

The East Midlands in 2010: Housing in the East Midlands

A report prepared by *emda*

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Housing in the East Midlands

2.1 Introduction

This Chapter looks at the demand for and supply of housing in the East Midlands. It uses the same spatial definitions as used in Chapter 1: the nine English Government Office Regions, County and Unitary Authorities and other aggregations of Local Authority Districts, including Housing Market Areas (HMAs) and urban and rural district classifications.

The housing market and the housing decisions taken by individuals and families are influenced by a combination of social, financial, and practical factors. This combination of factors means that clear relationships between demographic changes and demand for housing in a given location can rarely be identified. Even where a given trend is clear the housing outcomes can be complex. For instance, in-migration to an area because of the creation of new jobs could result in overcrowding or occupation of unfit dwellings, rather than a demand for new dwellings if the new jobs are poorly paid.

However, in order to plan for future housing development, it is important to have an understanding of all these factors and possible outcomes. Policy can be informed by identifying areas of likely housing pressure and concerns for affordability, and the extent to which current plans are likely to ease these pressures. An understanding of the demographic changes covered in Chapter 1 could also inform the type of housing likely to be required, such as the particular housing requirements of an ageing population in parts of Lincolnshire compared to a young population in Leicester City.

Section two of this Chapter will provide an introduction to the policy context for housing in England, and summarises some policy priorities in the East Midlands. The overriding policy objective is the Government's challenging target for house building across the UK in order to alleviate increasing affordability problems. The framework for this objective is provided by Planning Policy Statement (PPS) 3. The principal aim of PPS3 is to enable everyone to have the opportunity to buy or rent a decent home at an affordable price. It requires planning authorities to plan for affordable housing and to take into account the accommodation required by different household types. More recently, PPS4 emphasises the Government's view that sustainable development can best be achieved by concentrating new developments around existing infrastructure. Other recent developments have raised the importance of the quality of housing stock, including targets to increase the proportion of households assessed as 'decent'. Also, housing policy has increasingly become part of a broader place shaping agenda, where design of new developments should include a more holistic consideration of relationships with roads, footpaths and public spaces, and should encourage a sense of security and community identity. Finally, housing development is an important tool in moving towards a lower carbon future, and the aim of current policy is that new housing should increasingly meet sustainability performance standards.

Section three assesses trends and projections of the number of households and their composition. The East Midlands has the second smallest number of households out of the nine English regions but has experienced an above average rate of growth. The region is also projected to grow at a faster rate than any other English region in the future. Within the East Midlands, the West Northamptonshire HMA is projected to grow at the fastest rate between 2006 and 2016 whilst the Northern HMA is projected to grow the least. Generally, the more rural parts of the region are projected to grow at significantly faster rates than urban areas. Households are projected to get smaller over time, with one-person households growing at a particularly strong rate.

Section four provides an overview of housing supply by considering trends in the stock of dwellings. The East Midlands also has the second smallest number of dwellings out of the English regions, but this stock has increased at the second fastest rate out of the nine English regions between 1998 and 2008. Owner-occupied dwellings make up the largest share of stock in the region, but the number of dwellings rented from Registered Social Landlords has grown most rapidly over the last decade. This is principally due to transfer from Local Authority tenure.

Section five analyses recent trends in the housing market and outcomes in affordability. Up until 2008, house sales in the East Midlands grew at an above average rate but house prices increased in line with the national trend. With the onset of recession, house sales fell significantly in all regions. The recession also impacted upon house prices, with mean prices falling more rapidly between 2007 and 2008 in the East Midlands than nationally. More recent data also suggests that house prices in the East Midlands have also recovered less rapidly than elsewhere in the country through 2009.

Section six describes the condition of housing stock in the region. A slightly higher proportion of households lived in 'non-decent' dwellings in the East Midlands than in England overall, and unemployed or lone-person households in the region were particularly likely to be in 'non-decent' accommodation. However, households in the East Midlands were more likely to be satisfied with their accommodation than average, and less likely to be living in over-crowded or damp accommodation.

