

Local Housing Market Assessment Update

Final February 2012

Important Notice

HDH Planning and Development is the trading name of RS Drummond-Hay MRICS ACIH.

This report has been prepared this report for the sole use of Bridgend Councilin accordance with the proposal and instructions under which our services were performed. No other warranty, expressed or implied, is made as to the professional advice included in this report or any other services provided by us. This report may not be relied upon by any other party without the prior and express written agreement of RS Drummond-Hay MRICS ACIH.

Some of the conclusions and recommendations contained in this report are based upon information provided by others and upon the assumption that all relevant information has been provided by those parties from whom it has been requested. Information obtained from third parties has not been independently verified by RS Drummond-Hay MRICS ACIH, unless otherwise stated in the report. The recommendations contained in this report are concerned with affordable housing and current planning policy, guidance and regulations which may be subject to change. They reflect a Chartered Surveyor's perspective and do not reflect or constitute legal advice. The Council should seek legal advice before implementing any of the recommendations.

Certain statements made in the report may constitute estimates, projections or other forward-looking statements and even though they are based on reasonable assumptions as atthe date of the report, such forward-looking statements, by their nature, involve risks and uncertainties that could cause actual results to differ materially from the results predicted. RS Drummond-Hay MRICS ACIH specifically does not guarantee or warrant any estimate or projections contained in this report.

RS Drummond-Hay MRICSACIH

Bellgate, Casterton

Kirkby Lonsdale

Cumbria. LA6 2LF

simon@drummond-hay.co.uk

015242 76202 / 07989 975 977

www.drummond-hay.co.uk

COPYRIGHT

© This report is the copyright of RS Drummond-Hay MRICS ACIH. Any unauthorised reproduction or usage by any person other than the addressee is strictly prohibited.

Chapter Listing

_Toc328086401

1. Introduction	1
2. Methodology	5
3. Socio-economic changes since 2009	9
4. The current housing market	17
5. Financial information	29
6. Housing need	35
7. Intermediate Rent: scope in Bridgend County Borough	53
8. Improving market balance over the longer term	77
9. Impact of changes on policy implications	93
Glossary	97

1. Introduction

Summary

- i) This study provides an update of the original LHMA undertaken in Bridgend County Borough in 2009. It is required because of continued market turbulence and a new initiative within the affordable sector, Rent First - Intermediate Rent, the scope of which needs to be established.
- ii) The report documents the changes that have been recorded in the County Borough in the last two years as a result of the economic downturn and identifies the appropriate policy response.
- iii) The results produced are calculated in accordance with the Welsh Government (WG) Local Housing Market Assessment Guide of March 2006 as well as meeting the requirements of Technical Advice Note 2 (TAN2) Planning and Affordable Housing (June 2006).

Purpose

- 1.1 A Local Housing Market Assessment (LHMA) was originally published for Bridgend County Borough in December 2009 based on household survey data collected in June and July 2009. This LHMA robustly examined the local housing market in accordance with the Welsh Government (WG) publication 'Local Housing Market Assessment Guide'(March 2006), which was the relevant Guidance that the report adhered to. It included a review of the current local situation, an understanding of housing need in the area and recommendations as to the appropriate policy response in Bridgend County Borough.
- 1.2 Although it would typically be argued that an LHMA would have currency of more than two and a half years, the continued market turbulence since the publication of the initial report means it is useful to re-assess its findings. In addition, the Welsh Government has recently (March 2011) identified that a new housing product, Rent First - Intermediate Rent, will have an important role to play in the future housing market across Wales, and this report will establish its potential in Bridgend. This update report therefore seeks to complement the existing study, by reviewing the outputs where more recent data is available.
- 1.3 This update report will assess the local impact and the appropriate policy response within the current market conditions and assess the potential for Intermediate Rent in the County Borough. This is done by direct examination of secondary data, and through analysis of an updated household survey dataset. The new dataset is created by applying the secondary data changes recorded to the existing primary data. This report will present the results in accordance with the latest Government guidance.

Government guidance

1.4 It is important to briefly summarise key points from Government guidance which are relevant to this assessment. The documents of particular importance are:

- Welsh Government (WG) *Local Housing Market Assessment Guide* (March 2006)
- *Technical Advice Note 2 (TAN2) Planning and Affordable Housing* (June 2006)

1.5 Local Housing Market Assessments were established by government guidance: Technical Advice Note 2: Planning and Affordable Housing (June 2006), and detailed Practice Guidance (Local Housing Market Assessment Guide) was published in March 2006 by the Welsh Government.

1.6 The LHMA Guide provides details about the whole process of conducting a Local Housing Market Assessment and, importantly, sets out a comprehensive model for the assessment of affordable housing needs.

1.7 The most important output requirements of TAN2, with regards the LHMA, are stated in paragraph 8.1:

Local planning authorities should ensure that development plan policies are based on an up-to-date assessment of the full range of housing requirements across the plan area over the plan period. LHMA's provide the evidence base supporting policies to deliver affordable and market housing through the planning system. For affordable housing, it is important to authorities to have an appreciation of the demand for different dwelling sizes and types of housing (i.e. intermediate and social rented) in relation to supply so that they can negotiate appropriate mixes on new sites.

Report coverage

1.8 Whilst TAN2 outlines how an LHMA fits into the wider housing policy framework, the LHMA Guide provides an indication as to how an LHMA should be undertaken and what topics should be covered. Not all of the topics required by the LHMA Guide, and presented in the original LHMA report, will be updated within this report. This is because, for some, no further data has been published since the original publication. This report is therefore limited to:

- Examination of the latest profile of the labour market and the resident population
- Analysis of the changes that have occurred to the local housing market
- Consideration of the current financial capacity of households and their ability to afford market housing
- Production of updated outputs of the housing needs assessment model in accordance with the LHMA Guide approach
- Examination of the potential Intermediate Rent to meet housing need and an assessment of where it should be most suitably set

- Production of an analysis of the entire housing market within the balancing housing markets model
- Presentation of the policy implications of these findings within the requirements of TAN2.

2. Methodology

Summary

- i) The analysis of the local housing market presented in the original report was based on a household survey of 2,602 households in Bridgend County Borough. For the purpose of this report, this household dataset has been updated through re-weighting the data and updating the financial profile. This provides an accurate profile of all households in Bridgend County Borough as of January 2012.

Introduction

- 2.1 In addition to documenting the changes that have been recorded in Bridgend County Borough since the original LHMA, a new analysis of the housing market has been facilitated by the creation of an updated household dataset.
- 2.2 A household survey was completed across Bridgend County Borough in June and July 2009 using a combination of personal interviews and postal questionnaires. The survey was drawn, at random, from the Council Tax Register covering all areas and tenure groups in Bridgend County Borough. A total sample of 2,602 was achieved.
- 2.3 The primary data has been updated using two measures – a re-weighting of the data to take account of the latest information on the structure of households in Bridgend County Borough and an updating of the financial profile of households to reflect the changes recorded since the original LHMA. This chapter will describe the approach used for these two processes.

Re-weighting the dataset

- 2.4 The original LHMA estimated that there were a total of 58,941 households in Bridgend County Borough. The latest data from Cambridge Econometricsⁱ(2009 based) suggests that the household population in Bridgend County Borough at January 2012, the base date of this update report, is 59,960. The dataset has therefore been reweighted to this total.
- 2.5 The data also has to be weighted by a number of variables so that the profile is representative of the characteristics of the household population. The variables used to weight the data are listed below.
 - Tenure
 - Household type
 - Age of resident population
 - Employment profile of resident population

- Sub-area
- Ward
- Council Tax Band
- Ethnicity of household head
- Car ownership
- Accommodation type

2.6 Table 2.1 shows an estimate of the current tenure split in Bridgend County Borough along with the tenure distribution recorded in the original report. The data shows that 72.4% of households are owner-occupiers with 13.9% in the social rented sector and 13.7% resident in private rented accommodation.

<i>Tenure</i>	<i>2012</i>		<i>2009</i>	
	<i>Total number of households</i>	<i>% of households</i>	<i>Total number of households</i>	<i>% of households</i>
Owner-occupied (no mortgage)	22,456	37.5%	23,136	39.3%
Owner-occupied (with mortgage)	20,920	34.9%	21,887	37.1%
Social rented	8,361	13.9%	8,057	13.7%
Private rented	8,222	13.7%	5,861	9.9%
Total	59,960	100.0%	58,941	100.00%

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

2.7 In comparison with 2009, the proportion of households in the private rented sector has increased from 9.9% to 13.7%. This increase in the private rented sector in Bridgend County Borough corresponds with the national trend. The proportion of owner-occupiers with a mortgage has decreased slightly (from 37.1% to 34.9%), while the proportion of households owning their house outright has shown a marginal decrease (39.3% to 37.5%). The proportion of social rented households has increased a little (13.7% to 13.9%).

Updating the financial profile

2.8 As the original survey data has to be updated from its mid-2009 base, it has been necessary to make an estimate of the likely change in income levels since this time (and indeed changes in savings and equity). The principle of updating the financial profile is not to update the situation of the particular household that responded to the initial questionnaire, but to present an accurate representation for an equivalent household that exists currently. Households' financial information was updated via an indexing approach, as there is time-series secondary data available at a local level that record changes in the relevant variables. A separate method was used for the three variables that were updated – income, savings and equity.

- 2.9 The Annual Survey of Hours and Earnings (ASHE) was used to update the earned income of households with an employed member. The change recorded by ASHE over the last two and a half years was applied to the dataset to generate a profile for January 2012. As ASHE provides values at a range of points on the earnings distribution, it is possible to update income depending on the change recorded for the particular quartile the original household income of 2009 was in.
- 2.10 Since 2009 lower quartile incomes were estimated to have fallen by around 9.3%, median incomes have increased by 0.1% and upper quartile incomes have grown by 5.1%. These increases have been applied to the survey data to bring it up to a January 2012 base. The incomes of retired households were assumed to increase with inflation (CPI), while the income of benefit dependent households was assumed to follow the trend in overall spending on non-housing related benefits (excluding those benefits not linked to unemployment) per claimant in Bridgend County Borough.
- 2.11 In the absence of any secondary data on the average level of savings in the UK, savings were updated only according to inflation (CPI). This indicated an increase of 7.4% over the last two years. This increase has been applied to the survey data to bring it up to a January 2012 base.
- 2.12 For affordability purposes it is also important to consider changes in household equity. The Land Registry provides the best source of information on the value of property at a local level, with data on the price of all home sales for every quarter of the year. Analysis of Land Registry data suggests that overall, median house prices within Bridgend County Borough have increased by 12.8% over the past two and a half years. As the Land Registry presents data for a range of points on the price distribution scale, it is possible to update the value of owner-occupied homes by the change in prices recorded for the appropriate price level.
- 2.13 These figures have been applied to survey data about property values – this in turn has enabled us to make an estimate of likely equity levels. For example, a household living in a house worth £100,000 and with £50,000 of equity (in 2009) would now be assumed to be living in a house worth £112,800 and with £62,800 of equity.

¹The paper 'Examining Alternative Demographic and Labour Market Projections. A report to Bridgend County Borough Council' published by Cambridge Econometrics in April 2010 sets out the latest population, household and employment estimates and projections for Bridgend County Borough. This is supported by the 'Bridgend Local Development Plan 2006 – 2021 Background Paper 2: Population and Housing' published by Bridgend County Borough in June 2011, which indicates how these projections relate to the housing growth planned in the Local Development Plan.

3. Socio-economic changes since 2009

Summary

- i) Various secondary data sources were reviewed as part of the updating process. The latest population estimates suggest that the population of the County Borough in June 2011 was 137,000 and that since 2006 the population has increased by 3.3%. However, the size of the household population is increasing at a marginally faster rate (3.4%).
- ii) Bridgend County Borough continues to have the capacity to undergo continued economic growth and the proportion of economically active unemployed people amongst residents has decreased from 4.8% at the time of the original LHMA to 4.1% currently.
- iii) The mean earned income for employees in Bridgend County Borough in 2011 is £26,861, lower than Wales as a whole.

Introduction

- 3.1 Two main drivers of the housing market are the resident population and the local labour market. They affect the nature of housing demand including household formation rates and households' investment in housing. The most recent data available on these topics at the time of the original LHMA was generally from 2008. This chapter documents the changes that have occurred to the socio-economic profile in the Bridgend County Borough since then. Where possible the information presented compares the circumstances in the county to the national situation.

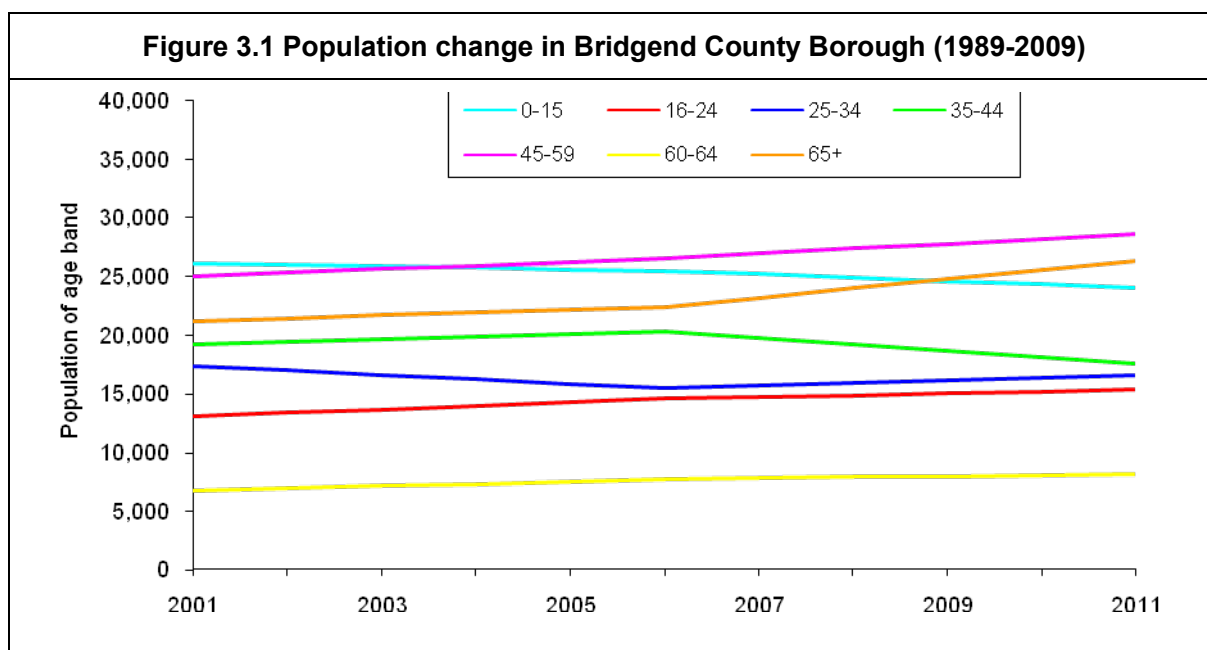
Demography

- 3.2 The original LHMA report described the nature of the population in Bridgend County Borough using the latest information available at the time, principally the 2007 ONS population estimates and the 2001 Census. A range of data has been published subsequently that informs how the population in the county has changed since 2008.

Population

- 3.3 The Cambridge Econometrics population estimates for Bridgend County Borough were published in 2010 (see footnote 1 – page 5). These provide an estimate of the population in Bridgend County Borough for various age bands up to 2011. Overall the population in Bridgend County Borough has increased by 6.0% between 2001 and 2011.

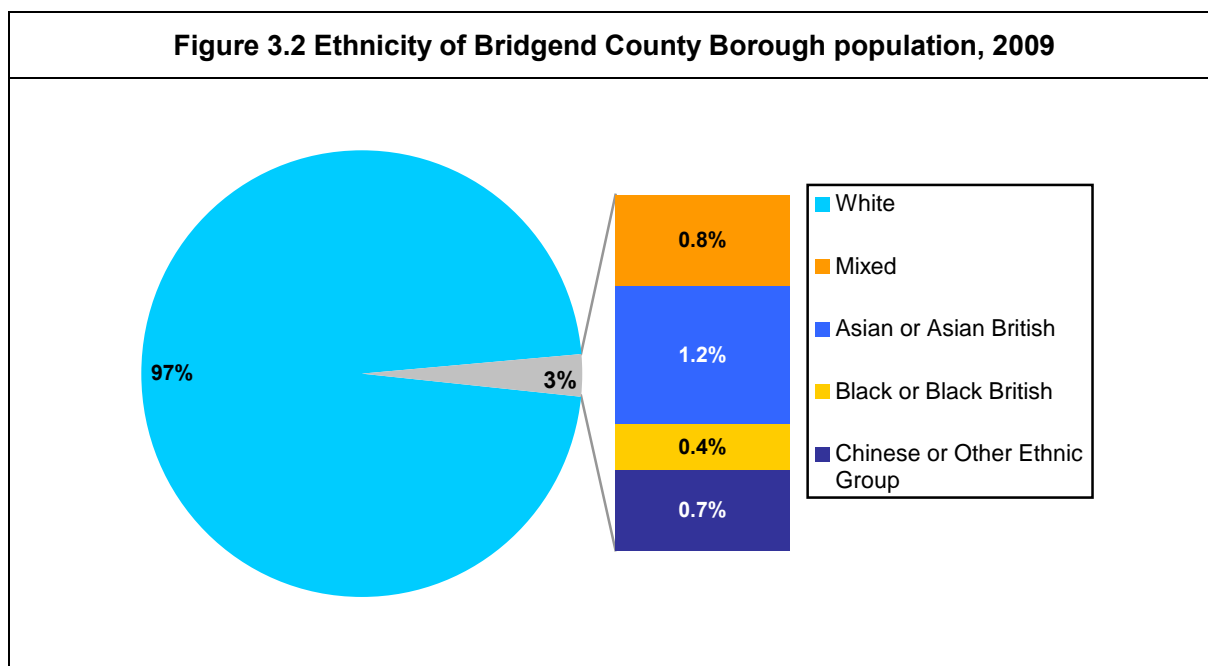
3.4 Figure 3.1 illustrates the change in population recorded in Bridgend County Borough over the last 10 years for six different age bands. It shows that, since 2001, the number of people aged under 16 and the number of people aged 25 to 44 in Bridgend County Borough has fallen. Whereas the number of people aged between 16 and 24, and the number of people over 44 have increased. Those aged between 35 and 44 have recorded the largest decrease (8.7%) and those aged over 64 the largest increase (24.3%). Overall the working age population has increased at a slower rate than the non-working age population (5.8% compared with 6.5%).



Ethnicity

3.5 According to the 2001 Census, the proportion of Black or Minority Ethnic (BME) (non-White) groups in Bridgend County Borough was just 1.4%, lower than the national figure recorded in Wales (2.2%). The Welsh Government produced some estimates of the changes in population by ethnicity to 2009, although these are classed as experimental statistics and should be treated with caution. They suggest that the BME population of Bridgend County Borough increased to 3.1% of the total population since the Census. This amounts to an increase from 1,767 to 4,100 people (an increase of 132%) in BME groups between 2001 and 2009. Despite this growth, the BME proportion of the population in Bridgend County Borough is still lower than Wales as a whole (3.1% compared to 4.1%).

3.6 Figure 3.2 presents the ethnicity of the population in the County Borough according to the latest (2009) figures. The 'Asian or Asian British' ethnic group represents the largest BME group in Bridgend County Borough (1.2% of total population).



Source: Welsh Government Resident Population Estimates by Ethnic Group, 2009

Number of households

3.7 The latest Cambridge Econometrics household estimates suggest that the number of resident households in Bridgend County Borough is increasing at a faster rate than the population of the county. The data indicates that between 2006 and 2011 the number of people in Bridgend County Borough increased by 3.3%, whilst the number of households increased by 3.4%. The marginal difference between these two growth rates means that the average size of households in Bridgend County Borough has not changed as illustrated in Table 3.1.

	<i>2006</i>	<i>2011</i>
Population	132,600	137,000
Households	57,403	59,342
Average household size	2.31	2.31

Source: Examining Alternative Demographic and Labour Market Projections. A report to Bridgend CBC, 2010

Economy

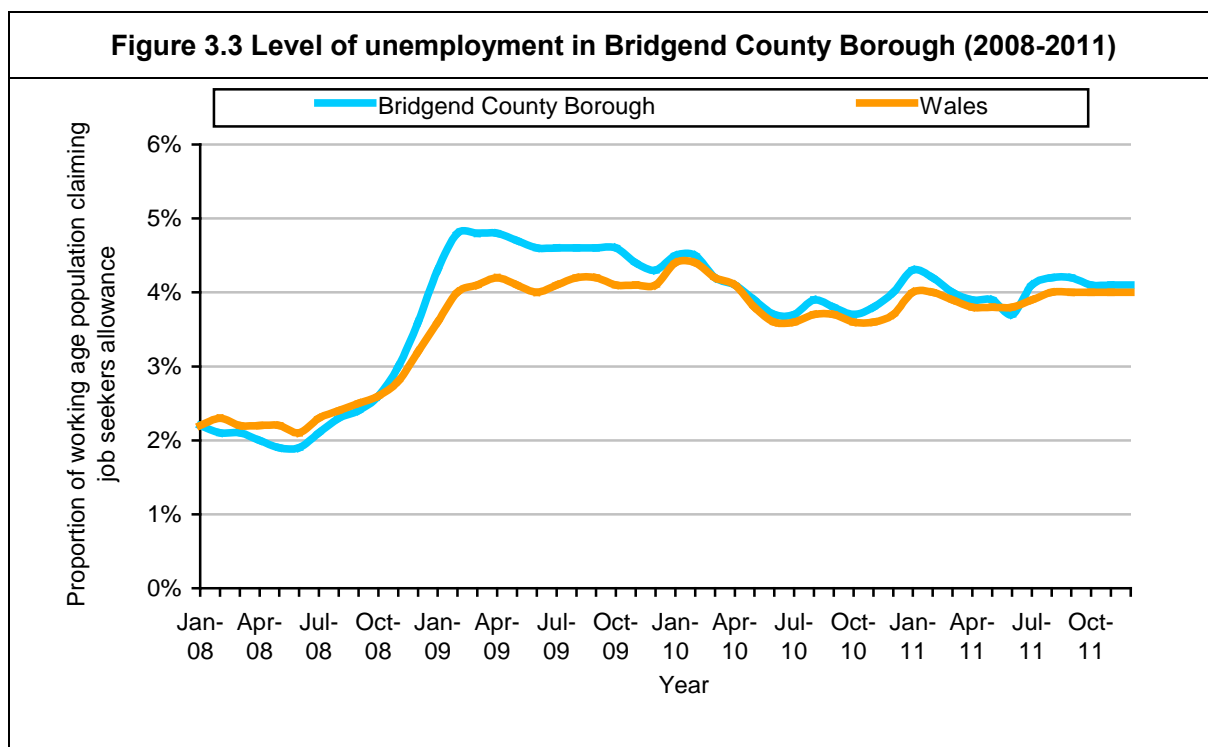
3.8 Chapter 2 of the original LHMA report considered the economic context in Bridgend County Borough and its influence on the housing market. It found that employment growth in Bridgend County Borough in the decade prior to 2007 was lower than that recorded nationally, but that there was a higher proportion of employees employed in managerial positions in Bridgend County Borough than in Wales as a whole. In 2008 upper quartile and median incomes of full-time employed residents in Bridgend were higher than the Welsh equivalent, although the reverse was true for lower quartile incomes.

Employment in Bridgend County Borough

- 3.9 The latest data available on the economy in Bridgend County Borough indicates that it still has the capacity to undergo continued economic growth. NOMISⁱⁱ data on ‘job density’ (this is a measure of the number of jobs per person of working age) for 2009 shows that there are 0.71 jobs per working age person in the county. This is the same as the national figure for Wales, however it does indicate a notable decrease from the figure of 0.76 in 2007.
- 3.10 Measured by the most recent Annual Business Inquiry (ABI) there were 56,100 employee jobs in Bridgend County Borough in 2008. This is a 0.5% increase since (the latest data available at the time of) the original LHMA report (2007). This increase recorded for the County Borough is quite different from the trend recorded nationally between 2007 and 2008 – a decrease of 3.0%.

Employment profile of residents in the county

- 3.11 Although the overall economic performance of Bridgend County Borough provides important context, an understanding of the effect of the economic downturn on the resident population is crucial to this study.
- 3.12 The ONS publishes monthly data on the number of people claiming Job Seekers Allowance. This provides a very up to date measure of the level of unemployment of residents in an area. Figure 3.3 shows the change in the proportion of the working age population claiming Job Seekers Allowance in Bridgend County Borough since January 2008. The figure indicates that the unemployment levels for Bridgend County Borough has been broadly in line with the level for Wales. However, both Wales as a whole and Bridgend County Borough experienced a substantial increase in Job Seekers Allowance claimants in the autumn of 2008 due to the economic downturn. The proportion of the working age population claiming job seekers allowance in December 2011 was 4.1% which is lower than the figure at the time of the original LHMA (4.8% in June 2009) indicating a slightly improved economic situation in the County Borough.



Source: ONS Claimant count

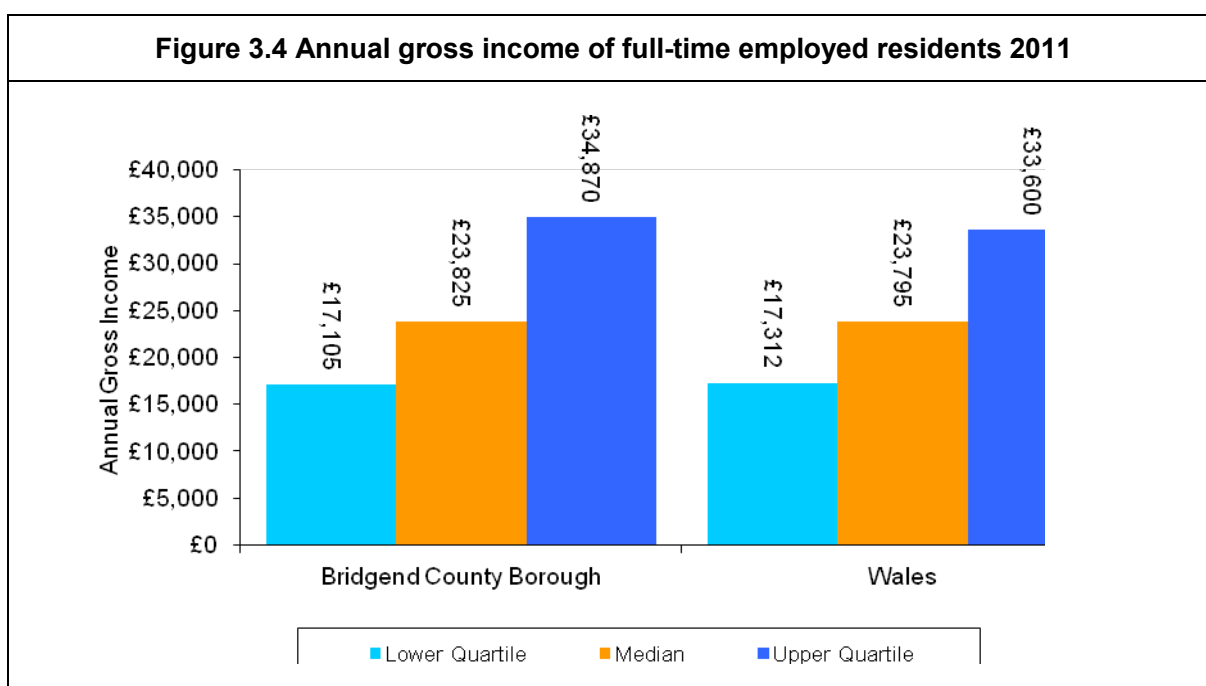
- 3.13 The Annual Population Survey presents a ‘Standard Occupation Classification’ which categorises all working people resident within an area into one of nine groups depending on the nature of the skills that they use. These nine groups are graded from managerial jobs (Groups 1-3) to unskilled jobs (Groups 8-9). As Table 3.2 illustrates, some 40.8% of employed residents in Bridgend County Borough work in groups 1 to 3, and this is higher than the equivalent figure for Wales. Bridgend County Borough has a slightly smaller proportion of the workforce in the lowest skilled occupations (Groups 8-9) than is found nationally.
- 3.14 The Table also shows that, since 2008 (the latest data at the time of the original LHMA), there has been a significant decrease in the number of people resident in Bridgend County Borough employed within groups 4 to 5 and a smaller decrease in the number of people employed in groups 8 to 9, During the same period there has been a notable increase in the number of residents employed in groups 1 to 3 and 6 to 7.

