Torfaen County Borough Council

Local Housing Market Assessment

August 2017

This Local Housing Market Assessment (LHMA) has been produced by Torfaen's Housing Service, using a range of data sources, to identify the levels of housing need in Torfaen and to project potential future demand.

The 2015 LHMA estimated that Torfaen would need to develop approximately 177 new homes every year to meet the current shortfall and future predicted need. However, this updated LHMA estimates that the figure is now nearer 225.

This is due to more people applying to join the Housing Register, the continued rise of house prices, rent prices and increased levels of homelessness, which has created greater demand for affordable housing.

It should be emphasised that these figures are only an indication of the scale of the affordable housing problem and a benchmark to which the Council will be working towards, as far as is practically possible.

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1. Introduction

1.1 Background

This updated LHMA has been developed using the same methodology as the 2015 assessment, making use of existing data sources and registers, to provide an estimate of the number of affordable properties that are needed each year if Torfaen is to effectively meet housing need.

1.2 Methodology

The findings of this LHMA have been analysed across 4 submarket areas. This approach was adopted because housing markets are not representative of ward boundaries, although reference is made to individual ward figures to provide greater analysis where required.
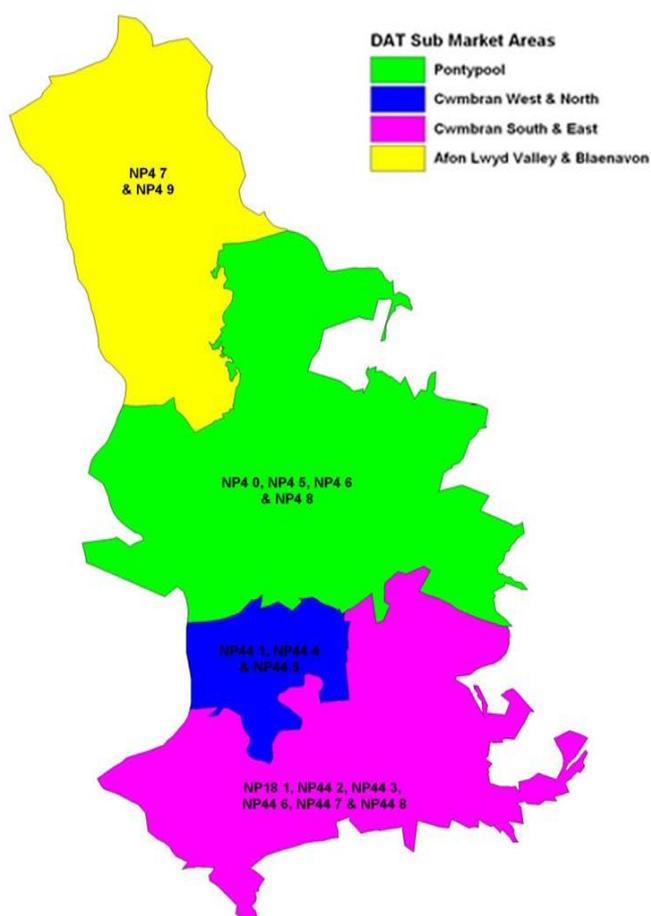
Housing need continually changes, so any assessment will only ever provide levels of demand at a given time. However, it can still assist Local Authorities to gain a better indication of how many new housing units are required and where they should be located.

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The methodology for determining housing need follows a simple process:

Backlog

+

Newly Arising Need

−

Supply of Affordable Housing

=

Overall Shortfall of Affordable Housing

Backlog

This takes into account households who are waiting on local authority housing registers (e.g. Homeseeker and Help2Own).

Newly Arising Need

This is calculated by looking at population projections, the number of first time buyers who are unable to buy on the open market and existing households who have fallen into need through homelessness.

Supply of Affordable Housing

Supply is determined by looking at the number of properties allocated via the local authority's social housing register; Homeseeker, coupled with the number of new affordable units that the local authority is committed to build in the next 5 years.

Using this data, Torfaen has been able to estimate the properties that are required in the next 5 years and the areas in which they are most needed.

