

*fordham*  
RESEARCH



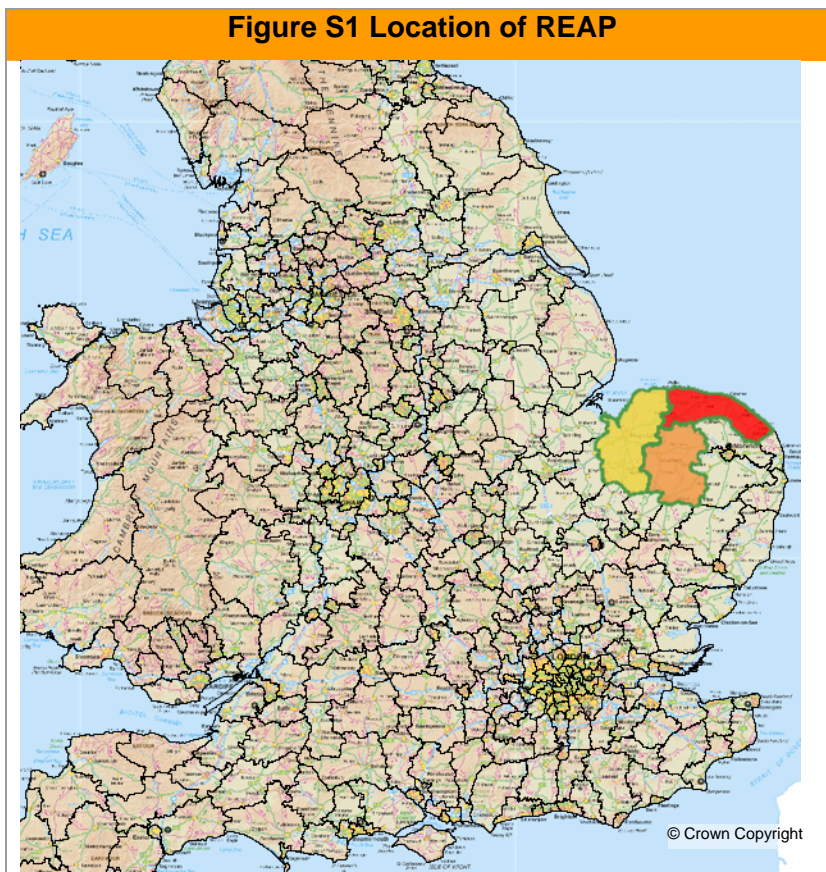
# Executive Summary

## What is an SHMA?

1. A Strategic Housing Market Assessment (SHMA) is defined in PPS3 (November 2006: the latest Government Guidance) to be a process, carried out within a Housing Market Area (HMA). It should be a process involving key stakeholders, and should cover all tenures of housing. In this way it includes, but goes far beyond the confines of the previous kinds of housing survey: Housing Needs Surveys (HNS) which were restricted to affordable housing (that which is subsidised and available at less than market price or rent).
2. The work of producing an SHMA involves the compilation and understanding of secondary information as well as the generation and analysis of primary data. This report uses information from a large range of sources to provide an understanding of how the local housing market works and outlines potential policy considerations for the constituent Councils.

## Where is REAP?

3. The Rural East Anglia Partnership (REAP) is a partnership formed by the three local authorities in the Rural East Anglia sub-region, plus other stakeholders. It covers the rural districts of Breckland and North Norfolk and the borough of Kings Lynn and West Norfolk as shown on the map below (Figure S1). Breckland and North Norfolk are in the most rural category of the DEFRA/DCLG categorisations of councils (R80) while Kings Lynn and West Norfolk, containing the substantial town of Kings Lynn, falls into the second most rural category (R50). The area is about as rural as any area of this size could be.
4. The area in general has an attractive rural character, which has proved a magnet for retirement purposes. It contains a coastal area associated with the Norfolk Area of Outstanding Natural Beauty which commands much higher house prices than the rest of the area, where prices are kept down by the relatively modest level of rural earnings. Like the rest of Britain, however, prices and rents have greatly increased over the past decade, raising severe affordability problems for those who are dependent on local earnings.
5. The sub-region has been identified as a regional sub-market, and is therefore an appropriate focus for an SHMA. As well as Kings Lynn, there are significant towns in the form of Thetford, Dereham and North Walsham: in all about 12 towns serving as market towns for the rural hinterland.



Source: Figure 1.1 of the SHMA

6. As can be seen, REAP is a large rural area occupying most of the north of East Anglia, and over half of the county of Norfolk. It is clearly influenced by Norwich, outside the area, and to a lesser extent Cambridge.

