------------------|-------------------|
| 2014-based SNPP          | 221          | 279                      | 500   | 9,309                  | 5.4%              |
| Linked to OAN of 641 dpa | 221          | 317                      | 538   | 10,566                 | 5.1%              |

Source: Derived from demographic projections and Habinteg prevalence rates

8.42 Information in the CLG Guide to available disability data also provides some historical national data about wheelchair users by tenure (data from the 2007/8 English Housing Survey). This showed around 7.1% of social tenants to be wheelchair users, compared with 2.3% of owner-occupiers (there was insufficient data for private renting, suggesting that the number is low).

8.43 This may impact on the proportion of different tenures that should be developed to be for wheelchair users (although it should be noted that the PPG (56-009) states that '*Local Plan policies for wheelchair accessible homes should be applied only to those dwellings where the local authority is responsible for allocating or nominating a person to live in that dwelling*').

### Extra Care

8.44 The Council have also produced a study which focusses on improving the housing offer to older people. The strategy for extra care housing strategy (or Independent Island Living) sits alongside other Council housing strategies. The strategy was supported by a background evidence paper.

8.45 The background evidence paper identifies that on the Island Homefinder register as of December 2016 that:

- there are 294 people with a Physical disability requirement (PDR) - can manage up to one flight of stairs;
- That as of December 2016 there are 131 people with a PDR that are not in a wheelchair but cannot manage any stairs;
- there are 53 people with a PDR that occasionally use a wheelchair and cannot manage any stairs;
- there are 53 people with a PDR that occasionally use a wheelchair and cannot manage any stairs;
- there are 33 people with a PDR that use a wheelchair most of the time;

8.46 The evidence paper also sets out that:

- That there will be a 14% increase in those aged over 45 with a learning disability (2014-30);
- That there will be a 6% increase in those aged over 45 with a moderate to severe learning disability (2014-30);
- A 30% increase in those aged over 65 unable to manage at least one activity on their own (2020-30);

8.47 The key findings of the strategy which is designed to tackle these issues are summarised below:



- 8.48 Over the next 15 years there is expected to be a changing landscape where the Island's elderly community is given a range of housing options complemented by high quality care and support services.
- 8.49 The Council plan to respond to demand by building Independent Island Living communities across the whole of the Island. They stipulated the need for high quality design to ensure the buildings are fit for purpose and ready for the future.
- 8.50 The Council recognise the need to provide a mix of tenures and schemes to ensure all needs can be met. This will ensure that there is 'suitable accommodation' available for Island elders.
- 8.51 The Extra care accommodations strategy demonstrates a system-wide commitment to improve the lives of older people. The Council will embrace the principles of integrated care and will work with individuals to co-produce services at Extra care schemes. This approach ensures clarity of purpose and value for money as we build a multi-faceted service.
- 8.52 The Council expect dynamic, co-ordinated services that are tailored to individual's needs and will look to providers to work with individuals to deliver services that will enable people to maintain their independence and promote their health as well as develop new life skills.
- 8.53 The Extra Care schemes will be vibrant and welcoming and will be a community asset with a raft of initiatives aimed at providing people with opportunities to live their life in the best way for them.

### Qualitative Commentary

- 8.54 As a popular retirement destination there is a significant percentage of elderly population on the Island. This drives significantly the market in terms of both bungalow and 3-bed houses as well as the need for care home accommodation.
- 8.55 There are a few aged restricted (above 55 years old) schemes and products such as Homewise that have recently been introduced to the Island and it seems to be gaining some traction in the market.
- 8.56 There is also a variety of care/nursing homes or later living facilities including Solent Grange Care Home (89 rooms), Barchester Orchard House Care (60 rooms), McCarthy& Stone Somers Brook Court (58 flats), Blackwater Mill (51 rooms). There is also a variety of smaller care homes such as Cornelia Manor (32 rooms), Newport Residential Care (31 rooms), Cherry Trees (25 rooms) and so on.

- 8.57 With the exception of the McCarthy & Stone schemes in Newport and Bembridge elderly accommodation is limited. This may have resulted in McCarthy & Stone decreasing their activity on the Island as there is no new development activity on the Island.
- 8.58 There is limited new build activity for elderly accommodation. There are a couple of small developments for 65+ years old. A scheme of 25 retirement flats in Yarmouth was 60% bought by investors for Buy-to-Let activity. Beatrice Court on Hope Road, Shanklin, built in 2014 includes 42 flats, featuring one and two bedroom units, is an over 55's scheme that offers a level of care for elderly residents. Similarly, Princess Court, Eats Cowes is a new development of 39 luxury apartments for over 55's. This indicates that there is rental demand for such schemes.
- 8.59 Local agents suggest that there is only a limited downsizing market for retirement properties. Elderly couples seeking new properties tend to want to purchase at least a 3 bedroom property with garden. There might be a change between the layouts of previous properties (ex. split in 2 floors to one floor) and maybe some smaller manageable living rooms or garden but the overall living space retains the same.
- 8.60 As a result retirees are directly competing with young families in some areas including Newport and this is the key reason why 2/3 bedroom properties are in such high demand.
- 8.61 Across the West Wight sub-area there are limited older persons housing although still includes an over 55's scheme in Yarmouth. There are other schemes in the pipeline which are currently going through planning, including a retirement village on the edge of Colwell for approximately 50 units.
- 8.62 The local agents consulted with suggested that there would be rental demand for retirement properties if there was the available stock.

## Summary

- 8.63 Planning Practice Guidance section 56 (Housing: optional technical standards) sets out how local authorities can gather evidence to set requirements on a range of issues (including accessibility and wheelchair housing standards, water efficiency standards and internal space standards). This study considered the first two of these (i.e. accessibility and wheelchair housing) as well as considering the specific needs of older people. A range of data sources are considered, as suggested by CLG and also some more traditionally used in assessments such as this (e.g. from Housing LIN). This is to consider the need for Building Regulations M4(2) (accessible and adaptable dwellings), and M4(3) (wheelchair user dwellings).