Table 3.2 Occupation structure			
<i>Occupation Groups</i>	<i>Bridgend County Borough Jul10-Jun11</i>	<i>Wales Jul10-Jun11</i>	<i>Change in # of people employed in Bridgend County Borough since Jul07-Jun08</i>
Group 1-3: Senior, Professional or Technical	40.8%	39.2%	9.0%
Group 4-5: Administrative, skilled trades	19.1%	23.2%	-13.4%
Group 6-7: Personal service, Customer service and Sales	21.6%	18.9%	8.0%
Group 8-9: Machine operatives, Elementary occupations	18.4%	18.7%	-5.7%
Total	100.0%	100.0%	1.0%

Source: ONS Annual Population Survey

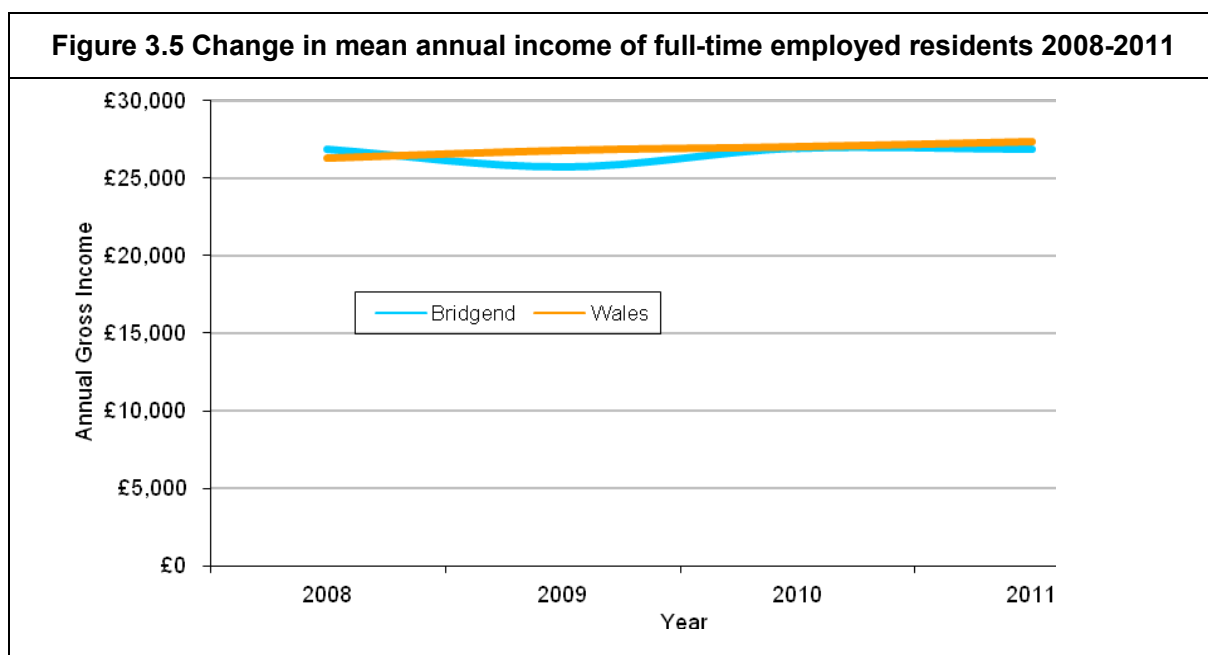
Income

- 3.15 Income has a crucial effect on the level of choice a household has when determining their future accommodation. The mean earned income for full-time employees resident in Bridgend County Borough in 2011 was £26,861, according to the ONS Annual Survey of Hours and Earnings, lower than Wales as a whole (at £27,386). It is important to note that these figures assess individual incomes rather than household incomes.
- 3.16 As Figure 3.4 shows, at median and upper quartile measurements, annual gross income in Bridgend County Borough is higher than the equivalent in Wales as a whole, but the lower quartile income is marginal lower.



Source: ONS Annual Survey of Hours and Earnings (2011)

3.17 Figure 3.5 shows the changes in mean income of full-time employees resident in Bridgend County Borough and in Wales since 2008 (the latest data available in the original LHMA report). Bridgend County Borough has recorded a lower increase since 2008 (less than 0.1%) than Wales (3.8%).



Source: ONS Annual Survey of Hours and Earnings (2010)

ⁱⁱ NOMIS is a website provided by the Office of National Statistics that contains a range of labour market data at a local authority level. www.nomisweb.co.uk

4. The current housing market

Summary

- i) According to data from the Land Registry, the mean house price in Bridgend County Borough in the second quarter of 2011 was £142,144, lower than the average for Wales. Data shows that whilst prices have recorded a slight increase since the original report the number of property sales has risen dramatically.
- ii) The housing markets in operation in Bridgend County Borough were re-examined and three sub-markets identified; North (the cheapest), West (the most expensive) and East.
- iii) The cost of housing by size was re-assessed for all tenures in the County Borough. Entry-level prices in Bridgend County Borough range from around £62,000 for a two bedroom home in the North sub-market up to £190,000 for a four bedroom property in the West sub-market. Entry-level rents in Bridgend County Borough range from £400 per month for a two bedroom home in the North sub-market, up to £750 per month for a four bedroom property in the West sub-market.
- iv) Housing market gaps analysis shows the nature of the housing ladder in a particular locality. An analysis of the gaps between each tenure shows that there is a large income gap between the social rented sector and market entry. This indicates that intermediate housing priced within this gap could potentially be useful for a number of households in Bridgend County Borough.

Introduction

- 4.1 This chapter describes the changes in the housing market that have been recorded in Bridgend County Borough and across Wales. Subsequently it re-assesses the entry-level costs of housing in Bridgend County Borough, to document how this has changed since the original LHMA report. A comparison of the cost of different tenures will be used to identify the housing market gaps that exist – this will enable the suitability of products within these gaps to be assessed.

The situation in Bridgend County Borough

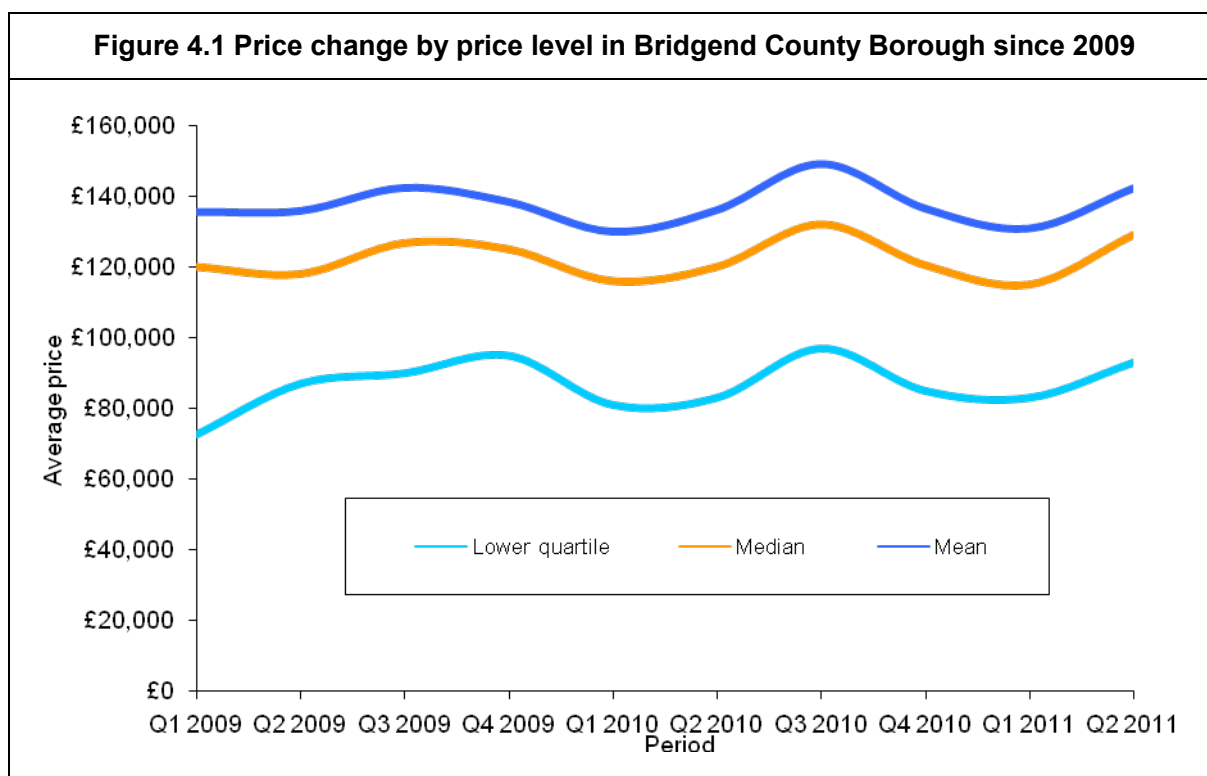
- 4.2 The most recent house price data available at the time of the initial LHMA report was from the first quarter of 2009. The Land Registry has now published data for the second quarter of 2011. It is therefore possible to assess the changes recorded in Bridgend County Borough over this period, alongside national equivalents.

4.3 Table 4.1 shows the change in average prices between the first quarter of 2009 and the second quarter of 2011 for Wales and Bridgend County Borough. The Table shows that between 2009 and 2011 average prices have increased at a greater rate in Bridgend County Borough than nationally, but that properties are still, on average, more expensive across Wales as a whole.

Area	Average price Jan-Feb 2009	Average price Apr- Jun 2011	Percentage change recorded 2009-2011
Wales	£146,656	£148,997	1.6%
Bridgend County Borough	£135,522	£142,144	4.9%

Source: Land Registry via CLG

4.4 Figure 4.1 shows price change by property price level since Quarter 1 2009. The Figure shows that prices at all levels follow the same pattern of seasonal peaks and troughs and that all have shown a slight increase over the period since the original LHMA report.



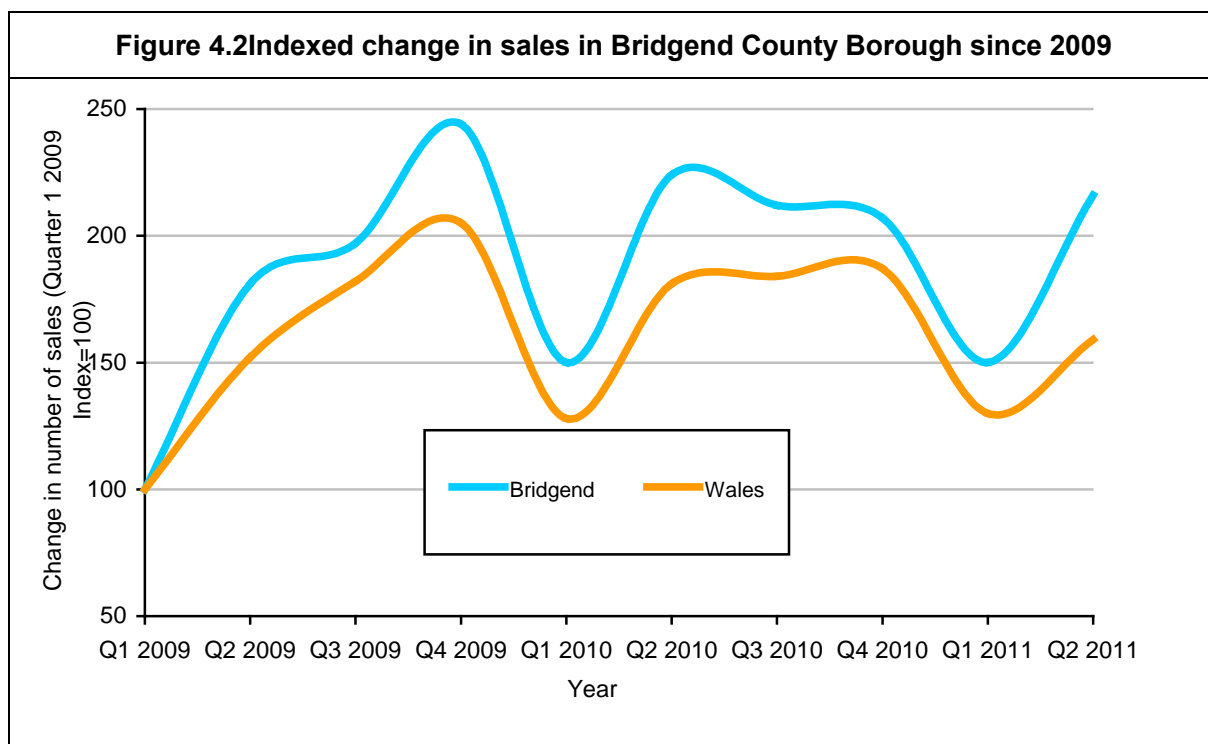
Source: Land Registry via CLG

4.5 Table 4.2 shows the change in the number of property sales between the first quarter of 2009 and the second quarter of 2011. The Table indicates that property sales have notably increased since the, historically, very low levels recorded at the time of the original LHMA. Bridgend County Borough records the level of sales increasing by 115.5% during this period, whilst nationally the increase was 59.0%.

Area	Number of sales Jan-Feb 2009	Number of sales Apr- Jun 2011	Percentage change recorded 2009-2011
Wales	4,497	7,149	59.0%
Bridgend County Borough	187	403	115.5%

Source: Land Registry via CLG

- 4.6 Figure 4.2 shows the indexed change in the number of property sales since Quarter 1 2009 for both Bridgend County Borough and Wales. The Figure suggests that the pattern in Bridgend County Borough closely follows that across Wales and, despite seasonal fluctuations, sales levels are higher now than they were at the start of 2009.



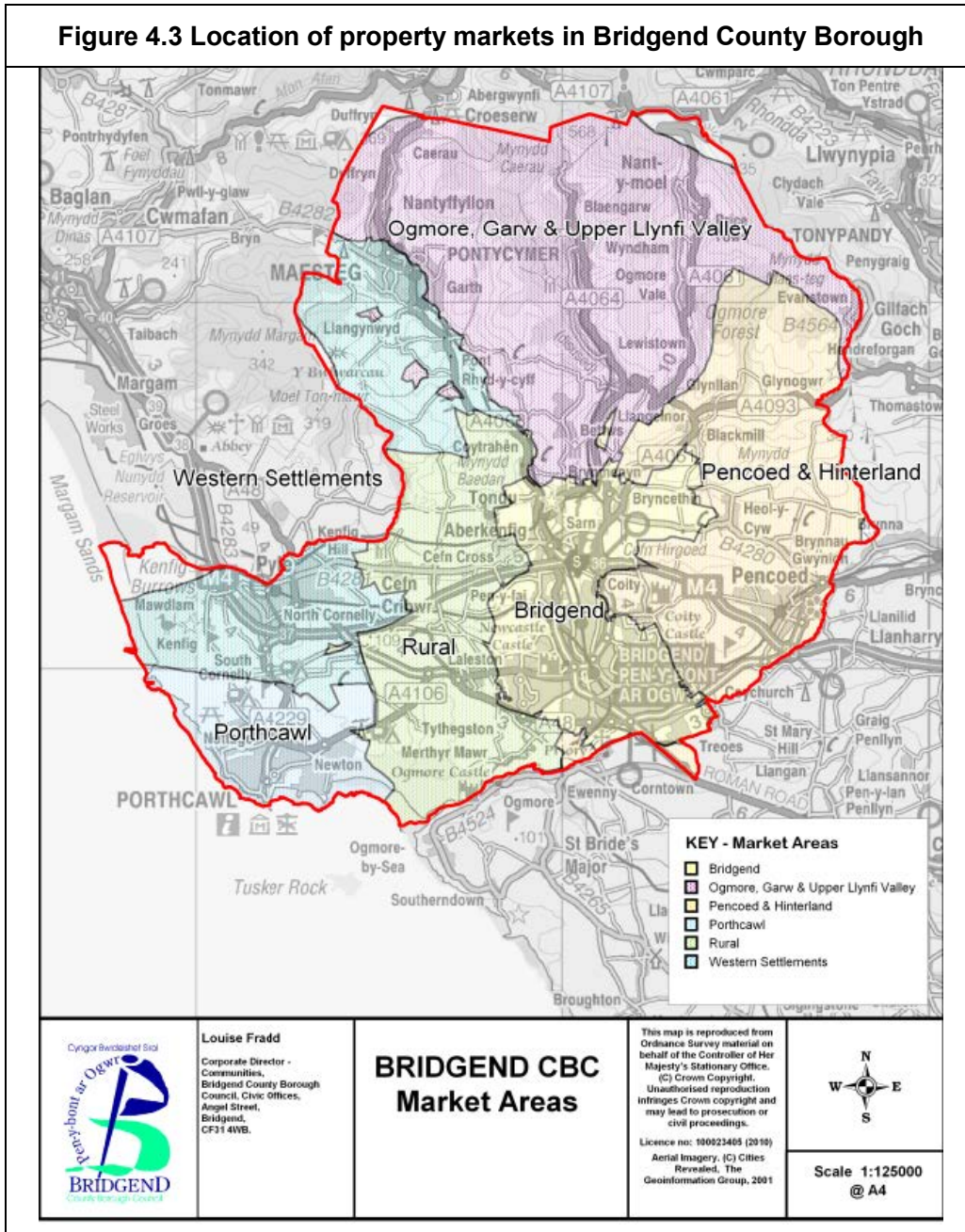
Source: Land Registry via CLG

Updated entry-level costs

- 4.7 To fully understand the affordability of housing within an area it is necessary to collect data on the cost of housing by the number of bedrooms. This ensures that it is possible to assess the ability of households to afford market housing of the size required by that particular household as determined by the Bedroom Standard. However, no secondary data contains this information. As part of this study we have therefore undertaken an updated price survey to assess the current cost of housing in the County Borough. This has involved both reviewing the different price markets within Bridgend County Borough identified in the original report and establishing the entry-level cost of housing by number of bedrooms in each price market that exists.

Sub-markets

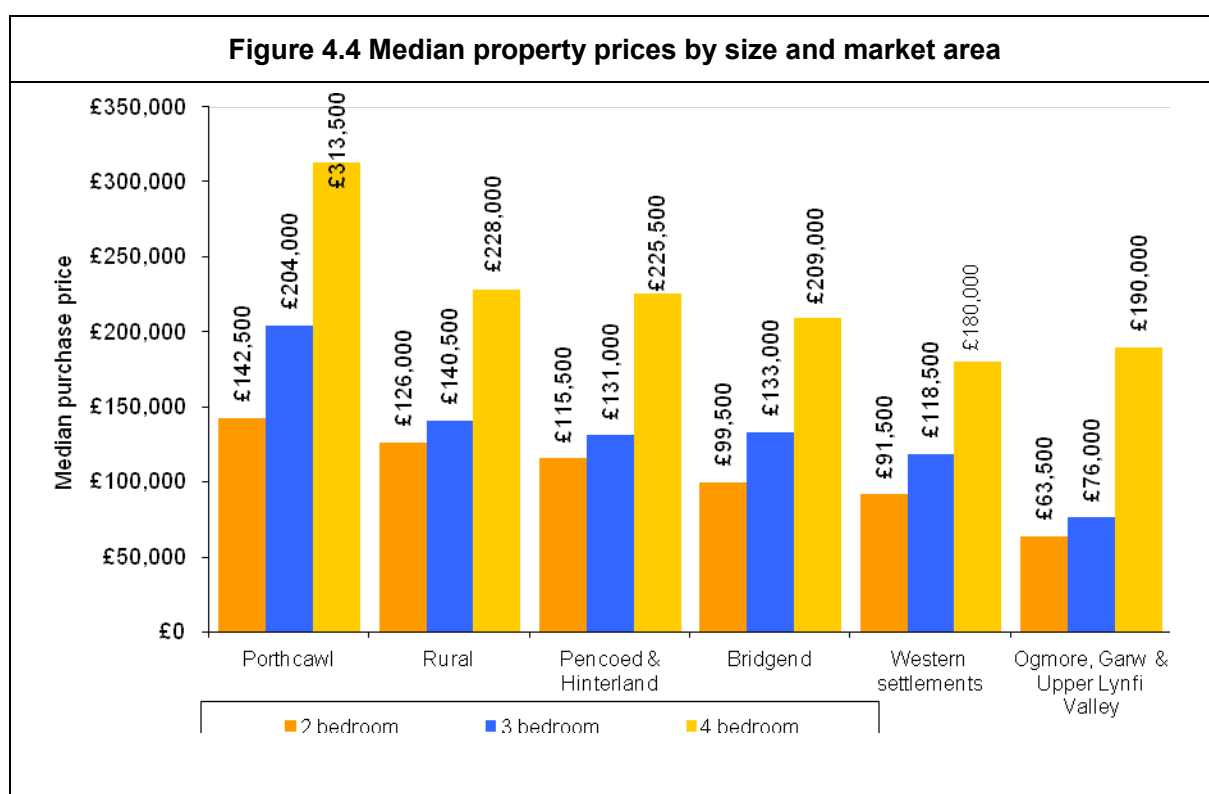
4.8 The original LHMA report identified two sub-markets within Bridgend County Borough, based on ward boundaries, with the valley areas to the north of the County Borough considered distinct from the south of the County Borough. Since publication of the original LHMA report, a viability studyⁱⁱⁱ has been completed for Bridgend County Borough Council (finalised August 2010). This indicated that there were six market areas in Bridgend County Borough as illustrated in the map shown in Figure 4.3 below. These six market areas are based on postcode sector boundaries.



Source: Bridgend County Borough Council Affordable Housing Viability Study, 2010

4.9 Median property prices by number of bedrooms were obtained in each of these six market areas via an online search of properties advertised for sale during January 2012. The results of this online price survey are presented in Figure 4.4. One bedroom properties for purchase were found to be in very short supply in each of the market areas, therefore prices have not been presented for this dwelling size.

4.10 The Figure shows that in all market areas the difference between the price of a four bedroom home and a three bedroom home is much larger than the difference between two and three bedroom properties. Overall prices were lowest in the Ogmore, Garw & Upper Llynfi Valley market followed by the Western Settlements market. Prices were highest in the Porthcawl market followed by the Rural market. Prices in the Pencoed & Hinterland and Bridgend markets were similar to each other and in the middle of the range found across the County Borough.



Source: Online estate agents survey January 2012

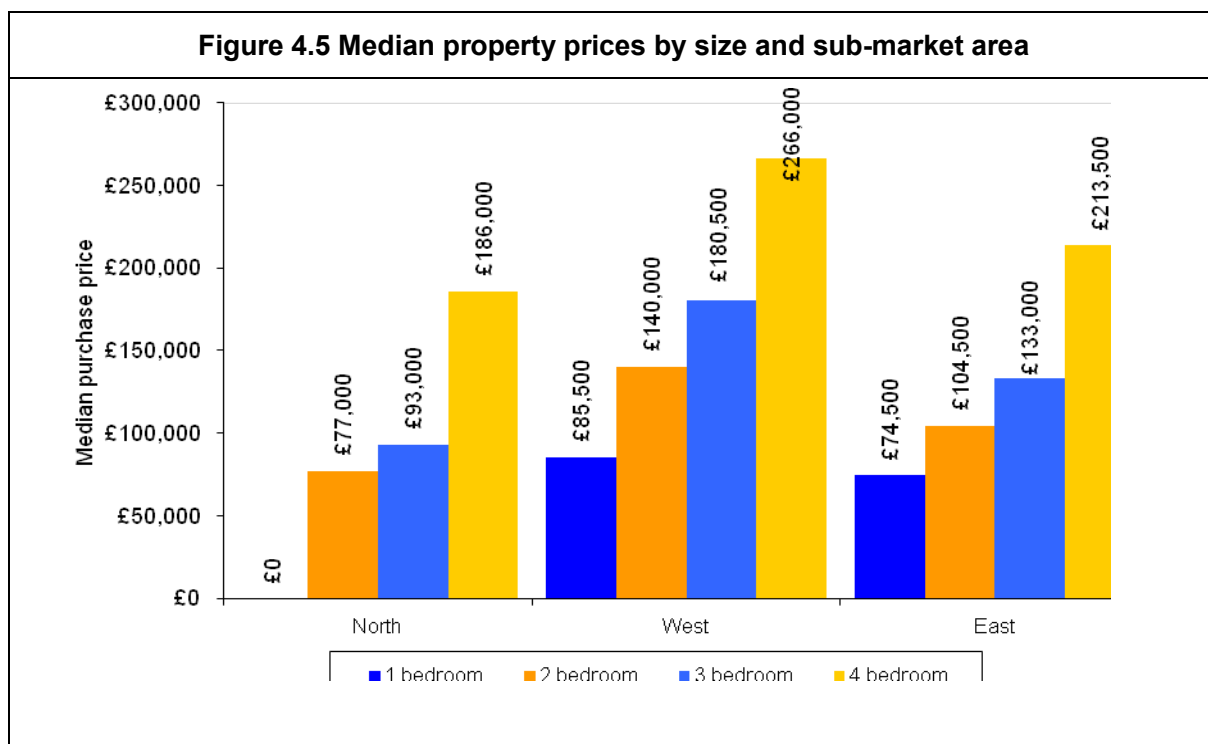
4.11 The supply of housing in some of these markets is too small to consider them as separate from one another and households are likely to look across these boundaries when moving home. For the purposes of assessing affordability within Bridgend County Borough therefore, the six markets identified within the Viability report have been amalgamated into three distinct sub-markets. The two higher priced areas, Porthcawl and Rural, form the West sub-market, the average priced areas, Pencoed & Hinterland and Bridgend, form the East sub-market and the two lower priced areas, Western Settlements and Ogmore, Garw & Upper Llynfi Valley, form the North sub-market. This approach (the six market merged into these three sub-markets) corresponds to the conclusions of the affordable housing viability study.

4.12 To ensure that these sub-market boundaries more easily translate into areas identifiable for policy action in Bridgend County Borough, the sub-markets will be based on ward boundaries that very closely match the sub-markets indicated above. Table 4.3 below shows a list of the wards in each of the three sub-markets identified. It also shows the suggested affordable housing target for these three areas from the viability study.

<i>Sub-market</i>	<i>Composite wards</i>	<i>Suggested affordable housing target</i>
<i>North</i>	Caerau, Maesteg East, Maesteg West, Llangynwyd, Blaengarw, Pontycymmer, Llangeinor, Bettws, Nantymoel, Ogmores Vale, Blaengarw, Cornelly and Pyle	15%
<i>West</i>	Rest Bay, Nottage, Porthcawl West Central, Porthcawl East Central, Newton, BryntirionLaleston& Merthyr Mawr, Cefncribwr, Aberkenfig and Penyfai	30%
<i>East</i>	Ynysawdre, Sarn, Brynoch, Bryncethin, Lichard, Llangewydd&Brynhyfryd, CefnGlas, Newcastle, Morfa, Pendra, Coity, Penprysg, Hendre, Felindre, Coychurch Lower, Brackla, Blackmill and Oldcastle	20%

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012; Bridgend County Borough Council Affordable Housing Viability Study, 2010

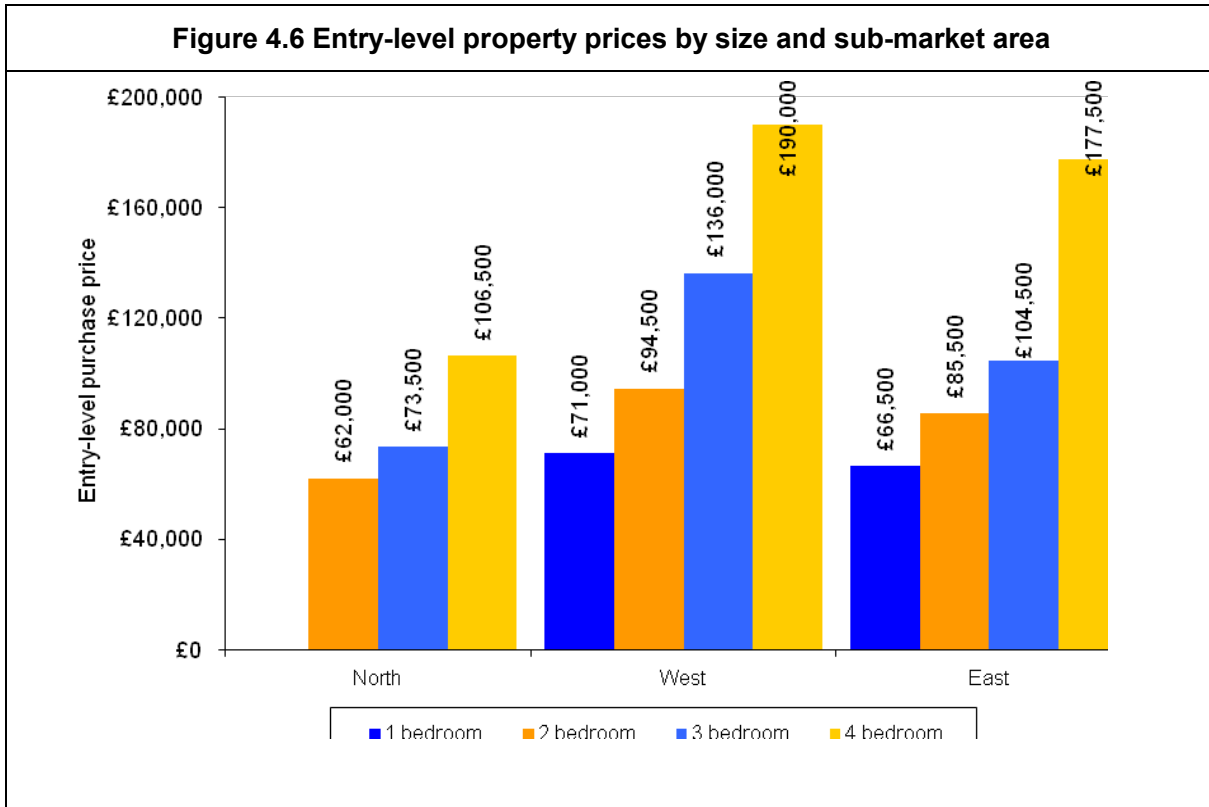
4.13 The median prices by bedroom size in each of these three sub-markets is presented in Figure 4.5 below. It can be seen that the use of larger areas enables a sufficient supply of one bedroom properties for this size home to be presented in the East and West sub-markets. The Figure shows that prices in the West are highest and prices in the North lowest. The average price of a one bedroom home in the West sub-market is only £7,500 more expensive than the average price of a one bedroom home in the North sub-market.



