



GL Hearn

Part of Capita Real Estate

Housing Evidence Base - Housing Mix

Liverpool City Council

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Prepared by

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Introduction

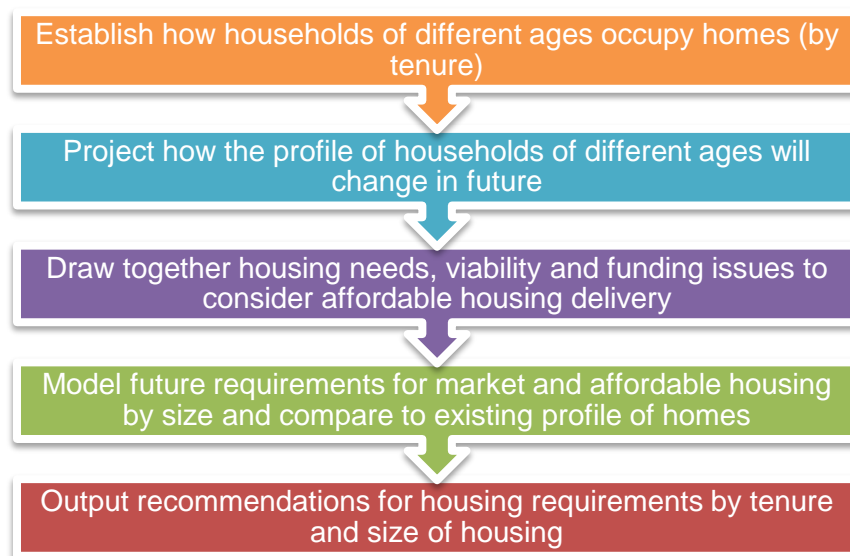
- 1.1 This report is one of a suite of documents which look to align the findings of key housing and employment land evidence base documents:
 - Liverpool City Council Strategic Housing Market Assessment (SHMA) (GL Hearn and Justin Gardner Consulting, July 2016);
 - Liverpool City Council Employment Land Study (ELS) (GL Hearn, February 2017); and
 - The draft Liverpool City Region (LCR) Strategic Housing and Employment Land Market Assessment (SHELMA) (GL Hearn and MDS Transmodal, January 2017)
- 1.2 The Liverpool SHMA considered housing needs for Liverpool based on the 2012-based sub-national population projections (SNPP) and 2012-based household projections. The SHMA identifies an objectively assessed housing need for Liverpool of 1,375 dwellings per annum (dpa) over the period from 2013-33.
- 1.3 The LCR SHELMA considered housing needs for the city region based on the 2014-based SNPP and 2014-based household projections. This identified an OAN for Liverpool of 1,739 dpa over the period from 2012-37.
- 1.4 This report provides an update to Section 8 of the SHMA rerunning the modelling therein to align to the SHELMA OAN. This relates to the housing mix – the need for different sizes and types of homes in the market and affordable sectors in Liverpool, over the plan period from 2013-33.
- 1.5 This report assesses the need for different sizes of homes in the future, modelling the implications of demographic drivers on need/demand for different sizes of homes in different tenures. The assessment is intended to provide an understanding of the implications of demographic dynamics on need and demand for different sizes of homes.
- 1.6 There are a range of factors which influence housing demand. These factors play out at different spatial scales and influence both the level of housing demand (in terms of aggregate household growth) and the nature of demand for different types, tenures and sizes of homes. It is important to understand that the housing market is influenced by macro-economic factors, as well as the housing market conditions at a regional and local level.
- 1.7 The analysis in this section seeks to use the information available about the size and structure of the population and household structures; and consider what impact this may have on the sizes of housing required in the future. The analysis is based on 1,739 additional dwellings per annum in the 2013-33 period; this being the annual need figure set out in the SHELMA, and also the figure proposed to be taken forward by the Council in its Local Plan. In total, over the 2013-33 period, the

number of households is projected to increase by about 33,800, and this figure is used in the modelling (including the underlying population structure).

Methodology

- 1.8 The figure below describes the broad methodology employed in the housing market model which is used to consider the need for different sizes of market and affordable homes. Data is drawn from a range of sources including the 2011 Census and demographic projections. The methodology is essentially the same as in previous SHMA work for the Council, but with the inclusion of more up-to-date Census information and data from population/household projections.