- 8.64 The data shows in general, that the Isle of Wight has higher levels of disability compared with other areas, and that an ageing population means that the number of people with disabilities is expected to increase substantially in the future. Key findings include:
- 40% increase in the population aged 65+ over 2016-2034 (accounting for over 100% of total population growth);
  - 17% of household growth identified as being households requiring specialist housing for older persons;
  - 58% increase in the number of older people with mobility problems (representing about 30% of all population growth);
  - Over 20% increase in the number of people with a long-term health problem or disability (LTHPD) (representing about 60% of all population growth);
  - concentrations of LTHPD in the social rented sector; and
  - a need for around 500-540 dwellings (5% of the projected overall increase in dwellings) to be for wheelchair users (meeting technical standard M4(3)).
- 8.65 This would suggest that there is a clear need to increase the supply of accessible and adaptable dwellings and wheelchair user dwellings. Given the evidence, the Council could consider (as a start point) requiring all dwellings to meet the M4(2) standards (which are similar to the Lifetime Homes Standards). It should however be noted that there will be cases where this may not be possible (e.g. due to viability or site specific circumstances) and so any policy should be applied flexibly.
- 8.66 In seeking M4(2) compliant homes, the Council should also be mindful that such homes could be considered as 'homes for life' and would be suitable for any occupant, regardless of whether or not they have a disability at the time of initial occupation.

#### **Key Points**

- The data shows an expected 40% increase in the population aged 65+ over 2016-2034.
- Around 17% of the identified household growth will requiring specialist housing for older persons.
- There is expected to be a 58% increase in the number of older people with mobility problems and an increase of over 20% in the number of people with a long-term health problem or disability (LTHPD). There are concentrations of such households in the social rented sector.
- There is a need for around 500-540 dwellings (5% of the projected overall increase in dwellings) to be for wheelchair users.
- There is a clear need to increase the supply of accessible and adaptable dwellings and wheelchair user dwellings.
- Given the evidence, the Council could consider (as a start point) requiring all dwellings to meet the M4(2) standards (which are similar to the Lifetime Homes Standards).

## 9 NEED FOR SPECIFIC GROUPS - OTHER GROUPS

### Introduction

9.1 The final section of this report picks up on some other 'particular' groups that are noted in Guidance. In most cases these groups are not a significant issue on the Isle of Wight and so commentary is included for reasons of completeness. The groups studied are:

- Caravan and houseboat dwellers
- Student accommodation
- Armed Forces Personnel
- Black and Minority Ethnic Groups
- Key workers
- Custom and Self-Build
- Prison Leavers
- Care Leavers

### Caravan and Houseboat Dwellers

9.2 One form of 'specialist' housing is caravan- and boat-based accommodation. The nature of such accommodation is clearly different from ordinary 'bricks and mortar' housing, and persons occupying caravans and boats can have different needs from occupants of bricks and mortar housing.

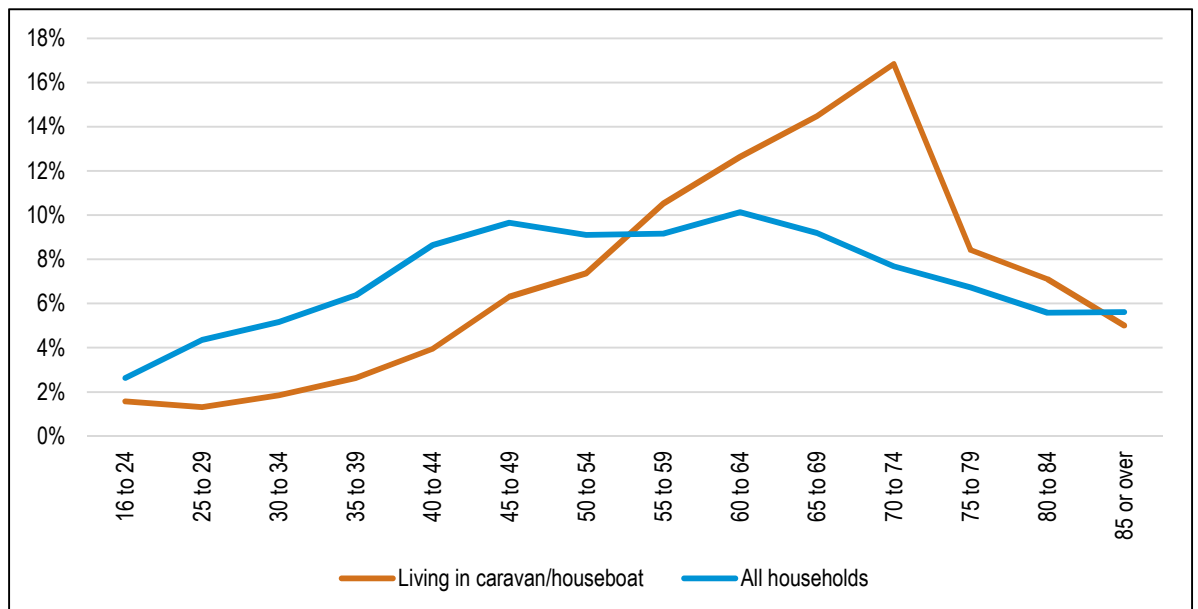
9.3 In March 2016, CLG published draft guidance on the need for caravans and houseboats. This is important as it essentially fills the gap in the overall need from Gypsies and Travellers and those that meet the planning definition (i.e. still have a nomadic lifestyle). The draft guide is however considered to go somewhat wider than just looking at Gypsy and Traveller needs, for example including bargees (boat dwellers) who may well not be from a recognised Gypsy and Traveller ethnic group.

9.4 This study does not contain a Gypsy and Traveller accommodation needs assessment (that having been undertaken separately). This section focusses on the need for houseboats and residential caravans.

9.5 The Census shows there to be 449 dwellings (recorded as 'household spaces) on the Isle of Wight that comprised 'caravans or other mobile or temporary structures'; of these some 380 were occupied (i.e. used as a main and permanent residence).

- 9.6 Data from the Valuation Office Agency (from 2016) suggests there are 60 houseboats paying Council Tax in the Council area. The bulk of households living in ‘caravans or other mobile or temporary structures’ are therefore living in caravans – the majority of these will be Park Homes.
- 9.7 Generally, households living in caravans are smaller than households in bricks and mortar accommodation. The average household size in caravans (as of the 2011 Census) is 1.77 people, compared with a Council area average (for all dwelling types) of 2.19. This is likely to reflect both the size of homes and the age and household structures of residents.
- 9.8 To project the potential need/demand for caravans and houseboats, the analysis has used Census data. Census table CT0621 identifies the age profile of households living in caravans and other temporary structures; this can be used along with demographic projections to look at how demand might change moving forward.
- 9.9 The figure below shows the age of the household reference person (HRP) living in a caravan/houseboat compared with the age profile of all HRPs on the Isle of Wight. This identifies a clear increase in the number of people in caravans (notably from about age 55); this would suggest that many homes are ‘age restricted’.

