MID SUFFOLK DISTRICT

HOUSING NEEDS SURVEY UPDATE

FINAL REPORT

2005

CONTENTS

1 INTRODUCTION

1.1 Government Guidance

1.1.1 Government Guidance in Circular 6/98 and the Good Practice Guidance for Local Housing Needs Assessment require that local authorities have robust and up to date assessments of the housing needs in their area. These are required to support the Housing Strategy and bids for resources and Local Plan policies for affordable housing provision.

1.2 The 2003 Study

1.2.1 DCA conducted a wide ranging needs assessment study in Mid Suffolk District between January 2003 and September 2003. This study examined housing requirements in both market and social sectors.

1.3 2001 Census

1.3.1 Only limited 2001 Census results were available during the 2003 study and now that these are available the tenure balance of the 2003 data has been adjusted against Census figures and April 2005 social stock.

1.4 The Update Study Objectives

1.4.1 The objectives of this update study were to re-analyse:-

- the change in the housing market locally to provide current house prices and private sector rental costs to be able to re-assess income thresholds for access to market housing;
- the housing survey database and utilise the information into the Assessment Model recommended in the Good Practice Guidance issued in March 2000;
- the short, medium and longer term population forecasts for Mid Suffolk District;
- prepare a report to provide an affordable need forecast to 2007;
- inform on-going Housing Strategy and support Local Plan policies for affordable housing and for negotiation in accordance with Circular 6/98 and PPG3.

1.5 Definitions

1.5.1 DCA work to a definition of housing requirements that encompasses demand, need and preferences. Households that can enter the general market without intervention of any sort can be defined as demand, whereas those households unable to enter the general market without some form of intervention can be defined as having a housing need. Our methodology enables us to identify this distinction by asking for both a household's characteristics in terms of size, current property condition and income and a household's view on suitability of current housing and preferences for moving or modification.

1.5.2 Affordability in our view is defined by the relationship between local incomes and the local general housing market. Our definition of affordable housing is as follows:-

Affordable housing is that provided with subsidy, both for rent and low cost market housing, for people who are unable to resolve their housing requirements in the general housing market because of the relationship between local housing costs and incomes.

1.5.3 The types of affordable housing which comply with our definition are as follows:-

- *Units for rent, the major requirement;*
- *shared ownership with grant;*
- *shared equity where land value is retained to provide housing for sale at below market levels and where control of the 'equity discount' can be retained as long as they are needed;*
- *discounted market rented housing.*

1.5.4 The issue of affordability is central to our approach. Within the project, a range of data is captured on actual incomes and costs of housing and the likely level of incomes and the accessible costs of housing for moving or newly forming households. Secondary data on incomes, house prices and rent levels are also examined. Thus a reliable indicator of affordability is derived that leads towards the identification of real options for meeting housing need.

1.6 Methodology

1.6.1 The study consisted of the following elements:-

i. analysis of the existing base of primary data gathered in 2003 which gathered information on housing needs to 2005 and is still currently valid;

ii. A housing market survey utilising the Land Registry and Halifax databases and a telephone survey of estate agents on the cost of access level property and on the supply and cost of private rented housing;

iii. Secondary data analysis drawing upon HIP and Housing Register data on the flow of social stock and need, 2001 Census, household and population projections and other national research.

1.6.2 As a database, the achieved sample of 2,703 is over twice that of the 1,250 minimum level identified as a normal sample in the ODPM Guidance.

2 THE MID SUFFOLK DISTRICT HOUSING MARKET

2.1 Introduction

2.1.1 Three data searches were commissioned to provide information on house price and sales volumes across the District:-

- from the Halifax, as the largest mortgage lender, analysing lending in the Region;
- from the Land Registry, providing data on all sales in the area for the past year;
- Estate Agency survey to assess entry prices for new households in each sub-area.

2.1.2 The records include house price information by categories of dwellings and information about the volumes of sales of each type of dwelling.

2.1.3 These indices are not absolutely comparable. Land Registry increase levels tend to be lower because they include cash transactions but they are less reliable on a quarterly basis because they only calculate actual transactions and the figures are affected by changes in the mix of properties between the current and previous periods. Halifax data measures a constant mix of properties by type and size which removes the changing mix factor but does not of course include lower price cash transactions.

2.1.4 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 of low income evaluated through the household postal survey.

2.2 National Picture

2.2.1 House price inflation in the first quarter of 2005 slowed in most regions with an overall increase of 0.5%, slightly above the 0.1% gain in the fourth quarter of 2004. The overall sound UK economic background and the lowest mortgage rates since the 1950s have boosted housing demand for a sustained period but turnover has reduced substantially, prices have stabilised and some property types have reduced in the first quarter of 2005.

2.2.2 UK house price inflation for the year ending 31st March 2005 was recorded by Halifax at 9.7% and Land Registry at 10.7%.

2.2.3 The Halifax First-Time Buyer Annual Review of 2005 indicates that the average price paid by first-time buyers increased by 16% in 2004 from £112,541 in 2003 to £131,024.

2.2.4 The affordability difficulties confronting first time buyers have significantly reduced the number entering the market. This is reflected in the fact that there were an estimated total of 361,000 first-time buyers in 2004, the lowest annual total since 1981. The numbers of FTB's last year were almost a third lower than at 2002 (532,000).[1]

[1] Source: Halifax First Time Buyer Annual Review 2005

2.3 Regional Picture

Table 2-1 House Price Inflation

	Change over year to 31st March 2005 **%**	**Change over quarter to 31st March 2005** **%**
East Anglia [1]	+ 8.4	- 0.9
Suffolk [2]	+ 10.8	- 2.4

Source [1] - Halifax House Price Index, © Copyright HBOS plc.

Source [2] - Land Registry Data, © Crown Copyright (Land Registry)

2.3.1 The annual rate of house price inflation recorded in the Halifax Index for East Anglia Region at 31st March 2005 was 8.4%, below the UK average of 9.7%.

2.3.2 House prices in the East Anglia Region show a decrease of 0.9% during the first quarter of 2005.

2.3.3 House prices in Suffolk rose over the last year by 10.8% as calculated by the Land Registry. House prices in Mid Suffolk rose considerably over the last year by 9.0% as calculated by the Land Registry.

2.4 The Housing Market

2.4.1 The Regional Market is shown in the Table 2-2 below, which details the prices paid for the main categories of house types for the whole of the East of England with comparisons against a different source of house price index data.

2.4.2 The Halifax data is based on actual sales of mortgaged properties and the information is a real indication of actual prices prevailing in the purchases being made in the East Anglia Region. The Land Registry data incorporates all transactions, at District level.

Table 2-2 Average East Anglia Region House Prices (£) - All Buyers 2005

Property Type	**EAST ANGLIA REGION**		**SUFFOLK**
	Land Registry Average Price	**Halifax Average Price**	**Land Registry Average Price**
Terraced	130,182	132,510	128,861
Semi-detached	152,192	156,789	150,692
Detached	238,159	244,082	259,844
Bungalows	*	172,716	*
Flats & maisonettes	122,072	112,856	122,831
All properties	**172,075**	**161,714**	**175,640**

Land Registry Residential Property Price Report, 1st Quarter 2005.

** Land Registry figures do not identify bungalows separately.*

2.4.3 The Halifax data refer to mortgage transactions at the time they are approved rather than when they are completed. Whilst this may cover some cases which may never proceed to completion, it has the important advantage that the price information is more up-to-date as an indicator of price movements and is on a more consistent time-base than completions data (such as the ODPM Index) given the variable time lags between approval and completion.[2] The Land Registry data incorporates all sales transactions in the Region and more specifically in the District.