Source: Online estate agents survey January 2012

Entry-level prices

- 4.14 The online survey also collected information at different points of the price distribution. Entry-level property prices for each sub-market area are presented in Figure 4.6 below. In accordance with the Welsh Government Local Housing Market Assessment Guide (and to replicate the approach used in the original report), entry-level prices are based on lower quartile prices.
- 4.15 The Figure indicates that entry-level prices in Bridgend County Borough range from around £62,000 for a two bedroom home in the North sub-market up to £190,000 for a four bedroom property in the West sub-market. In terms of market availability the analysis showed that three bedroom properties are most commonly available to purchase. One bedroom properties for purchase were found to be in relatively short supply across the North sub-market, therefore two bedroom dwellings are considered to be the smallest property found to be widely available in this area and form the market entry point for owner-occupation.



Source: Online estate agents survey January 2012

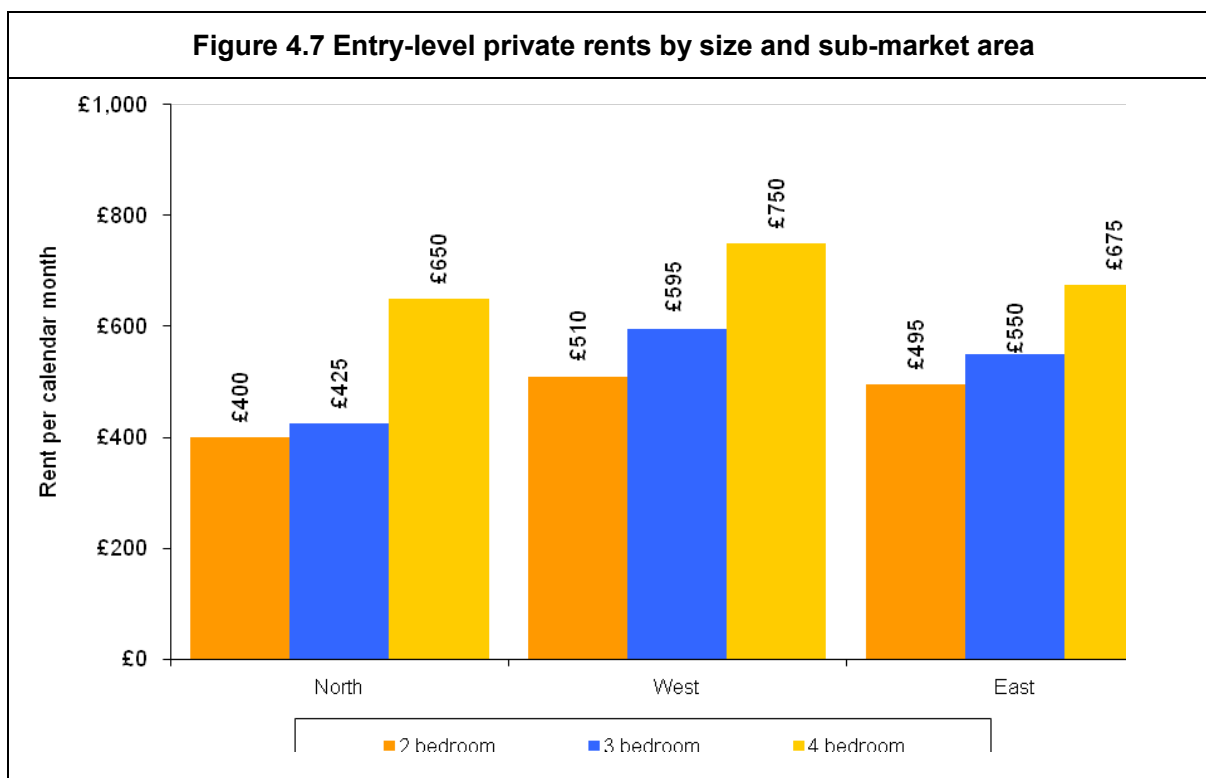
4.16 Although the current market survey is based on different sub-market boundaries to those used in the original LHMA it is still useful to compare the current prices to those recorded in 2009. The current North sub-market broadly corresponds to the North sub-market used in 2009, whilst the current West and East sub-markets broadly cover the area used for the South sub-market in 2009. Table 4.4 documents the change recorded in entry-level purchase prices since 2009. The Table indicates that, overall, entry-level property prices have increased.

Table 4.4 Comparison of entry-level prices in Bridgend County Borough 2009 to 2012 (% change recorded in brackets)			
<i>Accommodation size</i>	<i>North 2009</i>		<i>North 2012</i>
One bedroom	-		-
Two bedroom	£56,700		£62,000 (+9.3%)
Three bedroom	£61,600		£73,500 (+19.3%)
Four bedroom	£110,500		£106,500 (-3.7%)
<i>Accommodation size</i>	<i>South 2009</i>	<i>West 2012</i>	<i>East 2012</i>
One bedroom	-	£71,000	£66,500
Two bedroom	£85,800	£94,500 (10.1%)	£85,500 (-0.3%)
Three bedroom	£106,000	£136,000 (28.3%)	£104,500 (-1.4%)
Four bedroom	£172,000	£190,000 (10.5%)	£177,500 (3.2%)

Source: Online survey of property prices 2009 and 2012

Entry-level rents

- 4.17 The original LHMA found that the two sub-markets that existed in 2009 applied to the private rented sector as well as the home ownership market. The breadth and depth of the rental market in Bridgend County Borough was reassessed and was found to be a larger sector than three years ago, with notable variation in rent levels recorded between the three sub-markets described in Table 4.3. It can therefore be considered that there are three rental sub-markets in Bridgend County Borough which correspond to the owner-occupied sub-markets.
- 4.18 The entry-level price for private rented accommodation by property size and sub-market is presented in Figure 4.7. The Table indicates that entry-level rents in Bridgend County Borough range from £400 per month for a two bedroom home in the North sub-market up to £750 per month for a four bedroom property in the West sub-market. There were very few one bedroom properties available to rent across the County Borough, therefore two bedroom dwellings are considered to be the smallest property found to be widely available and form the market entry point for private rent.
- 4.19 The figure shows that the difference between the cost of a three and four bedroom home is much closer to the difference between the cost of a two and three bedroom home in the private rented sector. In addition, the profile of properties available is somewhat different to that for purchase with a greater proportion of two bedroom homes available for rent.



Source: Online estate agents survey January 2012

4.20 Table 4.5 documents the change recorded in entry-level rents since 2009. The Table indicates that overall entry-level property prices have increased. Rents have increased across the County Borough, however the rate of increase has been slower in the cheaper North. Rents for four bedroom properties have increased at a slower rate than the rents for two and three bedroom homes.

Table 4.5 Comparison of entry-level private rents in Bridgend County Borough 2009 to 2012 (% change recorded in brackets)

Accommodation size	North 2009	North 2012	
One bedroom	-	-	
Two bedroom	375	400 (6.7%)	
Three bedroom	410	425 (3.7%)	
Four bedroom	625	650 (4.0%)	
Accommodation size	South 2009	West 2012	East 2012
One bedroom	-	-	-
Two bedroom	450	510 (13.3%)	495 (10.0%)
Three bedroom	500	595 (19.0%)	550 (10.0%)
Four bedroom	675	750 (11.1%)	675 (0.0%)

Source: Online survey of property prices 2009 and 2012

Social rents

- 4.21 The cost of social rented accommodation by dwelling size in Bridgend County Borough can be obtained from the Welsh Government's StatsWales service. Table 4.6 illustrates the rental cost for lettings to new social rented properties in Bridgend County Borough in 2011-12 compared with the costs in the 2009 LHMA. It can be seen that rents have increased at a faster rate between 2009 and 2012 than private sector rents between the same period. Despite this, costs are significantly below those for private rented housing, indicating a significant potential gap between the social rented and market sectors.

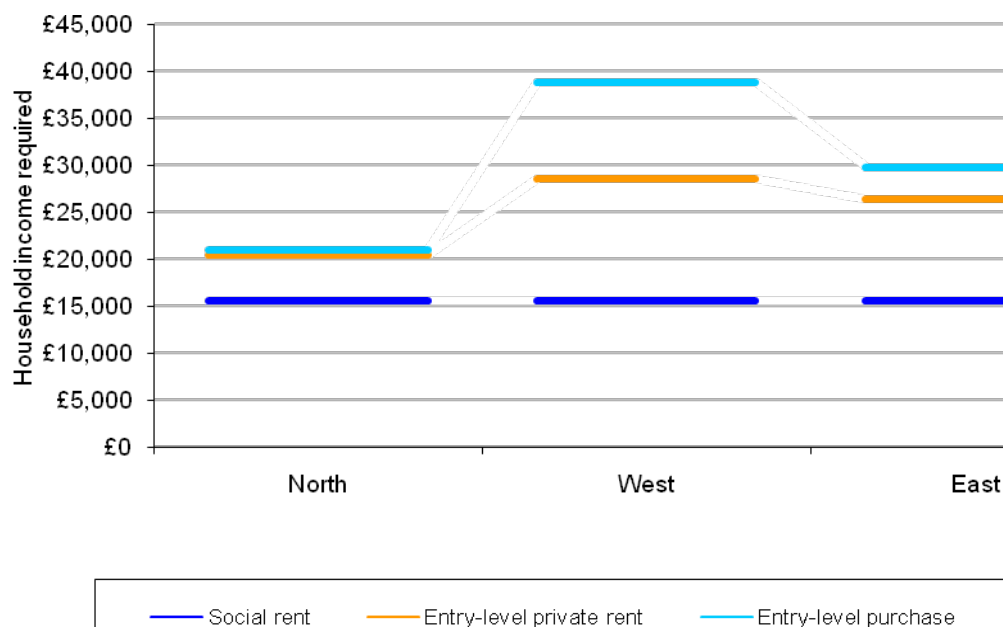
Table 4.6 Social rented cost in Bridgend County Borough			
Bedrooms	2009	2012	Change
1 bed	£212	£264	24.5%
2 bed	£234	£281	20.0%
3 bed	£277	£324	17.0%
4+ bed	£312	£375	20.2%

Source: StatsWales, 2012

Analysis of housing market 'gaps'

- 4.22 Housing market gaps analysis has been developed to allow easy comparisons of the costs of the tenure range, in order to facilitate the testing of different newbuild proposals, and to show generally the nature of the housing ladder in a particular locality.
- 4.23 Figure 4.7 below shows the housing ladder that exists for three bedroom properties in each sub-market in the County Borough. Three bedroom properties were chosen for analysis here as it offers the largest sample size across all sub-markets. The housing ladder is illustrated by comparing the different types of housing in terms of the income required to afford them. To do this we have divided the entry-level property price by 3.5 to get an income figure and multiplied the annual rent by four to produce a comparable figure. This latter step was carried out for both social and market rents. This is in accordance with the affordability criteria set out in the Welsh Government Local Housing Market Assessment Guide.
- 4.24 The figure below shows a comparison of the likely income requirements per household for different types of housing. Measurement of the size of the gaps between these 'rungs of the ladder' helps assess the feasibility of households moving between the tenures - the smaller the gaps, the easier it is for a household to ascend the ladder.

Figure 4.7 Household income required to access three-bedroom housing in Bridgend County Borough, by sub-market



Source: Online estate and letting agents survey January 2012, StatsWales, 2012

4.25 Table 4.7 shows the size of the gaps in each of the three sub-market areas in Bridgend County Borough. The data is based on the cost of a three bedroom home. The Table indicates, for example, that market entry rents in the North sub-market are 31.2% higher than the cost of social rented accommodation. The large gap recorded between social rents and market entry rents in all three sub-markets indicates that intermediate housing could potentially be useful for a number of households.

Table 4.7 Scale of key housing market gaps in Bridgend County Borough (three-bedroom housing)

Sub-market	Social rent/market entry (private rent)	Rent/buy gap	Social rent/ entry-level purchase
North	31.2%	2.9%	35.0%
West	83.6%	36.1%	149.8%
East	69.7%	13.1%	92.0%

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

4.26 The gap between private renting and buying is much smaller in comparison to the gap between social and private rent. It varies across the sub-market areas in Bridgend County Borough ranging from 2.9% in the North sub-market to 36.1% in the West sub-market.

ⁱⁱⁱBridgend County Borough Council Affordable Housing Viability Study published by Three Dragons in August 2010

5. Financial information

Summary

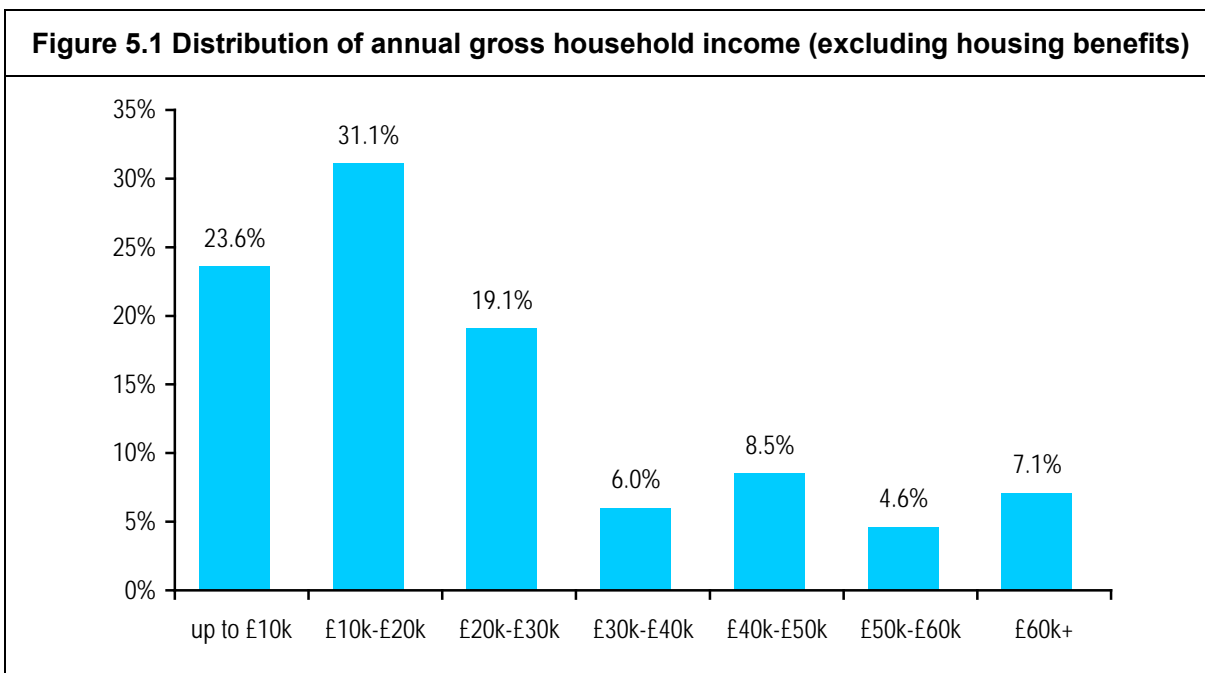
- i) The updated survey estimates that the median annual gross household income (including non-housing benefits) in Bridgend County Borough is £17,244. This is an increase of 2.9% since the original LHMA report in 2009. Since then median savings levels have increased by 0.1%, whilst median equity amongst owner-occupiers has increased by 5.2%.
- ii) Based on the affordability criteria set out in the WG Guide, some 27.1% of all households in Bridgend County Borough are theoretically unable to afford market accommodation of an appropriate size at the present time. This compares to a figure of 26.9% in 2009.

Introduction

- 5.1 Chapter 2 of this report describes how the financial profile of each household within the primary dataset has been updated. This chapter presents the current financial situation of households in Bridgend County Borough derived from the updated dataset. This chapter considers each of the elements that constitute financial capacity. These results are then combined with the analysis of the local housing market, presented in the previous chapter, to make an assessment of affordability for households in Bridgend County Borough.

Household income

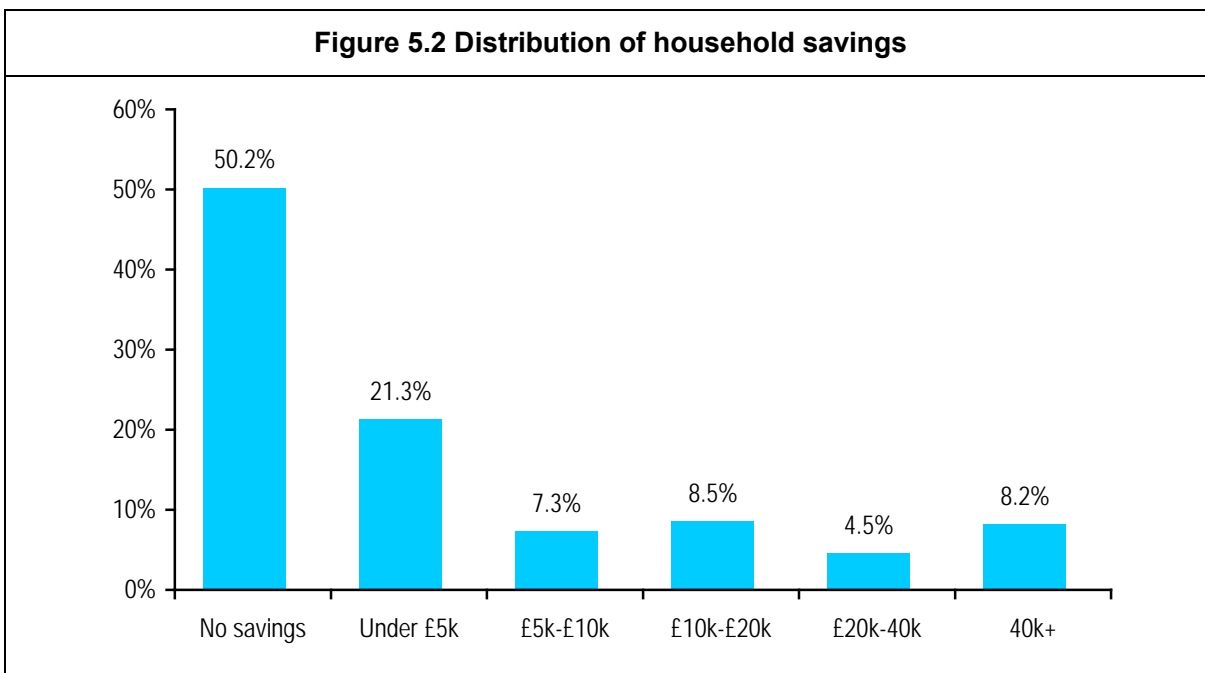
- 5.2 The updated dataset estimates that the mean annual gross household income, including non-housing benefits in Bridgend County Borough is £25,009, which is an increase of 5.8% since the original LHMA report in 2009. The median household income is noticeably lower at £17,244 (an increase of 2.9%). There was some variation between the two sub-market areas, with households in the North sub-market area having a mean income of £21,558 (median of £14,317), households in the West sub-market area a mean income of £29,377 (median of £20,559) and households in the East sub-market area a mean income of £25,606 (median of £19,009).
- 5.3 Figure 5.1 shows the distribution of income in the County Borough. It is clear that there is a significant range of incomes, with 54.7% of households having an income of less than £20,000, and 7.1% of households having an income in excess of £60,000.



Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

Household savings and equity

5.4 The mean level of household savings in Bridgend County Borough in 2010 is £14,912, which is an increase of 12.0% from the figure recorded in 2009. The median figure for household savings is currently £733 (an increase of 0.1%). Figure 5.2 shows the distribution of savings in the county. Households with no savings also include those in debt.



Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

- 5.5 The mean amount of equity that all owner-occupiers (both those with and without mortgages) have in their property is estimated to be £129,932 currently. This is an increase of 15.9% since 2007. The median level of equity is £102,781 (an increase of 5.2%).
- 5.6 Overall the updated dataset indicates that there are 513 households in Bridgend County Borough in negative equity. This constitutes 1.2% of owner-occupiers in the County Borough.

Financial capacity of households in Bridgend County Borough

- 5.7 Financial capacity is the term created to define the capitalised amount of money a household potentially has available to move home. It takes account of all the resources that a household has available and is calculated as: income (x3.5) + savings + equity. The income is multiplied by 3.5 as this is the typical multiplier used to assess a household's ability to purchase a home and is the approach suggested in the Welsh Government Local Housing Market Assessment Guide.
- 5.8 Table 5.1 provides the median financial capacity figures by tenure. The data shows that owners without a mortgage (often retired) have a greater overall financial capacity than those (typically younger) with a mortgage, but the latter have much higher incomes. Both have a far greater financial capacity than households in the rented sector. It is clear that the financial capacity of social and private rented households will prohibit the majority from being able to consider buying a home.

Table 5.1 Median financial information by tenure				
<i>Tenure</i>	<i>Median annual gross household income</i>	<i>Median savings</i>	<i>Median equity</i>	<i>Financial capacity</i>
Owner-occupied (no mortgage)	£16,016	£7,224	£156,518	£219,797
Owner-occupied (with mortgage)	£29,954	£421	£74,819	£180,078
Social rented	£11,003	£63	£0	£38,575
Private rented	£12,173	£66	£0	£42,671
Average	£17,244	£791	£79,141	£140,286

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

Other financial information

- 5.9 In addition to the information collected about income, savings and equity, the survey form asked households whether they have access to any other financial resources which might be able to be used towards a deposit on a property (and if so – how much). The great majority of households (94.7%) stated that they had no further access to financial resources other than those already analysed.

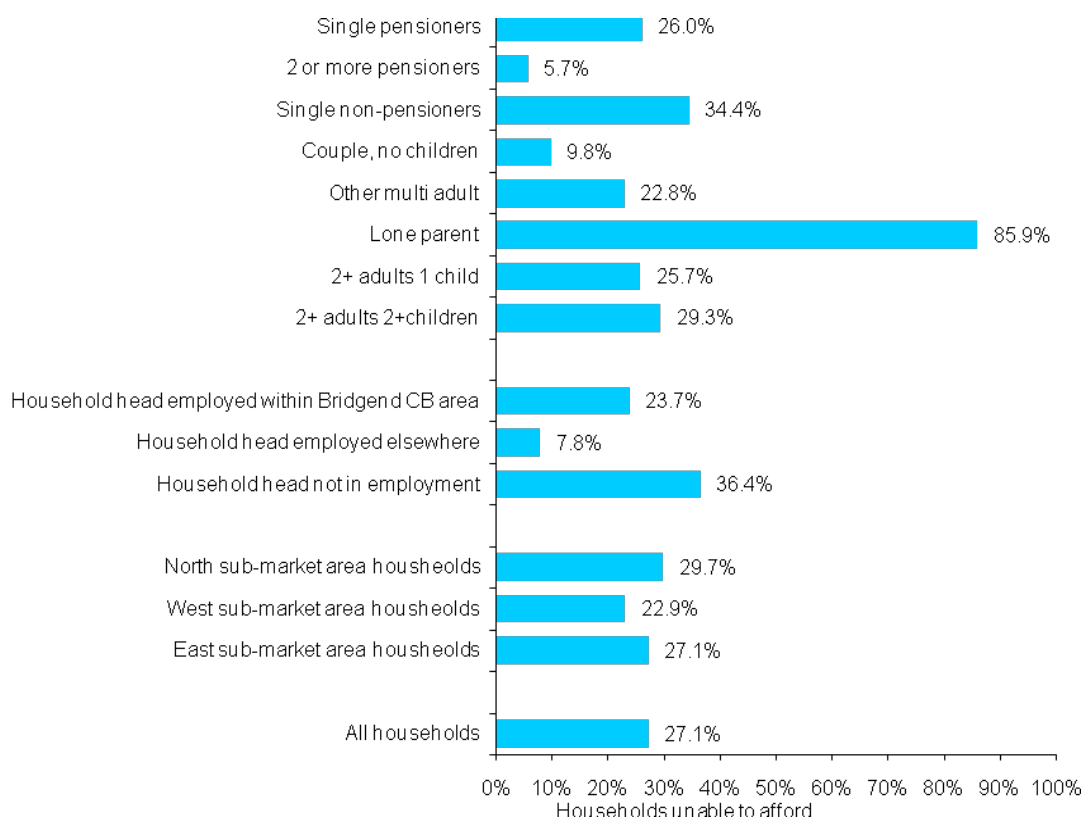
- 5.10 Despite the majority having no access to financial resources, the minority that do have access to a median level of £2,686 from sources other than savings and equity (e.g. borrowing from relatives), and about 417 households have more than £30,000 available. It is therefore possible that such additional funds will be able to help a small number of households to afford suitable market housing without the need for any subsidy.

Theoretical affordability of market housing

- 5.11 This information on the financial capacity of households, alongside data on the cost of entry-level housing in Bridgend County Borough, can be used to examine the ability of households to afford housing locally, based on the affordability criteria set out in the Welsh Government Local Housing Market Assessment Guide (and presented in the Glossary).
- 5.12 Figure 5.3 shows the current affordability of households by household type, sub-market and location of employment of household head. This is theoretical affordability of households as the analysis considers all households in the County Borough and does not take into account their intention to move.
- 5.13 The data indicates that 85.9% of lone parent households in the County Borough would be unable to afford market housing (if they were to move home now). Single non-pensioner households would also be relatively unlikely to be able to afford market housing. Households that contain two or more adults and no children, or two or more pensioners, are most likely to be able to afford market housing in Bridgend County Borough.
- 5.14 Almost a quarter (23.7%) of households headed by someone employed in Bridgend County Borough would be unable to afford market housing in the County Borough (if they were to move now) compared with only 7.8% of households headed by someone employed outside the Bridgend County Borough area. Households in the West sub-market are most likely to be able to afford market housing locally and households in the North sub-market are least likely.

Overall, some 27.1% of all households in Bridgend County Borough are theoretically unable to afford market accommodation of an appropriate size at the present time. This compares to a figure of 26.9% in 2009.

Figure 5.3 Theoretical affordability of market housing in Bridgend County Borough



Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

6. Housing need

Summary

- i) A key element of housing need is an assessment of the suitability of a household's current housing. It is estimated that a total of 5,864 households are living in unsuitable housing. This represents 9.8% of all households in Bridgend County Borough.
- ii) Following the steps of the needs assessment model specified by the Welsh Government Local Housing Market Assessment Guide, results in a net need estimate of 1,762 affordable dwellings per year in Bridgend County Borough. This represents a slight increase from the equivalent figure of 1,514 calculated in 2009. Three and four bedroom affordable homes are most urgently required.
- iii) Factoring higher affordability thresholds that households in the private rented sector pay in current market conditions and the supply of private rented accommodation (via LHA) to house those requiring affordable housing, the need for new affordable units reduces to 292 per year.

