

DACORUM

**HOUSING NEEDS
AND MARKET
ASSESSMENT UPDATE**

FINAL REPORT 2012



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CONTENTS

1	INTRODUCTION & METHODOLOGY	4
1.1	Background and Context to the Dacorum Update	4
1.2	The Update Report Structure	4
1.3	The 2011 Housing Needs Assessment Update	5
1.4	Re-weighting the Survey Data-set	5
1.5	Data Benchmarking	6
1.6	Glossary of Terms	6
2	THE ACTIVE MARKET	7
2.1	Introduction	7
2.2	The Current UK Market Outlook	7
2.3	Housing Market Analysis	8
2.4	Average House Prices	9
2.5	Sales Transactions	10
2.6	The UK Mortgage Market	12
2.7	The Dacorum Market Sub-Area Breakdown	15
2.8	Entry Sales Levels in Dacorum	15
2.9	The Private Rented Sector	16
2.10	Affordable Rents	17
2.11	Local Housing Allowance for Single People	18
2.12	Intermediate Housing Costs	20
3	HOUSING COSTS AND INCOME	21
3.1	Introduction	21
3.2	Purchase Income Thresholds	21
3.3	Rental Income Thresholds	22
3.4	Annual Survey of Hours and Earnings	23
3.5	Affordability of Social Rented Properties	25
4	POPULATION GROWTH & HOUSEHOLD PROJECTIONS	26
4.1	Introduction	26
4.2	The Population and Household Forecasts	26
4.3	Older Population Growth Forecasts	28
4.4	The Regional and National Change	29
4.5	Forecast Change in Households	30
5	FUTURE SIZE OF AFFORDABLE HOUSING	31
6	OLDER PERSONS HOUSING	33
6.1	Sheltered Housing Demand	33
7	HOUSING NEEDS ASSESSMENT MODEL	34
7.1	Affordable Housing Needs Assessment Model	34
7.2	Basic Model Structure	35
7.3	Affordable Housing Needs Requirement	36
7.4	Affordable Housing Needs Assessment Model	37
7.5	Affordable Needs Assessment	38
7.6	Supply of Affordable Units	39
7.7	Needs Assessment	40
7.8	Tenure Mix	40
7.9	Future Property Size by Tenure	40
8	KEY FINDINGS AND HOUSING TARGETS	43

TABLES

Table 1-1	Tenure of Existing Households	5
Table 2-1	2003 -2011 Average Dacorum Property Price by Type	9
Table 2-2	Absolute Trend in Sales 2003 to 2011	11
Table 2-3	Loans for house purchase and re-mortgage November 2010 – November 2011	13
Table 2-4	Loans to first-time buyers November 2010 – October 2011	14
Table 2-5	Entry Sales Levels (£) in Dacorum – February 2012	15
Table 2-6	Average and Entry Rent Levels, February 2012 (£ p/m)	16
Table 2-7	Average Social Rent up to 80% of Average Private Sector Rent.....	18
Table 2-8	Shared Ownership Costs, Incomes Required and Concealed Households able to afford	20
Table 3-1	Single Income Thresholds – February 2012.....	21
Table 3-2	Joint Income Thresholds February 2012	21
Table 3-3	Single Rental Income Thresholds – February 2012	22
Table 3-4	Incomes of Existing Households 2003 & 2011 (excluding benefits).....	23
Table 3-5	Incomes of Concealed Households 2003 & 2011 (excluding benefits)	24
Table 3-6	Concealed Households – Incomes Needed to Buy (Single Income) and % Unable to Buy.....	24
Table 3-7	Concealed Households – Incomes Needed & % Unable to Rent in the Private Market.....	25
Table 3-8	Percentage of Households unable to Afford Average Monthly Rents	25
Table 4-1	Population Change 2008 – 2033	27
Table 4-2	Population Age Band Forecast 2008 – 2033	27
Table 4-3	Breakdown of 65 + age groups, 2008 – 2033	28
Table 4-4	Forecast Change % in Age of Households, 2008 – 2033.....	29
Table 5-1	Social Stock, Waiting List Need and Social Turnover	31
Table 7-1	Types of Housing Deemed Unsuitable	34
Table 7-2	Annual Affordable Need and Supply	38
Table 7-3	Social Rent Re-let Supply (2008 to 2011)	39
Table 7-4	2008 to 2011 Right to Buy and Demolition	39
Table 7-5	New Affordable Housing Supply (HSSA) 2008 to 2011.....	40

FIGURES

Figure 2-1	Average House Prices by Type, Q4 2011	9
Figure 2-2	Volume of Sales (2003-2011)	10
Figure 2-3	Dacorum Sales by Type (2003-2011).....	11
Figure 2-4	Gross Mortgage Lending	13
Figure 2-5	Borough Affordable Rent Levels.....	18
Figure 4-1	Population Age Band Change Forecast 2008 – 2033	28
Figure 4-2	% Change of 65+ 2008 – 2033	29

APPENDIX

I	Glossary of Terms
II	Land Registry Annual Sales Volume (2003 to 2011)
III	Land Registry Data (Q4 2011)
IV	Affordable Rent Levels

1 INTRODUCTION & METHODOLOGY

1.1 Background and Context to the Dacorum Update

- 1.1.1 A Housing Needs Survey (HNS) was originally undertaken in Dacorum in 2003. The study consisted of the following elements:
- A local housing survey consisting of primary data collection, gathered through a postal survey to 8,260 households.
 - A housing market survey utilising the Land Registry and a telephone survey of estate agents on the cost of access level properties and the supply and cost of private rented housing;
 - Secondary data analysis drawing upon 2001 Census data, other national and local authority data and household and population projections;
- 1.1.2 The Housing Needs Survey was undertaken in line with the ODPM research Local Housing Needs Assessment: A Guide to Good Practice in assessing people's preferences as well as their needs.

1.2 The Update Report Structure

- 1.2.1 The key report sections contained within the update are detailed below.

Section 2- The Active Market

- 1.2.2 Section 2 analyses indicators of current housing market activity, using the same 4 sub-areas as in the 2003 HNS. This section examines the cost of buying or renting a property in Dacorum in 2011. Comparisons are made with property prices at the time of the 2003 Assessment compared to current property prices, along with the historical property price and sales volumes from Quarter 3 2003 to Quarter 4 2011.

Section 3 – Housing Costs and Income

- 1.2.3 This section of the update assesses the income levels required to access the cheapest units available from the research undertaken in section 2.

Section 4– Population Growth and Household Projections

- 1.2.4 Section 4 examines:-
- Future population change forecasts;
 - Household characteristics.

Section 5 – Future Size of Affordable Housing

- 1.2.5 Section 5 analyses the scale of future affordable housing need relative to the supply from turnover by property size.

Section 6 – Older Persons

- 1.2.6 Section 6 examines
- Sheltered housing demand;
 - Extra care accommodation.

Section 7 - CLG Housing Needs Assessment Model

- 1.2.7 Section 7 consists of the Communities and Local Government (CLG) Needs Assessment Model. This provides a quantitative assessment of housing need.

Section 8 – Key Findings and Housing Targets

1.2.8 In this section, the key findings from this update and the recommended housing targets are summarised.

1.3 The 2011 Housing Needs Assessment Update

1.3.1 This update uses the most recent secondary data and re-weighted primary data to reflect the population in 2011.

1.3.2 The update report will review the outputs of the 2003 study where more recent data is available. This will include the following:-

- A Housing Market Survey utilising the Land Registry database and;
- An estate agents survey to assess the entry house price levels in the market and rental costs in the private rented sector in the same 4 sub-areas used in the 2003 Assessment;
- February 2012 house prices / rents and current income levels to be able to calculate affordability thresholds;
- The most recent population forecasts to assess the impact of demographic change on household formation and future demand and comparison to 2001 Census data;
- Analysis of the HSSA data at 2011 to calculate an annual level of re-lets, waiting list change, right to buy and loss of stock and new delivery by tenure;
- A new 2011 based Needs Assessment Model of affordable housing need based on the Strategic Housing Market Assessment (SHMA) Practice Guidance (Communities and Local Government, 2007).

1.4 Re-weighting the Survey Data-set

1.4.1 In undertaking this update, the 2003 household survey data file has been weighted to the most up to date total household figures from the Council as at April 2011, supplied by the Council. The social sector stock has been weighted to actual figures at that date and other tenures using 2011 revised total household numbers to update key data used in the Model.

1.4.2 The table below show the revised weighted tenure proportions in the data file.

Table 1-1 Tenure of Existing Households

Tenure	2011 %*	N ^{OS} . implied	2003 %**
Owner occupier - mortgage	47.4	28,847	44.0
Owner occupier - outright	28.8	17,570	26.9
Private rented	5.0	3,035	4.8
Council rented	13.9	8,534	18.6
Registered Provider rented	3.2	1,957	3.4
RP Shared Ownership	0.2	110	0.3
Tied to employment / living rent free	1.5	932	2.0
Total	100.0	60,985	100.0

* Re-weighted survey data

**2003 Dacorum Housing Survey Data

- 1.4.3 The Strategic Housing Market Assessment (SHMA) Practice Guidance stresses the importance of using good quality data from a range of sources.
- 1.4.4 Both secondary data and the re-weighted primary data collected during the 2003 Assessment have been used.
- 1.4.5 The sources of data used within each section of the report are referenced where appropriate.

1.5 Data Benchmarking

- 1.5.1 Throughout this update where possible, DCA have provided data at national (England), regional (the South East), and the individual local authority scale (Dacorum). These will be referred to throughout the report as benchmark areas. The use of benchmark areas aims to provide an understanding of comparative performance between Dacorum and wider areas.

1.6 Glossary of Terms

- 1.6.1 A glossary of the technical terms used throughout this report is provided at **Appendix I**.

2 THE ACTIVE MARKET

2.1 Introduction

- 2.1.1 This section examines the current housing market to provide an update on house prices in the Dacorum Borough.
- 2.1.2 Since 2007, the UK market has seen a crisis in economic terms starting with insecurity in the financial markets following the sub-prime mortgage crisis beginning in the American market. This led to a fall in house prices throughout the UK which has left recent purchasers, particularly first-time buyers and those on 100% mortgages with negative equity.
- 2.1.3 This information sets the context for the key issue of the affordability of housing in the area, and in particular the analysis can be related to the problems experienced by low income households, evaluated through the 2008 survey data (re-weighted to reflect 2011 levels).

2.2 The Current UK Market Outlook

- 2.2.1 Hometrack predict average UK house prices to fall by a further 3% in 2012 and remain flat into 2013, rising by 2% in 2014.
- 2.2.2 The outlook for the housing market is being driven by weak levels of demand, as slow economic growth impacts on (rising) unemployment and squeezes disposable household incomes.
- 2.2.3 The real growth story in the housing sector for 2012 is in the rental market where demand will remain strong. There is however a limit as to how high rents can go. Hometrack forecast that rental growth will slow in 2012 increasing by 1-2% outside London. Given the pressure on household incomes it is impressive that rents should continue to rise and Hometrack's view is that the driver of rental growth is increased demand rather than the capacity of tenants to pay more out of existing incomes.
- 2.2.4 Overall low interest rates will continue to support a struggling market but the overall outlook is for prices to fall, with rentals increasing.

UK Housing Supply and Turnover

- 2.2.5 Nationally, the supply of housing for sale grew by 19% over 2011, with all the growth coming from January – August. However due to uncertainty over the economic outlook, the number of would-be buyers prepared to sell has fallen. In December the number of homes coming to the market fell by 3.4%.
- 2.2.6 The time on the market has been increasing for the last five months and currently stands at 10.1 weeks, up from a recent low of 9.4 weeks (July 2011).
- 2.2.7 Around country, the time taken to sell ranges from 6.5 weeks in London to a high of 13 weeks in the East Midlands.
- 2.2.8 The proportion of the asking price achieved has remained largely unchanged over the year tracking in the range of 92% - 93%. But in the North of the country it has started to move lower – suggesting an above average acceleration in price falls over 2012.