Figure 1: Stages in the Housing Market Model



- 1.9 It should be noted that the current stock of housing (by size) can have a notable impact on the outputs of the modelling. In Liverpool, one observation is that the stock of 2- and 4-bedroom owner-occupied housing is relatively low compared with other areas, with a large proportion of the stock having 3-bedrooms. In the modelling it is quite likely that projecting this forward will continue to show a relatively low need for 4-bedroom homes in particular. Hence the modelling outputs are only part of the story, with conclusions also being drawn on the basis of understanding the current mix of housing as well as the outputs of the modelling.
- 1.10 Table 1 shows a comparison of the size profile of accommodation in a range of areas in three broad tenure groups. This identifies that the main difference is the 3-bedroom stock in the owner-occupied sector (as noted above) and also a relatively large proportion of 3-bedroom social rented homes. Both of these factors are taken into account in drawing conclusions.

Table 1: Number of bedrooms by tenure and a range of areas

		Liverpool	North West	England
Owner-occupied	1 bedroom	2%	2%	4%
	2 bedrooms	18%	24%	23%
	3 bedrooms	61%	52%	48%
	4+ bedrooms	19%	22%	25%
	TOTAL	100%	100%	100%
Social rented	1 bedroom	23%	29%	31%
	2 bedrooms	31%	32%	34%
	3 bedrooms	41%	34%	31%
	4+ bedrooms	5%	4%	4%
	TOTAL	100%	100%	100%
Private rented	1 bedroom	22%	18%	23%
	2 bedrooms	38%	43%	39%
	3 bedrooms	29%	30%	28%
	4+ bedrooms	11%	9%	10%
	TOTAL	100%	100%	100%

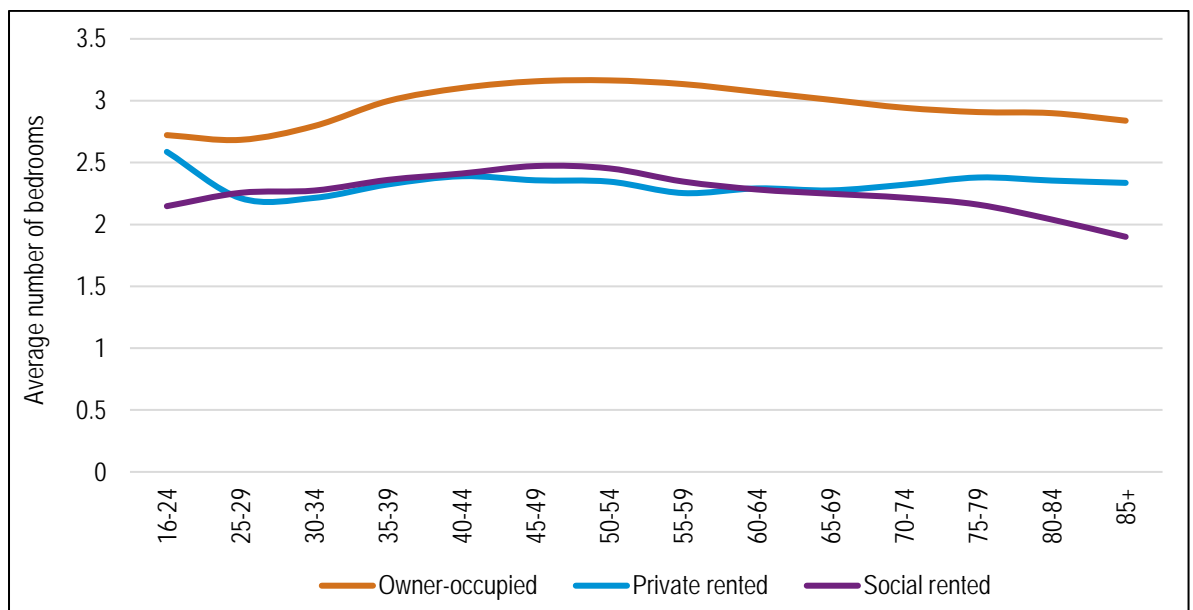
Source: Census 2011

Understanding How Households Occupy Homes

- 1.11 Whilst the demographic projections provide a good indication of how the population and household structure will develop, it is not a simple task to convert the net increase in the number of households in to a suggested profile for additional housing to be provided. The main reason for this is that in the market sector households are able to buy or rent any size of property (subject to what they can afford) and therefore knowledge of the profile of households in an area does not directly transfer into the sizes of property to be provided.
- 1.12 The size of housing which households occupy relates more to their wealth and age than the number of people which they contain. For example, there is no reason why a single person cannot buy (or choose to live in) a four-bedroom home as long as they can afford it and hence projecting an increase in single person households does not automatically translate in to a need for smaller units. This issue is less relevant in the affordable sector (particularly since the introduction of the social sector size criteria) although there will still be some level of under-occupation moving forward with regard to older person and working households who may be able to under-occupy housing.
- 1.13 The approach used is to interrogate information derived in the projections about the number of household reference persons (HRPs) in each age group and apply this to the profile of housing within these groups. The data for this analysis has been formed from a commissioned table by ONS (Table CT0621 which provides relevant data for all local authorities in England and Wales from the 2011 Census).