2. Backlog of Need

2.1 Definition

Backlog refers to the number of households who are currently unable to satisfy their housing need via the open market and have applied to the local authority for assistance. This was determined by collating data from the two housing registers; Homeseeker (social housing) and Help2Own Plus (low cost home ownership).

Numbers on these registers will continually fluctuate, but at the current time there are approximately **3000** households waiting for housing.

This data has been disaggregated by the areas where the applicant has indicated that they wish to live, the property size they need and the property type (general needs, adapted or older persons') that they require.

2.2 Limitations

When applicants apply for housing with Homeseeker, they can choose up to 5 areas where they would like to live, without giving a first preference area. This has led to double counting, so to overcome this problem, the **number of selections** made for each area and the total **number of households** on the register is used to produce a proportionate level of demand across different localities. This provides a more accurate indication of the number of households seeking accommodation in each area.

Torfaen operates a choice based lettings scheme for social housing, so whilst applicants are asked for their areas of preference, they still have the freedom to apply for housing in any part of the borough. It is therefore important to acknowledge that areas of preference can only ever be seen as an indication of where there is a housing need and not a definitive list of where more housing is required. In addition, whilst demand for property may be higher in some parts of Torfaen, land availability means that the ability to deliver properties in specific areas is inevitably limited and applicants may have to meet their housing need in alternative areas.

2.3 Total Backlog

The following table shows the total annual backlog (over 5 years) by submarket area using data from both housing registers.

Gross Annual Affordable Housing Need	
North	41
Mid	153
Cwmbran West & North (CWN)	125
Cwmbran South & East (CSE)	249
Total	**568**

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3. Newly Arising Need

Once the backlog for affordable housing has been determined, it is necessary to factor in newly arising need, by calculating how many new households will form in the next five years and estimating how many of them will require affordable housing.

3.1 Definition

Newly forming households were determined by using the WG population projections; *2014-based household projections for local authorities in Wales.* Whilst these projections are based on a number of assumptions, including future births, deaths and migration, it remains the most reliable source of data available for estimating future population growth.

To calculate the overall number of new households arising in the next five years, the total projected figures for 2017 were subtracted from the projected figures for 2022, leaving a total net growth figure of **640** households. Using 2011 Census data, as a guide, these figures were then disaggregated to calculate the proportion of new households residing in each ward and submarket area.

Net Household Growth (2017 – 2022)

Submarket Area	Total Growth	Annual Growth
North	93	19
Mid	207	41
CWN	139	28
CSE	201	40
Total	**640**	**128**

3.2 New Households priced out of the Market

Not all new households will require affordable housing, but it is important calculate how many will be priced out of the housing market. Using a 3.5:1 ratio; the standard earning to house price calculator for most mortgage lenders, and comparing income data (CACI Paycheck) and House Price data (Rightmove), an estimate has been achieved.

Households priced out of the Market

Submarket Area	Annual Growth	% priced out of market	Annual Requirement
North	19	77%	15
Mid	41	76%	31
CWN	28	78%	22
CSE	40	78%	31
Total	**128**	**77.1%**	**99**

The findings show that approximately **100** households will be priced out of the market each year, a total of **494** households over the next five years.

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3.3 Existing Households Falling into Need

Another area of demand comes from existing households who experience difficulties and become homeless.

Data collated between 2012 and 2017 shows that there are an average of **263** households a year who experience homelessness in Torfaen and contact the Local Authority for assistance. This has reduced since the previous LHMA and is due to the implementation of the Housing (Wales) Act, which places greater emphasis on prevention, which has helped to reduce the number of households who experience homeless.

The LHMA has used this figure to project annual housing need amongst existing households over the next five years. By applying Census 2011 data to this figure, an estimate has been created that shows how this breakdown will occur across the submarket areas.