**Figure 27: Age of household reference person living in caravan/houseboat – Isle of Wight**



Source: Census (2011)

- 9.10 The methodology used is similar to that when looking at the mix of housing. Firstly, the projected growth by age of household is analysed, and then the propensity for any age group to live in a caravan/temporary structure is applied to the projected change.

9.11 This then gives the change in the number of households living in such accommodation assuming that occupancy patterns do not change. To be consistent with previous analysis, two models have been developed, the first linking to official (CLG) household projections and the second linking to a model where dwelling growth is set at 641 per annum.

9.12 The analysis below shows a potential need over the 18-year period to 2034 of around 81-84 additional dwellings (5 per annum). This analysis does not therefore identify a significant need; in planning policy terms it is not considered that there is sufficient evidence such that the Council should allocate a site (or sites) for this type of housing.

**Table 101: Estimated need/demand for caravans and other temporary structures (including houseboats) – 2016-34**

|            | Proportion of age group in caravan/ temporary | 2014-based CLG projections |              | 641 dwellings per annum |              |
|------------|---|----------------------------|--------------|-------------------------|--------------|
|            |   | Household growth           | Implied need | Household growth        | Implied need |
| 16 to 24   | 0.4%  | -27                        | 0            | 24                      | 0            |
| 25 to 29   | 0.2%  | -145                       | 0            | 102                     | 0            |
| 30 to 34   | 0.2%  | -62                        | 0            | 184                     | 0            |
| 35 to 39   | 0.3%  | 452                        | 1            | 824                     | 2            |
| 40 to 44   | 0.3%  | 434                        | 1            | 403                     | 1            |
| 45 to 49   | 0.4%  | -801                       | -3           | -720                    | -3           |
| 50 to 54   | 0.5%  | -1,117                     | -6           | -1,071                  | -5           |
| 55 to 59   | 0.7%  | -725                       | -5           | -739                    | -5           |
| 60 to 64   | 0.8%  | 735                        | 6            | 804                     | 6            |
| 65 to 69   | 1.0%  | 1,148                      | 11           | 1,086                   | 11           |
| 70 to 74   | 1.4%  | 1,761                      | 24           | 1,724                   | 24           |
| 75 to 79   | 0.8%  | 2,036                      | 16           | 2,132                   | 17           |
| 80 to 84   | 0.8%  | 1,997                      | 16           | 2,050                   | 16           |
| 85 or over | 0.6%  | 3,622                      | 20           | 3,763                   | 21           |
| Total      | -   | 9,309                      | 81           | 10,566                  | 84           |

Source: Derived from Census 2011 and demographic projections

9.13 However, it is clear from the analysis that there is some additional demand for caravans (and houseboats) and therefore any planning application for additional plots or berths should be considered on its own merits (e.g. in terms of scale, location and environmental/landscape impacts).

### Student Accommodation

9.14 The Isle of Wight Council area does not have significant populations of further education students with specific housing requirements. The 2011 Census identified just 19 households made up of 'all students'.

## Armed Forces Personnel

- 9.15 There are no bases on the Isle of Wight and the 2011 Census records just 197 armed forces personnel as living in households (plus 1 in a communal establishment). This data does not suggest that any specific policy in relation to Armed Forces personnel would be justified.

## Black and Minority Ethnic (BME) Groups

- 9.16 The 2014 Isle of Wight SHMA studied BME groups, and at a local level there is no new data available since publication of that report (the SHMA mainly drew on 2011 Census data). The 2014 SHMA identified that the BME population of the Island is quite small (5% of all people compared with 19% nationally). It was however commented that the number of people from a BME group had increased notably over the decade from 2001.
- 9.17 Analysis of BME groups did identify that they may be disadvantaged when compared with the White (British/Irish) population. Key findings included high proportions in private rented accommodation and a high level of overcrowding.
- 9.18 The implications of the analysis of BME groups are more for housing strategy than planning, and suggest a need to consider particularly how the needs of different groups are met within the local housing market, to explore the reasons for higher levels of overcrowding in BME communities and how this can be addressed. It will also be important to consider the role which the Private Rented Sector plays in meeting needs of new migrant communities and the standards of housing in this sector. Investigating these issues in greater detail may assist development of strategic housing policies.

## Key Workers

- 9.19 No data is available which relates to the earnings of key workers at local authority level. However ONS publish monthly data showing the difference between public and private sector pay. This reveals that in December 2017 public sector pay 7% higher than the economy as a whole on a national level.
- 9.20 This falls to 6% when financial services in the public sector are excluded. This therefore may provide a better indicator of key workers. Given the relative affordability of the Island and the overall lack of affordable need those earning 6% above average earnings would not be thought of as requiring affordable housing.
- 9.21 Agents have commented that there is very little key worker accommodation on the Island. This is because of the relatively affordable house prices (both rental and market). While some areas such

as Freshwater and Bembridge may not be within the pay-scale of public sector workers the whole Island is easily commutable from locations which will be.

### Self and Custom Build

- 9.22 All Councils are now required to keep a register of households interested in self and custom build accommodation. For the Isle of Wight Council their register suggests that around 100 households seek this type of housing.
- 9.23 According to local agents the self/custom-built represents around 6% of the current construction activity across Isle of Wight. This is scattered around the Island and it usually takes a lot of time to be completed due to funding /programming restraints.
- 9.24 Given the scale of delivery of this type of accommodation already underway and the relatively low numbers on the housing register it would appear that the matter is already being dealt with without the need for a specific policy. However this should be monitored.

### Prison Leavers

- 9.25 The Community Safety Partnership (CSP) are currently developing strategy to reducing reoffending by prison leavers., Providing appropriate accommodation is one of the priorities identified this includes providing accommodation for those with alcohol and drug dependencies.
- 9.26 In total there are 271 offenders living on the Island. Of these there are currently 118 offenders with an alcohol need, 88 with a drug need, 45 with both. This group access a range of accommodation including:
- Staying with friends and family – 41% (including 9% who are sofa surfing)
  - Permanent Independent housing including rental accommodation – 38%
  - Supported Accommodation – 8%
  - Homeless - 6%
  - No information or Unknown - 3%
  - Transient/Short Term Accommodation- 3%
  - Awaiting Assessment 2%
- 9.27 Those with alcohol dependency only have access to a single, wet bed (accommodation where alcohol is provided is a supportive and managed way). However this is on the mainland and the offenders are not keen to access it.
- 9.28 More widely the CSP have concerned with regards to the suitability to available accommodation. For example they tend to be located in areas where there is a high level of deprivation. Some offenders are also only able access furnished rented accommodation, or accommodation which can only be rented for 6-11 months.