The final section goes on to summarise recent trends in house building, and notes that the net additions to housing stock in the East Midlands have decreased more in the last year, with the impact of recession, compared to other regions. Annual levels of net additions in the region are also significantly lower than the number of new dwellings implied by the housing and population projections. Finally, section seven looks at the quality of design and construction in the region, and how far this has met some of the objectives set out in recent government policy. An assessment of recent developments found that the East Midlands had the highest proportion of developments assessed as having 'poor' design standards of all nine regions, presenting significant challenges for policy makers in increasing the standard of design in the future.

2.2 The policy context for housing

2.2.1 National policy

The overriding policy priorities for housing in England are set out in the Government's housing Green Paper, 'Homes for the Future'. This responded to an independent review carried out by Kate Barker for the Chancellor of the Exchequer and Deputy Prime Minister, which recommended an ambitious programme of house building to alleviate the worsening problems of affordability.¹ By 2004, the average house price had increased to over eight times the average annual salary, which, the Government argued, was in part due to a historic shortfall in housing completions. Annual completions in England are almost half the 350,000 achieved in the late 1960s. With a growing population, this has caused demand to grow faster than supply, leading house prices to double between 1997 and 2007, and to rise more quickly than earnings in all regions.² The Government's policy response was to set a target for house building in England to rise over time to 240,000 additional homes a year by 2016, compared to estimates of 185,000 per year when strategy was published. Due to the impact of recession on the housing market and the construction sector, build rates are believed to have fallen significantly through 2008 and 2009. In total the Government identified a need for 3 million new homes by 2020, 2 million of which should be provided by 2016.

The Government's housing policy is implemented through planning policy statements (PPSs), with PPS3 setting out the planning policy framework for delivering the Government's housing objectives. The principal aim of PPS3 is to enable everyone to have the opportunity to buy or rent a decent home at a price they can afford, and in a place where they would want to live. If these objectives are to be met, it is expected that there will need to be a step-change in housing delivery to the scale set out in the 'Homes for the Future' Green Paper.

PPS3 sets the requirement for local planning authorities to identify and maintain a rolling five-year supply of deliverable land for housing. A key concept in PPS3 is one of achieving the right 'mix' of housing. Housing Market Areas should include some homes that are affordable and some that are at the market value, to widen the opportunities for home ownership, particularly for those who are vulnerable, and "address the requirements of the community". To plan for this 'mix' of housing, local planning authorities should develop a view of the different types of households likely to require housing during the planning period. In doing this, they should have regard to future demographic trends in order to accommodate the requirements of particular household types, such as families with children, disabled people and older people. This should inform the size and type of affordable housing

¹ Kate Barker, on behalf of the Office of the Deputy Prime Minister and HM Treasury, 'Review of Housing Supply – Delivering Stability: Securing our Future Housing Needs', March 2004.

² Department for Communities and Local Government, Green Paper, 'Homes for the Future: more affordable, more sustainable', July 2007.

needed and the range of circumstances in which affordable housing will be required.

Housing policy is not just concerned with achieving a quantity of homes that meets demand and stabilises affordability, it is also increasingly concerned with ensuring a level of quality in housing stock. A key aspect of this is the concept of 'decent' housing. The 'Decent Homes Standard' is a minimum standard, initially applied to social housing and then extended to the private rented sector in 2002. A 'decent' home should be warm, weatherproof and have reasonably modern facilities (for further detail, see Section 2.6 on condition of housing stock). In the case of the private sector, the Government is particularly keen to reduce the number of vulnerable households living in non-decent homes.³ The Government expects 95% of all social housing to be 'decent' by 2010, which means that delivery agencies will need to refurbish 3.6 million homes by this date.⁴ Local Authorities are encouraged to meet this challenge by increased use of other bodies to manage housing stock, or direct transfer of that stock to other organisations. Strategies include: setting up Arm's Length Management Organisations (ALMO) to manage and renovate a council's housing stock; using Private Finance Initiative (PFI) to encourage extra private sector investment in partnership with public finance, and; transferring all or some of the stock to a Registered Social Landlord (RSL), leaving the Local Authority free to focus on more strategic housing functions. The Decent Homes Standard can therefore be seen as one of the policy developments that have contributed to declining stock held by Local Authorities and increasing stock held by RSLs and other organisations.

