

# Local Housing Needs Assessment

**Isle of Wight Council**

May 2022

## **Prepared by**

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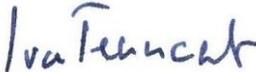
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The signatories below verify that this document has been prepared in accordance with our quality control requirements. These procedures do not affect the content and views expressed by the originator.

This document must only be treated as a draft unless it has been signed by the Originators

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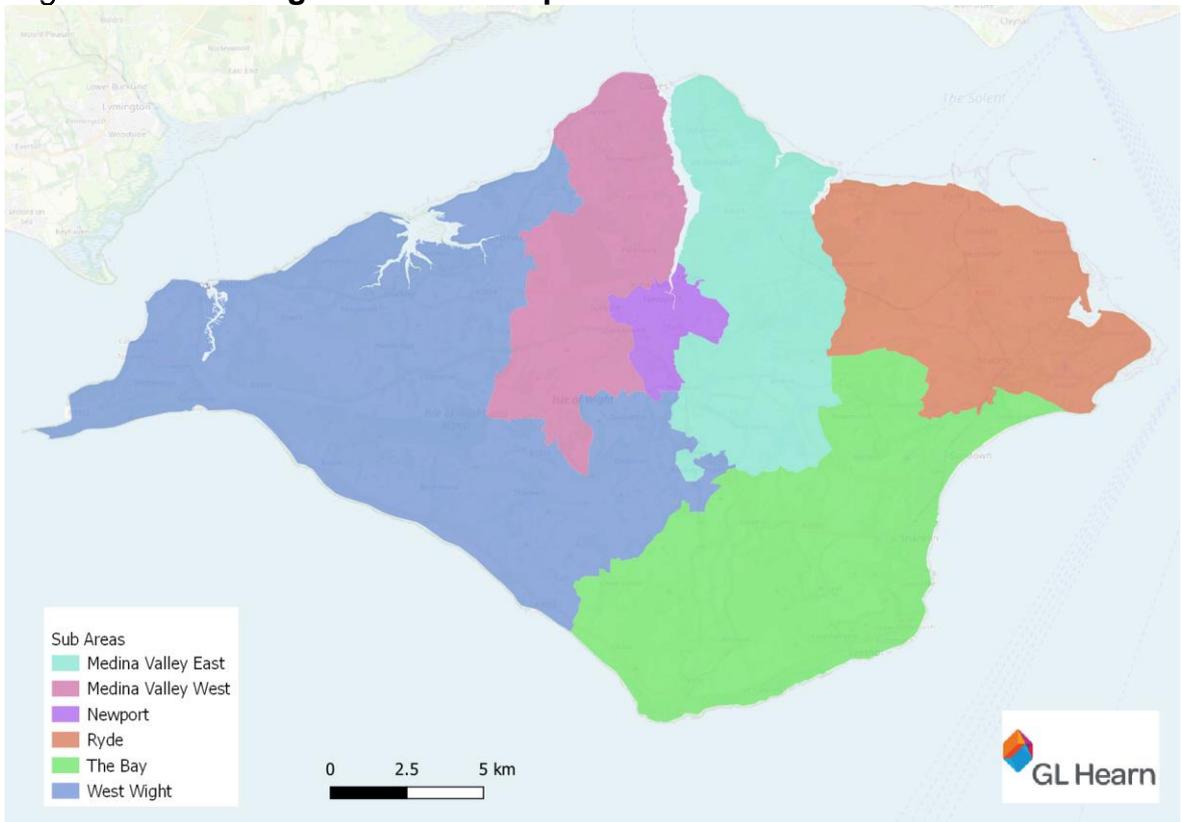
**Limitations**

This document has been prepared for the stated objective and should not be used for any other purpose without the prior written authority of GL Hearn; we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned.

## **1 EXECUTIVE SUMMARY**

- 1.1 GL Hearn, in conjunction with Edge Analytics, was commissioned to provide an updated Local Housing Needs Assessment (LHNA 2022) for the Isle of Wight Council (IWC).
- 1.2 In the preparation of the LHNA 2022, data for Island has been compared with that of the geographies of Hampshire and England in order to place it in context.
- 1.3 Also, Island-wide data have been disaggregated to a sub-area level to enable policy development at this more granular level. These are set out below:
  - Medina Valley East
  - Medina Valley West
  - Newport
  - Ryde
  - The Bay
  - West Wight

Figure 1: Isle of Wight Sub-Area Map



Source: GLH\* (Mapped using output areas according to best-fit).

### Housing market area

- 1.4 In combination, internal migration, travel to work, and house price data suggest an Housing Market Area (HMA) comprising the Isle of Wight alone and no other geographies. This is consistent with the 2014 Strategic Housing Market Assessment (SHMA) and Housing Needs Assessment 2018 (HNA 2018).
- 1.5 According to data gathered from Census 2011, the Isle of Wight has high self-containment levels for both to travel to work (90%) and internal migration (80%).

- 1.6 House price trends are similar across the Isle of Wight, Southampton, Portsmouth, and Gosport. However, prices in Winchester are significantly higher than in the rest of the identified Local Authorities. This places Winchester outside the Island's HMA.
- 1.7 While 90% of commuting journeys take place on the island, the second-largest centre of employment for islanders is Portsmouth, followed by Southampton.
- 1.8 There are, therefore, reasonably strong relationships between the Isle of Wight and Portsmouth and Southampton in terms of house prices, commuting, and migration. However, they remain a relatively small percentage of the total.
- 1.9 The evidence therefore supports the conclusion that the Isle of Wight forms its own HMA.

### Baseline Housing Stock

- 1.10 An analysis of the type of homes shows that the Isle of Wight has a relatively high proportion of detached dwellings compared with Hampshire and England. This is also the overarching trend for the sub-areas, with West Wight standing out in particular. Almost half of the housing stock in this sub-area is comprised of detached dwellings.
- 1.11 Conversely, the Island has a lower proportion of terraced dwellings compared to the comparator geographies; this is also true for the sub-areas.
- 1.12 In terms of the size of homes, the Isle of Wight and its sub-areas are in line with wider geographic comparators, with 3-bedroom homes being the most prevalent. It is notable that, among the sub-areas, West Wight has the highest proportion of 4+ bedroom homes.

- 1.13 In common with the wider comparator geographies in 2011, the dominant type of tenure on the Isle of Wight was home-ownership, which, at that time, was higher on the Island than the national average.

### Baseline Demographic Profile

- 1.14 Population growth on the Island has been slower than the comparators of Hampshire and England. Also, natural change has been reducing substantially, particularly in recent years. This may be caused by households of an age to bring up children leaving the Island for opportunities elsewhere.
- 1.15 The biggest difference between the Island and the comparator geographies is that the Island has a relatively large proportion of the population in the older age groups (aged 60 and above).
- 1.16 This translated into a lower proportion of the population in the younger age groups compared with comparator geographies. This could be due to young people leaving the area for further education or employment opportunities elsewhere.
- 1.17 Household size on the Isle of Wight has been falling at a faster rate than the comparator geographies of Hampshire and England. This is likely to be because ageing within the population is happening more rapidly on the Island than in these places.
- 1.18 An increasingly ageing population on the Island combined with fewer people in the younger age categories indicates that the “dependency ratio” – the ratio of working-age people to non-working age people - could fall. This is likely to put a strain on Council resources, firstly, through a greater proportion of the budget being devoted to caring and, secondly, because workers may be able to charge more for their time, causing the cost of delivering services to rise.

## Housing Need and population growth

### **Housing Need**

- 1.19 The standard method for calculating housing needs on the Isle of Wight results in a Local Housing Need Figure (LHNF) 667 dwellings per annum (dpa)<sup>1</sup>. The standard method is a stepped process set out in Planning Practice Guidance (PPG)<sup>2</sup>.
- 1.20 The LHNF is derived from the 2014 household projections for the Isle of Wight. The base figure is subject to an uplift to address affordability and subject to a cap which limits the increases an individual local authority can face. How this is calculated depends on the current status of relevant strategic policies for housing.
- 1.21 Given that the current Local Plan was adopted in March 2012 (and therefore more than five years ago) the cap on the housing figure is applied at 40% above the demographic baseline set in Step 1 of 532. This comes to 743.
- 1.22 As the capped figure is greater than the base figure (step 1), the standard method-based LHNA for the Isle of Wight is 667dpa or 9,975 dwellings over the Plan period of 2022-37. This provides the minimum number of dwellings that the IWC should plan for over this period.

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<sup>1</sup> This makes use of the 2020 median workplace affordability ratio (MWAR) of 8.09. The 2021 MWA for the Isle of Wight is 10.00.

<sup>2</sup> PPG (housing and economic needs assessment) Ref ID: 2a-002 - 2a-004

## Population growth

- 1.23 Four alternative assumptions are used relating to demographic change in future years. These are outlined in the table below.

Table 1: **Scenario Definition**

Scenario	Definition
<b>Dwelling-led LHN HH-14</b>	Models the population growth impact of an LHN figure of +667 dpa, using headship rates from the MHCLG 2014-based household projections. Internal migration assumptions are calibrated from a 5-year migration history (2015/16–2019/20).
<b>Dwelling-led LHN HH-18</b>	Models the population growth impact of an LHN figure of +667 dpa, using headship rates from the ONS 2018-based household projections. Internal migration assumptions are calibrated from a 5-year migration history (2015/16–2019/20).
<b>Dwelling-led LHN HH-14R</b>	Models the population growth impact of an LHN figure of +667 dpa, using headship rates from the MHCLG 2014-based household projections, adjusted to allow a 'return' to higher levels of household formation experienced in 2001 in the younger adult age group (25–34). All other age groups are unadjusted. Internal migration assumptions are calibrated from a 5-year migration history (2015/16–2019/20).
<b>Dwelling-led LHN HH-14R, Mig Adj</b>	Models the population growth impact of an LHN figure of +667 dpa, using headship rates assumptions consistent with the HH-14R scenario described above. Internal migration assumptions are calibrated from a 5-year migration history (2015/16–2019/20), but with adjustments to certain age groups to reflect the IPS policy-on scenario likely to lead to a shift in the balance between different age cohorts that results in a higher proportion of younger people compared with the other three scenarios.

- 1.24 The scenario using the 2018-based rates (HH-18) results in higher population growth than the earlier 2014-based assumptions (HH-14). In the HH-18 alternative, a higher level of net internal migration is needed to meet the defined dwelling growth targets.
- 1.25 In the HH-14R alternative, there is a lower level of net internal migration (1,641 per year) compared with the HH-18 and HH-14 alternatives. In this scenario, a greater proportion of the new dwellings are occupied by the resident population, reducing the level of net internal migration required.

- 1.26 Building on HH-14R (HH-14R, Mig Adj), net internal migration is reduced to 1,486 per year to reflect a policy-on scenario that is likely to lead to a greater proportion of younger households living on the Island in future years compared with the other three scenarios. This scenario also builds in a higher number of births and a reduced number of deaths.
- 1.27 The outcomes of each of the scenarios are set out in the table below.

**Table 2: Scenario Outcomes, 2022-2037**

Scenario	Population Change 2022-2037	Population change (%) 2023-2038	Household Change 2023-2038	Household Change (%) 2023-2038	APY Net migration (Internal)	APY Net Migration (Overseas)	APY Net Migration	APY Natural Change	APY Dwellings
Dwelling-led LHN (HH-18)	12,527	8.7%	9,026	13.5%	1,728	155	1,883	-1,048	667
Dwelling-led LHN (HH-14)	10,583	7.3%	9,026	13.4%	1,606	155	1,761	-1,055	667
Dwelling-led LHN (HH-14R, Mig Adj)	10,014	6.9%	9,026	13.4%	1,486	155	1,641	-974	667
Dwelling-led LHN (HH-14R)	9,022	6.3%	9,026	13.4%	1,505	155	1,660	-1,059	667

Source: ONS, Edge Analytics POPGROUP modelling

### Affordable Housing Need

- 1.28 Analysis has been undertaken to estimate the need for affordable housing in the 2023-2038 plan period. The analysis is split between a need for social/affordable rented accommodation and the need for affordable home ownership. The latter includes housing for those who can afford to rent privately but cannot afford to buy a home.

- 1.29 The analysis has considered local housing costs (both to buy and to rent) in combination with estimates of household income. Furthermore, when looking at rental needs, consideration is given to estimates of the supply of social/affordable rented housing. For affordable home ownership, the potential supply of resales of low-cost home ownership properties (e.g., shared ownership) is also taken into account.
- 1.30 When looking at the need for affordable homes for rent, the analysis suggests a need for 372 affordable homes per annum. The Council is, therefore, justified in seeking to secure additional affordable rented housing.
- 1.31 When considering the need for affordable home ownership (AH) products, the analysis suggests 117 dwellings per annum.
- 1.32 That said, if the annual resales of properties that fall into the lower quartile of values are used as a proxy for the supply of AHO products, the need is more than adequately accommodated through this source of supply.
- 1.33 Overall, the analysis in this section has identified a significant need for affordable homes. That said, while the affordable need figure is high relative to the LHN figure of 667 per year, the methods used to derive these two figures are different; a high affordable need figure does not, therefore, necessarily justify a higher LHNF than the minimum figure generated by the standard method.
- 1.34 This is principally because the affordable need calculation is based on a range of data inputs and includes a proportion of households that are already in housing (i.e. they do not generate a net additional need for housing).

## First homes

- 1.35 This chapter of the LHNA 2022 identifies the level of discount to the value of new-build dwellings that would be required to make First Homes (FH) affordable to local people.
- 1.36 It is appropriate to consider the level of discount that should be applied as a range. The bottom of the range is the discount that would be required to enable households currently renting to afford to buy; the top of the range is that which would make dwellings affordable to households currently able to afford more expensive homes. The table below summarises the discount ranges arrived at.

**Table 3: Discount ranges for FHs (Isle of Wight level)**

Sizes	LQ rent- equiv. purchase price	Median house price	Mid-point	Discount range - PRS	Discount range - Midpoint
<b>Studio/1-bedroom</b>	£137,770	£130,000	£133,885	-6%	-3%
<b>2-bedroom</b>	£170,168	£209,300	£189,734	19%	10%
<b>3-bedroom</b>	£207,983	£325,000	£266,492	36%	22%
<b>4-bedroom</b>	£252,101	£352,500	£302,300	28%	17%

Source: GL Hearn calculations

- 1.37 At the Isle of Wight average level, by applying a discount of 30% to 40%, households paying lower quartile (LQ) rent on homes of 2-, 3- and 4-bedrooms in size would be able to afford new-build homes of the same size priced around the median. This discount range meets the price ceiling set out in the PPG post discount of £250,000.
- 1.38 Where the Council is seeking a discount that is greater than 30%, consideration should be given to whether this might prejudice the viability of providing other forms of affordable housing (such as social rented homes) given that funds available for affordable homes from planning gain are finite.

## Housing needs of specific groups

### Older and Disabled Persons

- 1.39 The Isle of Wight is projected to see an increase of 29% in the population aged 65 or over between 2023 and 2038. This will lead to a growth in the requirement for specialist accommodation for older people of various sorts in the coming years.
- 1.40 Based on prevalence rates and the identified population growth of those aged 75 or over the need for different types of older person accommodation is summarised in the table below.

Table 4: **Housing needs for older and disabled Persons**

Type	Tenure	2038 Need
Housing with support	Market	1,752
Housing with support	Affordable	385
Housing with care	Market	576
Housing with care	Affordable	66
Care bed-spaces	N/A	1,039

- 1.41 Also, the number of older people with dementia is expected to increase by 47% from 2023 to 2038. There are also significant increases projected for those with mobility problems (39% increase over the same period).
- 1.42 Using data from the ONS and the English Housing Survey (EHS) there is a current and projected need for 1,613 wheelchair user dwellings by 2038 within the Isle of Wight. This equates to 16.17% of the standard method-based LHNF for the Island.
- 1.43 Drawing this information together there is a need to increase the supply of M4(2) accessible and adaptable dwellings and M4(3) wheelchair user dwellings. In seeking M4(2) compliant homes, the Council should also be mindful that such homes could be considered “homes for life” and would be suitable for any occupant, regardless of whether or not they have a health problem or disability at the time of initial occupation.

- 1.44 All new homes should, therefore, be M4(2) compliant. Where possible the Council should also seek 10% of all new market homes and 30% of affordable homes to be M4(3) compliant. Higher numbers may also be considered but in all cases, the numbers applied in policy should be viability tested.
- 1.45 The higher policy suggestion than the identified need and its application across the whole Island reflects the fact that such policies can only be applied to affordable homes and the higher prevalence of wheelchair use within the social rent sector.

### **Students**

- 1.46 As there were just 19 “all student” households on the Island according to the 2011 Census. According to the main higher education institute on the Island, the Isle of Wight College, the majority of students live at home.
- 1.47 The need to house students does not have a significant bearing on the ability of other households to access accommodation. It does not, therefore, affect the demand for homes on the Island and therefore the number of homes needed.

### **Service Families**

- 1.48 Considering there are no military bases located on the Isle of Wight and there are only 197 Armed Forces personnel, the evidence does not indicate that housing policy relating specifically to housing members of the Armed Forces would be justified.

### **People who Rent their Homes**

- 1.49 The Isle of Wight has experienced a large increase in the PRS in recent years. That said, this growth is less than for Hampshire and England.
- 1.50 It is also worth noting that levels of overcrowding in the PRS are significantly greater than in the owner-occupied sector for all sub-areas.

1.51 Nevertheless, Local Housing Allowance (LHA) rates for all sizes of dwellings have followed the growth trend of private sector rents in the past five years. As a result, LHA rates allow households eligible for housing benefit to cover their rents in full.

#### Self-Build and Custom Housebuilders

1.52 There are 73 individuals currently on the Isle of Wight’s custom and self-build register. Of these, 44 are households living on the Isle of Wight. Based on this data, 10 self- and custom build plots should be provided each year to meet demand.

#### Housing Mix

1.53 There are several factors that have an impact on the demand for different sizes of homes. These include

- demographic changes;
- future growth in real earnings and households’ ability to save;
- housing affordability; and
- economic performance.

1.54 The following table presents an appropriate mix of affordable and market homes. This takes into account changes in the balance of types of households and the ageing of the population.

**Table 5: Suggested mix of housing by size and tenure**

	1-bedroom	2-bedrooms	3-bedrooms	4+ bedrooms
<b>Market</b>	5%	35%	40%	20%
<b>Affordable home ownership</b>	20%	40%	30%	10%
<b>Affordable housing (rented)</b>	40%	30%	25%	5%

1.55 Based on the evidence, it is expected that the focus of new market housing provision will be on 2- and 3-bedroom properties. Continued demand for family homes can be anticipated from newly forming households.

- 1.56 Also, there may be some demand for properties of 2 and 3-bedrooms from older households currently occupying larger homes. This is likely to be motivated by a wish to downsize and release the equity in their current homes. That said, many older households wish to retain a spare bedroom to accommodate family and friends.
- 1.57 The suggested mix of housing should inform strategic policies and be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the housing needs of the Island-based on demographic projections.
- 1.58 In applying the mix to individual development sites, regard should be given to the nature of the 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. However, the Council should expect justification for a housing mix on such sites which significantly differs from the recommended mix set out in this report.

## 2 INTRODUCTION

2.1 GL Hearn has been commissioned by the Isle of Wight Council to carry out a Local Housing Needs Assessment (LHNA 2022).

2.2 The study complies with the requirements set out in the National Planning Policy Framework (NPPF). Also, it is informed by Planning Practice Guidance (PPG) which sets out a clear methodology for determining councils' objectively assessed housing needs as required by the NPPF<sup>3</sup>. The starting point for establishing the Local Housing Needs Figure (LHNF) is the standard method<sup>4</sup>.

2.3 In the preparation of this report, data for Island has been compared to wider comparator geographies of Hampshire and England. Also, Island-wide data have been disaggregated to a sub-area level to enable policy development at this more granular level. These are set out below:

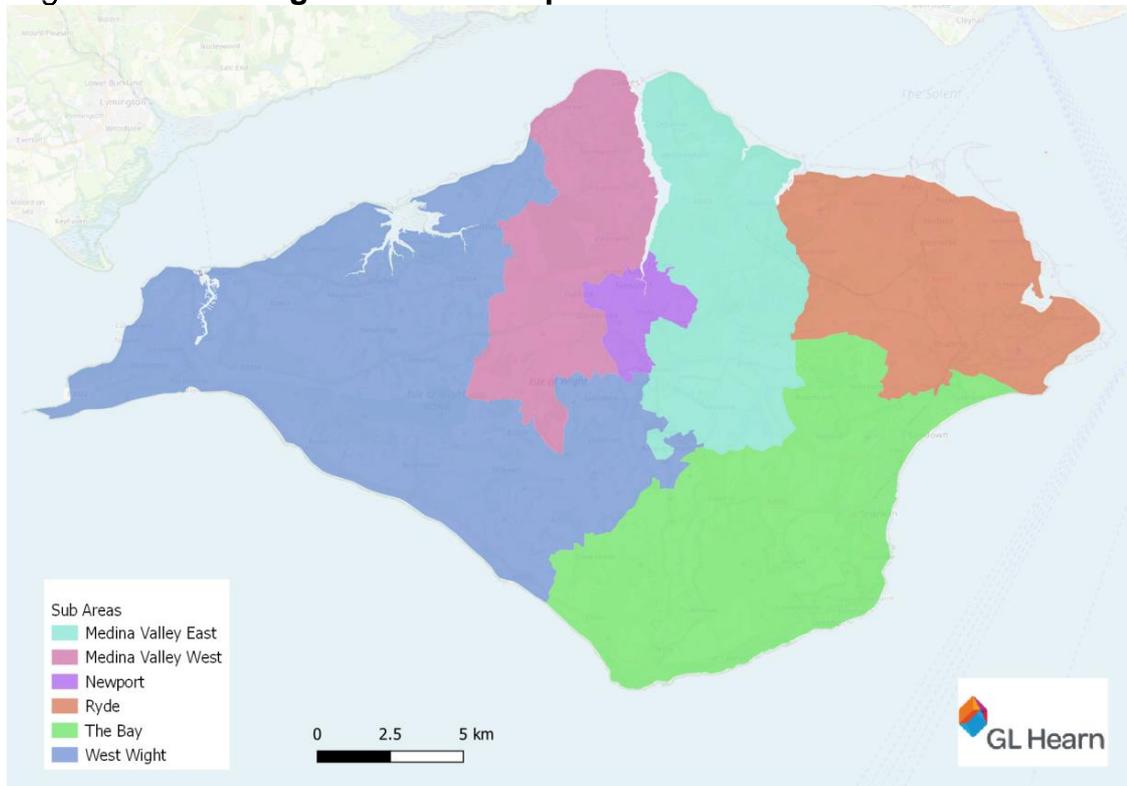
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<sup>3</sup> Paragraph 11b

<sup>4</sup> PPG (housing and economic needs assessment) Ref ID: 2a-002 - 2a-004

**Figure 2: Isle of Wight Sub-Area Map**



Source: GLH\* (Mapped using output areas according to best-fit)

- 2.4 The sub-areas are based on the HNA 2018, with the exception of Newport which is treated as a separate sub-area. These six areas are based on ward geographies.
- 2.5 The LHNA is structured according to the following chapters:
- Policy review;
  - Housing Market Area;
  - Baseline Housing Stock Analysis;
  - Baseline Demographic Profile;
  - Local housing need and population growth;
  - Affordable Housing Need;
  - First Homes;
  - Older and disabled people and other specific groups; and
  - Housing mix.

2.6 The purpose of each of these chapters is set out below.

### **Policy Review**

2.7 To contextualise this report, a policy review has been conducted. The Government's Planning Practice Guidance (PPG) and the National Planning Policy Framework (NPPF) will help to structure and inform this report. This section of the report provides a commentary on the Government's "Levelling Up" agenda (LUA) and the directions for housing policy this points to.

### **Housing Market Area (HMA)**

2.8 The report gathers suitable and up-to-date evidence to determine the HMA for the Isle of Wight. This will update the findings as regards the HMA set out in the HNA 2018.

### **Baseline Housing Stock Analysis**

2.9 This chapter of the report profiles the current housing stock in the Isle of Wight broken down by type, tenure, size, and completions, and how these have changed over time.

### **Baseline Demographic Analysis**

2.10 An analysis of the baseline demographic profile is provided in this chapter, setting out historic population growth, the age structure, and household growth and size.

### **Local Housing Needs and Population Growth**

2.11 The PPG standard method is employed to calculate a Local Housing Need Figure (LHNF) for the plan period of 2023-38. Using this as a starting point, a number of alternative scenarios are put forward as regards how the demography of the Island will evolve over the plan period.

### **Affordable Housing Need**

- 2.12 An assessment of affordable housing is provided for Isle of Wight following the method outlined in the PPG, setting out the need for social and affordable rent and affordable home ownership.

### **First Homes**

- 2.13 This chapter gathers evidence to identify the level of discount to the value of new-build dwellings that would be required to make First Homes affordable to local people on the Island.

### **Older and Disabled Person and Other Specific Groups**

- 2.14 This section of the report examines the housing need for older persons and those with long-term health problems or disabilities including wheelchair users' needs. It also considers the housing needs of students, Armed Forces personnel, people who rent their homes, and self-build and custom housebuilders.

### **Housing Mix**

- 2.15 The Housing Mix chapter considers the appropriate mix of housing across the Island, with a particular focus on the sizes of homes required in different tenure groups.

### 3 POLICY REVIEW

- 3.1 The paragraphs of the National Planning Policy Framework (NPPF) and National Planning Policy Guidance (PPG) that have informed this study are summarised in this chapter together with any changes that have been introduced since 2019.
- 3.2 Also, the Government published its Levelling Up White Paper in February of this year. This chapter briefly considers its implications for planning for housing on the Isle of Wight.
- 3.3 In order to determine the minimum number of homes required within their area over a Local Plan period, councils are required by national policy to use the Standard Method described in the housing and economic needs chapter of PPG unless exceptional circumstances justify an alternative approach<sup>5</sup>.
- 3.4 It should be emphasised that this report does not set housing targets. It provides an assessment of housing needs, based on relevant PPG. This is intended to provide inputs to plan-making alongside wider evidence including land availability, environmental and other development constraints and infrastructure.
- 3.5 Also, the national policy states that “within this context, the size, type and tenure of housing needed for different groups in the community should be assessed”<sup>6</sup>.
- 3.6 It adds these specific groups include (but are not limited to):

*“those who require affordable housing, families with children, older people, students, people with disabilities, service families, travellers, people who rent their homes and people wishing to commission or build their own homes”.*

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<sup>5</sup> NPPF, para 60

<sup>6</sup> NPPF para 62

3.7 While the standard method may be used to identify the minimum number of homes required, PPG identifies appropriate circumstances in which a higher figure may be appropriate<sup>7</sup>. These include (but are not limited to):

*“growth strategies for the area that is likely to be deliverable, for example where funding is in place to promote and facilitate additional growth (e.g. Housing Deals);*

*strategic infrastructure improvements that are likely to drive an increase in the homes needed locally; or*

*an authority agreeing to take on unmet needs from neighbouring authorities, as set out in a statement of common ground;*

3.8 There may, occasionally, also be situations where previous levels of housing delivery in an area, or previous assessments of need (such as a recently-produced Strategic Housing Market Assessment) are significantly greater than the outcome from the Standard Method. Authorities will need to take this into account when considering whether it is appropriate to plan for a higher level of need than the standard model suggests.”

3.9 This LHNA has not gathered evidence that would justify a higher LHNF than the standard method minimum.

3.10 The process by which a Local Planning Authority (LPA) gathers evidence to inform plan-making is iterative. This is because policies should be justified by the most up-to-date evidence. The previous LHNA was published in 2018. The Council regards conditions to have changed significantly to conclude that the 2018 study, which identified a local housing need figure based on the standard method of 641 dwellings per annum (dpa)<sup>8</sup>, no longer reflects the most up-to-date evidence or market conditions.

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<sup>7</sup> PPG (housing and economic needs assessment) Ref ID 010-2a

<sup>8</sup> Housing Need Assessment (final report), pp 37

## Levelling Up White Paper

- 3.11 The aim of Levelling Up as a policy is to encourage, facilitate and fund strategies that restore vitality and viability to parts of the UK that are performing relatively poorly across a range of socio-economic indicators and are, in the language of the White Paper, “*locked into a low-growth equilibrium*”<sup>9</sup>.”
- 3.12 Part of the solution put forward is for “central government decision-making to be fundamentally re-oriented to align policies with the levelling up agenda (LUA) and hardwire spatial considerations across Whitehall. This will require greater transparency around the geographic allocation of funding and simplification of local growth funding”<sup>10</sup>.”
- 3.13 The White Paper identifies a number of funding pots that have been put in place to catalyse a process of urban regeneration. These are
- £4.8bn Levelling Up Fund (LUF);
  - the £900m Getting Building Fund;
  - the £400m Brownfield Housing Fund (BHF) in England;
  - the £150m UK-wide Community Ownership Fund (COF); and
  - the £3.6bn Towns Fund.
- 3.14 These resources are designed to help towns and cities across the UK to bring forward the regeneration of their area<sup>11</sup>.
- 3.15 Moreover, the Government expects Homes England to play a renewed role in delivering urban regeneration as well as facilitating and bringing forward residential development<sup>12</sup>.

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<sup>9</sup> HM Government, Levelling Up the United Kingdom, pp 81

<sup>10</sup> Ibid, pp 22

<sup>11</sup> Ibid, pp 239

<sup>12</sup> Ibid, pp 211

- 3.16 It is reasonable to conclude that the “spatial considerations” to be placed at the heart of decision-making in Whitehall are likely to result in a focus on spending, for example, £1.8bn announced in the 2021 Spending Review for brownfield and infrastructure projects and the £11.5bn Affordable Homes Programme, to be on places that have been prioritised for help on the basis of their relative degree of deprivation<sup>13</sup>.
- 3.17 It is therefore worth noting that, using 2019 Index of Multiple Deprivation (IMD) data, the Isle of Wight is 80th in the ranking of deprivation among the 317 other local authorities in England<sup>14</sup>. It is, therefore, relatively un-deprived.
- 3.18 As a result, it is likely that the Island will be low down on the list of areas to receive Government support to deliver new homes in the years to come.
- 3.19 Indeed, the long term effect of the LUA, it is hoped, will be to “reduce pressure on housing and on greenfield and Green Belt sites in overheated areas of London and the South East” by “rebalancing housing and transport investment”<sup>15</sup> towards other parts of the country.
- 3.20 Accompanying the expectation that a greater proportion of homes will be delivered in places outside the South East is the commitment to the national housing target of 300,000 homes per year in order “*to create a more sustainable and affordable housing market*”.
- 3.21 It would be logical, to give this practical effect in plan-making, for the standard method to be revised to encourage more housing in areas that are to be the beneficiaries of the Government’s “rebalancing” of investment. This may result in an easing of the minimum housing need figures for councils in the South East in future years (including the Isle of Wight).

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<sup>13</sup> Ibid, pp 224

<sup>14</sup> [Isle of Wight](#)

<sup>15</sup> Ibid, pp 255

- 3.22 That said, at the time of writing, despite a clear intention to reform the planning system<sup>16</sup> the Government has not provided a clear indication of the direction of travel as regards the standard method, nor the timetable for transition to or implementation of any planning reform.
- 3.23 Taken at face value, the LUA therefore seeks to de-couple housing delivery from areas where demand has, historically, been strongest on the basis that new communities in areas undergoing regeneration will draw demand away from the South East.
- 3.24 Therefore, while noting that the house-price to earnings ratio is “*a measure of the sufficiency of housing supply (...and) are considerably higher in the South and East of England*”<sup>17</sup> the solution put forward to this “strain” on the supply of housing is not to increase supply in these areas, but to seek to redirect it to other parts of the country as part of the LUA.
- 3.25 This is to be done in the context of demand-side measures such as New Help to Buy and the Mortgage Guarantee Scheme. These measures are likely to boost demand in areas of highest demand given that the Help to Buy price caps reflect regional variations in house prices.
- 3.26 Until such time that places that are likely to benefit most from the LUA are able to draw demand from the South East of England as a result of newly invigorated local economies, this emerging policy, while potentially leading to an easing of the objectively assessed housing need for housing in the South East, may also lead to further climbs in house prices and deteriorating affordability as the LUA is interpreted as licence to restrict the delivery of homes in this part of the country.

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<sup>16</sup> Ibid, pp 223

<sup>17</sup> Ibid, pp 72

## Draft Island Planning Strategy (July 2021)

- 3.27 The Council published the Draft Island Planning Strategy in July 2021 (DIPS 2021) for the purposes of Regulation 18 consultation. The strategy identifies, among the challenges that the Island faces, weak delivery of housing overall, (but affordable housing in particular) together with the difficulty that newly forming households experience in buying a home for the first time<sup>18</sup>.
- 3.28 The following policies set out in the DIPS 2021 are relevant to the LHNA 2022.
- 3.29 **Policy H1 (Planning for housing delivery)** states that “the council is planning for 7,290 net additional dwellings over the plan period (2023 to 2038), at an average of 486 dwellings per year”. This reflects a policy-on position noted earlier in the DIPS 2021 that the Island has not, historically, been able to meet its objectively assessed housing needs in full<sup>19</sup>.
- 3.30 **Policy H5 (Delivering affordable housing)** sets requirements “for development proposals for a net gain of 10 or more dwellings to provide at least 35 per cent affordable housing. On such sites at least 25 per cent of the affordable homes provided must be available as “First Homes”.”

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<sup>18</sup> Draft Island Planning Strategy, July 2021, pp 13

<sup>19</sup> Ibid, pp 13

3.31 **Policy H8 (Ensuring the right mix of housing)** operates in tandem with H5 requiring residential development to demonstrate “how they provide an appropriate mix of housing types and tenures that contribute to meeting identified needs and market demand.” The percentage splits of Development proposals for 10 or more dwellings are set out in the table below.

Table 6: **Policy H8**

Tenure	1 bed	2 bed	3 bed	4 bed	Total
Private	5%	35%	40%	20%	100%
Affordable rent	50%	30%	15%	5%	100%
Low cost home ownership	25%	45%	25%	5%	100%

Source: Isle of Wight Council data

3.32 **Policy H10 (Custom and Self-build)** notes that the council is supportive of custom and self-build dwellings and that “development proposals that would result in a net gain of 25 or more dwellings should include at least 5% of dwelling plots to be available for self and custom building”.

## 4 HOUSING MARKET AREA

- 4.1 The project team has carried out the necessary analysis to identify the HMA into which the Isle of Wight falls. This updates the findings set out by GL Hearn in the Housing Need Assessment Final Report produced in 2018 (HNA 2018).
- 4.2 To satisfy the Duty to Cooperate, the PPG states that local authorities (LAs) should enter into a Statement of Common Ground (SoCG) with neighbouring authorities where there is evidence to show that strategic matters, such as housing, should be addressed in geography that extends beyond that of the individual district.
- 4.3 The geography that underpins the SoCG is the HMA. The three primary information sources to identify an HMA are:
- patterns of house prices and rates of change in house prices;
  - population and household migration flows; and
  - contextual data, such as travel to work areas.
- 4.4 This study has therefore gathered the most suitable and up-to-date evidence to arrive at a fully justified HMA for the Isle of Wight.

### Research Method

- 4.5 PPG relating to how to HMAs can be defined was updated in March 2019. The relevant extracts are set out below and inform the method adopted in this report.

*“A housing market area is a geographical area defined by household demand and preferences for all types of housing, reflecting the key functional linkages between places where people live and work. These can be broadly defined by analysing:*

- *The relationship between housing demand and supply across different locations, using house prices and rates of change in house prices. This should identify areas which have clearly different price levels compared to surrounding areas.*

- *Migration flow and housing search patterns. This can help identify the extent to which people move house within an area, in particular where a relatively high proportion of short household moves are contained, (due to connections to families, jobs, and schools).*
- *Contextual data such as travel to work areas, retail and school catchment areas. These can provide information about the areas within which people move without changing other aspects of their lives (e.g. work or service use).”<sup>20</sup>*

4.6 These three inputs are considered when determining the HMA of the Isle of Wight.

4.7 Also, this should call attention to the level of “self-containment” on the Island. This is the proportion of internal migration (domestic house-moves) and commuting journeys that occur within the geography of the proposed HMA.

4.8 The internal migration and commuting journeys should be between 70% and 80% of the gross total to support the existence of a strong HMA<sup>21</sup>.

4.9 The 2014 Strategic Housing Market Assessment (SHMA) and the HNA 2018 found that the Isle of Wight represents an HMA in its own right. Nonetheless, this LHNA 2022 seeks to examine whether this still holds true by assessing the three primary sources of information identified in PPG.

### Internal Migration Flows

4.10 When considering the geography of housing markets, internal migration flows (domestic house moves) are a key factor as they point to the capacity of given geography to satisfy the housing needs of the resident population.

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<sup>20</sup> PPG (Plan-making) Ref ID: 61-018-20190315

<sup>21</sup> This threshold has been used repeatedly in Strategic Housing Market Assessments

- 4.11 The Office for National Statistics (ONS) publishes estimates of internal migration which are derived from three administrative data sources: The Patient Register Data System, the National Health Service Central Register, and the Higher Education Statistics Agency.
- 4.12 Using ONS data, those local authorities (LAs) with the strongest internal migration flows with the Isle of Wight have been identified. These are Portsmouth, Southampton, Gosport, and Winchester.
- 4.13 The table below displays the data that has been gathered. ONS internal migration flows relating to movements between these LAs have been analysed over the period 2016-2020 using the key metrics of gross flows and flows per annum per 1,000 of the population. This permits the standardisation of the scale of movement between larger and smaller population areas so accurate comparisons can be made.
- 4.14 The analysis demonstrates, as expected, that internal migration between LAs that are closer to the Isle of Wight is stronger than those that are further away. This reinforces the logic of the HMAs as unified geography.

**Table 7: Average migration flows (to and from), Isle of Wight, 2016-2020**

	Gross flow per annum 2016-2020	population (000s) 2016-2020, aggregated	flow per annum/1,000pp
<b>Portsmouth</b>	1,534	214.56	7.15
<b>Southampton</b>	1,467	252.18	5.82
<b>Winchester</b>	820	124.41	6.59
<b>Gosport</b>	447	85.16	5.25

Source: ONS [datasets 1&2](#), 2016-2020

- 4.15 In terms of gross flow per annum/ 1,000 population, this data shows that the strongest internal migration relationship with the Isle of Wight is with Portsmouth (7.15), followed by Winchester (6.59), and Southampton (5.82).

- 4.16 Isle of Wight also has a strong relationship with Gosport as measured by internal migration. That said, this is weaker at 5.25 gross flow per annum/ 1,000 population compared with that of the other LAs shown in the above table.
- 4.17 The HMA analysis conducted within the South Hampshire Strategic Housing Market Assessment (SH\_SHMA) for the Partnership for Urban South Hampshire (PUSH) provides a comparator to show the relative strength, or otherwise, of the internal migration relationships the Isle of Wight has with mainland authorities.
- 4.18 The SH\_SHMA defines two HMAs that cover the majority of the PUSH sub-region. These form a single-core HMA that comprises the following LAs:
- Eastleigh;
  - Fareham;
  - Gosport;
  - Havant;
  - Portsmouth; and
  - Southampton.

4.19 The following table shows the internal migration between LAs within the core HMA of the PUSH region.

**Table 8: Average migration flows (to and from), PUSH Core HMA, 2016-2020**

LA1 in PUSH Core HMA	LA2 in PUSH Core HMA	Gross flow per annum 2016-2020	population (000s) 2016-2020, aggregated	flow per annum/1,000pp
Eastleigh	Southampton	18,727	384	48.72
Havant	Portsmouth	15,770	340	46.38
Fareham	Gosport	8,200	201	40.73
Fareham	Portsmouth	7,288	331	22.03
Eastleigh	Fareham	4,496	248	18.1
Gosport	Portsmouth	3,766	300	12.57
Fareham	Southampton	4,176	368	11.34
Fareham	Havant	2,286	242	9.46
Portsmouth	Southampton	3,857	467	8.26
Gosport	Havant	1,490	211	7.07
Eastleigh	Portsmouth	1,588	347	4.58
Gosport	Southampton	1,533	337	4.54
Eastleigh	Gosport	936	217	4.3
Havant	Southampton	1,234	378	3.27
Eastleigh	Havant	712	258	2.76

Source: ONS [datasets 1&2](#), 2016-2020

4.20 The above table demonstrates a stronger internal migration relationship between the LAs within the PUSH core HMA compared with the relationship they share with the Isle of Wight.

- 4.21 That said, the strongest internal migration relationship with the Isle of Wight is with Portsmouth (7.15). It is worth noting, however, that the Isle of Wight has a weaker migration flow with Portsmouth than Portsmouth has with all but one (Eastleigh) of the other LAs in the in the PUSH core HMA.
- 4.22 The conclusion that can be drawn from this is that the internal migration relationships the Island has with the PUSH authorities are relatively weak when compared with the relationships that they have with each other. Taking into account the level of migration self-containment on the Island, this provides a strong indication that the Isle of Wight forms its own HMA.
- 4.23 It is also worth noting that the SH\_SHMA also notes that the Isle of Wight functions as a separate housing market area<sup>22</sup>.
- 4.24 Although ONS data shows the LAs that the Isle of Wight has the strongest relationships with, it is worth pointing out that this does not include domestic migration within the Island itself.
- 4.25 Therefore, Home Movers data from the Royal Mail<sup>23</sup> post sector records for the period 2016 to 2021 has been gathered. This provides up-to-date information to assess the self-containment level of an HMA comprising the LAs of Portsmouth, Southampton, Winchester, Gosport and the Isle of Wight by confirming the domestic migration flow at a disaggregated level.
- 4.26 The Royal Mail Home Movers data points to a migration containment level of approximately 80% for the Isle of Wight alone. This figure is calculated by dividing the home movers within the Isle of Wight by all home moves that take place from or to the Island.

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<sup>22</sup> Partnership for Urban South Hampshire (2014), [South Hampshire Strategic Housing Market Assessment](#), pp13

<sup>23</sup> Royal Mail Home Movers are assessed based on post sector relocation records. RM sources this data from the Royal Mail Redirection Service, which is then cross-referenced with estate agency data and the Postcode Address File (PAF).

4.27 The table below shows the number of moves from 2016 to 2020 that occurred to or from the Isle of Wight. It also displays the number of moves between the Isle of Wight and the other LAs. In addition, it displays the number of moves as a percentage of total moves for selected local authorities.

**Table 9: Home movers to and from Isle of Wight, 2016-2020**

From IoW	No. of moves	% of total	To IoW	No. of moves	% of total
Isle of Wight	18,140	82.9%	Isle of Wight	18,140	75.7%
Southampton	200	0.9%	Portsmouth	301	1.3%
Portsmouth	164	0.7%	Southampton	254	1.1%
Wiltshire	122	0.6%	East Hampshire	140	0.6%
Eastleigh	118	0.5%	Eastleigh	135	0.6%
<b>Total</b>	<b>21,888</b>	<b>-</b>	<b>Total</b>	<b>23,953</b>	<b>-</b>

Source: GLH analysis of Royal Mail data

4.28 A significant percentage of people who are moving to the Isle of Wight are moving from the Island and vice versa (82.9% and 75.7% respectively).

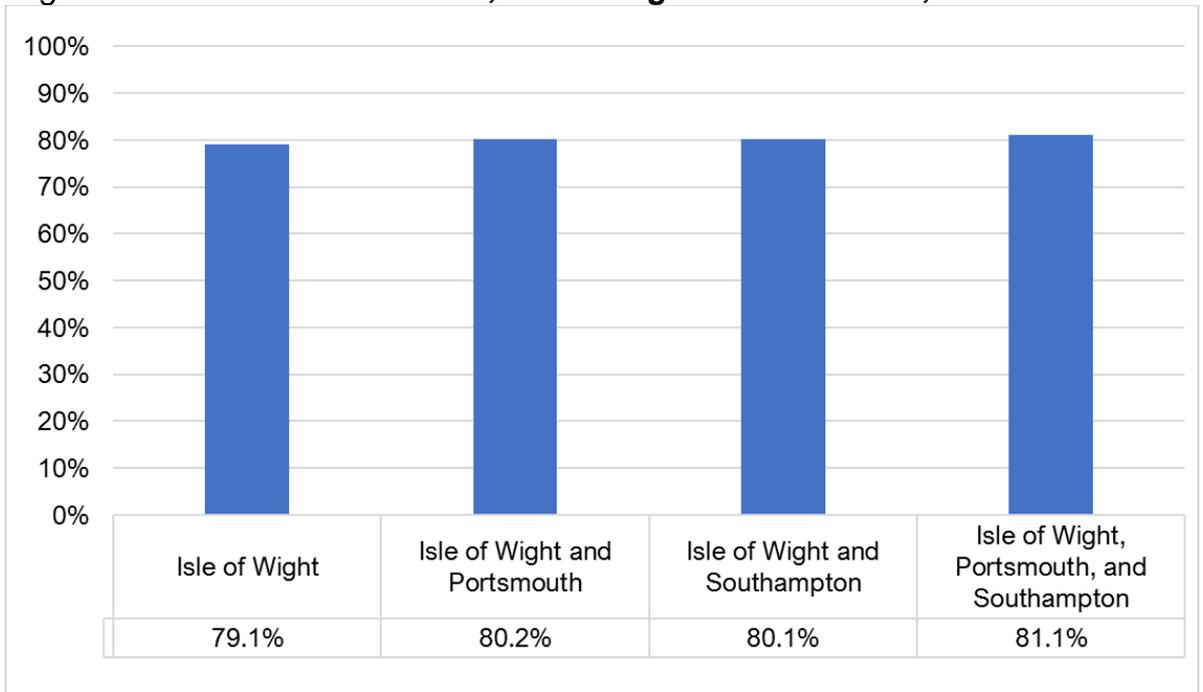
4.29 Not including the Isle of Wight, Portsmouth makes up the highest proportion of migration to the Island (1.3%), followed closely by Southampton (1.1%).

4.30 On the other hand, the locations people go to from the Isle of Wight also include Southampton (0.9%) and Portsmouth (0.7%).

4.31 Finally, Wiltshire, East Hampshire, and Eastleigh make up a smaller percentage of home movers – less than 1% each.

4.32 The figure below displays the self-containment levels of Isle of Wight and Isle of Wight and other LAs within an HMA comprising: Isle of Wight, Portsmouth, and Southampton.

**Figure 3: Self-containment level, Isle of Wight and other LAs, 2016-2020**



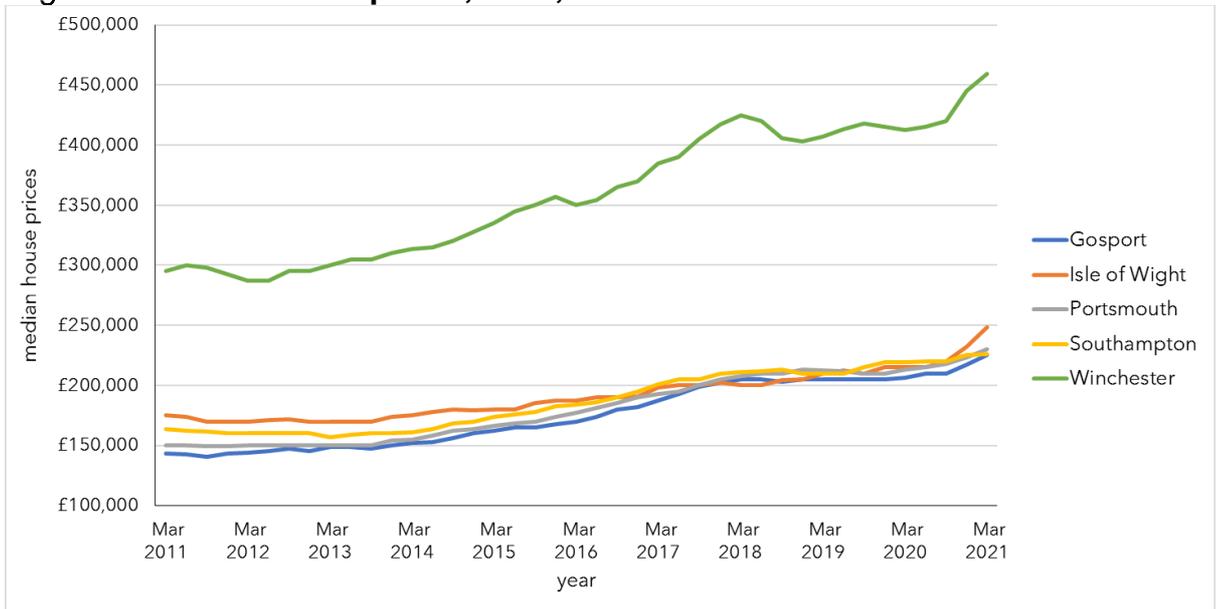
Source: GLH analysis of Royal Mail data

- 4.33 This data shows that the Isle of Wight is an HMA of its own, with a very high self-containment rate of almost 80%. Although, there are strong relationships between the Isle of Wight, Portsmouth, and Southampton, they only contribute a marginal percentage to the self-containment level of the Island, with Portsmouth and Southampton only contributing around 1% each.

### House Prices

- 4.34 House prices can signal strength in demand and the relative attractiveness of different places. House prices can provide a ‘market-based’ reflection of HMA boundaries.
- 4.35 The figure below sets out median house prices for Gosport, Portsmouth, Southampton, Winchester, and Isle of Wight for the period 2011-2021.

**Figure 4: Median house prices, HMA, 2011-2021**

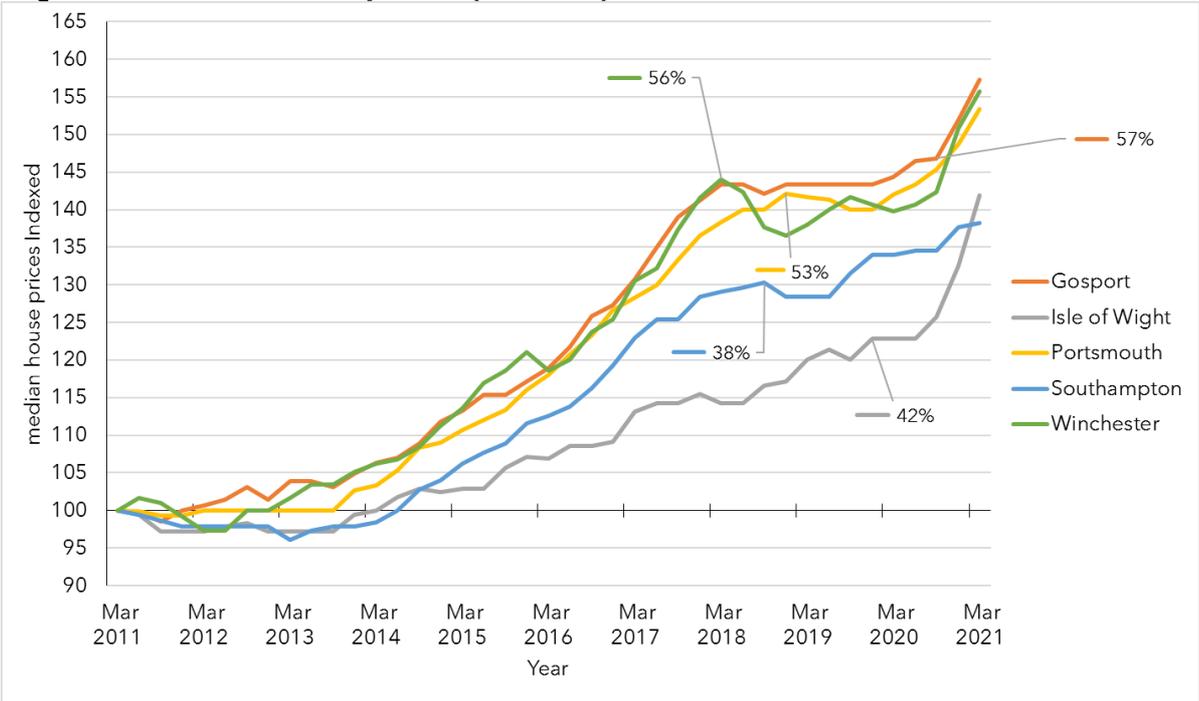


Source: ONS, [Table 2a](#), 2011-2021

- 4.36 There is a clear variation between house prices in Winchester (where the house prices are much higher) and the other LAs. In 2021, prices in Winchester were 85% higher than in the Isle of Wight.
- 4.37 In contrast, Isle of Wight, Gosport, Portsmouth, and Southampton have broadly similar house prices (between £225,000 and £248,000).