- 9.29 In addition, there was also some concern from the CSP that the quality of rental accommodation available to prison leavers was not as good as it should be.

### Care Leavers

- 9.30 The need for homes specifically for care leavers is expected to rise as a result of the Children and Social Worker Act 2017. The Act widens the definition of care leavers to those up to the age of 25. The increase in demand is expected to be particularly noticeable for supported accommodation for care leavers with complex needs.
- 9.31 The Act sets out the corporate parenting principles for English local authorities for children in care and care leavers. One of the principles is to help those children and young people gain access to, and make the best use of, services provided by the Council and its relevant partners.
- 9.32 The Act also sets out the duty to publish a local offer for care leavers including information about services which the Council offers for care leavers as a result of its functions under the Children Act 1989.
- 9.33 The Council must also publish information about other services which the local authority offers that may assist care leavers in, or in preparing for, adulthood and independent living including accommodation.
- 9.34 The Isle of Wight Council is jointly commissioning the new supported accommodation offer for vulnerable young people involving children's social care and housing. This will provide 'pathways to independent adulthood' for care leavers.

### Summary

- 9.35 Analysis has been carried out to understand and quantify the need/demand for non 'bricks and mortar' housing – specifically caravans (such as Park Homes) and Houseboats. This analysis is separate from any analysis to look at the needs of Gypsy and Traveller households. The study has looked at a range of data (e.g. from the Census and Council Tax data).
- 9.36 To try to quantify the potential need/demand for caravans an analysis was developed that looked at the current occupancy patterns (by age) and projected this forward on the basis of expected age structure changes. This suggested that there would be a need for up to 84 additional mobile homes over the 18-year period to 2034 (about 5 a year).
- 9.37 This analysis did not therefore identify a significant need; in planning policy terms it is not considered that there is sufficient evidence such that the Council should allocate a site (or sites) for

this type of housing. However, it is clear from the analysis that there is some additional demand for caravans and therefore any planning application for additional plots or berths should be considered on its own merits (e.g. in terms of scale, location and environmental/landscape impacts).

- 9.38 Analysis was also carried out to consider student needs and the needs of armed forces personnel. In both cases the number of people/households in the relevant target group is very low and there is no evidence for any specific policies in relation to such groups.
- 9.39 The analysis looked at Black and Minority Ethnic (BME) households. The analysis identified a small but growing BME community and one which appears disadvantaged when compared with the White (British/Irish) population. However, the implications of the analysis of BME groups are more for housing strategy than planning; suggesting a need to consider how the needs of different groups are met within the local housing market, and to explore the reasons for higher levels of overcrowding in BME communities and how this can be addressed. It will also be important to consider the role which the Private Rented Sector plays in meeting needs of new migrant communities and the standards of housing in this sector.
- 9.40 The relative affordability of the Island and the relatively high wages of key workers coupled with relatively easy commuting distances suggests that key worker accommodation is not a priority for housing delivery on the Island.
- 9.41 Self- and Custom-build housing has contributed a large number of homes on the Island in recent years without the need for a specific policy. Although this should be monitored this would suggest that part of the market is operating fairly on this basis.

### **Key Points**

- Our analysis suggests a need for about 5 additional mobile homes per year.
- For student needs and armed forces personnel the numbers are very low and there is no evidence for any specific policies in relation to such groups.
- There is a small but growing Black and Minority Ethnic (BME) population. The group appears to be disadvantaged when compared with the White (British/Irish) population.
- There are issues about the quality of housing available to this group with higher levels of over-crowding identified. It will also be important to consider the role which PRS plays in meeting their needs.
- We have not identified any issues relating to key workers or custom and self-build which would require intervention.
- There may be a need to provide additional, suitable accommodation for prison leavers especially those who may have issues with substance abuse.
- Changing legislation may also result in a need for additional accommodation for care leavers aged up to 25.

## 10 CONCLUSIONS

10.1 The purpose of this Strategic Housing Market Assessment (SHMA) has been to assess future housing needs and the mix of housing between 2016 and 2034.

### Objectively Assessed Housing Need (OAN)

10.2 The SHMA follows the proposed approach as set out by the Government in their “Planning for the right homes in the right places” consultation document<sup>15</sup> published in September 2017. As the new methodology is only published as a consultation there may changes to it over time.

10.3 The new methodology seeks to simplify the approach to housing need and has three components:

- Starting Point or Baseline;
- Market Signals Adjustment; and
- Cap.

10.4 **The start point household projections show over the period 2016-26 a household growth of 5,252 (525 households per annum).** This equates to an 8.3% increase in households over the same period, equal to the household growth for England.

10.5 The proposed methodology seeks to adjust the demographic baseline on the basis of market signals. In 2016 the workplace affordability ratio on the Isle of Wight was 7.52 i.e. median house prices were 7.52 times the median earnings of those working on the Island. This means that the adjustment factor on the Isle of Wight is 0.22 or 22%. **This equates to 641 dwellings per annum,** however this does not include any capping.

10.6 As the Isle of Wight adopted its local plan in March 2012 (i.e. more than 5 years old), the OAN would be capped at 40% above official projections. However, as the affordability adjustment is less than 40% then no cap is applied. **The OAN for the Isle of Wight is therefore 641 dwellings per annum.**

10.7 We have also disaggregated the OAN to a sub-area level. However these are not necessarily indicative of the eventual distribution of housing or local housing targets. The final distribution will be based on a policy decisions which will be influenced by a wide range of factors including housing supply, environmental and infrastructure capacity, local affordable housing need

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<sup>15</sup> CLG (March 2012) National Planning Policy Framework

10.8 This is disaggregated by sub areas as set out below.

**Table 102: OAN by Sub-Area (2016-34)**

|                      | OAN (Per Annum) | % of OAN      |
|----------------------|-----------------|---------------|
| Bay                  | 201             | 31.3%         |
| Medina Valley        | 219             | 34.3%         |
| Medina Valley – East | 77              | 12.0%         |
| Medina Valley – West | 143             | 22.2%         |
| Ryde                 | 152             | 23.8%         |
| West Wight           | 68              | 10.6%         |
| <b>Total</b>         | <b>641</b>      | <b>100.0%</b> |

Source: DCLG, ONS and JGC modelling

### Need for Different Types of Homes

10.9 The SHMA identifies a range of factors which influence the need for different types of homes. This includes demographic trends, and in particular a growing older population; market dynamics and affordability; the Government's ambitions and initiatives to boost home-ownership and self/custom-build development; as well as growth in student numbers and accommodation.