The importance of high quality building and design is also increasingly emphasised, especially in regards to how housing development can contribute to low carbon and place making/community cohesion objectives. In 1999, the Government established the Commission for Architecture and the Built Environment (CABE) to advise on architecture, urban design and public space. Working with the Home Builders' Federation, CABE produced the 'Building for Life Standards',⁵ setting 20 criteria defining good design, which could be used to assess the quality of housing and neighbourhoods. Regional and local planning bodies must now include assessments of the quality of new housing development, using the Building for Life Standards, in their annual monitoring reports. This indicator would report the number and proportion of total new build completions of housing sites assessed as very good, good, average and poor against the 20 Building for Life criteria.⁶

³ For the purposes of the Decent Homes Standard, 'vulnerable households' are defined as those in receipt of at least one of the principal means tested or disability related benefits, such as income support or housing benefit.

⁴ Communities and Local Government, 'A Decent Home: Definition and Guidance for Implementation – Update', June 2006.

⁵ See CABE, 'Building for Life – 2008 Edition', 2008.

⁶ The Building for Life Criteria are as follows:

Environment and Community: criteria 1-5 – the provision of community facilities (1), a mix of accommodation type (2) and tenure (3) that reflects the needs of the community; access to transport (4) and, features that reduce the environmental impact of the development (5).

Character: criteria 6-10 – design that is specific to the scheme (6), use of existing buildings, landscape and topography (7), distinctiveness of character (8), a logical and clear layout (9) and, streets that are defined by a well-structured building layout (10).

2.2.2 Regional policy

The current Regional Spatial Strategy (RSS) sets the framework for local strategies to deliver the objectives described in PPS3 and identifies particular regional priorities to direct planning decisions in each region. RSSs do not deal in site specific detail, but instead identify the scale and distribution of new housing across the region. Specific developments at a local level are detailed in Local Development Frameworks.

In the East Midlands, the RSS covers the period up to 2026. It is currently undergoing a process of partial review, but from April 2010 the adopted RSS was combined with the current Regional Economic Strategy to become the interim Regional Strategy, in line with the timetable set out in the policy guidance for the Local Democracy, Economic Development and Construction Act. Currently the RSS includes the following key policy objectives:

- The principal housing policy priority in the RSS is one of urban concentration: “in the next two decades development should be concentrated on the region’s major urban areas in ways that allow cities and towns to work together for mutual benefit while retaining their distinctive identity.” The rationale for this overarching policy is one of sustainability: the RSS argues that by focusing new development in and around centres of existing population, the need for individuals to travel will be reduced, and the impact on the environment will be lessened; and
- The principal of urban concentration is set out in Policy 3, which states that a “major proportion” of new growth should be concentrated in and around the Principal Urban Areas of Derby, Nottingham, Leicester, Northampton and Lincoln. Additionally, “appropriate development of a lesser scale” should be concentrated in towns designated by the RSS as ‘Sub-Regional Centres’, including: Boston, Grantham and Spalding in Lincolnshire; Daventry in Northamptonshire; Chesterfield and Swadlincote in Derbyshire; Mansfield, Ashfield, Ilkeston, Newark, and Worksop in Nottinghamshire; and Coalville, Hinckley, Loughborough, Market Harborough and Melton Mowbray in Leicestershire.⁷

In July 2008, the Government asked the Regional Assembly to undertake a Partial Review of the RSS, in response to both the housing Green Paper and recommendations from the Panel responsible for the RSS Examination in

Streets, Parking and Pedestrianisation: criteria 11-15 – a building layout that takes priority over streets and car parking, so that highways do not dominate (11), well integrated car parking (12), pedestrian, cycle and vehicle-friendly streets (13), integration with existing streets, paths and surrounding development (14) and, public spaces and pedestrian routes that are overlooked and feel safe (15); and

Design & Construction: criteria 16-20 – public space that is well designed and suitable managed (16), buildings that exhibit quality architecture (17), internal spaces and layout allow for adaptation, extension or conversion (18), use made of advances in construction technology to enhance performance, quality and attractiveness (19) and, buildings and spaces that outperform statutory minima, such as building regulations.