Current UK Prices

- 2.2.9 Average prices moved downwards by 2.1% over the year, this compared to a 1.6% decline in 2010. The strength of the London market, where prices were up 1% and by more than 5% in the most affluent postcodes, has flattered the national picture.
- 2.2.10 Over the last 12 months 78% of postcodes across the country have registered price falls. This is in contrast to London where, over the same period, prices have risen across 43% of the capital.
- 2.2.11 Following a weak end to 2010, demand over the first half of 2011 bounced back with the number of new buyers rising by 14%. Over the second half of the year new buyer registrations (demand) fell by 11% as uncertainty over the economic outlook grew. New buyer registrations fell by 6.3% in December.

2.3 Housing Market Analysis

- 2.3.1 Two key data searches were commissioned in 2011 to provide information on house price and sales volumes across the Borough:-
- The Land Registry, providing data on all sales in the area;
 - An Estate Agency survey to assess entry level prices and private rental costs in each of the 4 sub-areas in the Borough.
- 2.3.2 The 4 sub areas were agreed with the Council and the breakdown of wards within each sub-area is shown below:-

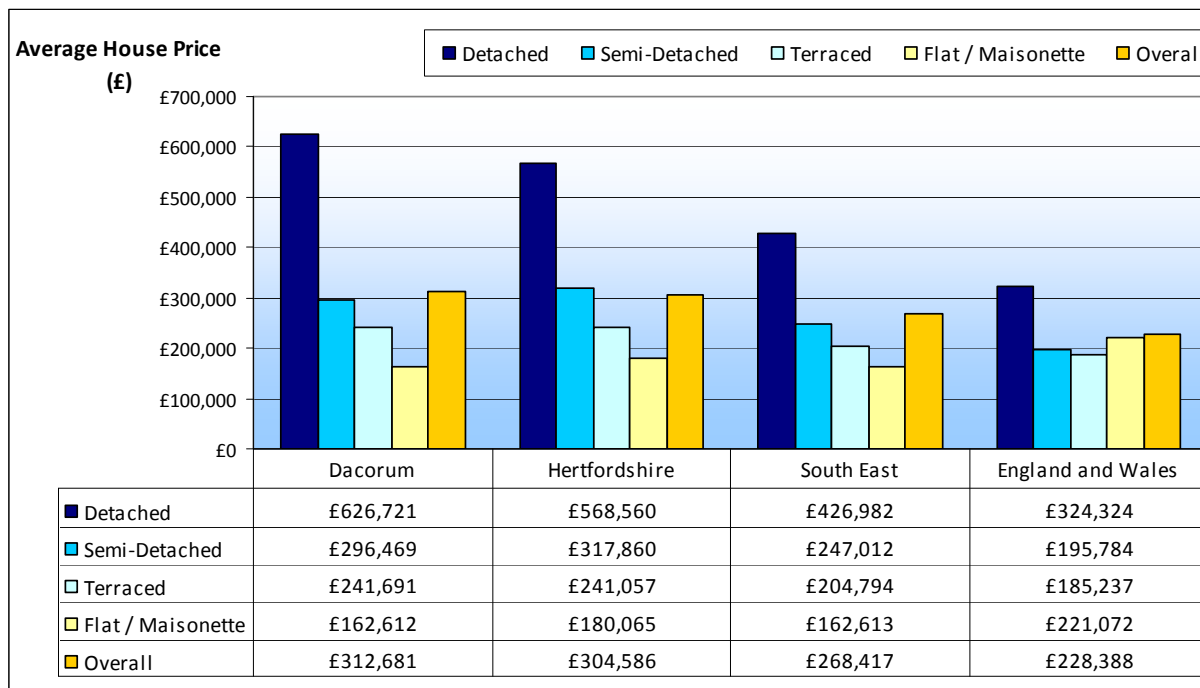
Sub-Areas	Wards contained within
Berkhamsted	Berkhamsted Castle, Berkhamsted East, Berkhamsted West, Bovington, Flaunden and Chipperfield
Hemel Hempstead	Adeyfield East, Adeyfield West, Apsley & Corner Hall, Bennetts End, Boxmoor, Gadebridge, Grovehill, Hemel Hempstead Town, Highfield, Leverstock Green, Nash Mills, Watling, Woodhall Farm
Tring	Tring Central, Tring East
Rural	Aldbury & Wiggington, Ashridge, Kings Langley, Northchurch, Tring West & Rural

- 2.3.3 DCA have compared the change in property prices between the land registry data used in the previous Assessment (Quarter 3, 2003) and the latest data available (Quarter 4, 2011).

2.4 Average House Prices

2.4.1 The latest data on average house prices during the 4th quarter of 2011 from Land Registry is summarised in Figure 2-1 below.

Figure 2-1 Average House Prices by Type, Q4 2011



Source: Land Registry Residential Property Price Report, Quarter 4 2011, © Crown Copyright

2.4.2 The average property price in Dacorum is £312,681, higher than the County, the South East Region and the national average.

2.4.3 The table below examines average house prices for Dacorum as recorded by the Land Registry at Q4 2011, compared with the average property prices at the time of the Dacorum Housing Needs Assessment at Q3 2003. The data is broken down by property type.

Table 2-1 2003 -2011 Average Dacorum Property Price by Type

Property Type	Dacorum		
	Average Q3 2003	Average Q4 2011	Change (%)
Detached	435,840	626,721	+43.8
Semi-detached	235,662	296,469	+25.8
Terraced	185,598	241,691	+30.2
Flat/ Maisonette	151,753	162,612	+7.2
All Properties	230,149	312,681	+35.9

Source: Land Registry Residential Property Price Report, Quarter 3 2003 & Quarter 4 2011, © Crown Copyright

2.4.4 Over the eight year period Q3 2003 to Q4 2011, the average property price in Dacorum has increased by 35.9%.

2.4.5 All property types have seen an increase in prices, the larger property types have seen the greatest increase in prices. Detached properties have the largest increase of 43.8% followed by terraced properties with 30.2%. Semi-detached properties increased by 25.8%.

2.4.6 Flats / Maisonette prices have increased over the 8 year period by 7.2%.

2.5 Sales Transactions

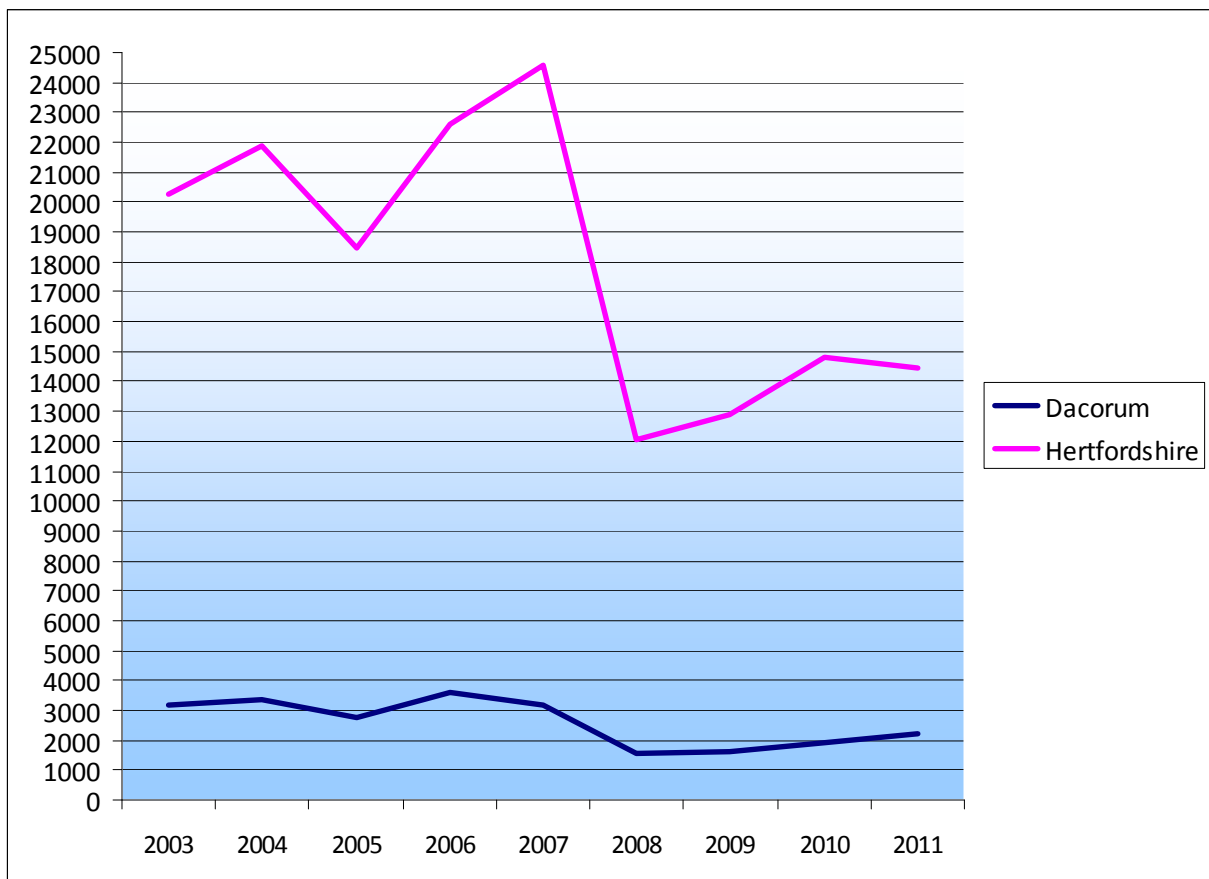
2.5.1 The table below shows the volume of sales of new and existing homes annually between 2003 and 2011.

2.5.2 Overall volumes of sales have decreased over the nine year period. Sales levels in the Dacorum area increased by 13.4% from 2003 to 2006 reaching a peak in 2006, compared to the County which peaked in 2004.

2.5.3 Sales levels from 2003 have followed a very similar pattern in Dacorum and in the County until the market fall in 2007/ 2008. Sales in the County have increased significantly in comparison to Dacorum from 2008.

2.5.4 The trend in the absolute sales volumes recorded between 2003 and 2011 is shown in the graph below.

Figure 2-2 Volume of Sales (2003-2011)



Source: Land Registry Residential Property Price Report, Quarter 4 2003 to Quarter 4 2011, © Crown Copyright

2.5.5 The data shows that the volume of sales per annum in Dacorum and Hertfordshire areas fluctuated between 2003 and 2011.



2.5.6 In the County, there were signs of sales falling steeply following the slump in the market in 2008 before increasing again 2009 to 2011. In the Borough sales levels decreased at a much steadier rate during the slump but have grown only marginally since the 2008 slump.