#### Affordable Housing Need

10.10 The report has considered the need for affordable housing; using the Basic Needs Assessment Model recommended in the PPG. Using the available information, it identifies a net need for 222 affordable homes per annum across the HMA for the 2017-34 period.

10.11 As the report explains this would represent the 'theoretical need' for affordable homes if all households who needed some form of support in meeting their housing need were to be allocated an affordable home.

10.12 However, the affordable needs calculations include the needs arising from existing households who require an alternative type/ size of home (and would thus release their current homes) and from newly forming households who are already included in the demographic growth.

#### Mix of Housing

10.13 In analysing the need for housing of different tenures it needs to be recognised that there are a series of choices to be made with regard to the provision of new affordable housing; essentially a trade-off between the affordability of accommodation and the number of homes that can viably be provided. Hence the analysis in this report can only provide a guide to the types of affordable housing that should be provided.

- 10.14 It appears for example that the cost of low cost home ownership properties can sometimes exceed those of lower cost market homes (and even social rental) and thus cannot be truly considered as “affordable”, albeit they might be recognised as such by the government.
- 10.15 It may also be the case that some affordable housing products such as shared ownership while on face value might be the most affordable may not be either in demand or suitable for those who could afford it. For example it still requires occupiers to raise a deposit and access a mortgage. An alternative product such as affordable rental property may therefore cater for a larger market and for those in acute need despite being arguably more expensive.
- 10.16 This again reverts back to a choice for the Council as to which type of housing should be prioritised. With some affordable products unlikely to cater for those most in need but likely to delivery more homes.

#### **Need for Different Types and Sizes of Homes**

- 10.17 The modelling outputs provide an estimate of the proportion of homes of different sizes that are needed; there are a range of factors which should be taken into account in setting policies for provision. The mix of affordable rented housing sought through development at a District-wide level should be as follows:
- 1-bed properties: 30%;
  - 2-bed properties: 40%;
  - 3-bed properties: 25%; and
  - 4-bed properties: 5%
- 10.18 The strategic conclusions recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues and the issue of single people under 35 years old only being eligible to claim benefits for a room in a shared house.
- 10.19 The provision of affordable home ownership should be more explicitly focused on delivering smaller family housing for younger households. On this basis the following mix of low-cost home ownership housing is suggested:
- 1-bed properties: 25%;
  - 2-bed properties: 45%;
  - 3-bed properties: 25%; and
  - 4-bed properties: 5%

- 10.20 In the market sector, a balance of dwellings is suggested that takes account of both the demand for homes and the changing demographic profile. The following mix of market housing is suggested:
- 1-bed properties: 5%;
  - 2-bed properties: 35%;
  - 3-bed properties: 40%; and
  - 4-bed properties: 20%
- 10.21 The figures can however be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by demographic change in the area or linked to macro-economic factors and local supply.
- 10.22 The need for affordable housing of different sizes will vary by area (at a more localised level) and over time. In considering the mix of homes to be provided within specific development schemes, the information herein should be brought together with details of households currently on the Housing Register in the local area and the stock and turnover of existing properties.
- 10.23 The mix identified above should inform strategic planning and housing policies. In applying recommended housing mix to individual development sites, regard should be had to the nature of the development site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level.

### Older Persons Housing Need

- 10.24 The SHMA indicates that the number of residents aged over 65 across district is projected to increase by 40% over the period to 2034 under the OAN. As a result of a growing older population and increasing life expectancy, the OAN would result in an increase in people with mobility problems of around 58% by 2034 and an increase of 72% in persons with dementia.
- 10.25 Some of these households will require adaptations to properties to meet their changing needs whilst others may require more specialist accommodation or support. There is clear evidence of need for properties which are capable of accommodating people's changing needs.
- 10.26 Based principally on the expected growth in population of older persons, the report estimates a need for additional specialist C3 dwellings for older persons on the Isle of Wight over the 2016-34 period of around 112 dpa. This forms part of the SHMA's conclusions on the objectively assessed housing need (OAN).
- 10.27 A 60:40 split between market (including shared ownership) and affordable (rented) housing provision is expected. While it is not possible to disaggregate this figure further the Housing LIN is

quite pro-active in looking at intermediate options for downsizing and the market part of the older persons' needs.

**Table 103: Need for Specialist Housing for Older People, 2016 - 34**

| Change in population aged 75+ | Specialist housing need (@ 170 units per 1,000) | Per annum need (2016-34) |
|-------------------------------|---|--------------------------|
| 11,843                        | 2,013   | 112                      |

- 10.28 A need is identified for around 538 wheelchair adapted homes (2016-34), equivalent to 5.1% of new housing provision.
- 10.29 Decisions about the appropriate mix of specialist housing should take account of the current stock, other local needs evidence as appropriate, and policies regarding accommodation and care for older persons.
- 10.30 GL Hearn recommends that the council should give consideration to how best to deliver the identified specialist housing need, including, for instance, the potential to identify sites in accessible locations for specialist housing or to require provision of specialist housing for older people as part of larger strategic development schemes.

#### **Need for Registered Care Provision**

- 10.31 Registered care provision falls within a C2 use class, with households who live in care homes counted as part of the institutional rather than the household population. As such provision of residential care is treated in the analysis of housing need separately in the SHMA from that for C3 dwellings (and is separate to the C3 housing OAN).
- 10.32 The OAN would result in a net need for 1,169 C2 bed spaces for older persons in the HMA over the 2016-34 period (65 per annum). The assessment, however, should be treated as indicative, and does not seek to set policies for how older persons with care needs should be accommodated.

#### **Housing Delivery**

- 10.33 In examining the market signals for the Isle of Wight housing, delivery has continuously been below target. There is also the threat of all major house-builders withdrawing from the Island. Anecdotally this is due to the increased transportation costs of labour and materials coupled with relatively low house prices.
- 10.34 As a result delivery has been increasingly reliant on smaller house-builders may not have the capacity to deliver the requisite housing identified in the OAN. There is potentially therefore some requirement for intervention to avoid this. Stimulating the growth and acceleration of housing supply



can involve a wide range of actions and interventions by the public sector. The following measures could be relevant to the Isle of Wight.