1.14 The figure below shows an estimate of how the average number of bedrooms varies by different ages of HRP and broad tenure group. In the owner-occupied sector the average size of accommodation rises over time to typically reach a peak around the age of 45; a similar pattern (but with smaller dwelling sizes) is seen in the social rented sector, with no obvious trend for private rented housing. After this peak, the average dwelling size decreases – as typically some households downsize as they get older. It is also notable that the average size for rented dwellings are lower than those for owner-occupied housing for all age groups.

Figure 2: Average Bedrooms by Age and Tenure – Liverpool



Source: Derived from ONS Commissioned Table CT0621

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

Tenure Assumptions

1.16 The housing market model has been used to estimate the future need for different sizes of property over the 20-year period from 2013 to 2033. The model works by looking at the types and sizes of accommodation occupied by different ages of residents, and attaching projected changes in the population to this to project need and demand for different sizes of homes. However, the way households of different ages occupy homes differs between the market and affordable sectors (as

shown earlier). Thus, it is necessary to consider what the mix of future housing will be in the market and affordable sectors.

1.17 It is necessary on this basis to make some judgement for modelling purposes on what proportion of net completions might be of market and affordable housing. For modelling purposes, the analysis assumes that 20% of net completions are either affordable housing (rented) or low-cost home ownership and therefore that 80% are market housing (designed to be sold for owner-occupation). Within the 20% affordable/low-cost a split of 50:50 has been used; this means an estimated total of 10% of completions as affordable housing (rented) and 10% as affordable home ownership.

1.18 It should be stressed that these figures are not policy targets. Policy targets for affordable housing on new development schemes in some cases are above this; but not all sites deliver policy-compliant affordable housing provision, whilst some delivery is on sites below affordable housing policy thresholds. Equally some housing development is brought forward by Registered Providers and local authorities and may deliver higher proportions of affordable housing than in current policy. The figures used are not a policy position and has been applied simply for the purposes of providing outputs from the modelling process. To confirm, it has been assumed that the following proportions of different tenures will be provided moving forward:

- Market housing – 80%
- Low-cost home ownership – 10%
- Social/affordable rent – 10%

Key Findings: Market Housing

1.19 There are a range of factors which can influence demand for market housing in different locations. The focus of this analysis is on considering long-term needs, where changing demographics are expected to be a key influence. It uses a demographic-driven approach to quantify demand for different sizes of properties over the 20-year period from 2013 to 2033.

1.20 On the basis of projecting in-line with SHELMA assumptions, an increase of 27,000 additional households is modelled. The majority of these need three-bed homes. The data suggests that housing need can be expected to reinforce the existing profile, but with a slight shift towards a requirement for smaller dwellings relative to the distribution of existing housing. This is understandable given the fact that household sizes are expected to fall slightly in the future – particularly as a result of a growing older population living in smaller households.

Table 2: Estimated Size of Dwellings Needed 2013 to 2033 – Market Housing – SHELMA assumptions – Liverpool

Size	2013	2033	Additional households 2013-2033	% of additional households
1 bedroom	2,297	2,928	631	2.3%
2 bedrooms	17,846	22,682	4,836	17.9%
3 bedrooms	61,399	78,010	16,612	61.4%
4+ bedrooms	19,564	24,529	4,965	18.4%
Total	101,106	128,149	27,043	100.0%

Source: Housing Market Model

- 1.21 The statistics are based upon the modelling of demographic trends. As has been identified, it should be recognised that a range of factors including affordability pressures and market signals will continue to be important in understanding market demand; this may include an increased demand in the private rented sector for rooms in a shared house due to changes in housing benefit for single people. In determining policies for housing mix, policy aspirations are also relevant.
- 1.22 At the strategic level, a local authority in considering which sites to allocate, can consider what type of development would likely be delivered on these sites. It can also provide guidance on housing mix implicitly through policies on development densities.