4.38 The figure below displays the median house prices indexed to 2011 and the percentage increases in house prices since 2011. This shows that the rate of change since 2011 has been significantly different for the Isle of Wight compared with the other four LAs for which data has been gathered. The island has seen a lower rate of growth before increasing rapidly from mid-2020.

**Figure 5: Median house prices (indexed) and % increase since 2011, HMA**

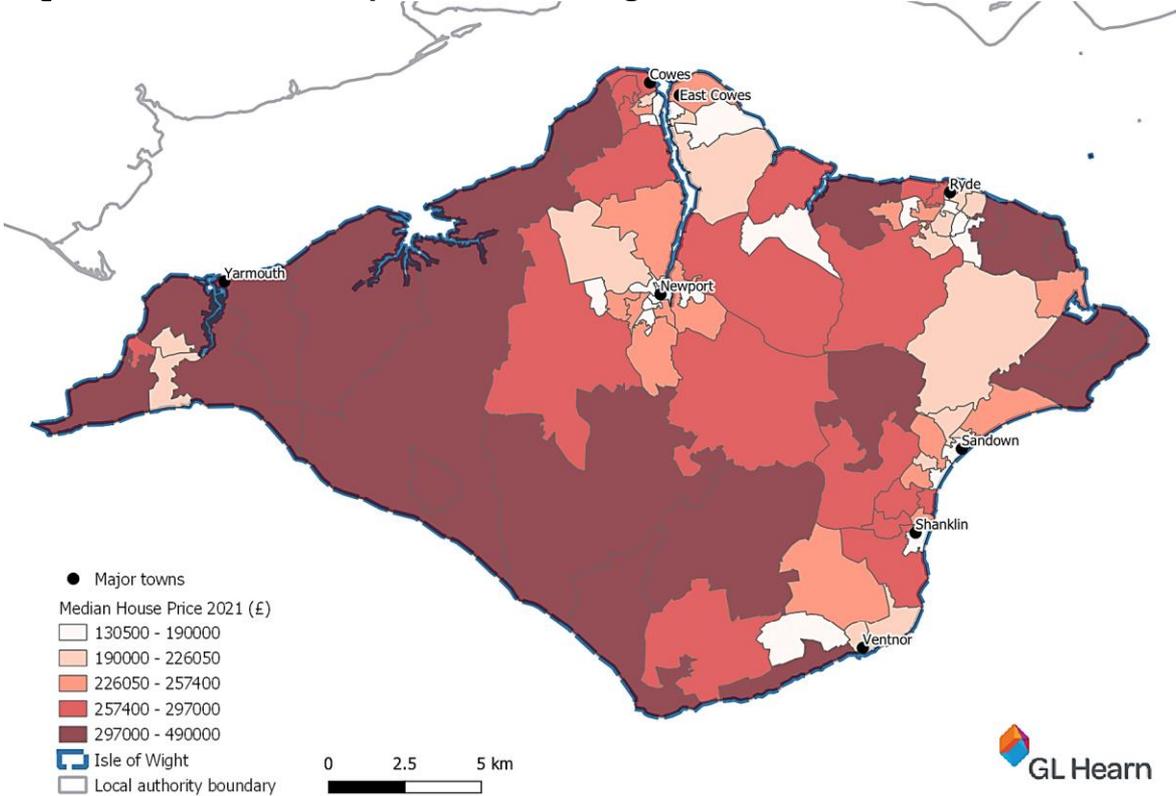


Source: ONS, [Table 2a](#), 2011-2021

4.39 On the other hand, house prices in Gosport, Winchester, and Portsmouth have increased at approximately the same rate. The highest percentage increase was in Gosport (57%), closely followed by Winchester (56%). The lowest percentage increase was in Southampton (38%). This is broadly similar to the national average which is 50%.

4.40 The map below displays the distribution of median house prices for the Isle of Wight. Properties in the west and south areas are relatively more expensive compared to the north and east of the Island. It must be noted, however, that there are some exceptions, such as several of the coastal areas. The lowest median house prices can be seen around Newport, Ryde, Cowes, and East Cowes.

Figure 6: Median house prices, Isle of Wight, 2021



Source: ONS, [dataset 46](#), 2021

### Travel to Work

4.41 Commuting data from Census 2011 was used to determine the self-containment level of the Isle of Wight HMA. This is the most recent commuting data available, and, although it is historic, the patterns it describes are likely to remain robust as travel to work patterns change slowly over time. Thus, it is reasonable to use this to provide an indication of commuting trends on the Island in 2022.

- 4.42 That said, it would be worthwhile for the Council to monitor migration into the island given that the shift in working patterns as a result of the Pandemic may encourage people to work longer distances from their official place of work<sup>24</sup>. This may also help the Island retain more of its native population by reducing the incentive for people to move to established centres of employment.
  
- 4.43 As can be seen in the table below, approximately 90% of all commuting journeys on the Isle of Wight take place on the island. The second-largest centre of employment is Portsmouth which accounts for 1.6% of total journeys.
  
- 4.44 The table below, however, displays the LAs with the strongest commuting relationships with the Isle of Wight. This shows that the great majority of commuting journeys are contained within the Island.
  
- 4.45 The self-containment level for an HMA comprising of Isle of Wight, Portsmouth, Southampton, Test Valley, and Westminster in London is 94.2%. That said, it is notable that commuting journeys for the selected LAs not including IoW are relatively weak at 3.9%.

**Table 10: Commuter journeys from Isle of Wight, 2011**

<b>LA</b>	<b>No. of commuters</b>	<b>% of total</b>
<b>Isle of Wight</b>	42,139	90.3%
<b>Portsmouth</b>	736	1.6%
<b>Southampton</b>	521	1.1%
<b>Test Valley</b>	366	0.8%
<b>Westminster, City of London</b>	205	0.4%

Source: Census table WF01BEW, 2011

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<sup>24</sup> It has been noted that Seaview and Bembridge (popular with second home owners) have seen more activity as the ratio of time spent between the second home and primary residence changes to reflect new lifestyle choices.

## Conclusions

- 4.46 In combination, internal migration, travel to work, and house price data suggest an Housing Market Area (HMA) comprising the Isle of Wight alone and no other geographies. This is consistent with the 2014 Strategic Housing Market Assessment (SHMA) and Housing Needs Assessment 2018 (HNA 2018).
- 4.47 According data gathered from Census 2011, the Isle of Wight has high self-containment levels for both to travel to work (90%) and internal migration (80%).
- 4.48 House price trends are similar across the Isle of Wight, Southampton, Portsmouth, and Gosport. However, prices in Winchester are significantly higher than in the rest of the identified Local Authorities. This places Winchester outside the Island's HMA.
- 4.49 While 90% of commuting journeys take place on the island, the second-largest centre of employment for islanders is Portsmouth, followed by Southampton.
- 4.50 There are, therefore, reasonably strong relationships between the Isle of Wight and Portsmouth and Southampton in terms of house prices, commuting, and migration. However, they remain a relatively small percentage of the total.
- 4.51 The evidence therefore supports the conclusion that the Isle of Wight forms its own HMA.

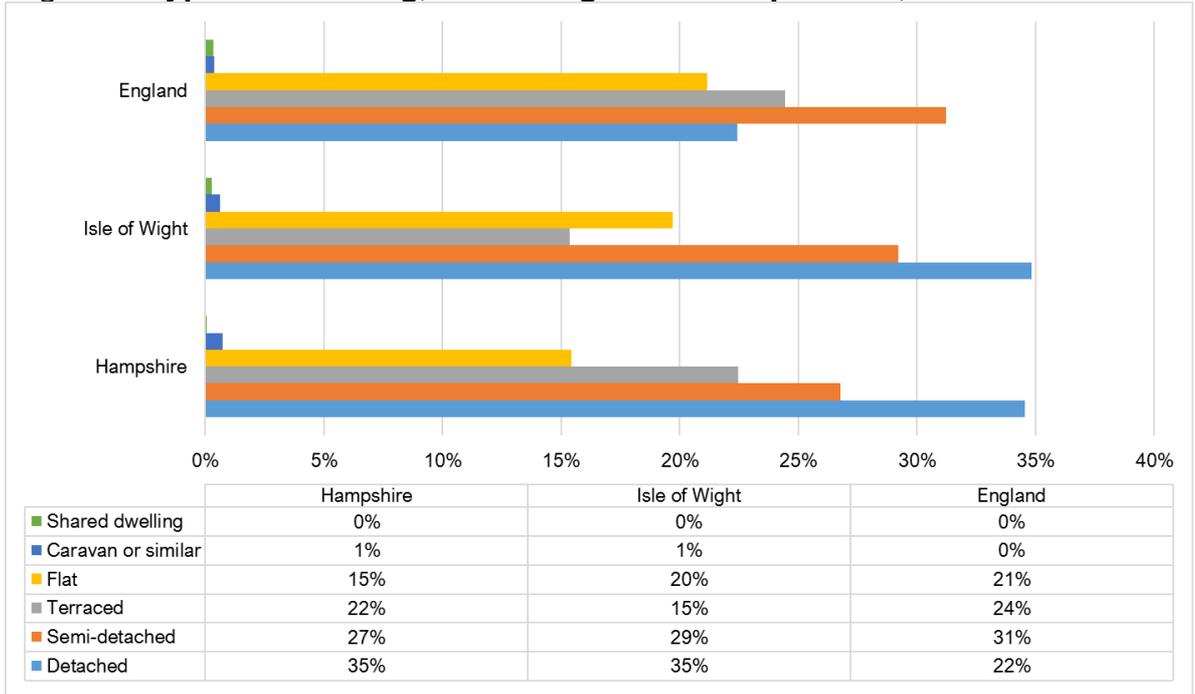
## **5 BASELINE HOUSING STOCK ANALYSIS**

- 5.1 This chapter of the report profiles the current housing stock in the Isle of Wight. For comparison purposes, the analysis considers the wider geographies of Hampshire and England.
- 5.2 Also, the Island data is disaggregated by the sub-areas of: Medina Valley East, Medina Valley West, Newport, Ryde, The Bay, and West Wight to provide an understanding of the profile of the housing stock in these areas.
- 5.3 Census data on type, size, and tenure has been collected to determine the baseline dwelling stock. This has been supplemented with completions data provided by the Council where available.

## Type

- 5.4 The figure below displays types of dwelling as percentages of total dwelling stock for Isle of Wight and comparator geographies in 2011.

**Figure 7: Types of Dwelling, Isle of Wight and comparators, 2011**

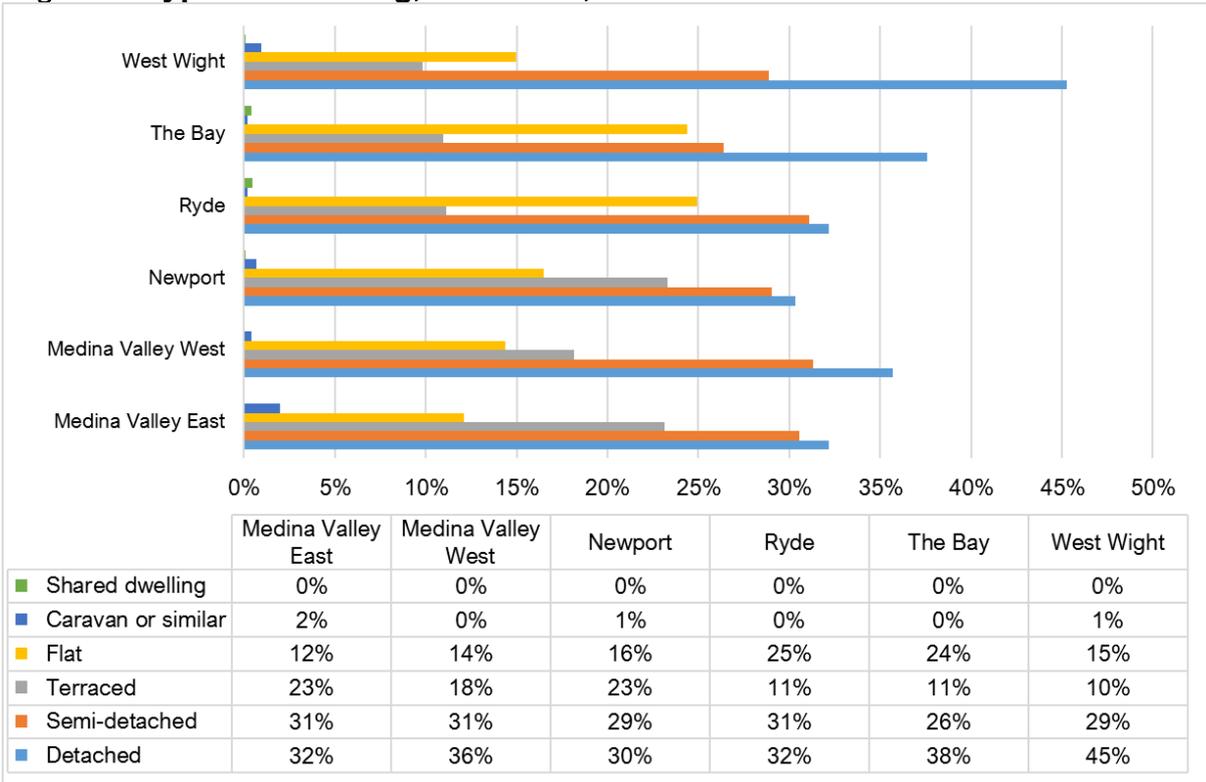


Source: Census table [QS402EW](#)

- 5.5 Isle of Wight has the same percentage of detached homes (35%) as Hampshire (35%). However, this is significantly higher than the national average (22%). The proportion of semi-detached homes is broadly similar across all geographies (approximately one-third of dwelling stock).
- 5.6 Isle of Wight has a lower percentage of terraced homes (15%) compared to the comparator regions of Hampshire and England at 22% and 24% respectively.

5.7 The following figure shows the types of dwellings broken down as a percentage of the total stock in 2011, which is the most recently available complete record of the housing stock for small areas in England. This data is displayed in the sub-area geography.

Figure 8: Types of dwelling, sub-areas, 2011



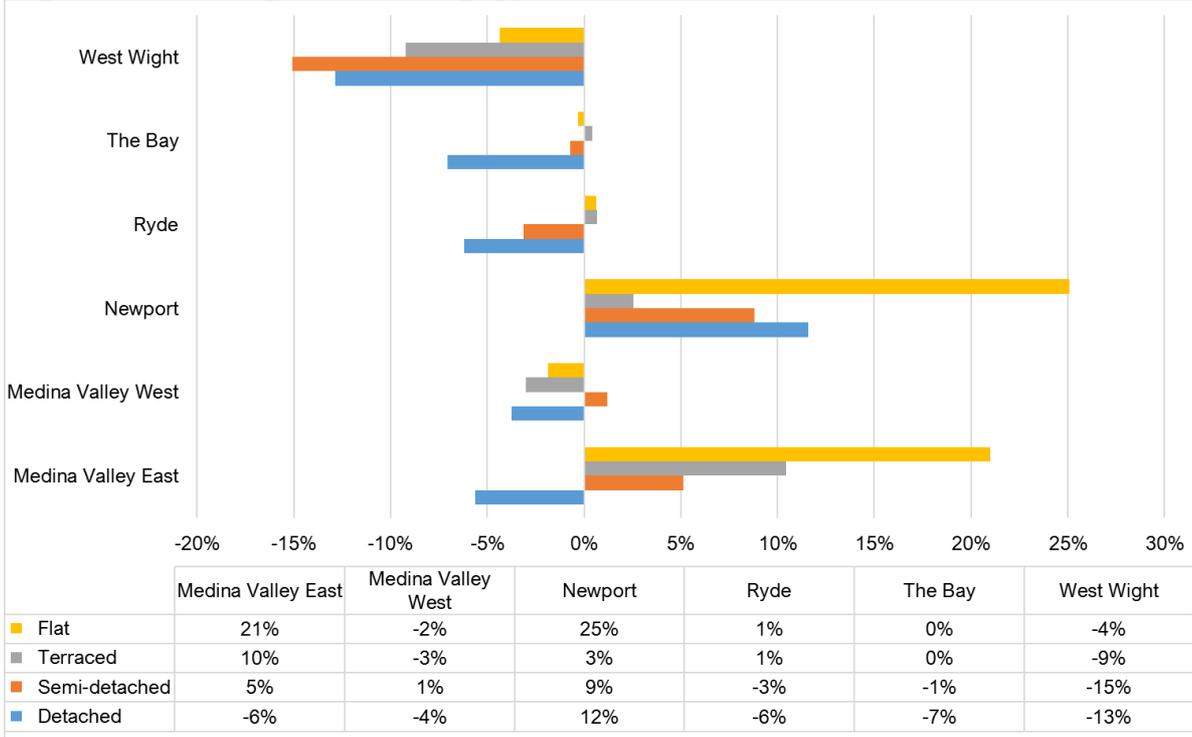
Source: Census table [QS402EW](#)

5.8 Throughout the Island, the most prevalent type of dwelling is detached, ranging from 30% to 45% of total housing stock. Unsurprisingly, the town of Newport has the lowest percentage of detached dwellings (30%) out of all sub-area geographies.

- 5.9 Almost half of West Wight's housing stock is comprised of detached dwellings (45%), this is significantly higher than all other sub-areas. This is likely due to West Wight comprising a greater number of rural areas. The Bay also has a large proportion of its dwelling stock coming from detached dwellings (38%).
- 5.10 All of the sub-areas have a higher proportion of detached homes than the national average (23%).
- 5.11 Flats make up a relatively high proportion of total stock in Ryde and the Bay, at 25%, and 24%, respectively, and to a lesser extent, Newport (16%). Ryde and The Bay have a higher proportion of flatted developments than the national average of 19%. This is likely due to several of the main towns being located along the north and east coasts, including Ryde, Sandown, Shanklin, and Ventnor.

5.12 The figure below shows the percentage change in dwelling type between 2001 and 2011 broken down by sub-area.

**Figure 9: % Change in dwelling type, sub-areas, 2001-2011**



Source: Census tables QS402EW (2011) and UV056 (2001)

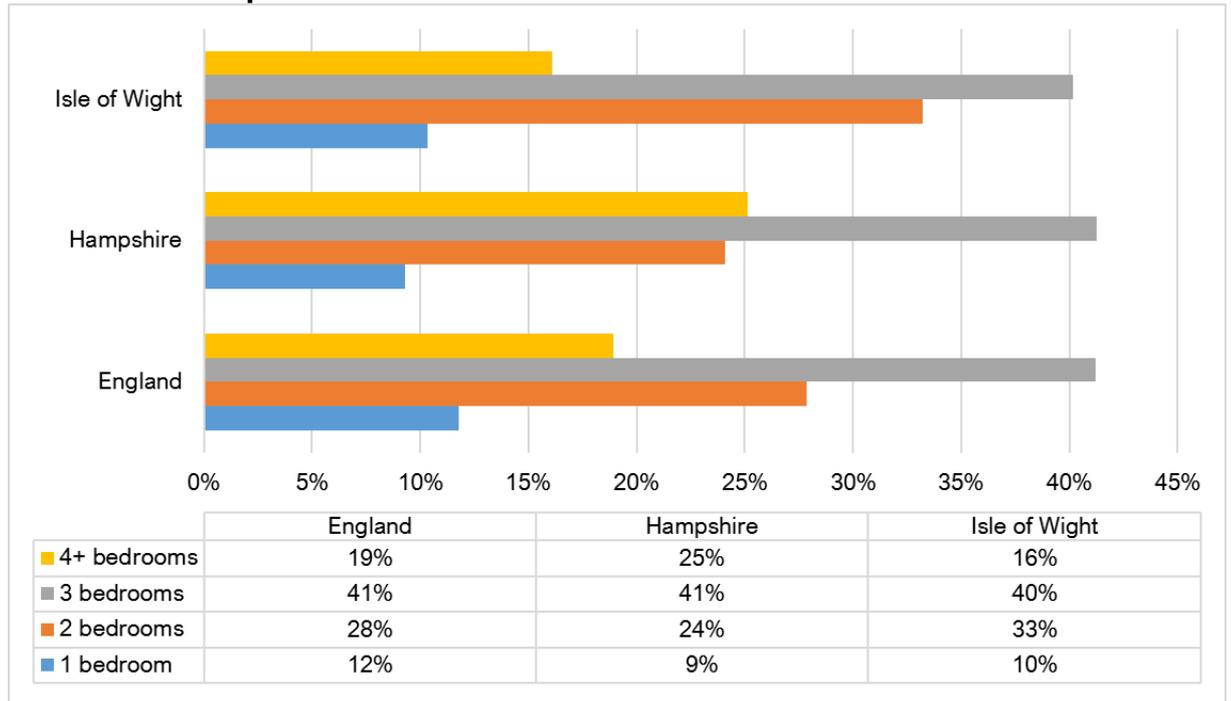
5.13 Almost all sub-areas experienced a reduction in detached homes (with the exception of Newport which has increased by 12%). West Wight has experienced the largest reduction of detached homes (13%).

5.14 Conversely, the majority of sub-areas experienced an increase in flatted developments (with the exception of Medina Valley West and West Wight), Newport recorded a substantial uplift in the number of flats at a rate of growth that outstripped other sub-areas.

## Size

5.15 The figure below displays the number of bedrooms as a percentage of total dwelling stock in 2011 broken down by Isle of Wight and comparator geographies.

Figure 10: **Bedrooms (as a % of total dwellings), Isle of Wight and comparators 2011**



Source: Census table [QS411EW](#)

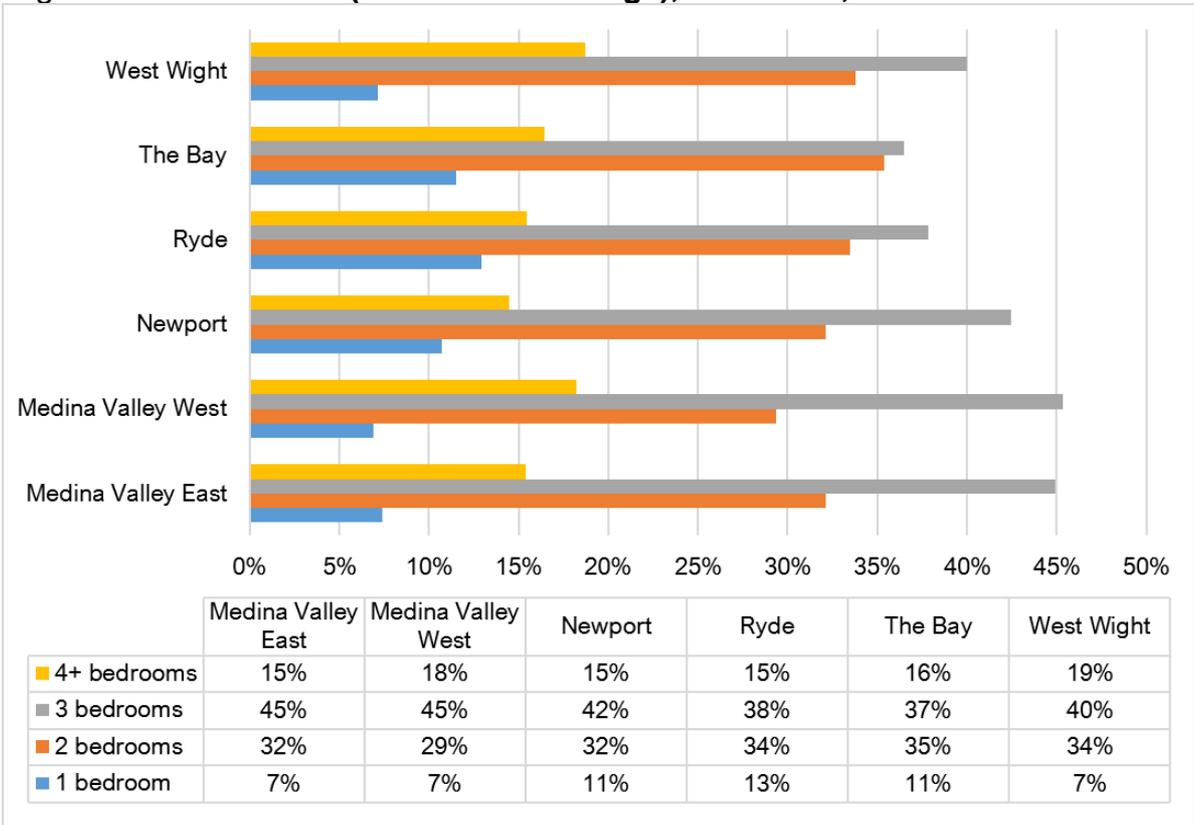
5.16 Across all geographies, 3-bedroom dwellings make up the majority of dwelling stock, with Isle of Wight, Hampshire, and England having similar rates of 3-bedroom properties.

5.17 Also, one-bedroom properties are the least common size of dwellings across all geographies.

5.18 Isle of Wight also contains a significant proportion of 2-bedroom dwellings compared to Hampshire and the national average. However, there are fewer 4+ bedrooms (16% of dwellings) on the Island compared to Hampshire (25%) and nationally (19%).

5.19 The following graph demonstrates the number of bedrooms as a percentage of total dwelling stock in 2011 for the Island’s sub-areas.

Figure 11: **Bedrooms (% of total dwellings), sub-areas, 2011**



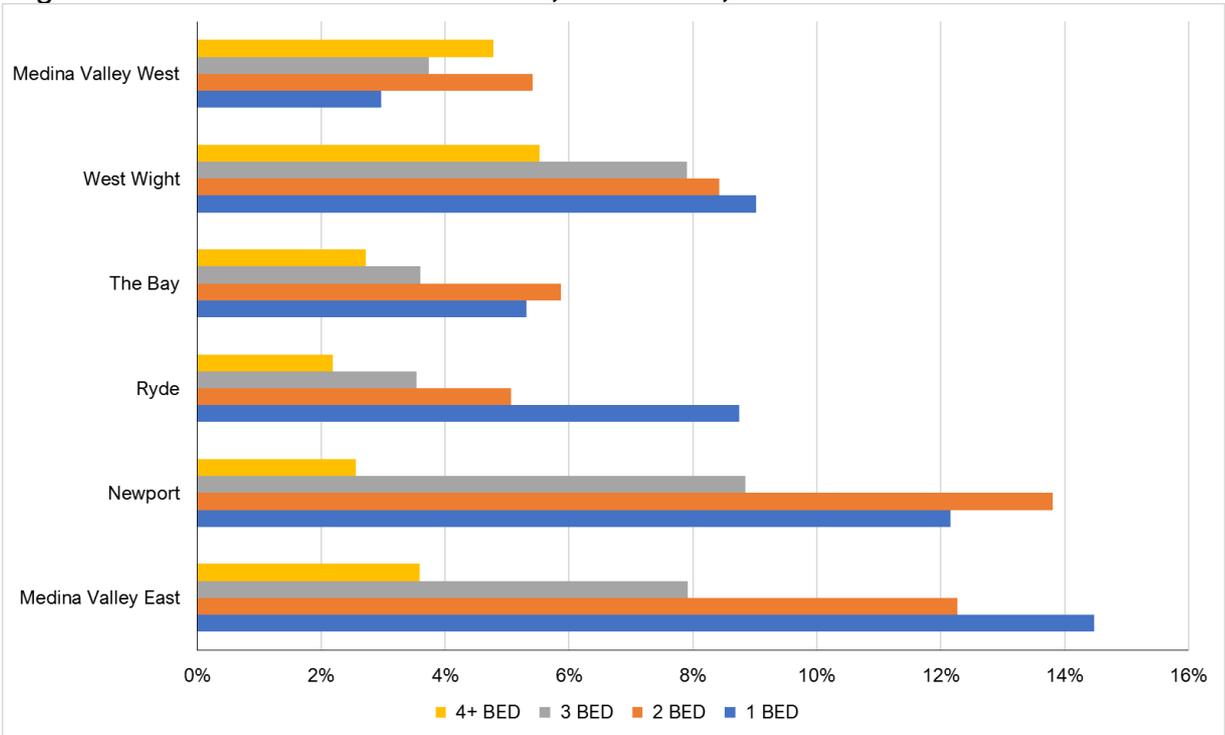
Source: Census table [QS411EW](#)

5.20 In alignment with the Isle of Wight as a whole, Hampshire, and nationally, three-bedroom properties make up the largest proportion of homes for all sub-areas. Medina-Valley (East and West) in particular, contains a substantial proportion of three-bedroom properties (45%).

5.21 West Wight has the highest proportion of 4-bedroom properties out of all the sub-areas and the Island as a whole. This reinforces the image of West Wight as one of the large family houses or second homes.

5.22 The figure below displays the percentage increase in the number of bedrooms by sub-area between the period 2011 to 2021. The data from 2011 was taken from Census and the data for 2011-2021 was taken from Council data on completions.

**Figure 12: % Increase in bedrooms, sub-areas, 2011-2021**



Source: Council data, Census table [QS411EW](#)

5.23 During the period 2011-2021, the percentage of 1-bedroom and 2-bedroom dwellings have increased the most significantly. Medina Valley East has seen the greatest increase in 1-bedroom dwellings (14%).

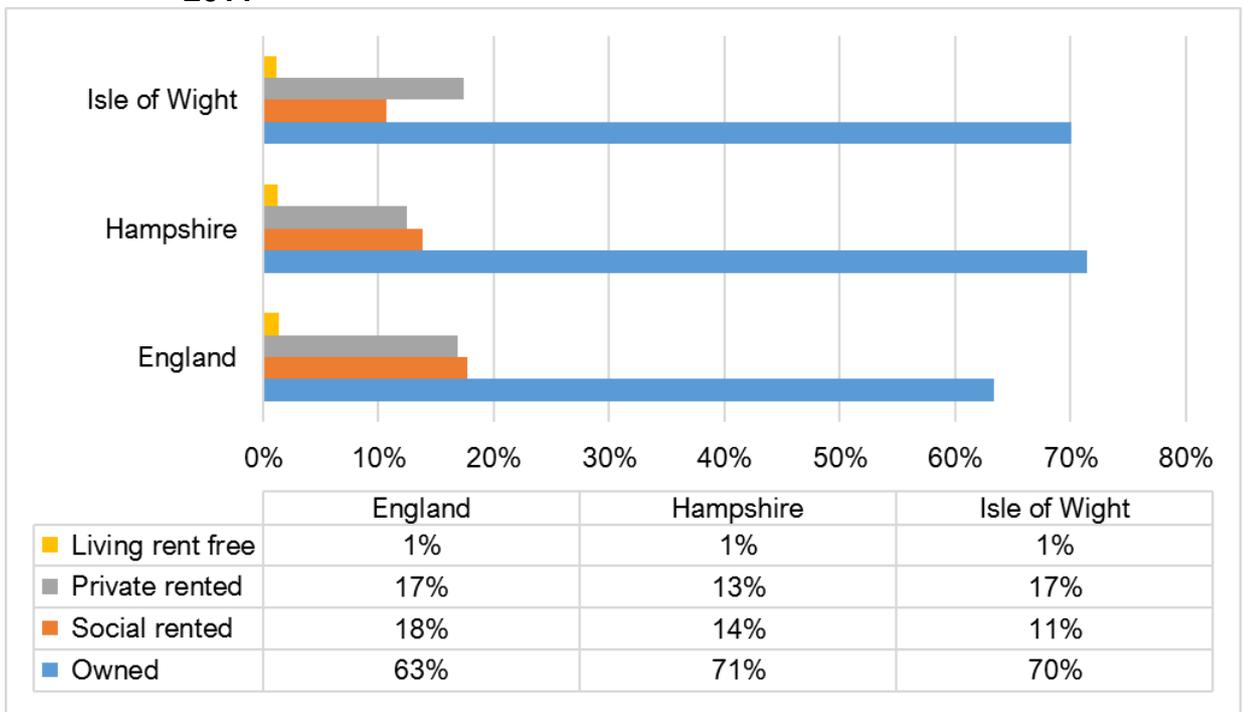
5.24 Conversely, the largest increase in 4+ bedroom dwellings occurred in West Wight (6%). West Wight contains a relatively high proportion of large family houses or second homes. West Wight also has the highest house prices on the Island.

- 5.25 In Newport, the largest increase was in 2-bedroom dwellings (14%). This may be due to a higher concentration of new families or young couples in this sub-area. Newport also experienced a significant increase in 1-bedroom dwellings (12%), possibly on account prevalence of newly forming households. It is also notable that the town also experienced the highest increase in 3-bedroom properties (9%) compared to the other sub-areas.
- 5.26 Medina Valley East experienced similar trends to Newport, with the largest increases occurring in 1-bedroom and 2-bedroom properties, which increased by 14% and 12% respectively.

## Tenure

5.27 The figure below shows tenure as a percentage of total dwelling stock for Isle of Wight and comparators in 2011. Isle of Wight has a higher percentage of home ownership (70%) than the national average (63%) and similar levels to Hampshire (71%).

Figure 13: **Tenure (% of total dwelling stock), Isle of Wight and comparators, 2011**

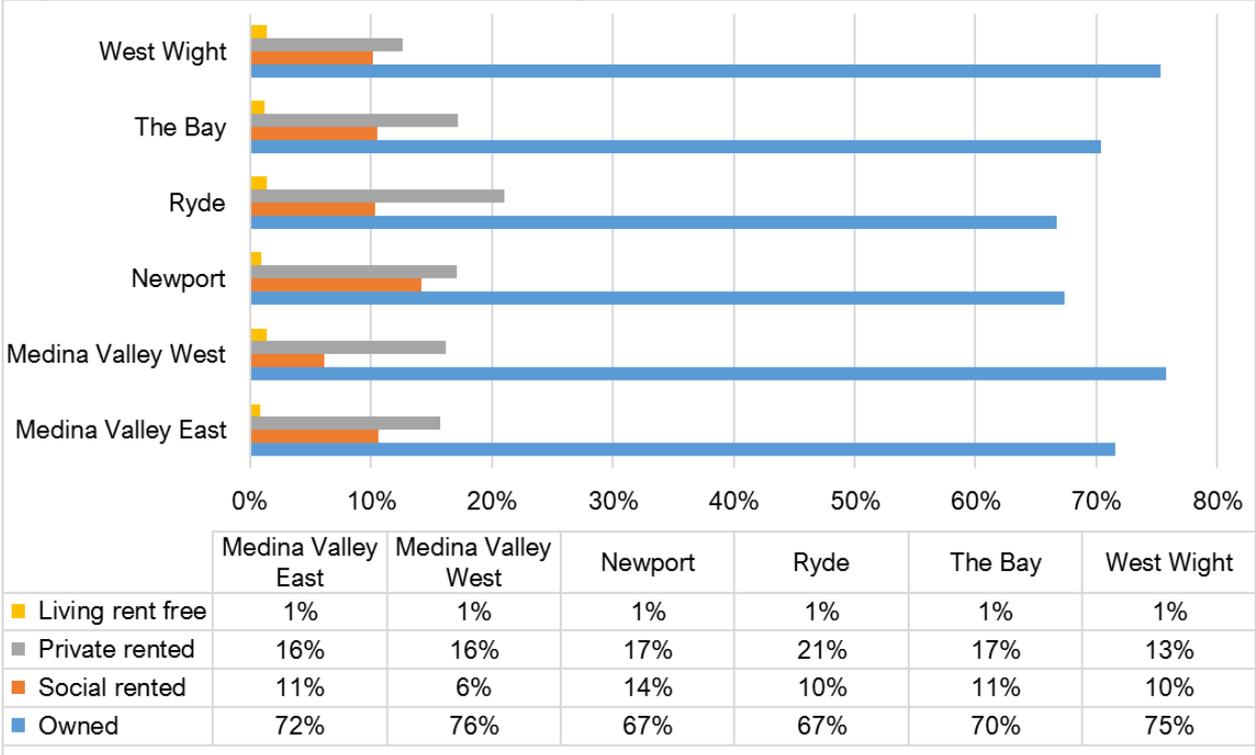


Source: Census table [QS405EW](#)

5.28 The Island has a significantly lower proportion of dwellings in the social rented sector (11%) in comparison to the national average (18%) and Hampshire (14%).

5.29 The following figure shows the tenure of the dwelling stock as a percentage of the total for the Island’s sub-areas in 2011.

Figure 14: Tenure (% of total dwelling stock), sub-areas, 2011



Source: Census table [QS405EW](#)

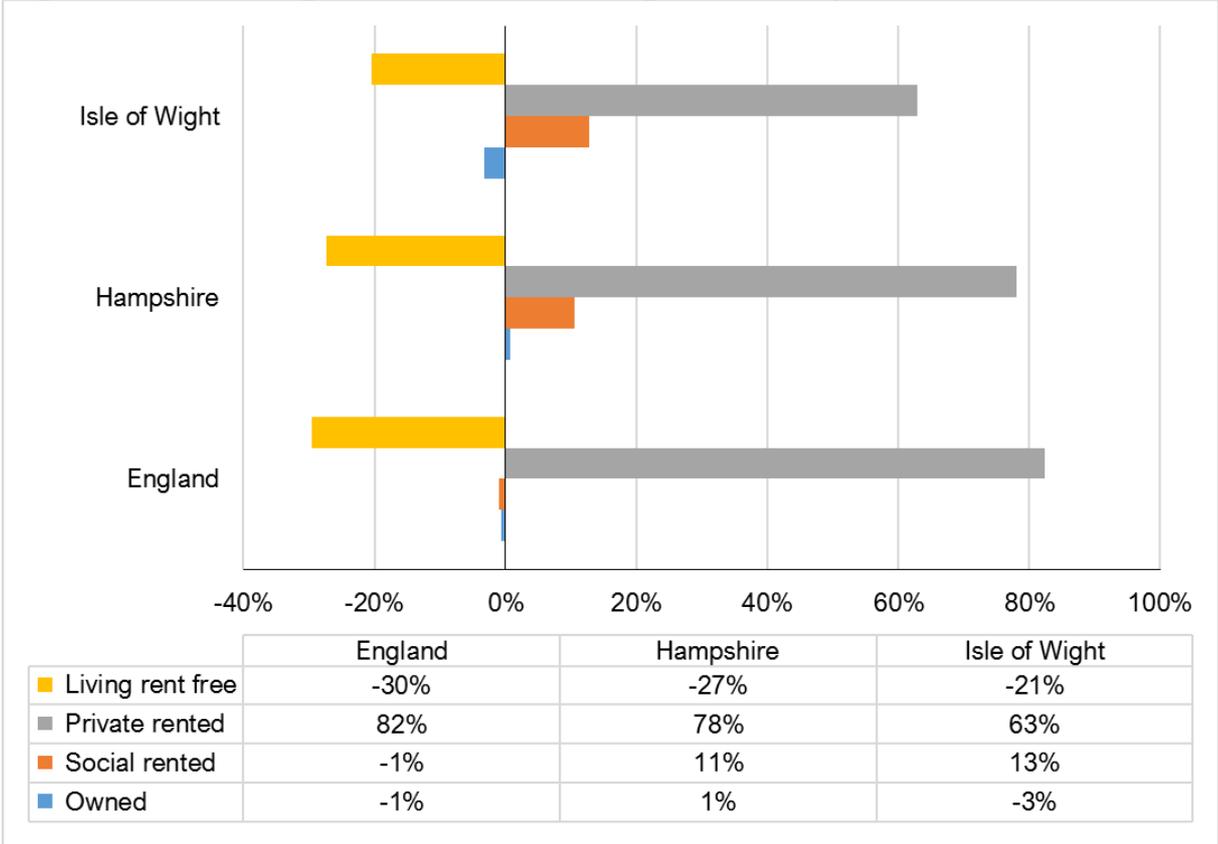
5.30 Medina Valley West and West Wight have the highest percentage of home ownership, at 76% and 75%, respectively. This is higher than the Isle of Wight as a whole (70%), Hampshire (71%), and the national average (63%).

5.31 The highest proportion of dwellings in the PRS is in Ryde (21%), which is higher than all other geographies.

5.32 The Island’s main town of Newport has the highest proportion of social-rented housing stock (14%).

5.33 The following figure displays the percentage change in tenure between 2001 and 2011 for the Isle of Wight and comparator geographies.

Figure 15: % Change in tenure, Isle of Wight and comparators, 2001-2011

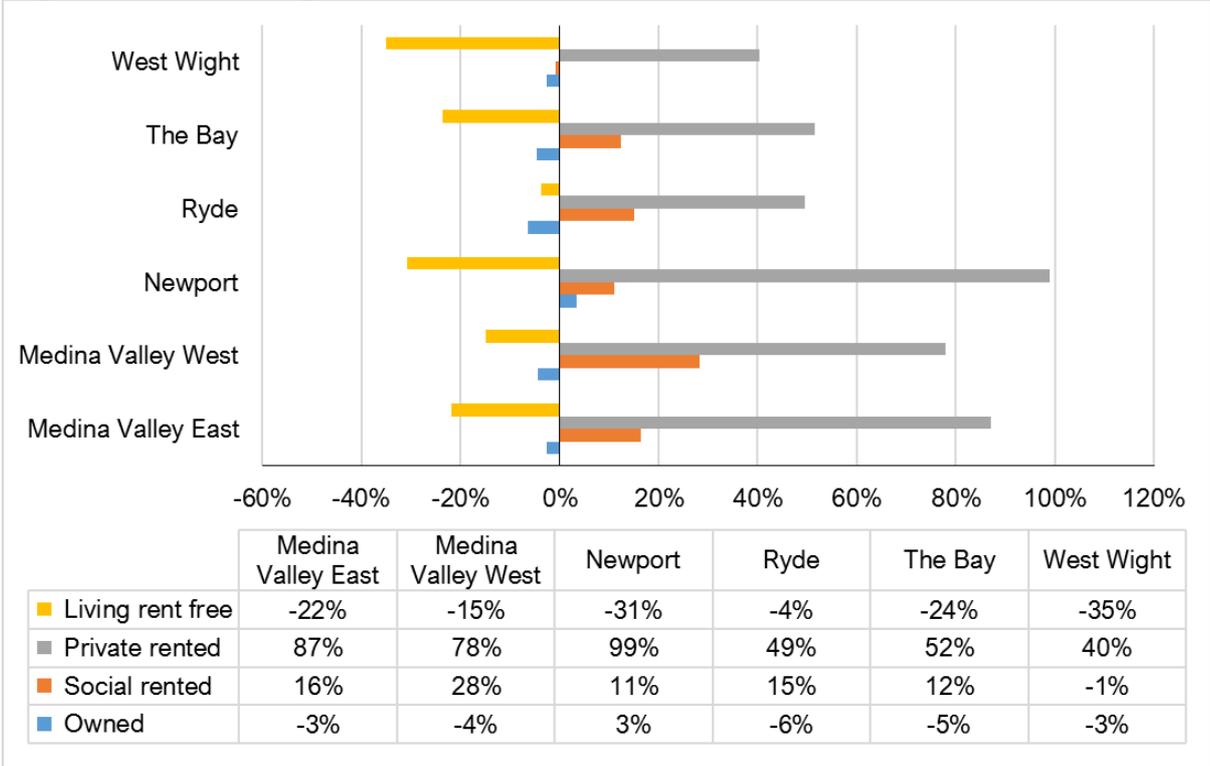


Source: Census tables [UV063](#) and [QS405EW](#)

5.34 Nationally, the largest increase was seen in the private rented sector (82%), this trend can also be seen in the Isle of Wight (63%) and Hampshire (78%). Furthermore, most geographies have experienced a decline in home ownership, with the greatest reduction appearing in the Isle of Wight at 3%. This could point to properties becoming increasingly unaffordable on the Island or a lack of access to mortgage products.

5.35 The figure below displays the percentage change in tenure between 2001 and 2011 for the Island’s sub-areas.

Figure 16: % Change in tenure, sub-areas, 2001-2011



Source: Census tables [UV063](#) and [QS405EW](#)

5.36 The majority of sub-areas experienced a decline in home ownership in the period 2001 to 2011 (with the exception of Newport), with Ryde, The Bay, and Medina Valley West experiencing declines greater than the Island as a whole.

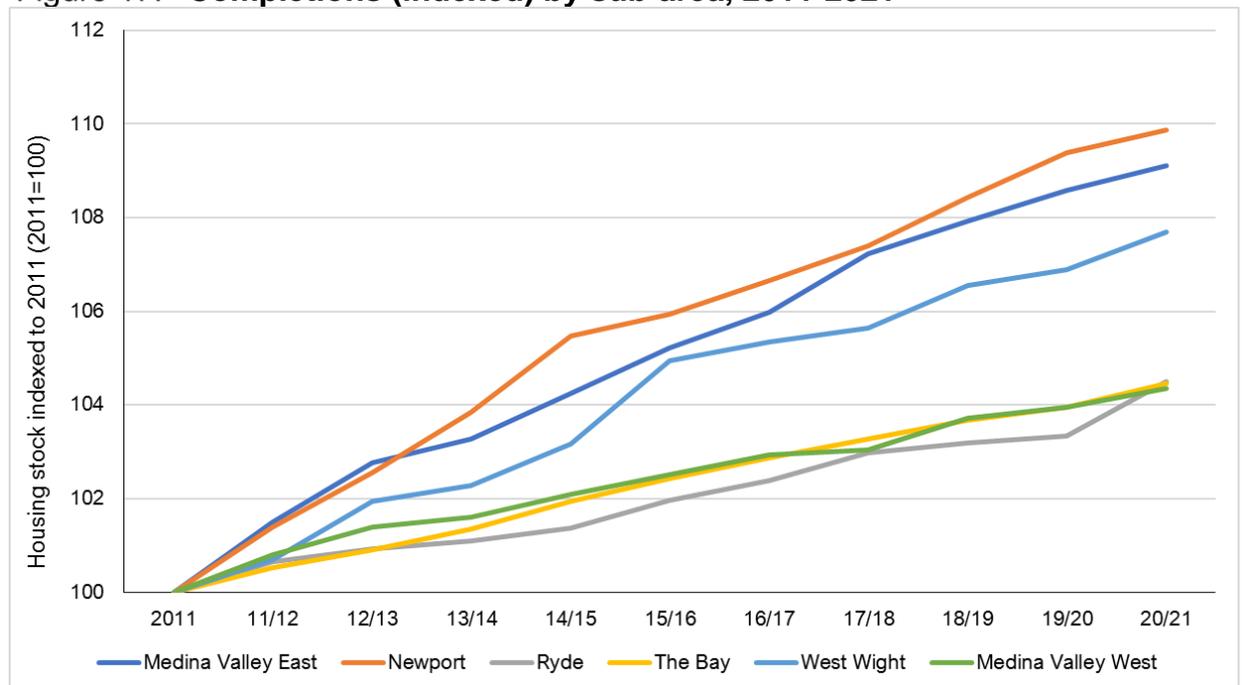
5.37 The largest increase in tenures was found in the private rented sector, with the PRS stock in Newport doubling between 2001 and 2011.

5.38 The social rental sector grew in all sub-areas with the exception of West Wight.

## Completions

- 5.39 Completions data from 2011 to 2021 has been provided by Isle of Wight Council, this has been combined with Census 2011 dwelling stock to understand the supply of homes over time. This has been broken down into the sub-area geographies to gain an understanding of where development is taking place.
- 5.40 The chart below sets out the completions for the years 2011 to 2021 in the Isle of Wight by sub-area indexed to 2011 as recorded in the Annual Monitoring Report (AMR).

Figure 17: **Completions (indexed) by sub-area, 2011-2021**



Source: Census table [QS411EW](#), Council data

- 5.41 This data shows that the greatest increase in completions was for Newport and Medina Valley East. As Newport is the primary town on the Island, it is to be expected that this sub-area has seen the greatest volume of new housing.

5.42 Conversely, the lowest number of completions have taken place in Ryde, followed by The Bay and Medina Valley West. As Ryde is a significant town on the Island, this points to significant constraints on further development in the sub-area.

## Conclusions

- This section analysed the housing stock in the Isle of Wight as compared to the wider geographies of Hampshire and England, and additionally on a sub-area level.
- An analysis of the type of homes shows that the Isle of Wight has a relatively high proportion of detached dwellings. This is also the overarching trend for the sub-areas, with West Wight standing out in particular. Almost half of the housing stock in this sub-area is comprised of detached dwellings.
- The Island has a lower proportion of terraced dwellings compared to the comparator geographies; this is also true for the sub-areas.
- In terms of sizes of homes, the Isle of Wight and its sub-areas are in line with wider geographic comparators, with 3-bedroom homes being the most prevalent. It is notable that West Wight has the highest proportion of 4+ bedroom homes.
- In common with the wider comparator geographies in 2011, the dominant type of tenure on the Isle of Wight was home-ownership, which was higher on the Island than the national average.

## Newport

- Newport has the lowest percentage of detached dwellings (30%) out of all sub-area geographies and the Island as a whole. It also has a relatively large proportion of terraced dwellings.
- Newport's housing stock in terms of size is broadly similar to the Island as a whole. In line with all sub-areas, the Isle of Wight as a whole, Hampshire, and nationally, three-bedroom properties make up the largest proportion of homes in Newport.
- Newport has the highest proportion of social-rented housing stock (14%) compared to all the sub-areas and the Island as a whole. It must also be noted that the PRS stock in Newport doubled between 2001 and 2011.

- Newport experienced the highest numbers of completions between 2011 and 2021, this is to be expected as Newport is the primary town on the Island.