### **Public Sector Debt Finance**

- 10.35 Public sector debt finance has a major role in supporting and accelerating growth and assisting with the delivery new forms of housing where markets are evolving.
- 10.36 At a national level, the £525m Builders Finance Fund was first launched in 2014 and this was subsumed within the £3bn Home Building Fund (HBF) in October 2016. This is a flexible source of funding administered by the Homes England on behalf of government and it provides:
- development finance – to meet the development costs of building homes for sale or rent with typical terms of up to 5 years and a minimum investment of £250,000, except in the case of innovative housing solutions and serviced plots for custom builders; and
  - infrastructure finance – up to £250m for site preparation and the infrastructure needed to prepare land for development, with repayment terms of up to 20 years
- 10.37 Also operating on a national footprint, the Housing Growth Partnership (HGP) was set up in July 2015 with £50m from Lloyds and £50m from Homes England. The HGP plans to help finance the development of at least 2,000 new homes through to 2018, targeting local house builders that are currently building 10 to 100 homes a year. As such this is particularly relevant to the Isle of Wight
- 10.38 Rather than offering loans, the HGP will act as co-equity investor in development projects, staking equity alongside the builder with typical investment levels of £0.5m to £3m. The fund will make its return only when the units are sold, taking a pre-agreed proportion of profits.
- 10.39 Although not something that has a foothold on the Isle of Wight Government has also been targeting financial backing for purpose built Private Rented Sector (PRS) schemes since 2012 and this has helped to expand this sector in a range of cities and towns across the Country.
- 10.40 Funding is still being committed at scale; for example the recently (August 2017) announced £65m investment into the largest Rent to Buy site at the Wembley Park development in Brent, London, which will see 7,600 homes built, 6,800 of which will be for rent. As mentioned the product has only really took off in London and other major cities such as Manchester.
- 10.41 At a Local and Sub-regional level, Funds to support commercial and employment generating investment have been in existence for a number of years but attention has also turned to the role that sub-regional partners can play in providing debt finance for housing. For example, the Greater Manchester (GM) Combined Authority established a dedicated Housing Loans Investment Fund in 2014 to help free-up land, support housing regeneration and build new homes across the area and

the Authority has had great success in supporting the local housing market, with all of their £334m being committed by the end of July 2017.

- 10.42 Reflecting early demand and partner objectives, the Fund had a crucial role to play in the rapid expansion of the PRS market in Manchester City Centre but has latterly been applied to a wide range of projects – with strong take-up from local SMEs – across the GM area.
- 10.43 The GM Fund provides loans to kick-start housing projects that would otherwise be difficult to finance because of the caution of conventional lenders. Loans are typically over £1 million, but can be less for smaller organisations, and they are capped at 60% of development costs (or 50% of scheme value) and must be repaid within four years from work starting. Lending is also only available to private sector entities and their schemes must be supported by their Local Authority.
- 10.44 This is perhaps something that the Isle of Wight or in partnership with the PUSH authorities might consider in order to kick start local delivery. Although creating a bespoke Housing Investment Fund for the Island might not be appropriate given the scale of demand and the complexity of set up and managing investment decisions.
- 10.45 However, there could be a need to encourage SMEs and new entrants to take-up the opportunities and better direct them to existing public sector credit facilities. Further dialogue with Homes England (formerly Homes and Communities Agency) to promote their schemes and if necessary support SMEs and new entrants in their applications of assistance could form part of a package of intervention.

#### **Public sector backed direct development**

- 10.46 Local Authorities are becoming more involved in direct intervention to achieve their goals for housing. Around 50 Local Authority owned / controlled housing and development companies have been formed since the 2011 Localism Act paved the way for them to establish private companies and more than a third of UK local authorities have / are setting up their own housebuilding companies<sup>16</sup>. The reasons for establishing such vehicles are varied but most are underpinned by a desire to:
- drive the pace of the market and / or intervene where there is market failure;
  - respond where particular needs aren't being met (i.e. homelessness, lack of affordability or poor quality private rented properties);
  - establish quality and place making benchmarks; and
  - create a commercial entity that will generate a return for the Local Authority
- 10.47 Local Housing Companies do have their challenges; their set-up costs can be high and they do not benefit from the economies of scale that volume house builders can bring. Local Authorities also

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<sup>16</sup> Out of the box: councils try innovative projects to provide social housing, Guardian, February 2017

need to adhere to commercial discipline if they are to achieve a return (financial and new homes) and make commitments to provide the required level of resource.

10.48 There are a range of models for Councils seeking to actively support delivery of new housing, including affordable housing. Councils can:

- engage in joint ventures and developer partnering;
- buy stock directly (either existing stock or new-build, typically as affordable housing); or
- set up their own 100% owned limited company.

10.49 Such vehicles can play an important role in de-risking complex development projects, helping to drive forward delivery rates.

10.50 There are many examples of intervention across the Country. In Essex, Thurrock Council has established *Gloriana*, a publicly owned company designed to kick-start housing in Tilbury, where few developers had expressed an interested in building. The Council's former head of housing explained that they can do this because there isn't a requirement to extract a "swift and significant profit" from development<sup>17</sup>.

10.51 In Croydon, the Council set up *Brick by Brick* to bring forward small housing schemes individually designed by upcoming architectural practices in order to provide new housing and lift the profile of an area. For example, Coldharbour Road in Croydon comprises eight shared-ownership homes on a tight back-land garage site. Other examples include:

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<sup>17</sup> Out of the box: Councils try innovative projects to provide social housing, Guardian, February 2017

**Table 104: Local Housing Companies across England**

| Council                   | Company                            | Target market  | Plans/projects   |
|---------------------------|------------------------------------|--|--|
| Birmingham                | Birmingham Municipal Housing Trust | Set up in 2009 aimed to build new homes for rent and sale to meet BCC targets and provide affordable homes | Over 2000 new homes since 2009; 30% of all completions in the City in 2016/17.   |
| London Borough of Ealing  | Broadway Living                    | Mixed tenure homes   | Over the next five years, Broadway Living will create up to 1,000 new homes across the borough to let at market or discounted market rents, for low-cost home ownership, shared ownership, or for private sale.  |
| London Borough of Lambeth | Homes for Lambeth                  | To develop homes for council, intermediate and private rent  | Focusing on regeneration and development on eight existing estates   |
| Oxford                    | Emerging                           | To buy and manage affordable rented homes, develop new homes and carry out regeneration                    | Plans to buy and manage affordable rented homes at Barton Park, an urban extension on the northern side of Oxford where up to 885 homes will be built.   |
| Sheffield                 | Sheffield Housing Company (SHC)    | Mix tenure of new homes - 2,300 by 2027  | Phase 1 of the development programme including 293 new homes in Norfolk Park, Parson Cross and Shirecliffe was completed in early 2016 with most homes sold in advance. SHC is currently on site building a further 478 new homes as part of Phase 2 and design work on Phase 3, at the 'former East Hill School' in Norfolk Park and 'Manor Boot' in Manor Top, is in progress. |
| Wolverhampton             | WV Living                          | Aims to deliver 800 homes over four years (phase 1)  | Has earmarked four sites for 400 homes in the City to be built by 2018, with 25% being affordable.   |

10.52 The above examples show how Councils can, in collaboration with developers or through direct contracting, deliver development schemes of varying scale from complex urban regeneration projects through to urban extensions or new garden villages, where addressing upfront infrastructure costs is a key issue.