2.4.4 Prices vary between the different data sources and the Land Registry figures are expected to be lower in all cases given that these figures include non-mortgaged sales.

2.4.5 The table below examines average house prices for the District recorded by the Land Registry in March 2005, against house prices at the time the original housing needs survey in 2000 and the rate of price increase.

Table 2-3 Average House Prices and Sales - All Buyers 2005

Property Type	Land Registry Mid Suffolk Average Price (£)	Land Registry % of sales in Mid Suffolk	2000 Land Registry Average Price (£)	Change % 2000 - 2005
Terraced	121,208	20.1	59,505	+ 103.7
Semi-detached	152,985	35.7	69,536	+ 120.0
Detached	265,822	40.5	133,997	+ 98.4
Flats & maisonettes	89,949	3.7	38,899	+ 131.2
All properties	**190,131**	**100.0**	**95,222**	**+ 99.7**

Source: Land Registry Residential Property Price Report, 1st Quarter 2005
Land Registry Residential Property Price Report, 1st Quarter 2000
© Crown Copyright (Land Registry)

2.4.6 The largest volume of sales in the District was for detached properties (40.5%) selling at an average price of £265,822. Semi- detached houses make up 35.7% of sales and have an average price of £152,895. terraced houses contribute 20.1% of sales and sell for an average of £121,208. Flats/maisonettes average £103,535 but make up only 3.4% of sales. Terraced houses are assessed to be the main entry level property for first time buyers in view of their higher level of sales in the District.

2.4.7 Over the last five years from March 2000, the prices of the main entry level stock, terraced houses, have increased by 103.7% and flats, albeit in small supply, by 131.2%.

2.4.8 The sales levels of semi-detached houses in 2005 (40.5%) and detached houses (35.7%) are similar to 2003 levels (34.1% and 34.6% respectively). There is a decrease in sales of terraced houses at (20.1%) in 2005 compared to (27.6%) in 2003, which accounts for the rise in detached properties, but flat sales remain very low.

2.4.9 The survey data from the 2003 Housing Needs Survey showed that 323 households planned to leave Mid Suffolk because of a lack of affordable housing, 84 of which were concealed. There are also 819 households who said they wished to move but could not do so because of a lack of affordable rented housing.

[2] Source: www.hbosplc.com – Methodology Section

2.5 Sub-Area Structure

2.5.1 In order to further analyse house prices in the area, the District has been divided into 8 sub-areas and their sample area breakdown is listed below.

Table 2-4 Sub-Area Breakdown

Sub-Areas
Stowmarket (1)
Needham Market (2)
Eye (3)
Ipswich Fringe (4)
Akenham, Barham, Bramford, Claydon, Great Blakenham, Whitton.
South West (5)
Badley, Barking, Battisford, Baylham, Beyton, Buxhall, Combs, Creeting St Peter, Drinkstone, Elmswell, Felsham, Flowton, Gedding, Gipping, Great Bricett, Great Finborough, Harleston, Haughley, Hessett, Little Blakenham, Little Finborough, Nettlestead, Norton, Offton, Old Newton, Onehouse, Rattlesden, Ringshall, Shelland, Somersham, Stowupland, Thurston, Tostock, Wetherden, Willisham, Woolpit.
North East (6)
Ashfieldcumthorpe, Athelington, Bedfield, Bedingfield, Brome, Brundish, Denham, Fressingfield, Horham, Hoxne, Kenton, Laxfield, Mendham, Metfield, Monk Soham, Oakley, Redlingfield, Rishangles, Southolt, Stradbroke, Syleham, Tannington, Weybread, Wilby, Wingfield, Worlingworth.
Central (7)
Ashbocking, Aspall, Bacton, Braiseworth, Coddenham, Cotton, Creeting St Mary, Crowfield, Debenham, Earl Stonham, Framsden, Gosbeck, Helmingham, Hemingstone, Henley, Little Stonham, Mendlesham, Mickfield, Occold, Pettaugh, Stoke Ash, Stonham Aspal, Thorndon, Thwiate, Wetheringsett-cum-Brockford, Wickham Skeith, Winston.
North West (8)
Badwell Ash, Botesdale, Burgate, Finningham, Gislingham, Great Ashfield, Hinderclay, Hunston, Langham, Mellis, Palgrave, Redgrave, Rickinghall Inferior, Rickinghall Superior, Stowlangtoft, Stuston, Thornham Magna, Thornham Parva, Thrandeston, Walsham le Willows, Wattisfield, Westhorpe, Wortham, Wyverstone, Yaxley.

2.6 Entry Sales Levels in the District

2.6.1 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 dwellings.

2.6.2 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.

2.6.3 In broad terms new purchasers of either flats or terraced properties buy in the lowest quartile of prices i.e. the bottom 25%. Therefore the only comparison available from Land Registry data has been made, which is at District wide level, for the main entry-level stock type, terraces. In the District, the average entry level cost of a 2-bed terrace is £108,376, 10.6% lower than the average of £121,208 in Table 2-3.

2.6.4 DCA have therefore undertaken a telephone survey of the local estate agents to ascertain the cost of the cheapest units available i.e. the lowest quartile stock costs, both for private rent and for sale in each of the 8 Sub-Areas.

Table 2-5 Entry Sales Levels in the District – April 2005 (£)

Property Type	Stowmarket	Needham Market	Eye	Ipswich Fringe	South West	North East	Central	North West	District-wide
1-Bed Flat	68,769	84,995*	82,500*	-nd-	79,984	84,950*	95,000*	-nd-	72,052
2-Bed Flat	91,860	94,950*	82,500*	-nd-	99,995*	89,995*	-nd-	-nd-	79,054
2-Bed Terraced	109,599	117,500	110,000*	119,197	116,499	118,750	135,995	99,995*	108,376
3-Bed Terraced	111,650	127,500*	169,995*	126,048	133,725	137,500*	149,000*	144,950*	121,735

-nd- no data available ** low level of data available*
Source: DCA House Price Survey March 2005

2.6.5 Although the average price of terraced properties according to the Land Registry survey is £121,208, entry sales levels vary across the District with the lowest entry prices, for a 2-bed property, starting at around £99,995 in the North West, rising to £135,995 in the Central area, as can be seen in Table 2-5 above. 3-bed terraced properties start at £111,650 in Stowmarket, rising to £169,995 in Eye. For much of the rural areas the market for smaller properties is very small, and is reflected in the low levels of data indicated in the table. In the case of flat/ maisonette, properties the data was too small to be accurately comparable in the Ipswich Fringe, the Central Area, or the North West.

2.6.6 According to the table above, entry levels for flats start at £68,769 in Stowmarket, rising to £95,000 in the Central area, for a 1 bed unit. Entry levels for 2-bed flats start at £82,500 in Eye, rising to £99,995 in the Central area; it should be noted of the low level of data found within this search and on this particular property type, therefore the figure of £68,769 should be taken as an exception for the District rather than the norm.

2.7 Private Sector Rent Levels

2.7.1 Some of the main private renting agencies operating in the District were approached to assess the costs of property at the lower end of the private rented market. From the estate agency sources approached, the prevailing private sector rent levels are set out below. The rental samples in the rural areas of Central, North East and North West were very low and therefore have been excluded form the analysis.