Key Findings: Low-cost home ownership

- 1.23 The table below show estimates of the need for different sizes of affordable home ownership based on the analysis of demographic trends. The data suggests in the period between 2013 and 2033 that the main need is for homes with two- or three-bedrooms, although the proportions in the one-bedroom category are higher than for market housing.

Table 3: Estimated Size of Dwellings Needed 2013 to 2033 – affordable home ownership – SHELMA assumptions – Liverpool

Size	2013	2033	Additional households 2013-2033	% of additional households
1 bedroom	11,117	11,794	678	20.0%
2 bedrooms	19,313	20,567	1,254	37.1%
3 bedrooms	14,556	15,709	1,153	34.1%
4+ bedrooms	5,217	5,513	296	8.8%
Total	50,203	53,584	3,380	100.0%

Source: Housing Market Model

Key Findings: Affordable Housing (rented)

- 1.24 The table below shows estimates of the need for different sizes of affordable homes based on the analysis of demographic trends. The data suggests in the period between 2013 and 2033 that the main need is for homes with three bedrooms, although the total need for two- or fewer bedrooms is slightly higher.

Table 4: Estimated Size of Dwellings Needed 2013 to 2033 – affordable housing (rented) – 2014-based CLG projections – Liverpool

Size	2013	2033	Additional households 2013-2033	% of additional households
1 bedroom	13,603	14,519	916	27.1%
2 bedrooms	18,088	19,117	1,029	30.4%
3 bedrooms	24,073	25,370	1,297	38.4%
4+ bedrooms	2,981	3,119	138	4.1%
Total	58,746	62,126	3,380	100.0%

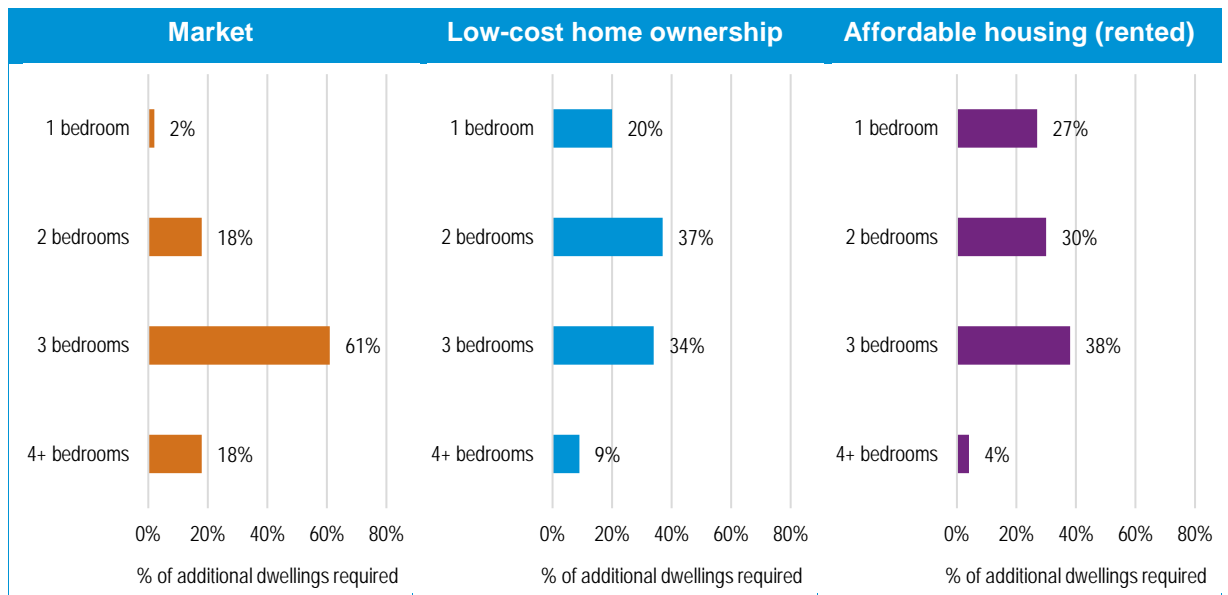
Source: Housing Market Model

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

Indicative Targets by Tenure

- 1.26 Figure 3 summarises the above data in both the market and affordable sectors under the modelling exercise. The analysis clear shows the different profiles in the three broad tenures with affordable housing being more heavily skewed towards smaller dwellings, and affordable home ownership sitting somewhere in between the market and affordable housing.