## **Ryde**

- A quarter of Ryde's housing stock is made up of flats, which is higher than all other sub-areas, the Island as a whole, Hampshire, and nationally. Detached dwellings experienced the greatest decline (of 6%) in Ryde between 2001 and 2011, however, detached dwellings still make up the highest proportion of the housing stock (32%), which is in line with the Isle of Wight as a whole and all other sub-areas.
- Ryde has a higher proportion of 1 bedroom dwellings (13%) than all other sub-areas, the Island as a whole and wider comparators. Furthermore, between 2011 and 2021, 1-bedroom properties experienced the largest increase (9%). In line with other sub-areas, 3-bedroom dwellings (38%) make up the majority of housing stock.
- The proportion of stock in the PRS (21%) is greater in Ryde than in all other sub-areas and wider comparators. Out of all the sub-areas, Ryde experienced the largest decline in home ownership between 2011 and 2011 (6%). However, in line with all other geographies, most of the housing stock is owned (67%), still, it is lower than the Island as a whole and other sub-areas.
- The lowest number of completions have taken place in Ryde. As Ryde is a significant town on the Island, this points to significant constraints on further development in the sub-area.

## **The Bay**

- In line with all other geographies, the Bay has a large proportion of its dwelling stock coming from detached dwellings (38%), that said, it decreased by 7% between 2001 and 2011. Also, it has the lowest proportion of semi-detached dwellings (26%) out of all sub-areas, the Island as a whole, and Hampshire, yet, it is still higher than the national average.
- In line with other geographies, the most common size of housing is 3-bedroom (37%). The Bay also has the largest proportion of 2-bedroom homes (35%) which have also seen the greatest increase in the Bay between 2011 and 2021 (6%).

- The percentage of people who own their homes decreased by 5% in the Bay between 2001 and 2011. However, it remains the most common tenure at 70%, which is in line with the Island as a whole, and higher than nationally.

### **Medina Valley East**

- Medina Valley East along with Newport has one of the highest proportions of terraced houses out of all geographies. In line with all other sub-areas, detached dwellings are the most prevalent property type. Medina Valley East experienced the largest increase in terraced housing out of all sub-areas between 2001 and 2011 of 10%. It also saw a relatively large increase in flatted developments during this time of 21%.
- Medina Valley East contains a significant proportion of 3-bedroom properties, making up almost half of the dwelling stock. However, between 2011 and 2021, this sub-area experienced a large increase in 1-bedroom properties (14%).
- The majority of dwelling stock in Medina Valley East is owned in line with other geographies. Between 2001 and 2011, Medina Valley East experienced a large increase in the PRS (87%), which now makes it 17% of total stock, the same as the Island as a whole and nationally.

### **Medina Valley West**

- The dwelling types in Medina Valley West haven't changed significantly between 2001 and 2011, and in line with other sub-areas, detached dwellings are the most common property type.
- Along with Medina Valley East, almost half of the dwelling stock in Medina Valley West comes from detached properties. However, it has the lowest proportion of 2-bedroom properties out of all the sub-areas and the Island as a whole. However, 2-bedroom properties have increased by 5% between 2011 and 2021.
- Medina Valley West has the highest proportion of home ownership (76%) out of all geographies. Furthermore, it has the lowest proportion of properties in the social rented sector (6%) compared to all other geographies.

### **West Wight**

- Almost half of West Wight's housing stock is comprised of detached dwellings (45%), which is significantly higher than all other geographies. West Wight has

the lowest proportion of detached dwellings compared to all comparator geographies.

- West Wight contains the largest proportion of 4-bedroom properties out of all sub-areas. Furthermore, it has experienced the largest increase out of all sub-areas in this type of property from 2011 to 2021.
- West Wight had a significant degree of home ownership, with 75% owning their own home. This reinforces the perception of West Wight as an area with a high proportion of large family housing or second homes (containing the highest proportion of detached homes, home ownership, and 4+ bedroom homes out of all the sub-areas).

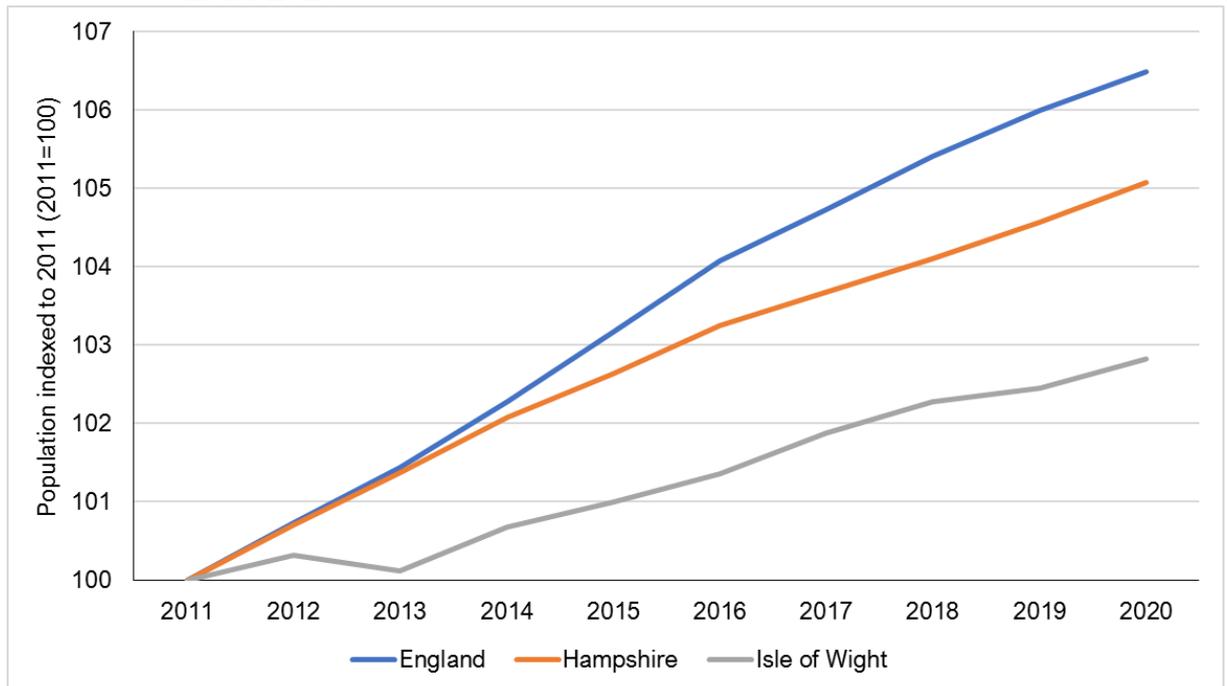
## **6 BASELINE DEMOGRAPHIC PROFILE**

- 6.1 This section provides a baseline demographic profile for the Island drawing on the most up-to-date ONA data. Demography has a strong influence on demand for different sizes and tenure of homes, as well as demand for specialist accommodation.
- 6.2 The analysis looks at key statistics, particularly focussing on past population growth and the components driving overall demographic change. The data is broken down by sub-area (Medina Valley East, Medina Valley West, Newport, Ryde, The Bay, and West Wight) and comparator geographies comprising: the Isle of Wight as a whole, Hampshire, and England.

## Population growth

6.3 The figure below shows the population trend growth from 2011 to 2020 for the Isle of Wight, Hampshire, and England indexed to 2011.

Figure 18: **Population growth (indexed), Isle of Wight and comparators, 2011-2020**



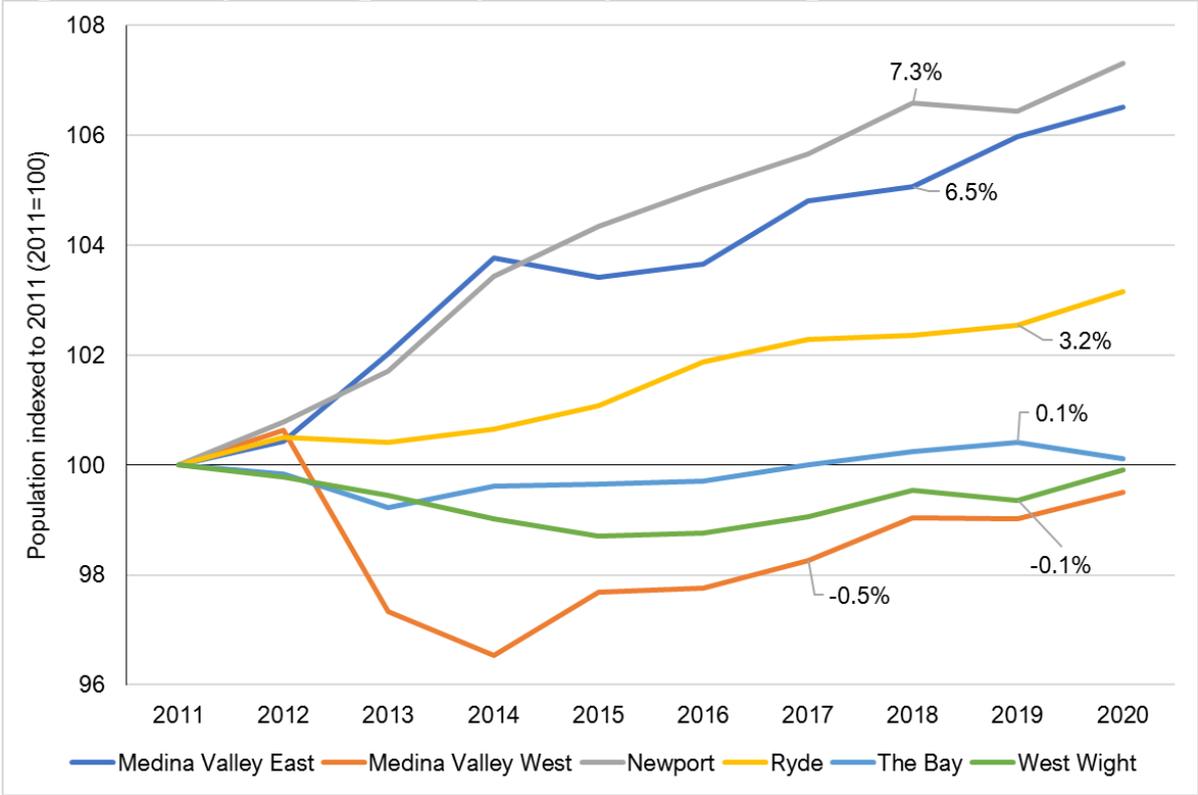
Source: ONS Population Estimates

6.4 This data shows that the growth of Isle of Wight population has been slower over the period than that of Hampshire and the national average.

6.5 England's population has increased by 6.5% between 2011 and 2020 and Hampshire by 5.1%. However, the Isle of Wight's population has only risen by 2.8% in the same time period.

6.6 The figure below shows the population trend growth from 2011 to 2020 for sub-areas indexed to 2011. It also shows the percentage change from 2011 to 2020. The data shows a significant divergence of trends at the sub-area level.

Figure 19: **Population growth (indexed) and % change, sub-areas, 2011-2020**



Source: ONS Population Estimates

6.7 Newport and Medina Valley East have experienced the highest population growth levels since 2011 – rising by 7.3% and 6.5% respectively.

6.8 Medina Valley West and West Wight have both experienced a slight decline in the population from 2011 to 2020, the former by 0.5% and the latter by 0.1%. The Bay’s population has remained approximately the same from 2011 to 2020 (increasing by 0.1%).

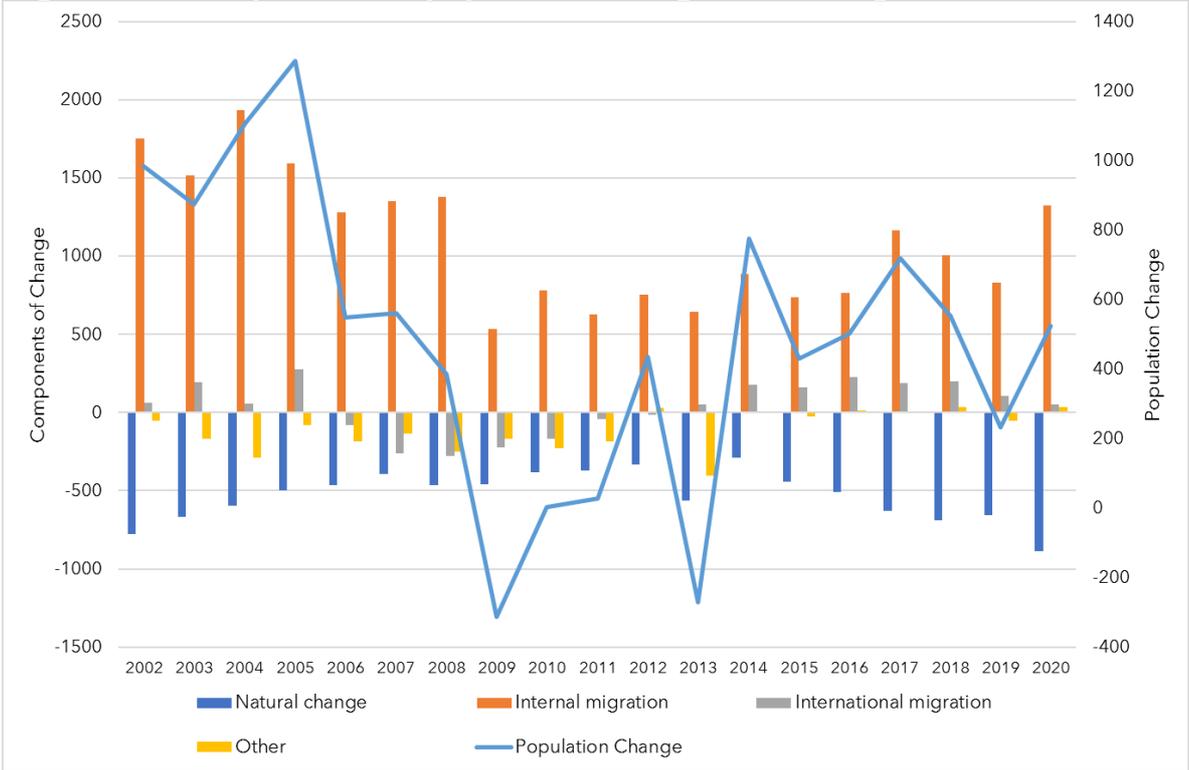
6.9 Ryde’s population has risen roughly in line with the Island as a whole, 3.2% compared to 2.8% for the Island.

6.10 Changes in local populations can be driven by international migration, internal migration (from within England), and births and deaths. These are referred to as the “components of change”.

6.11 The graph below displays the components of population change between 2001 and 2020 for the Isle of Wight. The primary drivers have been natural change (births minus deaths) and net migration (internal/domestic and international).

6.12 It is notable that the Island experienced a decline in its population over the period 2008-2014 as a result of internal migration being exceeded by the three other components by a substantial margin.

**Figure 20: Components of population change, Isle of Wight, 2001-2020**



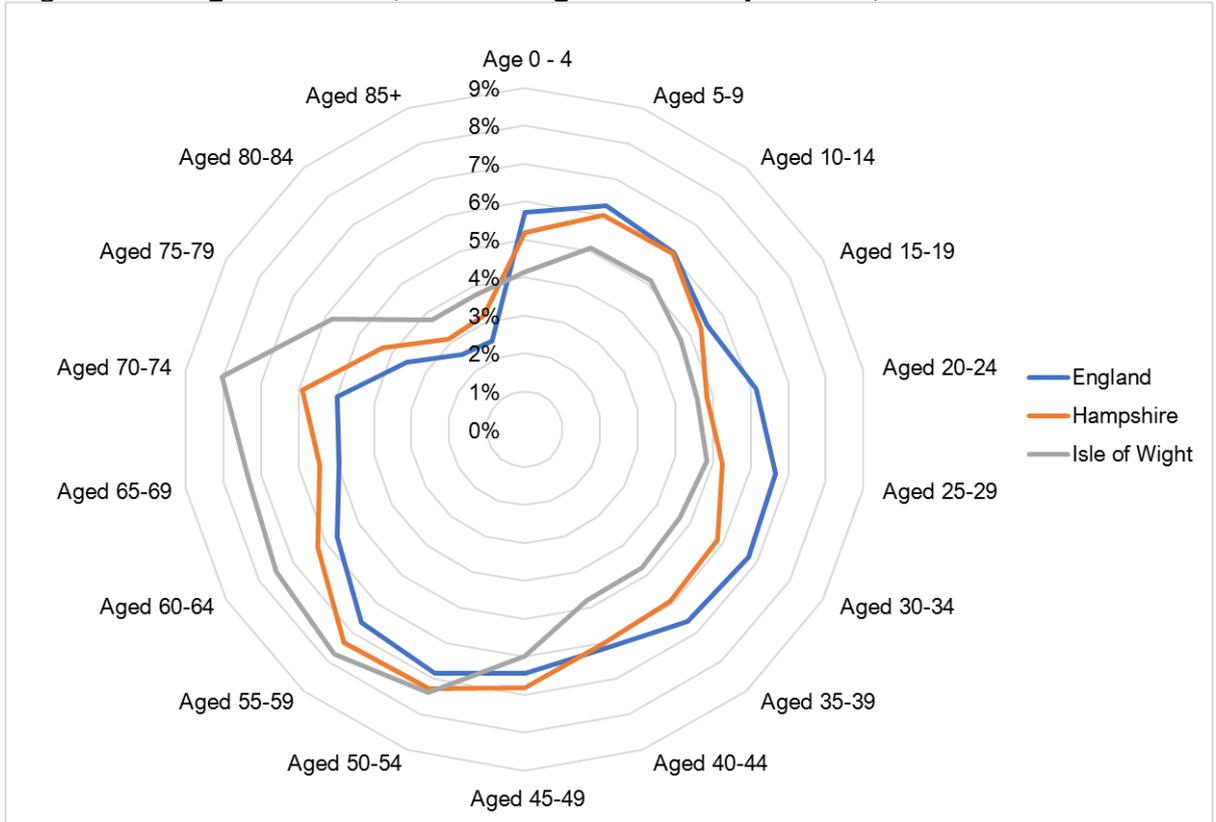
Source: ONS table [MYEB3](#)

- 6.13 The main driver of population growth in the Isle of Wight is due to internal migration. However, international migration has also been positive since 2013, for example, due to older people retiring to the Island.
- 6.14 The balance between births and deaths has seen a net fall over the entire time period, and even more so in recent years. This may be due to a lack of affordable housing and education or employment prospects for people of an age to bring up a family (who may be leaving the Island for opportunities elsewhere) or simply due to the very substantial weight of older people living on the Island.

## Age structure

6.15 The figure below shows the age structure of the Isle of Wight, Hampshire, and England in 2020 broken down by five-year age bands.

Figure 21: **Age structure, Isle of Wight and comparators, 2020**



Source: ONS, Population Estimates MYEB1

6.16 The Isle of Wight contains a relatively high proportion of the population in the older age groups (age 55 and over) compared to Hampshire and the national average. Conversely, the Island has a lower proportion of the population across all age bands between 0 and 45 compared to the comparators.

6.17 It must also be noted that the Island has a relatively low representation of children below 15 years old. This again may point to a relative under-representation of people of an age to bring up a family.

6.18 The figure below displays the age structure for the Island's sub-areas in 2020 broken down by five-year age bands.

Figure 22: **Age structure, sub-areas, 2020**



Source: ONS population Estimates

6.19 The population age structure in the sub-areas is broadly similar to the trends across the Island as a whole. However, there are differing concentrations, with West Wight displaying significant proportions (almost 50%) of the population aged over 60 years old. The Bay area also has a large percentage of the population in the older categories, where 41% of the population is above the age of 60.

6.20 Newport and Medina Valley West have relatively high concentrations of the working-age population. This is to be expected as Newport is the main town on the Island and Medina Valley West contains some larger settlements including Cowes and some areas of outer Newport such as Parkhurst, and Northwood.

Household growth

6.21 The figure below displays the number of households indexed to 2001. This shows how the number of households in the Isle of Wight and comparator geographies has changed over the period 2001-2020.

Figure 23: **No. of households (indexed to 2001), 2001-2020**

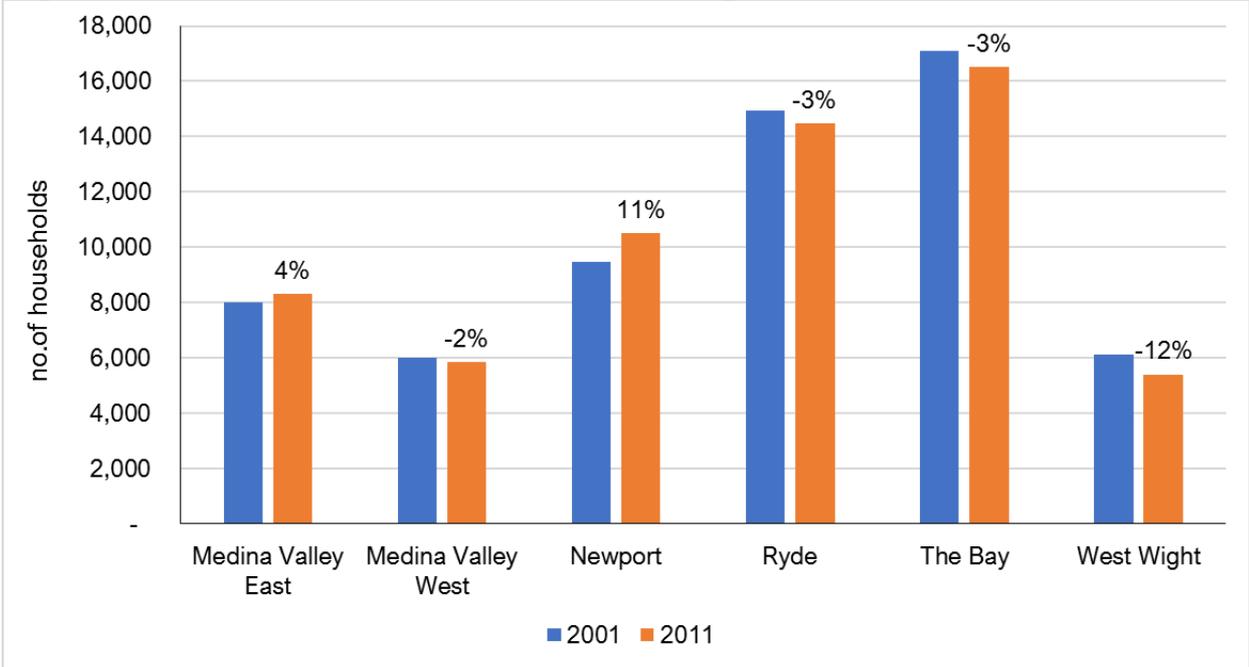


Source: ONS, [Table 406](#)

6.22 The number of households in the Isle of Wight has been growing more slowly than in Hampshire since 2008 and England since 2010.

6.23 The figure below shows the number of households for each sub-area and the percentage change from 2001 to 2011.

Figure 24: **Number of households and % change, sub-areas, 2001-2011**



Source: Census table [QS402EW](#) (2011) and Census table [UV056](#) (2001)

6.24 The Bay and Ryde sub-areas have the largest number of households with 16,525 and 14,486 households respectively, followed by Newport (10,494 households).

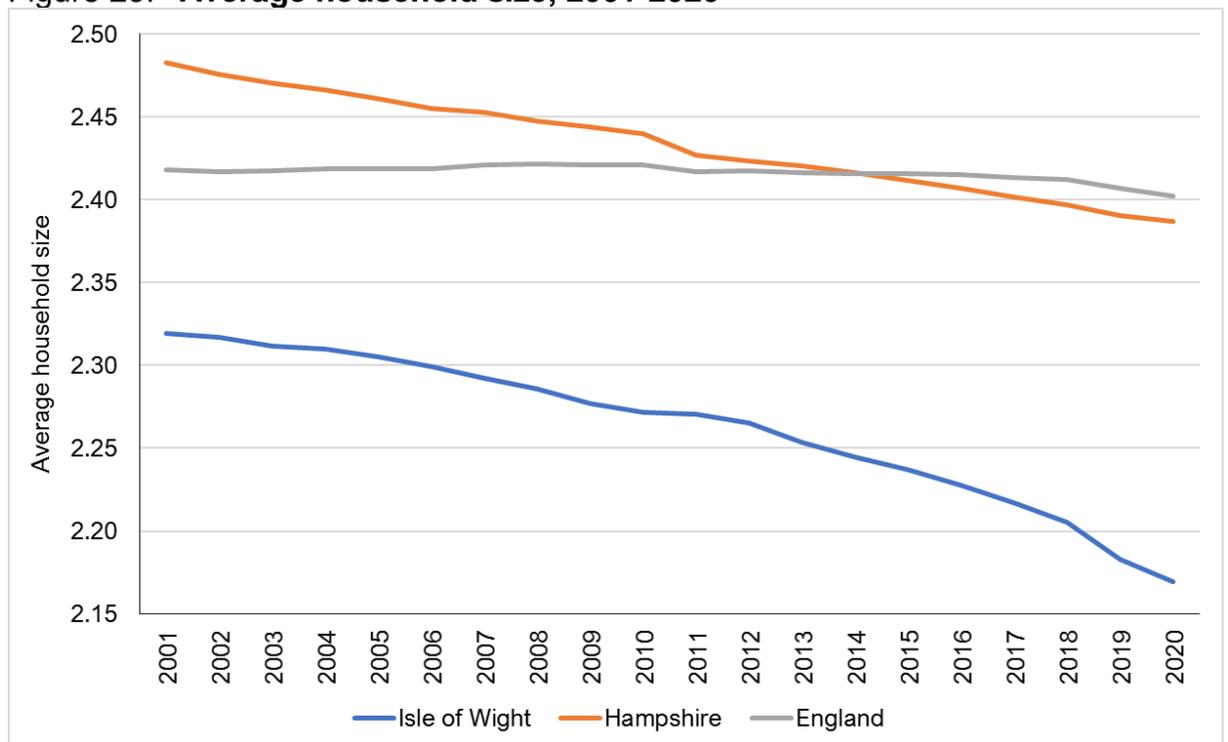
6.25 The greatest increase in the number of households was in Newport (11%), followed by Medina Valley East (4%).

6.26 Conversely, a number of sub-areas experienced a decline in the number of households, particularly in West Wight, where there has been a reduction of 12%. The Bay and West Wight both experienced a decline of 3%, while Medina Valley East had a reduction of 2%.

## Household size

- 6.27 The average household size data represents the average number of people that occupy a single household. Household size is calculated by dividing the number of households by the population.
- 6.28 Average household size is an indicator of the prevalence of family households and HMOs. It can point to a demand for larger homes.
- 6.29 The figure below shows the average household size for the Isle of Wight, Hampshire, and England.

Figure 25: **Average household size, 2001-2020**



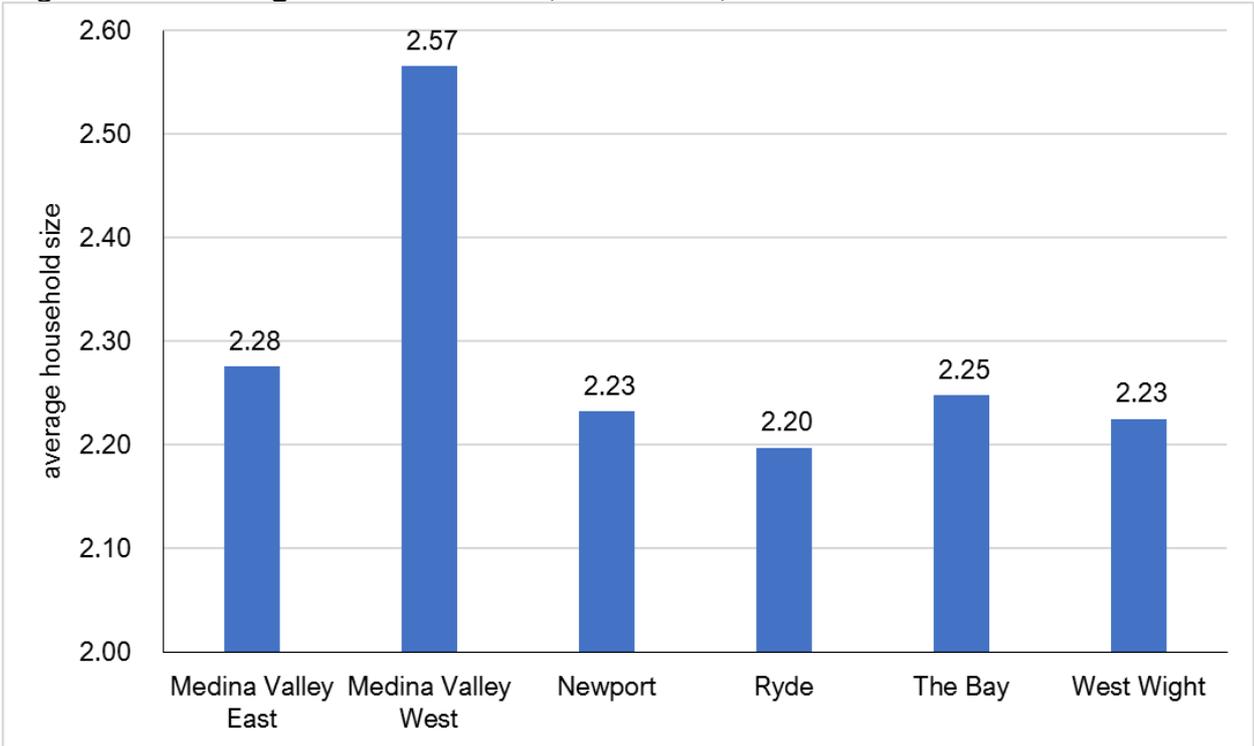
Source: ONS, Household Projections [Table 406](#) and Population Estimates [MYEB1](#)

6.30 The average household size has been reducing for all geographies between 2001 and 2020. However, the Isle of Wight has been experiencing the sharpest decline, dropping from 2.32 in 2001 to 2.17 in 2020 (a reduction of 6%). This contrasts with the national average, where there was a reduction of 1% in the same time period.

6.31 The figure shows that, in 2020, the average household size was 2.17 on the Island, compared to 2.39 in Hampshire and 2.4 nationally. The ageing population is likely to be a contributory factor to this.

6.32 The figure below looks at average household sizes for the sub-areas drawing on data from the Census (2011).

Figure 26: **Average household size, sub-areas, 2011**



Source: Census table [QS402EW](#) and Population Estimates [MYEB1](#)

6.33 Medina Valley West has the largest average household size (2.57) and is significantly greater than the other sub-areas. The other sub-areas are broadly similar in terms of household size, ranging from 2.28 in Medina Valley East to 2.20 in Ryde.

## Conclusions

- Population growth on the Island has been slower than the comparators of Hampshire and England. Also, natural change has been reducing substantially, particularly in recent years. This may be caused by households of age to bring up children leaving the Island for opportunities elsewhere.
- The biggest difference is that the Island has a relatively large proportion of the population in the older age groups compared to the comparator geographies, with a significant percentage of the population aged 60 and above.
- There is also a lower proportion of the population in the younger age groups in the Isle of Wight. This could be due to young people leaving the area for further education or employment opportunities.
- The Isle of Wight also has a smaller household size and is declining at a faster rate than the comparator geographies of Hampshire and England. This is likely due to the ageing population on the Island.
- An increasingly aging population on the island combined with fewer people in the younger age categories indicates that the “dependency ratio” – the ratio of working-age people to non-working age people could fall. This is likely to put a strain on Council resources, firstly, through a greater proportion of the budget being devoted to caring and, secondly, workers being able to charge more for their time, causing the cost of delivering services to rise.

## **Newport**

- Newport has experienced the highest population growth since 2011 out of all the sub-areas. The population rose by 7.3%, which is higher than the Isle of Wight as a whole, Hampshire, and the national average.
- The primary town of Newport has the highest proportion of younger age groups on the Island, with the area having the highest proportion of people aged between 25 and 34.
- Newport also experienced the greatest increase in households between 2001 and 2011, when the number of households rose by 11%. Newport has a similar household size as the other sub-areas.

## **Ryde**

- Ryde's population grew by 3.2% between 2011 and 2020, which is slightly higher than the Island as a whole. However, it is still less than Hampshire and the national average.
- Ryde has a broadly similar age structure to Newport, with a relatively large proportion of the population in younger age groups.
- Ryde has the second greatest number of households after the Bay area. However, it has the smallest household size (2.20) out of all comparator geographies and sub-areas.

## **The Bay**

- The Bay's population growth has been relatively flat in recent years – only growing by 0.1% between 2011 and 2020.
- The sub-area contains a large percentage of the population in the older age categories. 41% of the population is over the age of 60.
- The Bay has the greatest number of households out of all sub-areas, with a household size similar to that of others but greater than the island as a whole.

### **Medina Valley East**

- The population growth in Medina Valley East was the second-highest out of the sub-areas and was greater than Hampshire and the Island as a whole. However, it was in line with the population growth nationally.
- The sub-area has a broadly similar age structure to the Island as a whole, with a younger age structure than West Wight and the Bay area.
- Medina Valley East has a relatively small number of households; however, the number of households grew by 4% between 2011 and 2011. In addition, Medina Valley East has a relatively large household size, larger than all sub-areas with the exception of Medina Valley West.

### **Medina Valley West**

- Medina Valley West experienced the greatest population decline of 0.5% between 2011 and 2020.
- The sub-area has the greatest proportion of people aged between 35 and 54 out of all sub-areas. This could be explained by the sub-area containing some larger settlements on the Island including Cowes and some areas of outer Newport such as Parkhurst, and Northwood.
- Medina Valley West contains some of the lowest numbers of households out of all sub-areas. However, it contains the largest household size (2.57) out of all sub-areas, the Island as a whole, Hampshire, and nationally.

### **West Wight**

- West Wight experienced a population decline of 0.1% between 2011 and 2020.
- The sub-area contains a substantial proportion of older people – with almost 50% of the population aged over 60 years old.
- West Wight contains the fewest number of households and has also seen the greatest decline between 2001 and 2011 of 12%. West Wight also has a relatively small household size of 2.23, lower than Hampshire and the national average.

## 7 LOCAL HOUSING NEED AND DEMOGRAPHIC SCENARIOS

### Local Housing Need

- 7.1 PPG sets out a three-step methodology to arrive at a Housing Need Figure (HNF). These steps are set out below.

#### **Step 1: Setting the baseline**

- 7.2 The current Standard Method uses the 2014-based household projections in England to set the demographic baseline from which the HNF is calculated. This is the annual average household growth over 10 years with the current year being the first year. As this document is being published in 2022 then the period examined is 2022 -2032.
- 7.3 As set out in the table below there is expected to be a 17,120 growth in households in the Isle of Wight from 2021 to 2031 (94,062 households increasing to 101,207) or 715 households per annum. This equates to a 7.6% increase in households over the same period.

Table 11: **Step 1 – Household Growth in the Isle of Wight**

Group	Number
Households 2022	66,108
Households 2032	71,417
Change in households	5,309
Per annum change (Step 1)	531

Source: GL Hearn calculations

#### **Step 2: Adjustment to take into account affordability**

- 7.4 The purpose of Step 2 is to adjust the demographic baseline based on local affordability. The adjustment increases the housing need where house prices are high relative to workplace incomes.

- 7.5 The market signal used to test this is the median workplace-based affordability ratio published by ONS in the most recently published year. This is the median house price in a given area expressed as a multiple of median earnings in the same location.
- 7.6 Specifically, the adjustment increases the housing need derived from the household projections by 0.25% for every percentage point the affordability ratio is above four (4.0). This is justified on the basis that four is the typical multiple used as a lending practice by mortgage providers. The equation is as follows:

Adjustment factor = ((Local affordability ratio – 4)/4) x 0.25

- 7.7 In 2020, the median workplace affordability ratio was 8.05 in the Isle of Wight. This means that median house prices were 8.05 times the median earnings of those working in the local authority area.
- 7.8 As set out in the table below this means that the adjustment factor for these areas is 25.3%. This is calculated as follows:  $((8.09 - 4) / 4) \times 0.25 = 25.6\%$ .

**Table 12: Step 2 - Affordability Uplift in the Isle of Wight**

Group	Number
Per annum change (Step 1)	531
Affordability ratio (2020)	8.09 <sup>25</sup>
Uplift to household growth	25.6%
Total need (per annum)	667

Source: GL Hearn calculations

- 7.9 To this point, the housing need on the Island would be 667 per annum. This is the uncapped need in the HMA.

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<sup>25</sup> In March 2022, the Median Workplace Affordability Ratio for the Isle of Wight was updated to 10.00 to reflect the figure for 2021. The 8.09 figure is retained in this report to reflect the date at which the LHNA was commissioned.

### **Step 3: Capping the level of any increase**

- 7.10 The final step in the Standard Method is to cap the market signals uplift if necessary “so as to limit the level of increase an individual local authority can face”.
- 7.11 How the cap is applied depends on the age of the adopted Local Plan and the scale of housing growth. Where an authority has reviewed its plan (including developing an assessment of housing needs) or adopted a plan (including spatial development strategies) within the last five years the need may be capped at 40% above the requirement figure set out in the plan.
- 7.12 Alternatively, where plans and evidence are more than five years old a cap may be applied at 40% of the higher projected household growth or the housing requirement in the most recent plan (where this exists).
- 7.13 In the case of the Isle of Wight, the current Local Plan was adopted in March 2012, more than five years ago. Therefore, the latter of the two scenarios described above applies.
- 7.14 The cap is therefore applied at 40% above the demographic baseline set in Step 1 of 532. This comes to 743.
- 7.15 The capped figure is greater than the minimum annual local housing needs figure and therefore the minimum LHNF for this Isle of Wight is 667 dpa.
- 7.16 PPG notes that “the method provides authorities with an annual number, based on a 10-year baseline, which can be applied to the whole plan period.<sup>26</sup>” This results in an objectively assessed need for housing compliant with paragraph 11 of the NPPF of 9,999 dwellings.

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<sup>26</sup> PPG (housing and economic needs assessment) Ref ID: 012-2a

## Population growth

- 7.17 To evaluate the population growth impacts of the LHN figure for the Isle of Wight, Edge Analytics has used POPGROUP forecasting technology to develop a range of 'dwelling-led' population growth scenarios.
- 7.18 POPGROUP is a suite of demographic models used to derive forecasts of population, households, and labour force, for areas and social groups. The main POPGROUP model is a 'cohort component' model, which enables the development of population forecasts based on births, deaths and migration inputs and assumptions.
- 7.19 The Derived Forecast (DF) model sits alongside the population model (see table below) providing a headship rate model for household projections and an economic activity rate model for the labour force and employment projections.

## Scenario Definition

- 7.20 Using POPGROUP technology, four 'dwelling-led' scenarios have been configured. In a dwelling-led scenario, population growth is driven by the annual growth in the number of dwellings, set at +667 dpa in all four scenarios. Detail is provided below on the key assumptions driving these scenarios, with further information provided in Appendix A.
- 7.21 In a dwelling-led scenario, three assumptions are used to determine the link between the growth in the number of dwellings and population growth in each year of the forecast:
- A dwelling vacancy rate determines the proportion of dwellings that are vacant, providing conversion between the total number of dwellings in an area, and the total number of households. In the Isle of Wight, a vacancy rate of 9.5% has been applied, derived from 2011 Census statistics.

- Household headship rates determine the size and type of households. These have been sourced from the MHCLG 2014-based (HH-14) and ONS 2018-based (HH-18) official household projections for the Isle of Wight.<sup>27</sup>
- A further adjusted set of household headship rates (HH-14R) have been derived from the 2014-based rates, modelling an improvement in the household formation rates of the younger adult age group (25–34). It is likely that these younger age groups have seen the most significant changes in household formation following the recession, due to a combination of housing undersupply and affordability issues. In some areas, this may have led to ‘suppressed’ rates of household formation.
- The population in an area is made up of people who live in households (the household population), with the remainder referred to as the population “not in households”. The communal population adjustment determines the non-household population and is drawn from the MHCLG 2014-based household projections.

7.22 Used in combination, these three assumptions determine the size and structure of the population that results from the defined dwelling growth trajectory.

7.23 In a dwelling-led scenario, net internal (i.e. domestic) migration is used to balance between the dwelling and population growth once these three assumptions have been applied: if the resident population is insufficient in size and structure to fill the additional dwellings, a higher level of net in-migration will result. Three of the four scenarios use the same internal migration assumptions, with the fourth scenario assessing the population growth outcomes using an ‘adjusted’ migration profile.

7.24 The adjusted migration scenario has been developed to assess the population growth implications of a younger profile of migration compared with the three other scenarios. This has been achieved by reducing the out-migration rates in the 20–44 age groups, modelling the impact of retaining more of the age groups that are targeted by the Island’s housing policies as set out in the DIPS (2021).

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<sup>27</sup> The 2018-based rates have been formulated differently to 2014-based (see Appendix A) and remain fixed from 2021, unlike the 2014-based rates which are projected over a 25-year horizon.

- 7.25 These adjustments have been combined with a slight increase in the in-migration rates of the 20–29 age groups, to account for a potential ‘return’ of young people following graduation and younger people moving to the island. In the older 55–69 age group, in-migration rates have been reduced slightly.
- 7.26 The four scenarios are summarised in the table below. Note that in all scenarios, the same fertility and mortality assumptions are applied, drawn from the latest 2018-based subnational population projections from ONS.

**Table 13: Scenario Definition**

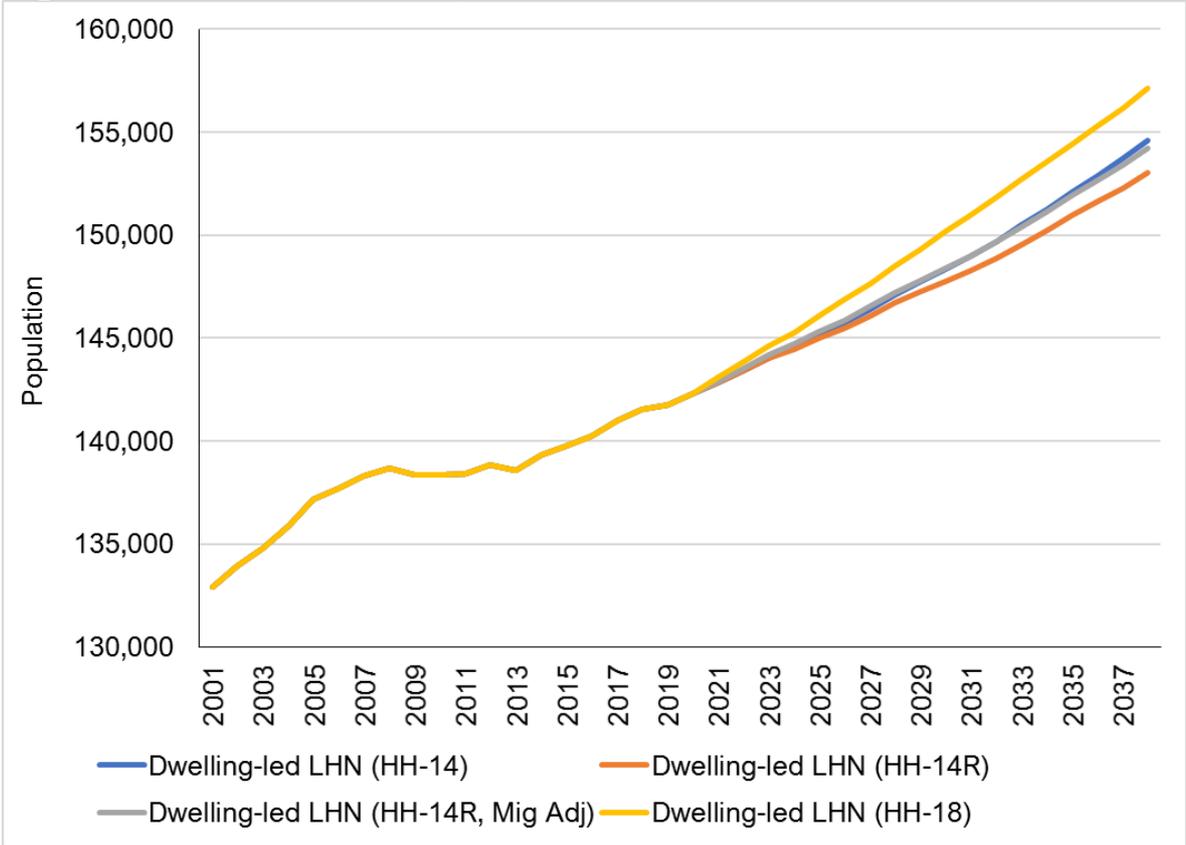
Scenario	Definition
<b>Dwelling-led LHN HH-14</b>	Models the population growth impact of an LHN figure of +667 dpa, using headship rates from the MHCLG 2014-based household projections. Internal migration assumptions are calibrated from a 5-year migration history (2015/16–2019/20).
<b>Dwelling-led LHN HH-18</b>	Models the population growth impact of an LHN figure of +667 dpa, using headship rates from the ONS 2018-based household projections. Internal migration assumptions are calibrated from a 5-year migration history (2015/16–2019/20).
<b>Dwelling-led LHN HH-14R</b>	Models the population growth impact of an LHN figure of +667 dpa, using headship rates from the MHCLG 2014-based household projections, adjusted to allow a ‘return’ to higher levels of household formation experienced in 2001 in the younger adult age group (25–34). All other age groups are unadjusted. Internal migration assumptions are calibrated from a 5-year migration history (2015/16–2019/20).
<b>Dwelling-led LHN HH-14R, Mig Adj</b>	Models the population growth impact of an LHN figure of +667 dpa, using headship rates assumptions consistent with the HH-14R scenario described above. Internal migration assumptions are calibrated from a 5-year migration history (2015/16–2019/20), but with adjustments to certain age groups to reflect the policy-on scenario likely to lead to a shift in the balance between different age cohorts that results in a higher proportion of younger people compared with the other three scenarios.

## Demographic projections

- 7.27 The demographic projections for the Isle of Wight are presented in the figure below, from 2001 to 2038. In the *Scenario Outcomes* table below each of the scenarios is summarised in terms of population and household growth for the 2023–2038 plan period, alongside the average annual net migration, natural change and associated dwelling growth target.
- 7.28 In each scenario, the same annual dwelling growth targets have been applied (+667 dpa). With a dwelling vacancy rate of 9.5%, this translates to a household growth of 13.4%, equivalent to an additional 9,026 households over the 2023–2038 plan period.
- 7.29 Three alternative headship rate assumptions are used in the scenarios. The scenario using the 2018-based rates (**HH-18**) results in higher population growth than the earlier 2014-based assumptions (**HH-14**), a reflection of the lower rates of household formation seen in the 2018 round of projections. In the HH-18 alternative, a higher level of net internal migration is therefore needed to meet the defined dwelling growth targets.
- 7.30 With improved rates of household formation in the younger age groups, as in the **HH-14R** alternative, a lower level of net internal migration results (1,641 per year). In this scenario, a larger proportion of the new dwellings are occupied by the resident population, reducing the level of net internal migration required to meet the defined dwelling growth targets.

7.31 In the scenario alternative that uses these adjusted headship rates, in combination with the adjusted migration profile (**HH-14R, Mig Adj**), net internal migration is reduced further to 1,486 per year, although population growth is slightly *higher* than under the **HH-14R** alternative. This is a result of the adjusted migration rates, which, over the course of the forecast period, a shift in the balance between different age cohorts resulting in a higher proportion of younger people compared with the other three scenarios and an associated higher number of births and reduced number of deaths.

Figure 27: **Growth scenarios, 2001-2038**



Source: ONS, Edge Analytics POPGROUP modelling

**Table 14: Scenario Outcomes, 2023-2038**

Scenario	Population Change 2023-2038	Population change (%) 2023-2038	Household Change 2023-2038	Household Change (%) 2023-2038	APY Net migration (Internal)	APY Net Migration (Overseas)	APY Net Migration	APY Natural Change	APY Dwellings
Dwelling-led LHN (HH-18)	12,527	8.7%	9,026	13.5%	1,728	155	1,883	-1,048	667
Dwelling-led LHN (HH-14)	10,583	7.3%	9,026	13.4%	1,606	155	1,761	-1,055	667
Dwelling-led LHN (HH-14R, Mig Adj)	10,014	6.9%	9,026	13.4%	1,486	155	1,641	-974	667
Dwelling-led LHN (HH-14R)	9,022	6.3%	9,026	13.4%	1,505	155	1,660	-1,059	667

Source: ONS, Edge Analytics POPGROUP modelling

### HH-14R Mig Adj

- 7.32 This LHNA has opted for the “policy on” scenario captured in the “dwelling led HH-14R Mig Adj” alternative.
- 7.33 The rationale for this is that the Isle of Wight is pursuing a policy of site allocations that will support the sustainability of the Island's existing communities. Assuming these sites come forward as planned, this is likely to have some impact on the demographic profile of the island in the coming years that foresees a greater balance between older and younger people.
- 7.34 This is because development is located in areas that are typically popular with the Island’s established residential community but less so with people seeking second or retirement homes.
- 7.35 This policy is reinforced by policy H8 relating to the type, size and tenure of new homes and policy H5 deals with affordable housing.

7.36 Taken together, the housing trajectory and policies H8 and H5 allow a forecast to be developed as to the demographic profile of the households that will occupy these homes when they are built.

7.37 The data for this analysis has been formed from a commissioned table by ONS (Table CT0621). This provides relevant data for all local authorities in England and Wales from the 2011 Census). This data presents the occupancy patterns in terms of size and tenure of homes, of households falling into different “life stages” for all local authorities in England and Wales<sup>28</sup>.

7.38 The table below shows the housing trajectory for the Isle of Wight for the first five years of the plan (2022/23-2026/27) and the next ten years to 2037/38 taken from the DIPS (2021)<sup>29</sup>.

**Table 15: Isle of Wight housing trajectory**

Source of supply	Year 1	Year 2	Year 3	Year 4	Year 5	Years 6-10	Years 11-15	Total
Large sites with permission	265	151	112	259	211	712	425	2,135
Allocated sites	187	342	376	327	243	1,555	520	3,550
Windfall	100	100	100	100	100	500	500	1,500
<b>Total</b>	<b>552</b>	<b>593</b>	<b>588</b>	<b>686</b>	<b>554</b>	<b>2,767</b>	<b>1,445</b>	<b>7,185</b>

Source: Isle of Wight Council data

7.39 The shows that the Council expects to see 7,185 new homes built in this period.

7.40 Policy H8 is set out below. This describes the Council’s current ambition as regards how larger developments (defined as those with a capacity in excess of 10 units) should be split by tenure (private, affordable rent and low-cost home ownership) and size (1-4 bedrooms).

<sup>28</sup> The same data has been used to develop the “Housing Market Model” explained in the Housing Mix chapter (chapter 13)

<sup>29</sup> DIPS, Appendix 5, pp 241

**Table 16: Policy H8**

Tenure	1 bed	2 bed	3 bed	4 bed	Total
Private	5%	35%	40%	20%	100%
Affordable rent	50%	30%	15%	5%	100%
Low cost home ownership	25%	45%	25%	5%	100%

Source: Isle of Wight Council data

- 7.41 Policy H5 requires that 35% of units on larger developments should be affordable units, of which 25% should be reserved for First Homes. Of the balance, 70% should be Affordable Rent and the rest should be other forms of low-cost home ownership, such as Shared Ownership.
- 7.42 The table below sets out how the trajectory will pan out in the event that all developments in the housing trajectory comply with Policy H5.