Table 2-6 Average and Entry Rent Levels in Mid Suffolk District April 2005 (£)

Property Type	Stowmarket		Needham Market		Eye		Ipswich Fringe		South West		District-wide	
	Average	**Entry**	Average	**Entry**	Average	**Entry**	Average	**Entry**	Average	**Entry**	Average	**Entry**
1-Bed Flat	383	**360**	422	**400**	392	**375**	410	**410***	402	**395**	394	**378**
2-Bed Flat	436	**375**	468	**425**	423	**375**	450	**450***	-nd-	**-nd-**	442	**406**
2-Bed Terraced	452	**375**	475	**425**	463	**450**	518	**495**	482	**450**	471	**453**
3-Bed Terraced	527	**500**	577	**550**	513	**500**	556	**525**	-nd-	**-nd-**	539	**505**
2-Bed Semi-detached	541	**495**	485*	**485***	541	**495**	549	**495**	496	**475**	539	**490**
3-Bed Semi-detached	558	**510**	585*	**585***	558	**510**	700	**700***	600	**600**	567	**563**

*-nd- no data available * low level of data available*

Source: DCA House Price Survey March 2005

2.8 Entry to Private Rent

2.8.1 Entry rental costs in the private rented sector vary by location within the District. The private rented sector can be entered at £360 a month in Stowmarket, rising to £410 in the Ipswich Fringe (see Table 2-6) for a one bedroom flat, the smallest unit. Two-bed flat rents range from £375 in Stowmarket and Eye, to £450 in the Ipswich Fringe.

2.8.2 In the case of 2-bed terraced houses, it was found that the entry rent levels range from £375 p.m. in Stowmarket to £495 p.m. in the Ipswich Fringe. 3-bed terraced properties can be rented from £500 p.m. in Stowmarket and Eye and £550 in Needham Market.

2.8.3 Semi-detached properties can be rented from £475 (for a 2-bed property) to a maximum of £495 (for a 2-bed property) and £700 (for a 3-bed property).

2.8.4 There is evidence to suggest that landlords would not accommodate Housing Benefit / Income Support cases; however the decision does rest with the individual landlord concerned.

2.8.5 A range of property types are available in the sector as a whole and are found in a variety of locations within the District. The difference in rent level between furnished and unfurnished property is marginal with agents indicating they do charge slightly more for furnished accommodation, although many agencies do not deal with furnished property due to the fire regulations involved.

2.9 Conclusions

2.9.1 The annual rate of house price inflation in the Halifax Index in the East Anglia Region at 31st March was 8.4%, below the UK average of 9.7%.

2.9.2 The Land Registry average price for all dwellings in the District during the year was £190,131.

2.9.3 The largest volume of sales in the Mid Suffolk were for detached houses (40.5%) selling at an average price of £265,882. Semi-detached houses average £152,985 and are 35.7% of sales. Terraced houses sell at an average price of £121,208 and account for 20.1% of sales. Flats / maisonettes average £89,949 but are only 3.7% of sales. Due to the average price and adequate volume of sales, terraced houses are assessed to be the main entry level property for first time buyers.

2.9.4 House prices have risen by 103.7% for terraced properties to 131.2% for flats and maisonettes since 2000. Incomes in the District are assessed independently though the Annual Survey of Hours and Earnings to have increased by 6.0% for the 2 year period up to April 2005. This data is described fully in Paragraph 3-5.

2.9.5 Prices vary across the District; a 1-bed flat can be purchased at £68,769 in Stowmarket, rising to £95,000 for the cheapest properties in the Central areas. 2-bed terraced properties can be purchased at £99,995 in the North West, rising to £135,995 in the Central area. It should be noted of the low level of data found within this search and on this particular property type, therefore the figure of £68,769 should be taken as an exception for the District rather than the norm.

2.9.6 Mortgage interest rates have been at their lowest level for over 45 years and people who cannot enter the market under these circumstances may never be able to do so, short of some collapse in the market or a significant change in their income level. Further house price increases above wage inflation in 2005 would make access to market housing more difficult to achieve and would impact on households with marginal incomes most significantly.

2.9.7 Access to market housing has therefore become more difficult for new households than it was in 2003, increasing the pressure on subsidised affordable housing.

2.9.8 Similar cost variation applies in the private rented sector across the District. The private rented sector can be entered at £360 a month in Stowmarket, rising to £410 in the Ipswich Fringe for a one bedroom flat.

2.9.9 In the case of 2-bed terraced houses, it was found that the entry rent levels range from £375 p.m. in Stowmarket to £495 p.m. in the Ipswich Fringe. 3-bed terraced properties rents range from £500 p.m. in Stowmarket and Eye to £550 in Needham Market.

2.9.10 In the two years since the 2003 survey, entry rent levels have risen significantly across Mid Suffolk. At a District-wide level, the main entry level stock, terraces, have risen by 20% from the 2003 figure of £375 p/m to £453 p/m. Generally, access rental properties have risen in the District by around 14%. In Stowmarket and in the Ipswich Fringe, access rental properties have risen by around 20% over the two years from 2003, and in Eye the increase has been more marked; with increases of around 40% seen over the same period. In Needham Market, however, the increase has been less pronounced, with a rise of around 10% seen over the two years.

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 2.6, and the change in incomes from the previous survey in 2003 utilising national secondary data.

3.2 Purchase Income Thresholds

3.2.1 This section of the report assesses the income levels required to enter the market through the lowest quartile stock, (flats and terraced houses) available in reasonable supply from the research detailed in Section 2 and the change in incomes from the 2001 survey utilising national secondary data.

3.2.2 The cheapest entry level prices of the smallest units were assessed to enable threshold income levels to be calculated. These are based on 95% mortgage availability and a 3x gross income lending ratio the levels recommended in the Good Practice Guidance (2000). Table 3-1 below outlines the income ranges needed to enter the market in the main settlements in the District.

Table 3-1 Purchase Income Thresholds 2005

Area	Income Thresholds (£)		
	1 bed Flat	2 bed Flat	2 bed Terrace
Stowmarket	21,800	29,100	34,700
Needham Market	26,900	30,100*	37,200
Eye	26,100*	26,100*	34,800*
Ipswich Fringe	-nd-	-nd-	37,700
South West	25,300	31,700*	36,900
North East	26,900*	28,500*	37,600
Central	30,100*	-nd-	43,100
North West	-nd-	-nd-	31,700*

** - Caution Low Sample*
-nd- no data available

3.2.3 The increase in average prices has a direct and significant impact on the income requirement to access owner occupation. The change in the average income requirement to access the average house price across the District from March 2003 to March 2005 is shown below in Table 3-2, this data is taken from Land Registry reflecting average property prices since the previous survey.

Table 3-2 Average Income Requirements 2003 – 2005 (£)

Property Type	2003 (£)	2005 (£)	Change %
Terraced	34,164	38,383	+ 12.3
Flats	25,539	28,484	+ 11.5

2003 requirements relate to Land Registry price report, 1st Quarter 2003
2005 requirements relate to Land Registry price report, 1st Quarter 2005

3.2.4 Table 3-2 above shows that the District-wide level incomes at which the Housing Market can be accessed have increased since 2001. The income needed to access terraced properties has increased to £38,383 (12.3%) and access to flats / maisonettes requires an income of £28,484 compared to £25,539 in 2003, an increase of 11.5%.

3.3 Rental Income Thresholds

3.3.1 The cheapest rental prices of the smallest units have been assessed in order to calculate the rental income threshold levels. These are based on rent at 25% of gross income (equivalent to 30% of net income). Table 3-3 below shows the income levels needed to enter the private rented market in the District.