### Context for the SHMA

7. In order to assess the housing market it is necessary to add primary survey data to the existing secondary data such as the Census of 2001, the Housing Strategy Statistical Appendix (HSSA) and the Land Registry. A postal survey produced some 4,757 responses across REAP: enough to provide robust data for both the districts and sub-areas within them. The primary postal survey provides information on the financial situation of those entering, moving within and leaving the housing market area which cannot be obtained robustly from any other source. Data was also collected from such sources as estate and letting agents. These provide detail not otherwise available on the entry level prices and rents of different sizes of dwelling across the area.
8. A SHMA involves a new set of concepts, which are discussed in the main SHMA report (Ch. 2) and for convenience are summarised here:

**Key Stakeholders:** Many types of body including local authorities, Registered Social Landlords, Housebuilders and developers, Landowners, Voluntary bodies and citizens generally, all of whom have a stake in the sub-regional housing market. All them have views on housing, and it has been one of the pleasures of doing this work to hear them. The initial results of the SHMA were presented to a Stakeholder Forum in November 2006. As far as possible these views have been reflected in the work and implemented in the findings.

**Financial capacity.** In the past the demand for housing could be measured by looking at household income alone. This has not been true for some years, due to the accumulation of equity from home ownership, and of savings. A majority of the national and local population have been home owners for half a century or more, and since real prices and rents have risen a lot, equity holding is now a major factor in housing market behaviour. Fordham Research has developed the term financial capacity, which simply means: *'(household) income + savings + equity'*. The overall 'value' of financial capacity is, for owners, usually about twice the value of income alone (but varies a lot across the population). Hence it is essential to use financial capacity if the behaviour of the housing market is to be examined reliably.

**Balancing Housing Markets (BHM).** It is a key part of Government policy via the Comprehensive Performance Assessment (CPA) that local authorities should move towards balance in their housing markets. No general definition of 'balance' has been published. However it is clear that many housing markets are not in any sense balanced. The test which Fordham Research has developed, in its BHM model, is whether the current stock of housing meets the demands and needs of the population. This involves quite an elaborate analysis whose results are summarised below. PPS3 (Nov 2006) now requires SHMAs to identify the 'size and type' of market housing. This is a major new requirement for such work.

**Affordable housing.** This is a well established term in Government Guidance. It means housing available at less than market price or rent. Recently PPS3 has required that the 'housing need' for affordable housing be identified in two categories. The first is for those who can afford only social rented housing, and the second is for 'intermediate' housing: for those who can afford more than a social rent but not market prices/rents.



**Table S1 Summary Secondary Data for REAP**

Topic	Breckland	Kings Lynn & W Norfolk	North Norfolk	REAP
No. of households (2006)	53,040	63,350	46,000	162,390
No. of dwellings (2005)	52,620	65,484	56,205	174,309
Holiday and Second homes (2001)	366	2,376	3,467	6,209
% Managers and Senior Officials (in the workforce) 2006	11%	10%	13%	11% (East of England 16%; England and Wales 15%)
Highest level of education (Level 4) 2004	14%	15%	21%	16% (East of England 23%; England and Wales 25%)
Average earnings of full-time employees resident in area	£22k	£23k	£21k	£22k (East of England £31k; England £29k)
House price 2006 (% of England and Wales average)	£167 k (84%)	£167k (84%)	£187k (94%)	£172 (86%)
% price change 2001 to 2006	108%	99%	107%	Na
Draft RSS (Panel Report)	760	600	400	1,760
Newbuild housing completions 04/05	821	633	250	1,704
Of which, affordable hsg (Note 1)	84	262	126	472
Minimum price for 2-bed dwelling for sale (cost per week)	£161	£148	£177	Na