**Table 17: Policy H5**

Tenure	%	Year 1	Year 2	Year 3	Year 4	Year 5	Years 6-10	Years 11-15	Total
Private (incl. windfall)	65%	394	420	417	481	395	1,974	1,114	5,195
First Homes	25%	40	43	43	51	40	198	83	497
Affordable Rent	70%	83	91	90	108	83	417	174	1,045
Other forms of LCHO	30%	36	39	38	46	36	179	74	448
<b>Total</b>		<b>552</b>	<b>593</b>	<b>588</b>	<b>686</b>	<b>554</b>	<b>2,767</b>	<b>1,445</b>	

Source: Isle of Wight Council data

- 7.43 The way the Isle of Wight's housing trajectory is split between these tenures is set out below. Over the period, this will result in the delivery of 1,990 affordable homes, including First Homes.
- 7.44 The table below sets out how the Isle of Wight's housing trajectory will break down in terms of sizes of homes assuming policy-compliant development comes forward.

**Table 18: Housing delivery by the size of home**

Tenure	Size	Private	Low cost home ownership	Affordable rent	
<b>Year 1</b>	<b>1 bed</b>	20	19	42	
	<b>2 bed</b>	138	34	25	
	<b>3 bed</b>	158	19	12	
	<b>4 bed</b>	79	4	4	
<b>Year 2</b>	<b>1 bed</b>	21	20	45	
	<b>2 bed</b>	147	37	27	
	<b>3 bed</b>	168	20	14	
	<b>4 bed</b>	84	4	5	
<b>Year 3</b>	<b>1 bed</b>	21	20	45	
	<b>2 bed</b>	146	37	27	
	<b>3 bed</b>	167	20	13	
	<b>4 bed</b>	83	4	4	
<b>Year 4</b>	<b>1 bed</b>	24	24	54	
	<b>2 bed</b>	168	44	32	
	<b>3 bed</b>	192	24	16	
	<b>4 bed</b>	96	5	5	
<b>Year 5</b>	<b>1 bed</b>	20	19	42	
	<b>2 bed</b>	138	34	25	
	<b>3 bed</b>	158	19	13	
	<b>4 bed</b>	79	4	4	
<b>Years 6-10</b>	<b>1 bed</b>	99	94	208	
	<b>2 bed</b>	691	170	125	
	<b>3 bed</b>	789	94	62	
	<b>4 bed</b>	395	19	21	
<b>Years 11-15</b>	<b>1 bed</b>	56	39	87	
	<b>2 bed</b>	390	71	52	
	<b>3 bed</b>	446	39	26	
	<b>4 bed</b>	223	8	9	
<b>Total</b>		<b>5,195</b>	<b>945</b>	<b>1,045</b>	<b>7,185</b>

Source: Isle of Wight Council data

- 7.45 It is assumed all windfall development will be private and not include any affordable units.
- 7.46 The table below sets out how household occupancy on the Isle of Wight breaks down in terms of affordable rented and private housing based on data from the 2011 Census.

**Table 19: Proportion of people in different life-stages that fall into different tenures**

Tenure	16-24	25-34	35-54	55-64	65-74	75+
Affordable Rent	22%	14%	12%	8%	8%	9%
Private	78%	86%	88%	92%	92%	91%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Census 2011 (Table CT0621)

- 7.47 It is notable that the need for affordable homes is concentrated among younger groups with 22% of all households headed by a person aged 16-24 living in an affordable home.
- 7.48 This reduces to 9% for households aged 75+. That said, there remains a significant need for affordable homes among older households.
- 7.49 The table below sets out how households in the Isle of Wight break down in terms of the sizes of homes they occupy based on data from the 2011 Census.

**Table 20: Proportion of people in different life-stages that fall into different sizes of home**

Size	16-24	25-34	35-54	55-64	65-74	75+
1 bed	23%	14%	9%	10%	10%	11%
2 bed	56%	44%	27%	29%	34%	41%
3 bed	16%	34%	44%	41%	40%	38%
4 bed +	5%	8%	20%	20%	16%	10%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Census 2011 (Table CT0621)

- 7.50 This illustrates there is a marked requirement for smaller homes within the 16-24 years old age cohort.
- 7.51 The demand for larger homes increases with age, with 65% and 62% of households headed by a person aged 35-54 and 55-64 occupying homes of 3 or more bedrooms respectively.
- 7.52 While the size of homes occupied by households aged 65+ do not reduce by much, there is, nevertheless, a small reduction in the proportion of households of this age occupying homes of this size.
- 7.53 While a strong tendency to remain in the family home has been observed among older people, this may also suggest a shortage in the supply of small units on the Island suited to households looking to "right-size".
- 7.54 Bringing this evidence together, the demographic profile of the households, based on Census 2011 data, likely to occupy the 7,185 new homes to be delivered on the Isle of Wight has been modelled. The results of this exercise are set out below.

**Table 21: Age structure of new homes cohort**

Age cohort	16-24	25-34	35-54	55-64	65-74	75+	Total
Year 1 (private)	64	75	82	85	83	81	469
Year 1 (afford)	15	13	23	11	10	11	83
Year 2 (private)	68	80	87	91	89	86	502
Year 2 (afford)	35	17	12	8	9	10	91
Year 3 (private)	68	79	87	90	89	86	498
Year 3 (afford)	35	17	12	8	8	10	90
Year 4 (private)	79	92	100	105	103	100	578
Year 4 (afford)	15	15	21	21	19	16	108
Year 5 (private)	64	75	82	85	84	81	471
Year 5 (afford)	33	16	11	8	8	9	83
Year 6-10 (private)	319	374	409	426	418	405	2350
Year 6-10 (afford)	162	78	54	38	39	45	417
Year 11-15 (private)	170	202	223	232	227	219	1271
Year 11-15 (afford)	68	33	23	16	16	19	174
<b>Total</b>	<b>1,194</b>	<b>1,166</b>	<b>1,225</b>	<b>1,222</b>	<b>1,202</b>	<b>1,177</b>	<b>7,185</b>
<b>%</b>	<b>16.6%</b>	<b>16.2%</b>	<b>17.0%</b>	<b>17.0%</b>	<b>16.7%</b>	<b>16.4%</b>	<b>100%</b>

Source: IoW, Census 2011, GLH calculations

- 7.55 This indicates that the effect of the policy will be to give rise to an age structure within the "new homes cohort" that is, broadly speaking, split evenly between the six life-stage cohorts.
- 7.56 That said, housing suited to families can be said to be the dominant presence given that the evidence suggests the 25-64 age group will occupy over 50% of all homes.
- 7.57 Of the four demographic scenarios put forward, given the greater alignment between the Council's current policy position and the HH-14R, Mig Adj it is appropriate that this scenario is used not only for the demographic projections but also for the calculations of the need for affordable housing and the housing needs of specific groups.

## Conclusions

- The standard Method of housing need for the Isle of Wight results in 667 dpa based on the 2014-based household projections.
- Given that the current local plan was adopted in March 2012 (and therefore more than five years ago) the cap is applied at 40% above the demographic baseline set in Step 1 of 532. This comes to 743.
- As the capped figure is greater than the minimum local housing need figure and therefore the minimum OAN figure for the Isle of Wight is 667dpa.
- Four alternative assumptions are used relating to demographic change in future years. These are outlined in the table below.

Table 22: **Scenario Definition**

Scenario	Definition
<b>Dwelling-led LHN HH-14</b>	Models the population growth impact of an LHN figure of +667 dpa, using headship rates from the MHCLG 2014-based household projections. Internal migration assumptions are calibrated from a 5-year migration history (2015/16–2019/20).
<b>Dwelling-led LHN HH-18</b>	Models the population growth impact of an LHN figure of +667 dpa, using headship rates from the ONS 2018-based household projections. Internal migration assumptions are calibrated from a 5-year migration history (2015/16–2019/20).
<b>Dwelling-led LHN HH-14R</b>	Models the population growth impact of an LHN figure of +667 dpa, using headship rates from the MHCLG 2014-based household projections, adjusted to allow a 'return' to higher levels of household formation experienced in 2001 in the younger adult age group (25–34). All other age groups are unadjusted. Internal migration assumptions are calibrated from a 5-year migration history (2015/16–2019/20).
<b>Dwelling-led LHN HH-14R, Mig Adj</b>	Models the population growth impact of an LHN figure of +667 dpa, using headship rates assumptions consistent with the HH-14R scenario described above. Internal migration assumptions are calibrated from a 5-year migration history (2015/16–2019/20), but with adjustments to certain age groups to reflect the policy-on scenario likely to lead to a shift in the balance between different age cohorts that results in a higher proportion of younger people compared with the other three scenarios.

- The scenario using the 2018-based rates (**HH-18**) results in higher population growth than the earlier 2014-based assumptions (**HH-14**). In the HH-18 alternative, a higher level of net internal migration is needed to meet the defined dwelling growth targets.
- In the **HH-14R** alternative, there is a lower level of net internal migration (1,641 per year) compared with the HH-18 and HH-14 alternatives. In this scenario, a greater proportion of the new dwellings are occupied by the resident population, reducing the level of net internal migration required.
- Building on HH-14R (**HH-14R, Mig Adj**), net internal migration is reduced to 1,486 per year to reflect a policy-on scenario that is likely to lead to a greater proportion of younger households living on the Island in future years compared with the other three scenarios. This scenario also builds in a higher number of births and a reduced number of deaths.
- The outcomes of each of the scenarios are set out in the table below.

Table 23: **Scenario Outcomes, 2023-2038**

Scenario	Population Change 2023-2038	Population change (%) 2023-2038	Household Change 2023-2038	Household Change (%) 2023-2038	APY Net migration (Internal)	APY Net Migration (Overseas)	APY Net Migration	APY Natural Change	APY Dwellings
Dwelling-led LHN (HH-18)	12,527	8.7%	9,026	13.5%	1,728	155	1,883	-1,048	667
Dwelling-led LHN (HH-14)	10,583	7.3%	9,026	13.4%	1,606	155	1,761	-1,055	667
Dwelling-led LHN (HH-14R, Mig Adj)	10,014	6.9%	9,026	13.4%	1,486	155	1,641	-974	667
Dwelling-led LHN (HH-14R)	9,022	6.3%	9,026	13.4%	1,505	155	1,660	-1,059	667

Source: ONS, Edge Analytics POPGROUP modelling

## 8 AFFORDABLE HOUSING NEED

### Introduction

- 8.1 In this section, an assessment of affordable housing needs is presented for Isle of Wight, in line with the requirements of the NPPF and following the method outlined in the PPG.<sup>30</sup>
- 8.2 Affordable housing is defined in the NPPF as: "...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)".<sup>31</sup>
- 8.3 This includes affordable housing for rent (either social or affordable), including starter homes, discounted market sales housing, and other affordable routes to home ownership (including shared ownership, relevant equity loans, rent to buy).
- 8.4 The need for affordable housing has been assessed following the steps outlined in the PPG. This includes an assessment of current and future needs, and an estimate of affordable housing supply. The total net need for affordable housing (calculated by subtracting supply from the gross need) is converted into an annual flow based on the plan period.
- 8.5 This section is split into two. The first part considers the need for social and affordable rent, with the second part considers the need for affordable home ownership.

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<sup>30</sup> PPG (affordable housing) Para 020 Ref ID: 2a-020

<sup>31</sup> NPPF Annex 2: Glossary

## Affordable Need: Social & Affordable Rent

### **Step 1: Current Need**

- 8.6 In line with the PPG, the assessment of current needs should include only those households who cannot afford to access suitable housing in the market, including (but not limited to): homeless households and those in temporary accommodation, households in over-crowded housing, concealed households, and households in unsuitable housing.
- 8.7 The Isle of Wight Housing Register has been used to identify the current need for social and affordable rental housing. Whilst this may potentially not include all households that fall into the categories listed above (as it relies on households self-reporting or being referred), the use of housing register data is considered preferable to relying on a combination of Census and other secondary data sources (e.g. the English Housing Survey, MHCLG homelessness data). This is due to the possibility of double-counting (e.g. a household that is concealed may also be overcrowded) and the time that has elapsed since the last Census.
- 8.8 As of February 2022, there were 2,465 households on the Isle of Wight register, categorised into 5 bands. Most households require 1- or 2-bedroom properties (1,974 households), 382 households require 3-bed properties, and a further 109 require a property with 4 or more bedrooms. For the purposes of this analysis, those households that are in Band 5 are excluded, as they are recorded as having no housing need, or are owner-occupiers subject to the council's Income and Asset Policy (see table below).

**Table 24: Isle of Wight Housing Register Bands**

Band	Criteria	No. People (% of total on the register)
1	<ul style="list-style-type: none"> <li>• Exceptional circumstances</li> <li>• Urgent medical or disability</li> </ul>	11 (0.4%)
2	<ul style="list-style-type: none"> <li>• Severe over occupation (two bedrooms or more)</li> <li>• Severe under occupation (social tenants resident on the Island)</li> <li>• Severe medical/welfare issues</li> <li>• Additional preference</li> <li>• Applicants identified as being ready for 'move-on' accommodation from IOW Council accredited schemes and or from local authority care.</li> <li>• Vacating adapted accommodation</li> </ul>	314 (12.7%)
3	<ul style="list-style-type: none"> <li>• Multiples of Band 4</li> <li>• Homeless households owed a full homeless duty</li> <li>• Hazardous property condition as defined by the Housing Renewal team</li> <li>• Foster Carers or providers of supported lodging approved by the IOW Council whose housing prevents them from being able to start, or continue, to provide foster care.</li> </ul>	1,204 (48.8%)
4	<ul style="list-style-type: none"> <li>• Homeless applicants</li> <li>• Significant medical/welfare issues</li> <li>• Lacking or sharing amenities</li> <li>• Households within insecure accommodation</li> <li>• Minor under occupation (owner-occupiers or private rented tenants living on the Island)</li> <li>• Minor over occupation (one bedroom)</li> </ul>	688 (27.9%)
5	<ul style="list-style-type: none"> <li>• Households with secure accommodation and no other housing need</li> <li>• Owner-occupiers with housing need but subject to the Income and Asset policy</li> </ul>	248 (10.1%)
<b>Total</b>	including Band 5	2,465
<b>Total</b>	excluding Band 5	2,217

Source: Isle of Wight Council

8.9 Households that are currently living in affordable housing are also excluded from the current estimate of need (461 households), as it is assumed that these households, once re-housed, will free up affordable housing and therefore have a net nil effect in terms of housing need.

8.10 The current estimate of households in affordable need, based on the Isle of Wight register, is therefore 1,756. Annualised, this gives a figure of 117 households per year.

**Table 25: Isle of Wight Housing Register: current tenure by priority band**

Band	LA/RP Housing	Other Tenure	Total
Band 1	5	6	11
Band 2	163	151	314
Band 3	78	1,126	1,204
Band 4	215	473	688
Band 5	228	20	248
<b>Total incl. Band 5</b>	<b>689</b>	<b>1,776</b>	<b>2,465</b>
<b>Total excl. Band 5</b>	<b>461</b>	<b>1,756</b>	<b>2,217</b>

Source: Isle of Wight Council

### **Step 2: Future Need**

8.11 The second step of the affordable need calculation involves an assessment of the number of newly arising households likely to be in affordable housing needs in the future which includes:

- New household formation, and the proportion of these unable to rent in the area
- An estimate of the number of existing households falling into need.

### **New Household Formation**

8.12 The number of newly forming households has been estimated through demographic modelling and the application of an affordability test. By considering the changes in household numbers by age group and household type over 10-year periods to 2038, the annual change in the number of households aged 15–44 has been calculated. Household growth in the 45+ age groups has not been considered as the new household formation is concentrated in the younger age groups.

8.13 Based on the **Dwelling-led LHN (HH-14R, Mig Adj)** population projection (as defined in the previous section), **gross** household formation is calculated at **1,116** per year.

- 8.14 As set out in the PPG<sup>32</sup>, affordable housing need projections should include an assessment of the proportion of newly forming households that are unable to afford housing in the market area. This process involves identifying the minimum household income required to access entry-level (i.e. lower quartile) market housing and then estimating the proportion of households that earn less than the calculated threshold. As this section of the affordable need, calculation considers the need for social/affordable rent, only those households that are unable to afford lower quartile market rents are considered here.
- 8.15 The latest lower quartile rental figure in the Isle of Wight is £550 per month.<sup>33</sup> This equates to an annual housing cost of £6,600. On the assumption that around 26% of a household's gross income is spent on housing costs<sup>34</sup>, a minimum household income of £25,385 is needed to afford lower quartile rents on the Isle of Wight (see paragraph 11.78).
- 8.16 To estimate the proportion of households that earn less than this threshold, the household income profile for the Isle of Wight has been adjusted to reflect the lower average income for newly forming households (see paragraph 11.80). On average, younger households (aged 16-44) earn 96% of the 'all households' average.<sup>35</sup> With the CAMEO income bands adjusted accordingly, it is estimated that just 46% of newly forming households earn less than the threshold required to afford lower quartile rents in the Isle of Wight.
- 8.17 Applying this proportion to the gross household formation figure of 1,116 results in **510** newly forming households per year unable to afford open market rents over the 2023–2038 plan period.

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<sup>32</sup> PPG (affordable housing) para 021 Ref ID: 2a-021

<sup>33</sup> ONS Private rental market summary statistics, October 2020 to September 2021

<sup>34</sup> EHS 2020-21

<sup>35</sup> EHS 2018-19

### Existing Households Falling into Need

- 8.18 The number of existing households that might be expected to fall into an affordable need in the future is derived from COntinuous REcording of Lettings and Sales in Social (CORE),<sup>36</sup> which records information on the characteristics of new social housing tenants.
- 8.19 By examining the previous tenure of households that have secured accommodation over three years to 2020 (2017/18–2019/20), an estimate of the ‘flow’ of households onto the Housing Register has been calculated, averaging **273** households per year (see table below Table 26:). This step *excludes* newly-forming households (e.g. those previously living with family) and those previously living in social or affordable housing (i.e. transfers).

Table 26: **Existing households falling into need (General Needs and Supported Housing)**

Year	Total Social Housing Lettings (a)	Previous Tenure LA or PRP/HA (b)	Newly-Forming Households (other + living with friends or family) (c)	Existing households falling into need a–(b+c)
2017/18	606	127	200	279
2018/19	535	93	165	277
2019/20	593	137	194	262
<b>Average</b>	578	119	186	<b>273</b>

Source: CORE

### Total Future Need

- 8.20 Adding the number of newly forming households unable to afford lower quartile rents (510) to the number of existing households falling into need (273) gives an estimated gross figure of **783** households per year falling into need over the plan period.

<sup>36</sup> DHLUC CORE

### Step 3: Affordable Housing Supply

- 8.21 The supply of affordable housing is calculated from re-lets data and committed supply, based on past trends, in line with PPG. Re-lets data is drawn from CORE data for both general needs and supported housing (affordable and social rent). For general needs, the re-lets estimate excludes internal transfers and renewals of tenancies. Over the 2017/18–2019/20 period, the rate of general needs re-lets averaged **261** per year. For supported housing, internal transfers and relocations have been excluded, as have lettings of new properties, resulting in a re-lets estimate of **227** per year (see table below).

Table 27: **Estimated supply of re-lets**

Year	Total Lettings	Re-lets (General Needs)	Re-lets (Supported Housing)	Re-lets (Total)
2017/18	606	295	208	503
2018/19	535	234	227	461
2019/20	593	253	247	500
<b>Average</b>	<b>578</b>	<b>261</b>	<b>227</b>	<b>488</b>

Source: CORE, Social Housing Lettings in England

- 8.22 PPG recommends considering the pipeline of affordable housing within the supply calculation. Drawing on data from Homes England statistical returns, affordable starts on site on the Isle of Wight have averaged 40 per year over the last three years.<sup>37</sup>

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<sup>37</sup> [Homes England Housing Statistics](#)

8.23 PPG and the previous 2007 CLG SHMA guidance state that if the vacancy rate of the social and affordable housing stock exceeds 3%, it can be considered as surplus and therefore available for letting. The relevant data for this step of the analysis is drawn from MHCLG Local Authority Housing Statistics (LAHS) and Statistical Data Returns (SDR).<sup>38, 39</sup> For both local authority-owned stock and that owned by private registered providers (PRPs), vacancy rates over the last three years have consistently been less than 1%. Therefore, the level of surplus stock is assumed to be **zero**.

8.24 To calculate the number of units taken out of supply, data on the number of demolitions of local authority and PRP stock have been analysed (based on the LAHS and SDR). There are no recorded demolitions of properties over the last three years, and the figure for this step is therefore **zero**.

#### **Finalising the Calculation**

8.25 The current and future supply of affordable rental housing is subtracted from the need to give a net annual affordable housing need figure of 372 per year over the plan period (see table below).

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<sup>38</sup> Local Authority Housing Statistics, MHCLG 2020

<sup>39</sup> Statistical Data Return 2018 to 2019, ONS 2020

**Table 28: Social and affordable rental housing need calculation**

Stage		No.
<b>Stage 1a Current Need</b>	Total current gross need	1,756
<b>Stage 1b: Current Need</b>	Annual quota of current need (1a / 15)	117
<b>Stage 2a: Future Need</b>	New household formation (gross p.a.)	1,116
<b>Stage 2b: Future Need</b>	% households that cannot afford to rent in the open market	46%
<b>Stage 2c: Future Need</b>	No. households that cannot afford to rent in the open market (2a x 2b)	510
<b>Stage 2d: Future Need</b>	Existing households falling into need	273
<b>Stage 2e: Future Need</b>	Total newly-arising housing need (gross each year) (2c + 2d)	783
<b>Stage 3a: Affordable Housing Supply</b>	Annual supply of re-lets (net)	488
<b>Stage 3b: Affordable Housing Supply</b>	Committed Supply	40
<b>Stage 3c: Affordable Housing Supply</b>	Surplus stock (vacant but available for letting)	0
<b>Stage 3d: Affordable Housing Supply</b>	Units to be taken out of management (demolitions)	0
<b>Stage 3e: Affordable Housing Supply</b>	Total affordable housing stock available ((3a + 3b) - (3c + 3d))	528
<b>Stage 4a: Estimate of Annual Housing Need</b>	Gross annual affordable need (1b + 2b)	900
<b>Stage 4b: Estimate of Annual Housing Need</b>	Annual affordable Supply (3e)	528
<b>NET Annual Affordable Housing Need (to rent)</b>	(4a - 4b)	372

## The Relationship Between Affordable Need and Overall Housing Need

8.26 The PPG encourages local authorities to consider increasing planned housing numbers where this can help to meet the identified affordable need. Specifically, PPG states:

*“The total affordable housing need can then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the strategic plan may need to be considered where it could help deliver the required number of affordable homes<sup>40</sup>”*

<sup>40</sup> PPG (housing and economic needs assessment) Ref ID 2a-024

- 8.27 However, the relationship between affordable housing needs and overall housing need is complex. This was recognised in the Planning Advisory Service (PAS) Technical Advice Note of July 2015. PAS conclude that there is no arithmetical way of combining the OAN (calculated through demographic projections) and the affordable need. There are a number of reasons why the two cannot be 'arithmetically' linked.
- 8.28 The modelling contains a category in the projection of "existing households falling into need"; some of these households already have accommodation and hence if they were to move to alternative accommodation, they would release a dwelling for use by another household (either in affordable housing or in the open market) – there is no net need to provide additional homes.
- 8.29 The modelling also contains "newly forming households"; these households are the direct output from the demographic modelling and are therefore already included in the overall housing need figures. Within the affordable needs calculations, a gross measure of household growth is applied, therefore including a number of households already living in accommodation.
- 8.30 This just leaves the 'current need'. Much of this group will be similar to the existing households already described (in that they are already living in accommodation) although it is possible that a number will be households without housing (mainly concealed households). These concealed households are not included in the demographic modelling and so are arguably an additional need, although uplifts for market signals/affordability (as included in the Government's Standard Method) would be expected to deal with such households.

- 8.31 The analysis for the Isle of Wight estimates an annual need for 372 rented affordable homes, which is notionally 56% of the minimum Local Housing Need of 667 dwellings per annum. However, as noted, caution should be exercised in trying to make a direct link between affordable need and planned delivery, with the key point being that many of those households picked up as having a need will already be living in housing and so providing an affordable option does not lead to an overall net increase in the need for housing (as they would vacate a home to be used by someone else).
  
- 8.32 It is possible to investigate this in some more detail by re-running the model and excluding those already living in accommodation. This is shown in the table below which identifies that meeting these needs would lead to an affordable need for 147 homes per annum. This figure is theoretical and should not be seen to be minimising the need (which is clearly acute). It does however serve to show that there is a substantial difference in the figures when looking at overall housing shortages.

**Table 29: Estimated Need for Affordable Housing (social/affordable rented) excluding households already in accommodation –Isle of Wight**

Group	Excluding existing households	Including existing households
Current need	46	117
Newly forming households	479	510
Existing households falling into need	150	273
<b>Total Gross Need</b>	<b>675</b>	<b>900</b>
Re-let Supply	528	528
<b>Net Need</b>	<b>147</b>	<b>372</b>

Source: Range of data sources as described

- 8.33 The analysis is arguably even more complex than this – it can be observed that the main group of households in need are newly forming households. These households are already included within demographic projections and so demonstrating a need for this group again should not be seen as over and above any need derived through the normal process of looking at need.

- 8.34 The discussion above has already noted that the need for affordable housing does not generally lead to a need to increase overall provision (with the exception of potentially providing housing for concealed households although this should be picked up as part of an affordability uplift). It is however worth briefly thinking about how affordable need works in practice and the housing available to those unable to access market housing without Housing Benefit. In particular, the increasing role played by the Private Rented Sector (PRS) in providing housing for households who require financial support in meeting their housing needs should be recognised.
- 8.35 Whilst the Private Rented Sector (PRS) does not fall within the types of affordable housing set out in the NPPF (other than affordable private rent which is a specific tenure separate from the main ‘full market’ PRS), it has evidently been playing a role in meeting the needs of households who require financial support in meeting their housing need. Government recognises this and indeed legislated through the 2011 Localism Act to allow Councils to discharge their “homelessness duty” by providing an offer of a suitable property in the PRS.
- 8.36 It is also worth reflecting on the NPPF (Annex 2) definition of affordable housing. This says:
- “Affordable housing: housing for sale or rent, for those whose needs are not met by the market”*
- 8.37 Clearly, where a household is able to access suitable housing in the private rented sector (with or without Housing Benefit) it is the case that these needs are being met by the market (as within the NPPF definition). As such the role played by the private rented sector should be recognised – it is evidently part of the functioning housing market.

## Affordable Need: Home Ownership

- 8.38 The analysis above has considered the need for social and affordable *rented* housing in the Isle of Wight. For affordable home ownership, a similar approach is followed, producing an estimate of current needs, and potential future needs, and taking into account the supply of affordable housing through re-sales.
- 8.39 In the Isle of Wight, a household income of around £39,950 is required to purchase entry-level (lower quartile) properties (assuming a property price of £188,000, a 15% deposit and a loan to income ratio of 4). Based on the CAMEO household income profile, it is estimated that 15% of all households on the island can afford this, and only 7% of all private renters. These households that fall into the 'gap' between being able to afford lower quartile market rents and open market property prices are the ones targeted for affordable home ownership products (such as First Homes, Help to Buy Equity Loans, Help to Buy Shared Ownership, and Rent to Buy).<sup>41</sup> Using the CAMEO Income data, it is estimated that around 43% of all households in the Isle of Wight sit in this 'gap', and 33% of private renter households.

### **Current & Future Need**

- 8.40 To determine the current (backlog) need for affordable home ownership, the current number of households in the private rental sector has been estimated at 12,368, using ONS housing stock data and a 2018 household estimate. Assuming 33% of these households fall into the 'gap' between being able to afford lower market rents and lower quartile property prices, an estimated 4,115 households have a potential need for affordable home ownership.

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<sup>41</sup> See paragraph 11.81 and associated table for a summary of the costs associated with these affordable home ownership products.

- 8.41 However, some of these households will remain in the private rented sector, either through choice or due to affordability issues (e.g. due to a lack of savings). The English Housing Survey (2020-21)<sup>42</sup> reports that around three-fifths of private renters expect to buy a property at some point in the future, with around 35% of these expecting to buy in the next 2 years. Combining these proportions results in an assumption that just under 22% of private renters that fall into the ‘gap’ between being able to afford lower market rents and lower quartile property prices will be looking to buy affordable housing, equivalent to **59** households per year to 2038.
- 8.42 The future need for affordable home ownership is calculated by estimating the likely number of newly-forming households that will fall into this same ‘gap’ between being able to afford lower quartile rents and lower quartile property prices. With the CAMEO Income data adjusted to account for the income differences of newly-forming households, an estimated 41% of these newly forming households each year will have a potential need for affordable home ownership. Applying the same EHS ownership aspiration assumptions as outlined above, this produces a future need of **99** per year to 2038.
- 8.43 Combined, this suggests gross affordable home ownership needs a figure of **159** per year.

### **Affordable Home Ownership Supply**

- 8.44 Affordable home re-sales data has been used to estimate the ‘flow’ of stock that could be offset against the identified level of need. Affordable home ownership sales data from MHCLG suggests that, on average, ten shared ownership properties per year have been re-sold in the Isle of Wight between 2016 and 2019.<sup>43</sup>

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<sup>42</sup> [English Housing Survey 2020-21 Headline Report](#)

<sup>43</sup> MHCLG CORE

- 8.45 As with the calculation of affordable need (rent), committed supply is drawn from Homes England statistical returns, suggesting an average committed supply of 33 per year.
- 8.46 Combining the identified level of need (159 per year) with the re-sales and committed supply data (42 per year) results in a net annual need for **117** affordable homes (for ownership) per year to 2038.
- 8.47 The analysis of affordable home ownership supply has considered the resales of shared ownership housing only, resulting in a number of households still identified as being in need each year.
- 8.48 In reality, a proportion of all properties will be sold at or below the lower quartile price of £188,000 and would therefore be considered affordable to these households.
- 8.49 Looking at Land Registry data for the year ending November 2021, there were a total of 2,540 resales on the Isle of Wight; by definition, a quarter of these will have been priced at or below £188,000, equivalent to 635 properties.

8.50 If this figure is used as an estimate of annual supply, the identified level of need for affordable home ownership is more than adequately accommodated. However, this is intended to be illustrative, as market housing is available to anyone who can afford it, and a proportion of these properties may therefore be sold to households with incomes higher than those needed to afford lower quartile prices.

**Table 30: Need for affordable home ownership**

<b>Step</b>		<b>No.</b>
<b>Step 1a: Current Need</b>	Current households in private rent	12,368
<b>Step 1b: Current Need</b>	No. private rent households in 'gap' between open market rent and purchase (1a x 33%)	4,115
<b>Step 1c: Current Need</b>	No. seeking to become a homeowner (EHS) (1b x 21.6%)	891
<b>Step 1d: Current Need</b>	Annual quota of current need (1c / 15)	59
<b>Step 2a: Future Need</b>	New household formation (gross p.a.)	1,116
<b>Step 2b: Future Need</b>	No. newly-forming households in 'gap' open market rent and purchase (2a x 45%)	459
<b>Step 2c: Future Need</b>	Newly-forming households seeking to become a homeowner (EHS) (2b x 21.6%)	99
<b>Step 3a: Affordable Housing Supply</b>	Shared ownership resales per annum	10
<b>Step 3b: Affordable Housing Supply</b>	Affordable Home Ownership is committed to supply	33
<b>Step 3c: Affordable Housing Supply</b>	Total supply (3a + 3b)	42
<b>Step 4a: Estimate of Annual Housing Need</b>	Gross need for Affordable Home Ownership (1d+ 2c)	159
<b>Step 4b: Estimate of Annual Housing Need</b>	Total annual supply (3c)	42
<b>NET Annual Affordable Housing Need (to purchase)</b>	(4a - 4b)	117

## Conclusions

- 8.51 Analysis has been undertaken to estimate the need for affordable housing in the 2023-2038 plan period. The analysis is split between a need for social/affordable rented accommodation and the need for affordable home ownership. The latter includes housing for those who can afford to rent privately but cannot afford to buy a home.
- 8.52 The analysis has considered local housing costs (both to buy and to rent) in combination with estimates of household income. Furthermore, when looking at rental needs, consideration is given to estimates of the supply of social/affordable rented housing. For affordable home ownership, the potential supply of resales of low-cost home ownership properties (e.g., shared ownership) is also taken into account.
- 8.53 When looking at the need for affordable homes for rent, the analysis suggests a need for 372 affordable homes per annum. The Council is justified in seeking to secure additional affordable rented housing.
- 8.54 When considering the need for affordable home ownership products, the analysis suggests 117 dwellings per annum.
- 8.55 That said, if the annual resales of properties that fall into the lower quartile of values are used as a proxy for the supply of affordable home ownership products, the need for AHO products is more than adequately accommodated.
- 8.56 Overall, the analysis in this section has identified a notable need for affordable housing, arriving at a net need for 489 affordable homes per year to 2038. It is clear that the provision of affordable housing is an important issue in the Isle of Wight.

- 8.57 It is important to note that, whilst the affordable needs figure is high relative to the LHN figure of 667 per year, the methods used to derive these two figures are different; a high affordable needs figure therefore does not necessarily translate to needing a higher housing need figure.
- 8.58 The affordable needs calculation is based on a range of data inputs and includes a proportion of households that are already in housing (i.e. they do not generate a net additional need for housing).

## 9 FIRST HOMES

- 9.1 This chapter sets out the evidence, seeking to identify the level of discount to the value of new-build dwellings that would be required to make First Homes (FH) affordable to local people in the Isle of Wight (bearing in mind the impact this could have on the provision of social rented units).
- 9.2 Also, this will enable the Council to adopt a suitable policy position in respect of FHs.

### National policy

- 9.3 PPG on FHs sets out that the minimum discount should be 30% from the open market value (OMV) with local authorities having the discretion to increase the discount to 40% or 50%<sup>44</sup>. The guidance goes on to state that local authorities can apply eligibility criteria (such as lower-income caps) as part of the section 106 agreements in addition to the national criteria<sup>45</sup>.
- 9.4 FHs are similar to discounted market sales (a product currently within the NPPF), although for discounted market sale products a discount of at least 20% (rather than 30%) from OMV is required.
- 9.5 A problem with having a percentage discount is that it is possible in some locations or types of property that such a discount still means that the discounted housing is more expensive than some housing available in the open market (including housing priced around the lower quartile). This is often the case as new-build housing itself attracts a premium. According to recent research at the national level, this has historically been around 15%.

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<sup>44</sup> PPG (First Homes) Para 001 Ref ID: 70-001

<sup>45</sup> PPG (First Homes) Para 008 Ref ID: 70-008

- 9.6 The preferred approach in this chapter is to set out the affordability of different sizes of FH by the number of bedrooms (studio/1-bedroom, 2-bedrooms; 3-bedrooms and 4-bedrooms) to households on a range of incomes.
- 9.7 The analysis set out in this chapter facilitates an assessment of the depth of discount (up to a maximum of 50%) required to make dwellings affordable to target groups within the Isle of Wight as a whole.
- 9.8 This chapter, firstly, identifies a range of discounts for households that fall within the “rent/buy” gap<sup>46</sup> based on their income level and current market house prices. The households that fall within the “gap” are the target groups for FH.
- 9.9 Secondly, the chapter sets out the level of discount required for “for-sale” homes to make them affordable to households with different levels of income in the Isle of Wight.

### Target groups

- 9.10 To establish the need for Affordable Home Ownership (AHO), PPG sets out the wider definition of those to be considered as in affordable need including *“households which can afford to rent in the private rental market but cannot afford to buy despite a preference for owning their own home”*<sup>47</sup>. However, currently, there is no guidance about how the number of such households should be measured.
- 9.11 Therefore, this chapter draws on the methodology to look at households’ ability to access homes in the private rented sector (PRS). This chapter identifies the “rent/buy gap” which is the gap between the ability to afford rents in the private sector and buying a new-build market dwelling of the same size.

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<sup>46</sup> The gap between being able to afford lower quartile market rents and open market property prices.

<sup>47</sup> PPG (Housing needs of different groups) Para 005 Ref ID: 67-005

- 9.12 To answer the question about the required level of discount, the approach taken in this chapter is to identify a range of discounts so as to capture as many households falling into the “rent/buy” gap as possible.
- 9.13 A large proportion of households seeking an affordable route to homeownership will be currently renting their home. As noted in the previous chapter, around 48% of all households in the Isle of Wight sit in this “gap”, and 29% of private renter households.
- 9.14 Those households able to just afford a dwelling priced around the lower quartile (LQ) in the PRS represent the lower level of the FH discount range.
- 9.15 The upper end of the range is derived from the price at the mid-point between a home whose value reflects the amount a household currently renting could afford and dwellings prices around the median.

### **Discounts derived from private rents**

#### **How much can households afford?**

- 9.16 The “home budget” (the amount of money for home purchase available to a given household) for households in the PRS can be derived from the income required to access housing in the PRS priced at the LQ. It is possible to estimate what property price this level of income might support. The method is set out below in relation to a 2-bedrooms home:
- The latest Valuation Office Agency (VOA) data shows that the LQ rent for a 2-bedrooms home in the Isle of Wight is £575 per calendar month (pcm); added to this should be an allowance for an assumed service charge of £100pcm.

- On the basis that a household spends no more than 28% of their income on housing<sup>48</sup>, a household would need a net income of around £2,411 per month ((£575 + £100)/0.28) or £28,932 per annum to afford the lower quartile rent for a 2-bedrooms home.
- The above is a net figure; assuming the net figure is 70% of the gross figure, gross income would be £41,327 (£28,932/0.7).
- Mortgage lending limits are usually calculated based on gross income. Therefore, with an income of £41,327, it is estimated that a household could afford to buy a home for around £170,168. This is based on assuming a 15% deposit and a 3.5 times mortgage multiple – calculated as £41,327\*3.5/0.85.

9.17 Therefore, £170,168 is a suggested purchase price to make FHs affordable for households who can rent a 2-bedroom LQ home but not buy in the Isle of Wight. This figure is essentially the equivalent price that is affordable to a household that can just afford to rent a 2-bedrooms home privately.

9.18 The above exercise has been repeated for properties of different sizes within the Isle of Wight, starting with studio/1-bedroom units to 4-bedrooms units.

9.19 The table below shows the prices that FH of different sizes should be after the discount has been applied such that they are affordable to households currently able to access lower quartile homes in the PRS of Isle of Wight.

**Table 31: FH purchase prices based on private sector rents (Isle of Wight level)**

Size	LQ Rent	% Income on rent	Net monthly income required	Gross annual income required	FH purchase price
<b>Studio/1bedroom</b>	£546	28%	£1,952	£33,459	£137,770
<b>2-bedrooms</b>	£675	28%	£2,411	£41,327	£170,168
<b>3-bedrooms</b>	£825	28%	£2,946	£50,510	£207,983
<b>4-bedrooms</b>	£1,000	28%	£3,571	£61,224	£252,101

Source: VOA, Table 2.1-2.7, 2021 / GL Hearn calculations

<sup>48</sup> The latest data from the English Housing Survey (see Fig. 1.6) suggests that, across all tenures (social renters, owner-occupiers), around 26% of a household's income is spent on housing. However, as noted in Isle of Wight's Housing Needs Assessment (2018), (see paragraph 5.39), it has been assumed that a household should spend no more than 30% of their income on housing. Thus, this report applies a mid-point approach to suggest the benchmark for the proportion of income spent on housing costs.

### **Discounts required**

- 9.20 This section sets out the discounts that would be required for the OMV of new-build “for-sale” dwellings to be affordable to households currently paying LQ rent in the PRS. The discount value is calculated by comparing the OMV of median house prices (this allows for the new build premium of 15%) and the FH purchase prices identified in the table above. A negative number indicates a discount would not be required for a dwelling of this size to be affordable to the households living in the PRS paying LQ rent.
- 9.21 The table below sets the discount value required for households living in the PRS paying LQ rent to afford new-build “for-sale” dwellings based on the median market price of Isle of Wight.

**Table 32: Discounts required for lower quartile PRS households to afford (Isle of Wight level)**

Size	OMV (Median price)	FH purchase price	Discount
Studio/1bedroom	£130,000	£137,770	-6%
2-bedrooms	£209,300	£170,168	19%
3-bedrooms	£325,000	£207,983	36%
4-bedrooms	£352,500	£252,101	28%

Source: GL Hearn calculations based on Land Registry data (2021/2022)

- 9.22 This suggests that dwellings of 2-, 3-, 4-bedrooms would be affordable to the households living in the PRS paying LQ rent if discounts are applied that are within the minimum and maximum allowable thresholds. At the Island level, discounts are not required for dwellings of studio/1-bedroom due to a relatively low market house price.
- 9.23 However, market house price varies across different parts of the Isle of Wight. This indicates that the rent/buy gap will also differ between the households seeking new-build “for-sale” dwellings. Therefore, it is reasonable to compare and assess the required discount at the sub-area level, as the following table shows.

**Table 33: Discounts required for lower quartile PRS households to afford (Sub-area level)**

Sub-area	Size of dwelling	Median House price	FH purchase price	Discount
Medina Valley East	Studio/1-bedroom	£172,500	£137,770	20%
Medina Valley East	2-bedrooms	£189,500	£170,168	10%
Medina Valley East	3-bedrooms	£300,000	£207,983	31%
Medina Valley East	4-bedrooms	£296,000	£252,101	15%
Medina Valley West	Studio/1-bedroom	£183,000	£137,770	25%
Medina Valley West	2-bedrooms	£247,500	£170,168	31%
Medina Valley West	3-bedrooms	£260,000	£207,983	20%
Medina Valley West	4-bedrooms	£336,750	£252,101	25%
Newport	Studio/1-bedroom	£84,000	£137,770	-64%
Newport	2-bedrooms	£175,000	£170,168	3%
Newport	3-bedrooms	£272,500	£207,983	24%
Newport	4-bedrooms	£308,000	£252,101	18%
Ryde	Studio/1-bedroom	£131,500	£137,770	-5%
Ryde	2-bedrooms	£188,000	£170,168	9%
Ryde	3-bedrooms	£480,000	£207,983	57%
Ryde	4-bedrooms	£562,500	£252,101	55%
The Bay	Studio/1-bedroom	£125,000	£137,770	-10%
The Bay	2-bedrooms	£255,000	£170,168	33%
The Bay	3-bedrooms	£360,000	£207,983	42%
The Bay	4-bedrooms	£425,125	£252,101	41%
West Wight	Studio/1-bedroom	£139,000	£137,770	1%
West Wight	2-bedrooms	£291,250	£170,168	42%
West Wight	3-bedrooms	£337,500	£207,983	38%
West Wight	4-bedrooms	£430,000	£252,101	41%

Source: Land Registry, 2022 / Market data / GLH calculations

- 9.24 The table shows the large difference in market value for different sizes of dwellings between sub-areas of the Isle of Wight. Thus, the level of the required discount could be less in lower value sub-areas of Isle of Wight (e.g., Newport) or more in higher value sub-areas (e.g., The Bay, West Wight).

## **Conclusions**

- 9.25 The analysis shows that, at the Island level, a discount of 19% is needed for households living in the PRS paying LQ rent to afford homes larger than dwelling sizes of 2-bedrooms. Applying the minimum FH discount (30%) will allow these households to afford these dwellings.
- 9.26 However, in some parts of the Isle of Wight, no discount is required for dwellings of studio/1-bedroom in size on account of variations in house prices across the Isle of Wight.
- 9.27 For the larger sizes of dwellings, the data shows that the required discount is 36% for 3-bedrooms dwellings and 28% for 4-bedrooms dwellings at the Island level. By applying the discount range of 30%-40% will allow households living in the PRS to afford homes of these sizes.

## **The discount range**

- 9.28 In reality, there will be a range of incomes in the “rent/buy” gap. As a result, some households will be able to afford a higher price than that set out in the tables above. However, setting all homes at a higher price would mean excluding some households from the market, especially those with lower income levels.
- 9.29 On this basis, it is considered reasonable to look at the cost of FHs as a range, from the equivalent private rents for different sizes of the home up to the mid-point of the cost of median-price dwellings of the same sizes on the open market and the relevant private rented figure.
- 9.30 This range will allow the affordability of a wider range of households in the “rent/buy” gap to be covered through the FH policy.

9.31 As shown in the table below, for dwellings of studio/1-bedroom size, no discount is required to allow households living in the PRS to afford median dwellings at the Isle of Wight average level.

Table 34: **FH discount ranges (Studio/1-bedroom)**

Sub-area	LQ Rent	Income required (net)	Gross Income required pa	Equiv. purchase price	Median house price	Mid-point	Discount range (PRS)	Discount range (Mid-)
Medina Valley East	£546	£1,952	£33,459	£137,770	£172,500	£155,135	20%	11%
Medina Valley West	£546	£1,952	£33,459	£137,770	£183,000	£160,385	25%	14%
Newport	£546	£1,952	£33,459	£137,770	£84,000	£110,885	-64%	-24%
Ryde	£546	£1,952	£33,459	£137,770	£131,500	£134,635	-5%	-2%
The Bay	£546	£1,952	£33,459	£137,770	£125,000	£131,385	-10%	-5%
West Wight	£546	£1,952	£33,459	£137,770	£139,000	£138,385	1%	0%
Isle of Wight Avg.	£546	£1,952	£33,459	£137,770	£130,000	£133,885	-6%	-3%

Source: GL Hearn calculations

9.32 However, there is a large difference in house prices between sub-areas of the Isle of Wight. At the sub-area level, the minimum FH discount (30%) will allow more households in the “rent/buy” gap to afford dwellings, particularly in the sub-areas of Medina Valley East and Medina Valley West.

9.33 For dwellings of 2-bedrooms in size, the table below indicates the discount range that the households in the PRS can afford FHs and the discount that should be applied to the OMV of dwellings priced around the median. In the event discounts were applied in line with this range, households living in the PRS would be able to afford FH and wealthier households would benefit from discounts in line with their ability to pay.

**Table 35: FH discount ranges (2-bedrooms)**

Sub-area	LQ Rent	Income required (net)	Gross Income required pa	Equiv. purchase price	Median house price	Mid-point	Discount range (PRS)	Discount range (Mid-
Medina Valley East	£675	£2,411	£41,327	£170,168	£189,500	£179,834	10%	5%
Medina Valley West	£675	£2,411	£41,327	£170,168	£247,500	£208,834	31%	19%
Newport	£675	£2,411	£41,327	£170,168	£175,000	£172,584	3%	1%
Ryde	£675	£2,411	£41,327	£170,168	£188,000	£179,084	9%	5%
The Bay	£675	£2,411	£41,327	£170,168	£255,000	£212,584	33%	20%
West Wight	£675	£2,411	£41,327	£170,168	£291,250	£230,709	42%	26%
Isle of Wight Avg.	£675	£2,411	£41,327	£170,168	£209,300	£189,734	19%	10%

Source: GL Hearn calculations

9.34 The table below suggests the discount range for dwellings of 3-bedrooms size. This range will allow households living in the PRS to afford the same size of dwelling they currently live in. The range also provides guidance as to the discounts that should be applied to the OMV of dwellings priced around the median for this size of dwellings.

**Table 36: FH discount ranges (3-bedrooms)**

Sub-area	LQ Rent	Income required (net)	Gross Income required pa	Equiv. purchase price	Median house price	Mid-point	Discount range (PRS)	Discount range (Mid-point)
Medina Valley East	£825	£2,946	£50,510	£207,983	£300,000	£253,992	31%	18%
Medina Valley West	£825	£2,946	£50,510	£207,983	£260,000	£233,992	20%	11%
Newport	£825	£2,946	£50,510	£207,983	£272,500	£240,242	24%	13%
Ryde	£825	£2,946	£50,510	£207,983	£480,000	£343,992	57%	40%
The Bay	£825	£2,946	£50,510	£207,983	£360,000	£283,992	42%	27%
West Wight	£825	£2,946	£50,510	£207,983	£337,500	£272,742	38%	24%
Isle of Wight Avg.	£825	£2,946	£50,510	£207,983	£325,000	£266,492	36%	22%

Source: GL Hearn calculations

9.35 The table below suggests the discount range for dwellings of 4-bedrooms size. Given the higher median house price of this group, the required discount is the highest compared with other sizes of dwellings.

9.36 This range will allow households living in the PRS to afford the same size of dwellings in which they currently live. The discounts are suggested to apply to the OMV of dwellings priced around the median for this size of dwellings.

**Table 37: FH discount ranges (4-bedrooms)**

Sub-area	LQ Rent	Income required (net)	Gross Income required pa	Equiv. purchase price	Median house price	Mid-point	Discount range (PRS)	Discount range (Mid-point)
Medina Valley East	£1,000	£3,571	£61,224	£252,101	£296,000	£274,050	15%	8%
Medina Valley West	£1,000	£3,571	£61,224	£252,101	£336,750	£294,425	25%	14%
Newport	£1,000	£3,571	£61,224	£252,101	£308,000	£280,050	18%	10%
Ryde	£1,000	£3,571	£61,224	£252,101	£562,500	£407,300	55%	38%
The Bay	£1,000	£3,571	£61,224	£252,101	£425,125	£338,613	41%	26%
West Wight	£1,000	£3,571	£61,224	£252,101	£430,000	£341,050	41%	26%
Isle of Wight Avg.	£1,000	£3,571	£61,224	£252,101	£352,500	£302,300	28%	17%

Source: GL Hearn calculations

9.37 Since the discount range is arrived at based in part on median house price, this may mean that only a limited number of households or those with higher income levels in the “rent/buy” gap could afford FH. Therefore, any housing provided at such a cost would need to be supplemented by other tenures of housing that provide an affordable route to homeownership, such as Shared Ownership.

**The Price Cap**

9.38 It is also worth noting the effect of the price cap set out in PPG. It states that the sale price of an FH must not exceed £250,000 after the discount has been applied<sup>49</sup>.

9.39 The tables below set out the sale prices of homes priced around the median in sub-areas of Isle of Wight at the OMV and three levels of discount: 30%, 40% and 50%.

9.40 The table below indicates that studio/1-bedroom dwellings in all sub-areas of Isle of Wight discounted by 30-50% would fall within the £250k price ceiling.

**Table 38: FHs – prices after discounts applied (Studio/1-bedroom)**

Sub-area	Median House price	Discount range - 30%	Discount range - 40%	Discount range - 50%
Medina Valley East	£172,500	£120,750	£103,500	£86,250
Medina Valley West	£183,000	£128,100	£109,800	£91,500
Newport	£84,000	£58,800	£50,400	£42,000
Ryde	£131,500	£92,050	£78,900	£65,750
The Bay	£125,000	£87,500	£75,000	£62,500
West Wight	£139,000	£97,300	£83,400	£69,500
Isle of Wight Avg.	£130,000	£91,000	£78,000	£65,000

Source: GL Hearn calculations

<sup>49</sup> PPG (First Homes) Para 002 Ref ID: 70-002

- 9.41 At both Isle of Wight average and sub-area levels, the table below indicates that 2-bedroom dwellings discounted by 30-50% would fall within the £250k price ceiling.