Table 3-3 Rental Income Thresholds 2005

Area	Income Thresholds (£)		
	1 bed Flat	2 bed Flat	2 bed Terraced
Stowmarket	17,300	18,000	18,000
Needham Market	19,200	20,400	20,400
Eye	18,000*	18,000	21,600
Ipswich Fringe	19,700*	21,600*	23,800
South West	19,000	-nd-	21,600

** - Caution Low Sample*
-nd- no data available
There was no data available for North East, Central and North West

3.3.2 The income thresholds for each property type range across the District. Based on rent at 25% of gross income a one bed flat in Stowmarket requires £17,300 per annum, rising to £19,700 in the Ipswich Fringe. A 2-bed flat requires an income of £18,000 in Stowmarket and Eye. To rent a 2-bed terraced house would require an annual income of £18,000 in Stowmarket, rising to £23,800 in the Ipswich Fringe.

3.3.3 A comparison with the 2003 study shows that rental income thresholds have remained relatively constant in Stowmarket and Needham Market. Rental income thresholds have risen in the Ipswich Fringe from £16,750 to £19,700 for a 1-bed flat and from £19,250 to £21,600 for a 2-bed terrace. There was no comparable data for other sub-areas.

3.4 Intermediate Housing to Buy

3.4.1 Shared ownership supply is low relative to current need of 40 units per year. At Census there were only 106 units estimated to generate re-sales of around 5 units per year. The additional need would therefore be around 35 units per annum.

3.4.2 To assess the scale of viability of grant assisted shared ownership, recent examples of new build RSL shared ownership schemes in the District were studied. The income data of concealed households has been tested against the market values of two and three bed units to assess the potential scale of delivery of 'intermediate' housing.

3.4.3 Generally purchases need to be at a 50% share to be viable for the majority of new forming households. The required income starts at £27,000 for a 50% share in a 2-bed house. 3-bed units require an income of around £30,000 (for a 50% share).

3.4.4 There are new forming households with incomes in this category who could be assisted by shared ownership at these levels, particularly helping younger working households to buy in their local housing market. Around 46 new households a year earn between £26,500 and £31,800, broadly below entry-level purchase thresholds for two and three bedroom units in the District. It is worth noting, however, that access to the private rented sector is already well within the capacity of these households.

3.5 Secondary Research

3.5.1 The Joseph Rowntree Foundation published the results of a study undertaken across the Country examining the ability of working households, both existing and new forming, to become homeowners. The study entitled '*Can Work – Can't Buy*' conducted by Professor Steve Wilcox uses the Halifax database for House Prices of the lowest quartile prices for 4/5 room dwellings and calculates affordability ratios based on working household incomes from the New Earnings Survey.

3.5.2 In 2003 the survey was updated to take account of local prices and increase in incomes at the end of 2003.

3.5.3 The report highlights the key issue, "All ratios should be considered in relation to the ratio of mortgage advance to household gross income, which rarely exceeds 3.5 to 1". This ration would apply only to professionals and it is more likely that the majority of local households would achieve mortgage rates below 3.5 to 1 and closer to the average of the Council of Mortgage Lenders for first time buyers in 2004 of 3.03 to 1. The mean % loan to First Time Buyers was 87% in 2004.

3.5.4 Table 3-4 highlights the data and house price to income ratio for Mid Suffolk District, including the 7 Suffolk Authorities and for the East of England.

Table 3-4 Purchase Income Thresholds

Area	Working Households		
	2003 Prices £	Income £	Ratio
Mid Suffolk	146,535	36,530	4.01
Babergh	139,190	30,717	4.53
Forest Heath	130,001	35,290	3.68
Ipswich	120,612	30,589	3.94
St Edmundsbury	132,153	31,279	4.22
Suffolk Coastal	152,075	40,869	3.72
Waveney	114,202	27,243	4.19
East of England	159,393	37,353	4.72

Source: Joseph Rowntree Foundation 2003 Update

3.5.5 Additionally the house price to income ratios across the 7 Suffolk authorities range from 3.68 to 4.72. Mid Suffolk has the fourth highest house price to income ratio across the County at 4.01, well above mortgage ratios of 3 to 1 for the majority of households.

3.5.6 The CORE data for Mid Suffolk demonstrating the combined household incomes of new tenants in the social sector in 2004 shows that the median income was £12,012 and that 75% of households earned below £17,472.

3.6 Annual Survey of Hours and Earnings

3.6.1 Income data is always difficult to gather at local level. Most data is regionally based and the 2004 Annual Survey of Hours and Earnings (ASHE) were used prepared by the Office for National Statistics (formerly known as the New Earnings Survey). This provides data at County and District-wide level of full-time employees of adult rates who have been in the same job for more than a year.

3.6.2 The ASHE 2004 shows an average income of £21,255 for the District of Mid Suffolk, a 3% increase on the 2003 figure of £20,636, which was the timing of the previous survey. Based on an assumption of a further 3% increase to 2005, a provisional average income for 2005 is estimated by DCA to be £21,893.

3.6.3 Although the ASHE does provide useful data on income distribution, the data produced refers to income related to a person's place of work, not income distribution in their resident area. There are indications within the new ASHE of unreliable and unavailable data within certain areas, where this applies to data that affects the Local authority being assessed the County wide level data has been used as a more reliable source.

3.6.4 It is particularly important to examine the distribution of income rather than the average figure, especially in relation to the proportion of households with the capacity to access the private sector market for rent or sale.

3.6.5 There is a wide distribution of earnings illustrated from the ASHE. Analysis of the data for the District shows that: -

- 25% earned less than £15,541;
- 50% earned less than £19,606;
- 90% earned less than £33,272.

Please note findings from Annual survey of Hours and Earnings for this area are based on a reasonably precise statistical measurement of quality at CV >5% and <=10%.

3.6.6 The ASHE data on the spread of incomes, important in any area with diverse house prices and markets, shows that for the District at April 2004, 10% of people earned less than £11,903 (County figure); 60% less than £20,849 and 90% of people earned less than £35,062 (County figure).

3.6.7 The increases in house prices over the last three years have excluded a large proportion of 'first-time buyers' from the owner occupied market. We believe therefore that the proportion of affordable housing provided on new sites should encompass more subsidised low cost market housing than would have been the case three years ago when it was a more marginal element of affordable need.

3.6.8 This assessment utilises all of the data from the 2003 Housing Needs Survey which incorporated income data from 2,083 households. This compares with a sample of 149 in the New Earnings Survey 2001 for Mid Suffolk and 119 in the New Earnings Survey 2003 and 1,140 in 2003 for Suffolk County.

3.6.9 Access to the market has been based on the updated house price information detailed in Section 2. Analysis has also been undertaken of the income levels of local households, to be able to assess the proportion of people now able enter market housing.

3.6.10 Table 3-5 highlights the percentage change between the 2003 and 2005 incomes of existing households from the 2003 Survey. As the average incomes for the District have increased by 3.0% between the years 2003 and 2004, a similar increase of 3% to 2005 has been estimated as reasonable by DCA, and an income inflation of 6.0% applied to determine the 2005 annual income levels.

3.6.11 The ASHE data also shows an increase of 17.72% in incomes over the five years from 1999 to 2004, an average of 3.5% a year in Mid Suffolk.

Table 3-5 Incomes of Existing Households 2003 & 2005

Annual Income 2003	Annual Income 2005	%
Below £10,000	Below £10,600	15.6
£10,000 - £23,000	£10,600 - £24,380	34.3
£23,000 - £30,000	£23,380 - £31,800	15.8
£30,000 - £40,000	£31,800 - £42,400	12.7
£40,000 - £50,000	£42,400 - £53,000	8.4
£50,000 - £60,000	£53,500 - £63,600	4.7
Above £60,000	Above £63,600	8.5
Total		**100.0**

3.6.12 Table 3-6 below highlights the 2003 and 2005 incomes of concealed households from the 2003 Survey. The 2003 annual income bands taken from the 2003 HNS have an income inflation of 6.0% applied to determine the 2005 annual income levels.