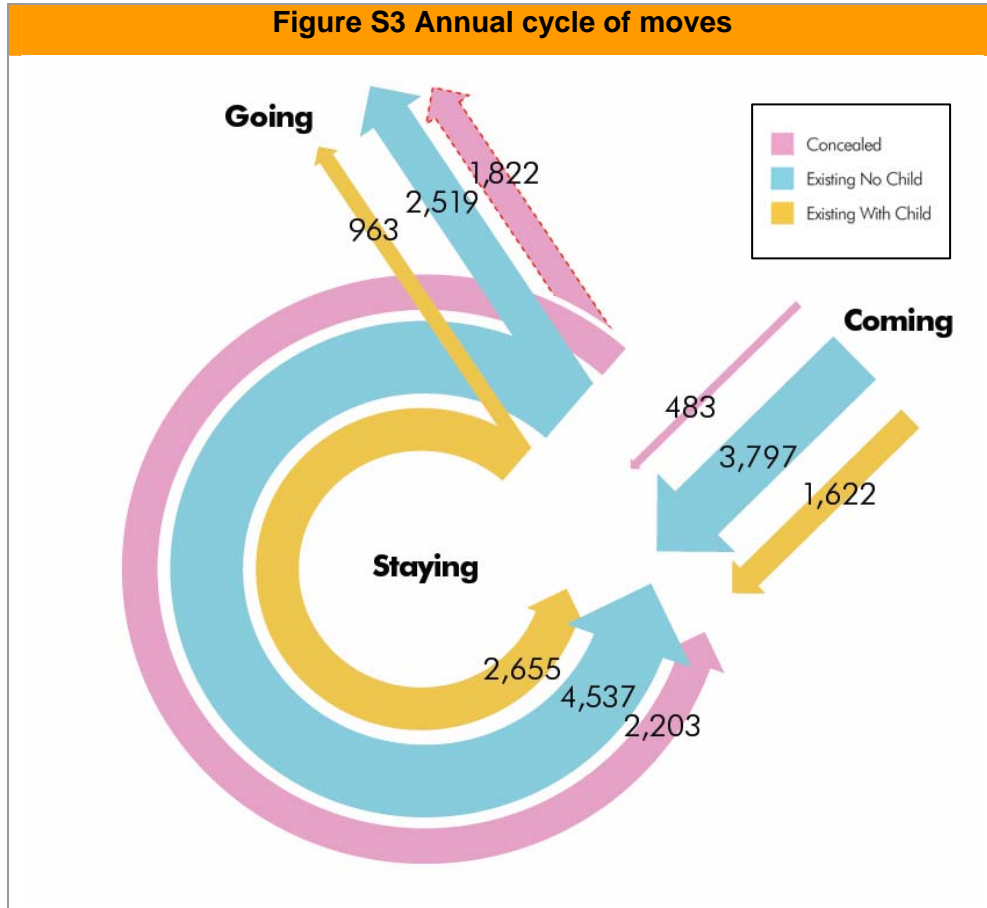
Source: Technical Appendix to SHMA. Note 1: Data for affordable housing completions in Breckland and North Norfolk must be read in the context of there not being any current formal target for obtaining affordable housing from planning gain in these districts. Na: not applicable.

12. Some interesting inferences can be drawn from these figures: North Norfolk has the most 'advanced' economy in terms of house prices, employment profile and qualifications of resident population, though employee earnings are much the same for all three councils.

13. In addition to the material summarised above, a primary survey of just under 5,000 randomly chosen households from within REAP was conducted by postal survey, spread almost equally between each of the three districts (slightly in excess of 1,500 responses per district). This provides the key to analysing the behaviour of the housing market, since it contains information on households' financial situation, housing histories and moving intentions which can be used for analysis.

### **The active market**

14. From the point of view of migration, there is a notable internal flow within REAP, with moves between Breckland and King's Lynn and West Norfolk being most common. An analysis of 2001 Census data on the flows of people into and out of the REAP area indicates that REAP is most inter-connected with Norwich and that there is a net outflow of people to the city.
15. Analysis of survey data indicates that the patterns of movement have not changed significantly in the five years since the Census was completed. Each Authority is fairly self-contained although Breckland and North Norfolk record moves between themselves and Norwich, whilst Kings Lynn and West Norfolk is more closely related with Cambridgeshire. London provides 5% of Kings Lynn and West Norfolk's inflow, 4% of Breckland, and 3% of North Norfolk; a considerable source in all cases.
16. REAP has a significant dormitory function for employment: showing a large net outflow of workers to Norwich from the more easterly parts and a small net outflow to Cambridge from the more westerly.
17. Looking at the internal workings of the market: the turnover of stock is 7% per annum for owner occupied, 9% for social rented and 23% for private rented. This pattern is generally found, but the turnover, for the rented tenures, is on the lower side of average.
18. The figure below presents the results of the Fordham Research Annual Flows diagram, which shows the nature of household moves in the housing market area:



Source: This appears as Figure 13.1 of the SHMA

19. This shows an overall substantial inflow of older households without children (in blue) and also of younger households with children at home (in yellow) however there is a significant net outflow of newly forming households (mauve). The overall numbers are shown in the table below:

Table S2 Movements into & out of Rural East Anglia				
	Moving within	Moving out	Moving in	Net movement
Existing households no children	4,537	2,519	3,797	1,278
Existing households with children	2,655	963	1,622	659
Newly forming households	2,203	1,822	483	-1,339
Total	9,395	5,304	5,902	598

Source: This appears as Table 13.1 of the SHMA

20. It should be noted that because the outmoving newly formers do not release a dwelling it is only the in-comers matter when it comes to assessing the overall numbers. The net inflow is therefore:

$$1,278 \text{ (households without children)} + 659 \text{ (HH with children)} + 483 \text{ (newly forming)} = 2,420$$

## Financial capacity: the driver of moves

21. Where and how often a household moves has many factors behind it (such as phase in the lifetime cycle and employment opportunities) but it is ultimately determined by what can be afforded by households who have some wish/need to move (such as a change of family size). Previously it would be possible to gauge the ability of households to afford their preferred accommodation using income to house price/rent ratios. The rapid change witnessed in the national housing market in the last ten years means this is no longer feasible. Fordham Research has pioneered the use of 'financial capacity' to assess the affordability of house moves. This term includes (household) income+ savings+ equity.
22. To produce a robust study of a housing market it is vital to measure financial capacity, and then relate it to the past history of home moves, and future intentions to move. This can only be done by combining primary and secondary data sources. No existing secondary source provides reliable information on financial capacity.
23. Financial capacity (income + savings + equity) is the key to understanding housing market dynamics, since most households now have all three. In order to make comparable figures we have used a crude mortgage multiple of x3 (on the low side) to make the incomes comparable with the other two figures, which are in capital terms. Financial capacity results look as follows for REAP:

<b>Table S3 Financial capacity of types of household</b>	
<i>Type of household</i>	<i>Financial capacity</i>
Average for all households in REAP	£220k
Average owner without mortgage	£320k
Average owner with mortgage	£229k
Average RSL tenant	£32k
Average private renter	£64k
Average incoming RSL tenant	£28k
Average incoming private renter	£76k
Average incoming owner (both with/without mortgage)	£295k

24. As can be seen, the existing owner occupiers without mortgages are by far the wealthiest group, and dominate the high average, due to their equity. Owner occupiers moving into the area are the next most well-off, again due to the equity they are bringing in more than their income. Tenants and especially social ones are clearly left behind in this measure. This perspective makes it all too clear how the house price increases can be driven: by incoming households who already have more equity than all but the mortgage free local owners.
25. An analysis was carried out of recent and would-be first time buyers. It was found that those who have managed to buy are mostly in their twenties (37%) but 26% in their 30's and 16% in their 40's (with the remaining 21% over 50). This indicates the difficulties for non-owners of all ages in accessing owner occupation. Of those aspiring to own, only a quarter could do so now.

### Balancing the housing market: Fordham Research BHM model

26. In response to the Government's policy of sustainable development, and its particular focus on the requirement for new development to balance the housing market, Fordham Research has developed a model that tests the nature of additions to the housing stock that would increase balance. In a mature economy like Britain's, new housing is normally only a small fraction of existing stock, and so changes are marginal. However the evidence of studies such as this can help to maximise the improvements to housing markets.
27. The BHM model uses past trends and future expectations to build up a picture of the likely supply of housing and the likely demand for new housing. Demand is determined by assessing the type of housing expected by moving households against their ability to afford, using information on each households' financial capacity.

Table S4 BHM Results for Rural East Anglia						
Tenure	Accommodation requirement					TOTAL
	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	
Owner-occupation	53	323	468	607	196	1,645
Private rented	677	32	-115	-16	-13	564
Intermediate	0	55	280	41	-8	367
Social rented	138	240	310	-137	81	632
TOTAL	867	649	942	494	256	3,208

Source: This appears as Figure 15.3 of the SHMA

<b>Table S5 BHM Results for Breckland</b>						
Tenure	Accommodation requirement					TOTAL
	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	
Owner-occupation	18	185	83	162	166	615
Private rented	124	52	-154	155	23	199
Intermediate	0	0	76	16	-8	85
Social rented	53	142	98	-58	46	281
<b>TOTAL</b>	<b>195</b>	<b>379</b>	<b>104</b>	<b>275</b>	<b>228</b>	<b>1,180</b>

Source: This appears as Figure 15.4 of the SHMA

<b>Table S6 BHM Results for King's Lynn &amp; West Norfolk</b>						
Tenure	Accommodation requirement					TOTAL
	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	
Owner-occupation	1	125	0	111	57	294
Private rented	381	20	-151	-119	24	155
Intermediate	0	55	138	0	0	192
Social rented	102	67	107	-99	11	188
<b>TOTAL</b>	<b>484</b>	<b>267</b>	<b>94</b>	<b>-106</b>	<b>93</b>	<b>830</b>