**Table 39: FHs – prices after discounts applied (2-bedrooms)**

Sub-area	Median House price	Discount range - 30%	Discount range - 40%	Discount range - 50%
Medina Valley East	£189,500	£132,650	£113,700	£94,750
Medina Valley West	£247,500	£173,250	£148,500	£123,750
Newport	£175,000	£122,500	£105,000	£87,500
Ryde	£188,000	£131,600	£112,800	£94,000
The Bay	£255,000	£178,500	£153,000	£127,500
West Wight	£291,250	£203,875	£174,750	£145,625
Isle of Wight Avg.	£209,300	£146,510	£125,580	£104,650

Source: GL Hearn calculations

- 9.42 At the Isle of Wight average level, the table below shows that 3-bedrooms dwellings discounted by 30-50% would fall within the £250k price ceiling. However, if FHs location falls within sub-areas of Ryde and The Bay, 3-bedrooms dwellings should at least be discounted by 50% and 40% respectively to fall within the PPG price ceiling.

**Table 40: FHs – prices after discounts applied (3-bedrooms)**

Sub-area	Median House price	Discount range - 30%	Discount range - 40%	Discount range - 50%
Medina Valley East	£300,000	£210,000	£180,000	£150,000
Medina Valley West	£260,000	£182,000	£156,000	£130,000
Newport	£272,500	£190,750	£163,500	£136,250
Ryde	£480,000	£336,000	£288,000	£240,000
The Bay	£360,000	£252,000	£216,000	£180,000
West Wight	£337,500	£236,250	£202,500	£168,750
Isle of Wight Avg.	£325,000	£227,500	£195,000	£162,500

Source: GL Hearn calculations

- 9.43 The table below indicates that, at the Isle of Wight average level, 4-bedrooms dwellings discounted by 30-50% would fall within the £250k price ceiling. However, if FHs location falls within sub-areas of The Bay and West Wight, 4-bedrooms dwellings should at least be discounted by 50% to fall within the PPG price ceiling. For the sub-area of Ryde, the price will not fall within the PPG price ceiling even if the maximum 50% FH discount is applied.

**Table 41: FHs – prices after discounts applied (4-bedrooms)**

Sub-area	Median House price	Discount range - 30%	Discount range - 40%	Discount range - 50%
Medina Valley East	£296,000	£207,200	£177,600	£148,000
Medina Valley West	£336,750	£235,725	£202,050	£168,375
Newport	£308,000	£215,600	£184,800	£154,000
Ryde	£562,500	£393,750	£337,500	£281,250
The Bay	£425,125	£297,588	£255,075	£212,563
West Wight	£430,000	£301,000	£258,000	£215,000
Isle of Wight Avg.	£352,500	£246,750	£211,500	£176,250

Source: GL Hearn calculations

### Income-led discounts

- 9.44 Local income levels are a key determinant of affordability. Based on CAMEO Income data, the median household income on the Isle of Wight is £25,178 in 2021.

**Table 42: CAMEO income bands: Isle of Wight**

Income Band	CAMEO Income Group Description	% Isle of Wight Households	% UK Households
1	Many households with an income of over £100K +	0.1%	0.7%
2	Many households with an income of between £75 - £100K	0.2%	2.4%
3	Many households with an income of between £50 - £75K	2.2%	10.1%
4	Many households with an income of between £40 - £50K	6.7%	13.3%
5	Many households with an income of between £30 - £40K	23.4%	19.5%
6	Many households with an income of between £20 - £30K	45.3%	23.2%
7	Many households with an income of between £10 - £20K	21.2%	26.5%
8	Many households with an income of less than £10K	0.9%	4.1%

Source: CAMEO Income, TransUnion; Royal Mail PAF 2021

9.45 The table below sets out the level of discount required for “for-sale” homes priced around the median (District level average) to be affordable to households based on incomes ranging from £10,000 to £80,000 at £5,000 intervals. This income range is based on the upper-income threshold in the test set out in PPG<sup>50</sup>.

**Table 43: Discounts are required for median house prices to be affordable to the target group**

Income level	Home budget	FH (Median for sale)-Studio/1bed	FH (Median for sale)-2 bed	FH (Median for sale)-3 bed	FH (Median for sale)-4 bed	Discount required - Studio/1bed	Discount required - 2 bed	Discount required - 3 bed	Discount required - 4 bed
£10,000	£54,500	£130,000	£209,300	£325,000	£352,500	58%	74%	83%	85%
£15,000	£72,000	£130,000	£209,300	£325,000	£352,500	45%	66%	78%	80%
£20,000	£89,500	£130,000	£209,300	£325,000	£352,500	31%	57%	72%	75%
£25,000	£107,000	£130,000	£209,300	£325,000	£352,500	18%	49%	67%	70%
£30,000	£124,500	£130,000	£209,300	£325,000	£352,500	4%	41%	62%	65%
£35,000	£142,000	£130,000	£209,300	£325,000	£352,500	N/A	32%	56%	60%
£40,000	£159,500	£130,000	£209,300	£325,000	£352,500	N/A	24%	51%	55%
£45,000	£177,000	£130,000	£209,300	£325,000	£352,500	N/A	15%	46%	50%
£50,000	£194,500	£130,000	£209,300	£325,000	£352,500	N/A	7%	40%	45%
£55,000	£212,000	£130,000	£209,300	£325,000	£352,500	N/A	N/A	35%	40%
£60,000	£229,500	£130,000	£209,300	£325,000	£352,500	N/A	N/A	29%	35%
£65,000	£247,000	£130,000	£209,300	£325,000	£352,500	N/A	N/A	24%	30%
£70,000	£264,500	£130,000	£209,300	£325,000	£352,500	N/A	N/A	19%	25%
£75,000	£282,000	£130,000	£209,300	£325,000	£352,500	N/A	N/A	13%	20%
£80,000	£299,500	£130,000	£209,300	£325,000	£352,500	N/A	N/A	8%	15%

Source: GL Hearn Calculations

9.46 The colour coding illustrates the depth of discount required with the deeper red indicating a higher discount to achieve affordability. The darker the blue, the smaller the discount. A negative number (labelled as N/A) indicates a discount would not be required for a dwelling of this size to be affordable to a household at that income level. These households are unlikely to select the FH.

<sup>50</sup> PPG (First Homes) Para 007 Ref ID:70-007

- 9.47 Median “for-sale” house prices have been arrived at by taking the average median prices achieved in the second-hand market and adding 15% to allow for a new-build premium.
- 9.48 The “Home Budget” is 3.5 times household income plus access to a deposit of around £19,500 (15% of a 1-bedroom flat priced around the median).
- 9.49 The table above shows that no sizes of dwelling would be accessible for households of income level lower than £10,000pa within the discount range permitted for FH.
- 9.50 To be affordable to a household between £15,000pa to £20,000pa, a studio or 1-bedroom flat would need to be discounted by 31 to 45%. No other sizes of dwelling would be accessible to a household on this income within the discount range permitted for FHs.
- 9.51 Furthermore, it is questionable whether a household with an income at or below this level would have a deposit worth the equivalent of one year’s salary. As indicated by the income bands of the Isle of Wight, around 22% of the household in the Isle of Wight are below this income level (less than £20,000pa).
- 9.52 For households on higher incomes, the provision of FH has the potential to make a wider range of sizes of dwellings available. For example, for a household of £45,000pa, a 3- or 4-bedroom dwelling would be available in the event the discount applied was 46%.
- 9.53 For those households with the highest income level of £80,000 in the table above to be eligible for the FH, a 4-bedrooms dwelling would be affordable at a minimum discount of 30%.

## Conclusions

- 9.54 This chapter identifies the level of discount to the value of new-build dwellings that would be required to make First Homes (FH) affordable to local people (bearing in mind the impact this could have on the provision of social rented units).

## Target Groups

- 9.55 In answering the question, this chapter focuses on those households that fall into the “rent/buy” gap, noting that different households will require different levels of support to access the “for-sale” market.
- 9.56 The analysis concludes that it is appropriate to consider the level of discount that should be applied as a range. The bottom of the range is the discount that would be required to enable households currently renting to afford to buy; the top of the range is that which would make dwellings affordable to households currently able to afford more expensive homes<sup>51</sup>. The table below summarises the discount ranges.

**Table 44: Discount ranges for FHs (Isle of Wight level)**

Sizes	LQ rent- equiv. purchase price	Median house price	Mid-point	Discount range - PRS	Discount range - Midpoint
<b>Studio/1-bedroom</b>	£137,770	£130,000	£133,885	-6%	-3%
<b>2-bedroom</b>	£170,168	£209,300	£189,734	19%	10%
<b>3-bedroom</b>	£207,983	£325,000	£266,492	36%	22%
<b>4-bedroom</b>	£252,101	£352,500	£302,300	28%	17%

Source: GL Hearn calculations

- 9.57 At the Isle of Wight average level, due to the relatively low market price of studio/1-bedroom dwellings, dwellings of this size will not require a discount for households currently able to afford dwellings of this size in the PRS to access similar “for sale” products. This suggests that these households may be in the PRS by choice or, more likely, they do not have access to enough finance to afford to buy.

<sup>51</sup> This is defined as the mid-point of the cost of median-price dwellings and the value derived from private rent for the same sizes of home.

9.58 That said, if FH is located in certain sub-areas (e.g. Medina Valley East or Medina Valley West), the minimum FH discount (30%) will allow more households in the “rent/buy” gap to afford dwellings of studio/1-bedroom in size.

9.59 At the Isle of Wight average level, by applying a discount of 30% to 40%, households paying LQ rent on homes of 2-, 3- and 4-bedrooms in size will be able to afford new-build homes of the same size priced around the median. This discount range meets the price ceiling set out in the PPG post discount of £250,000.

### **Income-led discounts**

9.60 Further analysis has been undertaken to assess whether FH would be affordable given the household income distribution in the Isle of Wight. This provides guidance as to the level of discount that would be appropriate to enable households on certain incomes to access homeownership.

9.61 Households who have the lowest level of income (below £10k per annum) would not be able to afford any size of home.

9.62 Those with a household income of between £15k-20k per annum would be able to afford a studio/1-bedroom size dwelling priced around the median where the maximum 50% discount is applied to the OMV.

9.63 The analysis by income bracket suggests that with a District-wide FH discount of 50% 1-, 2-, 3-, 4-bedrooms dwellings would be affordable to households whose incomes fall between the level of £15,000 to £80,000.

- 9.64 The analysis confirms that households with lower income levels (below £15,000 per annum) are likely to face difficulties in accessing FHs even were the maximum 50% discount level to be applied. Therefore, FHs should be suitable as a policy tool that provides a route to homeownership for households whose income falls broadly within the mid-range of Isle of Wight's income distribution.
- 9.65 As regards the need for other affordable products, it should be noted that 22% of Isle of Wight's households are below the income level of £20,000 pa. Since the gap between the home buying budget and the market price of these income groups is large, the provision of alternative rental housing options (e.g., social or affordable rent) or intermediate housing policy (e.g. shared ownership) should be considered for these households.

### **Policy options**

- 9.66 Where the Council is seeking a discount that is greater than 30%, consideration should be given to whether this might prejudice the viability of providing other forms of affordable housing (such as social rented homes) given that funds available for affordable homes from planning gain are finite.
- 9.67 Instead of setting a discount level that is greater than 30%, it might be more appropriate to set it at a minimum level of 30% and apply local eligibility criteria (such as income caps) as part of section 106 agreements, which might in some cases necessitate a greater level of a discount than 30%.
- 9.68 In such a case, the discount level would be driven off the affordability of FH to households on specific income bands. This would provide an opportunity to determine the level of discount on a case-by-case basis rather through a one-size-fits-all approach.

- 9.69 Moreover, the evidence gathered indicates substantial variations in the price levels between the different sub-areas in the Isle of Wight. This suggests households in different parts of the Island may experience different affordability issues depending on where they live (or are seeking to live). This may be factored into where the Council decides to seek FH.
- 9.70 Following PPG, once a minimum of 25% of FH has been accounted for, social rent products should be delivered in the same percentage as set out in the Local Plan. This means that only other forms of intermediate products (as opposed to social rent) should be reduced to allow for FH.
- 9.71 However, to ensure that households with lower income levels are able to access AHO products, Shared Ownership should be retained in the affordable housing mix.

## 10 OLDER AND DISABLED PERSONS AND OTHER SPECIFIC GROUPS

10.1 This section of the report examines the housing need for older persons and those with a long-term health problem or disability (LTHPD) including wheelchair users' needs.

10.2 The NPPF states:

*“The size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies (including, but not limited to, those who require affordable housing, families with children, older people, students, people with disabilities, service families, travellers, people who rent their homes and people wishing to commission or build their own homes”<sup>52</sup>*

10.3 Planning Practice Guidance (PPG) for older and disabled people is spread over two sections: *Housing for older and disabled people* and *Housing: optional technical standards*. These sections both need to be considered in order to understand the range of topics that local authorities should address and the sources of evidence to support policy development.

10.4 *Housing for older and disabled people* establishes that plan-making authorities should address the housing needs of older and disabled people<sup>53</sup> and that plans need to provide for specialist housing where such a need exists.<sup>54</sup> It sets out the standards that can be applied to dwellings so that they are suitable for occupation by people in groups: *M4(2): Accessible and adaptable dwellings* and *M4(3): Wheelchair user dwellings*.<sup>55</sup> It also points out suitable evidence sources to identify the need.<sup>56</sup>

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<sup>52</sup> NPPF Paragraph 62

<sup>53</sup> PPG (housing for older and disabled people) Para 006 Ref ID: 63-006

<sup>54</sup> PPG (housing for older and disabled people) para 012 Ref ID: 63-012

<sup>55</sup> PPG (housing for older and disabled people) Para 009 Ref ID: 63-009

<sup>56</sup> PPG (housing for older and disabled people) Para 005 Ref ID: 63-005

10.5 The second sets out the topics that should be addressed such that the Council responds to needs in a meaningful way; these are:

- 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.
- the overall impact on the viability<sup>57</sup>

10.6 Across the country, due to the improvements in life expectancy, the population of people in older age groups is increasing, and the Isle of Wight is no exception. For this reason, a priority for the LHNA will be to provide a robust forecast of the needs of older residents.

10.7 To determine the housing needs of older persons, we divide older residents into two age cohorts, those aged between 65 and 74 years, and those aged 75 and above. This is determined by the likely prevalence of different degrees of severity of the disability, and the existence of authoritative guidance on planning for the housing needs of those aged 75 and older.

10.8 It also allows plan-makers to identify the need for specialist housing for older people that maps onto the four types of dwelling identified in PPG:

- Age-restricted general market housing
- Retirement living or sheltered housing
- Extra care housing or housing-with-care
- Residential care homes and nursing homes<sup>58</sup>

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<sup>57</sup> PPG (accessibility and wheelchair housing standards) Para 007 Ref ID: 56-007

<sup>58</sup> PPG (housing for older and disabled people) Para 010 Ref ID: 63-010

- 10.9 In order to understand older people's housing needs, PPG provides two important points. Firstly, plan-makers should address the needs of those approaching retirement through to the very frail elderly. This points to a very wide demographic spread and a correspondingly wide variety of homes of different types and sizes.
- 10.10 That said, as noted in PPG, it is reasonable to assume the needs of many older people will be met through mainstream housing, particularly where policy actively supports lifetime homes, bungalows, and adaptations.<sup>59</sup>
- 10.11 Secondly, they should enable people to live in their own, or mainstream housing, for as long as possible, particularly given it may be adapted or designed specifically to meet their needs. Plan-makers will therefore need to identify the role that general housing may play as part of their assessment. By so doing, they will be able to reduce the assessed need in the area for all forms of specialist housing for the elderly and avoid over-provision.
- 10.12 In order to understand the level of demand, the number of older person households that will arise by 2038 is therefore identified; what proportion of this group's housing needs can be addressed through mainstream housing (allowing for both lifetime homes and the scope for adaptations); and, lastly, what the residual need is likely to be for Specialist Housing for the Older People (SHOP).

### **Older Persons Population Growth**

- 10.13 The following tables provide the current baseline population of older persons on the Isle of Wight, together with relevant comparators, and the percentage of the population that they comprise. The data (for 2020) reflects the latest that has been published.

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<sup>59</sup> PPG (housing for older and disabled people) Para 012 Ref ID: 63-012

**Table 45: Older person population, Isle of Wight and comparators, 2020**

	England	Hampshire	Isle of Wight
<b>under 65 (no.)</b>	46,086,119	1,084,646	101,438
<b>under 65 (%)</b>	81%	78%	71%
<b>Aged 65+ (no.)</b>	10,464,019	304,560	40,858
<b>Aged 65+ (%)</b>	19%	22%	29%
<b>65-74 (no.)</b>	5,598,428	157,741	21,872
<b>65-74 (%)</b>	10%	11%	15%
<b>75-84 (no.)</b>	3,459,181	102,748	13,608
<b>75-84 (%)</b>	6%	7%	10%
<b>Age 85+ (no.)</b>	1,406,410	44,071	5,378
<b>Age 85+ (%)</b>	2%	3%	4%

Source: ONS population estimates

10.14 The data shows that the Isle of Wight has a higher proportion of older persons in every age category above 65+. Almost a third of the Island's population is aged 65 and above, this is significantly higher than the national average (19%).

10.15 The table below shows the same information for sub-areas. This shows some significant variations in the proportion of people aged 65 and above, ranging from 24% to 40%.

**Table 46: Older person population, Isle of Wight (sub-areas), 2020**

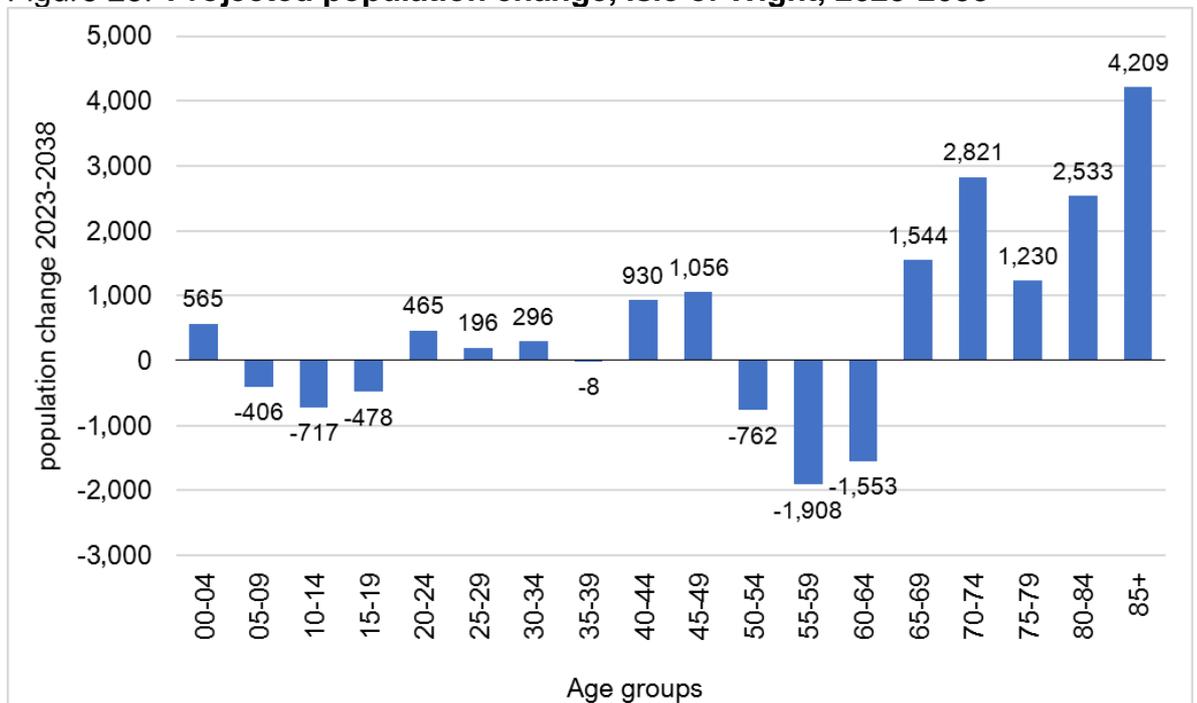
	Medina Valley East	Medina Valley West	Newport	Ryde	The Bay	West Wight
<b>under 65 (no.)</b>	14,734	11,362	19,585	23,822	25,010	6,925
<b>under 65 (%)</b>	73%	76%	76%	73%	68%	60%
<b>Aged 65 + (no.)</b>	5,371	3,629	6,242	9,013	11,908	4,695
<b>Aged 65+ (%)</b>	27%	24%	24%	27%	32%	40%
<b>65-74 (no.)</b>	2,921	1,903	3,220	4,854	6,482	2,492
<b>65-74 (%)</b>	15%	13%	12%	15%	18%	21%
<b>75-84 (no.)</b>	1,852	1,255	2,118	2,964	3,824	1,595
<b>75-84 (%)</b>	9%	8%	8%	9%	10%	14%
<b>Age 85+ (no.)</b>	598	471	904	1,195	1,602	608
<b>Age 85+ (%)</b>	3%	3%	4%	4%	4%	5%

Source: ONS population estimates

10.16 The sub-area with the highest proportion of older persons (aged over 65) is West Wight (40%), followed by The Bay area (32%). Newport and Medina Valley West have the lowest proportion of older persons (24%); however, this is still higher than the national average (19%).

10.17 As well as providing a baseline position for the proportion of older persons in the Isle of Wight, demographic projections can be used to provide an indication of how the numbers will change in the future. The following figure shows the projected population change between 2023 and 2038 in the Isle of Wight.

Figure 28: **Projected population change, Isle of Wight, 2023-2038**



Source: Demographic Projections, Dwelling-led LHN (HH-14R, Mig Adj)

10.18 This data shows that there is a substantial expected increase in the older age groups – particularly those in the 85+ age category. This group is expected to increase the most significantly, with projected population growth between 2023 and 2038 of 4,209 people.

10.19 Overall, it is forecast that there will be an increase of 12,347 people aged 65+ category by 2038.

10.20 The following table displays the percentage change in population by age group for the Isle of Wight between the years 2023 and 2038.

**Table 47: % Change in population by age, Isle of Wight, 2023-2038**

Age group	% change
00-04	10%
05-09	-6%
10-14	-10%
15-19	-7%
20-24	7%
25-29	3%
30-34	4%
35-39	0%
40-44	14%
45-49	12%
50-54	-7%
55-59	-17%
60-64	-15%
65-69	15%
70-74	25%
75-79	15%
80-84	47%
85+	78%

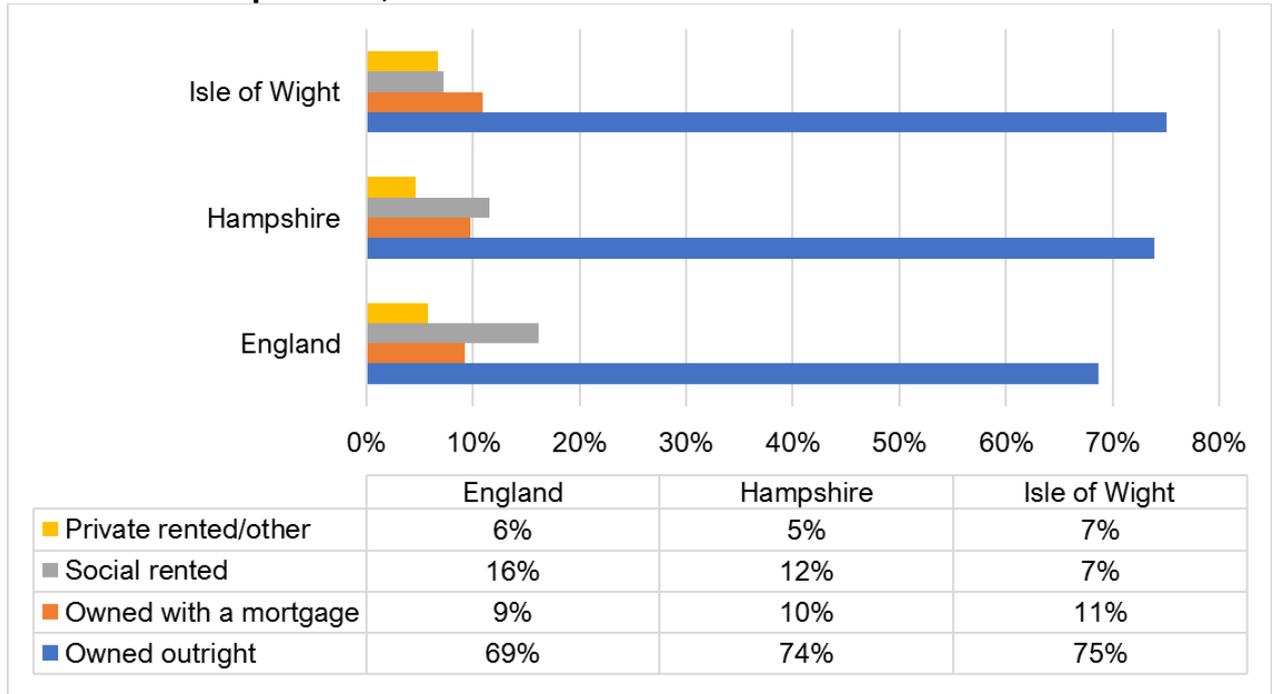
Source: Demographic Projections, Dwelling-led LHN (HH-14R, Mig Adj)

10.21 The largest population decreases can be found in the 55-59 and 60-64 age categories, while the largest increases can be found in the 80-84 and 85+ age groups. Overall, the older age groups (aged 65 and above) are expected to experience the most significant growth.

### Characteristics of Older Person Households

10.22 The following figure displays the tenure of older person households (aged 65+) for the Isle of Wight and comparator geographies in 2011.

Figure 29: **Tenure of older person households, Isle of Wight and comparators, 2011**

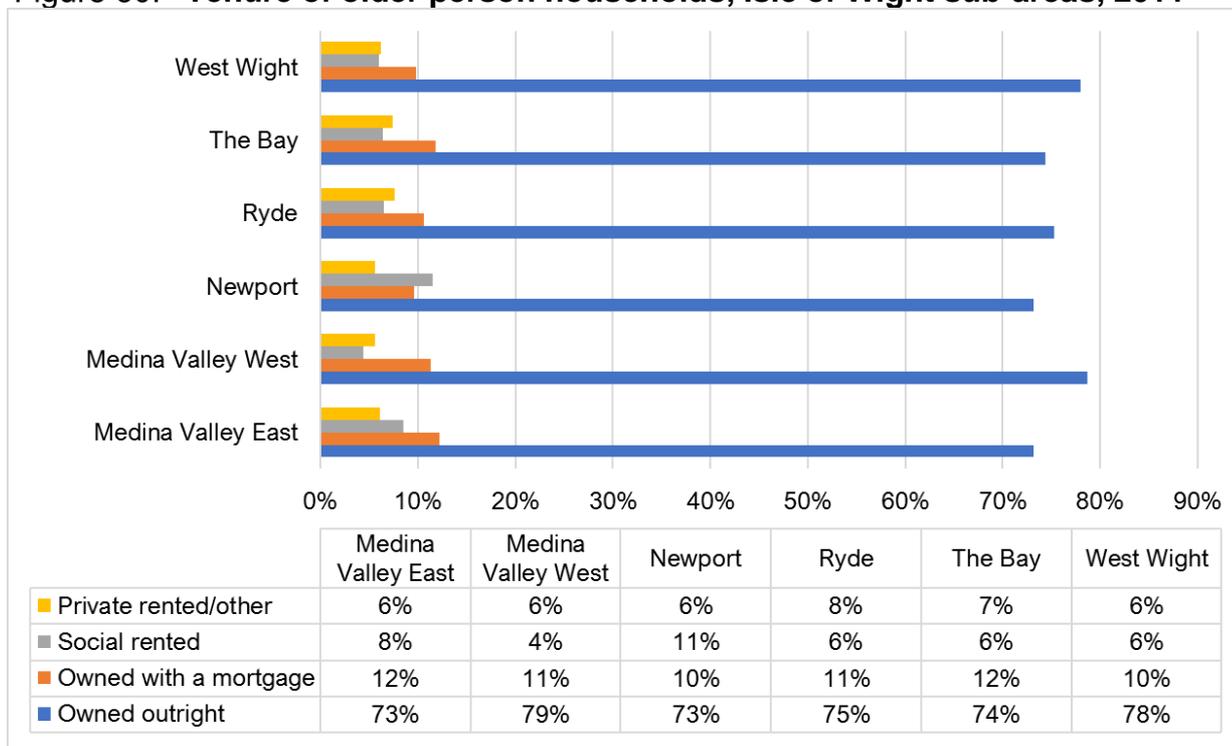


Source: Census table [LC4101EW](#)

10.23 This data shows that older person households are more likely to live in outright owned accommodation than other household types. The Isle of Wight contains a greater proportion of older people that own their homes outright at 75% compared to Hampshire (74%) and England (69%).

10.24 The figure below shows the tenure of older person households for the Isle of Wight sub-areas in 2011.

Figure 30: Tenure of older person households, Isle of Wight sub-areas, 2011



Source: Census table [LC4101EW](#)

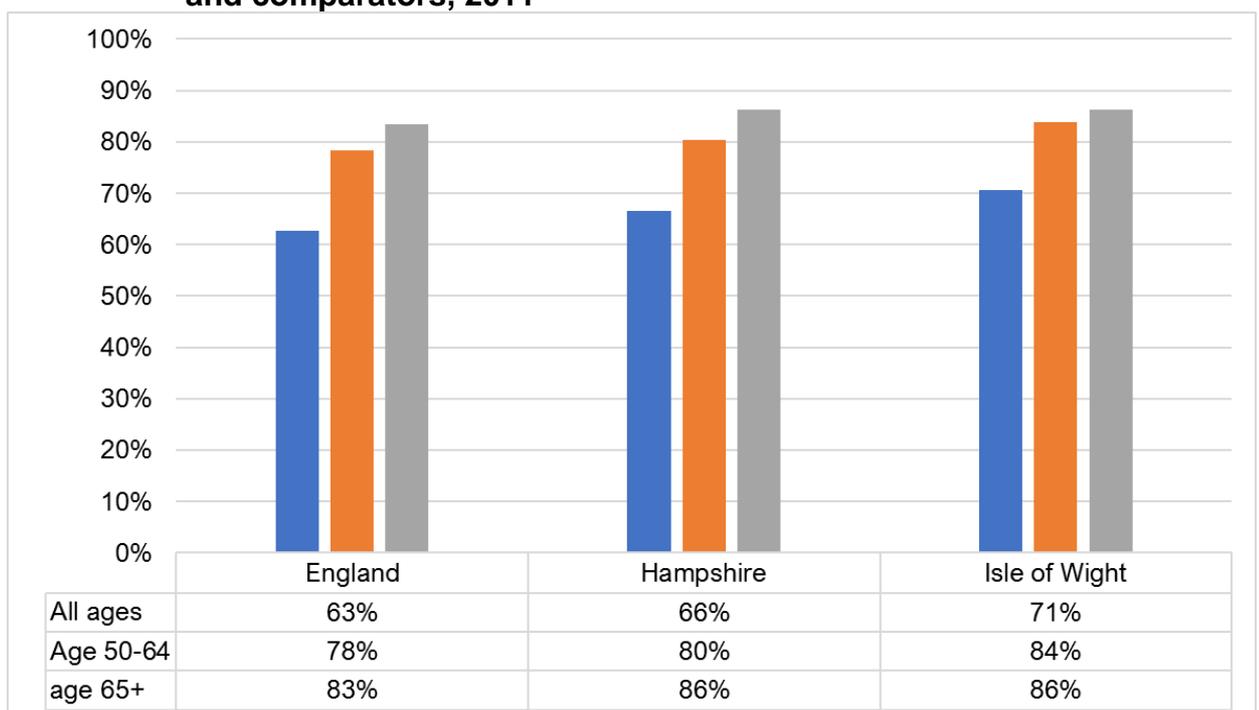
10.25 This data shows the same pattern of tenures as the Isle of Wight as a whole and nationally, where older persons are more likely to live in outright owned accommodation. Medina Valley West and West Wight have relatively high proportions of older persons owning their homes outright at 79% and 78% respectively.

10.26 In contrast, Newport and Medina Valley East have the lowest proportion of older persons owning their homes outright (at 73%). Also, they have the highest proportion of older people in social rented accommodation than the other sub-areas and the Isle of Wight as a whole.

10.27 Also, older households are also more likely to be “under-occupying” property compared to other age groups. An “under-occupied” property can be described as a household that has one or more bedrooms more than is recommended for the number and composition of people living in the household.

10.28 As the figure below demonstrates, 86% of those aged over 65 in the Isle of Wight are in an under-occupied home compared to 71% in all age groups. A similar trend is exhibited in Hampshire and nationally; these geographies display a relatively high percentage of those aged over 65 living in under-occupied properties compared to other age groups.

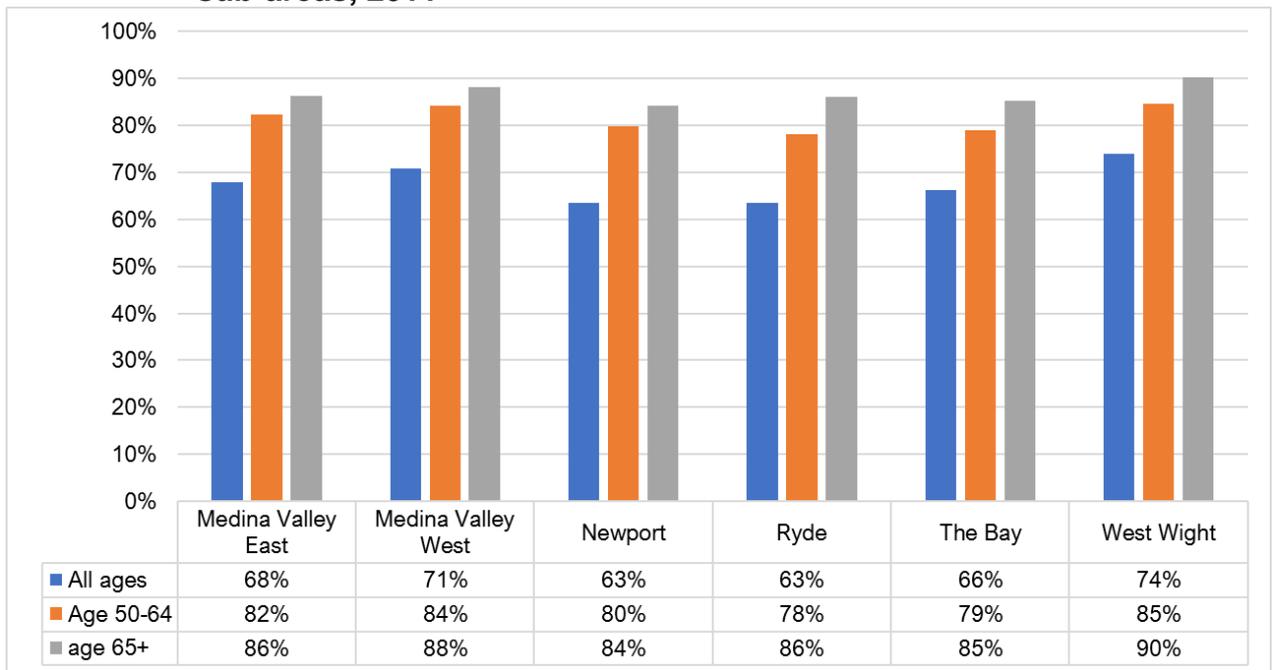
Figure 31: **Percentage of age group in under-occupied homes, Isle of Wight, and comparators, 2011**



Source: Census table [DC3404EW](#)

10.29 The following figure shows the percentage of age groups living in under-occupied homes for the Isle of Wight sub-areas in 2011.

Figure 32: **Percentage of age group in under-occupied homes, Isle of Wight sub-areas, 2011**



Source: Census table [DC3404EW](#)

10.30 The national trend continues for Isle of Wight sub-areas. West Wight, in particular, has extremely high levels of under-occupancy for those aged over 65, with almost all homes in the area being under-occupied (90%). As expected, Newport has the lowest levels of under-occupancy for all ages (63%) and those aged over 65 (84%).

10.31 These trends may be partly attributed to older people not downsizing from family homes as they get older. If the housing stock could be used more efficiently, then the amount of land required for additional housing could be reduced.

10.32 This would require the delivery of properties suitable for down-sizing (likely to be 2- or 3-bedrooms in size) to improve choice in the market. This has the potential to release larger homes for family households.

### **Prevalence of Disabilities**

10.33 The following table shows the proportion of people with a long-term health problem or disability (LTHPD), and the proportion of households that contain someone with a LTHPD drawn from 2011 Census data.

**Table 48: % of the population with LTHPD, Isle of Wight and comparators, 2011**

<b>Area</b>	<b>% of the population with LTHPD</b>	<b>% Households containing someone with LTHPD</b>
<b>England</b>	18%	33%
<b>Hampshire</b>	16%	29%
<b>Isle of Wight</b>	23%	38%
<i>Medina Valley East</i>	21%	36%
<i>Medina Valley West</i>	20%	33%
<i>Newport</i>	22%	38%
<i>Ryde</i>	22%	37%
<i>The Bay</i>	24%	40%
<i>West Wight</i>	26%	42%

Source: Census table [QS303EW](#) and [LC1301EW](#)

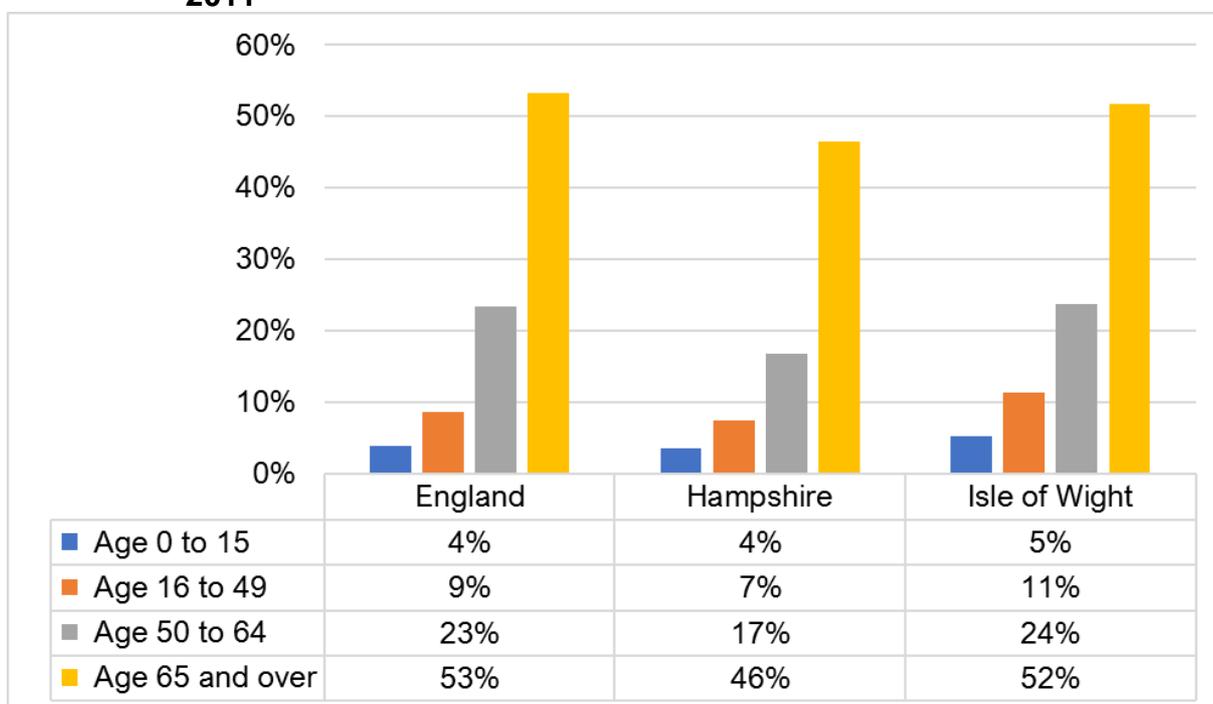
10.34 The Isle of Wight contains a much higher proportion of people with a LTHPD at 23% of the population than the national average (18%) and Hampshire (16%). In addition, a large proportion of households on the Island contain someone with a LTHPD (38%).

10.35 In terms of sub-areas, West Wight has the highest proportion of the population with a LTHPD at 26%, followed by the Bay area at 24%. This is to be expected given the demographic profile of these areas - West Wight contains almost 50% of the population aged over 60 years old, and 41% of the population is above the age of 60 in the Bay area.

10.36 Medina Valley West sub-area has the lowest proportion of the population with an LTHPD (20%), however, it is still higher than the national average (18%) and Hampshire (16%).

10.37 It is likely that the age profile will impact the numbers of people with a LTHPD, as older people tend to be more likely to have an LTHPD. The figure below shows the age bands of people with an LTHPD for the Isle of Wight and comparator geographies in 2011.

Figure 33: **Population with LTHPD by age, Isle of Wight and comparators, 2011**

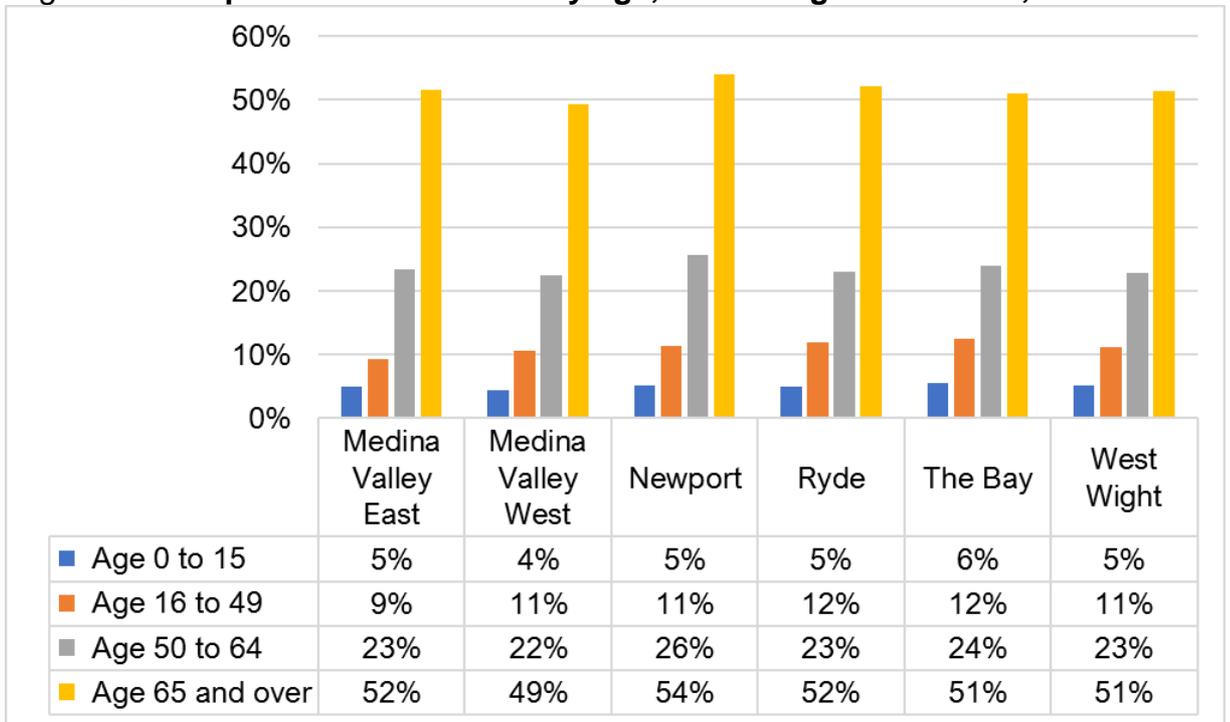


Source: Census table: DC3201EW

10.38 It is clear from this data that people in the older age bands are more likely to have an LTHPD. It is worth pointing out that the Isle of Wight has a higher proportion of people in the younger age bands with an LTHPD compared to Hampshire and nationally.

10.39 The figure below shows the same information for the Isle of Wight sub-areas.

Figure 34: **Population with LTHPD by age, Isle of Wight sub-areas, 2011**

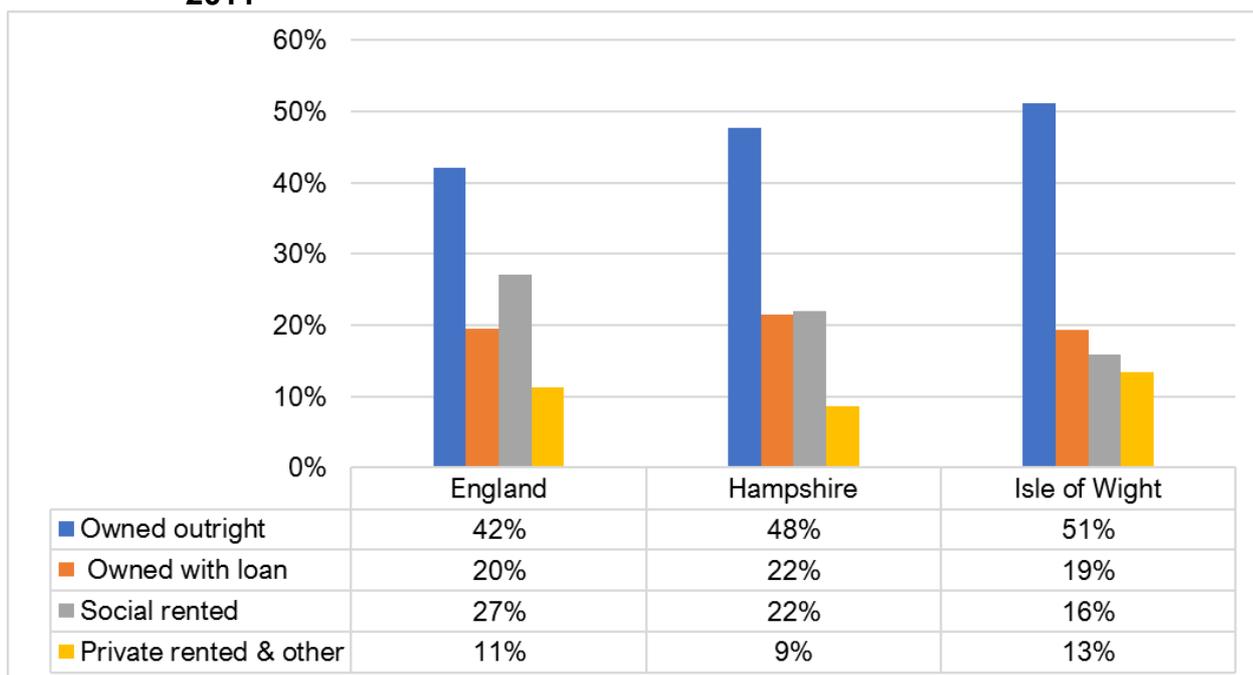


Source: Census table: [DC3201EW](#)

10.40 There is some variation across different sub-areas, for example, Medina Valley West generally has lower levels of people with an LTHPD across all age groups, while the Bay area has higher proportions of younger age groups with an LTHPD. However, the age profile of those with an LTHPD is broadly similar across all geographies.

10.41 The following figure displays the tenures of people with an LTHPD (it should be noted that the data is for “population living in households” rather than “households”) for the Isle of Wight and comparator geographies from Census 2011.

Figure 35: **Tenure of people with LTHPD, Isle of Wight and comparators, 2011**



Source: Census table [LC3408EW](#)

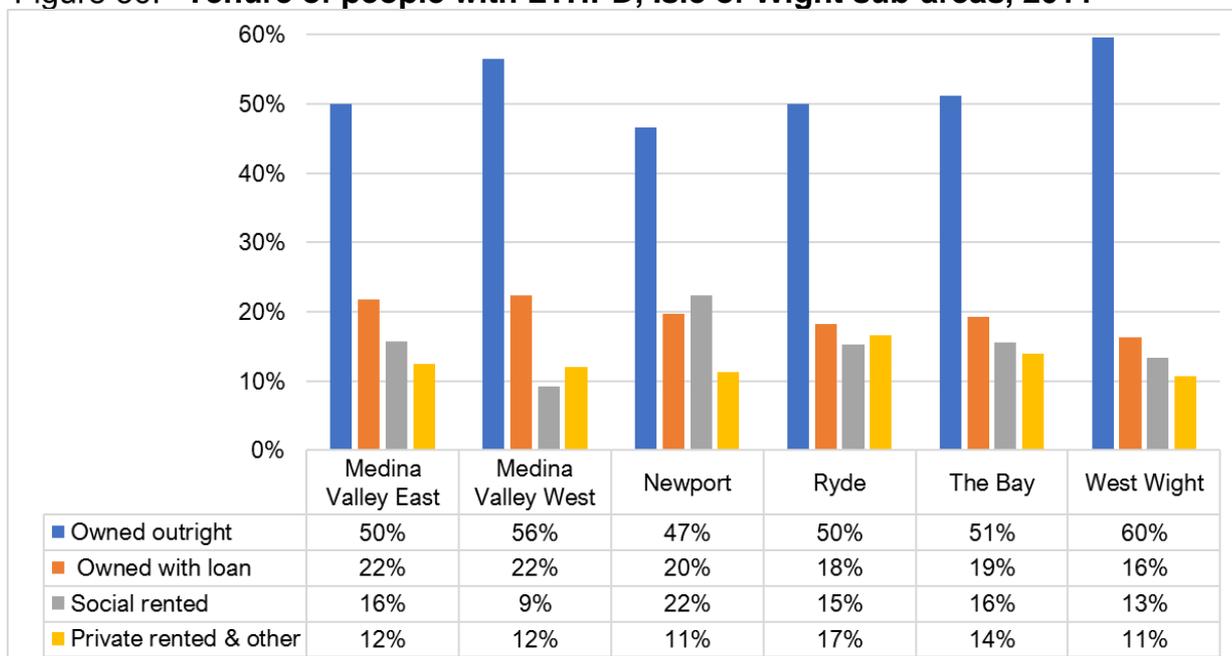
10.42 This shows that people with an LTHPD are more likely to live in social rented housing or are also more likely to be outright owners (this will be linked to the age profile of the population with a disability).

10.43 The Isle of Wight has a higher proportion of people with an LTHPD in all tenures; again, this is likely due to the older age profile of the Island.

10.44 Given that typically lower incomes are found in the social rented sector, and to a lesser extent for outright owners (many of whom are retired), the data suggest that the households with a disability are likely to be relatively disadvantaged when compared to the rest of the population in terms of income levels and therefore the ability to afford goods and services (as well as to access the housing market in many instances).

10.45 The figure below shows the tenures of people with an LTHPD (population living in households) for Isle of Wight sub-areas.

Figure 36: **Tenure of people with LTHPD, Isle of Wight sub-areas, 2011**



Source: Census table [LC3408EW](#)

10.46 The sub-area analysis displays similar trends to Isle of Wight as a whole, Hampshire, and nationally. West Wight sub-area has the highest proportion of people with an LTHPD in the “owned-outright” category. This is to be expected, given that West Wight has the highest proportion of people in the over 60 age group.