Table 3-6 Incomes of Concealed Households 2003 & 2005

Annual Income 2003	Annual Income 2005	%
Below £10,000	Below £10,600	29.6
£10,000 - £15,000	£10,300 - £15,900	31.3
£15,000 - £20,000	£15,900 - £21,200	17.0
£20,000 - £25,000	£21,200 - £26,500	9.8
£25,000 - £27,500	£26,500 - £29,150	6.2
£27,500 - £30,000	£29,150 - £31,800	6.1
Total		**100.0**

No incomes above £31,800

3.6.13 Table 3-7 below outlines the income required by concealed households to access owner occupation based on the lowest and highest purchase income thresholds across the District for 1 and 2-bed flats and 2-bed terraced properties, as illustrated in Table 3-1.

Table 3-7 Concealed Households – Incomes Needed to Enter the Market through Owner Occupation and % Unable to Buy

Type of Property	Area	(£) Income Required	% of concealed households unable to purchase
1-bed Flat	Stowmarket (cheapest)	21,800	79.0
2-bed Flat	South West Areas (most expensive)	31,700	100.0
2-bed Terraced	Stowmarket (cheapest)	34,700	100.0
2-bed Terraced	Ipswich Fringe (most expensive)	37,700	100.0

3.6.14 Using the income requirements from Table 3-1, Table 3-7 shows that 79.0% of concealed households are unable to buy a 1-bed flat in the Stowmarket area. There were no concealed household respondents in the 2003 survey whose incomes exceed £31,800, the 2005 level, as adjusted by wage inflation. Therefore concealed households are effectively excluded from entering the owner occupied market through terraced houses, the main entry level stock type available. Access is realistically only available to households able to purchase a 1-bed flat, subject to supply.

3.6.15 Table 3-8 below outlines the income required by concealed households to access the private rented accommodation based on the lowest and highest rental income thresholds across the District for 1 and 2-bed flats and 2-bed terraced properties, as illustrated in

Table 3-8 Concealed Households – Incomes Needed to Enter the Private Rented Market and % Unable to Afford to Rent

Type of Property	Area	(£) Income Required	% of concealed households unable to rent
1-bed Flats	Stowmarket (cheapest)	17,300	65.4
2-bed Flats	Ipswich Fringe (most expensive)	21,600	78.6
2-bed Terraced	Stowmarket (cheapest)	18,000	67.6
2-bed Terraced	Ipswich Fringe (most expensive)	23,800	82.7

3.6.16 Table 3-8 above shows that 65.4% of concealed households cannot afford to rent a 1-bed flat in the cheapest area of Stowmarket. 78.6% are excluded from renting more expensive 2-bed flats in the Ipswich Fringe. Around two thirds of concealed households (67.6%) are excluded from the cheapest 2-bed terraces in Stowmarket, whilst 82.7 % cannot afford to rent in the Ipswich Fringe.

3.7 Income Summary

3.7.1 An income of around £21,800 is needed to buy a one bedroom flat in the Stowmarket area, rising to £30,100 in Central areas. A two bedroom flat requires an income of £26,100 in Eye, rising to £31,700 in the South West. On average the incomes needed to access flats and terraced properties have increased by 11.5% and 18.3% respectively between 2003 and 2005.

3.7.2 The rental income thresholds for each property type vary across the District. Based on rent at 25% of gross income a one bed flat in Stowmarket requires £17,300 per annum, rising to £19,700 in the Ipswich Fringe. A 2-bed flat requires an income of £18,000 in Stowmarket / Eye. To rent a 2-bed terraced house would require an annual income of £18,000 in Stowmarket rising to £23,800 in the Ipswich Fringe.

3.7.3 The Annual Survey of Hours and Earnings (ASHE) 2004 shows an average income of £21,255 for the District of Mid Suffolk, a 3% per annum increase on the 2003 figure of £20,636. The ASHE data on the spread of incomes, important in any area, with diverse house prices and markets, shows that for the District at April 2004, 10% of people earned less than £11,903, 60% less than £20,849 and 90% of people earned less than £35,062, based on County-level data.

3.7.4 The Rowntree 2003 update also reflects the problem for purchase in the District. A loan to income ratio of 4.01 is well above the levels available to first purchasers and the Council for Mortgage lenders data for 2004 shows an average first time buyer loan of 87% at an income ratio of 3.03 to 1.

3.7.5 The implication of incomes having risen by 3% a year since 2003 directly impacts on concealed household's ability to access the market through owner occupation. Overall the calculation of the proportion of concealed households unable to access the private sector takes account of those who need one, two and, for some with children, three bedroom housing in the lowest quartile cost stock across the District.

3.7.6 Based on a calculation of property prices and rental costs against incomes at localised level, 97% are unable to buy in the general market and 75% are unable to access private rental. Some households who cannot purchase are able to access housing through the private rented sector, even although they may not wish to do so. Importantly, 100% of concealed households in the District are excluded from purchasing terraces, the main access level stock in Mid Suffolk.

3.7.7 A similar pattern is found when looking at concealed household's ability to access the market through private rented accommodation. 65% of concealed households in Stowmarket area cannot rent a 1-bed flat and 78% cannot rent a 2-bed flat in the Ipswich Fringe area. In Stowmarket area 68% cannot afford to rent a 2-bed terraced property, rising to 82% in the Ipswich Fringe.

4 POPULATION GROWTH AND HOUSEHOLD FORMATION PROJECTIONS

4.1 Introduction

4.1.1 This section of the report provides a short background commentary to the demographic element in housing demand in Mid Suffolk. The purpose is two-fold. First, to provide a context in which the results of the postal questionnaire can be interpreted. Secondly, to give a more specific focus on the demand for affordable housing provision and to make projections for five and ten year periods.

4.1.2 The population and household projections used in this section are derived from the East of England's Regional Assembly's Regional Spatial Strategy due for public publication in September 2005. The projections start at 2001 and use the latest demographic information that is available at the moment. They have been specially commissioned by EERA and have been produced by Anglia Polytechnic University.

4.1.3 Modelling housing needs is a very complex procedure and it is only very recently that attempts have been made to model local housing needs. Most of the established procedures are aimed at the provision of national level estimates of housing need, including:-

- simple estimates such as those provided by the ODPM, which measured the crude dwelling to household surplus (and concluded no additional building was necessary to meet need);
- a second approach by the Audit Commission measured household growth minus expected private sector output;
- Glen Bramley's work focused on local supply and demand to calculate for a particular point in time the proportion of new households unable to buy in the market (minus social sector re-lets);
- Steve Wilcox described a 'Net Stock' approach which calculates net household increase and adds a factor for concealed households before deducting new private sector output to arrive at estimates of need in the social sector.

4.1.4 Kleinman and Whitehead have devised a so-called 'Gross Flows' approach which looks at gross household formation, tenure choice, demand from in-migrants and deducts these from new social output and re-lets to yield a measure of social housing requirements.

4.1.5 How these national models translate to the local level is not at all clear. Kleinman and Whitehead have attempted a 'Gross Flows' analysis for Cambridge but relied entirely on secondary data for their estimates. This is a problem in the model particularly for the incorporation of measures of concealed households and factors relating to affordability are not considered directly but by modelling the tenure propensities of new households.

4.1.6 Our method emphasises the affordability issue and gives much greater weight to the issue of concealment of households than most of the 'national' level studies.

4.1.7 The affordability measure is derived from primary data collected in the household's surveys and from access to the Land Registry database on house prices and the concealment issue is also addressed through the survey findings. We are mindful that because our study is targeted at Mid Suffolk, there are inevitable limitations because local housing markets encompass much wider areas than a single Council area.