⁷ Government Office for the East Midlands, ‘East Midlands Regional Plan’, March 2009

Public (which reported in November 2007). This included requests to look in detail at the housing implications of the 2006-based population and household projections, affordable housing targets, transport, and issues around development in flood risk areas in Lincolnshire.⁸ The Regional Assembly presented Partial Review Options in June 2009 for public consultation, which included a review of the transport strategy elements of the RSS to ensure that transport infrastructure and services meet the needs of a growing population in a sustainable manner.⁹ After this consultation, elements of the review that looked at housing numbers were removed from the process, with the exception of housing in coastal Lincolnshire. To inform this, a major Lincolnshire Coastal Study was initiated to examine the scale of development in light of flood risk. The RSS has adopted a precautionary approach that limits housing numbers in the three Lincolnshire coastal districts to existing commitments. The RSS Partial Review was submitted to the Secretary of State in March 2010.

2.3 Estimates and projections of households in the East Midlands

The term 'household' as defined by the ONS in the last Census, refers to one person living alone or a group of people who share the same address with common housekeeping as their only main residence. This is further clarified, for a group of people, as sharing at least one meal a day or sharing living accommodation (a living or sitting room). The occupant(s) of a bedsit who do not share a sitting or living room with anyone else comprise a single household.

Household projections are produced by calculating household formation rates from previous Censuses, and then applying these to the National and Sub-National Population Projections. The sub-national projections are initially made independently of the national projections, and then adjusted for consistency with the national data. Similarly, projections for sub-regional areas are adjusted for consistency with the regional projections.¹⁰ Household projections are not an assessment of housing need and, like the population projections, do not take account of future policies or the capacity of private sector developers to deliver. They are an indication of the likely change in the number of households in the long-term if previous demographic trends continue. The latest household projections were published by the Department for Communities and Local Government (CLG) in March 2009, and are based on the 2006-based Sub-National Population Projections.

⁸ East Midlands Regional Assembly, 'Draft Partial Review Project Plan', October 2009.

⁹ East Midlands Regional Assembly, 'Partial Review: Options Consultation', June 2009.

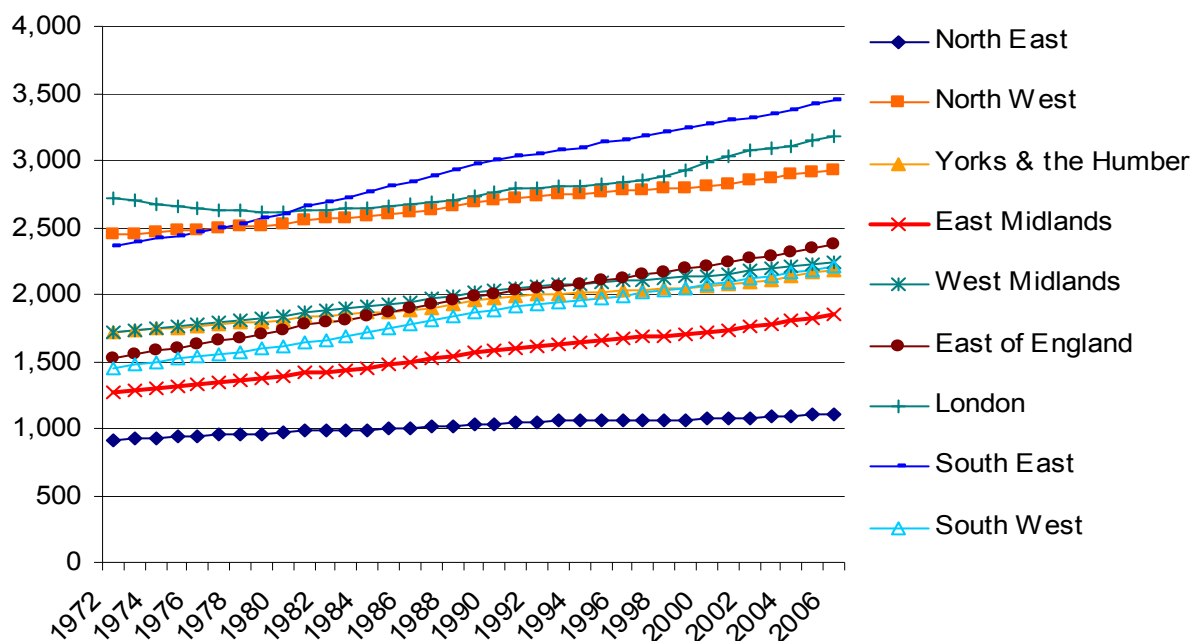
¹⁰ The household projections are quality assured by an independent Advisory Group. This group includes national experts from Anglia Ruskin University, Cambridge University, CLG, Experian, GLA, ONS, NHPAU, Nottingham County Council, Oxford Economics and the University of Reading.