10.47 In the “social-rented” category, Newport, followed by the Bay area and Medina Valley East have the highest proportion of people with an LTHPD. In the PRS, Ryde has the largest proportion of people with LTHPD.

### **Health-Related Population Projections**

10.48 The incidence of a range of health conditions is an important component in understanding the potential need for care or support for a growing older population as well as the need for new build accommodation to be built to different building standards.

10.49 The analysis undertaken covers both younger and older age groups and draws on prevalence rates from the PANSI (Projecting Adult Needs and Service Information) and POPPI (Projecting Older People Population Information) websites. In all cases, the analysis links to estimates of population growth based on standard method housing need estimates.

10.50 Of particular importance are the large projected increases in the number of older people with dementia (increasing by 47% from 2023 to 2038) and mobility problems (39% increase over the same period).

10.51 Mobility problems related to an inability to manage at least one mobility activity (going out of doors and walking down the road; getting up and down stairs; getting around the house on the level; getting to the toilet, and getting in and out of bed) while impaired mobility relates to conditions such as visual or hearing issues which will impair mobility.

10.52 The forecast change relating to younger age groups identifies the positive result that the number of people affected by a range of disabilities will fall (e.g. mobility problems by 8%). This does, however, reflect the fact that projections are expecting older age groups to see the greatest proportional increases in population. When related to the total projected change to the population, the increase of 3,116 people aged 65+ with a mobility problem represents 31% of the total projected population growth.

10.53 It should be noted that there will be an overlap between categories (i.e. some people will have both dementia and mobility problems). Hence the numbers for each of the illnesses/disabilities should not be added together to arrive at a total.

**Table 49: Projected Changes to Isle of Wight Population with a Range of Disabilities**

Disability	Age Range	2023	2038	Change	% Change
Mental Disabilities (Dementia)	65+	3,065	4,502	1,437	47%
Mental Disabilities (Autistic Spectrum Disorders)	18-64	759	752	-6	-1%
Mental Disabilities (Autistic Spectrum Disorders)	65+	410	526	116	28%
Mental Disabilities (Learning Disabilities)	15-64	1,966	1,928	-38	-2%
Mental Disabilities (Learning Disabilities)	65+	900	1,152	253	28%
Mental Disabilities (Challenging behaviour)	15-64	36	36	-1	-2%
Physical Disabilities (Mobility problems)	65+	7,920	11,036	3,116	39%
Physical Disabilities (Impaired mobility)	16-64	5,014	4,596	-418	-8%

Source: POPPI/PANSI and Demographic Projections

- 10.54 Such is the scale of increase of those with dementia or other mobility problems, the analysis above would lead to the conclusion that the Councils should require all dwellings to be M4(2) Category 2 compliant to underpin the accessibility and adaptability of dwellings with a proviso that this is subject to build form, topography, flooding and other relevant constraints.
- 10.55 While in some cases this may challenge viability, the typical cost of M4(2) compliance is around £521 per unit for 2, 3, and 4-bedroom homes and around £900 for 1 and 2 bedroom flats according to the then Department for Communities and Local Government paper published in 2014<sup>60</sup>. This does not include the extra land area needed to meet the standard.
- 10.56 The Council should also continue to work with other service providers when dealing with more specific needs (e.g. autism), and whether they should be met through mainstream or more specialist forms of housing.
- 10.57 In seeking M4(2) compliant homes, the Council should be mindful that such homes could be considered 'homes for life and would be suitable for any occupant, regardless of whether or not they have a long term health problem or disability at the time of initial occupation.
- 10.58 This study does not aim to specify the exact location or number of units that should be provided for different groups; it may be that some types of specialist accommodation could have a wide catchment and may be suitable for clients from outside the Isle of Wight (it is also possible that some people in the area could be placed in accommodation elsewhere).

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<sup>60</sup> DCLG, Housing Standards Review, September 2014, pp38

10.59 The sources below consider the range of options that may be relevant on the basis of the data;

- [Mencap](#) – Housing for People with a Learning Disability
- Housing Options for Younger Adults with a Disability ([NHS website](#))
- [Care Choices](#) (information provided to residents of Isle of Wight)

10.60 The Mencap report notes that most people with a learning disability known to local authorities live in one of three types of accommodation; with family and friends (38%); in a registered care home (22%) or in supported accommodation (16%).

10.61 Most people with a learning disability who live with family and friends want greater independence, with around 70% wanting to change their existing living arrangements to achieve this (89% of parents whose son or daughter lives with them want them to have more independence). This demonstrates that there is a potential need for supported accommodation outside of the family home.

10.62 The report does however highlight that there are several barriers to achieving independent living, including local budgets, a lack of support, difficulties finding suitable accommodation for people with complex or multiple needs, in addition to a general lack of accommodation.

10.63 Although the Mencap report does not specifically outline the types of housing needed it does recommend developing a national strategy for those with learning difficulties and recommends that local authorities should include specific plans for improving the accommodation situation of those with a learning disability in local housing strategies. The study also notes that the need from this group of people is expected to increase in the future.

10.64 To consider the specific housing options for younger people with a disability, the NHS website provides some information. The website considers a wider range of needs and outlines 5 broad types of accommodation that may be made available;

*“Teenagers and young adults with special needs or disabilities may want or need – greater independence as they get older. But they're also likely to have care needs that mean they need alternative housing options. Those care needs may be related to, for example, physical or mental health problems, a learning disability, or drug or alcohol misuse. There are a variety of housing options they may want to consider:*

- *buying or renting an adapted property*
- *sheltered housing schemes for younger people*
- *supported housing in the community*
- *supported living services*
- *shared lives schemes*<sup>61</sup>

10.65 Considering this is a broad range of housing options, there are likely to be different products within each of these categories. It is important for any scheme to support people to be as independent as reasonably possible. Furthermore, it is important to note that, in addition to accommodation, it is likely that some people will need assistance with 'life skills such as budgeting or care plans may be required.

10.66 There is a range of disabilities and client groups in the category 'younger people with disabilities, therefore, there will not be a one size fits all. The Council should note the assessment of needs in this report and the range of potential solutions to support people to live as independently as possible. Furthermore, the Council should encourage the provision of accommodation where opportunities arise, as well as keep information about the options up to date.

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<sup>61</sup> NHS – Housing Options for Younger Adults with a Disability

10.67 As mentioned earlier, this report does not aim to provide targets for different housing types, although additional accommodation is likely to be needed due to rising demand. The Council should work with other service providers to ensure that there is a reasonable housing supply for a broad range of different groups by encouraging the development of homes that help to meet the increasing demand.

### **Need for Specialist Accommodation for Older Persons**

10.68 Given the ageing population and higher levels of health problems and disability amongst older people, it is likely that there will be an increased requirement for specialist housing options moving forward. Planning Practice Guidance presents the different accommodation types of the older population:

- ***“Age-restricted general market housing:*** *This type of housing is generally for people aged 55 and over and the active elderly. It may include some shared amenities such as communal gardens, but does not include support or care services.*
- ***Retirement living or sheltered housing (housing with support):*** *This usually consists of purpose-built flats or bungalows with limited communal facilities such as a lounge, laundry room and guest room. It does not generally provide care services, but provides some support to enable residents to live independently. This can include 24-hour on-site assistance (alarm) and a warden or house manager.*
- ***Extra care housing or housing-with-care (housing with care):*** *This usually consists of purpose-built or adapted flats or bungalows with a medium to high level of care available if required, through an onsite care agency registered through the Care Quality Commission (CQC). Residents are able to live independently with 24-hour access to support services and staff, and meals are also available. There are often extensive communal areas, such as space to socialise or a wellbeing centre. In some cases, these developments are known as*

*retirement communities or villages - the intention is for residents to benefit from varying levels of care as time progresses.*

- **Residential care homes and nursing homes (care bedspaces):** *These have individual rooms within a residential building and provide a high level of care meeting all activities of daily living. They do not usually include support services for independent living. This type of housing can also include dementia care homes.*<sup>62</sup>

10.69 The need for specialist housing for older persons is typically modelled by applying prevalence rates to current and projected population changes and considering the level of existing supply. There is no “standard method” for assessing the housing and care needs of older people. The current and future demand for elderly care is influenced by a host of factors including the balance between demand and supply in any given area and social, political, regulatory and financial issues. Additionally, the extent to which new homes are built to accessible and adaptable standards may over time have an impact on specialist demand (given that older people often want to remain at home rather than move to care) – this will need to be monitored.

10.70 That said, there are a number of ‘models’ for considering older persons’ needs, but they all essentially work in the same way. The model results are however particularly sensitive to the prevalence rates applied, which are typically calculated as a proportion of people aged over 75 who could be expected to live in different forms of specialist housing. Whilst the population aged 75 and over is used in the modelling, the estimates of need would include people of all ages.

10.71 Whilst there are no definitive rates, the PPG notes that

*“the future need for specialist accommodation for older people broken down by tenure and type (e.g. sheltered housing, extra care) may need to be assessed and can be obtained from a number of online tool kits provided by the sector, for example SHOP@ for Older People Analysis Tool)”<sup>63</sup>*

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<sup>62</sup> PPG (housing for older and disabled people) Para 010 Ref ID: 63-010

<sup>63</sup> PPG (housing for older and disabled people) Para 004 Ref ID: 63-004

10.72 PPG does not specifically mention any other tools and therefore seems to be indicating that SHOP@ would be a good starting point for analysis. Since PPG was published the Housing Learning and Information Network (Housing LIN) has removed the Shop@ online toolkit although the base rates used for analysis are known and can be used alongside demographic projections to provide an indication of the potential level of additional specialist housing that might be required for older people in the future.

10.73 This report therefore uses the SHOP@ rates as a start point, but it is of interest to briefly set out other sources for comparative purposes. As the table below shows, different sources use different rates, and in some cases do not provide estimates for particular types of housing. Overall, the SHOP@ figures tend to fit in the middle of the range shown.

**Table 50: Range of suggested baseline prevalence rates from a number of tools and publications**

Type/Rate	<u>SHOP @</u> (2008)	<u>Housing in Later</u> <u>Life (2012)</u>	2016 Housing LIN Review	<u>HOPSR</u> (2017)
<b>Age-restricted general market housing</b>	-	-	25	55
<b>Retirement living or sheltered housing (housing with support)</b>	125	180	100	153
<b>Extra care housing or housing-with-care (housing with care)</b>	45	65	30-40	20
<b>Extra care housing or housing-with-care (housing with care)</b>	45	65	('proactive range')	20
<b>Residential care homes</b>	65	(no figure apart from 6 for dementia)	40	111
<b>Nursing homes (care bedspaces), including dementia</b>	45	(no figure apart from 6 for dementia)	45	111

Source: Range of sources as identified

10.74 As noted, this report uses the SHOP@ figures as a starting point.

10.75 However, it is clear that, firstly, the prevalence rates used should be assessed taking into account an authority's strategy for delivering specialist housing for older people. The degree for instance which the Council want to require extra care housing as an alternative to residential care provision would influence the relative balance of need between these two housing types; and, secondly, the Housing LIN model has been influenced by existing levels of provision and their view on what future level of provision might be reasonable taking account of how the market is developing, funding availability etc. There is a degree to which the model and assumptions within it may not fully capture the growing recent private sector interest and involvement in the sector.

10.76 The baseline rates applied in this assessment are discussed below – specific local adjustments are considered following the setting of baselines in the bullet points below:

- Age-restricted housing – Housing LIN does not provide rates for this type of housing and it is unclear if a new provision is to be expected. For this study, the modelling takes forward overall national prevalence rates to provide some indication of what the need might be (essentially showing the position in the Isle of Wight compared with other parts of the county). The baseline rates applied are a need for 25 units per 1,000 population aged 75 and over in the affordable sector and 5 per 1,000 in market housing. No further adjustments have been made to these prevalence rates;
- Housing with Support (retirement/sheltered housing) – Housing LIN suggests a base level of 125 units per 1,000 population aged 75 and over and it is considered that this is a reasonable starting point. Adjustments may then be made to this figure to reflect local levels of health in the older person population. The suggested tenure split is for 50% of homes to be market housing in more deprived areas up to 67% in less deprived locations;

- Housing with Care (enhanced sheltered and extra-care housing) – Housing LIN suggests a base level of 45 units per 1,000 population aged 75 and over. It is considered that this level of provision is a reasonable longer-term aim but that this is quite a high figure in the context of current supply (estimated nationally to be around 18 units per 1,000 population aged 75 and over).

10.77 Therefore, the baseline modelling sets a need figure of 25 units per 1,000 initially, rising to 45 by the end of the projection period (to reflect this a median figure of 35 is applied). Again, adjustments may be made to this figure to reflect local levels of health in the older person population. The tenure split is taken to be the same as for housing with support (again adjusted depending on levels of deprivation; and

- Residential care bedspaces – Housing LIN suggests a base level of 65 units (bedspaces) per 1,000 population aged 75 and over. This figure is considered to be a reasonable starting point. However, given that the analysis seeks to increase the need for extra-care housing it seems reasonable to expect that there might be some reduction in the need for residential care. Therefore, the analysis looks at reducing the need for this accommodation type down to 45 per 1,000 by the end of the projection period (to reflect this a median figure of 55 has been applied). Again, adjustments are made to this figure to reflect local levels of health in the older person population. Residential care bedspaces do not have an associated tenure; and
- Nursing care bedspaces – Housing LIN suggests a base level of 45 units (bedspaces) per 1,000 population aged 75 and over and this is considered reasonable as both a current need estimate and projecting forward. Again, adjustments are made to this figure to reflect local levels of health in the older person population and there is no associated tenure.

10.78 Following the Housing LIN methodology, an initial adjustment has then been made to these rates to reflect the relative health of the local older person population (applied to all groups apart from age-restricted housing). This has been based on Census data about the proportion of older people who have a long-term health problem or disability (day-to-day activities limited a lot) compared with the England average.

- 10.79 In the Isle of Wight, the data shows better health in the older person population and so the prevalence rates used have been reduced slightly (by 9.4%) – this figure is based on comparing the proportion of people aged 75 and over with a more severe LTHPD in Isle of Wight (32.1%) with the equivalent figure for England (35.1%).
- 10.80 A second local adjustment has been to estimate a tenure split for the housing with support and housing with care categories. This again draws on suggestions in the Shop@ toolkit which suggests that less deprived local authorities could expect a higher proportion of their specialist housing to be in the market sector.
- 10.81 Using 2019 Index of Multiple Deprivation (IMD) data, the Isle of Wight is 80th in the ranking of deprivation among the 317 other local authorities in England<sup>64</sup>. This suggests that the island is, relatively speaking, un-deprived. As a result, it is appropriate to conclude there exists a substantially greater need for market homes for older people in the Isle of Wight than would be the case for an authority closer to the middle of the range suggested by Shop@ toolkit. For this reason, the tenure split applied is 67% market and 33% affordable units. To be clear this is market housing within the categories described above (e.g. housing with support and housing with care).
- 10.82 The table below shows estimated needs for different types of housing linked to the population projections. The analysis is separated into the various different types and tenures although it should be recognised that there could be some overlap between categories (i.e. some households might be suited to more than one type of accommodation). Below is a brief summary of the findings:
- Age-restricted – the analysis suggests a potential shortfall of accommodation of around 545 dwellings both currently and by 2038 in both broad tenures.

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<sup>64</sup> Isle of Wight

- Housing with support (sheltered/retirement housing) – the analysis suggests a shortfall in both the market and affordable sectors. By 2038 a total shortfall of 2,137 units is estimated – some 1,752 in the market sector (82% of the total).
- Housing with care (e.g. Extra-care housing) – a total shortfall of 643 units is estimated by 2038, of which 80% is in the market sector.
- Residential/nursing care bedspaces – the analysis estimates a total need for an additional 1,039 bedspaces by 2038 (including a current shortfall of 231).

10.83 Taking the categories of housing with support and housing with care together, the analysis suggests a need for 2,779 dwellings over the 2023-38 period (185 per annum) – this figure notionally represents around 228% of the total housing need showing by demographic projections linking to the Standard Method (667 dwellings per annum).

10.84 Where market housing is shown in the table below, it is considered that this could include an element of leasehold Shared Ownership – this would particularly help older owner-occupiers who have lower levels of equity. The analysis in this report does not attempt to estimate the need for Shared Ownership and the exact proportions of the market housing delivered as Shared Ownership will depend on a number of factors (including viability). At a national level, less than 5% of all market housing with care is of a Shared Ownership tenure and it is considered that the Council might consider a higher figure than this (say 10%) where opportunities arise.

**Table 51: Specialist Housing Need using adjusted SHOP@ Assumptions, 2023-28, Isle of Wight**

Type	Tenure	Housing demand per 1,000 75+ (start)	Current supply	Current demand	Current shortfall/surplus (-ve)	Additional demand to 2038	Shortfall/surplus by 2038
Age-exclusive	Market	5	119	523	404	40	445
Age-exclusive	Affordable	25	217	95	-122	223	101
<b>Total (age-exclusive)</b>		<b>30</b>	<b>336</b>	<b>618</b>	<b>282</b>	<b>263</b>	<b>545</b>
Housing with support	Market	76	513	1,588	1,075	677	1,752
Housing with support	Affordable	37	731	782	51	333	385
<b>Total (housing with support)</b>		<b>113</b>	<b>1,244</b>	<b>2,370</b>	<b>1,126</b>	<b>1,010</b>	<b>2,137</b>
Housing with care	Market	21	58	445	387	190	576
Housing with care	Affordable	10	246	219	-27	93	66
<b>Total (housing with care)</b>		<b>32</b>	<b>304</b>	<b>664</b>	<b>360</b>	<b>283</b>	<b>643</b>
Residential care bedspaces	N/A	50	1,083	1,043	-40	445	404
Nursing care bedspaces	N/A	41	582	853	271	364	635
<b>Total bedspaces</b>		<b>91</b>	<b>1,665</b>	<b>1,896</b>	<b>231</b>	<b>808</b>	<b>1,039</b>

Source: Derived from Demographic Projections and Housing LIN/EAC

10.85 The provision of a choice of attractive housing options to older households is a component of achieving a good housing mix. The availability of such housing options for the growing older population may enable some older households to downsize from homes that no longer meet their housing needs or are expensive to run. The availability of housing options that are accessible to older people will also provide the opportunity for older households to “right-size” which can help improve their quality of life.

- 10.86 It should also be noted that within any category of need there may be a range of products. For example, many market extra-care schemes are towards the 'top-end' of the market and may have significant service charges (due to the level and quality of facilities and services). Such homes may therefore only be affordable to a small proportion of the potential market, and it will be important for the Council to seek a range of products that will be accessible to a wider number of households if needs are to be met.
- 10.87 The table above should be considered as providing an indicative view of need based on a single set of prevalence rates (which have been drawn from a range of sources). The ultimate level of provision the Council seeks to support will be influenced by its broader strategy for older persons' housing and care.
- 10.88 The analysis has not attempted to break these figures down into sub-areas. However, the data previously provided in this section would help to indicate how needs might vary across locations. In particular, it is notable that the population of older persons does vary across the Island, with those areas with higher proportions potentially expected to see a higher demand for older person accommodation. The proportion of older people who are owner-occupiers also varies across the Borough, which might point to a different tenure split in different locations.

## Age Group 65-74

10.89 Local authorities are required to address the needs of those reaching retirement age over the plan period, which includes meeting the needs of those seeking age-restricted accommodation. According to PPG this type of housing is:

*“generally for people aged 55 and over and the active elderly. It may include some shared amenities such as communal gardens, but does not include support or care services.”<sup>65</sup>*

10.90 However, the likelihood of people under retirement age accessing this housing is rare. Certainly, the likelihood of those younger than 75 entering specialist accommodation of any form is uncommon, unless the accommodation is in low demand. Therefore, the analysis for specialist accommodation uses prevalence rates linked to those aged over 75.

10.91 In order to understand the needs of households that fall into the 65-74 age category and by proxy age-restricted accommodation, it is necessary to consider the change in the older person population to 2038.

10.92 As shown in the following table, the number of households headed by someone aged between 65 and 74 in the Isle of Wight is projected to increase by 17% or 3,774 households by 2038.

Table 52: **Change in households headed by someone in 65-74 age cohort, 2020-2038**

	Households 2020	Households 2038	Change	% change
Isle of Wight	21,583	25,357	3,774	17%

Source: Edge Analytics

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<sup>65</sup> PPG (housing for older and disabled people) Para 010 Ref ID: 63-010

10.93 The following table outlines the tenures of different age groups in 2011 for the Isle of Wight.

**Table 53: Tenure of Households with an HRP age 65-74, Isle of Wight**

Tenure	Owned outright	Owned with a mortgage/shared ownership	Social rented	Private rented	Other/living rent-free
<b>Age under 65 (no.)</b>	9,284	16,110	4,691	8,521	1,228
<b>Age under 65 (%)</b>	23%	40%	12%	21%	3%
<b>Age 65 to 74 (no.)</b>	7,350	1,247	855	667	186
<b>Age 65 to 74 (%)</b>	71%	12%	8%	6%	2%
<b>Age 75 to 84 (no.)</b>	5,804	546	645	340	182
<b>Age 75 to 84 (%)</b>	77%	7%	9%	5%	2%
<b>Age 85 and over (no.)</b>	2,653	185	332	135	124
<b>Age 85 and over (%)</b>	77%	5%	10%	4%	4%

Source: Census table [DC4201EW](#)

10.94 The majority of households aged over 65 own their property outright, whereas the households aged under 65 own their home with a mortgage or shared ownership. A large proportion of households under 65 are also privately renting.

10.95 Focussing on the age group 65 to 74, 83% own their home outright or with a mortgage. Of the remaining, a significant minority live in social housing and the remainder live in private rented accommodation or live rent-free. This would suggest that the market is likely to address most demand for age-restricted dwellings for this age category should that demand exist. This would also be captured within the wider housing need number.

10.96 The table below shows the prevalence of disability by age group measured by the extent to which their reported day-to-day activities were limited a lot or a little by their disabilities in the 2011 Census.

Table 54: **LTHPD by age group, Isle of Wight**

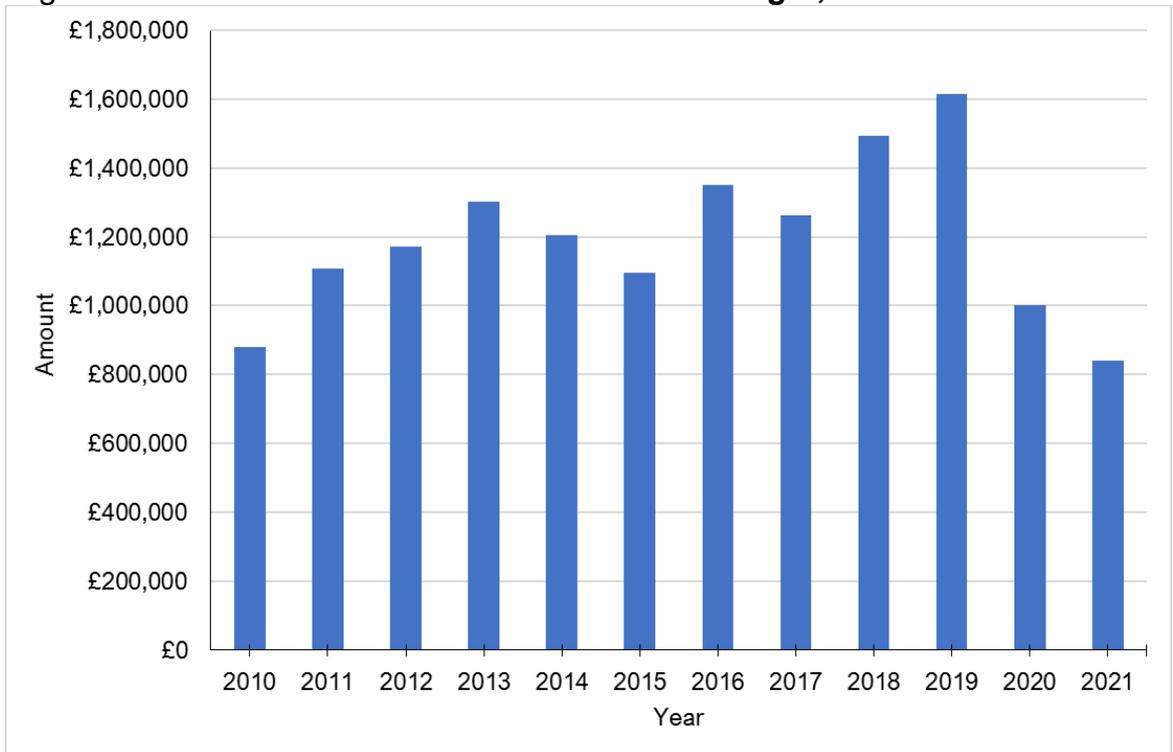
Age	Day-to-day activities limited	Day-to-day activities not limited
<b>Under 65</b>	13%	87%
<b>Age 65 to 74</b>	36%	64%
<b>Age 75 to 84</b>	58%	42%
<b>Age 85 and over</b>	81%	19%

Source: Census table [DC3302EW](#)

10.97 This shows that 36% of people aged 65 to 74 experienced a disability that limited their activities. The prevalence rate for those aged under 65 was only 13%, illustrating the significant increase in the prevalence of disability among households as they reach the 65 to 74 age cohort.

10.98 To reduce the need for specialist accommodation of this type, steps can be taken to enable older people to remain in their own homes. The following figure displays the Council's expenditure on the Disabilities Facilities Grant (DFG) between 2010 and 2021. DFGs are available to disabled people to carry out adaptations that allow them to live in their own homes. This can provide not only evidence of the need for housing suited to the need of disabled people, but also a source of meeting this demand.

**Figure 37: Total value of DFGs made in Isle of Wight, 2010-2021**



Source: Council data

10.99 There has been a consistent provision of DFG over the period since 2010, although year-on-year fluctuations are apparent. This indicates that the Council has been proactive in supporting older and disabled people to make changes to their homes. This is likely to have resulted in many people being able to remain in their homes for longer than would otherwise be the case.

10.100 Bringing together the evidence, it is reasonable for the Council to consider the housing needs of those in the 65-74 age cohort as a distinct group based on their projected increase in numbers over the plan period and the likely increase in the requirement for specialist forms of housing due to the prevalence of disability within this age bracket.

10.101 That said, the data suggest that the majority of needs will be expressed as demand for market housing and will form part of general provision with a proviso that policies relating to the proportion of dwellings that meet M4(2) accessible and adaptable dwellings are applied appropriately.

10.102 The provision for this type of specialist accommodation may be offset by the policy that enables adaptations to the home that support older people to remain living in their own homes. The increase in value of DFGs in recent years suggests demand for adaptations is increasing. This is likely to continue over the plan period.

### **Older Persons' Housing and Planning Use Classes**

10.103 It is important to mention the Use Classes that older persons' housing would fall into as there is a distinction between communal accommodation (Class C2) and dwelling houses (Class C3). This distinction is worth mentioning as it can impact the ability of a local authority to seek an affordable housing contribution from a development.

10.104 Planning Practice Guidance (PPG) states that:

*"It is for a local planning authority to consider into which use class a particular development may fall. When determining whether a development for specialist housing for older people falls within C2 (Residential Institutions) or C3 (Dwelling-house) of the Use Classes Order, consideration could, for example, be given to the level of care and scale of communal facilities provided."*<sup>66</sup>

10.105 It is also worth noting how Care is defined in the Use Class Order; it means,

*"personal care for people in need of such care by reason of old age, disablement, past or present dependence on alcohol or drugs or past or present mental disorder, and in Class C2 also includes the personal care or children and medical care and treatment."*

10.106 Personal care has been defined in Regulations as

*"the provision of personal care for persons who, by reasons of old age, illness or disability are unable to provide it for themselves, and which is provided in a place where those persons are living at the time the care is provided."*<sup>67</sup>

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<sup>66</sup> PPG (housing for older and disabled people) Para 014 Ref ID: 63-014

<sup>67</sup> Schedule 1 of the Health and Social Care Act 2008 (Regulated Activities) Regulations 2010

- 10.107 Generally, sheltered and extra care accommodation would be classed as C3, whereas accommodation that provides a high level of care (such as nursing and residential care) would be classed as C2 accommodation.
- 10.108 However, typically newer types of accommodation such as retirement villages contain a combination of both C2 and C3 accommodation. It is also possible that the use classes of these units may change over time given changes to the level of care that is provided.
- 10.109 Housing with support and housing with care are self-contained dwellings (C3), which means they are included within the overall housing need using the standard method. In addition, they can be included within a local authority's housing land supply calculation. However, including communal accommodation within the supply calculation can be complex, as one unit of communal accommodation does not equate to one unit of supply.
- 10.110 Communal accommodation can be counted as part of the supply based on the average number of households using 2011 Census data according to the Housing Delivery Test rulebook. This has been calculated by dividing the total number of adults living in all households by the total number of households in England.
- 10.111 For example, if, in a given authority, there are on average 2 adults in each household, then the delivery of 2-bed spaces of communal accommodation units would equate to 1 unit of non-communal supply.

### **Relevant factors in deciding on C2 or C3**

10.112 The factors that are relevant to determining whether a given scheme falls into C2 or C3 are the level of care that is provided, and the scale of communal facilities.

10.113 It is notable that no reference is made to whether units of accommodation have separate front doors. This is consistent with the Use Class Order, where it is the ongoing provision of care that is the distinguishing feature within the C2 definition. In a C2 use, the provision of care is an essential and ongoing characteristic of the development and would normally be secured as such through the S106 Agreement.

10.114 A range of appeal decisions has addressed issues relating to how to define the Use Class of a development. These are fact-specific, and there is a need to consider the particular nature of the scheme. What arises from this is that schemes that have been accepted as a C2 use commonly demonstrate the following characteristics:

- Occupation is restricted to people (at least one within a household) in need of personal care, with an obligation for such residents to subscribe to a minimum care package. Whilst there has been debate about the minimum level of care to which residents must sign-up to, it is considered that this should not be determinative given that a) residents' care needs would typically change over time, and in most cases increase; and b) for those without care need the relative costs associated with the care package would be off-putting.
- Provision of access to a range of communal areas and facilities, typically beyond that of simply a communal lounge, with the access to these facilities typically reflected in the service charge.

### **Affordable housing in older persons' housing developments**

10.115 On its own, Use Class does not need to be determinative of whether affordable housing provision could be applied, as both C2 and C3 Use Classes are residential accommodation. However, there is not a clear policy basis for seeking affordable housing provisions or contributions from a C2 use in the absence of a development plan policy that seeks to do so.

10.116 The Development Contributions section of the NPPF states that:

*“Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure. Such policies should not undermine the deliverability of the plan”.*<sup>68</sup>

10.117 In addition, Paragraph 63 states:

*“Where a need for affordable housing is identified, planning policies should specify the type of affordable housing required, and expect it to be met on-site unless: off-site provision or an appropriate financial contribution in lieu can be robustly justified and the agreed approach contributes to the objective of creating mixed and balanced communities”.*

10.118 Paragraph 64 specifies that “affordable housing should not be sought from residential developments that are not major developments.”

10.119 Paragraph 65 sets out that specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students) is exempt from the requirement for 10% of homes (as part of the affordable housing contribution) to be for affordable homeownership.

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<sup>68</sup> NPPF Paragraph 34

10.120 Subject to these constraints, as well as contributing to overall housing delivery, local authorities may pursue affordable housing contributions from specialist accommodation as long as this is set out in the policy. This would, however, need to be justified.

10.121 It should also be noted that providing affordable housing on specialist schemes will be less viable than in general housing and, therefore, a lower contribution than from general housing will likely be achievable and policy should be worded accordingly. Furthermore, high service charges may also affect the delivery of affordable housing within such schemes.

### **Viability**

10.122 Depending on the features of a typical extra care housing scheme, there can be substantially different viability characteristics relative to general housing. In particular:

- Schemes typically include a significant level of communal space and on-site facilities, such that the floorspace of individual units might equate to 65% of the total floorspace, compared to 100% for a scheme of houses and possibly 85% for typical flatted development. There is a significant proportion of space from which value is not generated through sales (although individual units may be smaller);
- Higher construction and fit out-costs as schemes need to achieve higher accessibility requirements and often include lifts, specially adapted bathrooms, treatment rooms etc. In many instances, developers need to employ third party building contractors and are also not able to secure the same economies of scale as the larger volume housebuilders;
- Sales rates are also typically slower for extra care schemes, not least as older residents are less likely to buy 'off plan.' The combination of this and the limited ability to phase flatted schemes to sales rates can result in higher finance costs for development.

10.123 This can give rise to several considerations. Firstly, it may be necessary to take into account viability evidence to consider what level of affordable housing could be applied to different types of older persons' accommodation. This could potentially make a distinction between general market housing, retirement living/sheltered housing, and extra care housing. It is possible that a lower affordable housing provision is justified for housing with care.

10.124 Secondly, developers of extra care schemes may struggle to secure land if they are competing against mainstream housebuilders or strategic land promoters. A solution to this could be to consider allocating sites specifically for specialist older person housing. There could be benefits to this through achieving relatively high-density development of land at accessible locations, and this may release larger family housing in other areas as older residents move out.

### **Practical Issues**

10.125 In considering policies for affordable housing provision on housing with care schemes, there is one additional factor that warrants consideration relating to the practicalities of mixed-tenure schemes. The market for extra care development schemes is presently focused especially on providers at the affordable and higher ends of the market, with limited providers currently delivering within the 'mid-market.' At the higher ends of the market, the level of facilities and services/support available can be substantial, and the management model is often to recharge this through service charges.

10.126 Whilst recognising the benefits associated with mixed-income/tenure development, in considering whether mixed-tenure schemes can work it is important to consider the degree to which service charges will be affordable to those on lower incomes and whether Registered Providers will want or be able to support access to the range of services/facilities on site. In a range of instances, this has meant that authorities have accepted off-site contributions to affordable housing provision.

## Housing for Wheelchair Users

- 10.127 Information about the need for housing for wheelchair users is difficult to obtain, particularly at a local level and estimates of need produced in this report draw on data from the English Housing Survey (EHS) which provides a range of relevant data, but often for different time periods. The EHS data used include the age structure of wheelchair users, information about work needed to homes to make them 'visitable' for wheelchair users and data about wheelchair users by tenure
- 10.128 The analysis below sets out estimates of the number of wheelchair users in the HMA; this has been based on estimating prevalence rates from the 2011-12 EHS (Annex Table 6.11) combined with Census data.
- 10.129 At the time, the EHS showed that, for households where the oldest person was aged under 60, there were 184,000 households with a wheelchair user. The 2011 Census showed around 40.6 million people aged under 60 and therefore a base prevalence rate of 0.005 has been calculated for this group – essentially for every 1,000 people aged under 60, there are likely to be around 5 wheelchair user households.
- 10.130 The table below shows data for a full range of age groups. It should be noted that whilst the prevalence rates mix households and population, they will provide a reasonable estimate of the number of wheelchair user households.

**Table 55: Baseline prevalence rates by age to estimate wheelchair user households, 2011**

Age	No. wheelchair households	Household population	Prevalence (per 1,000 population)
<b>under 60 years</b>	183,938	40,562,374	5
<b>60 - 74 years</b>	204,822	7,668,495	27
<b>75 - 84 years</b>	191,249	2,831,815	68
<b>85 years or over</b>	145,842	997,247	146

Source: EHS [Annex table 6.11](#), Census table [LC1105EW](#)

10.131 The analysis also considers the relative health of the population of the Isle of Wight. For this, data has been taken from the 2011 Census for the household population with ‘day to day activities limited a lot’ by their disability (Table [DC3302EW](#)).

10.132 The table below shows this information by age in both the Isle of Wight and England, and also shows the adjustment made to reflect differences in health between the areas. Due to the age bands used in the Census, there has been some degree of adjustment for the under 60 and 60-74 age groups. The data shows lower levels of disability for all age groups on the Island pointing to a slightly lower than average proportion of wheelchair user households, bar that of the “under 60 years” age group.

**Table 56: Baseline prevalence rates by age used to estimate wheelchair user households**

Age	% of age group with day-to-day activities limited a lot (IoW)	% of age group with day-to-day activities limited a lot (England)	IoW as % of England	Wheelchair user prevalence rate (per 1,000 population)
<b>Under 60 years</b>	5.18%	4.22%	122.84%	6
<b>60-74 years</b>	12.50%	14.15%	88.39%	24
<b>75-84 years</b>	25.39%	29.09%	87.26%	59
<b>85 years or over</b>	49.15%	52.34%	93.92%	137

10.133 The local prevalence rate data can be brought together with information about the population age structure and how this is likely to change moving forward. The data estimates a total of 3,004 wheelchair user households in 2023, and that this will rise to 3,866 by 2038 (an increase of 862).

**Table 57: Estimated number of wheelchair user households (2023-38) – HMA**

Age	Prevalence rate (per 1,000 population)	Household population 2023	Household population 2038	Wheelchair user households (2023)	Wheelchair user households (2038)	Change
<b>Under 60 years</b>	6	89,676	88,905	500	495	-4
<b>60-74 years</b>	24	32,649	35,462	771	837	66
<b>75-84 years</b>	59	16,217	19,979	956	1,177	222
<b>85 years or over</b>	137	5,662	9,871	778	1,356	578
<b>TOTAL</b>		<b>144,204</b>	<b>154,218</b>	<b>3,004</b>	<b>3,866</b>	<b>862</b>

Source: Derived from a range of sources

10.134 The finding of an estimated current number of wheelchair user households does not indicate how many homes might be needed for this group. A number of these households will be living in a home that is suitable for wheelchair use, whilst others may need improvements to accommodation, or a move to an alternative home. Also, some may need to use a wheelchair outside but not within the home.

10.135 Data from the EHS (2014-15) shows that of the 814,000 wheelchair user households, some 200,000 live in a home that would either be problematic or not feasible to make fully 'visitable' – this is around 25% of wheelchair user households.

10.136 Applying this to the current number of wheelchair user households and adding the additional number projected forward suggests a need for 1,613 additional wheelchair user homes in the 2020-40 period – this equates to 16.17% of all housing needs (as set out in the table below).

**Table 58: Estimated need for wheelchair user homes, 2023-38**

Local Authority	Current need	Projected need (2020-40)	Total current and future need	Housing need (2023-38)	% of Housing Need
Isle of Wight	751	862	1,613	9,975	16.17%

Source: Derived from a range of sources

10.137 Furthermore, information in the EHS (for 2017/18) also provides national data about wheelchair users by tenure. This showed that, at that time, around 7.1% of social tenants were wheelchair users, compared with 2.7% of market households (owner-occupiers and private renters) – a total of 3.5% of all households contained a wheelchair user.

10.138 The analysis above shows (for the Isle of Wight) moving forward to 2038 that there is a need for 16.17% of additional dwellings to be suitable for wheelchair users – this is about 4.6 times higher than the current number of users (at a national level).

10.139 In looking at a future tenure split, it can therefore be estimated that the proportion of wheelchair user households in both markets and affordable tenures will also be around 4.6 times higher than the current proportions. Hence the need for market wheelchair user housing (M4(3) dwellings) in the market sector is around 12.47% (2.7% x 4.6) and 32.8% (7.1% x 4.6) in the affordable sector.

10.140 To meet the identified need we would, therefore, recommend that the Council should seek up to 10% of all new market homes to be M4(3) compliant and up to 30% in the affordable sector. These figures reflect that not all sites would be able to deliver homes of this type. In the market sector, these homes would be M4(3)A (adaptable) and M4(3)B (accessible) for affordable housing.

10.141 As with M4(2) homes, it may not be possible for some schemes to be built to these higher standards due to built form, topography, flooding etc. Furthermore, the provision of this type of property may in some cases challenge the viability of delivery given the reasonably high build-out costs (see table below).

10.142 Additionally, local authorities only have the right to request M4(3)(B) Accessible compliance from homes for which they have nomination rights i.e. affordable tenures. They can request M4(3)(A) Adaptable compliance from the wider (market) housing stock.

10.143 M4(3)A Adaptable and M4(3)B Accessible compliance refers to Part M of the Building Regulations. Part M makes a distinction between wheelchair accessible (a home readily useable by a wheelchair user at the point of completion) and wheelchair adaptable (a home that can be easily adapted to meet the needs of a household including wheelchair users) dwellings<sup>69</sup>.

10.144 To meet the identified need we would, therefore, recommend that the Councils seek 10% of all new market homes to be M4(3)A(adaptable) compliant and 30% M4(3)B (accessible) compliant in the affordable sector.

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<sup>69</sup> PPG (Housing: optional technical standards) Para 009 Ref ID: 56-009

- 10.145 It is worth noting that in 2021 the Government consulted on changes to the way the needs of people with disabilities and wheelchair users are planned for. At the time of writing, officials were analysing the feedback received. The consultation was undertaken as a result of concerns that in the drive to achieve housing numbers, the delivery of housing suited to the needs of households (in particular those with disabilities) is being compromised on viability grounds.
- 10.146 One of the policy options tabled in the consultation paper is to remove M4(1) altogether so that all new homes will have to at least have the accessible and adaptable features of an M4(2) home. M4(3) would apply where there is a local planning policy in place in which a need has been identified and evidenced. This is consistent with the evidence presented in this report, although the trade-off identified in the consultation paper between viability and the need to deliver sufficient numbers of market homes to meet general housing needs is unavoidable.
- 10.147 A further option for the Council would be to consider seeking a higher contribution of M4(3) homes where it is viable to do so, from those homes to which they have nomination rights. This would address any under-delivery from other schemes (including schemes due to their size i.e. less than 10 units or 1,000 square metres) but also recognise the fact that there is a higher prevalence of wheelchair use within social rent tenures. This should be considered when setting policy.

## Students

- 10.148 Planning Practice Guidance on Housing Needs for Different Groups states that local authorities “*need to plan for sufficient student accommodation whether it consists of communal halls of residence or self-contained dwellings, and whether or not it is on campus*”. They are advised to “*engage with universities and other higher educational establishments to ensure they understand their student accommodation requirements in their area*”.<sup>70</sup>
- 10.149 In this section, we will analyse the student needs of the Island. The primary Higher Education Institute (HEI) on the Island is the Isle of Wight College (IWC). IWC is a general college of further and higher education in Newport. The College was awarded university status in 2021. However, there is also a secondary campus that is located in Whippingham, which is situated in the north of the Island. It is also worth noting there are a number of collaborative courses between the Isle of Wight College and the University of Portsmouth.
- 10.150 The IWC had 4,457 students in 2017, however, this hasn’t changed significantly from 2003, when the number of students was 4,055.<sup>71</sup>
- 10.151 Census 2011 data has been used to analyse the student accommodation arrangements on the Isle of Wight. Although this data is somewhat dated, it can provide an indication of how students are housed on the Island.

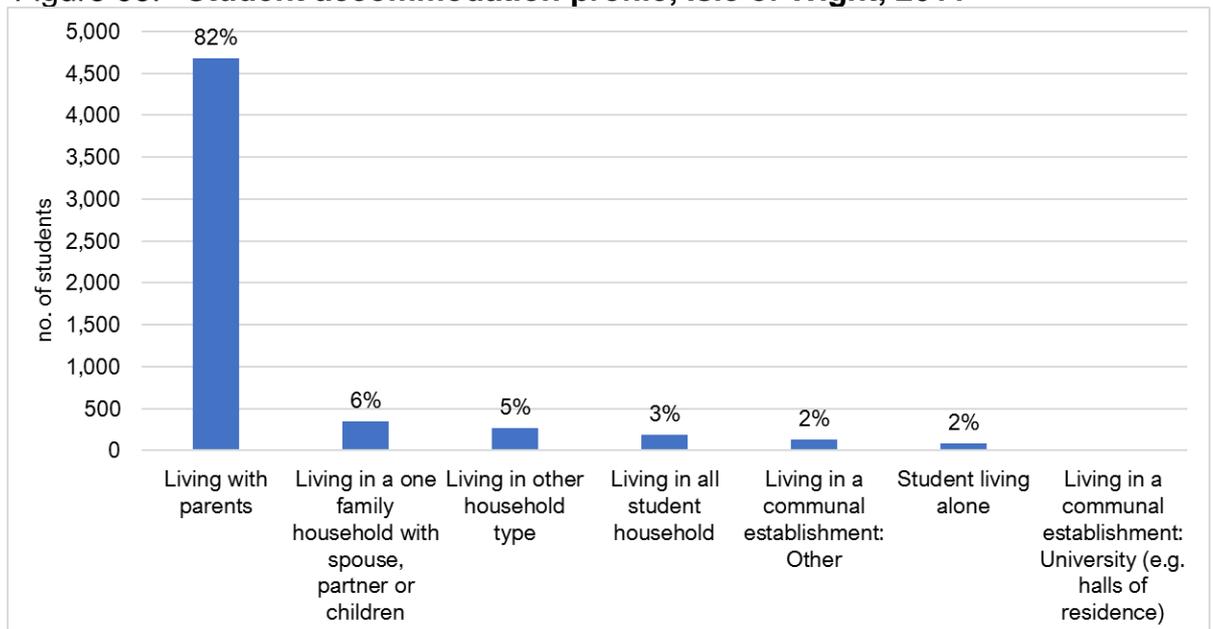
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<sup>70</sup> PPG (housing needs of different groups) Para 004 Ref ID: 67-004

<sup>71</sup> Ofsted, [Inspection reports](#)

10.152 The graph below displays the accommodation types of students aged 16 years old and above on the Isle of Wight. This includes students that are still at school or in sixth-form colleges.

Figure 38: **Student accommodation profile, Isle of Wight, 2011**



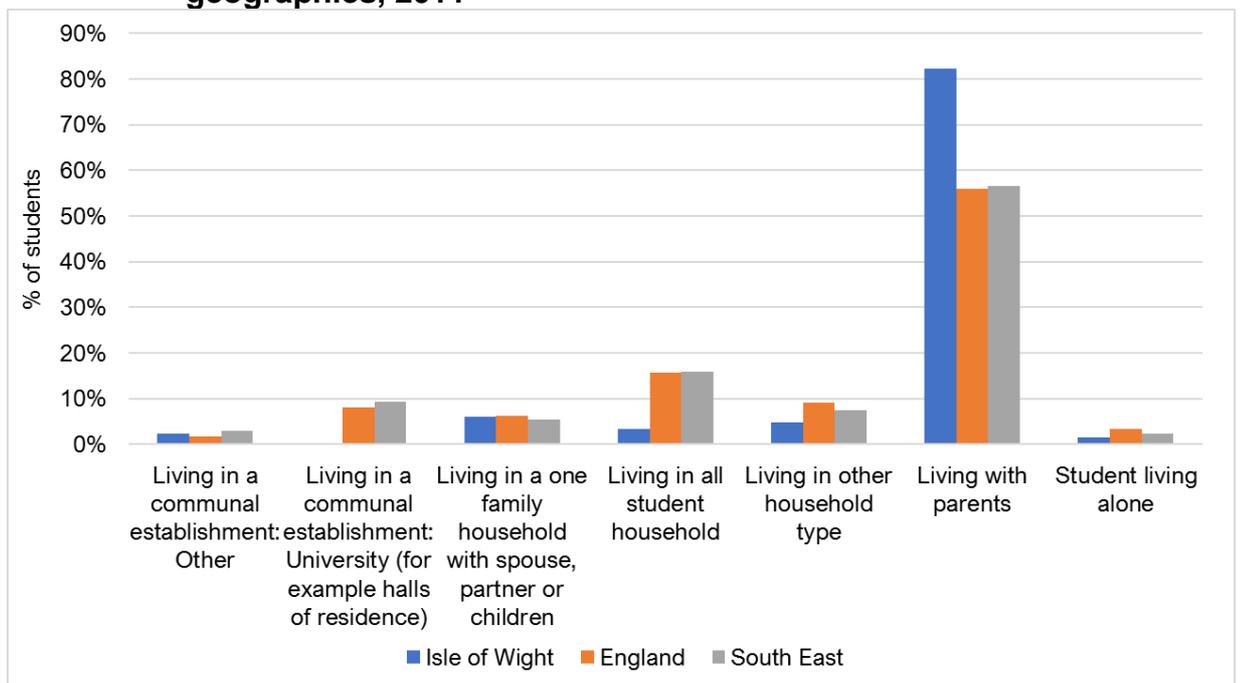
Source: Census table: [DC6108EW](#)

10.153 The majority of students of this age live with their parents (82%), followed by one-family households (6%). There were no students living in halls of residence.

10.154 The students who are living in other household types are likely to live in houses of multiple occupations (HMO) with non-students.

10.155 The following figure sets out how the Isle of Wight compares to the South East and England in terms of the student accommodation profile.

Figure 39: **Student accommodation, Isle of Wight and comparator geographies, 2011**

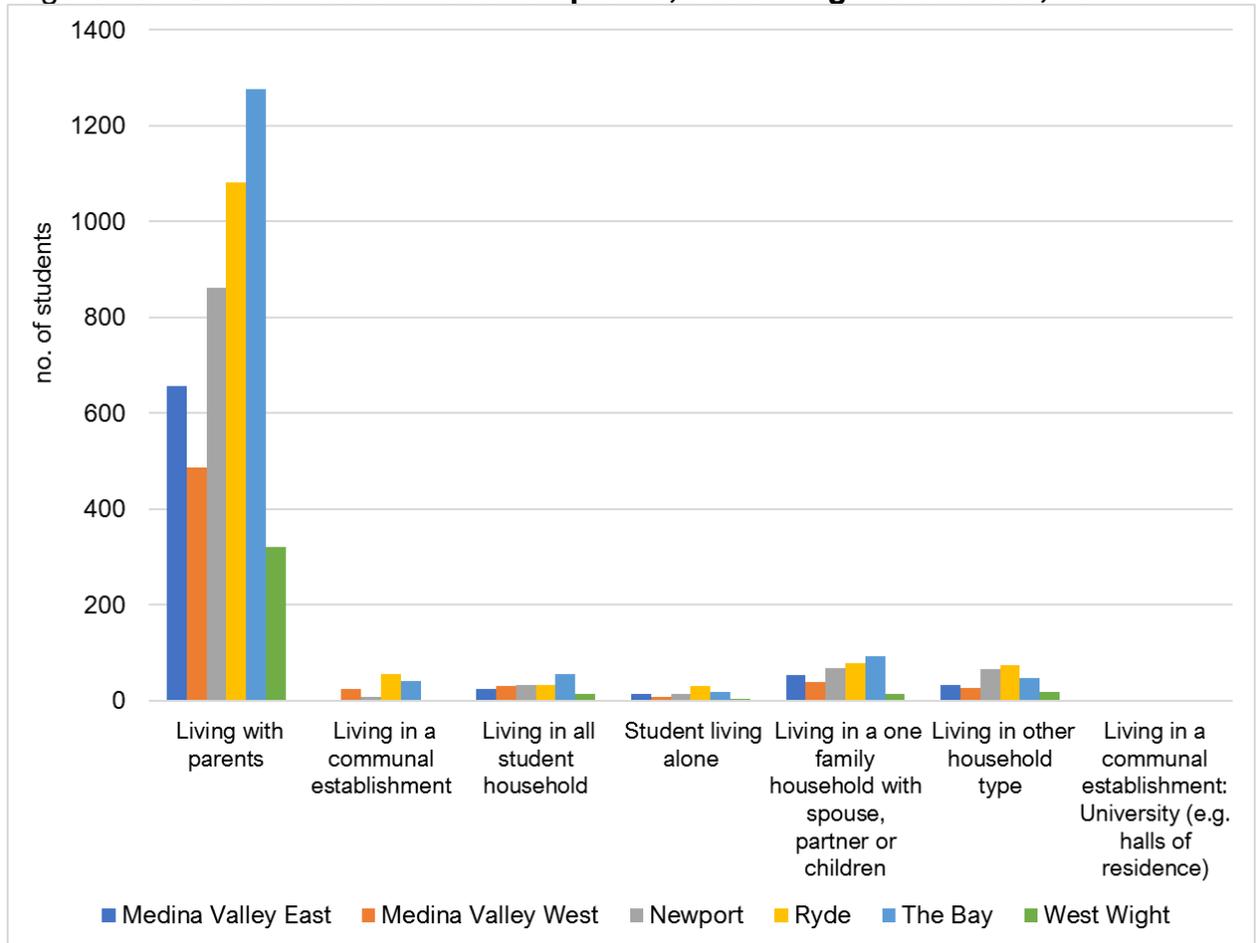


Source: Census table: [DC6108EW](#)

10.156 Isle of Wight has a significantly higher percentage of students living with their parents (82%) compared to the South East (57%) and England (56%).