Introduction

- 6.1 Housing need is a term first used in the mid-1990s to help provide a means-tested estimate of the requirement for affordable housing in an area. The annex to TAN2 (June 2006) defines housing need as *'households lacking their own housing or living in housing which is judged to be inadequate or unsuitable, who are unlikely to be able to meet their needs in the housing market without some financial assistance.'*
- 6.2 This chapter presents the results of the four stages of the needs assessment table. The four stages identified in the Welsh Government Local Housing Market Assessment Guide are: current need, available stock to offset need, newly arising need, and supply of affordable units. Each will be dealt with individually.
- 6.3 Within each of the four stages there are a number of detailed calculations (22 in total) many of which themselves have a number of components. This chapter presents details of how each of these 22 detailed steps is calculated using locally available data for Bridgend County Borough. An annual estimate of housing need is calculated from these 22 steps and the type of accommodation most appropriate to meet this need is discussed.

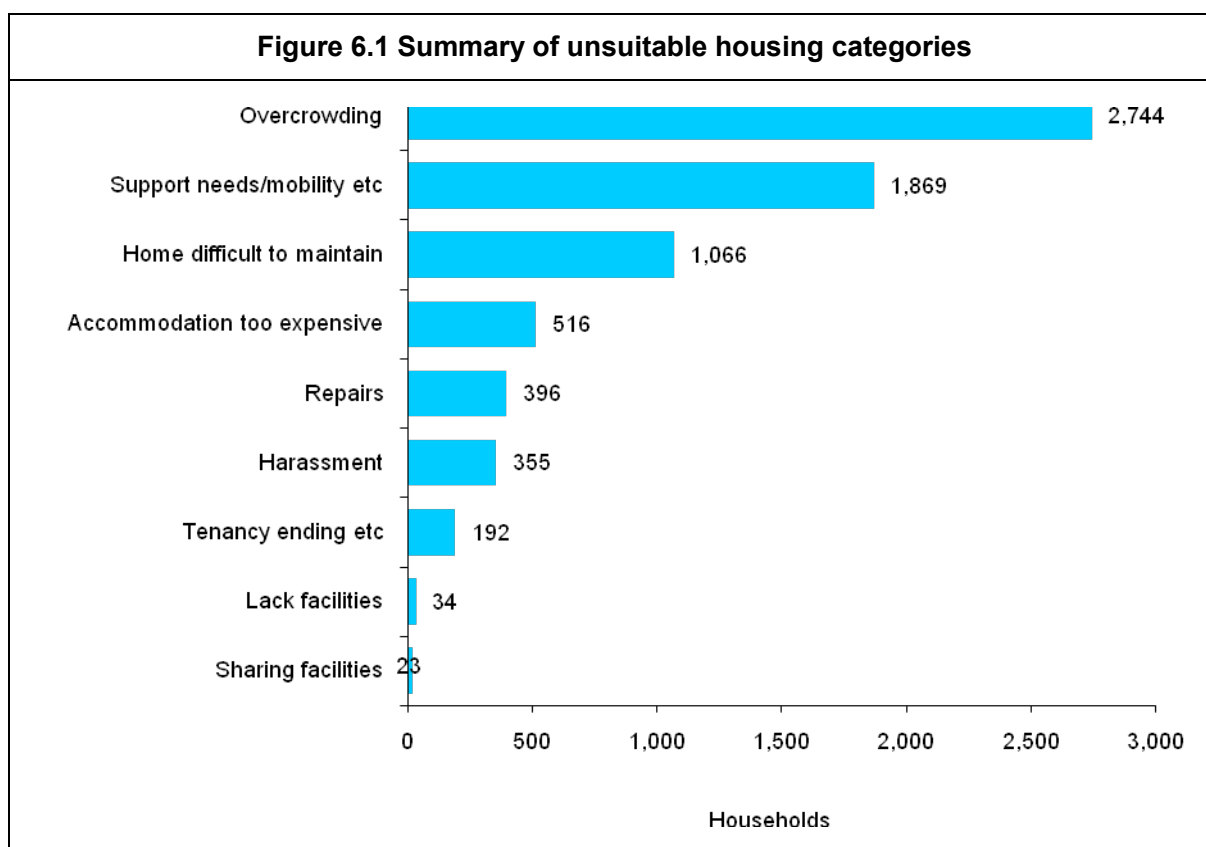
Stage 1: Gross current need (Steps 1-4)

6.4 This includes an assessment of housing suitability and affordability of existing households (Step 1) and also considers homeless and concealed households that need affordable housing (Step 2). Households within steps 1 and 2 that are able to meet their needs in the market are removed (Step 3) leading to a total current gross need estimate (Step 4).

Unsuitable housing

6.5 A key element of housing need is an assessment of the suitability of a household's current housing. The Welsh Government Local Housing Market Assessment Guide sets out a series of nine criteria for unsuitable housing, which have been used in this report. It is estimated that a total of 5,864 households are living in unsuitable housing. This represents 9.8% of all households in Bridgend County Borough (a decrease from 10.5% of the household population in 2009).

6.6 Figure 6.1 shows a summary of the numbers of households living in unsuitable housing (ordered by the number of households in each category). The main cause of unsuitable housing is overcrowding followed by the dwelling being unsuitable for the household due to their support needs or mobility issues.



Source: Bridgend County Borough Local Housing Market Assessment Update, 2012
 N.B. Households can have more than one reason for unsuitability, hence figures add up to more than 5,864

6.7 Table 6.1 shows unsuitable housing by tenure. The data suggests that households living in rented accommodation are particularly likely to be in unsuitable housing.

Table 6.1 Unsuitable housing and tenure					
Tenure	Unsuitable housing				
	In unsuitable housing	Not in unsuitable housing	Number of h'holds in county	% of tenure in unsuitable housing	% of all unsuitable housing
Owner-occupied (no mortgage)	1,575	20,881	22,456	7.0%	26.9%
Owner-occupied (with mortgage)	1,551	19,369	20,920	7.4%	26.5%
Social rented	1,414	6,947	8,361	16.9%	24.1%
Private rented	1,324	6,899	8,222	16.1%	22.6%
Total	5,864	54,096	59,960	9.8%	100.0%

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

'In-situ' solutions

- 6.8 The survey has highlighted that 5,864 households are in unsuitable housing. However, it is most probable that some of the unsuitability can be resolved in the households' current accommodation. Households living in housing deemed unsuitable for the following reasons were not considered to have an in-situ solution: end of tenancy, accommodation too expensive, overcrowding, sharing facilities, harassment.
- 6.9 The survey data therefore estimates that of the 5,864 households in unsuitable housing, 3,715 (or 63.4%) do not have an in-situ solution and therefore require a move to alternative accommodation. These 3,715 households form **Step 1** of the model.

Affordability

- 6.10 These 3,715 households in unsuitable housing and requiring a move to alternative accommodation are tested for their ability to afford market housing in the area using the criteria set out in the Welsh Government Local Housing Market Assessment Guide. Overall 64.7% (2,403 households) are unable to afford market housing. Therefore some 1,312 of these households could meet their need within the market and are deducted from the gross need estimate at **Step 3**.
- 6.11 The 2,403 households that cannot afford market housing and are living in unsuitable housing (and require a move to alternative accommodation) are considered to be in housing need. This represents 4.0% of all existing households in Bridgend County Borough.
- 6.12 Table 6.2 shows the tenure of the 2,403 households currently estimated to be in housing need. The results show that social and private rented tenants are most likely to be in housing need. Of all households in need, 47.0% currently live in social rented accommodation and 39.3% in a private rented home.

Table 6.2 Housing need and tenure					
<i>Tenure</i>	<i>Housing need</i>				
	<i>In need</i>	<i>Not in need</i>	<i>Number of h'holds in county</i>	<i>% of tenure in need</i>	<i>% of all housing need</i>
Owner-occupied (no mortgage)	16	22,440	22,456	0.1%	0.7%
Owner-occupied (with mortgage)	312	20,609	20,920	1.5%	13.0%
Social rented	1,130	7,231	8,361	13.5%	47.0%
Private rented	946	7,277	8,222	11.5%	39.3%
Total	2,403	57,557	59,960	4.0%	100.0%

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

6.13 For the purposes of the housing needs assessment (specifically Step 5), households considered to be in housing need have been split into two categories: current occupiers of affordable housing in need (this includes occupiers of social rented and shared ownership accommodation), and households from other tenures (those in owner-occupied or private rented accommodation) in need. Some 1,130 households fall into the former category (which form **Step 5** of the model) and 1,273 into the latter category.

6.14 There are two components to the next step of the model, which considers non-households in need of affordable housing – homeless households and concealed households.

Homeless households

6.15 The housing needs assessment is a 'snapshot' survey that assesses housing need at a particular point in time. There will, in addition to the existing households in need, be some homeless households who were in need at the time of the survey and should also be included within any assessment of current need.

6.16 To assess the number of homeless households we have used information contained in the Council's WHO12 returns - Table 7: '*Homeless households accommodated by your authority at the end of the Quarter*'. This is important given the snapshot nature of the survey. Data compiled from the September 2011 WHO12 form is shown in Table 6.3.

Table 6.3 Homeless households accommodated by the authority at the end of the quarter	
<i>Category</i>	<i>No.</i>
Directly with a private sector landlord	0
Private sector accommodation leased by authority	0
Private sector accommodation leased by RSLs	30
Within Council's own stock	5
RSL stock on assured shorthold tenancies	0
<u>Hostel</u>	<u>15</u>
<u>Women's refuge</u>	<u>10</u>
<u>Bed and breakfast</u>	<u>30</u>
Other	0
Homeless at home	0
Total	90

Source: StatsWales, 2012

6.17 Not all of the categories in the above Table are added to our assessment of existing households in need. This is because, in theory, they will be part of our household survey sample. For example, households housed in private sector accommodation should already be included as part of the housing need – such household addresses should appear on the Council Tax file from which the sample was drawn. After considering the various categories, we have concluded that there are three categories which should be included as part of the homeless element. These have been underlined in the Table above. Therefore, of the 90 homeless households in temporary accommodation, 55 will be counted as additional need for the purpose of the housing needs assessment.

Concealed households

6.18 The Welsh Government Local Housing Market Assessment Guide also requires concealed households to be considered as part of the current non-households in need of affordable housing calculation. Concealed households in need are persons who currently live as part of another household (typically with parents) but state that they need to move to independent accommodation and are unable to afford to do so.

6.19 In accordance with the Guide, we define concealed households in current need as those who need to move now and are unable to afford suitable market housing. Such households will also need to have stated that they would be looking to remain in the County Borough. We have also taken into account that some of these households will join up with other person(s) when setting up home independently. Table 6.4 below shows this information.

Table 6.4 Derivation of the number of concealed households in need		
<i>Aspect of calculation</i>	<i>Number</i>	<i>Sub-total</i>
Number of potential households in the County Borough		3,345
Minus those not needing to move now	-2,940	405
Minus those joining up with other persons	-82	323
Minus those moving out of the County Borough	-15	308
TOTAL APPLICABLE MOVES		308
Minus households able to afford market housing	-136	172
CONCEALED HOUSEHOLDS IN CURRENT NEED		172

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

- 6.20 The survey estimates that there are 3,345 concealed households in the County Borough, of whom 405 need to move now. When taking account of those joining up with other persons, this figure is reduced to 323. A further 15 of these households want to leave the County Borough, so are not considered as being in need. This leaves a total of 308 concealed households currently in need in Bridgend County Borough.
- 6.21 This figure of 308 concealed households is summed with the figure for the number of applicable homeless households (set out in para 6.17) to provide the estimate for the total number of non-households in current need. This forms **Step 2** of the model and equates to 363 households (55+308).
- 6.22 Step 3 requires that those who are able to afford market housing are removed from the model. It is assumed that no homeless households are able to afford market housing. However, not all of the 308 concealed households in Table 6.4 will necessarily need affordable accommodation - some may be able to afford market housing. Applying the standard affordability test to the 308 concealed households indicates that 55.8%, some 172 concealed households, cannot afford market housing and are in need of an affordable home. This means that 136 concealed households are able to meet their need within the market and are deducted from the gross need estimate at **Step 3**.

Total current need

- 6.23 Table 6.5 summarises the first stage of the overall assessment of housing need as set out by the Welsh Government Local Housing Market Assessment Guide. Step one is the number of existing households in unsuitable housing without an in-situ solution identified in paragraph 6.9. Step two is the number of non-households in housing need set out in paragraph 6.21. Step three is the number of existing households and non-households that need alternative accommodation that can afford it in the market as described in paragraph 6.10 and 6.22. Step 4 is the sum of steps one and two, with step three deducted. **Step 4** data shows that there are an estimated 2,630 households in need.

Table 6.5 Stage 1: Current housing need (gross)			
<i>Step</i>	<i>Paragraph reference</i>	<i>Notes</i>	<i>Output</i>
1. Existing households in need of accommodation	6.9		3,715
2. <i>Plus</i> current non-households in need of affordable housing	6.21		363
3. <i>Minus</i> cases where they can afford to meet their need in the market	6.10, 6.22	1,312+136	1,448
4. <i>Equals</i> total current housing need (gross)	6.23	1+2-3	2,630

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

Stage 2: Available stock to offset need(Steps 5-9)

- 6.24 Stage 2 considers the stock available to offset the current need. This includes stock from current occupiers of affordable housing in need (Step 5), surplus stock from vacant properties (Step 6) and committed supply of new affordable units (Step 8). Units to be taken out of management are then deducted before an estimate of the total available stock to offset the current need is calculated (Step 9).

Current occupiers of affordable housing in need

- 6.25 It is important when considering net need levels to discount households already living in affordable housing. This is because the movement of such households within affordable housing will have an overall nil effect in terms of housing need. The number of affordable dwellings occupied by households in need is established in Step 1 (paragraph 6.13). The figure to be used in **Step 5** is therefore 1,130.

Surplus stock

- 6.26 A certain level of vacant dwellings is normal as this allows for transfers and for work on properties to be carried out. The Welsh Government Local Housing Market Assessment Guide suggests that if the vacancy rate in the affordable stock is in excess of 3% then these should be considered as surplus stock which can be included within the supply to offset needs. The most recent data from the Welsh Government's Stats Wales service (March 2011) records a vacancy rate in the social rented sector of 0.7%; therefore no adjustment needs to be made to the figures - the figure to be used in **Step 6** is 0.

Committed supply of new affordable units

- 6.27 The Welsh Government Local Housing Market Assessment Guide recommends that this part of the assessment includes '*new social rented and intermediate housing which are already planned to be built over the time period of the assessment*'. The latest data from the Welsh Government's Stats Wales service (March 2011) indicates that 148 new affordable dwellings are planned to be built in Bridgend County Borough over the next two years (2011 to 2013). For the purposes of this analysis

we have taken this as a guide to new provision across the County Borough, therefore a figure of 148 has been used in **Step 7**.

Planned units to be taken out of management

- 6.28 The Welsh Government Local Housing Market Assessment Guide states that this stage ‘involves estimating the numbers of social rented or intermediate units that will be taken out of management’. The main component of this step will be properties which are expected to be demolished (or replacement schemes that lead to net losses of stock). At the time of this report, the proposed number of affordable dwellings expected to be ‘taken out of management’ within the study area in the future was unknown and hence a figure of zero has been used for **Step 8** of the model.

Total available stock to meet current need

- 6.29 Having been through detailed stages above, in order to assess the total available stock to offset need in Bridgend County Borough all pieces of data to complete Stage 2 of the needs assessment table set out in the Welsh Government Local Housing Market Assessment Guide need to be brought together. The data shows that there are an estimated 1,278 properties available to offset the current need (see **Step 9**).
- 6.30 The current level of net need is calculated in steps 10 – 12 of the needs assessment table. Step 10 removes the estimate of available stock to offset need (step 9) from the total number of households in current need (step 4); the net need level is 1,278 dwellings (**Step 10**). However, the Welsh Government Local Housing Market Assessment Guide recommends that current need is addressed over a five-year period, hence this figure has been divided by five (**Step 11**). This results in the annual requirement of units to reduce current need (**Step 12**) which is 270.

Table 6.6 Stage 2: Available stock to offset need			
<i>Step</i>	<i>Paragraph reference</i>	<i>Notes</i>	<i>Output</i>
5. Current occupiers of affordable housing in need	6.25		1,130
6. Plus surplus stock	6.26		0
7. Plus committed supply of new affordable units	6.27		148
8. Minus planned units to be taken out of management	6.28		0
9. Equals total stock available to meet current need	6.29	5+6+7-8	1,278
10. Equals total current need (net)	6.30	4-9	1,352
11. Times annual quota for the reduction of current need	6.30		20%
12. Equals annual requirement of units to reduce current need	6.30	10×11	270

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

Stage 3: Newly arising need

- 6.31 In addition to the current needs discussed so far in this chapter there will be future (or newly arising) need. This is split into two main categories: newly forming households (Step 13), multiplied by the proportion unable to buy or rent in the market (Step 14), and existing households falling into need (Step 15). Potential out-migrants able to afford market housing (Step 16) are removed, in order to arrive at a total newly-arising need figure (Step 18).
- 6.32 It should be noted that in-migrants unable to afford market housing (Step 17) are included within the figures for Steps 13-15, and thus are not presented separately.

New household formation

- 6.33 The estimate of the number of newly forming households in need of affordable housing is calculated from the update survey dataset and is based on an assessment of households that have formed over the past two years. Such an approach is preferred to studying households stating likely future intentions as it provides more detailed information on the characteristics of these households contributing to this element of newly arising need.
- 6.34 Table 6.7 shows details of the derivation of new household formation. The Table begins by establishing the number of newly forming households over the past two years.

Table 6.7 Derivation of newly arising need from new household formation		
<i>Aspect of calculation</i>	<i>Number</i>	<i>Sub-total</i>
Number of households moving in past two years	9,890	
Minus households NOT forming in previous move	-6,857	3,033
TOTAL APPLICABLE MOVES	3,033	
ANNUAL TOTAL APPLICABLE MOVES	1,517	
Minus households able to afford market housing (41.1%)	-624	893
ANNUAL ESTIMATE OF NEWLY ARISING NEED	893	

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

- 6.35 The Table above shows that an estimated 3,033 households were newly formed within the county over the past two years, which equates to 1,517 households per annum. The figure of 1,517 is used in **Step 13** of the model. The affordability test is then applied to these households to assess their ability to afford market housing. Each newly forming household that is potentially in need is tested for their ability to afford market accommodation of an appropriate size using the information for their particular financial circumstances. The survey estimates that 58.9% of these households are unable to afford market housing without some form of subsidy in Bridgend County Borough. The figure of 58.6% is used in **Step 14** of the model. Overall therefore there is a newly arising need from 893 newly forming households per year.

Existing households falling into need

- 6.36 This is an estimate of the number of existing households who will fall into housing need over the next two years (and then annualised). This is calculated from the updated survey dataset and is based on assessment of the ability to afford of existing households who have moved home within the last two years. A household will fall into need if it has to move home and is unable to afford to do this within the private sector (examples of such a move would be because of the end of a tenancy agreement). A household unable to afford market rent prices but moving to private rented accommodation may have to either claim Local Housing Allowance (formerly Housing Benefit) or spend more than a quarter of their gross income on housing, which is considered unaffordable (or indeed a combination of both).
- 6.37 Households previously living with parents, relatives or friends are excluded as these will double-count with the newly forming households already considered in the previous Table. The data also excludes moves between social rented properties. Households falling into need in the social rented sector have their needs met through a transfer to another social rented property, hence releasing a social rented property for someone else in need. The number of households falling into need in the social rented sector should therefore, over a period of time, roughly equal the supply of ‘transfers’ and so the additional needs arising from within the social rented stock will be net zero.
- 6.38 Table 6.8 shows the derivation of existing households falling into need.

Table 6.8 Derivation of newly arising need from existing households		
<i>Aspect of calculation</i>	<i>Number</i>	<i>Sub-total</i>
Number of households moving in past two years	9,890	
Minus households forming in previous move	-3,033	6,857
Minus households transferring within affordable housing	-954	5,903
TOTAL APPLICABLE MOVES	5,903	
Minus households able to afford market housing (55.1%)	-3,253	2,650
ESTIMATE OF NEWLY ARISING NEED	2,650	
ANNUAL ESTIMATE OF NEWLY ARISING NEED	1,325	

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

- 6.39 The Table above shows that a total of 6,857 existing households moved in the last two years. Removing households transferring within affordable housing leaves 5,903 households who are potentially in need. The affordability test is applied to each of these 5,903 households. It is estimated that 2,650 of these households are unable to afford market housing. Annualised this is 1,325 households per year and this figure forms **Step 15** of the model.

Potential out-migrants unable to afford market housing

- 6.40 The Welsh Government Local Housing Market Assessment Guide suggests that households in current need who have not had their needs met through affordable housing and who plan to leave the county within the next year should be removed from this stage of the calculation. This applied to 13 households in Bridgend County Borough, who are included as **Step 16**.

In-migrants unable to afford market housing

- 6.41 In-migrants unable to afford market housing have been included within the figures for Steps 13-15.

Total newly arising need

- 6.42 The data from each of the above sources can now be used to complete Stage 3 as shown in Table 6.9. Of the 1,517 newly forming households per annum, 58.6% (893 households) are unable to access market housing. This is added to the annual newly arising need figure for existing households (1,325). Taking into account out-migrants unable to afford market housing (-13), this results in additional need arising from a total of 2,205 households per annum (**Step 18**).

<i>Step</i>	<i>Paragraph reference</i>	<i>Notes</i>	<i>Output</i>
13. New household formation (gross per year)	6.35		1,517
14. <i>Times</i> proportion of new households unable to buy or rent in the market	6.35		58.9%
15. <i>Plus</i> existing households falling into need and unable to afford market housing	6.39		1,325
16. <i>Minus</i> potential out-migrants unable to afford market housing	6.40		13
17. <i>Plus</i> in-migrants unable to afford market housing	-	(included in steps 13-15)	-
18. <i>Equals</i> total newly arising housing need (gross per year)	6.42	(13x14)+15-16	2,205

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

Stage 4: Supply of affordable units per year

- 6.43 The annual supply of affordable housing (Step 21) comprises two parts: the net supply of social re-lets (Step 19) and the supply of intermediate housing (Step 20). The following section deals with this in detail.

Net supply of social re-lets

6.44 Step 19 of the model is an estimate of likely future re-lets from the social rented stock (excluding transfers within the social rented sector). The Welsh Government Local Housing Market Assessment Guide suggests that this should be based on past trend data which can be taken as a prediction for the future. The Welsh Government Local Housing Market Assessment Guide also suggests the use of a three year average. However, in this instance, we have looked at trend data for the past two years only. This is done simply to allow consistency with the newly arising need section (Stage 3) where figures were all calculated on an annual basis based on trends over the past two years.

6.45 Table 6.10 shows the number of RSL lettings in Bridgend County Borough over the last two years. The average number of lettings (excluding transfers but including nominations) across the social rented sector over the two-year period was 698 per annum. This forms **Step 19** of the model.

Table 6.10 Analysis of past housing supply (social rented sector)			
<i>Source of supply</i>	<i>2009/2010</i>	<i>2010/2011</i>	<i>Average</i>
RSL lettings (excluding transfers and exchanges)	677	718	698

Source: Welsh Government's StatsWales service

Supply of intermediate housing

6.46 In most local authorities the amount of intermediate housing (mostly shared ownership^{iv}) available in the stock is fairly limited (as is the case in Bridgend County Borough). However, it is still important to consider to what extent the current supply may be able to help those in need of affordable housing.

6.47 Therefore we include an estimate of the number of shared ownership units that become available each year. Based on applying the derived re-let rate for the social rented sector (8.3%) to the estimated intermediate stock in Bridgend County Borough according to the Welsh Government's StatsWales service (183 units). It is estimated that around 15 units of intermediate housing will become available to meet housing needs from the existing stock of such housing – this figure will be used for **Step 20** of the model.

Annual future supply of affordable housing

6.48 This step is the sum of the previous two. The total future supply (**Step 21**) is estimated to be 713, comprised of 698 units of social re-lets and 15 units of intermediate housing. This is shown in Table 6.11.

Table 6.11 Stage 4: Supply of affordable units (per annum)			
<i>Step</i>	<i>Paragraph reference</i>	<i>Notes</i>	<i>Output</i>
19. Annual supply of social re-lets (net)	6.45		698
20. <i>Plus</i> annual supply of intermediate housing available for re-let or resale at sub-market levels	6.47		15
21. <i>Equals</i> annual supply of affordable housing	6.48	19+20	713

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

Estimate of net annual housing need

- 6.49 The Welsh Government Local Housing Market Assessment Guide outlines the 22 steps that must be completed to obtain all of the information required to calculate the annual estimate of housing need. Table 6.12 presents the results for each of the 22 steps outlined by the LHMA Guide.
- 6.50 The current need assessment suggests a (net) need for 270 units per year (step 12). The figure for newly arising need (step 18) is 2,205 and the estimated future supply to meet this need (step 21) is 713 units per year. This therefore leaves an annual requirement of 1,762 units per year in Bridgend County Borough (**Step 22**) ($270+2,205-713=1,762$).

Table 6.12 Detailed affordable housing requirement Table for Bridgend County Borough			
Stage and step in calculation	<i>Paragraph reference</i>	Notes	Output
STAGE 1: CURRENT NEED (Gross)			
1. Existing households in need of accommodation	6.9		3,715
2. <i>Plus</i> current non-households in need of affordable housing	6.21		363
3. <i>Minus</i> cases where they can afford to meet their need in the market	6.10, 6.22	1,312+136	1,448
4. <i>Equals</i> total current housing need (gross)	6.23	1+2-3	2,630
STAGE 2: AVAILABLE STOCK TO OFFSET NEED			
5. Current occupiers of affordable housing in need	6.25		1,130
6. <i>Plus</i> surplus stock	6.26		0
7. <i>Plus</i> committed supply of new affordable units	6.27		148
8. <i>Minus</i> planned units to be taken out of management	6.28		0
9. <i>Equals</i> total stock available to meet current need	6.29	5+6+7-8	1,278
10. <i>Equals</i> total Current need	6.30	4-9	1,352
11. <i>Times</i> annual quota for the reduction of current need	6.30		20%
12. <i>Equals</i> annual requirement of units to reduce current need	6.30	10×11	270
STAGE 3: NEWLY ARISING NEED			
13. New household formation (gross per year)	6.35		1,517
14. <i>Times</i> proportion of new households unable to buy or rent in the market	6.35		58.9%
15. <i>Plus</i> existing households falling into need and unable to afford market housing	6.39		1,325
16. <i>Minus</i> potential out-migrants unable to afford market housing	6.40		13
17. <i>Plus</i> in-migrants unable to afford market housing	-	(included in steps 13-15)	-
18. <i>Equals</i> total newly arising housing need (gross per year)	6.42	(13×14)+15-16	2,205
STAGE 4: SUPPLY OF AFFORDABLE UNITS per year			
19. Annual supply of social re-lets (net)	6.45		698
20. <i>Plus</i> annual supply of intermediate housing available for re-let or resale at sub-market levels	6.47		15
21. <i>Equals</i> annual supply of affordable housing	6.48	19+20	713
NET SHORTFALL OF AFFORDABLE UNITS			
22. Overall shortfall (per annum)	6.50	12+18-21	1,762

Source: Bridgend County Borough Local Housing Market Assessment Update; various secondary sources

6.51 This information is summarised in Table 6.13 below.

Table 6.13 Summary of needs assessment model		
<i>Element</i>		<i>Number</i>
Current need	(Step 4)/5	526
Current supply	(Step 9)/5	256
Net current need		270
Future ('newly-arising') need	(Step 18)	2,205
Future supply	(Step 21)	713
Net future need		1,492
Total net annual need		1,762
Total gross annual need		2,731
Total gross annual supply		969
Total net annual need		1,762

Source: Bridgend County Borough Local Housing Market Assessment Update; various secondary sources

Types of households in need

6.52 Table 6.14 gives a breakdown of gross annual households in need, by household type. The Table shows that almost a fifth of lone parent households are in housing need compared with 0.6% of households with two or more pensioners. Overall lone parent households comprise over 35% of all households in need and single non-pensioner households a further fifth of households in housing need.

Table 6.14 Annual need requirement by household type					
<i>Household type</i>	<i>Need requirement</i>				
	<i>No. of h'holds in need (gross)</i>	<i>Not in need</i>	<i>Total Number of h'holds</i>	<i>% of h'hold type in need</i>	<i>As a % of those in need</i>
Single pensioners	157	9,613	9,771	1.6%	5.8%
2 or more pensioners	35	6,303	6,338	0.6%	1.3%
Single non-pensioners	579	8,029	8,607	6.7%	21.2%
Couple, no children	157	10,971	11,128	1.4%	5.7%
Other multi-adult	105	6,782	6,887	1.5%	3.8%
Lone parent	965	4,213	5,177	18.6%	35.3%
2+ adults 1 child	301	6,527	6,827	4.4%	11.0%
2+ adults 2+children	433	4,792	5,225	8.3%	15.9%
Total	2,731	57,229	59,960	4.6%	100.0%

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

Size of affordable accommodation required

- 6.53 Table 6.15 shows the size of affordable housing required to meet need. The gross need figures (the first column) are based on the proportion of households requiring different sizes of accommodation across two groups - households currently or projected to be in need, and households currently or projected to be in need who are also likely to be considered as a priority (pensioner households, households with children or households where someone has a special/support need). An average of the size requirements from these two groups has been taken and the resulting proportion of households requiring each size of accommodation has been applied to the gross need figure of 2,731. It should be noted that the size of accommodation 'required' by each household has been determined by a strict bedroom standard (defined in the glossary) and takes no account of households' preferences.
- 6.54 In order to obtain a net need figure by size of accommodation, the likely supply of accommodation by size needs to be taken into account. Data from the household survey dataset indicating the number of bedrooms secured by households who have recently moved into affordable accommodation has been applied pro-rata to the gross supply figure of 969.