- 10.53 They can also simply plug a gap where a range of tenures and associated local social infrastructure is not being provided. How the housing companies are set up and structured, varies, depending on local circumstances.
- 10.54 Given the particular constraints of supply within the Isle of Wight, a Council owned vehicle to drive the pace and quality of delivery could be worthy of further consideration.

### **Commercial Partnerships**

- 10.55 There are a range of examples from around the country of Councils setting up or engaging in Joint Ventures (JVs) with a development partner to deliver homes, either on a site-specific or area-wide basis. This involves sharing risk, investment and reward.
- 10.56 There are numerous initiatives and there is a wide diversity of structure for engaging in partnerships. For example, the *Castleward Urban Village in Derby* is an area-based JV approach involving the Local Authority across a 10 ha area between the City Centre and Derby Rail Station.
- 10.57 A masterplan was prepared showing the potential for residential-led regeneration to deliver 850 homes plus commercial and retail space. Following the establishment of a planning framework through an AAP, feasibility and viability analysis, the Council procured a development partner, Compendium Living, in 2011 through a Joint Venture Agreement.
- 10.58 With a planning application submitted and approved in 2012, the first phase of 163 private and affordable homes and 1,600 m<sup>2</sup> of commercial space started on site in February 2013. Against a context of depressed market conditions, the scheme has proven a local market for housing close to the City Centre.
- 10.59 Another good and recent example of a Local Authority attracting major investment through a JV approach is the *Northern Gateway* in Manchester. This comprises a 2 mile 'wedge' of the City moving out from NOMA (the Co-op Estate) to the Collyhurst Estate.
- 10.60 The Council took the view that it could best achieve the desired quality and place making investment by packaging its land to create a bigger and more strategic opportunity with scope for 'marriage value' if a partner acquired other adjacent land. It marketed the opportunity in 2016 and has recently (spring 2017) entered into a JV with a major Chinese based investor. The 50:50 owned vehicle aims to deliver in excess of 15,000 homes and invest in crucial early place making infrastructure.
- 10.61 If establishing a Local Housing Company would be too challenging an ask for the Isle of Wight, a JV approach to progressing public sector land assets could lever-in private sector investment and

expertise. This could involve committing public land and funding to share risk and reward with the private sector.

### **Enhancing Housing Association Output**

- 10.62 Housing Associations have the potential to play an important role in boosting housing supply. They built around 40,000 of the 140,000 new homes completed in England in 2016 and have become increasingly involved in delivering open market products: in 2015/16, they collectively built 7,300 homes in the UK for market sale or rent<sup>18</sup>; which would make the sector the 5<sup>th</sup> biggest provider (by volume) if it was seen as a 'housebuilder'<sup>19</sup>. Although within the Isle of Wight there has only been limited activity from this sector
- 10.63 This activity helps generate cross subsidy for affordable homes and often supports Local Authority objectives for places and areas where the market is weak. In addition to building new Affordable Housing with government financial assistance, they also have a key role to play in maintaining the supply of new stock through section 106 agreements with private developers.
- 10.64 According to National Housing Federation (NHF) the sector has an ambition to boost its national output to 120,000 homes a year by 2030. Its submission on the 2016 Autumn Statement expressed a desire to work with the Government to "deliver 335,000 homes over the lifetime of this Parliament" with an offer of "£6 of private investment for every £1 of public money, maximum flexibility in the way we use our existing resources and a guarantee that all profits are reinvested in homes and communities."
- 10.65 Housing Associations have access to the 2016-21 Shared Ownership and Affordable Homes Programme (SOAHP). This was initially allocated £4.7 billion in capital funding for: 'help to buy shared ownership' homes; homes where tenants can stay for five years at reduced rents while they save for a deposit with a 'first right' to buy the home; and specialist homes for older people or those with disabilities.
- 10.66 The 2017 Autumn Statement increased SOAHP funding by £1.4 billion and made its use more flexible<sup>20</sup> and recent (October 2017) announcements have increased the 'pot' to more than £9 billion. Combined with setting a long term rent deal for Councils and Housing Associations in England, there is an expectation that this will unlock significant growth in delivery by the sector.

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<sup>18</sup> 5 ways housing associations underpin inclusive growth, Inclusive Growth Commission, February 2017

<sup>19</sup> The 4<sup>th</sup> highest completion rate in 2016 was Bellway with 8,721 and the 5<sup>th</sup> was Redrow with 4,716

<sup>20</sup> UK Housing Review 2017, p82

10.67 We understand there are a range of Housing Associations that currently contribute to housing supply across the Island and there could be opportunities to encourage RPs to deliver more output, including market sales and rented products.

### **Self and Custom-Build Development**

10.68 The Housing White Paper makes it clear that custom and self-build is an important part of the Government's strategy to solve the housing crisis, along with support for small and medium sized (SME) builders, innovative offsite methods of construction and a simpler planning system. Specific commitments in the White Paper include:

- Promoting the Right to Build portal from the National Custom and Self Build Association (NaCSBA), so that anyone wanting to build their own home can easily find the Local Authority register in their area;
- Ensuring that the exemption from the Community Infrastructure Levy for self-build remains in place for now, while the Government looks at longer-term reforms;
- Working with lenders to ensure that they have plans in place to support customer demand for custom build finance products;
- Proposals to give more support for SME house builders, including greater use of Local Development Orders and area-wide design codes, so that small sites can be brought forward for development more quickly;
- Supporting custom build through the Government's Accelerated Construction programme, set up to diversify the housing market by working with SME builders.

10.69 There is the potential for larger development schemes to provide serviced plots for custom-build development, and for it, with support, to help to drive forward delivery rates. For example, *Graven Hill in Bicester*, Oxfordshire, is the largest custom build scheme nationally with proposals for over 2,000 custom built homes.

10.70 The site was acquired by Cherwell District Council from the MOD and a development company has been set up. There is a dedicated web site<sup>21</sup> that provides all the information required from people that would like to build their own home in the area. Various formats of delivery are envisaged, from construction of the shell through to the ability of occupants to tailor the finish to their own needs.