10.157 The chart below shows the student accommodation profile for Isle of Wight sub-areas for 2011.

Figure 40: **Student accommodation profile, Isle of Wight sub-areas, 2011**



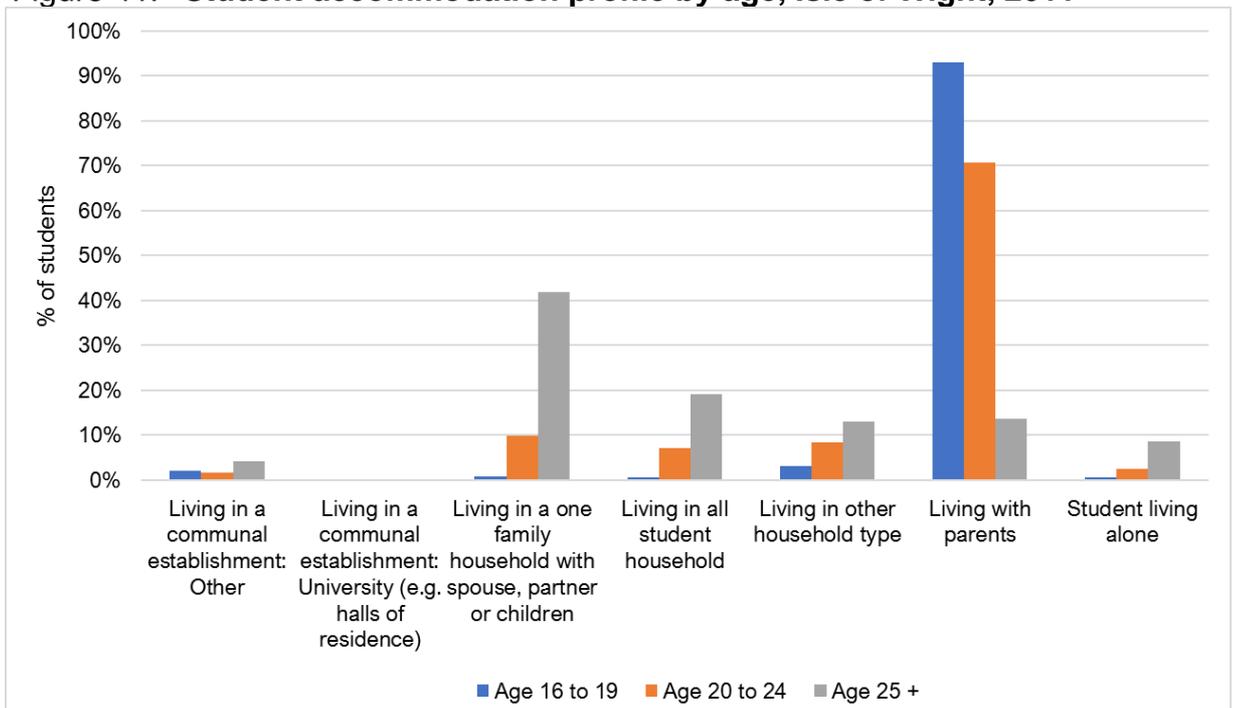
Source: Census table: [DC6108EW](#)

10.158 The Bay area contains the most students (1,531), followed by Ryde (1,352). As can be expected, West Wight has the lowest number of students (370).

10.159 In all sub-areas, most of the students live with their parents, which is the same trend for the Island as a whole and the comparator geographies.

10.160 The following figure disaggregates the accommodation type by age cohort in the Isle of Wight. Most students are between 16 and 19 years old (79%). For this age category, the majority of students are living with parents (93%).

Figure 41: **Student accommodation profile by age, Isle of Wight, 2011**



Source: Census table: [DC6108EW](#)

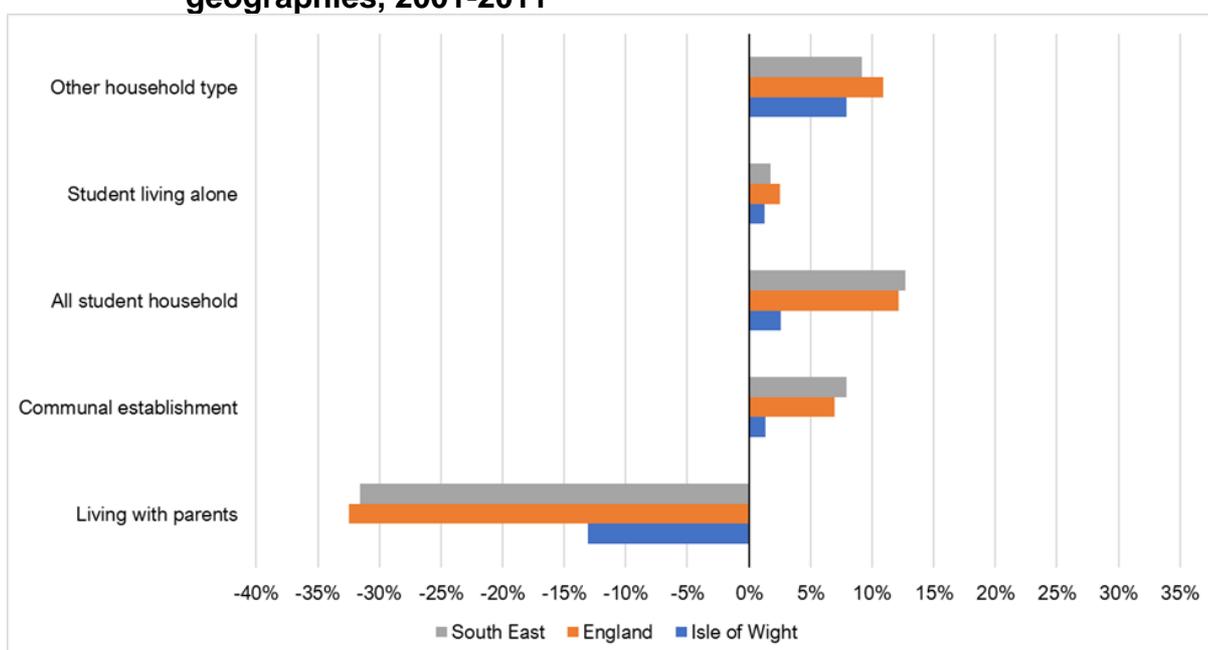
10.161 The age 20 to 24 and age 25+ age groups make up approximately the same percentage of the total, 10% and 11% respectively.

10.162 Most of the age 20-24 age group are also living with their parents (71%), followed by living in a one-family household (10%).

10.163 The age 25+ age group mostly resides in a one-family household (42%), with the next most common living arrangement being living in an all-student household (19%).

10.164 The figure below displays the percentage change in student accommodation types between 2001 and 2011 for the Isle of Wight, the South East, and England.

Figure 42: % Change by accommodation type, Isle of Wight and comparator geographies, 2001-2011



Source: Census 2011, [DC6108EW](#) and Census 2001, [ST063](#)

10.165 On the Island, the most significant increase that has been recorded is in those living in “other household type” (8%). This is mainly comprised of those who live in a one-family household with a spouse, partner, or children.

10.166 The largest decrease on the Island has been among those students who live with their parents (-13%). However, this is a much smaller reduction compared to the South East and nationally (just over 30%).

10.167 There were just 19 households comprised of “all students” on the Island according to the 2011 Census. In addition, the majority of students are living with their parents. This suggests that the Isle of Wight does not have a significant population of further education students with specific housing requirements.

## Isle of Wight College

10.168 Following PPG, data was sought from the Isle of Wight College relating to forecast growth in student numbers and how the College envisages its student body being housed in future years.

10.169 In the current academic year, there are 1,500 students aged 16-19, 2,000 adults (aged 19+), and 400 apprentices. Of the 2,000 adults, only 98 students are enrolled in Higher Education (HE) courses.

10.170 Currently, there are 98 undergraduate students and 3 post-graduate students studying at the IWC. There are no international students.

10.171 In relation to how student numbers have changed since 2011, Isle of Wight College stated:

*“Our HE student numbers have declined slightly in recent years, this reflects the national decline in adults studying HE courses part-time”*

10.172 In line with the 2011 Census, the College said that the vast majority of its students live at home.

10.173 When asked about growth aspirations, the college stated:

*“The college has aspiration to grow its HE provision. This would primarily be adults, who are in employment and are seeking to increase their skills for work.”*

10.174 When asked about how future students will be housed, and if there were any plans to build halls of residence, the college said:

*“the majority of students will continue to live at home. The college does not currently have any plans to develop halls of residence.”*

10.175 In conclusion, given the number of students involved, there is no requirement to modify or increase the overall housing need on the basis of changes to the student population.

## Service families

- 10.176 There are no military bases located on the Isle of Wight. There are 197 Armed Forces personnel that live in households and one in a communal establishment.<sup>72</sup>
- 10.177 The evidence does not suggest that any specific policy in relation to housing members of the Armed Forces personnel would be justified.

## People who rent their homes

- 10.178 This section examines a range of statistics concerning the Private Rented Sector (PRS) on the Isle of Wight, with the aim of bringing together information to inform the demand for private rented housing on the Island.
- 10.179 Planning Practice Guidance (PPG) states that LPAs should seek to understand the need for PRS housing in their areas. The LHNA should

*“Take into account the need for a range of housing types and tenures in their area including provisions for those who wish to rent...The assessment will enable an evidence-based planning judgement to be made about the need for build to rent homes in the area, and how it can meet the housing needs of different demographic and social groups”<sup>73</sup>*

- 10.180 Paragraph two of the PPG concerns the PRS needs which state:

*“Tenure data from the Office for National Statistics can be used to understand the future need for PRS housing. However, this will be based on past trends. The level of changes in rents, (known as “market signals”), may reflect the demand in the area for PRS housing. Evidence can also be sourced from the English Housing Survey, Office for National Statistics Private Rental Index, the Valuation Office Agency, HomeLet Rental Index and other commercial sources”<sup>74</sup>*

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<sup>72</sup> Census table [QS121EW](#), 2011

<sup>73</sup> PPG (build to rent) Para 001 Ref ID: 60-001

<sup>74</sup> PPG (housing needs of different groups) Para 002 Ref ID: 67-002

10.181 Also, as noted above the LHNA needs to express “*how it can meet the housing needs of different demographic and social groups*”. The section, therefore, examines the demand for PRS from households on housing benefits to investigate its role in addressing the need for affordable housing.

10.182 This study has not attempted to estimate whether additional private rented housing is required. It is likely that the decision of households to whether to buy or rent a home in the open market is dependent on several factors which means that demand can fluctuate over time.

10.183 These factors include mortgage lending practices and the availability of Housing Benefit. Also, a general (national and local) shortage of housing. Some of the growth in the PRS can therefore be accounted for by increases in the number of younger people in the sector and increases in shared accommodation.

10.184 If the overall supply of housing increases, then this potentially means that more households would be able to buy, who would otherwise be renting. It is therefore difficult to base anything on past trends when a step change in delivery is expected.

## Market signals

### a. Sector growth

10.185 The following table displays the percentage change in the number of households in the PRS for the Isle of Wight, comparator geographies, and the Island's sub-areas between 2001 and 2011.

Table 59: **Change in privately renting, Isle of Wight, comparators, and sub-areas, 2001-2011**

	2001 (no.)	2001 (%)	2011 (no.)	2011 (%)	% change
<b>England</b>	2,037,470	10%	3,715,924	17%	82%
<b>Hampshire</b>	38,359	8%	68,326	13%	78%
<b>Isle of Wight</b>	6,532	11%	10,639	17%	63%
<b>Medina Valley East</b>	699	9%	1,308	16%	87%
<b>Medina Valley West</b>	534	10%	950	16%	78%
<b>Newport</b>	904	10%	1,798	17%	99%
<b>Ryde</b>	2,041	15%	3,050	21%	49%
<b>The Bay</b>	1,879	12%	2,848	17%	52%
<b>West Wight</b>	488	9%	685	13%	40%

Source: Census tables [QS405EW](#) (2011) and [UV063](#) (2001)

10.186 There were a total of 10,639 households living in private rented housing on the Island in 2011 – 17% of all households. This proportion is similar to the national average, but significantly higher than Hampshire (13%).

10.187 The PRS has grown significantly between 2001 and 2011. The Isle of Wight as a whole experienced the lowest percentage change in PRS out of the comparator geographies of Hampshire and England. However, it must be noted that the Island had a greater proportion of PRS to begin with.

10.188 Medina Valley (East and West) and Newport experienced a larger increase in PRS stock than the Island as a whole, with Newport's PRS stock doubling between 2001 and 2011.

10.189 Another dataset provided by ONS is the sub-national dwelling stock by tenure estimates. The table below records the change in the count of dwellings by tenure and the percentage difference between 2012 and 2020 using this source in the Isle of Wight.

**Table 60: Change in Tenure, Isle of Wight and England, 2012-2020**

<b>Isle of Wight</b>	<b>2012</b>	<b>2020</b>	<b>% change</b>
<b>Owned Outright</b>	28,425	32,701	15%
<b>Private Rent</b>	12,890	13,677	6%
<b>Social Rent</b>	6,966	7,258	4%
<b>Owned with Mortgage or Loan</b>	19,746	17,345	-12%
<b>England</b>	<b>2012</b>	<b>2020</b>	<b>% change</b>
<b>Owned Outright</b>	7,284,029	8,838,365	21%
<b>Private Rent</b>	4,273,390	4,780,335	12%
<b>Social Rent</b>	4,125,566	4,198,375	2%
<b>Owned with Mortgage or Loan</b>	7,426,566	6,839,418	-8%

Source: ONS, 2012-2020

10.190 The number of private rental stock properties in the Isle of Wight has risen by 6% between 2012 and 2020. This is a smaller increase than the national average, which has increased by 12%.

10.191 It is however important to note there are no official statistics on dwelling stock by tenure. Confidence interval notation does, however, indicate that, in the statistician's view, the data is reasonably precise.

10.192 That said, there is evidence that the supply of homes for rent has been falling since 2020. According to Council sources, this is because some landlords wish to take advantage of rising house prices and avoid new regulations<sup>75</sup>. Media reports also suggest that those that remain are moving their dwellings from long term lets to the to the short-term market.

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<sup>75</sup> The [Electricity Performance Certificate Level C requirements](#) should be complied with by 2025.

## Letting agent consultation

10.193 In order to explore these issues, a survey of letting agents was conducted to understand their perception of market conditions. Three letting agents were interviewed in a semi-structured format. The following findings emerge from the survey:

- The consensus among the agents was that, in the current market, supply is not meeting demand. Their views indicate there has been an exodus of landlords from the market as they take advantage of high house prices and seek to avoid the increasing costs associated with changes to the regulatory environment.
- While the PRS attracts many different kinds of households there is strong demand from families seeking 2- or 3 bedroom homes in the Isle of Wight. One agent commented that the typical applicant are parents in their 40s with children.
- One agent suggested that demand is split evenly between families from the island and those coming from the mainland. This suggests that the PRS serves as a gateway for domestic migration.
- As a result of demand from families, 3 bedroom homes are identified by all the agents as being in particularly short supply. That said, demand exceeds supply for homes of all sizes.
- All the agents agreed that rents had increased substantially over the past couple of years. Over the past year, the average of the three estimates provided by the agents came to 15%.
- While it is very difficult to forecast future trends in rents, and one agent identified some signs of stabilisation, all agreed that rents are likely to increase over the next twelve months.

10.194 The condition of reducing stock and increasing rents points to a weakening in the traditional role of the PRS as a form of low cost market housing suited to newly forming households. These conditions could also exacerbate the problem of overcrowding.

10.195 The table below shows the median monthly rents and percentage increases for the Isle of Wight, Hampshire, and England from 2011 to 2021.

**Table 61: Median monthly PRS rents, Isle of Wight and comparators, 2011-2021**

	2011	2021	% change
<b>Isle of Wight</b>	£550	£675	23%
<b>Hampshire</b>	£740	£875	18%
<b>England</b>	£575	£755	31%

Source: Valuation Office Agency [Table 2.7](#)

10.196 Rents on the Island have increased by a greater amount than in Hampshire between 2011 and 2021, but less than in England. It must also, however, be noted that the Isle of Wight has lower rents than the comparator geographies.

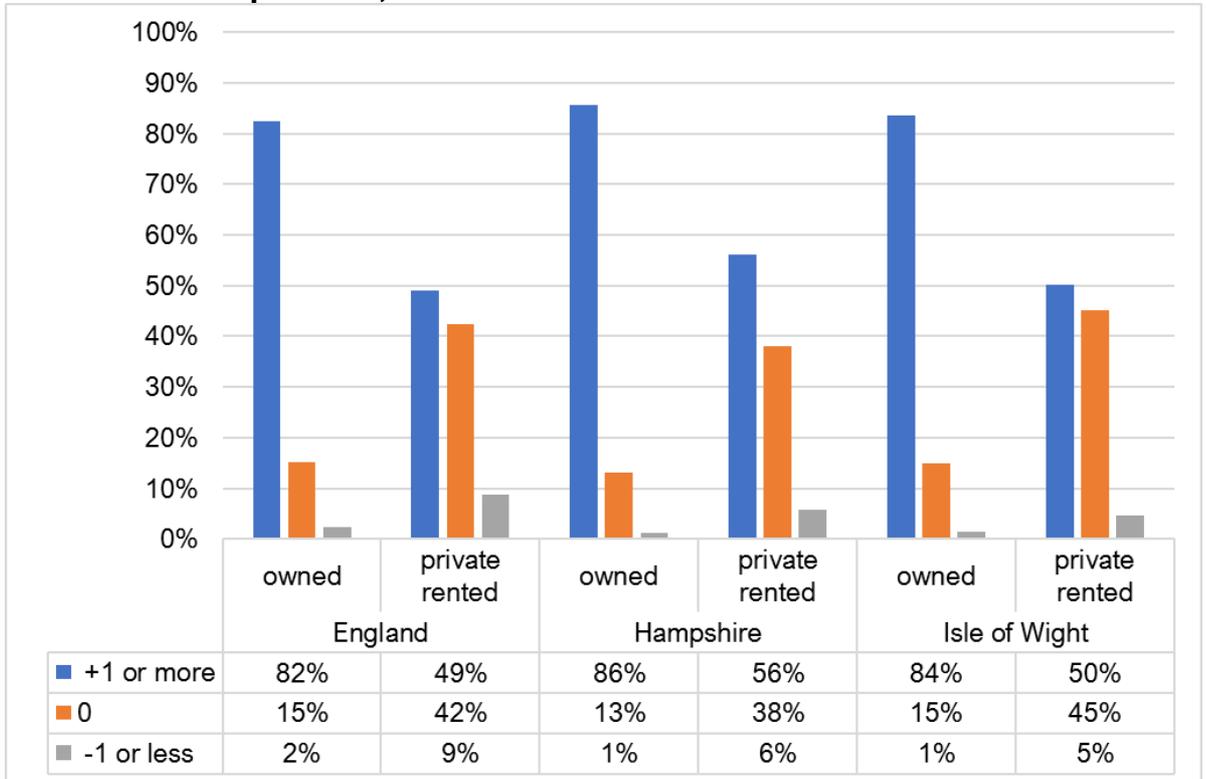
10.197 It is worth noting that the change in rents in the Island over the decade (31%) amplifies the severity of the 15% increase over the past 12 months reported by agents in the survey.

10.198 It is reasonable to assume that if the supply of dwellings for sale at the right prices and locations grows, then this potentially means that a greater number of households who would otherwise be renting would be able to buy. This is especially the case if the supply of affordable homeownership products increases.

b. Over-crowding and under-occupation

10.199 The following graph displays the levels of over-crowding and under occupation by tenure in the Isle of Wight, Hampshire, and England in 2011. This is based on the bedroom standard – where a negative number represents overcrowding and a positive number represents under-occupation.

Figure 43: **Overcrowding and under-occupation by tenure, Isle of Wight and comparators, 2011**



Source: Census table [LC4108EW](#)

10.200 The analysis shows that levels of overcrowding in the PRS are significantly greater than in the owner-occupied sector. On the Island, 5% of private rented homes are overcrowded compared to 1% of owner-occupied homes.

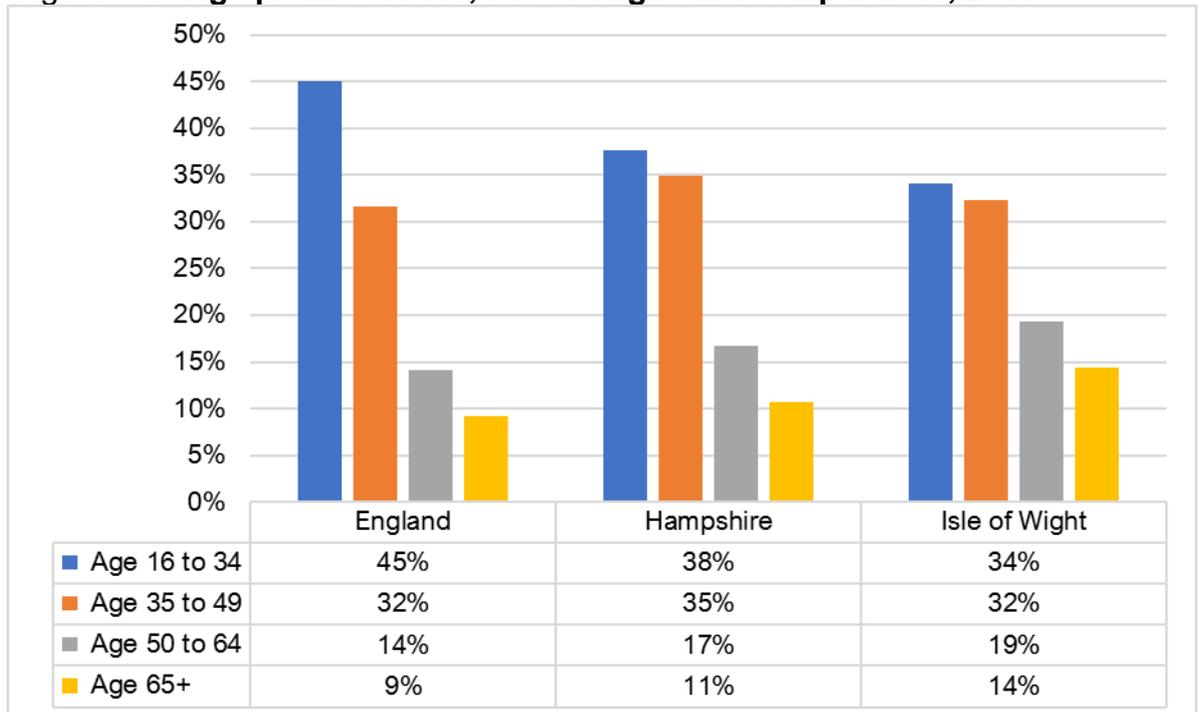
10.201 Furthermore, levels of under-occupation are relatively low, with 50% of PRS households having at least one spare bedroom, compared to 84% of owner-occupiers.

10.202 It should be noted, however, that the Isle of Wight has lower levels of overcrowding at 5% than Hampshire (6%) or England as a whole (9%).

### Age profile of renters

10.203 The following graphs display the age profile of people who rent for Isle of Wight and comparator geographies in 2011.

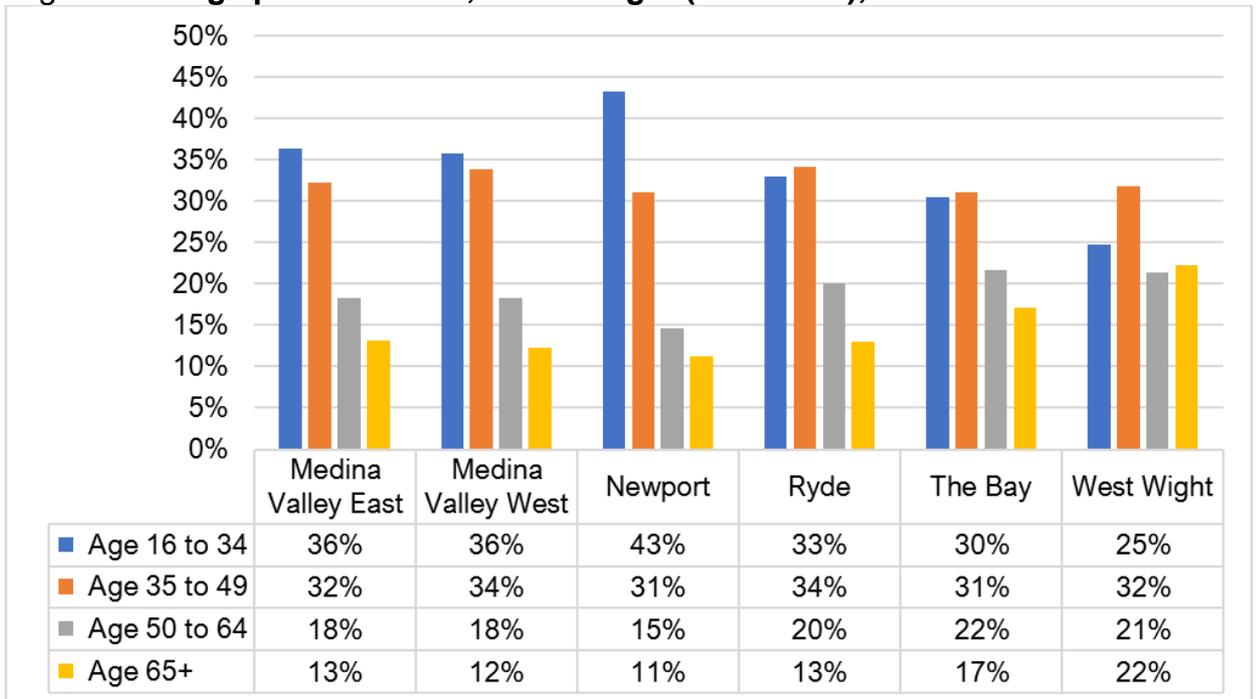
Figure 44: **Age profile of PRS, Isle of Wight and comparators, 2011**



Source: Census table [DC4601EW](#)

10.204 For all geographies, the 16-34 age group made up the highest proportion of the PRS. However, the Isle of Wight had a lower proportion of the youngest age category than Hampshire and nationally.

Figure 45: **Age profile of PRS, Isle of Wight (sub-areas), 2011**



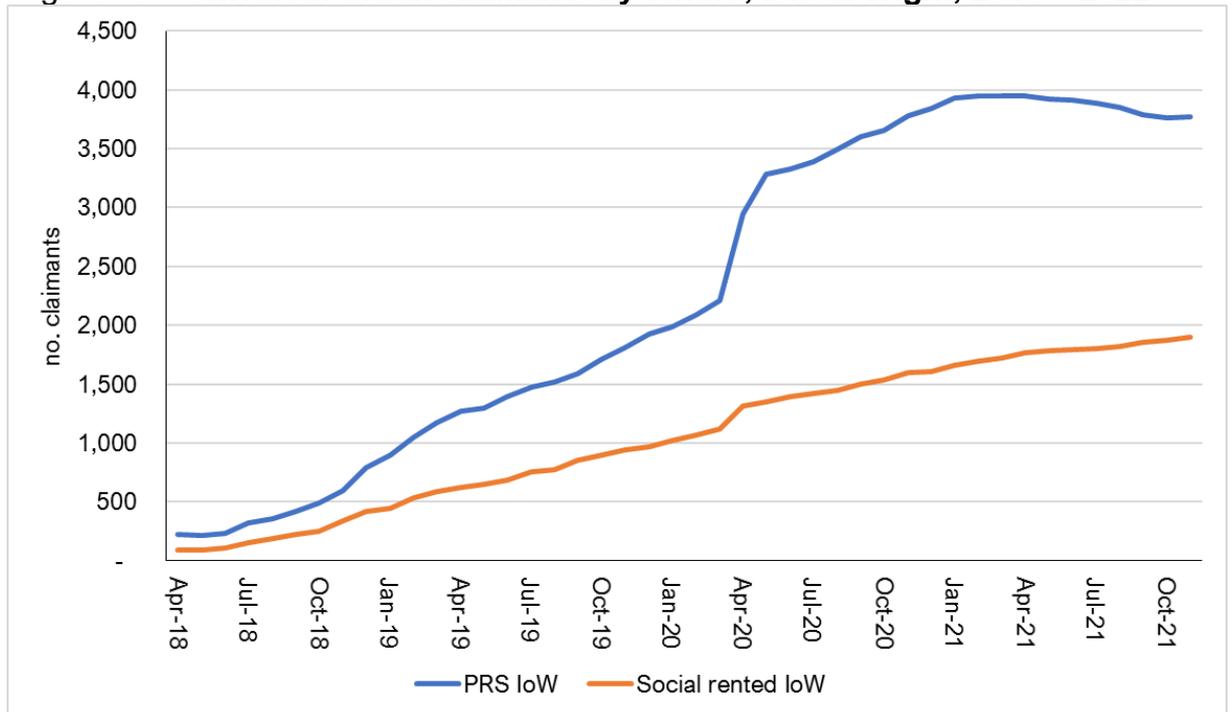
Source: Census table [DC4601EW](#)

10.205 As expected, Newport had the highest percentage of renters in the 16 to 34 age group (43%), which is broadly in line with the national average. This is due to Newport having a younger age demographic overall. West Wight had the lowest proportion of renters in the 16 to 34 age category, with 25% of renters in the 16 to 34 age group, with 32% of renters in the 35 to 49 age group, which is comparable to England as a whole.

## The role of PRS in meeting Affordable Housing needs

10.206 The chart below sets out the number of households claiming Housing Benefit over the period April 2018 to November 2021.

Figure 46: **Universal Credit claimants by tenure, Isle of Wight, 2018 – 2022**



Source: Department of Work and Pensions

10.207 This shows that the number of households in receipt of the housing entitlement of Universal Credit living in the PRS has increased substantially between April 2018 and November 2021.

10.208 Also, it is worth noting that the PRS has a higher proportion of Universal Credit claimants than the social rented sector. There was a sharp increase in the number of households in the PRS claiming benefits in the first quarter of 2020, this is likely due to the COVID-19 Pandemic.

10.209 The evidence suggests that the PRS forms an important source of supply of affordable housing on the Island.

- 10.210 Meanwhile, the reliance on a voucher system carries with it intrinsic weaknesses. One of which is that its value does not keep pace with changing market conditions. For example, in 2018 commentators argued that freezing Local Housing Allowance (LHA)<sup>76</sup> rates between 2016 and 2020 made access to private rented housing, particularly in London, increasingly unaffordable for households on low incomes.
- 10.211 The Chartered Institute of Housing (CIH) commented in 2018 that “more than 90 per cent of LHA rates across Great Britain now fail to cover the cheapest rents, as they were originally designed to do” and that “LHA rates...have fallen so far behind even the cheapest rents that private renting has become unaffordable for most low-income tenants.<sup>77</sup>”
- 10.212 These concerns led to LHA rates increasing in 2020. While this was a positive move to improve affordability and re-establish the feasibility of the PRS as a form of affordable housing, it was pointed out that “*the 30th percentile of market rents still left a majority of those potentially facing a drop in income due to the Pandemic with a shortfall in assistance*”<sup>78</sup>. As a result, the CIH has observed that one of the biggest housing risks during the Pandemic has been increased evictions from the PRS and a subsequent surge in homelessness.<sup>79</sup>
- 10.213 As the importance of the PRS has grown over time, the quality of provision has been the subject of attention among policymakers. The necessity to develop a well-funded PRS able to offer high-quality accommodation has been observed<sup>80</sup>. This has led policymakers to consider the role of Build to Rent development in meeting housing needs.

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<sup>76</sup> Local Housing Allowance (LHA) rates are used to calculate housing benefit for tenants renting from private landlords.

<sup>77</sup> House of Commons Library, [What is Affordable Housing?](#) (2021) Page 34

<sup>78</sup> Pennington, J, [New LHA rates: what do they mean?](#) (2020) Shelter

<sup>79</sup> Chartered Institute of Housing, [2020 UK Housing Review Autumn Briefing Paper](#), page 9

<sup>80</sup> The Housing Forum, [The ABC of Housing Growth and Infrastructure](#) (2014) page 13

10.214 As noted, given affordability challenges, it is likely that the PRS will continue to form an important part of how the Isle of Wight enables households on median incomes to access low-cost market housing. It is also likely to form part of the supply of affordable housing through Universal Credit. That said, it will be important in future years to assess whether LHA rates are enough to enable households on low incomes to access homes suited to their needs.

10.215 The LHA rates are categorised into five groups (CAT A to E)<sup>81</sup>, depending on the number of bedrooms in the dwellings and whether the tenant must share use facilities with others.

10.216 The table below compares the current lower quartile rent and the LHA in Isle of Wight, categorised with the five rate groups.

**Table 62: Comparison of monthly LQ rent and LHA in Isle of Wight (2021)**

(Sizes)	Room only	Studio/1bed	2-bed	3-bed	4-bed
LQ Rent	£379	£423	£575	£725	£900
LHA	£311	£450	£575	£725	£895
LHA Coverage (%)	82.0%	106.5%	100.0%	100.0%	99.4%

Source: ONS, 2021 / VOA, 2021

10.217 This indicates that the current LHA rates are able to fully cover the rents paid by the LQ households in the Isle of Wight, except for shared accommodation.

10.218 The table below shows the CAGR of median and LQ rents of different sizes of dwellings in the Isle of Wight's PRS market between 2017 to 2021.

**Table 63: Growth (CAGR) of PRS rent and Local Housing Allowance (LHA) in Isle of Wight, 2017-2021**

(Sizes)	Room only	Studio/1bed	2-bed	3-bed	4-bed
Mean Rent	1.12%	2.37%	1.66%	1.44%	1.24%
LQ Rent	2.16%	1.92%	1.12%	1.06%	1.44%
LHA	1.08%	2.69%	2.06%	2.77%	2.84%

Source: ONS, 2021 / VOA, 2021

<sup>81</sup> A - Shared Accommodation Rate, B - One Bedroom Rate, C - Two Bedroom Rate, D - Three Bedroom Rate, E- Four Bedroom Rate

10.219 Based on the trends in recent years, the growth of average LHA rates of Isle of Wight was able to follow both mean and LQ rent growth trends in the private rental market.

10.220 This indicates that the current LHA rate allows eligible LQ households to fully cover their expenditure on rents.

### **Demand for Private Rented Sector**

10.221 A general (national and local) shortage of housing is likely to have driven some of the growth in the PRS over the period 2001-11. This includes increases in the number of younger people in the sector, and increases in shared accommodation.

10.222 As noted, if the supply of housing at the right prices and in the right locations increases, then this potentially means that more households who would otherwise be renting would be able to buy. This is particularly the case if the supply of affordable homeownership products, which is essentially targeted at those currently renting, increases. This is a further consideration for the Councils in deciding the split of affordable housing tenures being sought.

10.223 Earlier in this report, the need for those requiring an affordable homeownership product was identified. We also noted that given the finite supply of affordable homes of any tenure that the Council will need to decide what levels of affordable homeownership or Social and Affordable Rental products to request in the policy. If the Council prioritise the latter then it is possible that there would be an unmet demand from those requiring AHO products.

10.224 This unmet demand could be addressed through the delivery of further PRS homes either from institutional supply or from ad-hoc buy to let investors. Although it should be noted that the majority of these households will already be in PRS accommodation. It is, therefore, only newly forming households and those households who, because of a change in circumstance, are unable to afford for-sale housing, who will seek PRS accommodation.

10.225 Also, there will be newly forming households that are not in affordable housing need that may decide to rent privately. This may be for a number of reasons; for example, households only staying in the area on a temporary basis such as contractors, those who could afford a mortgage but cannot raise a deposit; those that cannot access mortgages due to poor credit; and those with a preference for renting.

### Self-build and custom housebuilding

10.226 The Self-Build and Custom Housebuilding Act 2015 (as amended by the Housing and Planning Act 2016) provides a legal definition of “self-build and custom housebuilding” where individuals or associations of individuals (or persons working with or for individuals or associations of individuals) build houses to be occupied as homes for those individuals.

10.227 The Housing and Planning Act 2016 formally introduced the ‘Right to Build’ which requires local authorities to host a Right to Build Register. This enables LAs to evidence how many people want to build their own homes. The Act also necessitates all Local Authorities to

*“grant sufficient ‘development permissions’ to meet the demand for Custom and Self-build housing in their area, as established by their register, on a rolling basis”.*

10.228 The NPPF states that within the context of the standard method, “the size, type, and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies (including, but not limited to... people wishing to commission or build their homes)”<sup>82</sup>

10.229 PPG on housing needs of different groups describes how the needs of self-build and custom housebuilders should be assessed:

*“Most local planning authorities (including all district councils and National Park Authorities) are now required to keep a register of individuals and associations of individuals who are seeking to acquire serviced plots of land in their area to build their own home. The Self-build and Custom Housebuilding (Register) Regulations 2016 set out these requirements”*

*“To obtain a robust assessment of demand for this type of housing in their area, local planning authorities should assess and review the data held on registers. This assessment can be supplemented with the use of existing secondary data sources such as building plot search websites, ‘Need-a-Plot’ information available from the Self Build Portal and enquiries for building plots from local estate agents”<sup>83</sup>*

10.230 In addition, paragraph 24 of PPG refers to the duty to grant planning permission, and states:

*“Relevant authorities must give suitable development permission to enough suitable serviced plots of land to meet the demand for self-build and custom housebuilding in their area. The level of demand is established by reference to the number of entries added to an authority’s register during a base period*

*The first base period begins on the day on which the register (which meets the requirement of the 2015 Act) is established and ends on 30 October 2016. Each subsequent base period is the period of 12 months beginning immediately after the end of the previous base period. Subsequent base periods will therefore run from 31 October to 30 October each year.*

*At the end of each base period, relevant authorities have 3 years in which to permission an equivalent number of plots of land, which are suitable for self-build and custom housebuilding, as there are entries for that base period.”<sup>84</sup>*

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<sup>82</sup> National Planning Policy Framework (NPPF) Paragraph 62

<sup>83</sup> PPG (housing needs of different groups) Para 003 Ref ID: 67-003

<sup>84</sup> PPG (self-build and custom housebuilding) Para 023 Ref ID: 57-023

### **Demand for self- and custom-build plots**

10.231 Isle of Wight's Self-Build Register has been referenced to understand the demand for self- and custom-build plots in line with PPG.

10.232 The register shows that 73 individuals are currently on the register, with 44 being in the Isle of Wight. These entries date from when the register was first created in 2016 up to entries for the year 2021/22.

10.233 The registers have not been broken down by base period, but entries have been divided across each of the seven base periods since 2016 in order to project forward an estimation of future needs. The base period is 12 months beginning from 31 October each year.

10.234 The table below displays the total number of applications in each base period that have been recorded.

**Table 64: Number of entries on the Isle of Wight Self/custom build register**

<b>Item</b>	<b>BP1 (2016)</b>	<b>BP 2 (2017)</b>	<b>BP 3 (2018)</b>	<b>BP 4 (2019)</b>	<b>BP 5 (2020)</b>	<b>BP 6 (2021)</b>	<b>BP 7 (2022)</b>	<b>Total</b>
<b>Applications (individuals)</b>	0	4	3	4	15	41	6	73

Source: Isle of Wight Council

10.235 The table shows that 73 individuals and no groups are currently on the register. There is a potential for double-counting within the registers, given that people may register in more than one authority. However, there is no option for Councils to reduce their need to take account of this.

10.236 This gives an indication of the scale of future needs. PPG states that,

*“At the end of each base period, relevant authorities have 3 years in which to permission an equivalent number of plots of land, which are suitable for self-build and custom housebuilding, as there are entries for that base period.”<sup>85</sup>*

10.237 The table below sets out the number of plots that would need to have been provided on the Isle of Wight in order to meet this requirement. The average annual requirement (10) provides an indication of the number of self-build plots that should be provided to meet demand over the Plan period.

**Table 65: Historic need for self-build plots (annualised) for the Isle of Wight**

No units required	2018	2019	2020	2021	2022	2023	2024	2025
BP 2 (2017)	1	1	1					
BP 3 (2018)		1	1	1				
BP 4 (2019)			1	1	1			
BP 5 (2020)				5	5	5		
BP 6 (2021)					14	14	14	
BP 7 (2022)						2	2	2
Annual requirement	1	2	4	7	20	21	16	2
Average	10							

Source: GL Hearn calculations

### **Supply of self- and custom-build plots**

10.238 There is no specific record of the number of self- and custom-build plots that have been supplied. However, it is possible to use as a proxy the number of permissions that have been granted for single dwellings as well as those permissions that are specifically for developments of self- or custom-build dwellings.

10.239 In 2020, one application was given permission that included Self-Build and Custom Housing. Permission was granted for 5 self-built plots as part of the proposed development at land adjacent to Blanchards, Moortown Lane and between Upper Lane and Main Road, Brighstone.

<sup>85</sup> PPG (custom & self-build) Ref ID: 57-023

10.240 PPG also provides guidance on how Local Authorities can help support custom and self-build by increasing the number of suitable planning permissions. It encourages Councils to play a key role in brokering and facilitating relationships to help bring suitable land forward by:

- *supporting Neighbourhood Planning groups where they choose to include self-build and custom build housing policies in their plans;*
- *using their own land for self-build and custom housebuilding and marketing it to those on the register;*
- *working with Homes England to unlock land and sites in wider public ownership to deliver self-build and custom build housing;*
- *engaging with developers and landowners who own sites that are suitable for housing, and encouraging them to consider self-build and custom housebuilding, and facilitating access to those on the register where the landowner is interested; and*
- *working with local partners, such as Housing Associations and third sector groups, to custom build affordable housing for veterans and other groups in acute housing need.<sup>86</sup>*

10.241 Several local authorities have implemented a Local Plan policy

- South Cambridgeshire Council – On all sites of 20 or more dwellings, and in each phase of strategic sites, developers will supply dwelling plots for sale to self and custom builders. Where plots have been made available and appropriately marketed for at least 12 months and have not been sold, the plot(s) may either remain on the market or be built out by the developer. Exceptionally, no provision will be expected in developments or phases of developments that comprise high-density multi-storey flats and apartments.
- Teignbridge District Council - 5% of plots on development sites of more than 20 dwellings with plots marketed for a minimum of 12 months.

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<sup>86</sup> PPG (self-build and custom housebuilding) para 025 Ref ID: 57-025

- Mid-Devon District Council - 5% of plots on development sites of more than 20 dwellings.
- Torbay Council - 5% of plots on development sites of more than 30 dwellings.
- East Cambridgeshire District Council - 5% of plots on development sites of more than 100 dwellings.
- Stroud District Council - 2% of plots on strategic housing sites.

10.242 Other local authorities have developed a policy of encouragement without defining exact percentages. For example, North Tyneside Council and Daventry District Council will 'encourage', rather than require, a proportion of plots to be set aside on sites of over 200 and 500 units respectively.

10.243 A possible route is to adopt a general "encourage" policy for all sites but also implement a further policy on strategic sites. The exact level should be determined in reference to the number and capacity of strategic sites and the overall local need as identified on the register. This should also take into account the committed supply, need for other types of housing (including affordable housing need) and viability.

## Conclusions

### Older and Disabled Persons

- There is projected to be a 29% increase in the population aged 65 or over between 2023 and 2038 within the Isle of Wight (this partially offsets population falls in most other age groups and results in the Island seeing a net increase in the population of 10,014 over the period).
- The ageing population will lead to an increase in the number of people requiring specialist accommodation in the future. Based on prevalence rates and the identified population growth of those aged 75 or over the need for different types of older person accommodation is summarised in the table below.

Table 66: **Housing needs summary for older and disabled persons**

Type	Tenure	2038 Need
Housing with support	Market	1,752
Housing with support	Affordable	385
Housing with care	Market	576
Housing with care	Affordable	66
Care bed-spaces	N/A	1,039

- The number of older people with dementia is expected to increase by 47% from 2023 to 2038. There are also significant increases projected for those with mobility problems (39% increase over the same period).
- Using data from the ONS and the English Housing Survey (EHS) there is a current and projected need for 1,613 wheelchair user dwellings by 2038 within the Isle of Wight. This equates to 16.17% of the total Local Housing Need for the Island.
- Drawing this information together there is a need to increase the supply of M4(2) accessible and adaptable dwellings and M4(3) wheelchair user dwellings. In seeking M4(2) compliant homes, the Council should also be mindful that such homes could be considered “homes for life” and would be suitable for any occupant, regardless of whether or not they have a health problem or disability at the time of initial occupation.

- All new homes should, therefore, be M4(2) compliant. Where possible the Council should also seek 10% of all new market homes and 30% of affordable homes to be M4(3) compliant. Higher numbers may also be considered but in all cases, the numbers applied in policy should be viability tested.
- The higher policy suggestion than the identified need and its application across the whole Island reflects the fact that such policies can only be applied to affordable homes and the higher prevalence of wheelchair use within the social rent sector.

### **Students**

- As there were just 19 “all student” households on the Island according to the 2011 Census, and the majority of students live at home according to the Isle of Wight College, the need to house students does not have a significant bearing on the ability of other households to access accommodation. It does not, therefore, affect the demand for homes on the Island.

### **Service Families**

- Considering there are no military bases located on the Isle of Wight and there are only 197 Armed Forces personnel, the evidence does not indicate that housing policy relating to housing members of the Armed Forces would be justified.

### **People who Rent their Homes**

- The Isle of Wight has experienced a large increase in the PRS, however, the growth is less than for Hampshire and England. In addition, the rents are lower on the Island than in the comparator geographies.
- That said, levels of overcrowding in the PRS are significantly greater than in the owner-occupied sector for all geographies.
- The specified Local Housing Allowance (LHA) rates for different sizes of dwellings follow the growth trend of PRS rents in the past five years; as a result, LHA rates allow eligible households to fully cover their expenditure on rents in the PRS.

### **Self-Build and Custom Housebuilders**

- There are 73 individuals currently on the register, with 44 being from households living on the Isle of Wight. These entries date from when the register was first created in 2016 up to entries for the year 2021/22.
- Based on the current register, 10 self- and custom build plots should be provided each year.

## 11 HOUSING MIX

### Introduction

- 11.1 This section considers the appropriate mix of housing across the study area, with a particular focus on the sizes of homes required in different tenure groups. This section 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. The analysis considers the mix of housing across the whole of the Isle of Wight (covering all household groups and tenures); before providing some commentary about how this might vary across different sub-areas.

### Background data

- 11.2 The number of families in the County (defined for the purpose of this assessment as any household which contains at least one dependent child) totalled 15,252 as of the 2011 Census, accounting for 25% of households. This proportion is lower than seen across the region and nationally. The proportion of lone parent households (with dependent children) is higher than the national average.

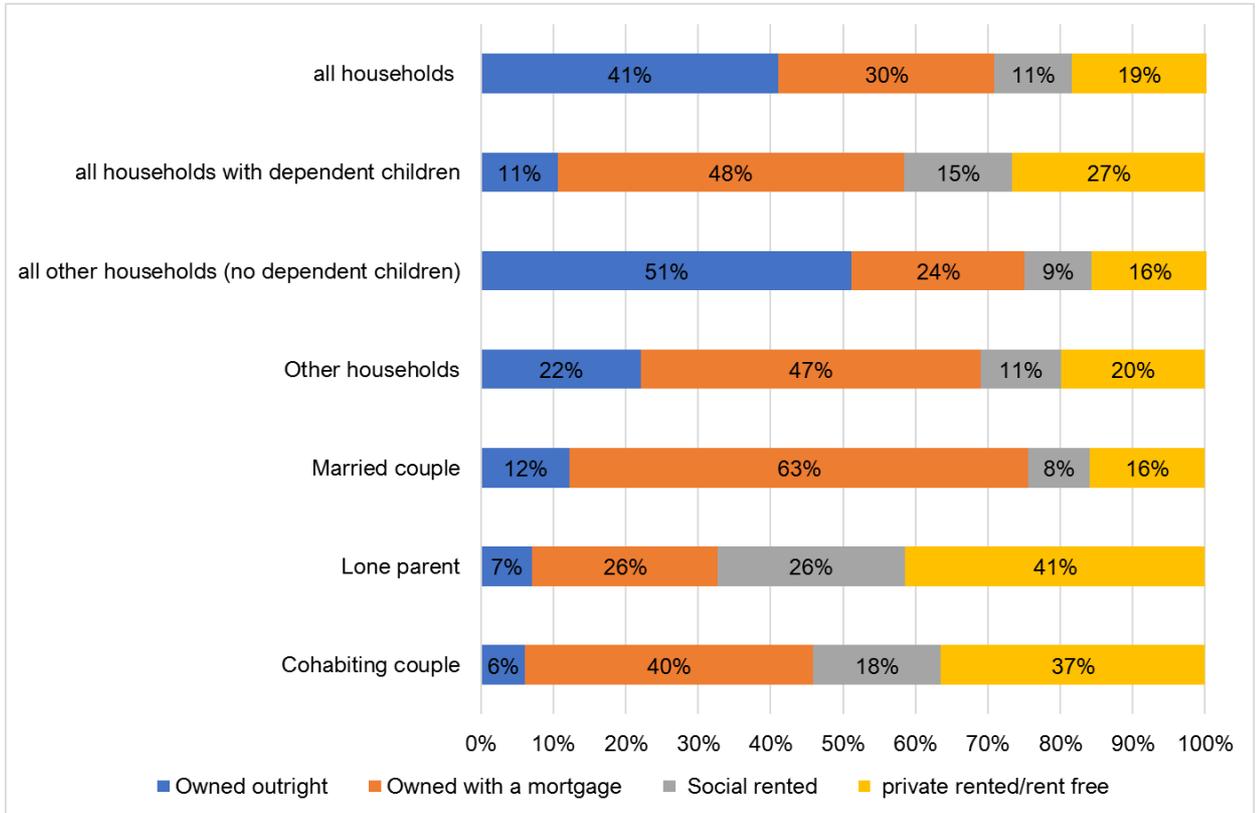
**Table 67: Households with dependent children, Isle of Wight (sub-areas), 2011**

area	Married couple	Cohabiting couple	Lone parent	Other households	Total with dependent children
<b>Medina Valley East</b>	13.5%	4.7%	6.7%	1.9%	26.8%
<b>Medina Valley West</b>	15.3%	4.2%	5.0%	1.8%	26.4%
<b>Newport</b>	12.8%	4.9%	8.0%	2.0%	27.7%
<b>Ryde</b>	11.5%	4.3%	7.5%	1.8%	25.1%
<b>The Bay</b>	11.2%	3.6%	6.7%	2.1%	23.6%
<b>West Wight</b>	9.3%	2.9%	5.2%	1.8%	19.2%
<b>Isle of Wight (total)</b>	12.1%	4.1%	6.8%	1.9%	25.0%
<b>Hampshire</b>	13.5%	4.7%	6.7%	1.9%	26.8%
<b>England</b>	15.3%	4.2%	5.0%	1.8%	26.4%

Source: Census table [KS105EW](#)

- 11.3 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 rented accommodation. Only 33% of lone parent households own their homes compared with 75% of married couples with children.