Accommodation size	Need requirement				
	Gross annual need	Gross annual supply	Net annual need	As a % of total net annual need	Supply as a % of gross need
1 bedroom	673	409	264	15.0%	60.7%
2 bedrooms	964	494	470	26.7%	51.2%
3 bedrooms	658	58	600	34.0%	8.9%
4+ bedrooms	436	8	428	24.3%	1.8%
Total	2,731	969	1,762	100.0%	35.5%

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

- 6.55 The table suggests that there is a net need for affordable housing of all sizes. Larger (three and four bedroom) units account for some 58.3% of the net need. The final column shows that the need relative to supply is by far the greatest for four bedroom accommodation, followed by three bedroom accommodation, meaning that households requiring larger dwellings are less likely to have their needs met.

Sensitivity analysis

- 6.56 The Housing Needs Assessment model requirement of 1,762 additional affordable homes per year does not equate logically with the planned total build rate of 600 dwellings a year for the Local Development Plan period. This is because the Welsh Government needs assessment model is a technical exercise that presents an assessment of the requirement for affordable housing, however it

does not account for the functioning of the current local housing market. This brief section considers the impact of changing two of the assumptions used in the model that do not reflect how the market operates.

Affordability threshold

6.57 The housing needs assessment model assesses the number of households in need based on the affordability assumptions required by the Welsh Government Local Housing Market Assessment Guide (2006). It is possible however, to examine how the model would be affected if the affordability assumptions were altered. Table 6.16 presents the model results where households were considered able to afford market rented housing in cases where the rent payable would constitute no more than 30%, 35% and 40% of gross household income, rather than 25% used in the standard model. These alternative thresholds have been recorded by some households in the private rented sector in Bridgend, and have also been found to occur in other parts of Wales. The affordability assumptions for home ownership remain unchanged.

Table 6.16 Impact of different affordability assumptions on affordable housing requirement in Bridgend County Borough			
	<i>Rent payable constitutes no more than:</i>		
	<i>30% of gross household income</i>	<i>35% of gross household income</i>	<i>40% of gross household income</i>
Backlog need (annual)	515	461	425
Backlog supply (annual)	256	240	212
Net backlog need (annual)	259	221	213
Future need (annual)	2,105	1,793	1,626
Future supply (annual)	713	713	713
Net future need (annual)	1,392	1,080	913
Total net annual need	1,651	1,301	1,125
Total gross annual need	2,620	2,254	2,051
Total gross annual supply	969	953	925
Total net annual need	1,651	1,301	1,125

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

6.58 The table indicates that the number of households in need would decrease from 1,762 to 1,651 if 30% of gross household income could be spent on rent. This would decrease further to 1,301 if 35% of income could be spent on rent and to 1,125 if the affordability assumption was changed to 40%.

Local Housing Allowance

6.59 Local Housing Allowance (LHA) is the replacement for the former Housing Benefit. It is designed to make up the shortfall in people's ability to pay for the housing they need. LHA may represent 100% or some lower percentage of the overall rent paid. Whilst Local Housing Allowance (formerly Housing

Benefit) supported tenancies in the private rented sector are not deemed a long-term alternative to affordable housing, it is of interest to note that 1,359 households in need were living in the private rented sector and claiming Local Housing Allowance. Thus if the benefit-supported private rented sector were viewed as a short-term solution to the need for affordable housing in Bridgend County Borough, the needs figure would reduce to 403 per annum.

Adjusted model outputs

6.60 Table 6.17 examines the combined effect of changing the affordability assumptions used, with the inclusion of the supply of private rented accommodation via LHA, on the net annual requirement for affordable housing. If the affordability threshold used was adjusted to 30% of gross income on rent, which better reflects the prevailing market conditions in Bridgend County Borough, then there would be 111 fewer households in gross need each year. If the private rented sector via LHA is considered to represent a supply to meet the housing need then the gross supply increases by 1,359 dwellings. The impact of changing both of these assumptions is that the need for new affordable units reduces to 292 per year.

Table 6.17 Adjusted housing need assessment in Bridgend County Borough			
Element	Need according to the model	Change due to altered assumptions	Resultant adjusted figures
Total gross annual need	2,731	-111	2,620
Total gross annual supply	969	+1,359	2,328
Total net annual need	1,762	-	292

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

6.61 The figure of 1,762 remains the overall need figure because it is calculated in accordance with the approach set out in the Welsh Government Local Housing Market Assessment Guide and is therefore comparable with historical estimates and figures derived elsewhere. The figure of 292 does reflect the affordable housing pressure experienced in current market conditions, and still represents some 48.7% of new housing planned for the County Borough as being affordable.

Changes since 2009

6.62 The annual requirement of 1,762 affordable units per year in Bridgend County Borough represents an increase from the equivalent figure of 1,514 calculated in the 2009 Local Housing Market Assessment. This increase is principally because overall affordability levels in the County Borough have worsened since the original LHMA report, however the supply from the current stock has increased.

^{iv} This is a scheme usually operated by an RSL, where the borrower owns part of a property, and pays a mortgage on this, while the RSL owns the rest of the property, and the borrower pays the rent on this.

7. Intermediate Rent: scope in Bridgend County Borough

Summary

- i) The Welsh Government has published new guidance on Intermediate Rent. Intermediate Rent will be based on the open market value of each property.
- ii) Within Bridgend County Borough, as bedroom size increases, the range of Intermediate Rents possible increases. In the West sub-market the costs of Intermediate Rent are highest and the range of potential Intermediate Rent levels is greater. In the North sub-market the costs of Intermediate Rent are lowest.
- iii) A substantial number of households on the Register could afford Intermediate Rent at 80% of the median market rent. The most practical level to set Intermediate Rent to meet substantial need, and be viable in terms of the viability of development, is at 70%.

Introduction

- 7.1 The Welsh Authority Government is introducing a new tenure within the affordable sector. Rent First – Intermediate Rent which will be significantly different from the currently used social rented tenure. Flexible tenancies will not give the tenant security of tenure for life and will allow Intermediate Rent to be charged. The introduction of Rent First is likely to have an effect on the wider housing market and a significant impact on the affordable sector. This chapter aims to provide the information necessary for the Council to ensure their introduction is as successful as possible.
- 7.2 The most important issue for the Council to determine is the level at which Intermediate Rent may be set whilst still meeting the housing needs of households unable to access market housing. This chapter will consider this from two perspectives; firstly at what level does Intermediate Rent best assist households requiring affordable accommodation and secondly at what level does the product provide best value for money and facilitate the largest production of further affordable homes.
- 7.3 The chapter will begin by setting out the policy context surrounding Intermediate Rent, specifically the introduction of Rent First – Intermediate Rent by the Welsh Government. It then moves on to look at Intermediate Rent in Bridgend County Borough and calculate its potential cost. This is followed by an analysis of the affordability of these various options for households likely to move to this type of housing.
- 7.4 The chapter then goes on to discuss the consequence of the reduced funding available for affordable homes, before providing an introduction to development economics. The chapter then considers the value of a range of Intermediate Rent products, which helps determine the size of subsidy required to

build such housing. Finally the chapter concludes at what level the Council should set Intermediate Rent to best balance these conflicting pressures.

Rent First - Intermediate Rent: a new product

7.5 'Rent First - intermediate rent - Final Guidance March 2011' published by the Welsh Government in March 2011 outlines the purpose of introducing this new tenure into the Welsh housing market:

'Rent First is a subsidised intermediate rent solution providing people with a mid-market rental housing solution as well as potentially assisting them in the outright purchase of their home in the future.

By assisting people who cannot afford to buy on the open market, it could help to meet the need for affordable home ownership in areas of shortage and provide a further intermediate housing choice.' (Paras 2-3, pg 4)

7.6 It is intended to help local authorities to meet their strategic housing objectives, by encouraging mixed tenure developments in areas where this is becoming increasingly difficult. Whilst its introduction has been driven by the economic downturn, the Welsh Government anticipates that the model will continue to be useful in meeting housing need in the long-term.

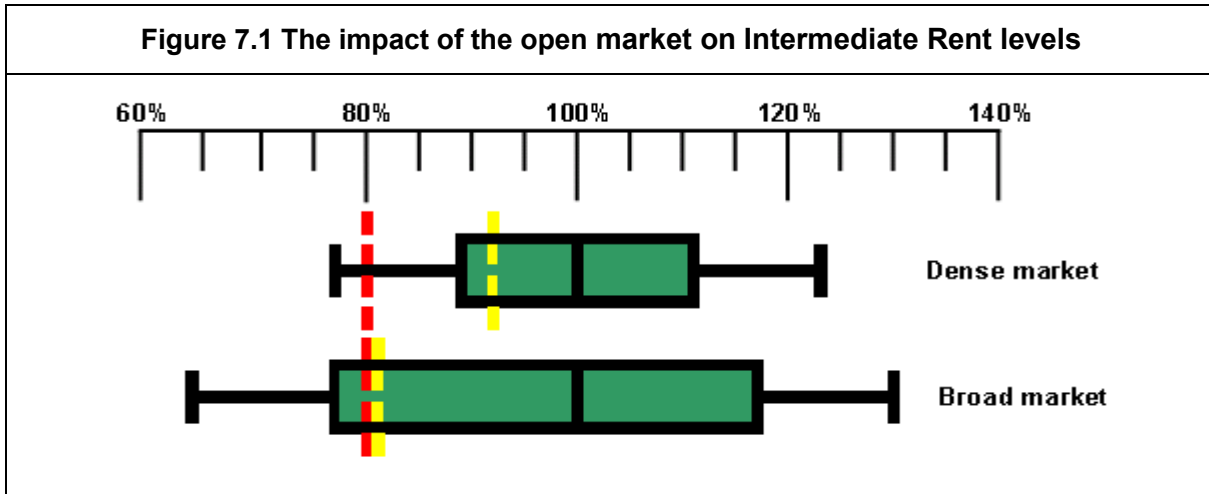
7.7 This Guidance document sets out clear parameters for this Intermediate Rent product:

- Intermediate Rent is only for households in defined need, it is *'not intended for people who can afford to rent a property suited to their needs at a market rent, or people who can afford to purchase a property without assistance. It is not intended for those who are adequately housed'* (para 51).
- Intermediate Rent will use the same procedures for allocating homes as is done for social rented accommodation. It is envisaged the majority of residents will come from the Council and Housing Association Housing register/Waiting list (para 50)
- Shorter tenancies (standard Assured Shorthold Tenancy) may be used for intermediate rent. (para 68)
- *'Properties of two or more bedrooms will be eligible; the Welsh Government will only consider applications for one-bedroom properties where this is supported by clear evidence of local demand'* (para 74).
- Intermediate Rents can be set at *'a maximum of 80% of average private market rents for comparable properties'* (para 58)
- *'Rents should be targeted to be at or below the appropriate Local Housing Allowance^v'* (para 59). There is no point in setting an Intermediate Rent if nobody could afford it either because they did not have the income or could not obtain sufficient Local Housing Allowance to pay the rent due to the new caps.

- 7.8 The most interesting point within the conditions of Intermediate Rent is that rents can be charged at ‘a maximum of 80% of average private market rents’. This implies a degree of flexibility in setting the price of Intermediate Rent. It can be priced at any level up to 80% of market rents. It obviously must help address housing need, however it should be distinct in price from social rented accommodation. There is also pressure, due to the cut in the funding available for affordable accommodation, to make as much affordable housing as possible from that money which is available. The difficulty in striking this balance will be discussed in the second half of this chapter.
- 7.9 It is anticipated that existing social rented units can be relet as Intermediate Rent when they become vacant. Indeed this could be a notable source of new Intermediate Rent units.
- 7.10 The Guidance document indicates that ‘Local authorities will need to assess whether intermediate rent is a strategic priority in their area. It is important that local authorities are able to clearly demonstrate the need for intermediate rent’ (para 47). This chapter will attempt to establish the need for Intermediate Rent in Bridgend County Borough. Firstly it will explore how Intermediate Rent can be calculated before looking at the appropriate level to set it in terms of effectively meeting need and also providing good value for money.

Understanding Intermediate Rent

- 7.11 Intermediate Rent will be based on the open market value of each property. For all affordable properties, the market price will be inferred from values in the private rented sector (PRS). Therefore the PRS needs to be understood. This section outlines how the nature of the PRS can impact how competitive Intermediate Rent levels are likely to be.
- 7.12 The spread of rents in the PRS will have implications for the rates of Intermediate Rents, as is illustrated by the figure below. It shows the spread of rents in two hypothetical housing markets for the same property size. The short black vertical lines show the key points on the distribution (minimum, lower quartile, median, upper quartile and maximum) and the green boxes show the inter-quartile range or the ‘middle market’. The scale shows the median rent level as 100% and the variation of rents can be seen as a proportional difference to the median; the typical Intermediate Rent line is therefore at 80% (the red dashed line). The yellow dashed line indicates the LHA cap (the 30th percentile of rents available in the market).



Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

- 7.13 In a dense market the majority of the rents available will lie within a small range. In this market the Intermediate Rent level is likely to be well below the majority of open market rents and offer an appealing alternative to the private sector. Although Intermediate Rent rates vary by the value of each property, on the whole property value does not vary much in the dense market and Intermediate Rent should be consistently lower than private sector alternative. The Intermediate Rent level should also be lower than the LHA cap.
- 7.14 In a broad market the range of rents available, even in the middle of the market, is very wide. In this case if a median or higher value property was let at an Intermediate Rent there would still be a substantial proportion of properties in the open market available at a cheaper rate (albeit, lower quality properties). In addition the Intermediate Rent rate could also be similar to or even above the LHA level. For Intermediate Rent properties to offer a cheaper alternative to the open market homes in this broad market, lower value open market properties would be the viable option for converting to Intermediate Rent.
- 7.15 In reality, most PRS have a dense market with a broad ‘upper-middle market’. In these markets, as long as non-luxury properties (those in the bottom 75%) are converted to Intermediate Rent, the rates offered would be cheaper than the majority of the open market alternatives. However, in some cases where there is a broad ‘lower-middle market’, median or higher value properties would not be a viable Intermediate Rent option. It is an important point as, on the occasion that the typical Intermediate Rent level is more expensive than entry-level private rents (the lower quartile), priority can be given to ensuring that the kind of properties that are converted to Intermediate Rent are appropriate for the area.

Understanding the private rented sector in Bridgend County Borough

- 7.16 The section considers the breadth of the private rented market for each property size in Bridgend County Borough. Table 7.1 shows the cost at the key points of the rental distribution, as recorded during the price survey described in chapter 4. This analysis considers the three price markets in Bridgend County Borough separately. It should be noted that prices for one bedroom accommodation are based on the County-Borough-wide figures as these properties are in relatively short supply in each of the sub-markets individually.
- 7.17 It can be seen from the figures in the Table that in the West and East sub-markets each property size operates in largely distinct markets as there are big differences between the median rents for each property size and overlap within the inter-quartile ranges is minimal. The extremes of each market overlap somewhat with the next size of dwelling. For example, a household in the East sub-market in a high quality two-bed dwelling could live in a median priced three-bed property at the same rent but they would have to accept a noticeable drop in quality. In the North sub-market there is notable overlap between the inter-quartile range for two and three bedroom private rented homes.

Table 7.1 Private sector rent level in Bridgend County Borough (cost per month)				
North sub-market				
<i>House size</i>	<i>One bed*</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
Minimum	£345	£370	£350	£550
Lower Quartile	£425	£400	£425	£650
Median	£440	£420	£475	£700
Upper Quartile	£460	£448	£500	£750
Maximum	£540	£450	£550	£900
Inter-quartile range	£35	£48	£75	£100
% difference between quartiles	8.2%	12.0%	17.6%	15.4%
West sub-market				
<i>House size</i>	<i>One bed*</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
Minimum	£345	£490	£575	£490
Lower Quartile	£425	£510	£595	£750
Median	£440	£550	£630	£850
Upper Quartile	£460	£575	£650	£1,000
Maximum	£540	£800	£850	£1,200
Inter-quartile range	£35	£65	£55	£250
% difference between quartiles	8.2%	12.7%	9.2%	33.3%
East sub-market				
<i>House size</i>	<i>One bed*</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
Minimum	£345	£475	£435	£490
Lower Quartile	£425	£495	£550	£675
Median	£440	£500	£595	£700
Upper Quartile	£460	£525	£637	£750
Maximum	£540	£640	£655	£795
Inter-quartile range	£35	£30	£87	£75
% difference between quartiles	8.2%	6.1%	15.8%	11.1%

*Based on County-Borough-wide figures only
Source: Online estate agents survey January 2012

Estimating the Intermediate Rent

7.18 For the purposes of policy analysis it is important to model the likely levels of Intermediate Rent, and their impact on local households. This allows a policy judgement as to what level they should be set. To do that requires some approximation: we cannot analyse every PRS dwelling in Bridgend County Borough.

7.19 We have considered various forms of averaging to derive a median market rent, from which the Intermediate Rent at 80% could be calculated. The most effective, we believe, is to take the median from the middle range of observed rents. This avoids both the worst PRS dwellings and the luxury ones. We believe that the middle market gives the best indication of the true price of the sector. That is what has been used as the basis for the Intermediate Rents set out in Table 7.2.

Table 7.2 Intermediate Rent ranges for Bridgend County Borough (cost per month)				
North sub-market				
<i>House size</i>	<i>One bed*</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
Minimum	£340	£320	£340	£520
Median	£352	£336	£380	£560
Maximum	£368	£358	£400	£600
Range	£28	£38	£60	£80
West sub-market				
<i>House size</i>	<i>One bed*</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
Minimum	£340	£408	£476	£600
Median	£352	£440	£504	£680
Maximum	£368	£460	£520	£800
Range	£28	£52	£44	£200
East sub-market				
<i>House size</i>	<i>One bed*</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
Minimum	£340	£396	£440	£540
Median	£352	£400	£476	£560
Maximum	£368	£420	£510	£600
Range	£28	£24	£70	£60

*Based on County-Borough-wide figures only
Source: Online estate agents survey January 2012

7.20 Two trends of Intermediate Rent levels in Bridgend County Borough can be seen in the table above:

- Generally as bedroom size increases the range of possible Intermediate Rents increases.
- The costs of Intermediate Rent will be highest in the West sub-market and lowest in the North sub-market.

Intermediate Rents compared to open market rents

7.21 Tables 7.3 to 7.5 compare the observed ranges of rent in the PRS with the Intermediate Rents shown in previous section for comparison. Social rent and LHA levels are also included. The tables show that social rent levels in Bridgend County Borough are consistently below the entire range of rates for Intermediate Rent products and the gap between social rent and Intermediate Rent increases with property size.

- 7.22 The LHA cap for the Bridgend Broad Rental Market Area as set by the Welsh Government is also included in the table. This is based on the 30th percentile of open market rents. In most markets the LHA rates are above the median and often the maximum Intermediate Rent level. However, the LHA cap is below the maximum and median Intermediate Rent for two, three and four bedroom properties in the West sub-market and below the maximum and median Intermediate Rent for three four bedroom properties in the East sub-market. In these markets, if the intended households for Intermediate Rent homes require the entire rent to be covered by LHA, the properties available should be drawn from the lower end of the market, in which case the rent level would be below the LHA cap.
- 7.23 It is also the case that the LHA cap is below the maximum and median Intermediate Rent for one bedroom properties across the Borough, however the Welsh have made it clear that Intermediate Rent is aimed principally at properties of two or more bedrooms (see para 7.7).
- 7.24 In one instance (four bedroom homes in the West sub-market) there is an overlap between the maximum Intermediate Rent rate and the entry level private rent. In terms of providing an Intermediate Rent product that is above the social rent level but suitably below the entry-level market rent, the tables suggest that the most suitable properties to be made available for Intermediate Rent would be ones equivalent to those in the 'lower-middle' section of the open market.

Table 7.3 Rent levels by tenure – North sub-market (cost per month)				
<i>House size</i>	<i>One bed*</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
PRS				
Lower Quartile	£425	£400	£425	£650
Median	£440	£420	£475	£700
Upper Quartile	£460	£448	£500	£750
Intermediate Rent				
Minimum	£340	£320	£340	£520
Median	£352	£336	£380	£560
Maximum	£368	£358	£400	£600
Social rent				
Typical rent**	£264	£281	£324	£375
LHA cap				
Bridgend BRMA ***	£347	£425	£475	£650

*One bedroom private rent and Intermediate rent based on County-Borough-wide figures only
 Source: Online estate agents survey January 2012, **Source: StatsWales, 2012, ***Welsh Government, March 2011

Table 7.4 Rent levels by tenure – East sub-market (cost per month)				
<i>House size</i>	<i>One bed*</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
PRS				
Lower Quartile	£425	£510	£595	£750
Median	£440	£550	£630	£850
Upper Quartile	£460	£575	£650	£1,000
Intermediate Rent				
Minimum	£340	£408	£476	£600
Median	£352	£440	£504	£680
Maximum	£368	£460	£520	£800
Social rent				
Typical rent**	£264	£281	£324	£375
LHA cap				
Bridgend BRMA ***	£347	£425	£475	£650

*One bedroom private rent and Intermediate rent based on County-Borough-wide figures only
Source: Online estate agents survey January 2012, **Source: StatsWales, 2012, ***Welsh Government, March 2011

Table 7.5 Rent levels by tenure – West sub-market (cost per month)				
<i>House size</i>	<i>One bed*</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
PRS				
Lower Quartile	£425	£495	£550	£675
Median	£440	£500	£595	£700
Upper Quartile	£460	£525	£637	£750
Intermediate Rent				
Minimum	£340	£396	£440	£540
Median	£352	£400	£476	£560
Maximum	£368	£420	£510	£600
Social rent				
Typical rent**	£264	£281	£324	£375
LHA cap				
Bridgend BRMA ***	£347	£425	£475	£650

*One bedroom private rent and Intermediate rent based on County-Borough-wide figures only
Source: Online estate agents survey January 2012, **Source: StatsWales, 2012, ***Welsh Government, March 2011

Rent levels

7.25 Having established how Intermediate Rent at 80% should be positioned in the market, it is important to consider the cost of other potential Intermediate Rent options below the maximum of 80%. The analysis here also considers alternative levels of Intermediate Rent (70%, 65% and 60% of the median of the market) to understand how lowering rents impacts affordability. The costs of renting at these various levels are presented in Table 7.6.

Table 7.6 Monthly rental figures of different Intermediate Rent levels – by property size				
<i>Bedrooms</i>	<i>One*</i>	<i>Two</i>	<i>Three</i>	<i>Four</i>
North sub-market				
Lower Quartile Private Rents	£400	£400	£425	£650
Intermediate Rent at 80%	£340	£336	£380	£560
Intermediate Rent at 70%	£298	£294	£333	£490
Intermediate Rent at 65%	£276	£273	£309	£455
Intermediate Rent at 60%	£255	£252	£285	£420
<i>Social rent**</i>	£264	£281	£324	£375
West sub-market				
Lower Quartile Private Rents	£510	£510	£595	£750
Intermediate Rent at 80%	£340	£440	£504	£680
Intermediate Rent at 70%	£298	£385	£441	£595
Intermediate Rent at 65%	£276	£358	£410	£553
Intermediate Rent at 60%	£255	£330	£378	£510
<i>Social rent**</i>	£264	£281	£324	£375
East sub-market				
Lower Quartile Private Rents	£495	£495	£550	£675
Intermediate Rent at 80%	£340	£400	£476	£560
Intermediate Rent at 70%	£298	£350	£417	£490
Intermediate Rent at 65%	£276	£325	£387	£455
Intermediate Rent at 60%	£255	£300	£357	£420
<i>Social rent**</i>	£264	£281	£324	£375

*One bedroom private rent and Intermediate rent based on County-Borough-wide figures only

Source: Online estate agents survey January 2012, **Source: StatsWales, 2012,

7.26 As can be seen in Table 7.6, in the North sub-market, the 60% and 65% Intermediate Rent rate is lower than the social rent level for two and three bedroom properties. In addition Intermediate Rent at 60% is lower than the social rent level for one bedroom homes across the County Borough. As a result when the affordability of different levels of Intermediate Rent is tested below, we do not test these options. As the aim of Intermediate Rent is to generate a greater income for registered providers (RPs) to supply more affordable developments charging these levels would generate less income, therefore the RPs would be better off charging social rents.

Affordability of Intermediate Rent

- 7.27 Intermediate Rent is designed to reduce Housing Registers, and to accommodate both households in priority need, and others who may not be in priority need but who have the income to afford the new tenure. We therefore analyse both households on the Register and households in need, the latter to provide context.
- 7.28 In carrying out the affordability assessment we have followed the test set out in the Welsh Government Guidance^{vi} that rent (inclusive of any service charges) should equate to no more than 30% of gross income (para 62). Furthermore, households requiring a one bedroom home are initially only tested for their ability to afford a minimum size of two bedroom accommodation as the Guidance clearly indicates that Intermediate Rent is eligible for properties of two or more bedrooms (para 74).

Affordability of Intermediate Rent for households in housing need

- 7.29 Table 7.7 illustrates how many households in defined housing need are able to afford different levels of Intermediate Rent. It shows that of the 2,731 households in gross need each year, 17.6%, some 480 households, could afford Intermediate Rent at 80%. A further 203 households in need could be housed in Intermediate Rented accommodation were the level lowered to 70% of private rent values.
- 7.30 The largest group of households in need are those unable to afford any accommodation without support from LHA. The analysis above shows that the LHA cap should be above the expected Intermediate Rent levels in the majority of cases. Therefore households unable to afford market housing could be housed in Intermediate Rent properties at 80% with the support of LHA.

Table 7.7 Affordability of households in need (annual)		
	<i>Households in need</i>	<i>% of households in need</i>
Intermediate Rent at 80%	480	17.6%
Intermediate Rent at 70%	203	7.4%
Intermediate Rent at 65%	96	3.5%
Intermediate Rent at 60%	159	5.8%
Social rent	134	4.9%
Need LHA	1,659	60.7%
Total number of households	2,731	100.0%

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

- 7.31 Table 7.8 splits the figures shown in the table 7.7 above by bedroom size. It shows that Intermediate Rent at 80% would be most suitable for households in need of three and four bedroom accommodation – over a quarter of these households could afford this product. This equates, annually, to 148 households in need requiring three bedroom accommodation and 83 households in need requiring four bedroom accommodation. Intermediate Rent at 70% would also meet a noticeable amount of need arising from households requiring three and four bed homes.

7.32 Whilst households in need that are applicable for a two bedroom Intermediate Rented home (those requiring one or two bedrooms) are less likely to afford Intermediate Rent at 80% or 70%, there are still 250 of these households that can afford the 80% level and a further 123 households can afford the 70% level. Intermediate Rent below 70% would be most suitable for two bedroom accommodation.

	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
Intermediate Rent at 80%	14.0%	25.9%	22.0%
Intermediate Rent at 70%	6.9%	10.0%	6.2%
Intermediate Rent at 65%	4.5%	2.7%	0.0%
Intermediate Rent at 60%	7.8%	0.0%	5.0%
Social rent	6.5%	0.0%	4.8%
Need LHA	60.3%	61.4%	61.9%
Total number of households	1,784 (100%)	570 (100%)	377 (100%)

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

7.33 Table 7.9 shows the current sub-market of households in need able to afford various Intermediate Rent products. It indicates that Intermediate Rent at 80% would be suitable for most households in need in the North sub-market followed by the East sub-market. Households in need in the West sub-market are able to afford a range of Intermediate Rent levels.