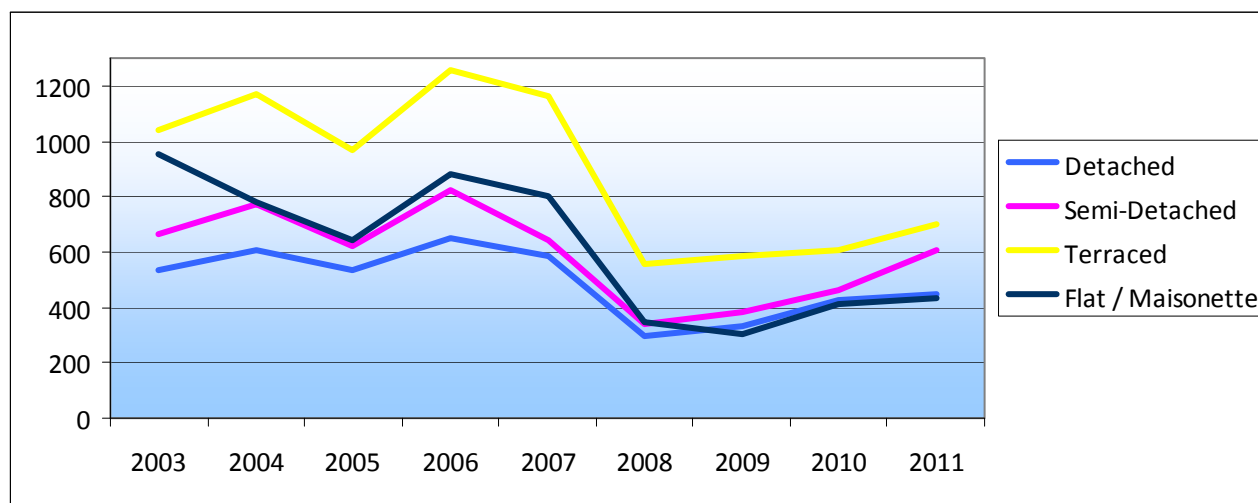
Table 2-2 Absolute Trend in Sales 2003 to 2011

Area	2003	2004	2005	2006	2007	2008	2009	2010	2011
Dacorum	3,186	3,328	2,762	3,612	3,194	1,531	1,607	1,909	2,192
Hertfordshire	20,243	21,860	18,474	22,609	24,572	12,046	12,870	14,782	14,467

Source: Land Registry, 2003 to 2011

2.5.7 The graph below shows the sales transactions in Dacorum by property type for the eight year period 2003 – 2011. The actual annual sales figures between 2008 and 2011 can be found at **Appendix II**.

Figure 2-3 Dacorum Sales by Type (2003-2011)



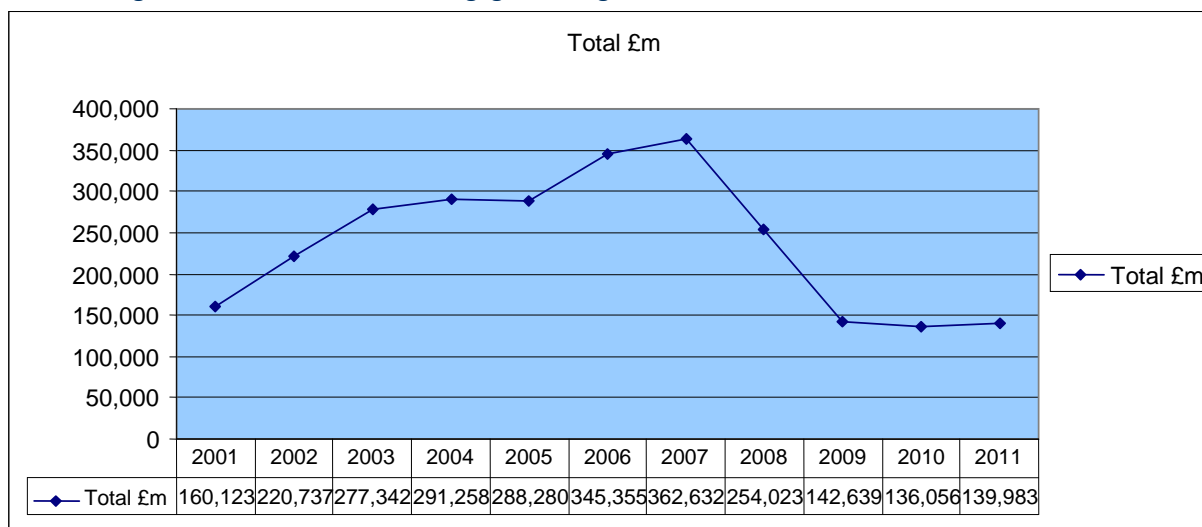
Source: Land Registry Residential Property Price Report 2003 to 2011, © Crown Copyright

2.6 The UK Mortgage Market

- 2.6.1 The mortgage market has traded in a very narrow range for the last couple of years. During the summer months this year there were some signs of an underlying improvement in volumes of lending but the onset of the Euro crisis and disappointing UK economic growth figures have dampened any prospect of recovery.
- 2.6.2 House prices and transactions are expected to fall further in 2012. Assuming the economic picture improves by early 2013 this should allow some firming up in prices but actual volumes of sales are expected to remain low as lenders continue to focus on quality of the asset rather than volume growth in lending.
- 2.6.3 Gross mortgage lending is still forecast to decline to £132bn in 2012 before rising gradually back to more normal level by 2015/2016.
- 2.6.4 The Council of Mortgage Lenders' (CML) members are banks, building societies and other lenders who together undertake around 94% of all residential mortgage lending in the UK. They produce statistics research and public commentary on the market and the issues facing lenders.
- 2.6.5 Gross mortgage lending in December was an estimated £11.7 billion, according to the Council of Mortgage Lenders. This represents a 12% drop from £13.2 billion in November but a 12% rise from December 2010 (£10.5 billion). December was the fifth month in a row of higher year-on-year lending.
- 2.6.6 For 2011 as a whole lending totalled £140 billion, slightly above the CML annual forecast of £138 billion.
- 2.6.7 The CML forecasts for 2012 states *'The closing months of 2011 saw stronger mortgage lending activity and housing transactions. But this was from low levels, and would not read too much significance into these recent figures. Immediate economic prospects are challenging and suggest a weak first half for the housing market.'*
- 2.6.8 *Inflationary pressures have started to fall away sharply, raising hopes that real incomes may stop falling later this year. Looking a little further ahead, there now seems to be a reasonable prospect that real incomes could stabilise and perhaps even start rising moderately by the end of the year. This would boost consumer confidence and help to kindle house purchase demand.'*
- 2.6.9 *The Eurozone crisis continues to make funding conditions challenging and exposes mortgage pricing to upside risks'.*

2.6.10 Figure 2-4 shows the difference in gross mortgage lending over the past 10 years.

Figure 2-4 Gross Mortgage Lending



Source: CML Research, Bank of England

2.6.11 The Council of Mortgage Lenders (CML) states that there are signs of house prices stabilising and more properties coming onto the market following the elimination of home information packs. This could improve liquidity in the market but transaction levels are subdued and are likely to remain so while access to credit remains constrained.

2.6.12 Current constraints are an issue not just for first time buyers but also for existing recent buyers and those without a large equity cushion. Funding constraints apply across the whole market.

2.6.13 The following table shows the details for house purchase loans and re-mortgage loans from November 2010 to November 2011.

Table 2-3 Loans for house purchase and re-mortgage November 2010 – November 2011

	Number of house purchase loans	Value of house purchase loans £m	Number of re-mortgage loans	Value of re-mortgage loans £m
November 2011	47,000	6,900	31,200	4,000
Change from October 2011	4%	5%	6%	8%
Change from November 2010	3%	5%	2%	5%

Source: CML November 2011 (data released 16 January 2012)

2.6.14 House purchase lending increased between November 2010 and November 2011 by around 4%. The number of re-mortgage loans increased between November 2010 and October 2011 by 2%.

2.6.15 The latest data on loans specifically to first-time buyers (FTB) is outlined below.

Table 2-4 Loans to first-time buyers November 2010 – October 2011

	Number of loans	Value of loans £m	Average loan to value	Average income multiple	Proportion of income spent on interest payments
November 2011	17,300	2,100	80%	3.23	12.2%
Change from October 2011	4%	5%	80%	3.20	12.3%
Change from November 2010	4%	5%	80%	3.22	13.0%

Source: CML November 2011

- 2.6.16 There were 17,300 loans advanced to first-time buyers in November 2011, a rise of 4% from November 2010.
- 2.6.17 Housing is now technically at its most affordable than it has been for the last 9 years. Mortgage payments at 27% of earnings are now the lowest since December 1999 and half the unsustainable peak of 48% in July 2007. However this ignores the major change in deposit requirements particularly from first time buyers (FTB's).
- 2.6.18 The typical first time buyer in September 2011 had a deposit of 20% and they borrowed 3.23 times their income.
- 2.6.19 Some lenders are offering a 90% mortgage which have high arrangement fees in excess of £700, some as high as £1,500. The reality is the lower the deposit, the higher the interest rate.
- 2.6.20 Nationally the number of FTB's has fallen from 181,500 in the first 6 months of 2007 to 86,000 in the first half of 2011. The average FTB deposit in the first six months of 2011 was £27,719; this was more than double the average of £12,874 in 2001.
- 2.6.21 The average age of an FTB is 29. The CML estimate that 84% of FTBs under age 30 had help with their deposit in 2010 compared with 38% in 2005. However for those without financial support from family CML data estimates that the average age has risen from 28 to 31 over the same period.
- 2.6.22 According to a new report commissioned by the Halifax more First Time Buyers are put off from applying for a mortgage through fear of rejection. 64% of non-homeowners believe they have no prospects whatsoever of buying a home therefore creating a generation of renters.
- 2.6.23 The report revealed wide spread pessimism about lenders and the mortgage application process with 84% of FTB's being put off by a belief that banks do not want to lend to them and find excuses to turn them down. 92% see it hard for FTB's to get a mortgage, with 60% seeing it as very hard or virtually impossible.
- 2.6.24 The scale of deposit required is however the major blockage to owner-occupation and to the proper functioning of the whole housing market. The Mortgage Indemnity scheme between lenders and house builders may provide a stimulus in the new homes sector.
- 2.6.25 The recent funding initiative, FirstBuy, for shared equity with developers and lenders could also have a stronger short term influence for intermediate housing.

2.7 The Dacorum Market Sub-Area Breakdown

2.7.1 The Borough has been divided into the same 4 sub-areas used in the 2003 Assessment to further analyse house prices and rental costs locally in the areas outlined below.

Sub-Areas	Wards contained within
Berkhamsted	Berkhamsted Castle, Berkhamsted East, Berkhamsted West, Bovington, Flaunden and Chipperfield
Hemel Hempstead	Adeyfield East, Adeyfield West, Apsley & Corner Hall, Bennetts End, Boxmoor, Gadebridge, Grovehill, Hemel Hempstead Town, Highfield, Leverstock Green, Nash Mills, Watling, Woodhall Farm
Tring	Tring Central, Tring East
Rural	Aldbury & Wiggington, Ashridge, Kings Langley, Northchurch, Tring West & Rural

2.8 Entry Sales Levels in Dacorum

- 2.8.1 Entry to the market is clearly dependent on availability, a factor which is particularly critical for low income households who can only enter the market in any numbers where there is an adequate supply of affordable homes.
- 2.8.2 First-time buyers as new entrants to the housing market do not purchase houses at average prices as they do not have average incomes. Although average prices are useful for comparisons in general they are not the purchase levels used in assessing the ability of households to enter local markets.
- 2.8.3 In broad terms new purchasers of either flats or terraced properties buy in the lowest quartile of prices i.e. the bottom 25%.
- 2.8.4 An internet search of the local estate agents was undertaken to ascertain the cost of the cheapest units available i.e. the lowest quartile stock costs in the 6 sub-areas.
- 2.8.5 The entry level stock in the Borough is considered to be flats as they are the cheapest units with an adequate level of supply for sale to concealed households.

Table 2-5 Entry Sales Levels (£) in Dacorum – February 2012

	1 Bed Flat	2 Bed Flat	2 Bed Terraced	3 Bed Terraced	2 Bed Semi-Detached	3 Bed Semi-Detached
Berkhamsted	139,950	189,950	249,950	269,950	239,950*	309,950
Hemel Hempstead	119,995	120,000	179,995	204,000	197,500	215,000
Tring	115,950	165,000	200,000	229,950	220,000	229,950
Rural	124,995	179,950	235,000	199,950	177,950	309,950
Borough-Wide	122,500	149,950	199,950	212,500	208,000	269,950

Source: DCA Housing Market Survey February 2012

* Caution Low Sample

- 2.8.6 Although the average price of flat / maisonette properties in Dacorum according to the Land Registry survey is £162,612, entry sales levels vary across the Borough with the lowest entry prices, starting at around £115,950 for a 1-bed flat in Tring, rising to £189,950 for a 2-bed flat / maisonette in Berkhamsted.
- 2.8.7 2 bed terraced properties start at £179,995 in the Hemel Hempstead area rising to £249,950 in Berkhamsted. 3-bed terraced properties start from £204,000 in Hemel Hempstead rising to £269,950 in Berkhamsted.
- 2.8.8 2 bed semi-detached properties start from around £177,950 in the Rural area rising to £239,950 in Berkhamsted. 3-bed semi-detached properties start at £215,000 in Hemel Hempstead rising to £309,950 in both Berkhamsted and the Rural area.