4.2 Demographic Analysis

4.2.1 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 Mid Suffolk 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.

4.2.2 In local area forecasting new household formation is mainly due to responses to income and employment opportunities. New household formation is also affected by life cycle patterns. This purely demographic influence on the number of households contributes to about 40% of the growth in the number of new households at any one time (Dicks, 1988; Ermisch, 1985).

4.2.3 The general demographic forecasts in the tables in this section have been provided by Suffolk County Council and are taken from Chelmer based projections commissioned by EERA. The forecasts start at 2001, using the latest demographic information that is available. The model generally uses available national and is based on Census 2001 figures.

4.2.4 The factors which combine to produce the population and household forecasts are:- population age-sex structures, headship rates, survival factors, infant mortality, fertility rates, base numbers of dwellings, vacancy rates, building / demolition programmes and the age-sex structure of migrants. The summary of this data is provided in the following tables with the population changes disaggregated for 5 year intervals from 2001 – 2011

4.3 Population Projections

4.3.1 The projections in Table 4-1 are based on the Chelmer projections produced by Anglia Polytechnic University and commissioned by EERA. These figures are based on the assumptions outlined in paragraphs 4.2.1 to 4.2.4 regarding mortality, fertility and migration etc, and are contained in population projections for Mid Suffolk for the period 2001 - 2021 provided by Suffolk County Council.

Table 4-1 Population Change in Mid Suffolk, 2001 - 2011

	2001	2006	2011	2016	2021	Change
Total Population	86,800	89,700	92,700	95,000	97,000	
Change		+ 2,900	+ 3,000	+ 2,300	+ 2,000	+ 10,200
% Change		+ 3.3	+ 3.3	+ 2.5	+ 2.1	+ 11.8

** © Crown Copyright (Census)*

Figures have been rounded to the nearest 100

4.3.2 The table shows an increase in the population of Mid Suffolk of 7,700 (11%) over the forecast period. A steady increase is seen across the forecast period, with the main increase occurring between 2001 and 2006 (4,500; 6.4%).

4.4 Age Structure Forecast 2001 - 2011

4.4.1 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 is based on the net migration model and for this purpose best represents the position.

Table 4-2 Population Age Band Forecast, Mid Suffolk, 2001 - 2011

	2001	2006	2011	2016	2021	Change
0 - 19	21,000	21,500	21,500	20,900	20,300	- 700
20 - 29	8,600	7,400	7,300	7,800	8,000	- 600
30 - 44	18,800	18,500	16,900	15,000	14,200	- 4,600
45 - 64	23,200	25,300	27,300	27,900	28,400	+ 5,200
65 +	15,200	17,047	19,800	23,400	26,100	+ 10,900
Total	**86,800**	**89,700**	**92,700**	**95,000**	**97,000**	**+ 10,200**
% Change		+ 3.3	+ 3.3	+ 2.5	+ 2.1	+ 11.8

** © Crown Copyright (Census)*

Percentage change is measured between year bands, not the base population. This is a better representation of the incremental change.

Figures have been rounded to the nearest 1,000 so totals may not agree with the sum of their rounded components.

4.4.2 As shown above there will be an average rise in the population of Mid Suffolk of approximately 0.6% per annum over the forecast period according to the forecast model. There is projected to be 10,200 more people in the District in 2011 than in 2001. The general pattern of growth suggests that the under 45 population will actually decrease, while significant growth will be show in the 45+ population.

4.4.3 The 0-19 age range shows small decrease overall (-700; -3.3%). A small rise is seen until 2011, with numbers subsequently decreasing by 1,200 (5.6%) to 2021.

4.4.4 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 slight decrease in population (-600; -7.0%), but a reduction of 1,300 is forecast in the current period to 2006 and 2011.

4.4.5 The 30-44 age group, the main economically active group shows a decrease overall of 4,600 (-24.5%). A steady decline can be seen throughout the forecast period, with the largest fall seen between 2011 and 2016 (1,900; -11.2%).

4.4.6 The 45-64 age group shows a significant overall increase in numbers. Over the forecast period there is an increase of 5,200 people (22.4%). Numbers rise steadily throughout the whole forecast period.

4.4.7 The most significant feature of the Population Age Band Forecast is the growth of the population in the over 65 age group. An increase of 10,200 individuals is seen over the forecast period - an increase of around 67%.

4.4.8 Numbers in the 80+ age group increase by 3,800 (92.7%) up to 2021. Thus the forecasts suggest that there will be almost double the number of the current 80+ population by 2021. Given the resource demands often associated with very elderly people, these are significant figures. The forecasts also show a large (1,000 person, 24.5%) increase to 2006 from the 2001 Census adjusted figure.

Table 4-3 Numbers of 80+ in Mid Suffolk, 2001 - 2021

	2001	2006	2011	2016	2021	Change
80+	4,100	5,100	5,800	6,700	7,900	
Change		+ 1,000	+ 700	+ 900	+ 1,200	+ 3,800
% Change		+ 24.4	+ 13.7	+ 15.5	+ 17.9	+ 92.7

© Crown Copyright (Census)

4.5 Forecast Change in Households 2001 - 2011

4.5.1 Table 4-4 outlines the household formation forecasts for Mid Suffolk in the 10-year period from 2001 to 2021. It is based on the statistics provided by Suffolk County Council, and we consider it the best available forecast on currently available data of household change in the District.

Table 4-4 Forecast Change in Households in Mid Suffolk, 2001 – 2021

	2001	2006	2011	2016	2021	Change
Households	35,500	37,300	39,200	41,000	42,900	
Household change		+ 1,800	+ 1,900	+ 1,800	+ 1,900	+ 7,400
% change		+ 5.1	+ 5.1	+ 4.6	+ 4.6	+ 20.8

© Crown Copyright (Census)

4.5.2 There have been significant changes in household formation over the last decade which result in much higher household numbers compared to population growth and average household size. There is a large increase in single person households through elderly people living longer, separation and divorce and young people forming single person households.

4.5.3 The forecasts show that the number of households in Mid Suffolk is set to increase by over 20% by 2021. This rate exceeds that of the total population growth (11.8%).

4.5.4 These changes will result in a reduction in household i.e. people per dwelling from 2.45 in 2001 to 2.36 in 2011 and 2.26 2021.

4.6 Summary

- The forecasts to 2021 are based on the assumptions outlined in paragraphs 4.2.1 to 4.2.2 regarding mortality, fertility and migration etc, and are contained in population projections for Mid Suffolk District for the period 2001 - 2021 provided by Suffolk County Council.

- The population is projected to increase by 10,200 people, 11.8% over the 20 years to 2021.

- The 0-19 age range shows small decrease overall (-700; -3.3%). A small rise is seen until 2011, with numbers subsequently decreasing by 1,200 (5.6%) to 2021.

- Numbers in the 20-29 age group are projected to decrease to a lesser degree (-600; -7.0%) but by 1,300 people up to 2011. As this age range comprises new households forming this will have implications for future affordable housing need both in the short and longer term.

- The 30-44 age group, the main economically active group shows a large decrease overall (-4,600; -24.5%). A steady decline can be seen throughout the forecast period, with the largest fall seen between 2011 and 2016 (-1,900; -11.2%).

- The 45-64 age group shows an overall increase in numbers. Over the forecast period there is an increase of 5,200 people (22.4%). Numbers rise steadily throughout the forecast period.

- The most significant feature in the age band forecast is the growth of the population in the over 65 age group. A large increase of 10,200 individuals is seen over the forecast period, which represents a growth of around 67%.

- The "older" retirement group, those 80 and over, grows by 92.7%, almost doubling. This represents an extra 3,800 people by 2021. This group represents 7,900 people in the area by 2021 who are much more likely to have care and support needs which should now be assessed in detail.