	<i>North</i>	<i>West</i>	<i>East</i>
Intermediate Rent at 80%	24.6%	6.2%	17.1%
Intermediate Rent at 70%	7.8%	6.1%	7.7%
Intermediate Rent at 65%	0.0%	7.0%	4.6%
Intermediate Rent at 60%	0.0%	6.4%	9.4%
Social rent	0.2%	8.7%	6.6%
Need LHA	67.4%	65.6%	54.7%
Total number of households	887 (100%)	484 (100%)	1,360 (100%)

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

7.34 Whilst the Welsh Government Guidance indicates that Intermediate Rent is designed to be introduced in properties with two or more bedrooms, it does state that one-bedroom dwellings can be considered if there is clear evidence of local demand (para 74). It is therefore useful before concluding this analysis to examine the number of households in need requiring a one bedroom home that cannot afford a two bedroom Intermediate Rented home, that would be able to afford a one bedroom Intermediate Rented property.

7.35 Analysis reveals that there are only 50 households in need each year that could afford a one bedroom Intermediate Rent product that could not otherwise afford a two bedroom Intermediate Rent product. This suggests that there is not a sufficient requirement for separate one bedroom Intermediate Rented homes, for the Council to pursue introducing them into the County Borough.

Households on the Register, including those in need

7.36 This sub-section repeats the above analysis but this time considers households on the Housing Register, which are not necessarily households in need. In Bridgend County Borough around a quarter of the households in need are on the Housing Register and around 15% of households on the Housing Register are in housing need.

7.37 Table 7.10 shows how many households on the Housing Register are able to afford different levels of Intermediate Rent. The table below shows that over a quarter of households on the Housing Register are able to afford suitable accommodation in the open market. It also shows that if Intermediate Rent is set at the level of 70% then some 372 households on the Housing Register would be able to afford it (207 + 165).

Table 7.10 Affordability of households on Housing Register		
	<i>Households on Register</i>	<i>% of households on Register</i>
<i>Market housing</i>	1,039	28.1%
Intermediate Rent at 80%	207	5.6%
Intermediate Rent at 70%	165	4.5%
Intermediate Rent at 65%	9	0.2%
Intermediate Rent at 60%	28	0.8%
Social rent	230	6.2%
Need LHA	2,021	54.6%
Total number of households	3,698	100.0%

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

7.38 Table 7.11 splits the figures in the table above by bedroom size. In terms of households on the Housing Register, Intermediate Rent at the 70% and 80% level is most suitable for households requiring two and three bedroom accommodation.

Table 7.11 Size and type of Intermediate Rent home required by those on the Housing Register			
	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
Market housing	31.9%	13.6%	25.6%
Intermediate Rent at 80%	6.2%	6.3%	0.0%
Intermediate Rent at 70%	2.6%	13.4%	2.6%
Intermediate Rent at 65%	0.0%	1.4%	0.0%
Intermediate Rent at 60%	0.6%	0.0%	3.3%
Social rent	8.5%	0.0%	0.0%
Need LHA	50.2%	65.4%	68.5%
Total number of households	2,689 (100%)	634 (100%)	375 (100%)

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

7.39 Table 7.12 shows the current sub-market of households on the Housing Register able to afford various Intermediate Rent products. It indicates that Intermediate Rent at the 80% and 70% levels would be useful in all three sub-markets, but most appropriate in the North submarket.

Table 7.12 Type of Intermediate Rent home required by those on the Housing Register by sub-market area			
	<i>North</i>	<i>West</i>	<i>East</i>
Market housing	19.1%	34.4%	31.6%
Intermediate Rent at 80%	9.3%	2.5%	4.5%
Intermediate Rent at 70%	7.5%	4.8%	1.4%
Intermediate Rent at 65%	0.0%	0.0%	0.6%
Intermediate Rent at 60%	0.0%	0.0%	2.0%
Social rent	0.0%	22.4%	0.0%
Need LHA	64.1%	35.8%	59.8%
Total number of households	1,274 (100%)	1,025 (100%)	1,400 (100%)

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

7.40 Finally further analysis reveals that there are 74 households on the Housing Register, requiring a one bedroom home, who could afford a one bedroom Intermediate Rent product who could not otherwise afford a two bedroom Intermediate Rent product.

Overlap with Shared Ownership

- 7.41 This analysis has examined the affordability of Intermediate Rent at a range of levels to try and demonstrate the need for it in Bridgend County Borough. However it should be noted that shared ownership accommodation is an alternative affordable product aimed at the same group of households - those able to afford more than social rents but unable to afford market accommodation. It is likely that some households able to afford Intermediate Rent would also be suitable for shared ownership.
- 7.42 Table 7.13 presents the estimated costs of shared ownership housing in Bridgend County Borough. It is important to note that there were few shared ownership properties available in Bridgend County Borough at the time of the estate agent survey so the open market value for three and four bedrooms has been modelled. The monthly costs are based on an interest rate of 5.69% paid on the equity share owned and rent payable at 2.5% on the remainder. These costs have been produced just to allow a broad comparison with the Intermediate Rent levels presented in Table 7.6. It is clear that there is a potential overlap between the two products, particularly between shared ownership with a 50% equity share and Intermediate Rent at 70% and 80% for two bedroom accommodation.

Table 7.13 Estimated cost of shared ownership accommodation in Bridgend County Borough				
	<i>One</i>	<i>Two</i>	<i>Three</i>	<i>Four</i>
Open market value	£80,000	£99,750	£141,500	£198,000
Monthly cost of shared ownership with a 75% equity share	£326	£407	£577	£807
Monthly cost of shared ownership with a 50% equity share	£273	£340	£483	£676

Source: Online estate agents survey January 2012

- 7.43 However, due to requiring an equity purchase element it is likely that households accessing shared ownership property will require a deposit of some sort. Analysis of households in need able to afford Intermediate Rent suggests that just 3.7% (34 households) have got at least £3,000 in savings available to them (the minimum deposit level likely to be required). Similarly, of households on the Housing Register able to afford Intermediate Rent just 3.6% (15 households) have got £3,000 in savings available to them. This suggests that the requirement for Intermediate Rent evidenced in this analysis is mainly a requirement exclusively for Intermediate Rent and not Shared Ownership.

Affordability of LHA cap

- 7.44 Finally the Council also want to consider the ability of households to afford housing priced at the LHA cap (set out in Table 7.3 to 7.5). Analysis of households in need indicates that 326 households (11.9%) would be able to afford the LHA cap for the property size they require. Of these 326 households, 149 require a one bedroom home, 126 households require a three bedroom property, 42 households require a two bedroom dwelling and 9 require four bedroom accommodation. The majority of these 326 households reside in the East sub-market (230 households) with relatively few in the other areas (55 in the North sub-market and 41 in the West sub-market).
- 7.45 Considering those on the Housing Register, the dataset indicates that 127 households could afford the LHA cap (who could not otherwise afford market housing). Some 69 of these households require a two bedroom home with the remaining 58 requiring a one bedroom dwelling. Almost half of these households (63 households) reside in the East sub-market with 39 households resident in the North sub-market and 25 in the West sub-market.
- 7.46 This additional analysis suggests that whilst housing priced at the LHA cap would be suitable for a number of households, any Intermediate Rent level would meet more housing need and therefore be more appropriate.

What is the need for Intermediate Rent?

- 7.47 Table 7.14 draws on the data in Tables 7.7 and 7.10 to show the total number of households that could afford Intermediate Rent at different levels (excluding those able to afford market accommodation). This allows us to consider the suitability of different levels of Intermediate Rent in Bridgend County Borough. For both groups, Intermediate Rent at 80% could be afforded by around half of all households potentially suitable for Intermediate Rent. Intermediate Rent at 70% would also be affordable for a significant number of households, with demand for cheaper versions notably lower. Using these figures, the most sensible rate at which to set Intermediate Rent is 70%.

Table 7.14 Total number of households able to afford different affordable products		
<i>Product type</i>	<i>Households in need (annual)</i>	<i>Households on register</i>
Intermediate Rent (80%)	480	207
Intermediate Rent (70%)	203	165
Intermediate Rent (65%)	96	9
Intermediate Rent (60%)	159	28
Social rent	983	409

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

- 7.48 If the Intermediate Rent level were set at 70%, it would generate a potential demand from 683 households in housing need (each year). This is close to the figure for the average number of relets of social rented housing in Bridgend County Borough in the past two years (698 as shown in Table 6.12). This suggests that a significant number of these re-lets could be converted to intermediate rent, to diversify the housing mix available in an area and provide greater rental income for Registered Providers to generate further affordable homes.

Generating new affordable dwellings vs. meeting need

- 7.49 One of the drivers behind the promotion of Intermediate Rents is an effort to make the much reduced housing budget go further. The hope is, that by charging higher rents, the affordable housing developers would require less grant and subsidy and thus the development of affordable housing would fund itself. The theory being that if the developer could charge a higher rent then it can borrow more money to finance the construction of more affordable units.
- 7.50 Intermediate Rents can be granted for more than just newbuild properties. Some of the relet existing social rented homes will be able to be at Intermediate Rents rather than social rents - the extra income from the relets going to fund further development.
- 7.51 However there is a trade-off. Although it is desirable, in order to meet housing need, that the Intermediate Rent level should be set below 80%, this means that the rent flow available to the housing association or developer to secure additional borrowing or funding is shrunk. The second half of this chapter will therefore consider some of the financial issues behind development and look at how high the Intermediate Rent actually has to be to make up the shortfall in grant.

Grant Funding

- 7.52 For many years the WG and Local Planning Authorities (LPAs) have aspired to ensure that affordable housing is delivered without grant. When LPAs have negotiated with developers during the planning process about the number and type of affordable housing to be provided through the section 106 agreement and planning conditions, the initial basis of those discussions has been that the affordable units would be made available without any grant.
- 7.53 The reality has been rather different with the developer either transferring the serviced land for affordable housing to the Private Registered Provider (RP) for no cost or the RP purchasing the completed units from the developer with grant assistance. The amount of grant paid has been assessed project by project depending on that site's financial characteristics. Typically the grant in South Wales has been about £35,000 per unit.

- 7.54 The aim of the extra income from Intermediate Rents is to replace this grant. The RP will be able to service new borrowings to make up the gap in grant. The funding available to subsidise Affordable Housing is going to be massively reduced and restricted to very few schemes – Intermediate Rents are the ‘only show in town’ for now, so Councils have to work within this new framework.

Development Economics of Intermediate Rents

- 7.55 The economics of development is simple. Either the income from a development exceeds the costs and a profit is generated or the costs exceed the income and a loss arises. The equation is:

$$\begin{array}{r} \textbf{Gross Development Value} \\ \text{(The combined value of the complete development)} \\ \\ \text{LESS} \\ \\ \textbf{Cost of creating the asset, including a profit margin} \\ \text{(land + construction + fees + finance charges)} \\ \\ = \\ \\ \textbf{Profit or Loss} \end{array}$$

- 7.56 In the development of affordable housing for rent, the value of the development is the amount of the income that the completed let unit will produce. This is the amount an investor or other RP would pay for the completed unit. This will depend on the amount of the rent, the cost on managing the property (letting, rent collection, repairs etc) and other uses to which it may be able to be put to at some time in the future. If, for example, the unit could be sold on the open market in the future then a buyer may be willing to pay more to take into account the long term value (known by valuers as the reversion).
- 7.57 As noted at the start of this chapter, the Welsh Government have published ‘*Rent First - intermediate rent - Final Guidance March 2011*’. This suggests that new Intermediate Rent properties which receive funding under will be retained within the affordable sector: ‘*The Welsh Assembly Government is keen to see grant funded properties retained in the affordable housing sector wherever possible*’ (para 82).
- 7.58 Based on this we know that the reversionary period will not command a premium price as the new property is to be used for Intermediate Rent (this only appears to apply to new properties and not relets) so the worth of the unit is that of the income it produces – i.e. the rent. (It is possible that the property will be subsequently converted to a shared ownership home, however this would generate greater income so would not adversely affect the reversionary period).
- 7.59 What is the rental stream worth – either to the RP or to somebody else? There are two aspects to this.
- i. How much additional borrowing will the extra income from the Intermediate Rent support?
 - ii. What is a unit let on Intermediate Rent actually worth?
- 7.60 This figure obviously depends on the level at which Intermediate Rent is set.

- 7.61 The way that RPs raise their money for building housing needs to be considered. RPs operate in the commercial borrowing markets. They have two main sources of finance; they can issue a bond or they can borrow conventionally.
- 7.62 When an organisation issues a bond it borrows a large amount of money for a fixed period of time and at a fixed interest rate in the money markets. Housing Associations that are RPs are registered with the government – they are in effect guaranteed by the State (although their borrowings do not appear on the national balance sheet). That is to say, if they were to fail the Government would step in and make good the losses. The bond is normally secured on an income stream from a portfolio of Social Rented properties or similar. Traditionally RPs have been well regarded in the financial markets and have been able borrow relatively inexpensively.
- 7.63 Only the larger Housing Associations are able to issue bonds (due to the cost associated with the process) – although there is a movement towards smaller organisations clubbing together to issuing a joint bond. The conventional borrowing route is simpler and works in the same way as for any commercial organisation trying to borrow money. The financial institution will consider the merits and risks of the project, the income and the security on offer. It will then set the terms to reflect that.
- 7.64 In both the bond and the conventional borrowing the actual interest rate will depend on the prevailing interest rates in the capital markets, base rates and the individual circumstances. Typically interest rates are between 5% and 7.5%. Assuming a 5.5% interest rate, an additional rent of about £37.50 per week is needed to compensate for borrowing £35,000. To set this in context the social rent on the property would probably be about £75 per week (3 bed) so this would be a 50% increase.
- 7.65 Clearly not all this additional rent needs to come from the home being developed. Some could come from the additional rent generated by relets. If the additional rent from say two relets and one newly developed home were combined then only a third of the weekly increase would be required. Each developer will have to consider its own situation and the locality (i.e. the need and demand for housing and different rental levels) when deciding how to proceed with developments.

Value of Intermediate Rented Homes

- 7.66 Regardless of how much additional borrowing an Intermediate Rented property is able to fund in terms of interest payments, it is unlikely that any financial institution would lend more than the property in question is actually worth. But what is the worth? Few Intermediate Rented properties have been developed and there is no established market in such units. It is therefore not possible to say with certainty how the market will approach the valuation of homes that are restricted to use as intermediate rent in the long term.
- 7.67 The value can however be considered in the wider context. There are a number of factors that will affect the value - the amount of rent charged, the costs of managing the home and the returns sought by investors and property owners in the wider market. The initial rent is important – but so is the way

that it changes over time. We have assumed intermediate rent will be increased by the Retail Price Index (RPI) + 0.5%. (although there will be a requirement to rebase the rent on each occasion that a new tenancy is issued (or renewed) for that property to ensure that the rent remains at no more than 80% of market rent (inclusive of service charges).

7.68 At first sight this appears attractive to the property owner as the rent will always increase a little faster than inflation. This means that even if rents in the private rental market are going down the Intermediate Rents will go up. The exception is when the home is relet the rent will return to a maximum of 80% of the Open Market Rent.

7.69 It is likely that the market will consider Intermediate Rents to be a product somewhere between social rent and Open Market Rent. When considering the worth of assets producing an income, valuers commonly use Years Purchase (YP) to capitalise the rents – i.e. to work out the capital value of an income stream. The YP is the factor by which the rent is multiplied to calculate the capital value (calculated at 1/yield). The lower the yield the higher the value as the income is considered to be of higher quality (and lower risk) so an investor is willing to pay more for less income. It is likely that the closer the rent is to a social rent then the lower the yield (so higher the value) will be and the higher the rent the higher the yield (so lower the value). It will be interesting to see how this is actually treated by the market but there is certainly a logic to this approach. Table 7.15 shows how values may vary as rents vary and impact on the YP.

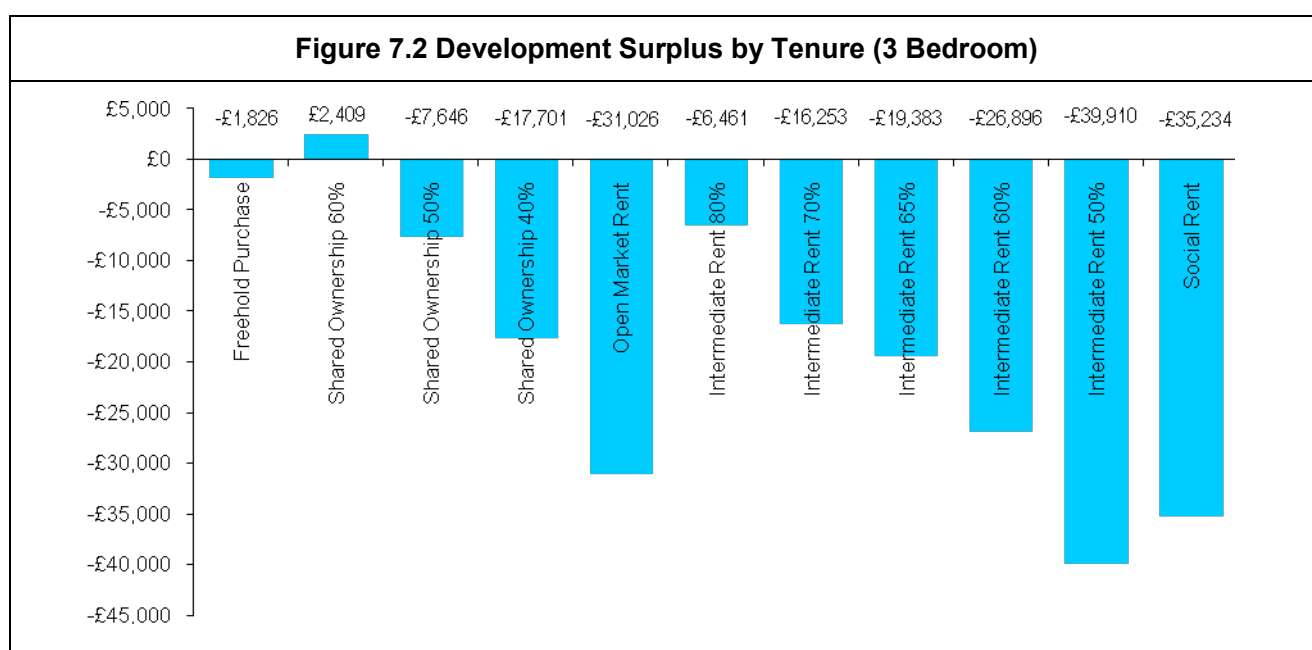
Table 7.15 Variation in the worth of different income levels in Bridgend County Borough (3 Bedrooms)							
	<i>Open Market Rent</i>	<i>Intermediate Rent</i>	<i>Intermediate Rent</i>	<i>Intermediate Rent</i>	<i>Intermediate Rent</i>	<i>Intermediate Rent</i>	<i>Social rent</i>
		80%	70%	65%	60%	50%	
Open Market Rent	595	720					
Intermediate Rent		576	504	468	432	360	
Social rent							461
Annual Income	7,140	6,912	6,048	5,616	5,184	4,320	5,532
Yield	8.00%	6.25%	6.00%	5.75%	5.75%	5.60%	5.50%
Years Purchase	12.50	16.00	16.67	17.39	17.39	17.86	18.18
Capitalised Rent	89,250	110,592	100,800	97,670	90,157	77,143	100,582

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

7.70 In calculating the above, the Open Market Rent used is the median rent of £595 per month (as recorded in the West sub-market). The Intermediate Rent is calculated based on an Open Market Rent of £720 per month to reflect the higher specification and space standards required by RPs. Clearly the setting of Intermediate Rents is going to be sensitive – not only to meeting the need for affordable housing but also relative to its value. It is interesting to note the similarity in the value of

Intermediate Rent units at 70% to social rented units. In pure financial terms there is little case for lowering Intermediate Rents below this level.

7.71 Table 7.15 above shows the current market and social rents sought in Bridgend – with a range of alternative Intermediate Rents also presented. The cost of developing one of these Intermediate Rent units is about £107,000 (including a 17% developers, profit). If land costs of £35,000 per market unit (based on values reported in the Affordable Housing Viability Study) and £10,000 per affordable unit are assumed it is possible to compare the capitalised value of a home in a particular tenure (the bottom row in the table above for rented tenures and the purchase price for ownership models) to the cost of developing that type of home. The difference is the development surplus, which is presented in the figure below.



Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

7.72 The figure shows that the development of homes for freehold purchase is right on the margins of viability and that only building shared ownership homes actually shows a positive return. However an Intermediate Rented home at 80% of the market rent only requires a subsidy of £6,400 compared with a social rented home requiring a subsidy of about £35,000. Using three bedroom units in the West sub-market as the example, the levels of subsidy required for the various Intermediate Rent levels considered are shown in Table 7.16.

<i>Tenure status</i>	<i>Level of subsidy</i>
Intermediate Rent at 80% OMR	£6,461
Intermediate Rent at 70% OMR	£16,253
Intermediate Rent at 65% OMR	£19,383
Intermediate Rent at 60% OMR	£26,896
Intermediate Rent at 50% OMR	£39,910
Social rent	£35,234

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

The use of relets

- 7.73 The above figures assume that the production of a new Intermediate Rented home is a stand alone project without subsidy from outside. Social rented units can be re-let at Intermediate Rents – so long as the income from the relets over and above the existing social rents is used to finance new development. Table 7.17 looks at how many existing social rents need to be converted to Intermediate Rents to make up the development shortfall.

<i>New Intermediate Rent Units</i>			<i>Social rent Relets at Intermediate Rent</i>			<i>Balance</i>
<i>Number</i>	<i>% OMR</i>	<i>Surplus / Deficit</i>	<i>Number</i>	<i>% OMR</i>	<i>Capitalised Additional Rent</i>	
4	80%	-25,843	1	80%	28,774	2,931
1	70%	-16,253	1	70%	18,982	2,729
1	65%	-19,383	2	65%	31,703	12,320
1	60%	-26,896	4	60%	33,353	6,457

NA: Read tables across rows

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

- 7.74 The table indicates for example that one additional social rented property being relet at 80% Intermediate Rent, would provide an additional £28,774 of capitalised rent. This figure is enough to offset the development shortfall from four new 80% Intermediate Rent properties being built. Alternatively one relet at 70% Intermediate Rent could provide sufficient additional funding to enable one new Intermediate Rent home at 70% to be built.
- 7.75 In practice this calculation will need to be carried out on a project by project basis as the rents on the newbuild and relets will vary from property to property. The above table assumes that the open market rental value of an old social rented unit is equal to that of a new Intermediate Rent – this is unlikely to be the case. However the above does illustrate the difficult decisions that the Council will have to make when deciding on future housing mixes and types.

At what level should the Intermediate Rent be set?

- 7.76 It is clear that Intermediate Rent requires a subsidy – but less subsidy than social rent. The first part of the chapter showed that it should be set at 70% if it is to draw a large number of households requiring affordable housing.
- 7.77 The way in which this can be funded is by converting social relets into Intermediate Rent relets. The question of how much of this should be done is a political one, upon which we cannot comment. What is clear, however, is that from a funding point of view an Intermediate Rent level down to 70% could be afforded with suitable conversion of social relets to Intermediate Rent.

^v Local Housing Allowance had previously been limited to the rent level at the 50th percentile of market values. From April 2011 the Local Housing Allowance limit has been reduced to the 30th percentile of market values. The country is divided into housing market areas for the purpose of setting these levels.

^{vi} *'Rent First - intermediate rent - Final Guidance March 2011'*

8. Improving market balance over the longer term

Summary

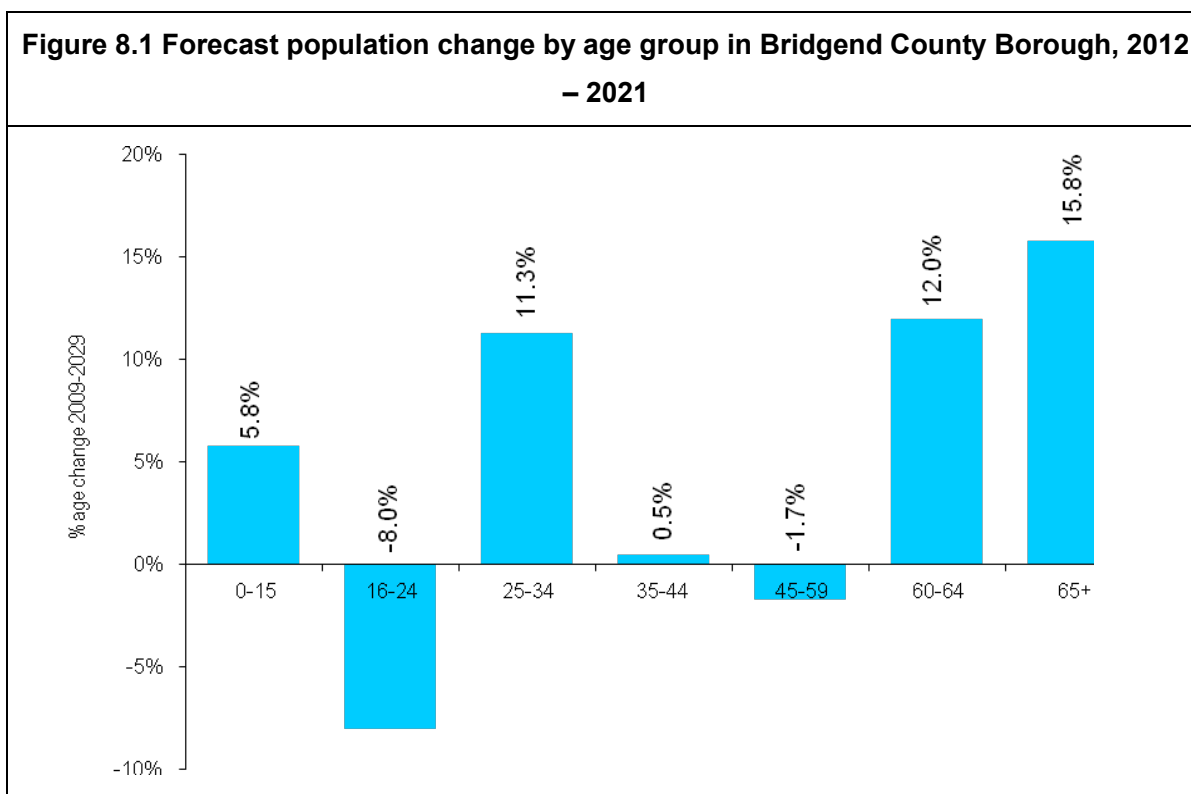
- i) The Cambridge Econometrics demographic projections suggest that the population is projected to increase by 4.5% over the period 2012-2021. The profile of the population is expected to change, with a large increase in the numbers of residents aged 70 and over. In addition there are projected to be large increases in the number of single person and lone parent family households.
- ii) In terms of the accommodation required to provide housing market balance over the long-term, the model which is based on secondary data in combination with the household survey data and considers a range of factors including the adequacy of current housing suggests that of the new housing required up to 2021 (6,030 dwellings)
 - Across the County Borough, 54% should be market dwellings, 29% intermediate housing and 17% social rented accommodation.
 - In the North sub-market, 52% of new dwellings should be market accommodation, 42% intermediate housing and 6% social rented.
 - In the West sub-market, 52% of new dwellings should be market accommodation, 13% intermediate housing and 35% social rented.
 - In the East sub-market, 55% of new dwellings should be market accommodation, 33% intermediate housing and 12% social rented.
- iii) When the model examines the dwelling change required between 2012 and 2026 (8,656 new homes) it suggests
 - Across the County Borough, 58% should be market dwellings, 22% intermediate housing and 20% social rented accommodation.
 - In the North sub-market, 56% of new dwellings should be market accommodation, 26% intermediate housing and 18% social rented.
 - In the West sub-market, 59% of new dwellings should be market accommodation, 10% intermediate housing and 31% social rented.
 - In the East sub-market, 59% of new dwellings should be market accommodation, 26% intermediate housing and 15% social rented.

Introduction

- 8.1 The original LHMA report used long-term market balance model to assess the tenure of new housing required between 2009 and 2021. Since the finalisation of the original LHMA report, new demographic and economic projections for Bridgend County Borough have been produced and the Welsh Government has published further guidance on the role of Intermediate Rent within the housing market. This chapter will therefore reproduce the long-term market balance model taking into account this updated information. The model will consider both the housing requirements in 2021, which is the end of the Council's Local Development Plan period, and the housing requirements in 2026.
- 8.2 The long-term market balance model uses secondary data in combination with the household survey dataset to compare the current housing stock against the stock of housing required in the future. The purpose of this model is to identify the new accommodation required to adequately house the future population in the county and ensure that the housing market is balanced.
- 8.3 This chapter initially presents the latest Cambridge Econometrics demographic projections for Bridgend County Borough and describes the predicted changes in both the population size and composition. These projections are then used within the model to identify the adjustment required to provide a sufficient range of accommodation to adequately house each household type and balance the housing stock, culminating in suggested profiles for new housing in terms of tenure and dwelling size.