Figure 47: Tenure of households with dependent children, Isle of Wight, 2011



Source: Census table DC4101EW

- 11.4 Household projections have been developed, linked to the Standard Method (655 dwellings per annum in the 2023-38 period) to estimate growth in family households over the period.
- 11.5 The profile of these is set out in the table below. This shows a projected increase in the number of households with dependent children – increasing by 13% (about 2,055 households) over the projection period. This level of increase is similar to the projected change for other households (i.e., those without dependent children) – a projected increase of 13.5% over the period studied.

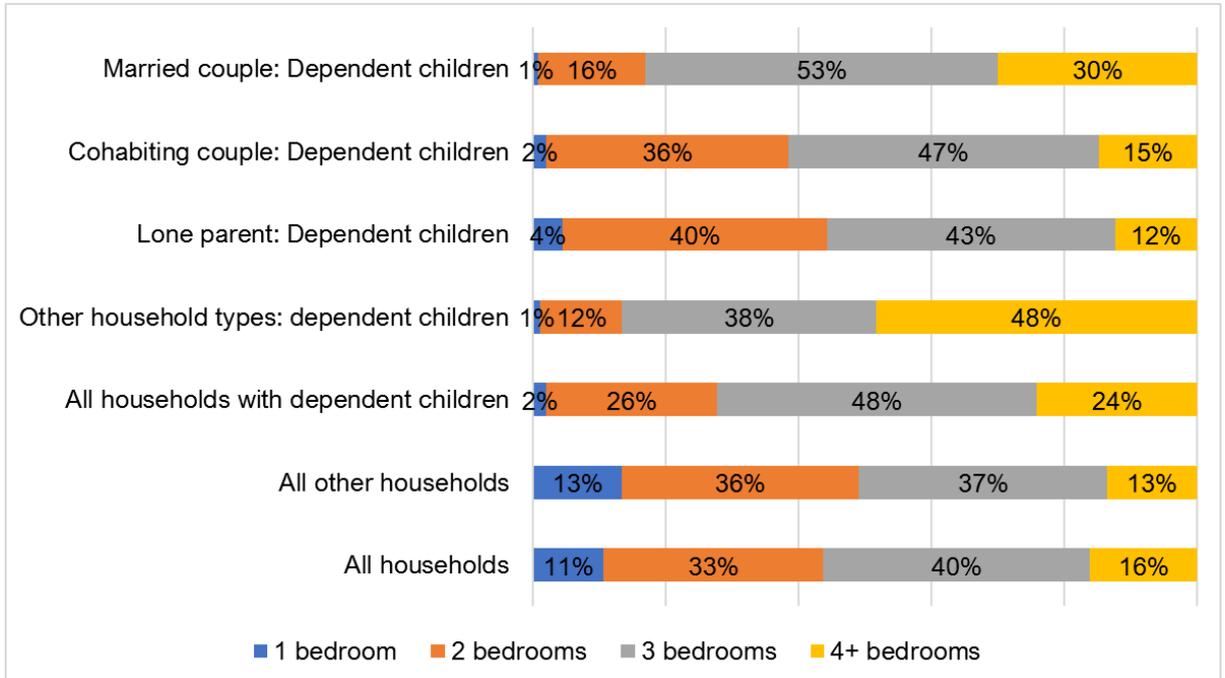
**Table 68: Projected Change in Family Households, Isle of Wight, 2023-38**

Type	2023	2038	Change	%
Households (One child)	8,463	9,736	1,273	15.0%
Households (Two children)	5,099	5,861	763	15.0%
Households (Three+ children)	2,189	2,208	19	0.9%
<b>Total households with dependent children</b>	<b>15,751</b>	<b>17,805</b>	<b>2,055</b>	<b>13.0%</b>
<b>All other households</b>	<b>51,630</b>	<b>58,601</b>	<b>6,972</b>	<b>13.5%</b>
<b>Total Households</b>	<b>67,381</b>	<b>76,407</b>	<b>9,026</b>	<b>13.4%</b>

Source: Demographic Projections

- 11.6 The level of growth in family households does not automatically translate into an equivalent need for family-sized accommodation, not least as many older households will continue to live in family-sized properties that offer space for friends and relatives to come and stay.
- 11.7 The figure below shows the number of bedrooms for family households at the point of the 2011 Census. The analysis shows the differences between married, cohabiting, and lone-parent families. Across the County, the tendency is for family households to occupy 3-bedroom housing with varying degrees of 2-and 4+-bedroom properties depending on the household composition.
- 11.8 The data also, unsurprisingly, highlights the small level of 1-bed stock occupied by families across the board. As a result, we could expect continued demand for 3+-bedroom homes; although, given the affordable housing need profile, a greater balance of homes of medium-sized properties should also be factored into the recommendations.

Figure 48: **Number of bedrooms by family household type, Isle of Wight, 2011**



Source: Census table [DC1402EW](#)

- 11.9 Delivery of family-sized housing remains a requirement in both urban and rural locations of the County. This includes providing family housing in the widest possible choice and mix of housing locations, and through the sustainable expansion of rural and smaller settlements (particularly helping to support economic and social vitality).
- 11.10 It is important to deliver a range of housing sizes and to actively promote this through appropriate planning policies and consideration of the operation of the market. There may still be limitations as to the affordability of larger properties in the context of continued growth in sales prices evident across the County in recent years.

11.11 In more rural areas, the opportunity to broaden and secure a choice and mix of family-sized accommodation alongside smaller accommodation should be explored in order to diversify the market and provide for local housing demand. Whilst in towns, subject to the availability of land, the provision of family-sized accommodation should be supported.

### The Mix of Housing

11.12 In order to arrive at guidance as to a suitable housing mix for new homes on the Isle of Wight, a modelling exercise has been undertaken (the “Housing Market Model”). This combines data published by the ONS that shows the tenures and sizes of properties occupied by heads of households (known as “household reference persons” or HRPs) falling into different age groups in 2011 with the demographic projections set out earlier in this report.

11.13 On the assumption that occupancy patterns for each age group (within each tenure) remain the same over the Plan period as they were in 2011, it is possible to assess the profile of housing needed over the period to 2038 (from 2023).

11.14 An important starting point is to understand the current balance of housing in the area. The tables below profile the sizes of homes in different tenure groups. In the owner-occupied sector, the analysis shows the Isle of Wight has a similar proportion of 1-bedroom and 3-bedroom homes compared to Hampshire and England. However, the Island has a higher proportion of 2-bedroom homes and a lower proportion of 4+ bedroom homes.

**Table 69: Number of Bedrooms, Owner-Occupied Dwellings, 2011**

No. bedrooms	Isle of Wight	Hampshire	England
<b>1 bedroom</b>	4%	4%	4%
<b>2 bedrooms</b>	30%	20%	23%
<b>3 bedrooms</b>	45%	45%	48%
<b>4+ bedrooms</b>	20%	32%	25%

Source: Census table [DC4405EW](#)

- 11.15 In the social rented sector, the analysis shows a relatively high proportion of 2-bedroom homes, and relatively few homes with 4+-bedrooms.

**Table 70: Number of Bedrooms, Social Rented Dwellings, 2011**

No. bedrooms	Isle of Wight	Hampshire	England
1 bedroom	30%	30%	31%
2 bedrooms	37%	34%	34%
3 bedrooms	30%	32%	31%
4+ bedrooms	3%	4%	4%

Source: Census table [DC4405EW](#)

- 11.16 The private rented sector has a greater number of 2-bedroom homes compared to Hampshire and nationally, with a lower proportion of 3- and 4-bedroom homes. Observations about the current mix feed into conclusions about future mix later in this section.

**Table 71: Number of Bedrooms, Private Rented Dwellings, 2011**

No. bedrooms	Isle of Wight	Hampshire	England
1 bedroom	23%	18%	23%
2 bedrooms	44%	38%	39%
3 bedrooms	27%	33%	28%
4+ bedrooms	7%	11%	10%

Source: Census table [DC4405EW](#)

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

- 11.17 That said, while 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.
- 11.18 The main reason for this is that in the market sector, households are able to buy or rent any size of the 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.

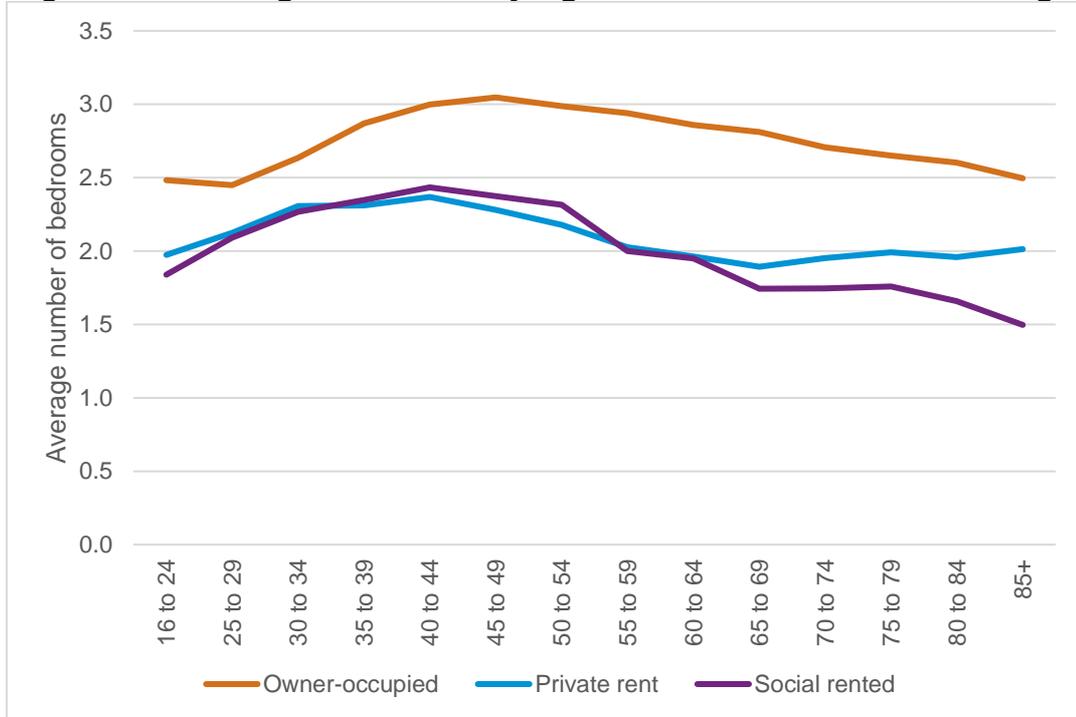
- 11.19 The size of housing that households occupy relates more to their wealth and age than the number of people they contain. For example, there is no reason why a single person cannot buy (or choose to live in) a 4-bedroom home as long as they can afford it, and hence projecting an increase in single-person households does not automatically translate into a need for smaller units.
- 11.20 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.
- 11.21 The observation that additional housing supply will have impacts throughout the housing ladder has been widely studied as one of the possible applications of the 'Markov Chain Model'.
- 11.22 The Markov Chain Model, and specifically its application to the housing market, suggests that a new vacancy at the top of the housing ladder generates a statistically expected number of subsequent household moves. This is because as a new-build larger home is occupied, a smaller home is left vacant for a new household (e.g. a family), whose move would in turn free up a home for a smaller/new household (e.g. a childless couple or single-person household).
- 11.23 Whilst longitudinal datasets on households' moves are not available in England, analysis of Swedish housing data shows that there were between 3.1 and 4.4 moves per new home built between 2000 and 2002<sup>87</sup>, with vacancies created at larger multifamily homes creating the longest vacancy chains.

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<sup>87</sup> Magnusson Turner, L. (2008). Who Gets What and Why? Vacancy Chains in Stockholm's Housing Market, *International Journal of Housing Policy*, 8(1), pp. 1-19.

- 11.24 The issue of choice is less relevant in the affordable sector (particularly since the introduction of the social sector size criteria) where households are allocated properties that reflect the size of the household, although there will still be some level of under-occupation moving forward with regard to the older person and working households (e.g. those who can afford to pay the spare room subsidy)
- 11.25 The approach used is to interrogate information derived from the projections about the number of 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).
- 11.26 The figure below shows an estimate of how the average number of bedrooms varies by different ages of HRP and broad tenure groups for the Isle of Wight. In the owner-occupied sector, the average size of accommodation rises over time to typically reach a peak around the age of 45; a similar pattern (but with smaller dwelling sizes and an earlier peak) is seen in both the social and private rented sectors. After peaking, the average dwelling size decreases – as typically some households downsize as they get older.
- 11.27 That said, in the private rented sector, the trend plateaus from the age of 65 at around 2 bedrooms and remains constant at this level until the age 85+. This suggests that for many older households dwellings of 2 bedrooms reflect the minimum number of bedrooms in order to maintain their preferred lifestyle.

Figure 49: Average Bedrooms by Age and Tenure on the Isle of Wight



Source: Derived from ONS Commissioned Table CT0621

11.28 As noted, in order to capture a sense of the preference for different households as regards sizes of homes within different tenures, we have set out below data derived from the CT0621 dataset. The analysis has been used to derive outputs for three broad categories. These are:

- **market housing** – which is taken to follow the occupancy profiles in the owner-occupied sector
- **affordable homeownership** – 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 homeownership looks to be largely driven by a wish to see households move out of private renting); and
- **rented affordable housing** – which is taken to follow the occupancy profile in the social rented sector. The affordable sector in the analysis to follow would include social and affordable rented housing.

## Changes to Households by Age

- 11.29 The table below presents the projected change in households by age of HRP, this clearly shows particularly strong growth as being expected in older age groups (and to some extent some younger age groups e.g. those aged up to 49). Households headed by someone aged 50-64 are projected to see a substantial decrease in household numbers.

**Table 72: Change in age structure 2023-2038 by five-year groups 2023-2038 (Isle of Wight)**

Age Group	2023	2038	Change in Households	% Change
16-24	11,360	11,439	79	0.70%
25-29	7,183	7,378	196	2.72%
30-34	6,785	7,081	296	4.36%
35-39	7,083	7,076	-8	-0.11%
40-44	7,177	8,106	930	12.96%
45-49	7,407	8,464	1,056	14.26%
50-54	9,777	9,015	-762	-7.79%
55-59	11,404	9,496	-1,908	-16.73%
60-64	11,370	9,817	-1,553	-13.66%
65-69	10,854	12,399	1,544	14.23%
70-74	10,425	13,246	2,821	27.06%
75-79	10,209	11,438	1,230	12.04%
80-84	6,008	8,541	2,533	42.16%
85 & over	5,662	9,871	4,209	74.33%
<b>Total</b>	<b>122,703</b>	<b>133,367</b>	<b>10,664</b>	<b>8.69%</b>

Source: Demographic Projections (Dwelling-led LHN (HH-14R, Mig Adj)

## Modelled Outputs

- 11.30 By following the methodology set out above and drawing on the sources shown, a series of outputs have been derived to consider the likely size requirement of housing within each of the three broad tenures at a local authority level.

11.31 The analysis for rented affordable housing can also draw on data from the local authority Housing Register with regards to the profile of need. The data has been taken from the Local Authority Housing Statistics (LAHS) and shows a pattern of need which is focused on 1- and 2-bedroom homes but also shows around 459 households as requiring 3+ bedroom homes.

**Table 73: Size of Social/Affordable Rented Housing – Housing Register Information – Isle of Wight**

Size	Number of households	% of households
1-bedroom	1,162	50%
2-bedrooms	706	30%
3-bedrooms	384	17%
4+-bedrooms	75	3%
<b>Total</b>	<b>2,327</b>	<b>100%</b>

Source: Local Authority Housing Statistics, 2020

11.32 The table below shows the range of sizes of homes, broken down into separate tenures for the Isle of Wight based on the Housing Market Model.

**Table 74: Modelled Mix of Housing by Size and Tenure in the Isle of Wight (linked to occupancy patterns)**

Tenure	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms	Total
Market	4%	30%	45%	20%	100%
Affordable home ownership	23%	44%	26%	7%	100%
Affordable housing (rented)	30%	37%	30%	3%	100%

Sources: Housing Market Model

## Indicative Targets for Different Sizes of Properties by Tenure

### Social/Affordable Rented Housing

11.33 Bringing together the above, a number of factors are recognised. This includes recognising that it is unlikely that all affordable housing needs will be met and that it is likely that households with a need for larger homes will have greater priority (as they are more likely to contain children).

- 11.34 That said, there is also a possible need for 1-bedroom social housing arising due to homelessness (typically homeless households are more likely to be younger single people). Indeed, the LAHS data points to a strong need for dwellings of this size.
- 11.35 As noted earlier in the LHNA, Housing Register shows that, as of February 2022, there were 2,465 households on the Isle of Wight register, categorised into 5 bands. Most households require 1- or 2-bedroom properties (1,974 households), 382 households require 3-bed properties, and a further 109 require a property with 4 or more bedrooms.
- 11.36 That said, the allocation of homes will be based on a strict determination of need using the bedroom standard. There will also be some households able to afford a slightly larger home or who can claim benefits for a larger home than they strictly need (i.e. are not caught by the spare room subsidy ('bedroom tax') – this will include older person households).
- 11.37 In taking account of the modelled outputs, the Housing Register and the discussion above, it is suggested that the following mix of social/affordable rented housing would be appropriate (this differs from the Council's policy H8 in which 1-bedroom provision is 50% and 3-bedroom is 15%):
- 1-bedroom: 40%
  - 2-bedrooms: 30%
  - 3-bedrooms: 25%
  - 4+-bedrooms: 5%

### **Affordable Home Ownership**

11.38 In the affordable homeownership and market sectors, a profile of housing that more closely matches the outputs of the housing market model set out above is suggested. It is considered that the provision of affordable homeownership should be more explicitly focused on delivering smaller family housing for younger households. Based on this analysis, it is suggested that the following mix of affordable homeownership would be appropriate:

- 1-bedroom: 20%
- 2-bedrooms: 40%
- 3-bedrooms: 30%
- 4+-bedrooms: 10%

### **Market Housing**

11.39 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 (as well as observations about the current mix when compared with other locations). This sees a slightly larger recommended profile compared with other tenure groups. The following mix of market housing is suggested (in line with the Council's policy H8):

- 1-bedroom: 5%
- 2-bedrooms: 35%
- 3-bedrooms: 40%
- 4+-bedrooms: 20%

- 11.40 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 (although it will be useful to include an indication of the broad mix to be sought across the Island) – demand can change over time linked to macro-economic factors and local supply. Policy aspirations could also influence the mix sought.
- 11.41 Whilst this report does not suggest that highly prescriptive figures necessarily need to be included within Local Plans, it is the case that the figures can 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.
- 11.42 The recommendations can also be used as a set of guidelines to consider the appropriate mix on larger development sites, and the Council should expect justification for a housing mix on such sites which significantly differs from that modelled herein. Site location and area character are also however relevant considerations as regards the appropriate mix of market housing on individual development sites.

## Conclusions

- The proportion of households with dependent children is slightly below that of Hampshire and England. Projecting forward, there is expected to be a moderate increase in the number of households with dependent children – increasing by 13% (2,055 more households) over the 2023-2038 period.
- There are several factors that have an impact on the demand for different sizes of homes. These include
  - demographic changes;
  - future growth in real earnings and households' ability to save;
  - housing affordability; and
  - economic performance.

- The following table presents an appropriate mix of affordable and market homes. This takes into account changes in the balance of types of households and the ageing of the population.

**Table 75: Suggested mix of housing by size and tenure**

	1-bedroom	2-bedrooms	3-bedrooms	4+ bedrooms
<b>Market</b>	5%	35%	40%	20%
<b>Affordable home ownership</b>	20%	40%	30%	10%
<b>Affordable housing (rented)</b>	40%	30%	25%	5%

- 11.43 Based on the evidence, it is expected that the focus of new market housing provision will be on 2- and 3-bedroom properties. Continued demand for family homes can be anticipated from newly forming households. In addition, there may be some demand for properties of this size from older households. This is likely to be motivated by a wish to downsize and release equity in their current (larger) homes. That said, many older households wish to retain a spare bedroom to accommodate family and friends.
- 11.44 The suggested mix of housing should inform strategic policies and be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the housing needs of the Island-based on demographic projections.
- 11.45 In applying the mix to individual development sites, regard should be given to the nature of the 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. However, the Council should expect justification for a housing mix on such sites which significantly differs from the one recommended.

## **APPENDIX A: POPGROUP FORECASTING ASSUMPTIONS**

### **Population**

- 11.46 Historical population statistics are provided by ONS mid-year population estimates (MYEs), with all data disaggregated by single year of age and sex. MYEs are used up to the 2020 base year. From the base year onwards, future population counts are estimated by single year of age and sex, using the defined assumptions.

### **Births & Fertility**

- 11.47 Historical mid-year to mid-year counts of births by sex have been sourced from the ONS MYEs. Birth counts are applied from 2001/02 to 2019/20. From 2020/21, an area-specific and age-specific fertility rate (ASFR) schedule is derived from the ONS 2018-based subnational population projection (SNPP). In combination with the 'population at risk' (i.e., all women between the age of 15–49), these ASFR assumptions provide the basis for the calculation of births in each year of the forecast period.

### **Deaths & Mortality**

- 11.48 Historical mid-year to mid-year counts of deaths by sex and 5-year age group have been sourced from the ONS MYEs. Counts of deaths by age and sex are applied from 2001/02 to 2019/20. From 2020/21, an area-specific and age-specific mortality rate (ASMR) schedule are derived from the latest 2018-based SNPP.

### **Internal Migration**

- 11.49 Historical mid-year to mid-year estimates of internal in- and out-migration by five-year age group and sex have been sourced from the 'components of population change' files that underpin the ONS MYEs. Future internal migration rate assumptions are derived from a five-year historical period, with the level of migration altered by the model to meet defined annual dwelling growth targets.

- 11.50 In the **Dwelling-led (HH-14R, Mig Adj)** scenario, future internal migration rate assumptions have been derived from a five-year historical period, with adjustments to the following age groups:
- 11.51 Internal in-migration rates have been increased slightly for the 20–29 age groups, to account for a potential ‘return’ of young people following graduation and younger people moving to the island.
- 11.52 Internal out-migration rates have been reduced for the 20–44 age groups, modelling the impact of retaining more of the age groups that are targeted by the Island’s housing policies.
- 11.53 Internal in-migration rates in the older 55–69 age groups have been reduced by 10%.

### **International Migration**

- 11.54 Historical mid-year to mid-year estimates of immigration and emigration by five-year age groups and sex have been sourced from the ‘components of population change’ files that underpin the ONS MYEs. Future international migration counts are derived from a five-year historical period.

### **Households & Dwellings**

- 11.55 The 2011 Census defines a household as, *“one person living alone, or a group of people (not necessarily related) living at the same address who share cooking facilities and share a living room or sitting room or dining area”*.
- 11.56 In POPGROUP, a dwelling is defined as a unit of accommodation that can either be occupied by one household or can be vacant.

11.57 In a dwelling-led scenario, the level of population growth required to meet a defined dwelling growth target is estimated through the application of a dwelling vacancy rate, household representative rates (headship rates), and communal population statistics.

### **Vacancy Rate**

11.58 The relationship between dwellings and households is modelled using a 'vacancy rate', derived from the 2011 Census, using statistics on households (occupied household spaces) and dwellings (shared and unshared).

11.59 A vacancy rate of 9.5% for the Isle of Wight has been applied and fixed throughout the forecast period. Using the vacancy rate, the household growth trajectory has been estimated from the defined dwelling growth targets.

### **Household Representative Rates**

11.60 A household representative rate is defined as the "probability of anyone in a particular demographic group being classified as being a household representative"<sup>88</sup>

11.61 The household representative rates used in the POPGROUP modelling have been taken from the MHCLG 2014-based and ONS 2018-based household projections models, which are underpinned by the ONS 2014-based and 2018-based SNPPs. The official household projections are derived through the application of projected headship rates to a projection of the private household population (i.e. the total population *minus* the communal population). The methodology used by MHCLG and ONS consists of two stages:

- **Stage One** produces the national and local authority projections for the total number of households by age and sex, age group and relationship-status group.

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<sup>88</sup> 2014-based Household Projections, MHCLG

- **Stage Two** provides the detailed ‘household type’ projection by age group, controlled to the previous Stage One totals.

11.62 In each POPGROUP scenario, the **Stage Two** headship rates have been applied by age group, sex and ‘household type’ (see tables below) to the private household population to derive the number and type of households.

**Table 76: MHCLG 2014-based Stage Two household type classification**

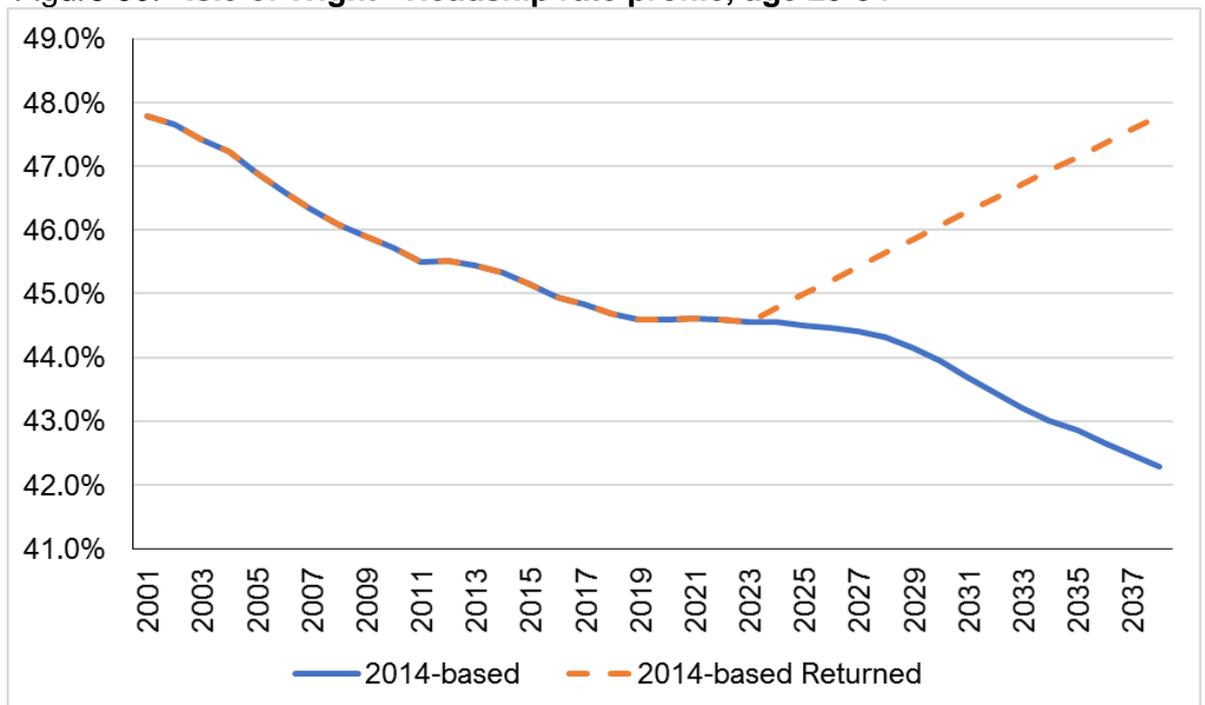
<b>MHCLG Category</b>	<b>Description</b>
<b>One person male</b>	One person households: Male
<b>One person female</b>	One person households: Female
<b>Couple no child</b>	One family and no others: Couple households: No dependent children
<b>Cple+adlts no child</b>	A couple and one or more other adults: No dependent children
<b>One child</b>	Households with one dependent child
<b>Two children</b>	Households with two dependent children
<b>Three+ children</b>	Households with three or more dependent children
<b>Other households</b>	Other households with two or more adults

**Table 77: ONS 2018-based Stage Two household type classification**

<b>ONS Category</b>	<b>Description</b>
<b>One person male</b>	One person households: Male
<b>One person female</b>	One person households: Female
<b>One child</b>	Households with one dependent child
<b>Two children</b>	Households with two dependent children
<b>Three+ children</b>	Households with three or more dependent children
<b>Other households</b>	Other households with two or more adults

11.63 The Dwelling-led LHN (HH-14R) and Dwelling-led LHN (HH-14R, Mig Adj) scenarios have been produced with a variation on the 2014-based headship rates, with the rates returning between 2023 and 2038 to higher levels of household formation experienced in 2001 in the younger adult age-group (25–34). All other age groups remain unadjusted.

Figure 50: **Isle of Wight - Headship rate profile, age 25-34**



Source: MHCLG, POPGROUP

### Communal Population Statistics

11.64 Household projections in POPGROUP exclude the population ‘not-in-households’ (i.e., the communal/institutional population). These data are drawn from the 2014-based household projections, which use statistics from the 2011 Census. Examples of communal establishments include prisons, residential care homes, student halls of residence, and certain armed forces accommodations.

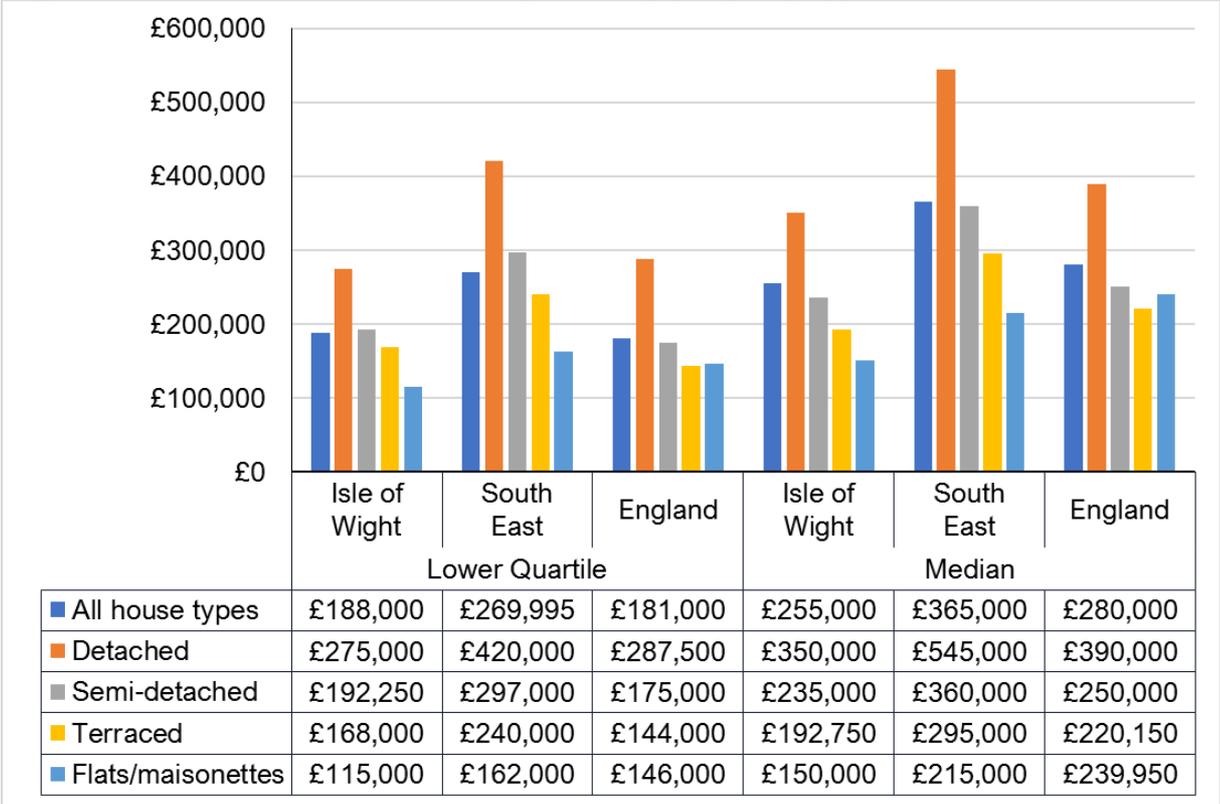
- 11.65 For ages 0–74, the number of people in each age group ‘not-in-households’ is fixed throughout the forecast period. For ages 75–85+, the population of ‘not-in-households’ varies across the forecast period depending on the size of the population.
- 11.66 The communal population assumptions are therefore used to derive the size of the population not in households.

**APPENDIX B: HOUSE PRICES, RENTS, AFFORDABILITY, AND INCOME**

House Prices

11.67 The median house price on the Isle of Wight as of June 2021 was £255,000, with properties cheaper than across the South East and England. Lower quartile (entry-level) properties cost £188,000, more expensive than across England, but cheaper than the regional averages (as shown below)

Figure 51: **Median and LQ house prices by property type**

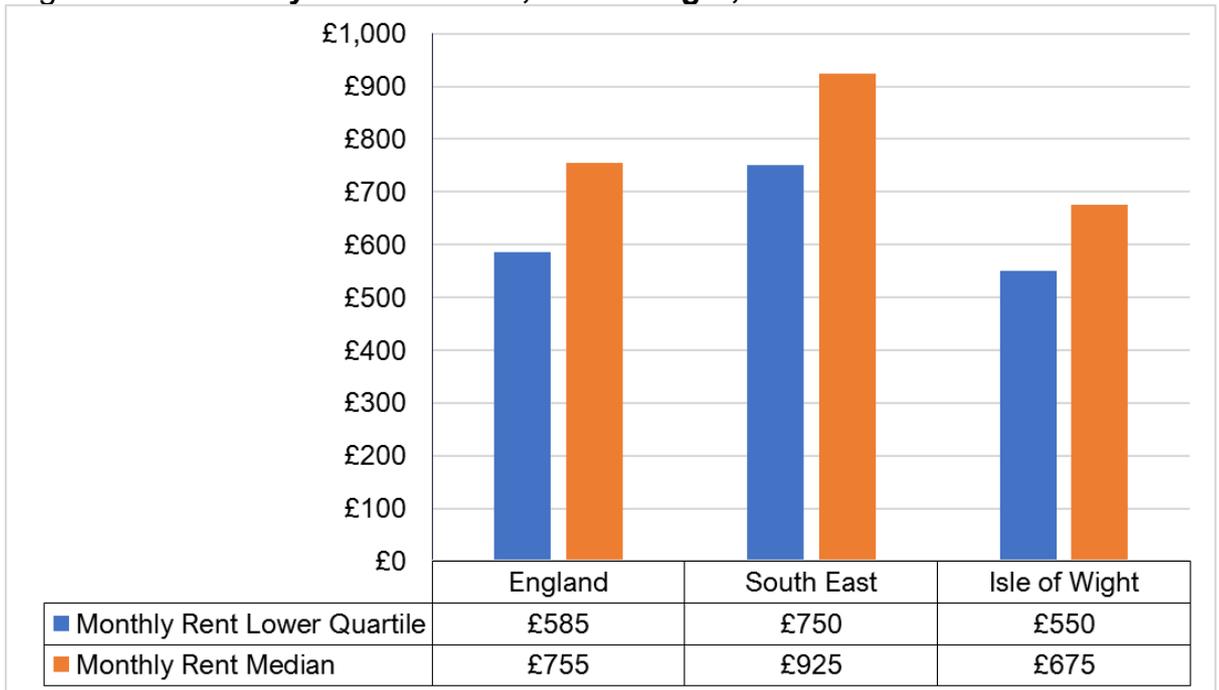


Source: ONS HPSSA datasets 9 and 15

## Rental Costs

11.68 ONS data on private market rental costs records a median rental cost of £675 per month on the Isle of Wight, cheaper than the regional and national averages. Lower Quartile rents on the Isle of Wight are recorded at £550 per month, again lower than the regional and national averages (as shown in the figure below).

Figure 52: **Monthly Private Rents, Isle of Wight, 2020/21**



Source: ONS 2020-2021

11.69 Data from MHCLG and the Regulator of Social Housing (RSH) indicates that affordable rents on the Isle of Wight average around £541 per month, 79% of the median rental cost of £675. Social rents average around £402 per month, 60% of the median rental cost (see table below). This is in line with the requirement for social and affordable rents to be 60% and 80% of open markets rent respectively

**Table 78: Isle of Wight: monthly rental cost comparison**

Description	Monthly Rent
Median private rent (ONS Private rental statistics)	£675
Lower quartile rent (ONS Private rental statistics)	£550
Affordable rent (80% of median rent)	£540
Affordable rent, including charges (CoRe)	£554
Affordable rent, PRPs (RSH 2020-21)	£535
Affordable rent, RPs (RSH 2020-21)	£535
Average recorded affordable rent	£541
Social rent (60% of median rent)	£405
Social rent, including charges (CoRe)	£431
Social rent, PRPs (RSH 2020-21)	£388
Social rent, RPs (RSH 2020-21)	£388
Average recorded social rent	£402

Source: CORE<sup>89</sup>, RSH<sup>90,91</sup>

## Household Income

11.70 Local income levels are a key determinant of affordability. Household incomes have been drawn from CAMEO Income data, which classifies each postcode into one of 8 income groups.

<sup>89</sup> Social Housing Lettings in England 2019-20, MHCLG

<sup>90</sup> Private Registered Provider Social Housing Stock & Rents 2020-21, Regulator of Social Housing

<sup>91</sup> Registered Provider Social Housing Stock & Rents 2020-21, Regulator of Social Housing

11.71 Using Royal Mail's Postcode Address File (PAF) data, the household count for each listed postcode on the Isle of Wight has been used to calculate the proportion of households that fall within each income bracket. Due to the high proportion of older person (retired) households on the Isle of Wight, household income estimates have been adjusted using the distribution of incomes across similar neighbouring authorities, to avoid skewing the data heavily towards the lower-income groups. Based on this analysis, the median household income on the Isle of Wight is estimated to be around £27,500.

**Table 79: CAMEO income bands: Isle of Wight**

Income band	CAMEO Income Group Description	% IoW Households	% UK Households
1	Many households with an income of over £100K +	1.8%	0.7%
2	Many households with an income of between £75 - £100K	21.0%	2.4%
3	Many households with an income of between £50 - £75K	36.1%	10.1%
4	Many households with an income of between £40 - £50K	26.5%	13.3%
5	Many households with an income of between £30 - £40K	10.2%	19.5%
6	Many households with an income of between £20 - £30K	3.9%	23.2%
7	Many households with an income of between £10 - £20K	0.5%	26.5%
8	Many households with an income of less than £10K	0.1%	4.1%

Source: CAMEO Income, TransUnion; Royal Mail PAF 2021

### **Income Variations by Age & Tenure**

11.72 Data from the English Housing Survey (EHS) on average weekly household incomes suggests that newly-forming households (ages 16–44) have an income that is approximately 96% that of the 'all households' average.<sup>92</sup>

<sup>92</sup> [English Housing Survey Housing 2018-19 Housing Costs and Affordability](#)

11.73 The following table presents the EHS household income data by *tenure* for the South East, indicating that social renters earn 55% of the ‘all households’ average, whilst private renters earn 83% of this.

Table 80: **English Housing Survey: weekly household income by tenure**

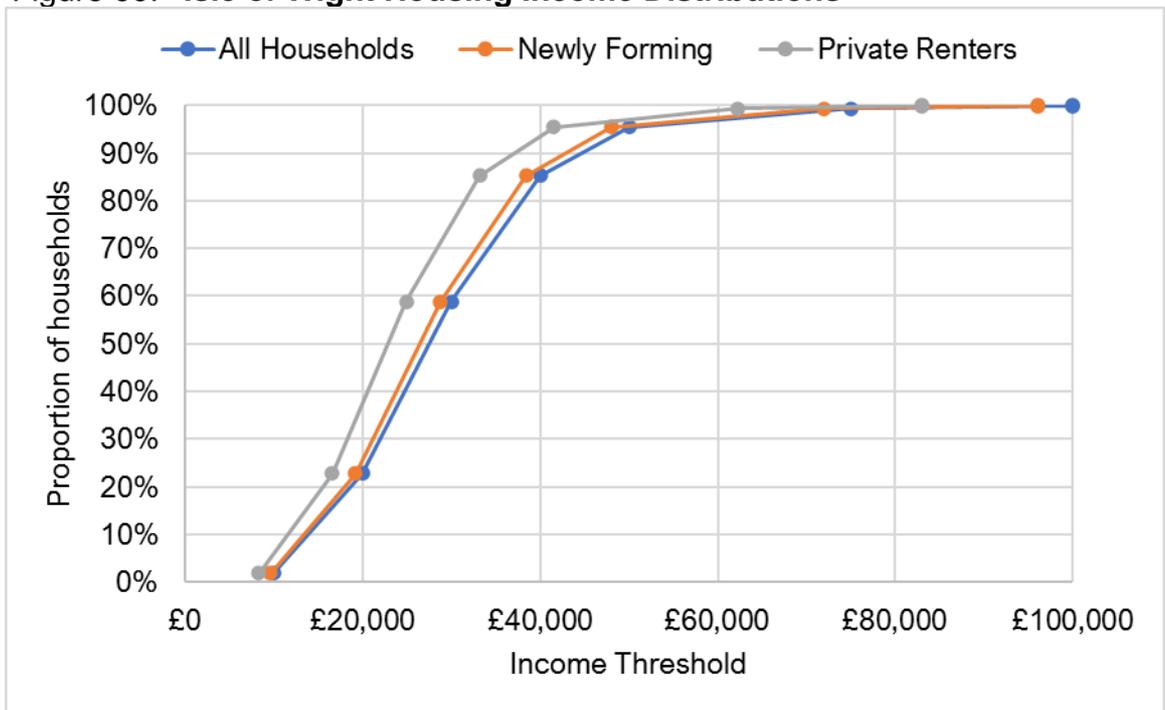
Tenure	Mean Weekly Income (England)	% of all Households Average (England)	Mean Weekly Income (South East)	% of all Households Average (South East)
<b>Owners</b>	£945	114%	£1,052	113%
<b>Social renters</b>	£472	57%	£508	55%
<b>Private renters</b>	£749	91%	£772	83%

Source: EHS 2018-19

11.74 The CAMEO Income data has been used in combination with the EHS tenure and age data described above to generate a range of income distributions for the Isle of Wight. For newly-forming households, the CAMEO Income brackets have been reduced to 96% of the ‘all household’ figures. For private renters, the CAMEO Income brackets have been reduced to 83%.

11.75 These income distributions are used to calculate the proportion of households who earn less than the threshold amounts needed to afford open market housing on the Isle of Wight (to rent or buy) and to access affordable homeownership products.

Figure 53: **Isle of Wight Housing Income Distributions**



Source: CAMEO Income, EHS, Edge Analytics

### Housing Costs & Affordability

11.76 Calculating the household income required to afford open market property prices involves making an assumption about the size of the deposit, and an estimate of the income relative to the size of the loan (mortgage). For the purposes of the calculations set out here, a deposit of 15% is assumed, with a loan to income multiple of 4.

11.77 With a median property price of £255,000, a household income of approximately £54,188 is required on the Isle of Wight. For lower quartile properties, it is assumed that a household must earn at least £39,950. Using the household income profile for the Isle of Wight (as shown in the table below), it is estimated that 96% of households are unable to afford median property prices, and 85% are unable to afford the entry-level, lower quartile costs.

**Table 81: House prices and affordability**

<b>Open Market House Prices: Costs &amp; Affordability</b>	<b>Lower Quartile</b>	<b>Median</b>
<b>Open market property price</b>	£188,000	£255,000
<b>Income needed (15% deposit and 4x loan to income multiplier)</b>	£39,950	£54,188
<b>Proportion of households unable to afford</b>	85%	96%

Sources: Edge Analytics, CAMEO Income, EHS, UK Finance

### **Rental Costs & Affordability**

11.78 The lower quartile rent on the Isle of Wight is £550 per month (see table below). In terms of the income needed to afford an annual rental cost of £6,600, the 2007 CLG SHMA guidance states: *“A household can be considered able to afford market house renting in cases where the rent payable was up to 25 per cent of their gross household income”*. This would equate to an annual household income requirement of £25,385.

11.79 When viewed by tenure, however, the proportion of household income spent on housing costs varies. The latest data from the English Housing Survey<sup>93</sup> suggests that for private renters, around 32% of household income (including housing benefits) is spent on housing costs, compared to 27% for social renters, and 18% for owner-occupiers. Across all tenures, the EHS data suggests around 26% of a household’s income is spent on housing.

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<sup>93</sup> EHS 2020-21

11.80 Using CAMEO Income data, including adjustments to the income distributions to account for differences in household incomes across ages and different tenures, the incomes required to afford various rental products are summarised below, with an estimate of the proportion of households unable to afford these.

**Table 82: Isle of Wight rental costs and affordability**

<b>Lower Quartile Open Market Rent</b>	
Lower Quartile rent (pcm)	£550
Lower Quartile rent (annual)	£6,600
Income required	£25,385
Proportion of all households unable to afford	42%
Proportion of newly-forming households unable to afford	46%
Proportion of private renter households unable to afford	60%
<b>Affordable Rent</b>	
Affordable rent (pcm)	£541
Affordable rent (annual)	£6,494
Income required	£24,976
Proportion of all households unable to afford	41%
Proportion of newly-forming households unable to afford	44%
Proportion of private renter households unable to afford	59%
<b>Social Rent</b>	
Social rent (pcm)	£402
Social rent (annual)	£4,827
Income required	£18,565
Proportion of all households unable to afford	20%
Proportion of newly-forming households unable to afford	21%
Proportion of private renter households unable to afford	31%

Note: It is assumed that private renters have household incomes that are 83% of the 'all households' figure. For newly-forming households, the equivalent figure is 98% (Source: Regulator of Social Housing, MHCLG, Edge Analytics, CAMEO Income, EHS).

## Affordable Home Ownership Costs & Affordability

11.81 The incomes needed to afford Shared Ownership, Help to Buy, Rent to Buy, and FHs are summarised below.

**Table 83: Shared Ownership: Costs and affordability**

Costs & Affordability	25%	50%
Full Market Value (median house price)	£255,000	£255,000
Share price	£63,750	£127,500
Deposit % on equity share	5%	10%
Deposit needed	£3,188	£12,750
Mortgage	£60,563	£114,750
Income needed	£40,554	£48,523
Proportion of households unable to afford	86%	94%

**Table 84: Help to Buy: Costs and Affordability**

Costs & Affordability	
Full Market Value	£255,000
Share price	£204,000
Equity loan (20%)	£51,000
Homebuyers deposit needed (%)	5%
Homebuyers deposit needed	£12,750
Mortgage needed	£191,250
Income needed (15% deposit and 4x loan to income multiplier)	£47,813
Proportion of households unable to afford	93%

**Table 85: Rent to Buy: Costs and Affordability**

Costs & Affordability	
Full Market Rental Cost pcm (median)	£675
80% market rent pcm	£540
Income needed	£24,923
Proportion of households unable to afford	40%

**Table 86: First Homes: Costs and Affordability**

Costs & Affordability	
Full Market Value	£255,000
Value with 30% reduction	£178,500
Income needed (15% deposit and 4x loan to income multiplier)	£37,931
Proportion of households unable to afford	80%

## APPENDIX C: APPENDIX C: PLAN PERIOD CHANGE

11.82 During finalisation of the LHNA 22, the Isle of Wight Council decided to bring forward the prospective date of the submission of the Local Plan to the Planning Inspectorate. As a result, the Plan period changed from 2023-2038 to 2022-2037.

11.83 This change triggers an adjustment to the demographic projections. It is therefore necessary to assess whether this adjustment will have an impact on the findings of the LHNA 2022 that is significant given that the 2023-38 period is used for all the demographic projections and associated analysis.

11.84 The tables below show the demographic projections relating to the two periods, 2022-2037 and 2023-2038.

Table 87: **Demographic change based on a Plan period of 2022-2037**

Scenario	Change 2022 - 2037				Average per year	
	Population Change	Population Change %	Households Change	Households Change %	Net Migration	Dwellings
Dwelling-led LHN (HH-18)	12,340	8.6%	9,026	13.6%	1,839	667
Dwelling-led LHN (HH-14)	10,300	7.2%	9,026	13.5%	1,711	667
Dwelling-led LHN (HH-14R, Mig Adj)	9,868	6.9%	9,026	13.5%	1,606	667
Dwelling-led LHN (HH-14R)	8,881	6.2%	9,026	13.5%	1,619	667

Source: Demographic projections

Table 88: **Demographic change based on a Plan period of 2023-2038**

Scenario	Change 2023 - 2038				Average per year	
	Population Change	Population Change %	Households Change	Households Change %	Net Migration	Dwellings
Dwelling-led LHN (HH-18)	12,527	8.7%	9,026	13.5%	1,883	667
Dwelling-led LHN (HH-14)	10,583	7.3%	9,026	13.4%	1,761	667
Dwelling-led LHN (HH-14R, Mig Adj)	10,014	6.9%	9,026	13.4%	1,641	667
Dwelling-led LHN (HH-14R)	9,022	6.3%	9,026	13.4%	1,660	667

Source: Demographic projections

11.85 The following table identifies the variations between the two. This reveals small changes to the projected population growth and net migration to the Island.

**Table 89: Demographic change based on different Plan periods (variation)**

Scenario	Change 2023 - 2038				Average per year	
	Population Change	Population Change %	Households Change	Households Change %	Net Migration	Dwellings
Dwelling-led LHN (HH-18)	1.5%	1.0%	0%	-0.9%	2.4%	0%
Dwelling-led LHN (HH-14)	2.7%	2.3%	0%	-0.9%	2.9%	0%
Dwelling-led LHN (HH-14R, Mig Adj)	1.5%	1.0%	0%	-0.9%	2.2%	0%
Dwelling-led LHN (HH-14R)	1.6%	1.2%	0%	-0.9%	2.5%	0%

Source: Demographic projections

11.86 Focussing on the scenario used in the LHNA 22 to assess need for affordable housing and other key outputs (Dwelling-led LHN (HH-14R, Mig Adj) this results in a change to population growth from 9,868 to 10,014 (a variation of 1.5%). The number of households do not change.

11.87 The greatest change is to net average migration, a difference of 41 households or 2.2% per year.

11.88 These changes will not, however, have a significant impact on the findings of the report.

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