10.71 There is already evidence of Custom Building on the Island but it could be worth looking at the initiative on a much larger scale, possibly across a publicly owned site or through working on a JV basis with a cooperative landowner.

### **Construction Innovation**

10.72 Many Local Authorities and public sector agencies are firmly of the opinion that achieving construction innovation in the supply of housing is essential if they are to achieve an increase in the

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<sup>21</sup> <https://gravenhill.co.uk/>

pace of delivery. This could have particular relevance here given the economic challenges associated with traditional building methods on the Island.

- 10.73 To drive forward housing delivery rates, there is a wide acceptance and strong support from government to promote innovation in construction, including off-site solutions or “Modern methods of construction” (MMC). This includes:
- Volumetric construction: three-dimensional units which are fully fitted out off-site. Modules can be delivered to site in a variety of forms from a basic empty shell awaiting on-site finishing to a completely fitted out unit with all the necessary internal/external finishes and services ready for on-site assembly.
  - Pods: which are used in conjunction with another construction method. Examples are bathroom or kitchen pods.
  - Panelised systems: Panels with timber or light steel framing, structural insulated panels (SIPS) or cross-laminated timber (CLT).
  - Sub-assemblies and components: Larger components incorporated into new homes. They include roof and floor cassettes, prefabricated chimneys, porches and dormers, and I-beams.
  - Site-based MMC: Innovative methods of construction used on-site. They include thin joint blockwork and insulated formwork.
- 10.74 The National House Building Council<sup>22</sup> suggests that masonry construction still dominates the industry and has been the most common approach to construction (80%) over the last 8 years according to their records.
- 10.75 However the majority of house builders and housing associations are using, or have considered, at least one MMC approach within their recent build programmes. The most widely-adopted form of MMC is sub-assemblies and components such as door sets, timber I-beams, prefabricated chimneys and prefabricated dormers.
- 10.76 The second most popular form of MMC is panelised systems (e.g. timber and steel frame), which was used by 42% of respondents during 2015 for at least one home. In the lead was timber frame construction which, according to NHBC registration statistics for 2015, accounts for 15% of UK housing output.
- 10.77 Only limited use is being made of volumetric construction (large modules fully fitted out of the site) and pods (room-sized modules normally bathrooms or kitchens) with 6% and 7% of organisations having used these methods respectively one or more times in 2015.
- 10.78 Use tends to be concentrated in apartment buildings in London and the South East. MMC provides the potential for faster delivery of new homes – speeding up construction – for improving build quality, taking skills shortages, and improving health and safety.

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<sup>22</sup> Available at <http://www.buildoffsite.com/content/uploads/2016/07/NF70-MMC-WEB.pdf>



- 10.79 The majority of house builders and housing associations interviewed by NHBC felt that MMC has some role to play in the delivery of large volumes of new homes, but identified other factors which need to be addressed.
- 10.80 However, 78% of house builders and 46% of housing associations expect to increase the number of new homes they build over the next 3 years and MMC is expected to make some contribution in achieving this by the majority.
- 10.81 The majority of modern construction projects involve larger development schemes, including off-site build, and there are a number of non-residential schemes (including schools, shopping centres, hotels and student accommodation). The Table below presents examples of a number of recent housing focused schemes.

**Table 105: Case Studies of Development Schemes involving Modern Methods of Construction**

| Development  | Size                | Programme           | Cost         |
|--|---------------------|---------------------|--------------|
| Paragon, Brentford – Caledonian and Berkley First – Berkley Homes    | 1,060 flats         | 30 months           | £25 million  |
| Creekside Wharf , Greenwich, Essential Living                        | 249 flats           | 12 months           | n/a          |
| Trevenson Park, Cornwall   | 144 houses          |                     |              |
| Colbalt Place - By Lendlease   | 102 flats + 2 homes | 18 months           | n/a          |
| Green Point Colindale, Edgware Road, London, NW9 5AR, Caledonian     | 98 flats            | 8.5 months          | £6.6 million |
| Surrey Street, Croydon, CR0 1R - Caledonian                          | 75 flats            | 8.5 months          | £6 million   |
| Regents Wharf, Leamore, Walsall, West Midlands, WS2 7BT – Caledonian | 52 houses           | n/a                 | £3.1 million |
| Sixth Avenue Apartments, York - Yorkon                               | 24 flats (luxury)   | 13 months           | £2 million   |
| Villa Place, Hull, Premier Modular Ltd - Goodwin Development Trust   | 5 houses            | 3 months            | £390,000     |
| Apex House, Wembley London – Student Accommodation                   | 558 beds            | 12 months           | n/a          |
| Felda House, Albion Way, Wembley - Student Accommodation             | 450 beds            | Less than 18 months | n/a          |

- 10.82 As an average the above schemes provided 15 units per month or 180 units per annum. The rates of two schemes are worth highlighting: 424 homes per annum for the Paragon development and 374 homes per annum for Creekside, both in London. The case studies (together with the NHBC Survey, 2015) indicate that there speed of delivery would contribute to accelerating housing delivery.

- 10.83 As highlighted above, promoting this on the Island in a more concerted way – possibly linked to the enhanced application of public sector lending, LA direct development or JVs – could have a positive impact on delivery rates across the Island.
- 10.84 If off-site construction could also be attracted to the Island this would have the double benefit of providing homes and jobs. Constructing modules on the Island could cut construction costs by providing materials locally. Such an approach would also reflect the high value manufacturing skills base on the Island.

### **Public Land**

- 10.85 Making the best use of public land has been a consistent theme within Government since 2010 and it given prominence within the Governments Housing White Paper. Homes England has also become more interventionist when it comes to owning and controlling the supply of land for housing.
- 10.86 Land Commissions have become increasingly important in some parts of the Country. For example, the West Midlands Combined Authority established a *Land Commission* in 2016 to assess and consider what measures could be initiated and undertaken to ensure an improved supply of developable land from both a strategic and a regional perspective.
- 10.87 It is now charged with working on an action plan to drive forward delivery, addressing a range of factors from estate regeneration; green belt review; and the greater use of CPO powers to support site assembly.
- 10.88 *Greater Manchester's Land Commission* was introduced as part of the 2014 devolution agreement with Government. The first task of the Commission has been to develop a comprehensive Greater Manchester-wide and cross-public sector property register which will enable partners across the city region to identify opportunities for growth.
- 10.89 Better and more joined-up thinking on public land across the Island could help to 'squeeze out' more supply and accelerate the pace of land that is coming forward for development.