- Household formation is forecast to rise at approximately 1.75 times the level of population increase and this is due to a large increase in single person households through elderly people living longer, separation and divorce and young people forming single person households.

- Household size will reduce from 2.45 in 2001 to 2.36 in 2011 and 2.26 in 2021.

5 HOUSING NEEDS ASSESSMENT MODEL

5.1.1 In undertaking this update the data file has been re-run using 2005 revised household numbers and social stock by sub-area and 2001 Census tenure proportions (adjusted by four years new dwellings) to draw key data used in the Model. The social sector stock has been weighted to the actual figures for 2005 provided by Mid Suffolk District Council.

5.1.2 The 2001 Census data however provides useful data on private sector tenants. They now represent 4,368 households (11.5%) but only 2,602 (6.9%) rent from a private landlord. A further 482 (1.4%) rent from an employer, relative or friend and 953 (2.7%) live rent free and are likely to be in tied accommodation.

Table 5-1 Tenure of Present Households
Question 1

Tenure	2005 %	N^{os} implied	Local Area Census 2001 *
Council Rented	9.4	3,553	9.6
HA rented	2.1	783	2.4
Shared ownership	0.2	64	0.3
Private rented	6.7	2,542	7.2
Other / tied to employment	4.6	1,728	3.9
Owner occupier - mortgage	41.8	15,887	41.6
Owner occupier - outright	35.2	13,389	35.0
Total	**100.0**	**37,947**	**100.0**

5.2 Affordable Housing Needs Requirement

5.2.1 In this section, the overall affordable housing needs requirement is calculated on an annual basis. The need requirement calculation is structured from the survey data to take account of the key demand sources, households requiring subsidised housing, homeless households not assessed in the survey, households living in unsuitable housing whose needs can only be resolved in a different dwelling and concealed household formation emanating from demographic change.

5.2.2 Each of these key demand sources has been adjusted to ensure that proper account is taken of households who can enter the owner occupied market without assistance (income > £21,800 - £37,700, subject to location) and to eliminate any double counting between categories. The Private Rent Sector costs significantly exceed those in social rent. These are estimated at an access cost of £360 - £495 per month for the vast majority of households in this sector, requiring an annual income of at least £17,300 - £23,800 per annum to rent a 2-bed property.

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

5.3 Basic Needs Assessment Model.

	The Backlog of existing housing need is as follows:-	
1.	Households living in unsuitable housing in the District.	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 unable to buy (i.e. income < £21,800 - £37,700) or rent (i.e. income < £17,300 - £23,800) depending on location and need to move.	HNS 2005 update
5.	Priority homeless in temporary accommodation.	(MSDC)
6.	**Total Backlog need.**	
7.	Quota to eliminate backlog over a 5-year period (20%) as recommended in ODPM guidance.	ODPM Guidance
8.	**Total net annual need.**	

	Newly Arising Need is as follows:-	
9.	Concealed households identified in the survey, forming in the next year.	HNS
10.	Percentage of households forming with a partner living elsewhere in the District	HNS
11.	Percentage of households on Waiting List	HNS
12.	Proportion unable to buy (i.e. income < £21,800 - £37,700) or rent (i.e. income < £17,300 - £23,800)	HNS 2005 update
13.	Ex-institutional population moving into community p.a.	(MSDC)
14.	Housing Register new applications 2004-2005 less cancellations from the register.	(MSDC)
15.	In-migrant households over the last year who live in social housing.	HNS
16.	**Total newly arising need.**	

	Supply of Affordable Units is as follows:-	
17.	Existing social stock re-lets from RSL's and the local authority net of transfers.	(MSDC)
18.	Increased vacancies and units taken out of management (demolition and Right To Buy).	(MSDC)
19.	Future new supply each year based on average level over next three years.	(MSDC)
20.	Total affordable supply per annum.	
21.	Total affordable need per annum.	
22.	**Overall annual shortfall.**	

5.4 Affordable Housing Needs Assessment Model

			2005
1.	Households in unsuitable housing		3,542
2.	MINUS Council – RSL / tenants	791	
3.	Cases where in-situ solution most appropriate	1,406	
		2,197	2,197
	Households in unsuitable housing needing to move		1,345
4.	TIMES - Proportion unable to afford to buy or rent	54%	726
5.	PLUS - Backlog (non-households)		15
6.	**TOTAL BACKLOG NEED**		**741**
7	TIMES - Quota to progressively reduce backlog	20%	
8.	**ANNUAL NEED TO REDUCE BACKLOG**		**148**
Newly Arising Need:			
9.	New household formation (gross p.a.)	384	
10.	MINUS - Two person formation (29.1%) x 0.5	56	
		328	
11.	MINUS - Households registered on waiting list (27.6%)	91	
		237	237
12.	TIMES - Proportion unable to buy (97%) or rent (75%) in market	75%	178
13.	PLUS - Ex-institutional population moving into community	No data	0
14.	Existing households falling into priority need		230
15	In-migrant households unable to afford market housing		20
16	**TOTAL NEWLY ARISING NEED**		**428**
Supply of Affordable Units:			
17.	Supply of social re-lets p.a.		203
18.	MINUS - Increased vacancies (if applicable) and units taken out of management. Right To Buy / Demolition	(53 x 4.5%)	2
	Net Social Relet supply		201
19.	PLUS – Committed units of new affordable supply (not able to predict)		0
20.	**AFFORDABLE SUPPLY**		**201**
	Annual need to reduce backlog	148	
	Newly arising need	428	
21.	**TOTAL AFFORDABLE NEED**	**576**	576
	MINUS - Affordable supply		201
22.	**OVERALL ANNUAL SHORTFALL**		**375**

** 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 (i.e. the period of the Local Plan).*

5.5 Model Structure

5.5.1 The model utilised is the Basic Assessment Model in the Good Practice Guidance although there are still a number of different ways of calculating backlog and newly emerging need. The table in 5.4 shows the current assessment alongside the figures for 2003.

5.5.2 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 to 2011. The primary data gathering will of course be undertaken again twice by 2011, but unless there are major changes, up or down, in house prices and incomes it is unlikely that there will be much variation in the overall situation.

5.5.3 The data from HIP and CORE returns for the two years to 31/3/2004 and interim data from the HIP 2005 shows the following trends:-

Table 5-2 2003 to 2005 Affordable Supply

Supply	2003	2004	2005	Average
Council Re-lets	156	160	133	150
RSL Re-lets	64	45	50	53
	220	**205**	**183**	**203**
New RSL Supply	10	42	0	17
Other New Supply	0	0	0	0
Total New Supply	10	42	0	8
Total Supply	230	247	183	220
Right to Buy	76	44	40	53

5.5.4 New average supply of 17 units in 2003 to 2005 was only a third of the 53 unit level of Right to Buy and demolitions each year, resulting in a fall of social stock by 36 units a year.

5.5.5 Although an average of re-lets of 203 units is used in the Model the 2004/05 actual total is 183 units, 20 units less than the three year average, mainly due to a fall in re-let rates in the Council stock.

5.5.6 We have not utilised the average of 17 unit new delivery as the annual levels range from zero to 42 units and future delivery, projected at 157 units in 2006, should be monitored each year and to incorporate the actual number in the Model along with other annual secondary data on homeless households, waiting list change and re-lets in the annual update process. Even if 157 units are delivered in 2006 this is still less than half the scale of outstanding affordable need.

5.6 Needs Assessment

5.6.1 The total affordable housing need annually is for 576 units. Net re-lets of the existing social stock, after RTB impact, average 201 units, based on the average of recent years.