2.9 The Private Rented Sector

- 2.9.1 DCA undertook a survey of the main estate / letting agents in each area to gather data on the one to three bedroom supply and particularly entry rent levels in the private rented sector for each sub-area, set out below.
- 2.9.2 The total number of properties currently on the market was 305 of which 81 were used to calculate the lower quartile rent levels. Some property types, especially 3 bedroom properties, had low levels of supply and the data should be treated with caution.

Table 2-6 Average and Entry Rent Levels, February 2012 (£ p/m)

	Berkhamsted			Hemel Hempstead		
	Nos.	Average	Entry	Nos.	Average	Entry
1-Bed Flat	13	711	645	29	665	600
2-Bed Flat	23	889	775	50	836	750
2-Bed Terraced	6	916	850	10	848	825
3-Bed Terraced	5	1,237*	800*	28	931	895
2-Bed Semi-detached	2	1,198*	1,100*	3	1,082*	795*
3-Bed Semi-detached	2	1,250*	1,250*	23	1,083	950
	Tring			Rural		
	Nos.	Average	Entry	Nos.	Average	Entry
1-Bed Flat	3	642*	625*	21	707	625
2-Bed Flat	10	734	695	16	801	725
2-Bed Terraced	11	787	700	16	869	800
3-Bed Terraced	4	1,021*	895*	12	1,138	900
2-Bed Semi-detached	2	798*	795*	4	855*	795*
3-Bed Semi-detached	2	1,148*	1,000*	10	1,229	1,100

* Low level of data Nos. column represents the number of properties found by type and size.
Source: DCA Housing Market Survey February 2012

- 2.9.3 Entry rental costs in the private rented sector vary by location within the Borough.
- 2.9.4 The private rented sector entry level rents start from £600 per month in Hemel Hempstead, rising to £645 in Berkhamsted for a one bedroom flat, the smallest unit. A 2-bed flat ranges from £695 per month in Tring rising to £775 in Berkhamsted.
- 2.9.5 In the case of 2-bed terraced houses, entry rent levels range from £700 per month in Tring, rising to £850 in Berkhamsted. 3-bed terraced rents start from £800 per month in Berkhamsted, rising to £900 in the Rural area.
- 2.9.6 Entry level rents for 2-bedroom semi-detached homes, range from £795 in all areas except Berkhamsted, to £1,100 in Berkhamsted. 3 bed semi-detached properties start from around £950 in Hemel Hempstead and rise to £1,250 per month in Berkhamsted.

2.10 Affordable Rents

- 2.10.1 In April 2011 the Coalition Government introduced Affordable Rents at up to 80% of average private sector rents for new social rented stock. This decision is to encourage Registered Providers to be less reliant on grant aid for new build schemes and self finance the schemes by charging a greater amount of rent.
- 2.10.2 However, the introduction of Affordable Rents at up to 80% of market value for new social rented stock impacts on the potential of discounted market rent as an intermediate housing option.
- 2.10.3 Dacorum Borough Council still own and manage their social housing stock, therefore there will be some cheaper rent levels within their stock compared to other Registered Providers. When considering Affordable Rent Levels we have therefore looked at them separately to other Registered Providers in the Borough.
- 2.10.4 Affordable Rents have been introduced to help fund new social housing and for the landlord to be less reliant on grant aid. The level set can be up to 80% of the average private rented sector rent and this option has been given to allow housing providers to set it at an affordable level depending on the cost of PRS in their areas.
- 2.10.5 In areas where the private rented sector is very expensive, a registered provider may introduce affordable rents at 60%, because 70% and 80% may be too expensive for local residents. In another area, where private rents are very close to social rents the provider may choose to introduce them at 80%.
- 2.10.6 Further analysis on affordability of each rented sector can be seen in Table 3-8.
- 2.10.7 The margin between social rents and affordable rents, in all areas of Dacorum appears to be large enough to make the introduction of Affordable Rents a viable option for all property sizes at 70% and 80%.
- 2.10.8 However at 60% there is very little difference in rents for 1 bed properties and it may not be viable to introduce affordable rents at that rate on these properties.
- 2.10.9 There is a relatively large margin in the rents at 60% for 2 and 3 bed properties and it may be viable to introduce affordable rents at this rate for these properties.
- 2.10.10 It should be noted that even though it may be viable for the housing providers to provide affordable rented properties this does not automatically mean that this will be affordable to residents as highlighted in paragraph 2.10.12.

- 2.10.11 **Appendix IV** contains analysis of each sub-area showing the approximate level of Affordable Rents compared to the local private sector rents that could be applicable to each area.
- 2.10.12 However, 31% of concealed households cannot afford the 80% rent level based on their income. It would therefore be right to assume that should this option be offered to them they would rely on housing benefit to help pay the rent.
- 2.10.13 The table and graph below shows the levels for the whole Borough and there is a large enough margin to introduce Affordable Rents.

Table 2-7 Average Social Rent up to 80% of Average Private Sector Rent

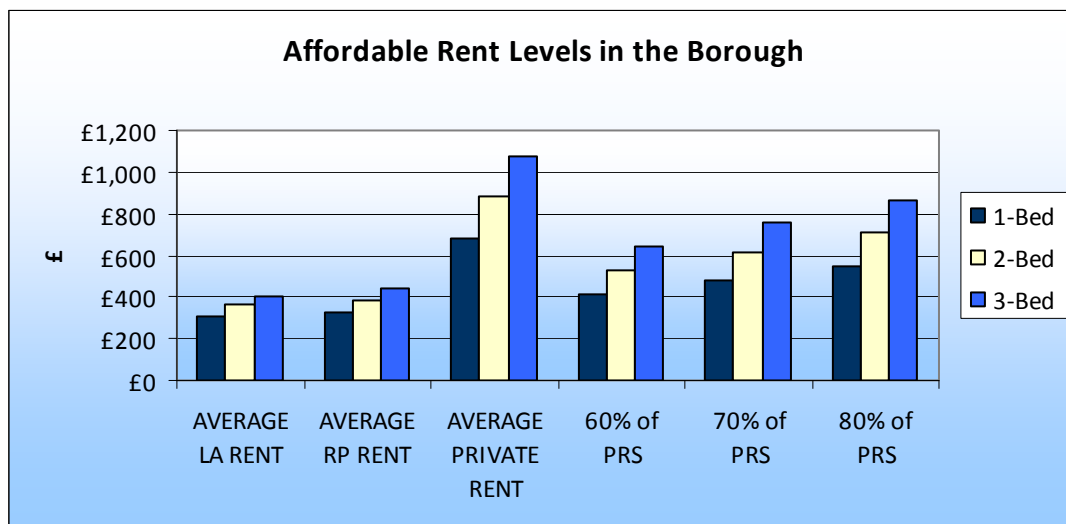
	Average Council Rent	Average RP Rent	Average Private Rent	60% of PRS	70% of PRS	80% of PRS
1-Bed	£310	£330	£686	£412	£480	£549
2-Bed	£367	£388	£884	£530	£619	£707
3-Bed	£407	£439	£1,077	£646	£754	£862

Source: Council Rents from Council Data

Rents from Tenant Services Authority, PRS Rightmove

RP – Registered Provider

Figure 2-5 Borough Affordable Rent Levels



2.11 Local Housing Allowance for Single People

- 2.11.1 The Local Housing Allowance (LHA) is a way of calculating Housing Benefit for people who live in **privately rented accommodation**. LHA is a flat rate allowance based on the size of the household (not the size of the property) and the area in which a person lives.
- 2.11.2 Until January 2012 a single person aged under 25 years, who does not have a dependant or a non-dependant person living with them, was entitled to the standard rate of Local Housing Allowance for a room in shared accommodation.
- 2.11.3 However since January 2012 the shared room rate restriction applies to single people aged under 35 years. Current exemptions, for example for those in receipt of severe disability premium and living in certain types of supported accommodation, will continue to apply.

- 2.11.4 On the other hand when considering housing needs the SHMA Practice Guidance 2007 states that we must include anyone over the age of 25 years sharing facilities. Therefore until new guidance is published anyone over the age of 25 years will be included in the calculation for future housing need.
- 2.11.5 The changes to the single allowance may have an impact on rent arrears when housing benefit is reduced to single people under 35 currently on housing benefit and living in self contained accommodation.
- 2.11.6 The council should also consider the possible increased demand on shared accommodation and the possibility of under 35 year olds becoming homeless when they have to leave self contained accommodation due to affordability issues.
- 2.11.7 Currently people renting from a council or other social housing are not affected by the Local Housing Allowance.

2.12 Intermediate Housing Costs

- 2.12.1 As house prices have reduced its important to assess whether households could gain access to the housing they require with minimum levels of subsidy compared to that of social rent.
- 2.12.2 This is also important in relation to the provision of a more balanced housing market. We have therefore analysed the cost of provision of intermediate housing in the area and assessed the proportion of households who may be able to be assisted by new provision of this type. The following table utilises data from the Council's website and Lea Valley Homes Homebuy website.
- 2.12.3 The table below shows examples of Shared Ownership costs, Incomes required and concealed households able to afford.

Table 2-8 Shared Ownership Costs, Incomes Required and Concealed Households able to afford

Property Type	Full Sale Price	Share Price	Rent	Monthly Cost*					Concealed Households able to afford (%) Excl Deposit
				Mortgage	Service / Estate Charge	Total	Deposit Required	Income Required	
1 – bed flat (New Build)	145,000	72,500 (50%)	227	445	96	768	7,250	30,720	34.3
1 – bed flat (Resale)	100,000	73,000 (73%)	85	448	0	533	7,300	21,320	66.6
2-bed flat (New Build)	186,000	111,600 (60%)	173	685	42	900	11,160	36,000	25.1
2-bed house(New Build)	185,000	46,250 (25%)	345	284	101	730	4,625	29,200	40.2
2-bed house (Resale)	210,000	84,000 (40%)	338	516	46	900	21,000	36,000	25.1
3-bed house (Resale)	225,000	112,500 (50%)	292	691	78	1,061	22,500	42,440	13.0

The income required was set by DCA at 30% of gross annual income.

Monthly costs based on 5.5% mortgage rate over 25 years. The deposit has been calculated at 10% of the share price.

% of Concealed Households able to afford each property based on the incomes in the Updated Dacorum Housing Needs Survey 2012.

- 2.12.4 The last column shows the percentage of people who can afford these shared ownership units based on their incomes however 92.9% of concealed households have less than £10,000 in savings. Therefore a great number would need help with the deposit and legal fees.
- 2.12.5 In comparison to the affordability of shared ownership based on monthly housing costs not exceeding 30% of gross income, the number of concealed households who cannot afford 80% affordable rents is 31% but they will not need such a large deposit.

3 HOUSING COSTS AND INCOME

3.1 Introduction

3.1.1 The ability of a household to satisfy its own housing requirement is fundamentally a factor of the relationship between local house prices and households income. This section of the report assesses the income levels required to access the cheapest units available in reasonable supply from the research detailed in Section 2.8 and the change in incomes from the 2003 Assessment.

3.2 Purchase Income Thresholds

3.2.1 The cheapest entry levels (lowest quartile) of the smallest units were assessed to enable threshold income levels to be calculated. These are based on 95% loan to value (LTV) mortgage availability and a 3.5 x gross income lending ratio for single earner households and 2.9 x gross household income for dual income households, the levels recommended in the 2007 Strategic Housing Market Assessments Practice Guidance (page 42).