Source: This appears as Figure 15.5 of the SHMA

<b>Table S7 BHM Results for North Norfolk</b>						
Tenure	Accommodation requirement					TOTAL
	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	
Owner-occupation	34	13	383	331	-27	734
Private rented	173	-41	191	-52	-62	210
Intermediate	0	0	66	24	0	90
Social rented	-16	30	106	19	25	163
<b>TOTAL</b>	<b>190</b>	<b>2</b>	<b>746</b>	<b>323</b>	<b>-64</b>	<b>1,197</b>

Source: This appears as Figure 15.6 of the SHMA

28. The results show proportions of each tenure and accommodation group that are demanded and needed by households in REAP. They provide the basis for further analysis which can show what levels of newbuild and affordable housing are feasible, in principle, within the subregion.

## Rural issues and second homes

29. Analysis of the rural areas which dominate REAP was conducted in terms of a three-way split: urban, town and fringe areas and other rural. The latter two categories fit within the broad definition of rural now used by DEFRA, and in which about 19% of England is classed as rural. As can be seen from the table below, the proportions vary across the districts:

<b>Table S8 Population urban/rural (based on 3 categories)</b>				
Category	Local Authority			Rural East
	Breckland	King's Lynn & West Norfolk	North Norfolk	Anglia HMA
Urban	18,054	19,536	5,426	43,016
Town and Fringe	13,943	16,386	17,875	48,204
Other rural	21,043	27,428	22,699	71,170
Total	53,040	63,350	46,000	162,390

Source: This appears as Figure 17.2 of the SHMA

30. The table indicates that North Norfolk has by far the lowest urban population, but all of them are quite different from the national one: the urban average for REAP is only 27% of the total population.
31. The distribution of income shows much higher figures for the 'truly rural' part of REAP but the lowest figures for the semi-rural (though technically rural) town and fringe group.

<b>Table S9 Variations in household income</b>		
Area	Category	Average annual income
Breckland	Urban	£24,081
	Town and Fringe	£22,495
	Other rural	£28,978
	Total	£25,598
King's Lynn & WN	Urban	£22,977
	Town and Fringe	£22,018
	Other rural	£26,205
	Total	£24,127
North Norfolk	Urban	£22,582
	Town and Fringe	£20,622
	Other rural	£27,581
	Total	£24,287
Rural East Anglia	Urban	£23,392
	Town and Fringe	£21,638
	Other rural	£27,461
	Total	£24,652

Source: This appears as Figure 17.3 of the SHMA

32. The accessibility of various services was explored in the survey. Rural households generally express the most difficulty, regardless of income, but lower income households express nearly as much difficulty in urban areas as the higher income households in more rural locations do.

Table S10 Access Quite/Very Difficult to Grocery Shops				
Area	Category	Household income up to £20k	Household income more than £20k	Total
Breckland	Urban	6.8%	2.2%	4.7%
	Town and Fringe	19.1%	3.6%	13.1%
	Other rural	37.0%	14.0%	24.4%
	Total	20.8%	7.9%	14.7%
King's Lynn & Wn	Urban	12.4%	5.4%	9.4%
	Town and Fringe	13.6%	6.3%	10.8%
	Other rural	41.6%	15.8%	28.8%
	Total	24.1%	10.7%	18.2%
North Norfolk	Urban	17.5%	1.3%	10.2%
	Town and Fringe	10.2%	3.4%	7.5%
	Other rural	27.4%	18.8%	22.9%
	Total	18.7%	11.6%	15.4%
Rural East Anglia	Urban	10.7%	3.5%	7.6%
	Town and Fringe	13.9%	4.4%	10.2%
	Other rural	35.8%	16.2%	25.6%
	Total	21.6%	10.0%	16.3%

Source: This appears as Figure 17.9 of the SHMA

33. This sort of pattern is repeated for other services. The costs of rural living are quite high in terms of service access, and clearly the main sufferers are lower income rural households.