5.6.2 After allowing for this level of supply, there will be an affordable housing shortfall of 375 units a year. New unit delivery would reduce this number and will need to be monitored annually based on actual supply.

5.7 Needs Distribution by Sub Area

5.7.1 There will be variance at local level between demand and existing stock supply and the localised supply / demand analysis report will be valuable in setting site targets, both to address affordable housing and in particular by house type and size. Some future development may be undertaken on Council owned land but as this supply is running out, future subsidy through land provision will need to be negotiated with private landowners and developers in the provision of planning permission.

5.7.2 The survey data for the Mid Suffolk District Housing Needs Survey of 2003 contain a breakdown of the whole future housing needs section of the questionnaire, which can be used by officers to identify specific needs in each area by cross-tabulation.

5.7.3 The data tables provided give a localised breakdown of each question, analysed both by existing households planning to move and the newly forming “concealed” households and facilitate the preparation of localised housing type and size requirements which will be useful for site development briefs.

5.8 Location Demand Analysis

5.8.1 A number of cross-tabulations have been run to check on the actual income capacity of households related to the access house price in the area they have expressed a preference to live.

5.8.2 The location preference information has been taken from the survey data from the 2003 Housing Needs Survey, and the annual income data has been calculated by applying an average yearly income increase of 3.5% (see paragraph 3.5.11). The net affordable need has been calculated by cross-tabulating this survey data with the housing market data obtained from the 2005 update.

5.8.3 Local access level prices in each area were assessed against the incomes of concealed households expressing preference to live in that specific area to calculate the numbers of households unable to purchase or rent.

5.8.4 The tables below show concealed households’ ability to access the market in both the owner occupation and private rental markets.

Table 5-3 Concealed households unable to access owner-occupied property by location.

Location	Net New / Concealed Households*	Net Affordable Need	
		%	N^{os} implied**
Stowmarket	559	73.9	413
Anywhere in Mid Suffolk District	260	96.8	252
Ipswich Fringe	213	100.0	213
South West of District	179	73.8	132
Needham Market	175	79.7	139
Central	120	100.0	120
Eye	108	100.0	108
North East of District	84	100.0	84
North West of District	47	100.0	47
Total	**1,745**	**86.4**	**1,508**

* *Numbers after elimination of multiple choices*
** *Net actual affordable need by area to 2008*

5.8.5 It is important to note that the net affordable needs figures above have been calculated using access prices for 1-bed flat properties in the District. The cost of accessing the market through terraces, the main access property type according to Land Registry volume of sales data, is in excess of the adjusted incomes of all concealed households responding to the 2003 survey. Therefore it is an important conclusion that 100.0% of new forming households (1,398 households) are unable to enter the owner occupied market through the main access property type.

5.8.6 In individual locations, between 79.0% and 100.0% of concealed households earn below the required income threshold to enter the owner occupied market at the cheapest property type, 1-bed flats. Generally, 87.3% of new / concealed households need some form of affordable housing across Mid Suffolk as they are unable to access 1-bed flat units.

Table 5-4 Concealed households unable to access private rented property by location

Location	Net New / Concealed Households*	Net Affordable Need	
		%	N^{os} implied**
Stowmarket	559	62.5	349
Anywhere in Mid Suffolk District	260	82.7	215
Ipswich Fringe	213	78.3	167
South West of District	179	73.8	132
Needham Market	175	54.7	96
Central	120	77.7	93
Eye	108	100.0	108
North East of District	84	93.9	79
North West of District	47	95.2	45
Total	**1,745**	**73.6**	**1,284**

* *Numbers after elimination of multiple choices*
** *Net actual affordable need by area to 2008.*

5.8.7 In the individual locations, between 54.7% and all of the concealed households earn below the required income threshold to rent in the private sector. At a District-wide level, roughly 73.6% cannot afford to enter the private rented sector. The rental net affordable need is calculated using 1-bed flats.

6 KEY FINDINGS

6.1 The Housing Market, Costs and Incomes

6.1.1 The house price inflation increase for the District over the last five years is 99.7% virtually 20% per annum.

6.1.2 In terms of the entry level stock, terraced houses are assessed to be the main access property for first time buyers, due to sales levels being over a quarter of all sales in the District and the average price at £121,208.

6.1.3 The entry level stock, (terraced houses) has increased by 103.7% and average terraced house prices have increased by 9.0% in the last 12 months to March 2005 alone.

6.1.4 The sales levels of semi-detached and detached properties in 2004, 35.7% and 40.5% respectively are similar to 2003 levels (34.6% and 34.1% respectively).

6.1.5 The increase in the price of terraced houses (103.7%) and flats / maisonettes (131.2%) is significantly in excess of wage inflation in this period. Incomes in the District are assessed independently to have increased by 17.7% from 1999 to April 2004) an average of 3.5% each year.

6.1.6 Access to market housing has therefore become more difficult for new households than it was in 2003, increasing the pressure on subsidised affordable housing provision.

6.2 Population and Household Changes

6.2.1 The population is projected to increase by 10,200 people, 11.8% over the 20 years to 2021.

6.2.2 The most significant feature in the age band forecast is the growth of the population in the over 65 age group. A large increase of 10,200 individuals is seen over the forecast period, which represents a growth of around 67%.

6.2.3 The "older" retirement group, those 80 and over, grows by 92.7%, almost doubling. This represents an extra 3,800 people by 2021. This group represents 7,900 people in the area by 2021 who are much more likely to have care and support needs which should now be assessed in detail.

6.2.4 The 30-44 age group, the main economically active group shows a large decrease (-4,600; -24.5%). A steady decline can be seen throughout the forecast period, with the largest fall seen between 2011 and 2016 (-1,900; -11.2%).

6.2.5 Numbers in the 20-29 age group are projected to decrease overall (-600; -7.0%) but with a fall of 1,300 by 2011. As this age range comprises new households forming this will have implications for future affordable housing need both in the short and longer term.

6.3 Affordable Housing Needs Requirement

6.3.1 The total affordable housing need annually is for 576 units. Net re-lets of the existing social stock, after RTB impact, average 201 units, based on the average of recent years.

6.3.2 Even after allowing for this level of supply, there will still be an annual affordable housing shortfall of 375 units a year. These units will need to come from new sites, conversions and market purchase by RSL’s to reduce the shortfall figure each year.

6.3.3 Essentially planning should be providing for balanced communities, which acknowledge the need for social compatibility if the problems of housing in the past are not to be repeated. The increases in average house prices of between 132% and 104% for flats and terraced houses over the last two years have excluded a large proportion of potential 'first-time buyers' from the owner occupied market.

6.3.4 We believe therefore that the proportion of affordable housing provided on new sites should encompass more subsidised low cost market housing than would have been the case three years ago when it was a more marginal element of affordable need, even although there was only a limited expressed need from respondents in 2003.

6.3.5 The scale of outstanding affordable need after taking existing stock re-let supply into account is over 22 times the level of new unit delivery over the last 3 years and nearly 3 times the 2005 / 06 projected level. This will need to be taken into account in setting both targets for both rented and 'intermediate' housing and for site thresholds in the Local Development Framework process.

6.3.6 The existing social rented stock is only 11.7% compared to 19.3% nationally and this shortfall and the number of new households with ability to meet the cost of intermediate housing options have been taken into account in our recommendation on affordable targets.

6.3.7 We believe the overall affordable housing target should be 35% with around a third of provision (10%), as 'intermediate' market housing, provided it is delivered at a cost below the cheapest entry level costs in the general market and would be available on a similar basis to subsequent purchasers.

6.3.8 Both the affordable housing target and the tenure balance within it may vary on a site by site basis.