3.2.2 In practice, lending ratios are now much lower with no 95% (LTV) mortgages available in the market, a situation expected to continue for some time. With the majority of mortgage lenders offering only 75 - 85% (LTV), buyers may have an income to support the mortgage but do not have a 15 - 25% deposit.

3.2.3 The following tables below outline the income ranges needed to enter the market in the 4 sub-areas for single and dual households using the Guidance recommended lending ratios of 95% LTV.

Table 3-1 Single Income Thresholds – February 2012

Area	Income Thresholds (£)		
	1 bed Flat	2 bed Flat	2 bed Terraced
Berkhamsted	38,000	51,600	67,800
Hemel Hempstead	32,600	32,600	48,900
Tring	31,500	44,800	54,300
Rural	33,900	48,800	63,800

Source: DCA Housing Market Survey February 2012,

Table 3-2 Joint Income Thresholds February 2012

Area	Income Thresholds (£)		
	1 bed Flat	2 bed Flat	2 bed Terraced
Berkhamsted	45,800	62,200	81,900
Hemel Hempstead	39,300	39,300	59,000
Tring	38,000	54,100	65,500
Rural	40,900	58,900	77,000

Source: DCA Housing Market Survey February 2012

Note: Figures rounded to nearest hundred.

3.2.4 According to the data collated from the house price survey, purchase entry level prices for flats require a single income of £31,500 in Tring for a 1-bed flat and rise to £38,000 in Berkhamsted. Entry income levels for 2-bed flats start at £32,600 in Hemel Hempstead and rise to £51,600 in Berkhamsted.

- 3.2.5 The income needed to buy the entry level terraced properties vary across the Borough with the lowest entry prices for a 2-bed terraced property, starting at around £48,900 in Hemel Hempstead rising to £67,800 in Berkhamsted.
- 3.2.6 On average 67.1% of concealed households earn below the entry level single income requirement of £31,500 to purchase a 1 bed flat in Tring. The ability of concealed households to access the market within the Borough in 2011 is limited.
- 3.2.7 These levels are therefore theoretical as mortgage lending to first time buyers is generally still at a level of around 75 - 85%, but some loans are available with higher interest rates and booking fees at 90%. The key problem of affordability now focuses on the availability of a larger deposit rather than income levels and lending multipliers.
- 3.2.8 On average a deposit of around £11,595 to £12,000 would be required to buy one and two bedroom flats and £17,900 to £20,000 for two and three bedroom terraced houses in the current Dacorum market, if funding could be secured at 90% mortgage.
- 3.2.9 The data from the 2003 survey shows that 58.9% of concealed households have savings of less than £1,000. 24.5% have between £1,000 and £5,000 savings.
- 3.2.10 Only 2.9% had in excess of £30,000 and on the basis of savings levels around 93% of concealed households will not be able to afford a deposit of around £11,595 for a one bedroom flat.
- 3.2.11 The scale of deposit required is however the major blockage to owner-occupation and to the proper functioning of the whole housing market. The Mortgage Indemnity scheme between lenders and house builders may provide a stimulus in the new homes sector. The recent funding initiative, FirstBuy, for shared equity with developers and lenders could also have a stronger short term influence for intermediate housing.

3.3 Rental Income Thresholds

- 3.3.1 The cheapest rental prices of the smallest units in the Borough were assessed in order to calculate the rental income threshold levels. These are based on the Guidance recommended ratio for private rent at 25% of gross income (equivalent to 30% of net income).
- 3.3.2 Table 3-3 below shows the income levels needed to access the private rented market in Dacorum.

Table 3-3 Single Rental Income Thresholds – February 2012

Area	Income Thresholds (£)		
	1 bed Flat	2 bed Flat	2 bed Terrace
Berkhamsted	31,000	37,200	40,800
Hemel Hempstead	28,800	36,000	39,600
Tring	30,000*	33,400	33,600*
Rural	30,000	34,800	38,400

Source: DCA House Price Survey February 2012, ** No data found, * Low Level of Data

Note: Figures rounded to nearest hundred

- 3.3.3 The cheapest property in the Borough to rent is in Hemel Hempstead and requires an income threshold of £28,800.

- 3.3.4 To rent a two bedroom flat requires an income of £33,400 in Hemel Hempstead and for a two bed terraced property requires an income of £33,600 in Tring, although based on a low sample.
- 3.3.5 On average 58.3% of concealed households earn below the level required to rent the cheapest property in Hemel Hempstead (£28,800). Therefore based on this figure and those who cannot afford to buy (67.1%) at 3.2.6, new entrants to the market are more likely to go for private rent.
- 3.3.6 SHMA Guidance for eligibility to access subsidised affordable housing is an inability to buy or rent in the private market, without assistance.
- 3.3.7 Ultimately, because housing costs in the private rented sector are lower this virtually always means that the incomes required to rent rather than buy are used in the Assessment Model.
- 3.3.8 The inability to rent in the private sector without assistance is therefore the basis of the calculation of those requiring affordable housing in section 4.

3.4 Annual Survey of Hours and Earnings

- 3.4.1 Income data is always difficult to gather at local level. The 2010 Annual Survey of Hours and Earnings (ASHE) has been used, prepared by the Office for National Statistics. This information excludes Housing Benefits. This provides data at County and Borough-wide level of full-time employees of adult rates who have been in the same job for more than a year.
- 3.4.2 The 2011 ASHE data shows a median income of £30,858 for Dacorum, a 53.7% increase on the 2003 ASHE figure of £20,079.
- 3.4.3 Analysis has also been undertaken of the income levels of local households, to assess the proportion of people now able to access market housing. This has been based on the updated house price information detailed in Section 2.
- 3.4.4 The average incomes for Dacorum have increased by 53.7% between 2003 ASHE and 2011 ASHE data, a period of 32 quarters, an average of 1.7% per quarter. The annual income boundaries taken from the 2003 Study have an income inflation of 53.7% applied to cover the 32 quarters to determine the 2011 annual income boundaries for Dacorum.
- 3.4.5 The table below highlights the incomes of existing households from the 2003 Study and current 2011 incomes.

Table 3-4 Incomes of Existing Households 2003 & 2011 (excluding benefits)

Annual Income 2003*		Annual Income 2011**		%
Below	£10,000	Below	£15,370	13.2
£10,000 - £20,000		£15,371 - £30,740		19.3
£20,001 - £30,000		£30,741 - £46,100		16.9
£30,001 - £40,000		£46,101 - £61,480		15.3
£40,001 - £50,000		£61,481 - £76,850		10.4
£50,001 - £60,000		£76,851 - £92,220		10.1
£60,000 - £75,000		£92,221 - £115,275		6.3
£75,001 - £100,000		£115,276 - £153,700		4.6
Above	£100,000	Above	£153,701	3.9
Total				100.0

Source: * 2003 Dacorum HNS ** New Incomes after 53.7% increase applied

3.4.6 13.2% of existing households earn less than £15,370, with 24.9% earning over £76,850 per annum.

3.4.7 The table below highlights the 2003 and 2011 incomes of concealed households from the 2003 Study. The 2003 income bands taken from the 2003 Assessment have an income inflation of 53.7% applied to determine the 2011 annual income levels.

Table 3-5 Incomes of Concealed Households 2003 & 2011 (excluding benefits)

Annual Income 2003*	Annual Income 2011**	%
Below £15,000	Below £23,055	36.1
£15,000 - £20,000	£23,056 - £30,740	29.7
£20,001 - £25,000	£30,741 - £38,425	13.3
£25,001 - £27,500	£38,425 - £42,268	7.8
£27,501 - £30,000	£42,269 - £46,100	1.1
£30,001 - £32,500	£46,101 - £49,953	0.7
£32,501 - £35,000	£49,954 - £53,795	4.4
£35,001 - £40,000	£53,795 - £61,480	0.2
£40,001 - £50,000	£61,481 - £76,850	2.2
Above £50,000	Above £76,851	4.5
Total		100.0

Source: * 2003 Dacorum HNS

** New Incomes after 53.7% increase applied

3.4.8 36.1% of concealed households earn less than £23,055, with 79.1% earning less than £38,425 per annum.

3.4.9 The following table outlines the incomes required by concealed households to access owner occupation based on the lowest and highest purchase single income thresholds across the Borough for 1 and 2-bed flats properties and 2-bed terraced properties.

3.4.10 Overall the calculation of the proportion of concealed households unable to access the private sector takes account of those who need one and two bedroom housing in the lowest quartile cost stock across the Borough.

Table 3-6 Concealed Households – Incomes Needed to Buy (Single Income) and % Unable to Buy

Type of Property	Area	Income Required	% unable to buy
1-bed Flat	Tring	£31,500	67.1
2-bed Flat	Hemel Hempstead	£32,600	69.0
2-bed Terraced	Hemel Hempstead	£48,900	88.5

3.4.11 Using the income requirements from Table 3-1 (single income), Table 3-6 shows that 67.1% of concealed households are unable to buy the cheapest 1-bed flat in the Borough and 69% are unable to buy the cheapest 2 bed flat.

3.4.12 88.5% of concealed households in the Borough were unable to buy the cheapest 2-bed terraced house.

- 3.4.13 The table below outlines the income required by concealed households to access the private rental market based on the lowest and highest rental income thresholds across the Borough for 1 and 2-bed flats and terraced properties, as illustrated in Table 3-3.

Table 3-7 Concealed Households – Incomes Needed & % Unable to Rent in the Private Market

Type of Property	Area	Annual Income Req.	% Unable to rent
1-bed Flat	Hemel Hempstead	£28,800	58.3
2-bed Flat	Tring	£33,400	70.4
2-bed Terraced	Tring	£33,600	70.7

- 3.4.14 The data shows that 58.3% of concealed households cannot afford to rent a 1-bed flat in the Borough.
- 3.4.15 70.4% are excluded from renting a 2-bed flat and 70.7% of concealed households are excluded from the cheapest 2-bed terraced house in the Borough.

3.5 Affordability of Social Rented Properties

- 3.5.1 Using the income data provided we looked at the percentage of households who cannot afford to pay rental payments for AR compared to LA and RP rented properties.

Table 3-8 Percentage of Households unable to Afford Average Monthly Rents

Size	LA Rent	Income Required	% Existing	% Concealed
1 bed	£310	£14,900	12.8	23.3
2 bed	£367	£17,600	16.0	27.6
3 bed	£407	£19,500	18.4	30.5
RP				
1 bed	£330	£15,800	13.7	24.7
2 bed	£388	£18,600	17.2	29.1
3 bed	£439	£21,000	20.3	32.9
60% AR				
1 bed	£412	£19,800	18.8	31.0
2 bed	£530	£25,400	25.8	45.2
3 bed	£646	£31,000	32.8	66.2
70% AR				
1 bed	£480	£23,100	22.9	36.3
2 bed	£619	£29,700	31.2	61.8
3 bed	£754	£36,200	38.5	75.2
80% AR				
1 bed	£549	£26,400	27.0	49.0
2 bed	£707	£33,900	36.0	71.3
3 bed	£862	£41,400	38.5	85.1

- 3.5.2 There is a large margin of those who cannot afford the social rented properties and those who can afford Affordable Rented Properties.
- 3.5.3 The Tenancy Strategy must take into account that it is most likely that the people who cannot afford AR will be those in high housing need and will more than likely rely on housing benefit to pay the rent.