Demographic projections

- 8.4 The paper *'Examining Alternative Demographic and Labour Market Projections. A report to Bridgend County Borough Council'* published by Cambridge Econometrics in April 2010 sets out the latest population, household and employment estimates and projections for Bridgend County Borough. The population projections indicate that the population within Bridgend County Borough is projected to increase by 4.9% between 2012 and 2021 (an increase of 6,800 people).
- 8.5 The projections allow for data to be broken down by age cohort. Figure 8.1 shows the projected change within each age cohort between 2012 and 2021. The population projection data indicates that there will be reductions in certain age groups (particularly the 16-24 age range). The data also indicates a significant increase in the number of people aged 60 or over within Bridgend County Borough over the nine year period and a notable growth in people aged between 25 and 34.



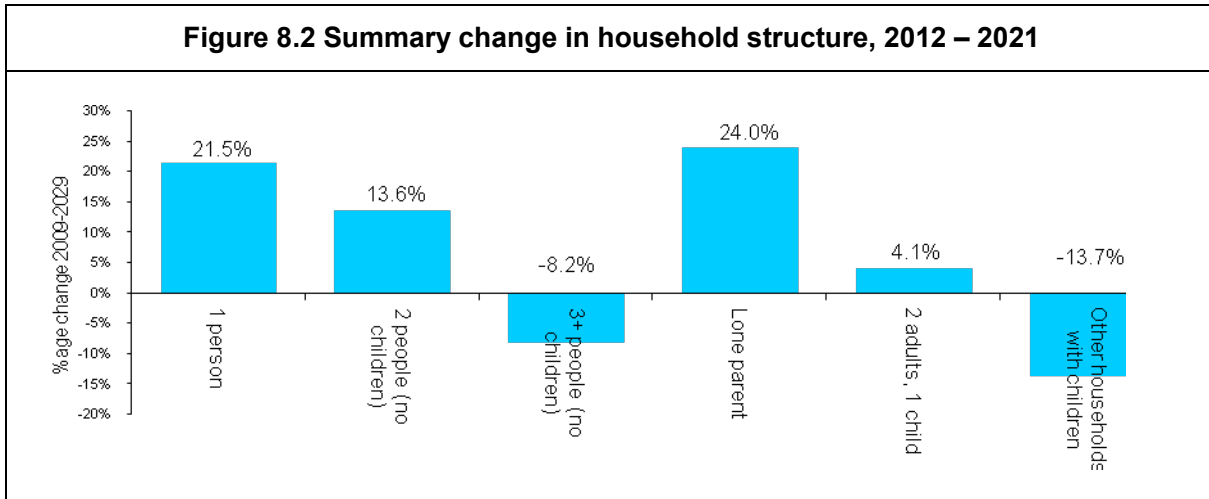
Source: Examining Alternative Demographic and Labour Market Projections. A report to Bridgend CBC, 2010

8.6 The Cambridge Econometrics demographic projections suggest that the number of households is set to increase at a faster rate to the population, therefore it is anticipated that the average household size will decrease from 2.29 to 2.19 persons over the next nine years.

Table 8.1 Change in population, households and household size, 2012 – 2021			
	2012	2021	% change
Population	137,460	144,260	+4.9%
Households	59,960	65,990	+10.0%
Average household size	2.29	2.19	

Source: Examining Alternative Demographic and Labour Market Projections. A report to Bridgend CBC, 2010

8.7 The latest household projections for Bridgend County Borough suggest that the structure of households is likely to change over time. Whilst the Table above suggests that the overall number of households is expected to increase by 10.0%, Figure 8.2 shows that this increase is not uniform across different household groups. The number of non-lone parent households with more than one child are expected to decrease by 13.7%, whilst the number of lone parent households is expected to increase by over a quarter and the number of single person households is expected to increase by over a fifth.



Source: The Welsh Government 2008-based household projections

8.8 These population and household projections have been applied to the household survey dataset to provide an estimated household profile for nine years' time. Before the accommodation requirements of the future population are calculated it is important to describe the approach used to create an accommodation profile adequate for each of these household types.

Adequacy of the housing stock

8.9 For the purpose of this model, the housing market is considered balanced if the local population is adequately accommodated. It is therefore initially appropriate to assess the adequacy of the current accommodation to house the residents of Bridgend County Borough. This is determined through response to the household survey.

8.10 A household is considered currently adequately housed unless the household has indicated that they need to move home now because the accommodation is inadequate for the household. This is ascertained from the reason cited for the household moving. Households whose moves are caused by the accommodation size, cost, form and services available within it being currently unsuitable for the resident are considered to be inadequately housed and to require alternative accommodation. The tenure and size of dwelling these households expect to achieve when they move are presumed to represent the nature of the accommodation that they require.

8.11 Some further adjustments are also made to remove over the long-term any undesirable elements of market imbalance that exist currently:

- Households who are overcrowded are assumed to require a property large enough for overcrowding not to take place
- Households in social rented accommodation who can afford market or intermediate accommodation are assumed to require this to ensure that the stock is being most appropriately and efficiently used. The cost of intermediate housing accommodation is based at 70% Intermediate Rent.

- Households with children and pensioner households who are in the private rented sector on Local Housing Allowance are assumed to move into the form of affordable accommodation that they can afford (intermediate or social rented) as this is the tenure in which they would be more appropriately housed. The private rented sector on Local Housing Allowance is not an adequate long-term equivalent to affordable housing – analysis of survey data shows there is not the same security of tenure or quality of housing within the private rented Housing Benefit stock as within the social rented sector.
- Households resident in the private rented sector without Local Housing Allowance who identified that the cost of their current housing was a severe problem are assigned to a tenure that they can afford according to the Welsh Assembly Government Local Housing Market Assessment Guide affordability test.

8.12 Table 8.2 shows the proportion of each household type currently requiring alternative accommodation in order to be adequately housed. The Table shows that some 12.1% of households are classified as inadequately housed currently. Lone parents are the household group least likely to reside in adequate accommodation, whilst households containing couples with no children are least likely to be inadequately housed.

Table 8.2 Types of households inadequately housed currently			
<i>Household type</i>	<i>Number inadequately housed</i>	<i>All households</i>	<i>Proportion inadequately housed</i>
Single pensioners	1,003	9,771	10.3%
2 or more pensioners	392	6,338	6.2%
Single non-pensioners	327	8,607	3.8%
Couple, no children	400	11,128	3.6%
Other multi-adult	606	6,887	8.8%
Lone parent	2,290	5,177	44.2%
2+ adults, 1 child	878	6,827	12.9%
2+ adults, 2+ children	1,355	5,225	25.9%
Total	7,250	59,960	12.1%

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

Tenure of housing required

8.13 Rather than prescribing the accommodation required to address the current mismatch between the household population and the current stock, the profile of suitable accommodation for each household type is applied to the household population in nine years' time. The model therefore assumes that the pattern of accommodation required by each household type remains constant.

8.14 Table 8.3 shows the ideal tenure profile in Bridgend County Borough in nine years' time (if all households are to be adequately housed). The data shows that in 2021 the housing market should comprise 82.8% of market dwellings, 2.9% intermediate and 14.3% social rented.

Table 8.3 Ideal tenure profile in 2021		
<i>Tenure</i>	<i>Number of households</i>	<i>Percentage of households</i>
Market	54,637	82.8%
Intermediate	1,943	2.9%
Social rented	9,411	14.3%
Total	65,990	100.0%

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

8.15 Table 8.4 shows the tenure profile required by households resident in the County Borough in nine years time in comparison to the tenure profile recorded currently. The difference between these two distributions is the change required to the housing stock over this period. The results show that 6,030 additional homes are required in the County Borough over the next nine years. The Table also indicates that 53.4% of new dwellings should be market properties with 29.2% intermediate housing and 17.4% social rented accommodation.

Table 8.4 Tenure of new accommodation required in Bridgend County Borough over the next nine years				
<i>Tenure</i>	<i>Current tenure profile</i>	<i>Tenure profile 2021</i>	<i>Change required</i>	<i>% of change required</i>
Market	51,417	54,637	+3,219	53.4%
Intermediate	182	1,943	+1,761	29.2%
Social rented	8,361	9,411	+1,050	17.4%
Total	59,960	65,990	+6,030	100.0%

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

8.16 The original LHMA report undertook the same analysis to identify the change required to the housing stock by 2021 (although the start date was 2009). The base model presented, which assumed a dwelling growth of 767 new homes per year, indicated that 58.3% of new housing should be market accommodation, 10.6% intermediate and 31.1% social rent. The original LHMA also considered an alternative scenario based on annual growth of 648 new homes a year (which is closer to the annual growth of 670 new homes used in the current model presented above). This suggested 54.0% of new housing should be market homes, 12.2% intermediate and 33.8% social rented.

8.17 Comparing these outputs with the current version of the model it is clear that the requirement for market housing has not changed greatly, but intermediate is now much more important within the affordable sector. This is due to the introduction of Rent First – Intermediate Rent, which more clearly

defines what this form of housing should be priced at, so that a notable number of future households are likely to be able to afford it.

- 8.18 The model is also able to provide detail on the size of new dwellings required within each of these three tenures. This is shown for the current model in the section below.

Size of housing required within each tenure

- 8.19 Table 8.5 presents the size of market accommodation required by households resident in the County Borough in nine years' time in comparison to the size profile recorded in the sector currently. The implied change to the housing stock is also presented. The Table shows that some 45.0% of new market dwellings should be three bedroom properties, with 32.0% containing four or more bedrooms, 18.8% two bedrooms and 4.2% one bedroom.

Table 8.5 Size of new market accommodation required in Bridgend County Borough over the next nine years				
<i>Dwelling size</i>	<i>Current size profile</i>	<i>Size profile 2021</i>	<i>Change required</i>	<i>% of change required</i>
One bedroom	1,724	1,857	+134	4.2%
Two bedrooms	11,060	11,664	+604	18.8%
Three bedrooms	27,584	29,034	+1,450	45.0%
Four or more bedrooms	11,050	12,081	+1,032	32.0%
Total	51,417	54,637	+3,219	100.0%

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

- 8.20 This analysis can be repeated for intermediate housing and is presented in Table 8.6. The data indicates that of the 1,761 additional intermediate dwellings required within the County Borough, over a third should be three bedroom properties with a further third two bedroom accommodation. Some 17.8% should contain four or more bedrooms and 12.1% a single bedroom. This analysis of intermediate housing requirements is based on a small sample and should therefore be viewed with caution.

Table 8.6 Size of new intermediate accommodation required in Bridgend County Borough over the next nine years				
<i>Dwelling size</i>	<i>Current size profile</i>	<i>Size profile 2021</i>	<i>Change required</i>	<i>% of change required</i>
One bedroom	0	214	+214	12.1%
Two bedrooms	77	667	+590	33.5%
Three bedrooms	65	710	+644	36.6%
Four or more bedrooms	39	352	+314	17.8%
Total	182	1,943	+1,761	100.0%

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

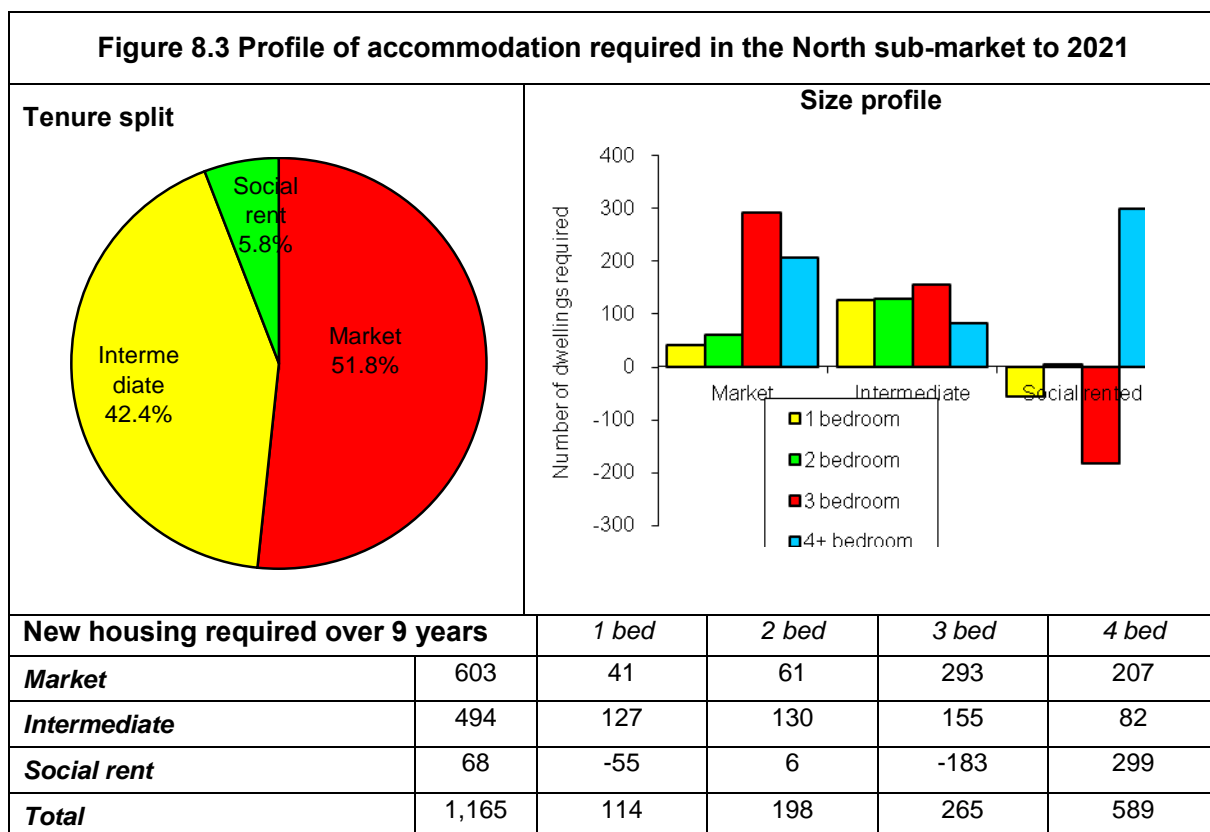
- 8.21 Table 8.7 shows the equivalent results for the social rented sector. The Table shows that of the 1,050 additional social rented units required within the County Borough over the next nine years, 46.8% should be four bedroom properties, 29.1% three bedroom accommodation and 24.1% two bedroom dwellings. There is no requirement for any further one bedroom market accommodation.

Table 8.7 Size of new social rented accommodation required in Bridgend County Borough over the next nine years				
<i>Dwelling size</i>	<i>Current size profile</i>	<i>Size profile 2021</i>	<i>Change required</i>	<i>% of change required</i>
One bedroom	1,456	1,415	-41	0.0%
Two bedrooms	3,311	3,574	+263	24.1%
Three bedrooms	3,474	3,792	+317	29.1%
Four or more bedrooms	120	630	+510	46.8%
Total	8,361	9,411	+1,050	100.0%

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

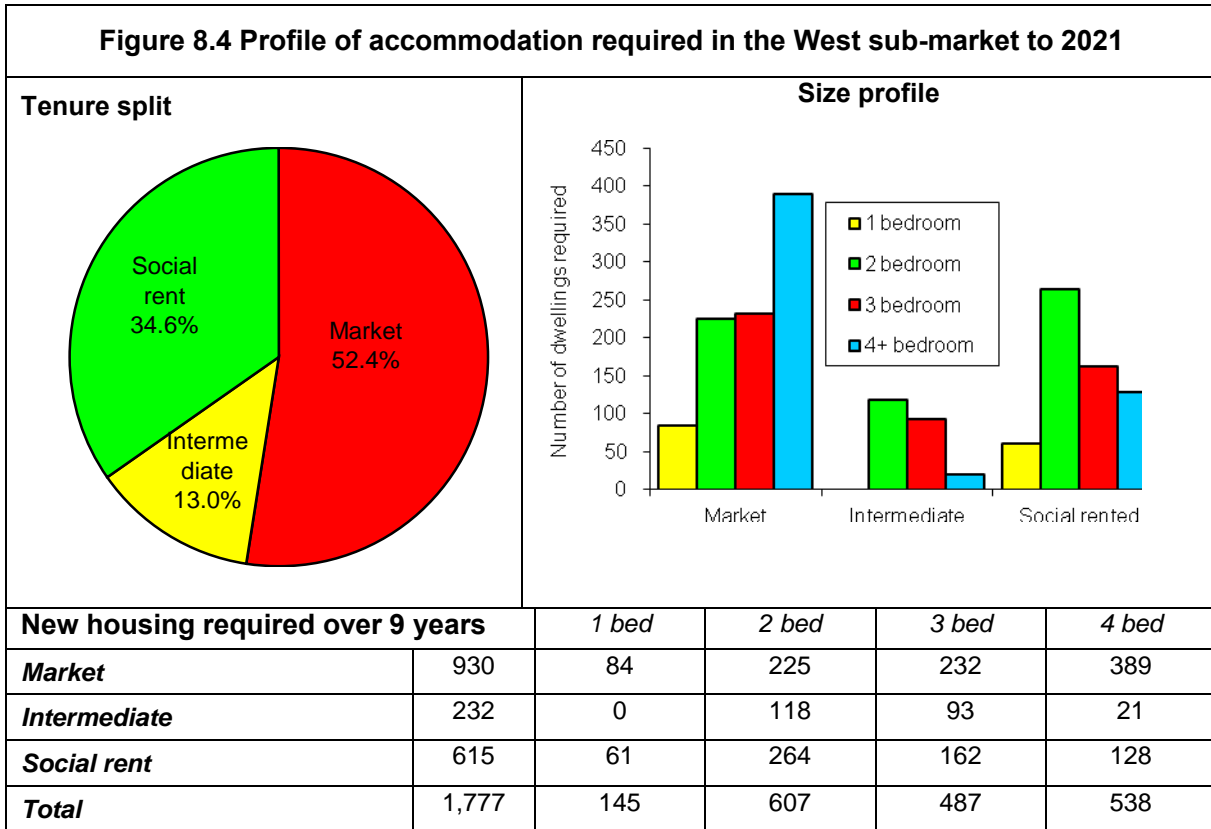
Sub-area results

- 8.22 These results can be disaggregated to the three sub-markets identified within Bridgend County Borough and are presented in Figures 8.3 to 8.5 below.
- 8.23 Figure 8.3 shows the results for the North sub-market. The results indicate that in the North sub-market, some 51.8% of new housing should be market accommodation, with 42.4% intermediate and 5.8% social rented. The majority of market accommodation required is three and four bedroom dwellings. A range of homes are required in the intermediate sector and almost all the requirement for social rented homes is for four bedroom properties. A surplus of one and three bedroom social rented dwellings is recorded.



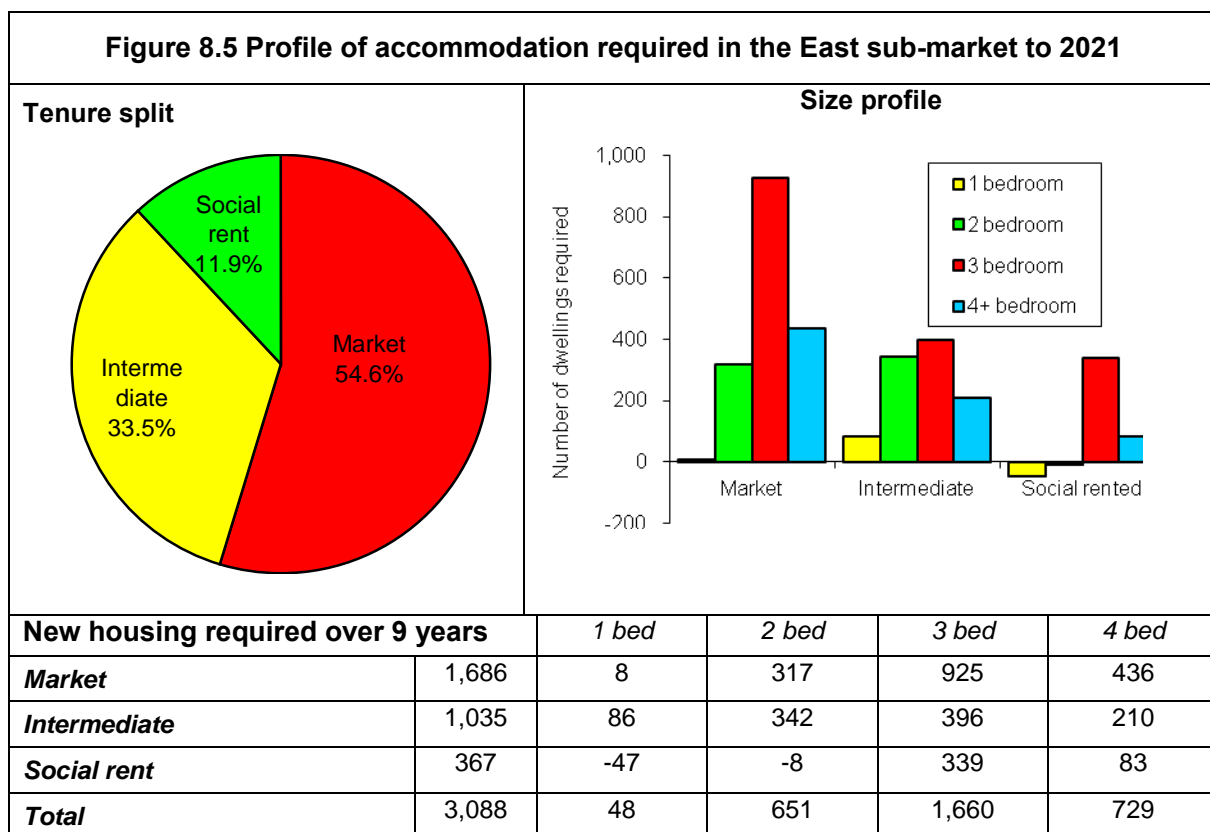
Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

8.24 Figure 8.4 shows the results for the West sub-market. The results indicate that in the West sub-market, some 52.4% of new housing should be market accommodation, with 13.0% intermediate and 34.6% social rented. Four bedroom market accommodation is most commonly required, whilst two and three bedroom intermediate homes are needed. All sizes of social rented accommodation are required, with two bedroom homes the most necessary.



Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

8.25 Figure 8.5 shows the results for the East sub-market. The results indicate that in the East sub-market, some 54.6% of new housing should be market accommodation, with 33.5% intermediate and 11.9% social rented. Three bedroom market accommodation is most commonly required, whilst two and three bedroom intermediate homes are needed. Most of the requirement for social rented homes is for three bedroom properties, a small surplus of one and three bedroom social rented dwellings is recorded.



Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

Model outputs to 2026

8.26 Using the same approach, but basing it on the projections to 2026 from Cambridge Econometric, it is possible to present equivalent results for the nature of housing required in 14 years time. Table 8.8 shows the tenure profile required by households resident in the County Borough in 14 years time in comparison to the tenure profile recorded currently. The results show that 8,656 additional homes are required in the County Borough over the next 14 years. The Table also indicates that 58.1% of new dwellings should be market properties with 21.5% intermediate housing and 20.4% social rented accommodation. It is anticipated that the majority of the additional accommodation required between 2021 and 2026 will be market accommodation (69.0%) and relatively little will be intermediate (3.7%). This suggests that the large initial requirement for intermediate housing is a consequence of the very small existing stock, and that once the stock has been expanded to a baseline level, the growth will mirror that of the other tenures.

Table 8.8 Tenure of new accommodation required in Bridgend County Borough over the next 14 years				
<i>Tenure</i>	<i>Current tenure profile</i>	<i>Tenure profile 2026</i>	<i>Change required</i>	<i>% of change required</i>
Market	51,417	56,448	+5,031	58.1%
Intermediate	182	2,040	+1,859	21.5%
Social rented	8,361	10,127	+1,766	20.4%
Total	59,960	68,616	+8,656	100.0%

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

- 8.27 Table 8.9 presents the size of market accommodation required by households resident in the County Borough in 14 years time in comparison to the size profile recorded in the sector currently. The Table shows that some 43.7% of new market dwellings should be three bedroom properties, with 29.5% containing two bedrooms, 22.5% four or more bedrooms and 4.3% one bedroom. The data indicates that between 2021 and 2026 new two bedroom market accommodation will become increasingly important and new four bedroom market homes less so.

Table 8.9 Size of new market accommodation required in Bridgend County Borough over the next 14 years				
<i>Dwelling size</i>	<i>Current size profile</i>	<i>Size profile 2026</i>	<i>Change required</i>	<i>% of change required</i>
One bedroom	1,724	1,940	+217	4.3%
Two bedrooms	11,060	12,547	+1,487	29.5%
Three bedrooms	27,584	29,782	+2,198	43.7%
Four or more bedrooms	11,050	12,179	+1,130	22.5%
Total	51,417	56,448	+5,031	100.0%

Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

- 8.28 Table 8.10 shows the requirement for new intermediate housing up to 2026. Some 35.6% of new intermediate homes should be three bedroom properties with a further 33.4% two bedroom accommodation, 17.5% four or more bedrooms and 13.5% a single bedroom. There is little change to the size profile required for intermediate housing between 2021 and 2026.

<i>Dwelling size</i>	<i>Current size profile</i>	<i>Size profile 2026</i>	<i>Change required</i>	<i>% of change required</i>
One bedroom	0	252	+252	13.5%
Two bedrooms	77	698	+621	33.4%
Three bedrooms	65	727	+661	35.6%
Four or more bedrooms	39	364	+325	17.5%
Total	182	2,040	+1,859	100.0%

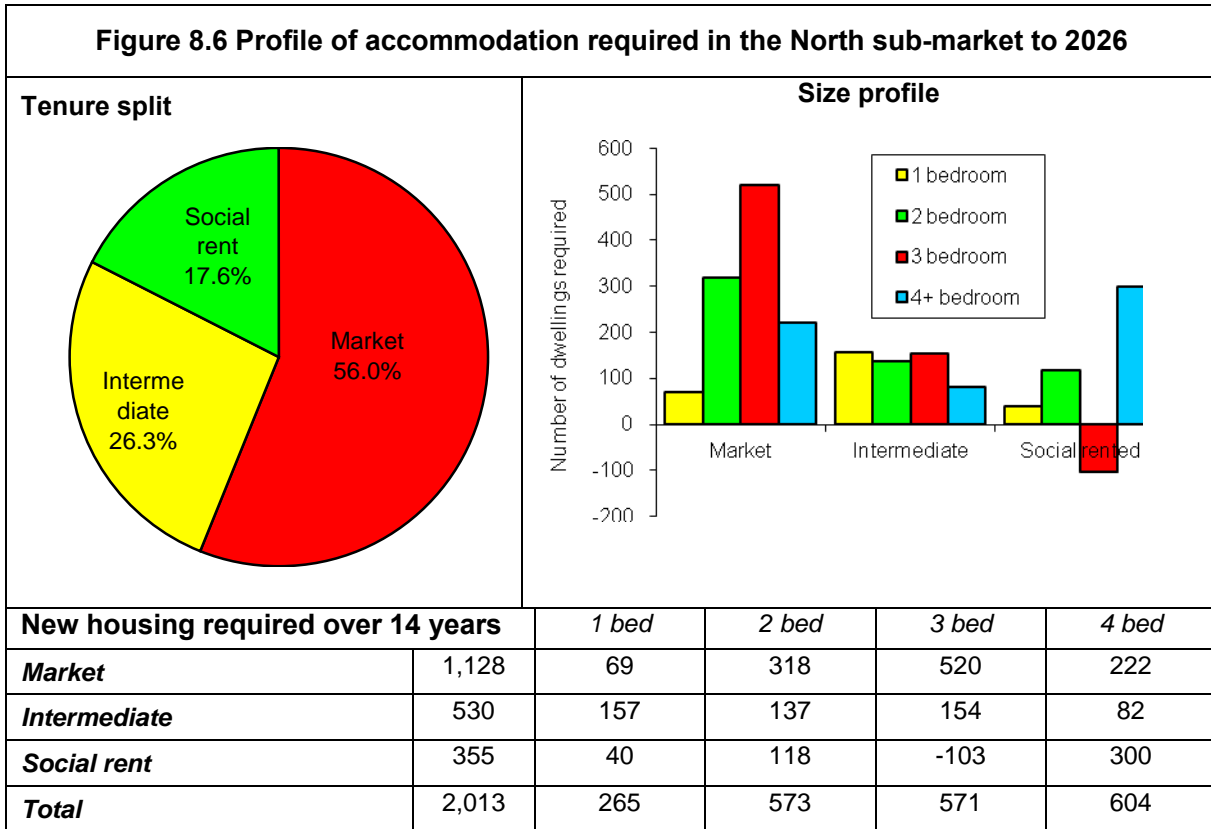
Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

- 8.29 Table 8.11 shows the equivalent results for the social rented sector. The Table shows that of the 1,766 additional social rented units required within the County Borough over the next 14 years, 36.3% should be two bedroom properties, 29.2% three bedroom accommodation, 29.0% four bedroom dwellings and 5.5% one bedroom homes. The data indicates that between 2021 and 2026, smaller new social rented accommodation will become increasingly important and larger new social rented homes less so.