## Second homes

34. Second homes are a major issue in attractive rural areas such as most of REAP. The survey was conducted in the autumn and it identified an estimated 2,749 properties to be second homes. This is clearly an underestimate due to the season of the survey as many second homes will not have been occupied at the time. As can be seen, there is a greater preponderance of second homes in North Norfolk:

**Table S11 Location of second homes**

Local Authority	Second home	Non-second home
Breckland	16.1%	31.1%
Kings Lynn & West Norfolk	19.5%	37.1%
North Norfolk	64.4%	31.8%
TOTAL	100.0%	100.0%

Source: This appears as Figure 16.3 of the SHMA

35. They were not as likely to be detached houses as the average for REAP but more typically modest terraced or flatted dwellings.

**Table S12 Accommodation type and second homes**

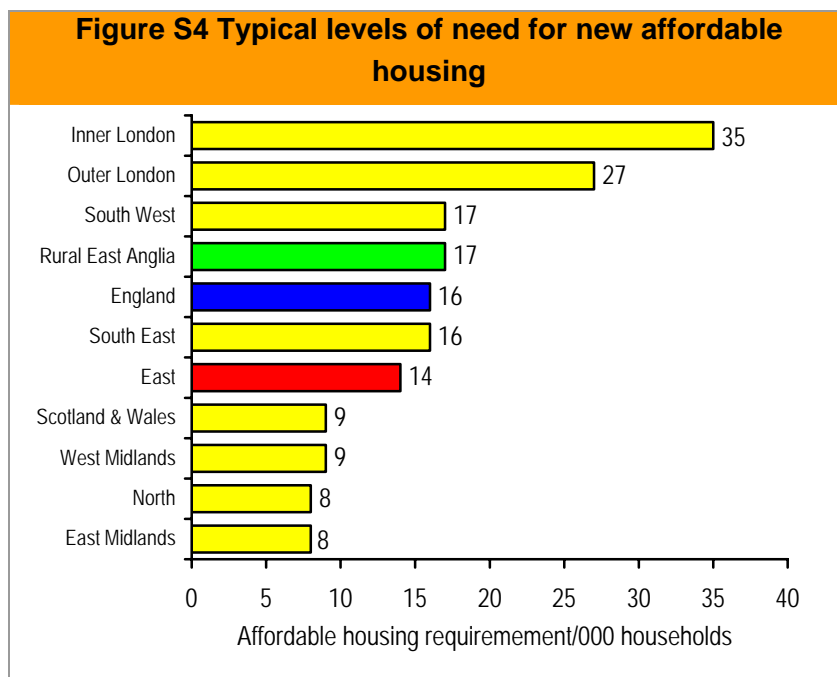
Accommodation type	Second home	Non-second home
Detached	36.8%	45.8%
Semi-detached	25.3%	29.8%
Terraced	25.3%	16.6%
Flat/maisonette	12.6%	7.8%
TOTAL	100.0%	100.0%

Source: This appears as Figure 16.1 of the SHMA

36. A specific analysis was made of the 'western coastal' housing market in the north west of REAP, which was identified as being the most expensive part of REAP. This showed that this area has a much more settled population with far more retired people. They show much higher levels of savings, and higher proportions of owner occupation and detached houses.

## Housing need

37. Using the DCLG model the annual housing need in REAP is 2,682 new affordable dwellings per annum. Using a standardisation method, the Fordham Research Housing Needs Index, this amounts to an index of 17. The national, average is 16, and so the value for REAP is above that average.



Source: This appears as Figure 18.1 of the SHMA

38. The figures for each individual authority can be compared to the equivalent estimates in the previous Housing Needs Surveys carried out in the area. This shows that, in view of the sharp rise of prices and limited newbuild of affordable housing, that the overall need has risen considerably, both in absolute terms and as measured by the index.