4 POPULATION GROWTH & HOUSEHOLD PROJECTIONS

4.1 Introduction

- 4.1.1 Analysis of changes in population and household profiles are essential in enabling an understanding of the level of housing need and demand within an area. Monitoring population and household forecasts allow the council to see if any significant changes are occurring that could affect the Dacorum housing market.
- 4.1.2 Demographic change creates the need for different levels and types of housing provision and is a key factor influencing the requirements for market and affordable housing. Migration can be an important factor in demographic structure.
- 4.1.3 There are four basic components to changes in the number and composition of households. The aim of this section of the report is to highlight the issues which are relevant to the evaluation of housing needs in Dacorum, particularly the changes in:-
- The age distribution of the population arising from births, deaths and ageing of the indigenous population;
 - Family units such as marriage, divorce and child bearing patterns;
 - The number and composition of households arising from migration, particularly due to employment opportunities in the area;
 - The probabilities that family units form a separate household, particularly in response to changes in incomes in the labour market area.
- 4.1.4 In local area forecasting new household formation is mainly due to responses to income and employment opportunities. However, new household formation is also affected by life cycle patterns and this demographic influence contributes to about 40% of the growth in the number of new households at any one time (Dicks, 1988; Ermisch, 1985).
- 4.1.5 The factors which combine to produce the population and household forecasts are:- age-sex structures (including those of migrants) headship rates, survival factors, infant mortality, fertility rates, base numbers of dwellings, vacancy rates, building / demolition programmes.

4.2 The Population and Household Forecasts

- 4.2.1 The demographic forecasts used in the 2003 Housing Needs Survey were 1996 based on Office of National Statistics (ONS) data provided by Hertfordshire County Council.
- 4.2.2 The general demographic forecasts in the tables in this section are ONS projections, provided by the ONS who publish population and household forecasts at Local Authority level for England. The forecasts are 2008 based sub-national population projections and are the most recent projections available, released in May 2010.
- 4.2.3 Being trend based projections, assumptions for future levels of births, deaths and migration are based on observed levels; mainly over the previous five years (2003 to 2008). They show what the population will be if recent trends continue.
- 4.2.4 The projections are produced on a consistent basis across all local authorities in England. They do not take into account any future policy changes or local development policies that have not yet occurred.

4.2.5 The summary of this data is provided in the following tables with the population changes disaggregate from 2008 to 2033.

4.2.6 The projections in Table 4-1 outline the population change between 2008 and 2033.

Table 4-1 Population Change 2008 – 2033

	2008	2011	2016	2021	2026	2033	Change
Total Population	139,900	141,500	145,100	149,300	153,700	159,400	
Change		+1,600	+3,600	+4,200	+4,400	+5,700	+19,500
% Change		+1.1	+2.5	+2.9	+2.9	+3.7	+13.9

Source: Office for National Statistics (ONS)

4.2.7 The next stage in the forecast is to disaggregate the population data into age bands because there may be changes in the population structure with significant housing implications.

Table 4-2 Population Age Band Forecast 2008 – 2033

	2008	2011	2016	2021	2026	2033	Change	% Change
0 - 19	34,700	34,300	34,300	35,000	36,000	36,200	+1,500	+ 4.3
20 – 29	15,000	15,300	15,300	14,600	14,100	15,200	+200	+ 1.3
30 - 44	31,000	30,300	30,100	31,300	32,500	31,900	+900	+ 2.9
45 - 64	37,200	38,500	39,400	40,200	39,700	39,700	+2,500	+ 6.7
65 +	21,900	23,100	26,000	28,300	31,400	36,300	+14,400	+ 65.8
Total	139,900	141,500	145,100	149,300	153,700	159,400	+19,500	+13.9
% Change		+1.1	+2.5	+2.9	+2.9	+3.7		

Source: ONS 2008-based sub-national population projections

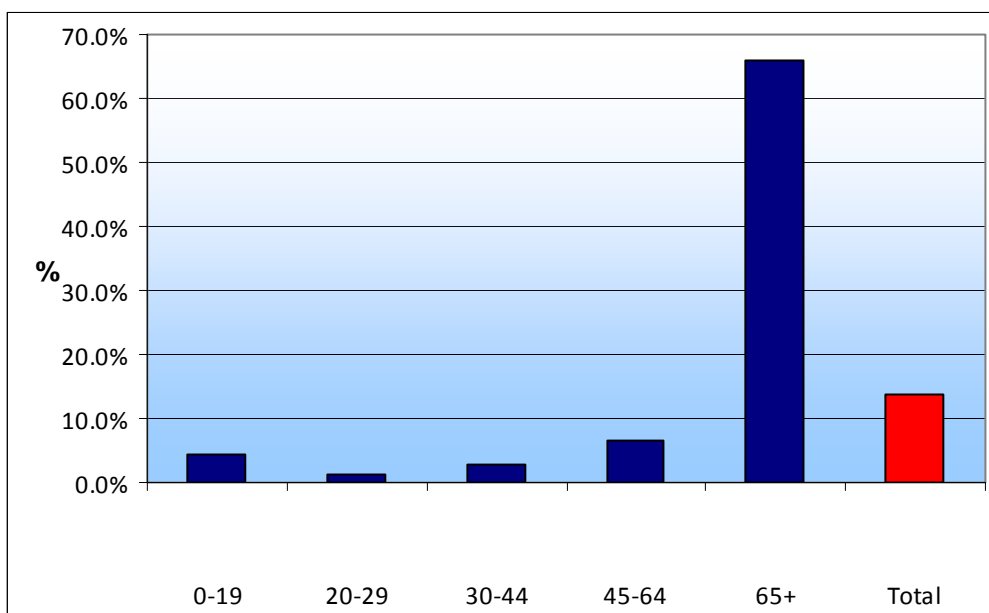
Figures are rounded to the nearest 100 so totals may not agree with the sum of their rounded counterparts.

4.2.8 The 0-19 age range shows a rise overall of 1,500 people (+4.3%). Numbers rise and fall throughout the forecast period.

4.2.9 The 20-29 age range comprises new households forming and will have implications for future affordable housing need both in the short and longer term. Overall this age group shows a rise of 200 people (+1.3%). Numbers rise to a peak in 2016 before falling, numbers increase again after 2026.

- 4.2.10 The 30-44 age group, the main economically active and household forming and moving group shows an increase of 900 people (+2.9%). Numbers fall to 2016 before increasing again after 2021.
- 4.2.11 The 45-64 age group shows an increase of 2,500 people (+6.7%).
- 4.2.12 The most significant feature is the growth of the population in the over 65 age group with an increase of 14,400 people (+65.8%) over the forecast period.
- 4.2.13 The growth in all groups up to age 64 of 5,100 people is only 4.3%.
- 4.2.14 The following graph shows the percentage population change by age group to 2033.

Figure 4-1 Population Age Band Change Forecast 2008 – 2033



Source: Office for National Statistics (ONS)

4.3 Older Population Growth Forecasts

- 4.3.1 The table below shows the 65+ age structure breakdown to 2033.

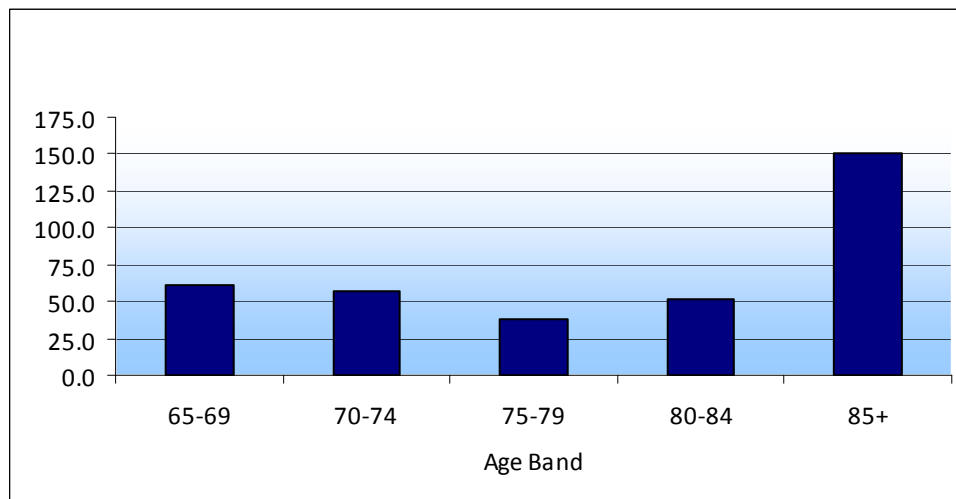
Table 4-3 Breakdown of 65 + age groups, 2008 – 2033

	2008	2011	2016	2021	2026	2033	Change	%
65-69	5,600	6,400	7,600	7,100	8,200	9,000	+3,400	+60.7
70-74	5,100	5,100	5,900	7,000	6,600	8,000	+2,900	+56.9
75-79	4,700	4,600	4,600	5,400	6,500	6,500	+1,800	+38.3
80-84	3,500	3,600	3,800	4,000	4,700	5,300	+1,800	+51.4
85 - 89	2,100	2,300	2,600	2,900	3,100	4,400	+2,300	+150.0
90+	900	1,100	1,500	1,900	2,300	3,100	+2,200	
Total	21,900	23,100	26,000	28,300	31,400	36,300	+14,400	+ 65.7
Change		+1,200	+2,900	+2,300	+3,100	+4,900		
% Change		+5.5	+12.6	+8.8	+11.0	+15.6		

Source: Office for National Statistics (ONS)

- 4.3.2 Within the older age group, the major growth is in the numbers of people aged 85+, by 4,500 people (+150.0%) up to 2033. 2,200 of this increase are people aged over 90 years. Given the resource demands often associated with very elderly people, these are significant figures.

Figure 4-2 % Change of 65+ 2008 – 2033



Source: Office for National Statistics (ONS)

4.4 The Regional and National Change

- 4.4.1 The table below highlights the total percentage change in all age groups over the period to 2033, comparing totals for Dacorum against the East Region and England.

Table 4-4 Forecast Change % in Age of Households, 2008 – 2033

	Dacorum	East Region	England
0 - 19	4.3	6.8	10.9
20 – 29	1.3	12.0	5.7
30 - 44	2.9	10.5	7.7
45 - 64	6.7	15.8	12.8
65 +	65.8	77.1	46.3
Total	+ 3.9	+ 24.4	+ 15.6
75+	72.3	94.4	59.7
85+	150.0	173.4	86.2

Source: Office for National Statistics (ONS)

- 4.4.2 The total change over the forecast period is slightly lower in the Borough than over the East region and England as a whole.
- 4.4.3 What is apparent, however, is the large growth in the 65+, 75+ and 85+ groups in the East Region compared to the National figures and with the lower growth in the younger groups.

4.5 Forecast Change in Households

- 4.5.1 The table below outlines the household forecasts from the Office for National Statistics (ONS) for Dacorum from 2008 to 2033.
- 4.5.2 All projections are 2008-based and are linked to the Office for National Statistics 2008-based Population Projections, and are not an assessment of housing need or do not take account of future policies.
- 4.5.3 They are an indication of the likely increase in households given the continuation of recent demographic trends.

Table 4-5 Forecast Change in Households 2008 – 2033

	2008	2013	2018	2023	2026	2033	Change
Households	58,000	61,000	63,000	66,000	68,000	71,000	
Household change		+3,000	+2,000	+3,000	+2,000	+3,000	+13,000
% Change		+ 5.2	+ 3.3	+ 4.8	+ 3.0	+ 4.4	+ 22.4

Source: Office for National Statistics (ONS)

- 4.5.4 There is forecast to be 13,000 more households in the Borough in 2033 than in 2008, an increase of more than 22%. This is an annual average of 520 units.
- 4.5.5 However the average is forecast to also be at an annual level of 500 a year in the short term to 2018.

5 FUTURE SIZE OF AFFORDABLE HOUSING

- 5.1.1 NPPF requires that Local Development Documents meet the objectively assessed need for affordable housing in the housing market area. Assessments need to provide evidence to identify the size, type and tenure of future units required, reflecting local demand.
- 5.1.2 Stock balance, supply from turnover and waiting list demand analysis are vital to identify the gaps in the stock and the proportions by type and size required to address current and future need, particularly in the affordable sector for those in priority need.
- 5.1.3 Although waiting lists provide data on need which is recorded, household surveys also identify additional need from households who do not register because they assume they will not be housed.