<i>Dwelling size</i>	<i>Current size profile</i>	<i>Size profile 2026</i>	<i>Change required</i>	<i>% of change required</i>
One bedroom	1,456	1,552	+97	5.5%
Two bedrooms	3,311	3,953	+641	36.3%
Three bedrooms	3,474	3,990	+516	29.2%
Four or more bedrooms	120	632	+512	29.0%
Total	8,361	10,127	+1,766	100.0%

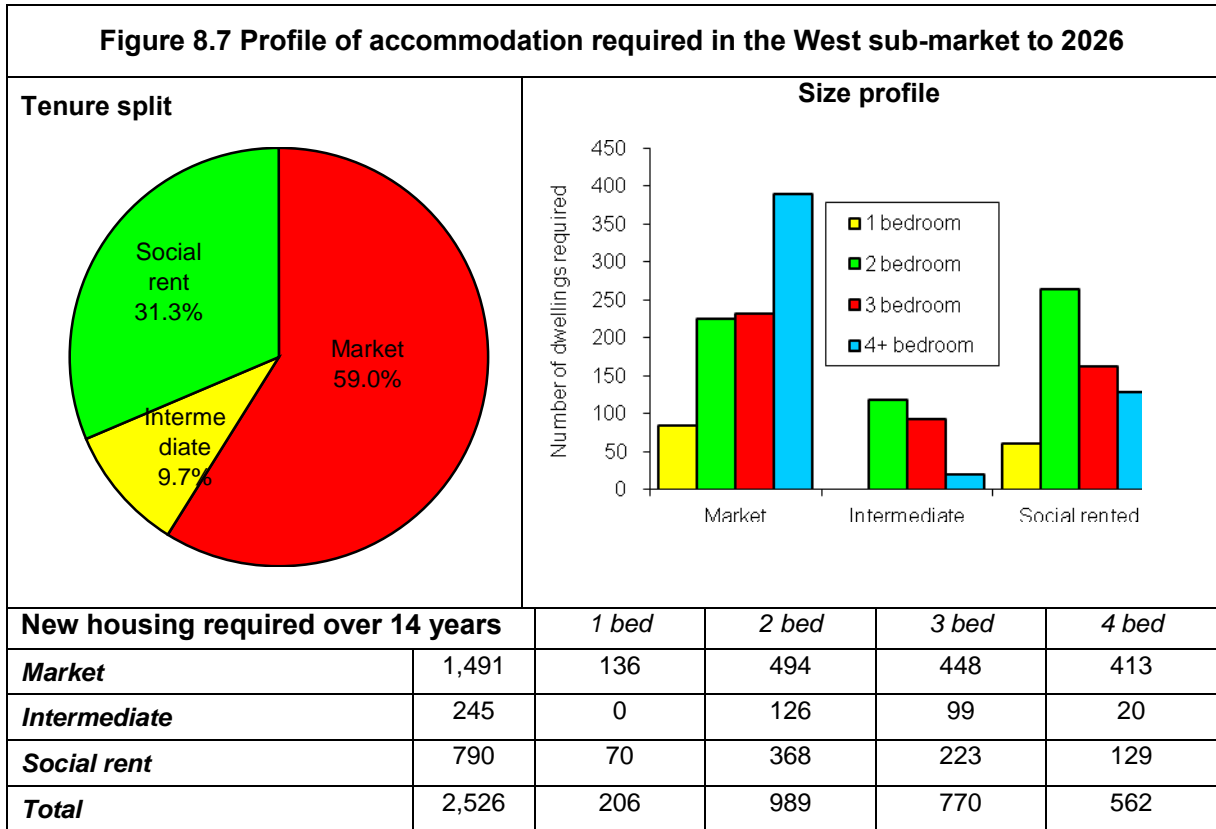
Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

- 8.30 Figures 8.6 to 8.8 below show the results for each sub-market through to 2026. Relative to 2021, market housing forms a greater proportion of the total requirement and intermediate housing a smaller proportion in all sub-markets. There is increasing importance for smaller dwellings across all sub-markets.
- 8.31 Figure 8.6 shows the results to 2026 for the North sub-market. The results indicate that in the North sub-market, some 56.0% of new housing should be market accommodation, with 26.3% intermediate and 17.6% social rented.



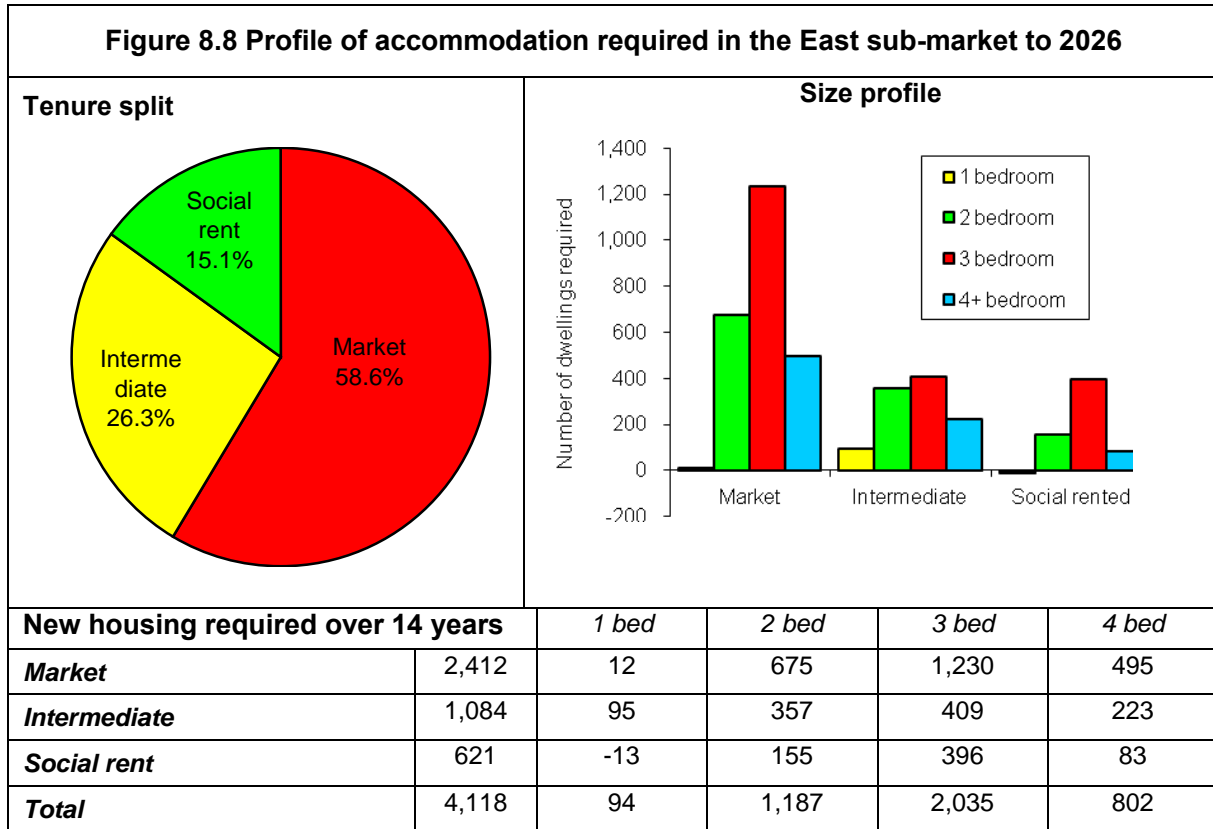
Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

8.32 Figure 8.7 shows the results to 2026 for the West sub-market. The results indicate that in the West sub-market, some 59.0% of new housing should be market accommodation, with 9.7% intermediate and 31.3% social rented.



Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

8.33 Figure 8.8 shows the results to 2026 for the East sub-market. The results indicate that in the East sub-market, some 58.6% of new housing should be market accommodation, with 26.3% intermediate and 15.1% social rented.



Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

9. Impact of changes on policy implications

Introduction

- 9.1 Both TAN2 and the LHMA Guide are clear that the ultimate aim of a Local Housing Market Assessment is to provide robust evidence that will inform local housing strategy and planning policies. The original report set out a series of suggestions about possible policy responses in light of the findings of the LHMA. In this chapter we briefly review these suggestions and comment on where these might be revised as a result of the updated findings.

Outputs from the LHMA Update

Mix of housing required: Market vs Affordable

- 9.2 The original LHMA used the evidence of the WG Needs Assessment Model and the long-term market balance model to propose an interim target of 42% affordable housing to be reviewed once the viability report for the Council had been completed. This viability report has now been published and proposes a target of 30% in the west of the County Borough, 20% in the east and 15% in the north to reflect the difference in viability. It also acknowledges that this will be difficult to achieve in current market conditions.
- 9.3 The level of housing need evidenced by the Welsh Government needs assessment model in Chapter 6 of 1,762 affordable dwellings per annum would, in theory, support a relatively high affordable housing target. This figure is higher than the equivalent figure of 1,514 recorded in the original LHMA report.
- 9.4 If the assumptions used in the model are changed an alternative figure more sensitive to current circumstances is produced. If the affordability threshold used is adjusted to 30% of gross income on rent, which better reflects the prevailing market conditions in Bridgend County Borough, then there would be 111 fewer households in gross need each year. If the private rented sector via LHA is considered to represent a supply to meet the housing need then the gross supply increases by 1,359 dwellings. The impact of changing both of these assumptions is that the need for new affordable units reduces to 292 per year.
- 9.5 The figure of 1,762 remains the overall need figure because it is calculated in accordance with the approach set out in the Welsh Government Local Housing Market Assessment Guide and is therefore comparable with historical estimates and figures derived elsewhere. The figure of 292 does reflect the affordable housing pressure experienced in current market conditions, and still represents some 48.7% of new housing planned for the County Borough as being affordable.

- 9.6 The updated long-term market balance model presented in Chapter 8, suggests that up to 2021, 54% of new housing should be market accommodation and that 58% of new homes required up to 2026 should be market housing.
- 9.7 An affordable housing target of around 40-45% would be ideal as this reflects the continued high level of housing need and also the ongoing requirement to address market imbalance, however the Council will have to determine what target is most useful considering current viability limitations. The long-term market balance model suggests that the target for affordable housing should not vary by sub-market as they all record very similar level of market housing requirements.

Mix of housing required: Social rented vs Intermediate

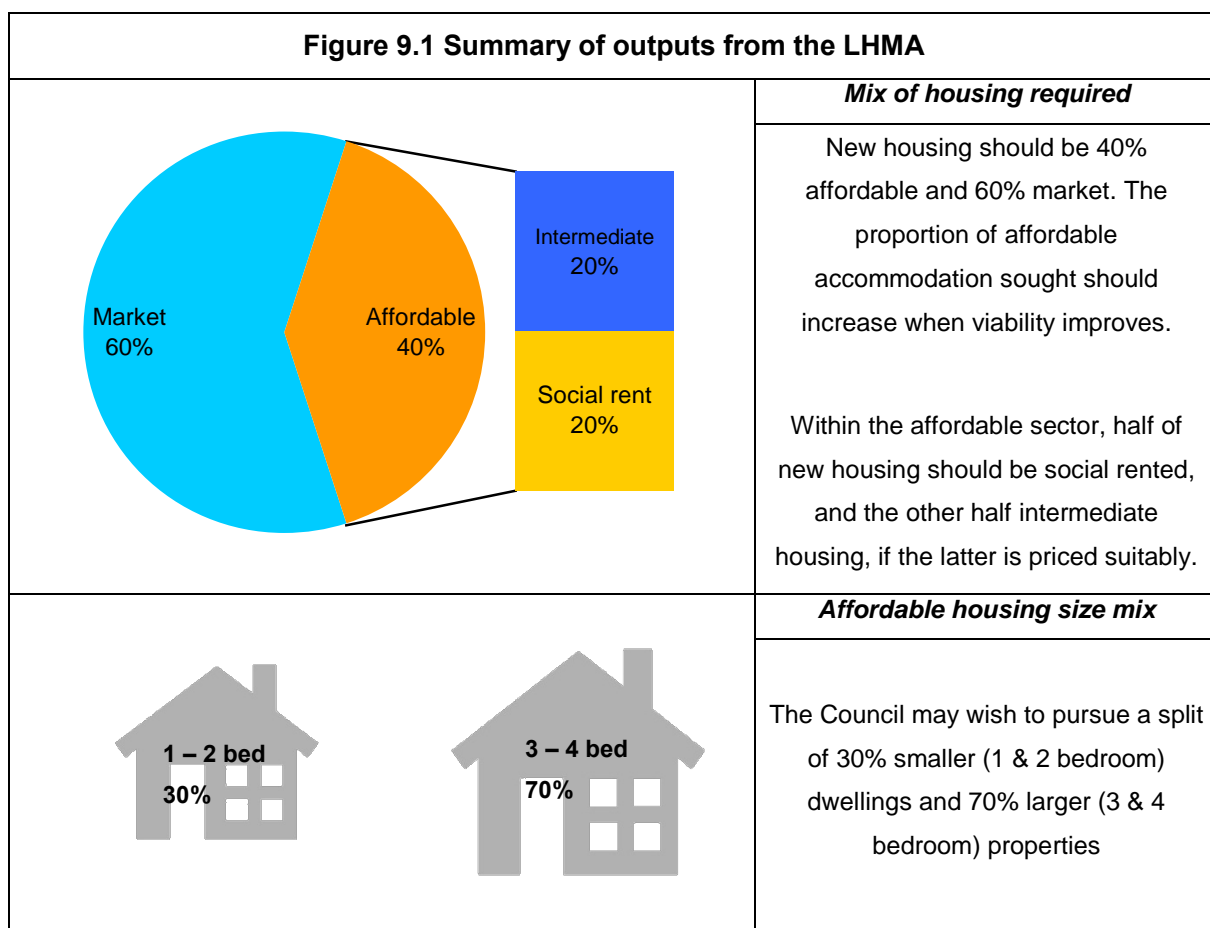
- 9.8 In the original LHMA report outputs from the WG needs assessment model and the long-term market balance model were used to suggest a target of 19% of affordable housing as intermediate. This update report has been able to examine the potential intermediate sector in more detail as further guidance is now available on Intermediate Rent.
- 9.9 Analysis of the affordability of households in need in Chapter 7 suggests that upwards of a quarter of new affordable accommodation could be intermediate, (depending on the number of households it would be acceptable to use Local Housing Allowance to pay part of their rent) the long-term market balance model suggests that between half and two-thirds of new affordable housing could be intermediate.
- 9.10 It is clear that there is latent potential demand for this form of accommodation and because of the low level of existing stock, new intermediate accommodation should be a priority over the short-term. It is therefore recommended that half of new affordable housing in the County Borough be intermediate. However, this target is dependent on intermediate housing being priced correctly. This is just a recommendation it is up to the Council to determine policy.
- 9.11 There is some evidence to suggest that it may be appropriate to seek a slightly higher proportion of intermediate housing in the North sub-market and a lower proportion in the West sub-market. The results of the affordability analysis of households in need in Chapter 7 suggest that a higher than average proportion could afford intermediate housing in the North sub-market (based at 70% Intermediate Rent) and a lower than average proportion could afford intermediate housing in the West sub-market. The longer-term balance model also shows this pattern, with intermediate housing being most suitable in the North and least suitable in the West.

Affordable housing size mix

9.12 The original LHMA proposed that the Council pursue a split of 60% larger (three and four bedroom) and 40% smaller (one and two bedroom) dwellings in the affordable sector. Both models presented in this update indicate that the pressure for larger affordable accommodation has increased since 2009, so it would be suitable for the Council to consider pursuing 70% of new affordable homes to be three and four bedroom and 30% one and two bedroom.

The LHMA as an ‘evidence base’

9.13 These findings form part of the ‘evidence base’ for policy, but do not form policy in itself. It is a policy issue for the Council to decide what types of affordable housing to build. The Council will want to consider its priorities in the light of the evidence, but not in any way be dictated by it. It is recommended that the outputs from this report should also be viewed alongside the latest other information on the Council’s housing and planning priorities.



Source: Bridgend County Borough Local Housing Market Assessment Update, 2012

Monitoring tool

- 9.14 The LHMA is a process – although this report is, by its very nature, a snapshot in time. It is, however, important that it is kept up to date and that the policies and strategies that emerge from this and other evidence are monitored to assess whether or not they are achieving their desired ends.
- 9.15 The principle recommendation from this report is the affordable housing target. There are two main sources of information for this in this report. The first being the Housing Needs Figure as derived in accordance with the Welsh Government Local Housing Market Assessment Guide (calculated in Chapter 6), the second is the Long Term Balancing Housing Markets Model (as set out in Chapter 8).
- 9.16 To assist the council in monitoring their progress towards achieving the market balance we have provided the council with a simple monitoring tool in the form of an Excel spread sheet. Initially this has been set up to monitor the progress toward the market balance identified in the LTBHM, shown in table 8.8 of this report (presuming 8,656 new dwellings in period to 2026 and 40% of these will be affordable up to 2020 with 45% affordable after that). The working sheet is shown in the table below.

Long-term BHM - achieving market balance more quickly				Market	Affordable		
Start year		2012		Starting stock	51,417	8,543	
End year		2026		Target % affordable for tenure balance		17.7%	
Total build (all housing)		8,656		Years taken to reach balance		28	
Total build % affordable		41.8%		Tenure balance achieved at		2040	
Year	Market stock	Affordable stock	% of build affordable	Build rate (override)	Build rate	% of stock affordable	Balance Achieved
2012	51,417	8,543	40.0%		618	14.2%	NO
2013	51,788	8,790	40.0%		618	14.5%	NO
2014	52,159	9,038	40.0%		618	14.8%	NO
2015	52,530	9,285	40.0%		618	15.0%	NO
2016	52,901	9,532	40.0%		618	15.3%	NO
2017	53,272	9,780	40.0%		618	15.5%	NO
2018	53,643	10,027	40.0%		618	15.7%	NO
2019	54,014	10,274	40.0%		618	16.0%	NO
2020	54,385	10,522	45.0%		618	16.2%	NO
2021	54,725	10,800	45.0%		618	16.5%	NO
2022	55,065	11,078	45.0%		618	16.7%	NO
2023	55,405	11,356	45.0%		618	17.0%	NO
2024	55,745	11,634	45.0%		618	17.3%	NO
2025	56,085	11,913	40.0%		618	17.5%	NO
2026	56,456	12,160	40.0%		618	17.7%	YES
2027	56,827	12,407	40.0%		618	17.9%	YES
2028	57,198	12,655	40.0%		618	18.1%	YES
2029	57,569	12,902	45.0%		618	18.3%	YES
2030	57,909	13,180	45.0%		618	18.5%	YES
2031	58,249	13,458	45.0%		618	18.8%	YES
2032	58,589	13,737	40.0%		618	19.0%	YES
2033	58,960	13,984	16.9%		618	19.2%	YES
2034	59,474	14,088	16.9%		618	19.2%	YES
2035	59,988	14,193	16.9%		618	19.1%	YES
2036	60,501	14,297	16.9%		618	19.1%	YES
2037	61,015	14,402	16.9%		618	19.1%	YES
2038	61,529	14,506	16.9%		618	19.1%	YES

- 9.17 This tool allows the council to add in the number of houses built each year and the proportion of these that were affordable. The spreadsheet automatically updates a revised target in terms of total new build and the proportion to be affordable, to allow progress towards the long-term aim of a balanced market to be monitored.

Glossary

Affordability

A measure of whether households can access and sustain the cost of private sector housing. There are two main types of affordability measure: mortgage and rental. Mortgage affordability assesses whether households would be eligible for a mortgage; rental affordability measures whether a household can afford private rental. Mortgage affordability is based on standard lending multipliers (3.5 times income). Rental affordability is defined as the rent being less than a proportion of a household's gross income (in this case 25% of gross income).

Affordable housing

Affordable housing includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. Affordable housing should be at a cost which is below the costs of housing typically available in the open market and be available at a sub-market price in perpetuity (or income generated from the full sale of a shared ownership property recycled to provide replacement affordable housing).

Annual need

The combination of the net future need plus an allowance to deal progressively with part of the net current need.

Average

The term 'average' when used in this report is taken to be a mean value unless otherwise stated.

Bedroom standard

The bedroom standard is calculated as follows: a separate bedroom is allocated to each co-habiting couple, any other person aged 21 or over, each pair of young persons aged 10-20 of the same sex, and each pair of children under 10 (regardless of sex). Unpaired young persons aged 10-20 are paired with a child under 10 of the same sex or, if possible, allocated a separate bedroom. Any remaining unpaired children under 10 are also allocated a separate bedroom. The calculated standard for the household is then compared with the actual number of bedrooms available for its sole use to indicate deficiencies or excesses. Bedrooms include bed-sitters, box rooms and bedrooms which are identified as such by respondents even though they may not be in use as such.

Concealed household

A household that currently lives within another household but has a preference to live independently and is unable to afford appropriate market housing.

Current need

Households whose current housing circumstances at a point in time fall below accepted minimum standards. This would include households living in overcrowded conditions, in unfit or seriously defective housing, families sharing and homeless people living in temporary accommodation or sharing with others.

Disaggregation

Breaking a numerical assessment of housing need and supply down, either in terms of size and/or type of housing unit, or in terms of geographical sub-areas within the County Borough.

Financial capacity

This is defined as household income+savings+equity (the value of the property owned by owner-occupiers, typically the family home, net of mortgage). This provides an indication, when put on a capital basis, of the amount which the household could afford to pay for housing. Since equity is now a substantial part of the overall financial capacity of the large fraction of owner-occupiers it is essential to use this measure rather than the old price/income ratio to measure the activity of a housing market.

Forecast

Either of housing needs or requirements is a prediction of numbers which would arise in future years based on a model of the determinants of those numbers and assumptions about (a) the behaviour of households and the market and (b) how the key determinants are likely to change. It involves understanding relationships and predicting behaviour in response to preferences and economic conditions.

Grossing-up

Converting the numbers of actual responses in a social survey to an estimate of the number for the whole population. This normally involves dividing the expected number in a group by the number of responses in the survey.

Headship rates

Measures the proportion of individuals in the population, in a particular age/sex/marital status group, who head a household. Projected headship rates are applied to projected populations to produce projected numbers of households.

Household

One person living alone or a group of people who have the address as their only or main residence and who either share one meal a day or share a living room.

Household formation

The process whereby individuals in the population form separate households. 'Gross' or 'new' household formation refers to households which form over a period of time, conventionally one year. This is equal to the number of households existing at the end of the year which did not exist as separate households at the beginning of the year (not counting 'successor' households, when the former head of household dies or departs).

Household living within another household

Is a household living as part of another household of which they are neither the head nor the partner of the head.

Households sharing

Are households (including single people) who live in non-self-contained accommodation but do not share meals or a living room (e.g. 5 adults sharing a house like this constitute 5 one-person households).

Housing market area

The geographical area in which a substantial majority of the employed population both live and work, and where most of those changing home without changing employment choose to stay.

Housing need

Housing need is defined as the number of households lacking their own housing or living in housing which is judged to be inadequate or unsuitable, who are unlikely to be able to meet their needs in the housing market without some financial assistance.

Housing register

A database of all individuals or households who have applied to a local authority or RSL for a social tenancy or access to some other form of affordable housing. Housing registers, often called waiting lists, may include not only people with general needs but people with support needs or requiring access because of special circumstances, including homelessness.

Housing size

Measured in terms of the number of bedrooms, habitable rooms or floorspace. This report uses the number of bedrooms.

Housing type

Refers to the type of dwelling, for example, flat, house, specialist accommodation.

Income

Income means gross household income unless otherwise qualified

Intermediate housing

TAN2 defines intermediate housing as '*housing at prices and rents above those of social rent but below market prices or rents. This can include equity sharing schemes (for example HomeBuy) [but not low cost market housing]*'.

Lending multiplier

The number of times a household's gross annual income a mortgage lender will normally be willing to lend. The most common multipliers quoted are 3.5 times income for a single-income household and 2.9 times total income for dual-income households.

LHMA (Local Housing Market Assessment)

LHMA derives from government guidance suggesting that the 'evidence base' required for the good planning of an area should be the product of a process rather than a technical exercise.

Lower quartile

The value below which one quarter of the cases falls. In relation to house prices, it means the price of the house that is one quarter of the way up the ranking from the cheapest to the most expensive.

Mean

The mean is the most common form of average used. It is calculated by dividing the sum of a distribution by the number of incidents in the distribution.

Median

The median is an alternative way of calculating the average. It is the middle value of the distribution when the distribution is sorted in ascending or descending order.

Migration

The movement of people between geographical areas, primarily defined in this context as the local authority county borough area. The rate of migration is usually measured as an annual number of households, living in the county borough at a point in time, who are not resident in that county borough one year earlier.

Net need

The difference between need and the expected supply of available affordable housing units (e.g. from the re-letting of existing social rented dwellings).

Newly arising need

New households which are expected to form over a period of time and are likely to require some form of assistance to gain suitable housing together with other existing households whose circumstances change over the period so as to place them in a situation of need (e.g. households losing accommodation because of loss of income, relationship breakdown, eviction, or some other emergency).

Non-self-contained accommodation

Where households share a kitchen, bathroom or toilet with another household, or they share a hall or staircase that is needed to get from one part of their accommodation to another.

Overcrowding

An overcrowded dwelling is one which is below the bedroom standard. (See 'Bedroom Standard' above).

Primary data

Information that is collected from a bespoke data collection exercise (e.g. surveys, focus groups or interviews) and analysed to produce a new set of findings.

Potential households

Adult individuals, couples or lone parent families living as part of other households of which they are neither the head nor the partner of the head and who need to live in their own separate accommodation, and/or are intending to move to separate accommodation rather than continuing to live with their 'host' household.

Projection

Either of housing needs or requirements is a calculation of numbers expected in some future year or years based on the extrapolation of existing conditions and assumptions. For example, household projections calculate the number and composition of households expected at some future date(s) given the projected number of residents, broken down by age, sex and marital status, and an extrapolation of recent trends in the propensity of different groups to form separate households.

Random sample

A sample in which each member of the population has an equal chance of selection.

Re-lets

Social rented housing units which are vacated during a period and become potentially available for letting to new tenants.

Rounding error

Totals in tables may differ by small amounts (typically one) due to the fact that fractions have been added together differently. Thus a table total may say 2011, and if the individual cell figures are added the total may come to 2012. This is quite normal and is a result of the computer additions made. Figures should never be taken to be absolutely accurate. No such state exists. The figures in this document are robust estimates not absolutely precise ones. The usual practice is to use the stated total (in the above case 2011) rather than the figure of 2012 to which the individual figures sum. That is because the total will have resulted from a rounding after all the fractions are taken fully into account.

Sample survey

Collects information from a known proportion of a population, normally selected at random, in order to estimate the characteristics of the population as a whole.

Sampling frame

The complete list of addresses or other population units within the survey area which are the subject of the survey.

Secondary data

Existing information that someone else has collected. Data from administrative systems and some research projects are made available for others to summarise and analyse for their own purposes (e.g. Census, national surveys).

Shared equity schemes

Provide housing that is available part to buy (usually at market value). There is the option for the other part to be rented.

Social rented housing

TAN2 defines social rented housing as housing *'provided by local authorities and registered social landlords where rent levels have regard to the Assembly Government's guideline rents and benchmark rents.'*

Stratified sample

A sample where the population or area is divided into a number of separate sub-sectors ('strata') according to known characteristics based, for example, on sub-areas and applying a different sampling fraction to each sub-sector.

Specialised housing

Refers to housing that has been specially designed for a particular client group to meet their particular needs (such as accommodation that is accessible to people with a physical disability, extra care housing where care services are provided on site, hostels, refuges or group homes) or housing specifically designated for particular groups (such as older people, people with physical disabilities, learning difficulties or mental health issues). This is characterised as housing that includes special design features and/or access to support to assist people to live independently for as long as possible in their own home.

Support needs

Relating to people who have specific needs: such as those associated with a disability.

Under-occupation

An under-occupied dwelling is one which exceeds the bedroom standard by two or more bedrooms.

Unsuitably housed households

All circumstances where households are living in housing which is in some way unsuitable, whether because of its size, type, design, location, condition or cost. Households can have more than one reason for being in unsuitable housing, and so care should be taken in looking at the figures: a total figure is presented for households with one or more unsuitability reason, and also totals for the numbers with each reason.