Figure 3: Size of housing required 2013 to 2033 – Liverpool



Source: Housing Market Model

- 1.27 Whilst the output of the modelling provides estimates of the proportion of homes of different sizes that are needed, there are a range of factors which should be taken into account in setting policies for provision. This is particularly the case in the affordable sector where there are typically issues around the demand for and turnover of one-bedroom homes (as well as allocations to older person households) – e.g. one-bedroom homes provide limited flexibility for households (e.g. a couple household expecting to start a family) and as a result can see relatively high levels of turnover – therefore, it may not be appropriate to provide as much one-bedroom stock as is suggested by the modelling exercise. At the other end of the scale, conclusions also need to consider that the stock of four-bedroom affordable housing is very limited and tends to have a very low turnover. As a result, whilst the number of households coming forward for four or more bedroom homes is typically quite small the ability for these needs to be met is even more limited. There are also localised issues about stock of different sizes of homes which need to be considered in conclusions (e.g. the high proportion of 3-bedroom homes).
- 1.28 For these reasons, it is suggested in converting the long-term modelled outputs into a profile of housing to be provided (in the affordable sector) that the proportion of one bedroom homes required is reduced slightly from these outputs with a commensurate increase in four or more bedroom homes also being appropriate; the balance between 2- and 3-bedroom homes is also adjusted from the modelling outputs.
- 1.29 There are thus a range of factors which are relevant in considering policies for the mix of affordable housing (rented) sought through development schemes. At a City-wide level, the analysis would support policies for the mix of affordable housing (rented) of:

- 1-bed properties: 20-25%
 - 2-bed properties: 35-40%
 - 3-bed properties: 30-35%
 - 4-bed properties: 5-10%
- 1.30 The strategic conclusions recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues.
- 1.31 The need for affordable housing of different sizes will vary by area (at a more localised level) and over time. In considering the mix of homes to be provided within specific development schemes, the information herein should be brought together with details of households currently on the Housing Register in the local area and the stock and turnover of existing properties.
- 1.32 In the low-cost home ownership and market sectors a profile of housing that more closely matches the outputs of the modelling is suggested, although some consideration of the current stock profile is also relevant. On the basis of these factors it is considered that the provision of affordable home ownership should be more explicitly focused on delivering smaller family housing for younger households. On this basis the following mix of low-cost home ownership is suggested:
- 1-bed properties: 15-20%
 - 2-bed properties: 40-45%
 - 3-bed properties: 30-35%
 - 4-bed properties: 5-10%
- 1.33 Finally, in the market sector, a balance of dwellings is suggested that takes account of the demand for homes and the changing demographic profile, as well as consideration of the current stock (which is dominated by 3-bedroom homes). The conclusions see a slightly larger recommended profile compared with other tenure groups. The following mix of market housing is suggested:
- 1-bed properties: 0-5%
 - 2-bed properties: 25-30%
 - 3-bed properties: 45-50%
 - 4-bed properties: 20-25%
- 1.34 Although the analysis has quantified this on the basis of the market modelling and an understanding of the current housing market, it does not necessarily follow that such prescriptive figures should be included in the plan making process. The 'market' is to some degree a better judge of what is the most appropriate profile of homes to deliver at any point in time, and demand can change over time linked to macro-economic factors and local supply. The figures can however be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by demographic change in the area.

Summary and Key Messages

1.35 There are a range of factors which will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households’ ability to save; economic performance and housing affordability. The analysis linked to long-term (20-year) demographic change concludes that the following represents an appropriate mix of affordable and market homes:

Table 5: Mix of Affordable and Market Homes

	1-bed	2-bed	3-bed	4+ bed
Market	0-5%	25-30%	45-50%	20-25%
Low-cost home ownership	15-20%	40-45%	30-35%	5-10%
Affordable housing (rented)	20-25%	35-40%	30-35%	5-10%

1.36 The strategic conclusions in the affordable sector recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues. The conclusions also take account of the current mix of housing in the City (by tenure).

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

1.38 Based on the evidence, it is expected that the focus of new market housing provision will be on two- and three-bed properties. Continued demand for family housing can be expected from newly forming households. There may also be some demand for medium-sized properties (2- and 3-beds) from older households downsizing and looking to release equity in existing homes, but still retain flexibility for friends and family to come and stay.

1.39 The analysis of an appropriate mix of dwellings could also inform the ‘portfolio’ of sites which are considered by the local authority through its local plan process. Equally it will be of relevance to affordable housing negotiations.

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