Households who experienced homelessness

Submarket Area	1 Bed	2 Bed	3 Bed	4 Bed	Total
North	30.14	4.90	1.91	1.10	38.05
Mid	67.18	10.92	4.26	2.45	84.81
CWN	45.33	7.37	2.88	1.66	57.24
CSE	65.35	10.62	4.15	2.39	82.51
Total	208	33.81	13.2	7.6	**262.61**

3.4 Further Considerations

In addition to homeless data, Ministry of Justice data shows that there are approximately **467** landlord and mortgage repossessions within Torfaen each year. Some of these households will already have been included in the homeless households, but others will not, further increasing the overall demand for affordable housing.

Another area of need, which is not been specifically covered in the above data sets, relates to households who are leaving hospital or institutional care and are unable to return to their existing accommodation.

Torfaen are working closely with Health and Social Care to identify these households and adequately meet their housing needs either through existing stock or through new build bespoke accommodation. But with an ageing demographic, the demand for adapted or sheltered accommodation is likely to continue to grow, further increasing the number housing units required.

4. Affordable Housing Need

4.1 Definition

To accurately predict future housing demand, it is essential to take into consideration current supply, turnover and the number of new build properties that will need to be developed in the next five years.

4.2 Committed Supply of New Affordable Units

Committed supply is determined by estimating the number of affordable housing units that will be built in Torfaen over the next five years. This is achieved by using data about existing and future sites and estimating the number of affordable housing units that each site may provide. Details of committed supply across each submarket area in Torfaen are identified in the table below.

Committed Supply of New Affordable Units (5 years)

Submarket Area	1 bed	2 bed	3 bed	4 bed	Total
North	29	25	14	4	72
Mid	43	37	21	5	106
CWN	9	7	4	1	21
CSE	47	41	24	6	118
Total	127	110	63	16	**317**

Through analysis of projected housing delivery, **317** new affordable housing units could potentially be delivered across the different tenures. This includes candidate sites identified in the Local Development Plan (LDP) and potential windfall sites.

It should be noted that the figures identified will depend on sites coming forward and delivering the full amount of planning gain for the respective sub market area.

4.3 Social Housing Lettings

To estimate the supply of social lets, a five year average of re-lets was used to predict annual level. Using this approach, the average number of lets per annum is approximately **803**.

Total Annual Affordable Supply

Submarket Area	1 Bed	2 Bed	3 Bed	4 Bed	Total
North	28	98	40	4	170
Mid	71	118	75	3	267
CWN	73	55	41	5	174
CSE	99	58	33	2	192
Total	271	329	189	14	**803**

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5. Overall Shortfall of Affordable Housing

To determine the overall shortfall of affordable housing, the total backlog is added to the newly arising need, before the anticipated annual supply is subtracted to calculate the overall shortfall. However, it would be inaccurate to assume that some of the lets will only be occupied once over the next five years. In order to take account of this, the current levels of turnover are also calculated, by dividing average lets by existing social housing stock.

Once the data has been collated, the methodology used for analysing it needs to be decided, because the approach taken will affect the overall results and the level of demand.

This section explores in more detail how the data has been analysed in Torfaen and the rationale for the approach taken.

5.1 Demand by Tenure

Social Housing

The advantages of using this approach when developing a LHMA is that it enables a Local Authority to identify more clearly the type of housing that is required and to disaggregate the data down to location and tenure. The following table shows the initial findings for social housing in Torfaen:

Annual Social Housing Need

Submarket Area	Number of Units
North	-94.44
Mid	-2.68
CWN	11.02
CSE	65.96
Total	**-20.14**

These findings show that there is a demand for social housing in the South of the Borough, but an ample supply of housing in North and Mid Torfaen, suggesting that there is no social housing need. However, these figures mask a significant amount of supplementary data.

Example:

The table below provides a breakdown of demand for general need social housing in the Blaenavon ward:

Ward	1 Bed	2 Bed	3 Bed	4 Bed	Total
Blaenavon	16.73	-39.39	-9.06	-0.11	-31.8

There is a high demand for 1 bed properties within this ward, but the ample supply of 2 bed properties is concealing this fact, with the result that when overall demand is

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calculated, it shows no need for 1 bed units. This pattern occurs across a number of wards in Torfaen, with the supply of larger units suggesting that there is no overall housing need.