The Social Rented Sector

- 5.1.4 The following table provide analysis of the levels of registered need and actual supply from turnover of social rented stock through re-lets by bedroom size. The waiting list data utilised is only of those applicants in the reasonable preference category (with over 50 points). This should provide a picture of the properties needed by size for households with the greatest priority in the social rented sector.
- 5.1.5 The ratio of waiting list demand to supply is the number of years it would take on the waiting list for individual property sizes to be met through the turnover of the existing stock. This also makes the extreme assumption that there is no future need other than the current backlog, which clearly will not be the case.

Table 5-1 Social Stock, Waiting List Need and Social Turnover

Stock Size	Stock		Social Stock Turnover		Waiting List*		Demand vs. Supply
	N ^{os.}	%	N ^{os.}	%	N ^{os.}	%	
1-bedroom	3,078	29.4	275	38.0	1,299	64.3	4.7 :1
2-bedrooms	2,816	26.9	236	32.7	486	24.0	2.1 :1
3-bedrooms	4,111	39.3	185	25.6	237	11.7	1.3 :1
4+ bedrooms	460	4.4	27	3.7	0	0	-
Total	10,475	100.0	723	100.0	2,022	100.0	2.8 : 1

Source: Council data, and HSSA 31/3 /2011

* The Waiting List is only of households in need in the reasonable preference category.

- 5.1.6 In Dacorum, even if no new need arose, it would take:-
- Nearly 5 years to meet the requirements for 1-bed properties;
 - Over 2 years to address the 2-bedroom requirement;
 - Just over a year to address the 3 and 4 bedroom stock requirement;
- 5.1.7 The Council waiting list data does not separately identify the need for larger 4+ bedroom family units and these are incorporated in 3 bedroom figures in the table above.

- 5.1.8 Generally, 70.7% of stock turnover is from 1 and 2 bedroom units, much lower than the waiting list need of 88.3% for these units. Although these are significantly the highest need in terms of unit numbers, a number of factors need to be considered in determining targets by size which clearly also influence property type.
- 5.1.9 Small units normally turn over significantly more regularly in the existing stock than family units, but the nature of the stock has an impact on turnover rates.
- 5.1.10 The waiting list for one bedroom properties contains many younger households who are not in priority need and are unlikely to be offered a property. A large proportion of applicants are older households registering either to meet current need or as insurance for a future potential need, whose requirement is not for general housing nor is it immediate.
- 5.1.11 These factors are important in judging future delivery to meet priorities rather than arithmetic scale of recorded need. There is however a caveat that in meeting priority needs there is still some requirement for 1 bedroom units to meet the needs of young, single, homeless households in the Borough.
- 5.1.12 However, because of the demand for 2 bedroom units (as opposed to need), and recognising the flexibility of this size of accommodation to meet growth in new households, provision should be **mainly 2 bedrooms**. Registered Providers are also generally not keen to develop or finance 1 bedroom units.
- 5.1.13 However the proposed changes to housing benefit will have a negative effect on the allocation of two bedroom units to couples without children.
- 5.1.14 The 3 bedroom family stock totals 4,111 units, 39% of all stock but provides a much lower proportion of all re-let supply at 25%.
- 5.1.15 Four bedroom unit needs are the smallest in terms of numbers, but they are the most difficult to resolve. Turnover levels of 27 units a year is unusually high in our experience compared to the stock level of 460 units in the stock and 73 households on the waiting list. Lettings of these units are only to households in the reasonable preference category.

Under-Occupation

- 5.1.16 The 2003 HNS Report identified that in the social sector there was under-occupation of 5.1% of properties, representing over 660 social rented family units with two or more spare bedrooms.
- 5.1.17 This scale will already have increased since 2003 and will continue to rise as the impact of demographic change occurs, especially in the light of the high proportion of 3 bedroom properties in the stock.
- 5.1.18 It is recommended that this is an issue for Housing Strategy and Housing Allocations Policy to consider, both to make best use of the housing stock and address the needs of overcrowded families in the social rented sector.
- 5.1.19 The Council is adopting initiatives to develop more accommodation for older people, but this should now be linked to the new delivery strategy for sheltered and Extra Care accommodation, targeting those under-occupying 3 bedroom plus properties.

- 5.1.20 The success of these initiatives will help to address the supply of properties of this size. Achieving a better flow of family units should also have a cascade effect, increasing turnover of all smaller unit sizes (one and two bedroom properties) as households are able to transfer to larger units to meet their need.
- 5.1.21 **In effect up to four household moves could result from the delivery of one new older persons unit.**
- 5.1.22 The success of initiatives to make best use of the stock to also free up these larger units will need to be closely monitored in relation to new delivery targets as the situation may change over the life of the Development Plan.

6 OLDER PERSONS HOUSING

6.1 Sheltered Housing Demand

- 6.1.1 The 2003 HNS data indicated that 4,300 implied households have older relatives (over 60) who may need to move in to Dacorum to live within the family home or in separate accommodation close to their family.
- 6.1.2 Demand for this group was predicted by the children of older people and, as would be expected, it shows a different pattern to that normally seen among older respondents in DCA surveys.
- 6.1.3 DCA experience shows that older people seek to remain in their own homes and prefer to receive support at home. In contrast, the children of older parents tend to predict the need for supported housing.
- 6.1.4 The higher level of demand for accommodation for older people moving into Dacorum is common to the results of other DCA Surveys, where in most cases a higher level of in-migrant need from parents and relatives was found than that arising from existing households.
- 6.1.5 This relatively new trend is borne out in sales of new build private sector sheltered housing and extra care projects where a significant proportion of purchasers are moving over 100 miles to be close to their mature children who have settled in the Borough.
- 6.1.6 The combined impact of an economy with a more mobile workforce, particularly professional personnel, linked to the increased scale of these people in the 'baby boomer' age groups who are now in their early 60's, is a significant factor in the growth in the number of parents moving to join their family in old age.
- 6.1.7 Conversely, the indigenous older population prefer to continue in the area / surroundings they know and within their own home as long as possible and often will not acknowledge or predict the need to move. Need and demand levels expressed from local older residents are normally relatively low in household surveys.

7 HOUSING NEEDS ASSESSMENT MODEL

7.1 Affordable Housing Needs Assessment Model

- 7.1.1 The model is structured on a 'flows' basis, taking account of recent experience over the previous three years and examining projections over the next two years. It has to be assumed that this 'annualised' data will occur each year.
- 7.1.2 The primary data gathering should be undertaken again after the 2011 Census data is available, but unless there are major changes in house prices and incomes it is unlikely that there will be much variation in the overall situation.
- 7.1.3 The overall assessment of housing need is calculated using the Basic Needs Assessment Model utilised in the 2003 Report, which is structured from the survey data to take account of the key demand and supply sources.

Table 7-1 Types of Housing Deemed Unsuitable

Unsuitable Housing	
Homeless households or insecure tenure	Homeless households
	Households with tenure under notice, real threat of notice or lease coming to an end; housing that is too expensive for households in receipt of housing benefit or in arrears due to expense
Mismatch of housing need and dwellings	Overcrowded according to the 'bedroom standard'
	Too difficult to maintain (e.g. too large) even with equity release
	Couples, people with children and single adults over 25 sharing a kitchen, bathroom or WC with another household
	Households containing people with mobility impairment or other specific needs living in unsuitable dwelling (e.g. accessed via steps), which cannot be made suitable in-situ
Dwelling amenities and condition	Lacks a bathroom, kitchen or inside WC and household does not have the resources to make fit (e.g. through equity release or grants)
	Subject to major disrepair or unfitness and household does not have the resources to make fit (e.g. through equity release or grants)
Social Needs	Harassment from others living in the vicinity which cannot be resolved except through a move

Source: Strategic Housing Market Assessments Practice Guide, CLG.

- 7.1.4 This element of the assessment is essential to identify the total scale of need of those not able to access the market, the provision from existing stock turnover and the net need which requires to be addressed from future new provision.

- 7.1.5 Each category has been adjusted to ensure that proper account is taken of households who can access the smallest property owner occupied market without assistance (income >£31,500) in the cheapest location and to eliminate any double counting between categories. The private rent sector costs are estimated requiring an annual income of at least £28,800 per annum.

7.2 Basic Model Structure

- 7.2.1 There are a total of 18 'stages' in the needs assessment model, combined into three distinct sections assessing:-
- 7.2.2 B - The Backlog of Existing Housing Need
- 7.2.3 N - Newly Arising Need
- 7.2.4 S - Supply of Affordable Units
- 7.2.5 $(B + N) - S =$ Overall annual net shortfall (or surplus) of affordable housing.

7.3 Affordable Housing Needs Requirement

7.3.1 The model has been prepared in accordance with the Good Practice Guidance.

The Backlog of existing housing need is as follows:-		
1.	Households living in unsuitable housing in the Borough who are planning to move in the next three years.	HNS
2.	Council / RSL tenant households living in unsuitable housing are excluded because a move would release a unit of affordable housing and it is therefore assumed that there would be no overall net effect.	HNS
3.	Households in unsuitable housing who can have their need resolved in situ, including private tenants.	HNS
4.	Proportion of existing households unable to buy or rent (HNS income data) i.e. income >£28,800 / £31,500 depending on location and need to move.	HNS
5.	Priority homeless in temporary accommodation.	P1e
6. Total Backlog need.		
7.	Quota to progressively eliminate backlog over a 5-year period (20%) as recommended in guidance.	CLG Guidance
8. Total net annual need.		

Newly Arising Need is as follows:-		
9.	Concealed households identified in the survey, annualised at the average level of those forming in the first two years.	HNS
10.	Percentage of households forming with a partner living elsewhere in the Borough	HNS
11.	Proportion unable to buy (i.e. income >£31,500 or rent £28,800)	HNS
12.	Housing Register new applications less cancellations from the register.	DBC
13.	In-migrant households over the last year who live in social housing.	DBC
14. Total newly arising need.		

Supply of Affordable Units is as follows:-		
15.	Existing social stock re-lets from Council / RSL's net of transfers	CORE/ DBC
16.	Increased vacancies and units taken out of management.	DBC
17.	Future new supply each year based on average level over next three years.	HSSA
18.	Total affordable supply per annum.	
19.	Total affordable need per annum.	

7.4 Affordable Housing Needs Assessment Model

Backlog of Need		
1.	Households in unsuitable housing	6,053
2.	MINUS – Council / RSL tenants	1,750
3.	Cases where in-situ solution most appropriate	<u>1,763</u>
		3,513
		<u>2,540</u>
4.	TIMES - Proportion unable to afford to buy or rent	30%
		762
5.	PLUS - Backlog (non-households)	<u>33</u>
6.	TOTAL BACKLOG NEED	795
7.	TIMES - Quota to progressively reduce backlog *	(20%)
8.	ANNUAL NEED TO REDUCE BACKLOG	<u>159</u>
Newly Arising Need:		
9.	New household formation (gross p.a.)	1,263
10.	MINUS - Two person formation (39.5%) x 0.5	<u>249</u>
		1,014
11.	TIMES Proportion unable to buy (67.1%) or rent (58.3%)	(58.3%)
		591
12.	Existing households falling into priority need	569
13.	In-migrant households unable to afford market housing	<u>20</u>
14.	TOTAL NEWLY ARISING NEED	<u>1,180</u>
Supply of Affordable Units:		
15.	Supply of social re-lets p.a.	475
16.	Shared Ownership re-sales	<u>15</u>
17.	MINUS Increased vacancies (if applicable) and units taken out of management. Right to Buy	(32 x 5%)
		<u>2</u>
		492
18.	PLUS - Committed units of new affordable supply	<u>97</u>
19.	AFFORDABLE SUPPLY	<u>589</u>
	Annual need to reduce backlog	159
	Newly arising need	<u>1,180</u>
20.	TOTAL AFFORDABLE NEED	1,339
	MINUS - Affordable supply	<u>589</u>
21.	OVERALL ANNUAL SHORTFALL	<u>750</u>

* Elimination over a five year period is recommended in the Guidance for model purposes but the Council can make a Policy decision to do so over a longer period.