**Table S13 Comparison of current and previous HNS results**

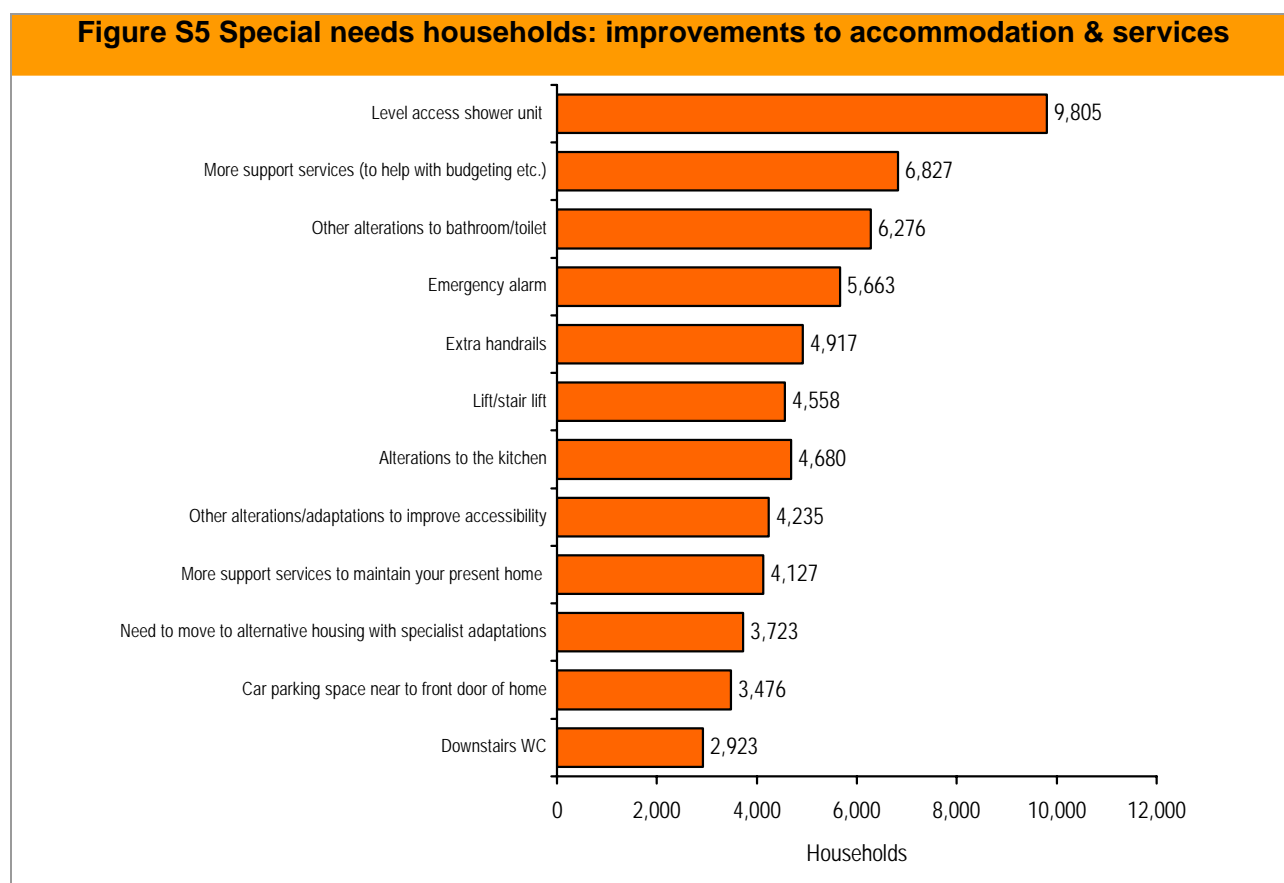
<i>Nature of figures</i>	<i>Breckland</i>	<i>King's Lynn and West Norfolk</i>	<i>North Norfolk</i>
Needs level in previous survey (2002, 2002, 2003 respectively)	600	466	509
Fordham Research Index in previous survey (2002, 2002, 2003 respectively)	12	8	12
Current needs level	964	797	921
Current Fordham Research Index	18	13	20

Source: This appears as Figure 18.7 of the SHMA

39. The need for Intermediate affordable housing is 23% of the total housing need in REAP. The figure of 23% is dependent on intermediate housing being priced at the usefully affordable point - halfway between a social rent level and market entry. If it is not possible to produce intermediate housing priced at the usefully affordable point then that need will have to be met via social rented housing.

## Requirements of different household types

40. Some 23% of all households have special needs: this is much higher than the national average Fordham Research has found which is in the range of 13% to 14% for most districts. The most common special needs groups are physically disabled and frail elderly. The following figure indicates the types of improvements felt to be required to ameliorate these special needs:



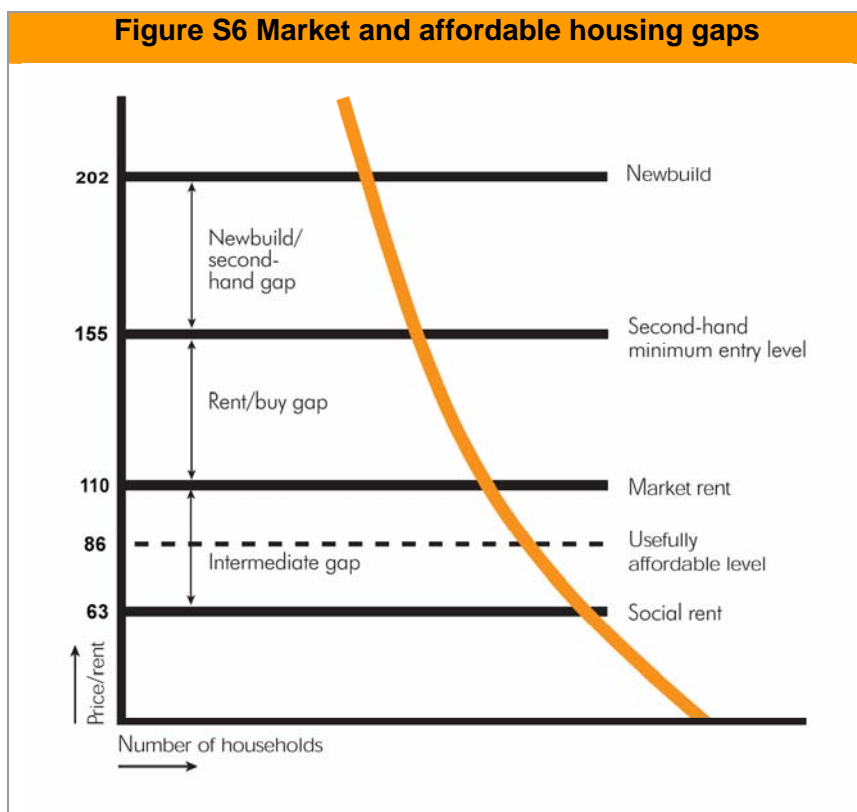
Source: This appears as Figure 22.1 of the SHMA

41. The BME population is extremely small: less than 1% of all households. They are on average larger than non-BME households and more likely to be private renters, to have lower savings and to be in unsuitable housing. Although different BME groups show quite different profiles, and they vary across the country, this pattern is not uncommon.
42. About 31% of REAP's households contain only older persons, and about another 10% contain a mixture of older and non-older persons: This 41% of households that contain some older persons is much higher than the national average. Whilst older person households do not show high levels of housing need, the implications for future levels of care are considerable.

## Policy implications

### *Appropriate types of new housing to meet demand/need*

43. The overall tenure profile shows major cost gaps between tenures. This carries serious implications in terms of the capacity of housing providers in REAP to meet these demands/needs. The figures are an average for REAP.



Source: This appears as Figure 24.1 of the SHMA

44. This diagram emphasises the practical problems of providing suitable housing, whether market or affordable. Newbuild market housing is normally right at the top of the graph, while social rented housing is at the bottom. Although various forms of intermediate housing exist (mainly shared ownership) most of them cost nearly as much as market housing to rent. Hence the ‘usefully affordable’ line is shown, to indicate the price at which intermediate housing should be provided.

### **Affordable housing target**

45. Analysis following the DCLG model established that the levels of housing need have risen considerably in each of the three local authorities. As a result the proposed set of affordable housing targets is as follows:

<b>Table S14 Draft affordable housing target proposals</b>			
<i>District</i>	<i>Affordable housing</i>		<i>Total</i>
	<i>Social rented</i>	<i>Intermediate</i>	
Breckland	35%	10%	45%
Kings Lynn and West Norfolk	30%	10%	40%
North Norfolk	35%	10%	45%

Source: This appears as Table 25.3 of the SHMA

### **Market housing target**

46. In terms of future levels of newbuild, the discussion of the BHM above has suggested how much overall housing could be supported by the market and still provide an adequate provision of affordable housing. This can be contrasted with the panel report targets:

<b>Table S15 Overall newbuild targets</b>			
<i>Location</i>	<i>BHM overall newbuild</i>	<i>Panel report target</i>	<i>Current annual newbuild</i>
Breckland	1,180	760	850
Kings Lynn and West Norfolk	830	600	Na
North Norfolk	1,197	400	487
Total for REAP	3,207	1,760	na

Source: This appears as Figure 26.1 of the SHMA

47. The distribution of the potential overall demand is quite different to that proposed in the panel report with North Norfolk displaying the highest potential demand and King's Lynn & West Norfolk the lowest.
48. The overall picture of REAP is one of high demand and high housing need. Within the many constraints there is an argument for more market housing that goes beyond meeting demand, because of its bringing a substantial affordable housing number with it. Given that the past half decade has seen rates of growth much higher than the RSS target, there may be ground for re-considering this figure, if the policy process is not too far advanced.

### **Monitoring and updating**

49. The main SHMA report provides, in its final section, a detailed account of how to update the results of the SHMA and ensure that the process remains a 'living' one in keeping with the intentions of Guidance.