In Blaenavon, the needs of single applicants could feasibly be met via 2 bed units, with joint tenancies between friends and shared accommodation now being offered more widely. However, in wards where the needs of single applicants are being masked by the oversupply of 3 and 4 bed properties, this approach cannot be taken, so it would be inaccurate to suggest that the need for 1 bed homes could be met by these larger properties.

For this reason, whilst recognising the data, a decision has been made to split housing demand by bedroom size as well by submarket area, with 1 and 2 bed units counted together and 3 and 4 bed units counted separately. The results of using this methodology are as follows:

Submarket Area	1 & 2 Bed	3 & 4 Bed	Total
North	- 56.29	- 38.15	-94.44
Mid	38.11	- 48.08	-9.97
CWN	11.33	- 19.08	-7.75
CSE	124.50	- 32.69	91.81
Total	117.65	-138	**-20.35**

By removing the negative figures from the calculation, this provides a more accurate reflection of housing need and supports existing local knowledge that demand for housing is greatest in the South of the borough.

Annual Social Housing Need

Submarket Area	Number of Units
North	0
Mid	38
CWN	11
CSE	124
Total	**173**

If this approach were not adopted, the overall demand for housing in Torfaen would appear significantly lower, which would lead to an undersupply of additional affordable housing in areas where they are needed the most.

Low Cost Home Ownership

The findings of this LHMA show that there is a small, but steady need for more Low Cost Home Ownership (LCHO) properties to be delivered in Torfaen.

Demand for LCHO is determined by analysing the current Help2Own register, coupled with newly arising demand and committed supply.

Newly arising need is determined by looking at population projections, income data and property prices. Committed supply is then subtracted to reach an annual figure of **23** units.

Annual Low Cost Home Ownership Need

Submarket Area	Number of Units
North	5
Mid	7
CWN	5
CSE	6
Total	**23**

It should be noted that other influencing factors such as requiring a **5%** deposit of the open market value of a property and the lack of mortgage products such as Homebuy / Equity share, coupled with personal circumstances (e.g. existing debt) are not factored into the assessment.

Intermediate Rent (IR)

The initial findings of this LHMA indicate that there is a need for **27** Intermediate Rent properties to be delivered per annum in Torfaen.

Annual Intermediate Rent Need

Submarket Area	Number of Units
North	2
Mid	9
CWN	6
CSE	10
Total	**27**

However, it has become apparent that delivering intermediate rents in North Torfaen is unachievable due to the low market rents currently being achieved. In many northern wards the average rental values are equal to, or less than the Local Housing Allowance rates.

An intermediate rent is defined by WG as rent charged at 80% of private market rent or Local Housing Allowance. In North Torfaen private market rents are often equal

to or below Local Housing Allowance, so the difference is too small to enable an intermediate rent to be charged.

As a result, a decision was made based on the WG Intermediate product (80% below market rent), that only those wards where the difference between benchmark rents and Local Housing Allowance was £10 or more a week, would be included in the calculation.

The following tables' show which wards this relates to and how this relays across the submarket areas:

Intermediate Rent Viability

Ward	Number of Units
Coed Eva	1.5
Pontnewydd	0.2
St. Dials	1.1
Wainfelin	0.4
Total	**3.2**

Intermediate Rent Viability

Submarket Area	Number of Units
North	0
Mid	0
CWN	3
CSE	0
Total	**3**

This approach reduces the number of IR units that can be delivered down to just **3**, leaving a demand for **23** affordable housing units that will now need to be delivered through alternative tenures i.e. social housing.

5.2 Gypsy and Traveller Housing Need

The accommodation needs of the Gypsy and Traveller community have not been specifically addressed in this LHMA, but an independent Gypsy and Traveller Accommodation Assessment was carried out in 2015 and the recommendations from this assessment are being implemented.