7.5 Affordable Needs Assessment

- 7.5.1 Elimination of the backlog over a five year period is recommended in Guidance for model purposes but the Council could make a Policy decision to do so over a longer period (e.g. 10 years or the 19 years to the end of the Local Development Framework period in 2031). These are more often used where the scale of the backlog clearly cannot be addressed over 5 years.
- 7.5.2 The 5, 10 and 19 year periods are used for further analysis below. The 10 year calculation uses 10% as the quota to address backlog need, instead of 20% for 5 years applied above and 5.3% over the 19 year period.
- 7.5.3 Net re-lets of 475 units of the existing social stock are the major means of addressing the scale of need identified.
- 7.5.4 After allowing for this level of existing social stock net re-let supply and 15 estimated shared ownership re-sales, there will still be a total annual affordable housing shortfall of 750 units.
- 7.5.5 However, in arriving at the net shortfall, the Model already also incorporates a projected future average delivery of 97 additional new units. Therefore the total net annual need, **prior to new delivery**, is either 847 units dealing with the backlog over 5 years or 768 over 10 years or 730 over the 19 year life of the Plan.
- 7.5.6 The table below outlines the calculation.

Table 7-2 Annual Affordable Need and Supply

	5 Years		10 Years		19 Years	
Total Net Current Need	795		795		795	
Backlog rate	20%	159	10%	80	5.3%	42
Newly arising Need	1,180		1,180		1,180	
Annual Affordable Need	1,339		1,260		1,222	
Less Annual Supply	589		589		589	
Net annual need	750		671		633	
Plus Assumed new units of supply	97		97		97	
Total Need before new delivery	847		768		730	

- 7.5.7 The total affordable need in the 2003 assessment was 710 units a year, based on dealing with the backlog over 5 years.
- 7.5.8 The 2012 up-date suggests a slightly higher level of 847 units, although in view of the scale of potential delivery we recommend that a 19 year backlog time frame is used. Even on this basis, the need **before new delivery** is 730 units a year.
- 7.5.9 The annual **net** need figure above of 633 units takes account of the current average new supply of 97 units. If the affordable housing target of 35% of the total annual new delivery of 430 units reflecting the Core Strategy target is achieved, 150 affordable new units would be delivered.
- 7.5.10 If this target is achieved, the net affordable shortfall still outstanding after all supply would be 697 over 5 years, 618 over 10 years and 580 units over 19 years.

7.6 Supply of Affordable Units

7.6.1 The annual supply of affordable units over the last three years has been analysed and where available, used in the model as a prediction for future annual affordable housing supply.

7.6.2 It is important firstly to establish the average stock re-let level and we have studied data from both the HSSA returns and CORE for the two years to 31/03/2010, which shows the following:-

Table 7-3 Social Rent Re-let Supply (2008 to 2011)

Social Re-lets	2008 / 09	2009 / 10	Average
Council	354	345	350
RP	124	127	125
Total	478	472	475

Note: CORE Data 2009 and 2010.

7.6.3 The most recently available data is averaged over two years and is very close to the average level in the previous study.

7.6.4 Shared ownership units are currently estimated at 304 units in the TSA database. Assuming a resale rate based at 5.0%, broadly the same as net social stock re-lets, 15 units would become available each year and this is also incorporated at Stage 16.

7.6.5 Stage 17 of the needs model involves assessing how increased vacancies and units taken out of management will have an effect on the annual flow of affordable housing. The calculation takes the average annual right to buy and demolition level, multiplied by the average re-let rate of the stock.

7.6.6 The table below shows the right to buy and demolition levels from Council data for the three years to 31/03/2011.

Table 7-4 2008 to 2011 Right to Buy and Demolition

	2008 / 09	2009 / 10	2010/11	Average
Right to Buy	16	23	13	17
Demolition	0	0	44	15
Total	16	23	57	32

7.6.7 The average annual loss of stock through right to buy and demolition is 32 units per annum. With an average stock re-let rate of 5.0%, this leads to a total of 2 units per annum applied **at Stage 17**.

7.6.8 It should be noted that the demolition figure reported in 2010/11 relates to the decommissioning of a sheltered housing scheme. New affordable housing is planned as replacement accommodation on the site.

7.6.9 However, the government have increased the level of discount available on RTB and this may result in an increase in the number of RTB sales.

7.6.10 Stage 18 of the needs model takes account of the predicted annual new affordable housing supply analysed below.

7.6.11 The HSSA returns for the three years to 31/03/2011 show the following pattern:-

Table 7-5 New Affordable Housing Supply (HSSA) 2008 to 2011

Supply	2008 / 09	2009 / 10	2010/11	Average	%
Social Rent	93	35	49	59	60.1
Shared Ownership	38	38	7	28	28.9
Other New Supply	8	23	0	10	10.0
Total	139	96	56	97	100.0

7.6.12 The average annual new supply total is 97 units per annum, and in view of the relatively steady supply over the period this total has been applied to Stage 18 of the model as the predicted annual new affordable supply.

7.7 Needs Assessment

7.7.1 The total affordable housing need annually, based upon addressing the backlog over the life of the Plan, is for 730 units. Net re-lets of the existing social stock, after Right to Buy (RTB) impact, average 492 units and is the major means of addressing the scale of need identified.

7.7.2 Based on the average new unit supply of around 97 units over the last 3 years, this level of annual need is over seven times the number of units likely to be able to be provided from new delivery and conversions resulting in growing levels of unmet need each year.

7.8 Tenure Mix

7.8.1 NPPF requires that *“Strategic Housing Market Assessments identify the scale and mix of housing and the range of tenures that the local population is likely to need”*. Affordable housing policies should take account of demand, need and current affordable supply at local level, both of social and intermediate housing, which may vary by location within the Borough.

7.8.2 The tenure balance of new affordable delivery over the last three years was 60% social rent and 40% intermediate housing.

7.8.3 The council’s standard tenure mix requirement is 75% affordable rent and 25% shared ownership (intermediate housing).

7.8.4 The recent funding initiative, FirstBuy, for shared equity with developers and lenders could also have a stronger short term influence for intermediate housing.

7.9 Future Property Size by Tenure

Social Housing

7.9.1 Local Development Documents need to provide targets on the size of future housing units required. Stock balance, re-let turnover and waiting list demand analysis are vital to identify the gaps in the stock and the proportions by type and size required to address current and future need.

7.9.2 The scale of likely average annual new future provision is around 100 units in total.

- 7.9.3 Based on the 2010/11 social rented sector data analysed in Para.5.1.5, the current stock balance, and the requirement to address priority household need, there is a need for **smaller properties**, to meet the needs of younger single and couple households, older people and small families. **It should be noted that these are households to whom the Council may not owe a statutory housing duty.**
- 7.9.4 However, because of the demand and flexibility of 2 bedroom units (as opposed to need), small unit provision could be mainly 2 bedroom units.
- 7.9.5 In view of the increasing older population, it is now even more important to achieve a better flow of the under-occupied, family sized social rented stock as a means to help address the scale of need for family units.
- 7.9.6 Achieving a better flow of family units should also have a cascade effect, increasing turnover of all smaller unit sizes.
- 7.9.7 Although numerically less significant than the scale of need for small homes, the need for four bedroom homes is the most difficult to address.
- 7.9.8 These waiting list households must already be occupying a smaller property and therefore currently over-crowded and are a priority needs group.
- 7.9.9 Given the high level of existing 3 bedroom units in the social stock and the limited supply of new affordable rented units short term focus should be to address the four bedroom need.
- 7.9.10 The three bedroom requirement could, in part, be met through initiatives to make best use of the existing stock.

Intermediate Housing Sector

- 7.9.11 The Coalition Government decision to introduce Affordable Rents at up to 80% of market value for new social rented stock makes it more difficult to deliver discounted market rent as an intermediate housing option.
- 7.9.12 The analysis of the shared ownership projects in the Borough in Section 2.12 suggests that between 25% and 40% on new forming households can afford purchase on this basis, subject to the share purchased. The availability of a deposit is however a major issue in achieving access to the market.
- 7.9.13 Due to the existing barriers to households in purchasing a property outright the Council should look at introducing initiatives to help applicants obtain mortgages or deposits such as rent deposit schemes or interest free loans.
- 7.9.14 There is also a need to link to product options with developers to maximise the potential of this sector of the market for first time buyers.
- 7.9.15 Our experience nationally is that there is interest in three bedroom homes from existing households which often relates to relationship breakdown. This should be monitored to assess the delivery potential for family sized units.

Market Housing Sector

- 7.9.16 Future market housing development considerations need to take account of the current family sized housing stock, the potential impact of future demographic change and reducing household size and the levels of in-migration to the Borough.
- 7.9.17 These are long term considerations which influence the need for delivery targets to create a more balanced stock and to support future economic growth.
- 7.9.18 Nearly 80% of the owner occupied stock is 3+ bedroom houses, with almost 30% four and five bedrooms or more. Less than 22% of the stock is one and two bedroom properties.
- 7.9.19 Creating a better balanced stock to address the impact of demographic change and the needs of young people will be required over the life of the Plan.

8 KEY FINDINGS AND HOUSING TARGETS

- 8.1.1 Outlined below are the key market changes which have occurred since the 2003 study and their impact on the issues to be considered when setting future housing targets.

Housing Market Change

- Over the three year period Q3 2008 to Q4 2011, the average property price in Dacorum has increased by around 35.9%.
- Prices have increased across all property types. Detached properties have the largest increase of 43.8% followed by terraced properties with 30.2%. Semi-detached properties increased by 25.8%.
- Sales levels in the Dacorum area increased by 13.4% from 2003 to 2006 reaching a peak in 2006, a slightly higher increase when compared to the County which peaked in 2004.
- The average property price in Dacorum is £312,681, higher than the County, the region and the national average.
- Nationally, loans to first-time buyers are up by 4% from November 2010 to November 2011. The typical first time buyer in September 2011 had a deposit of 20% and they borrowed 3.23 times their income.
- On average a deposit of around £11,595 to £12,000 would be required to buy one and two bedroom flats and £17,900 to £20,000 for two and three bedroom terraced houses in the current Dacorum market, if funding could be secured at 90% mortgage.
- The need for up to 20% deposit is the key affordability problem for those wishing to buy; 93% of concealed households forming will not be able to afford a deposit for a 1 bed flat without significant parental assistance;
- Entry rental costs in the private rented sector vary by location within the Borough.
- 58.3% of new households forming cannot afford to rent in the private market;

Income Change

- The 2011 ASHE data shows a median income of £30,858 for Dacorum, a 53.7% increase on the 2003 ASHE figure of £20,079.
- The ASHE data for the period from the last assessment shows an increase of 53.7% which has been applied for all household groups to determine the 2011 annual income boundaries and calculate affordability levels.

Population Projections

- ONS Demographic projections for Dacorum predict an increase in the population of Dacorum of 19,500 people (+13.9%) over the forecast period to 2033; There is an increase in all age groups;
- The most significant growth is in the over 65 age group with an increase of 14,400 people (+65.8%) over the forecast period compared to only 4.3% for the whole population aged under 65;
- Within the older age group, numbers of people aged 85+ are projected to grow by 4,500 (+150.0%). Given the support resource demands and specialist accommodation needs often associated with very elderly people, these are significant figures.

Affordable Housing Targets

- Affordable housing need has increased from 710 to 847 units a year, based on addressing the backlog over 5 years;
- After re-let and resale supply there is a net need prior to new delivery for 730 new affordable units a year, based on dealing with the backlog over 19 years;
- The **tenure mix balance, of 75% / 25%** between affordable rent and intermediate housing should be considered, although viability will be a key delivery factor and may require higher proportions of intermediate housing, at least in the short term.

Property Types Needed

- There is substantial housing need for all unit sizes that will not be met by the immediate identified supply.
- The provision of **smaller units for older people**, particularly Extra Care, will be important in linking to initiatives to free up the under-occupied 3 bedroom social rented stock;
- Making best use of the existing stock is now even more important as a means of addressing the family needs for this property size;