6. Housing Market Analysis

6.1 Average House Prices

The following chart shows how house prices in Torfaen have changed in recent years.
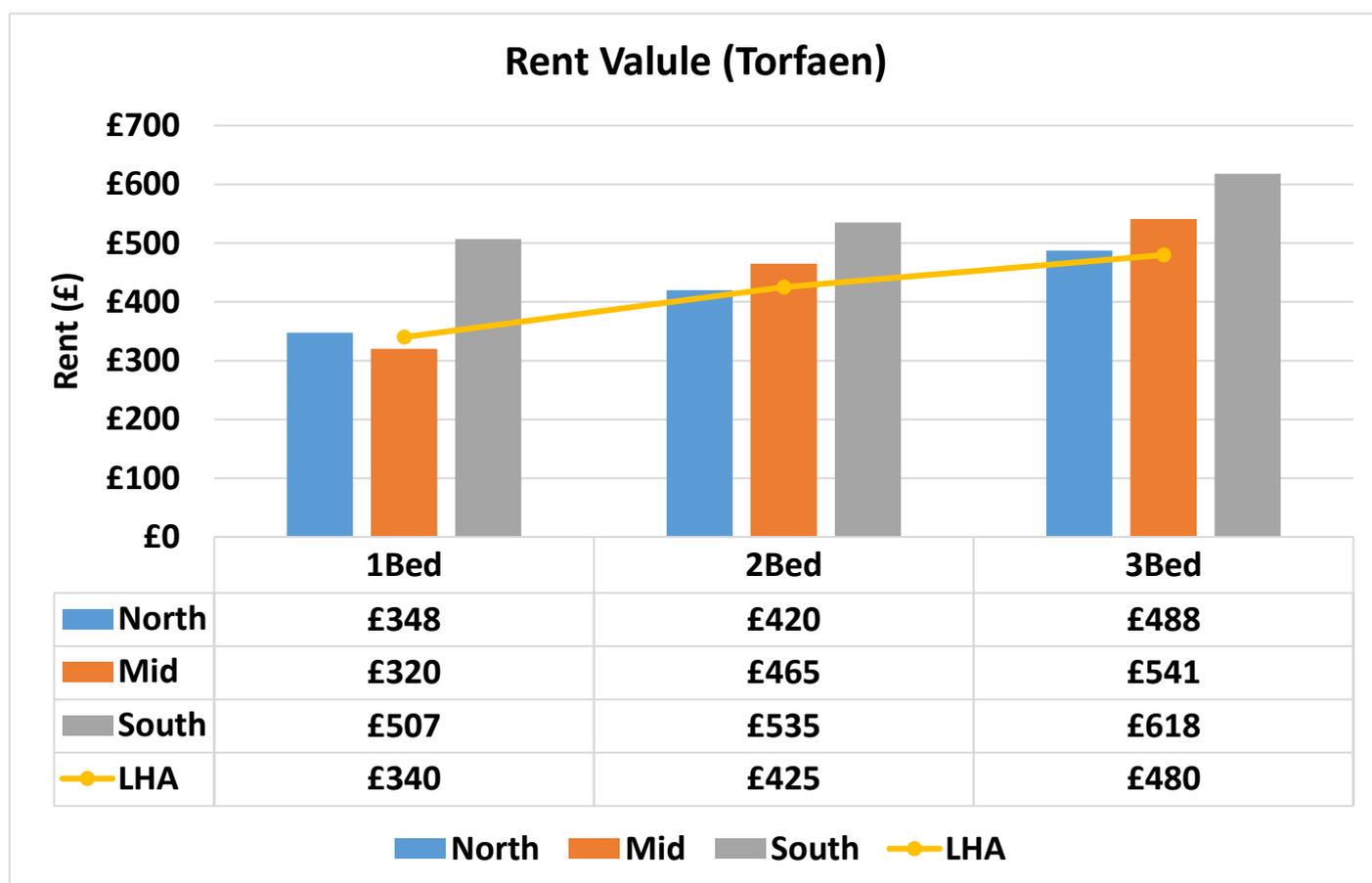

Prices have continued to rise steadily over the last 3 years, making access to housing much harder for many first time buyers. House prices can fluctuate significantly depending on the areas in which they are located. This chart shows average house prices in Torfaen by submarket area (based on sales between July 2016 and July 2017):

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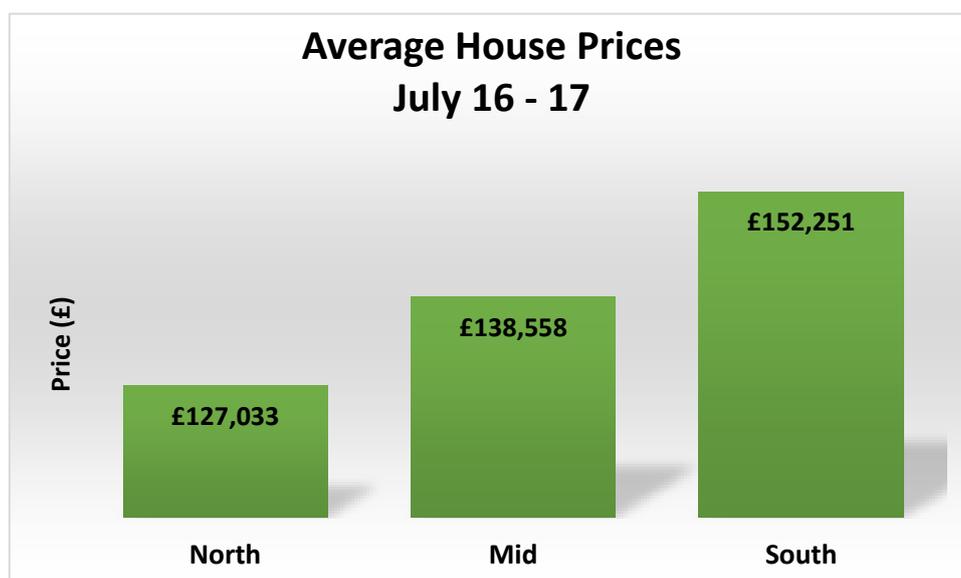
The chart demonstrates that house prices are higher in the South, which correlates with the findings of this LHMA, which identified a significant need (and preference) for affordable housing in the South where values are now too high for many households.

6.2 Average Rent Values

The following table shows the average rents in each submarket area compared to the Local Housing Allowance (LHA).

Rent Valule (Torfaen)

	1Bed	2Bed	3Bed
North	£348	£420	£488
Mid	£320	£465	£541
South	£507	£535	£618
LHA	£340	£425	£480

In North and Mid Torfaen, the difference between LHA and North Torfaen is only slight, indicating that households in these areas, who are in receipt of the maximum amount of LHA, would have most, if not all of their rent covered by LHA. However, for properties in the South of the borough, the difference between LHA and market rent is much higher, with the result that a household in receipt of the maximum LHA would still have to find at least £100 extra each month to pay their rent.

This demonstrates that households in the North of the Borough could satisfy their housing need via the private rented sector, whilst households in the South are currently priced out of this tenure and require more affordable housing.

Conclusion

The following table brings together the different levels of housing need by areas and tenure, based on the principles and findings outlined in this LHMA.

Total Housing Need per annum

Area	Social	Low Cost Home Ownership	Intermediate Rent
North	0	5	2
Mid	38	7	9
CWN	11	5	6
CSE	124	6	10
Total	**173**	**23**	**27**

The **23** Intermediate Rent (**IR)** units that cannot be delivered in some parts of Torfaen have now been added to the Social Housing (**SH**) need column and disaggregated across the 4 submarket areas. By applying these principles, the calculations show that the total annual demand for housing in Torfaen is as follows:

Total Housing Need per annum

Area	Social	Low Cost Home Ownership	Intermediate Rent	Total
North	2	5	0	7
Mid	46	7	0	53
CWN	15	5	3	23
CSE	134	6	0	140
Total	197	23	3	**223**

This assessment has been undertaken using data sets available at the present time to project future demand, However to ensure that appropriate housing need projections are maintained, the assessment will be subject to regular reviews.

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