The data sources used for projecting household membership rates are the 2001 Census, special analyses of 10% samples of the 1971, 1981 and 1991 Censuses; the ONS Longitudinal Study samples from the 1971 and 1981 Censuses and the Labour Force Survey (LFS) from 2002 onwards. The LFS is considered the best available source of data about household membership rates after the 2001 Census.

Two further terms are used in conjunction with households: ‘need’ and ‘demand’. PPS3 defines ‘need’ as “the quantity of housing required for households who are unable to access suitable housing without financial assistance,” and ‘demand’ as: “the quantity of housing that households are willing and able to buy or rent.”¹¹

The key sources for informing the current and likely future demand for housing are the household estimates and projections published by the Department for Communities and Local Government (CLG). The following sub-section looks at how the number of households has changed historically in the region, the projections for future change at a regional and HMA level, the changing composition of households, and the drivers of likely future change.

Chart 1: Number of households by English region, 1972-2006 (000s)



Source: Communities and Local Government, ‘Household Estimates by Region, 1972-2006’, Table 403, March 2009.

2.3.1 Key household trends

The household projections are accompanied with estimates of historic change in the number of households nationally. Chart 1 shows the number of households in each English region from 1972 through to 2006 (the base year for the projections). This illustrates that the East Midlands has the second smallest number of households out of all the English regions, but the rate of growth has been slightly higher than the national average. This means that the region’s share of the England total has increased over time, from

¹¹ Communities and Local Government, ‘Planning Policy Statement 3 (PPS3): Housing’, November 2006.

1,263,000 households in 1972, 7.8% of the national total, to 1,849,000 in 2006, 8.6% of the national total.

In light of the recession and the associated downturn in the housing market, there may be expectations that the trend could slow or even begin to fall during the period 2007-2009. However, looking at the long-term trend from 1972, there is little evidence from previous recessions that trends in household numbers are likely to change significantly. Households in the East Midlands increased every year since 1972, and it is not clear that periods of lower household growth can be linked to the economic cycle. For example, during the recession of the late 1980s / early 1990s, the number of households increased by around 1.5% per annum in the East Midlands, whilst during years of economic growth in the late 1990s, households increased by less than 1% per annum in the region. This is because household trends are far more closely linked to demographic phenomena, meaning that although recessions coincide with subdued housing market activity, the demand for housing associated with population trends continues to increase.

Chart 2 shows growth in the number of households in 10-year bands (with a final entry for total growth between 2006 and 2031, the extent of the projections). Between 1986 and 1996, the number of households in the East Midlands grew at a faster rate than the national average, at 11.8% compared to 8.9% in England overall. This was equivalent to an additional 176,000 households over the decade.

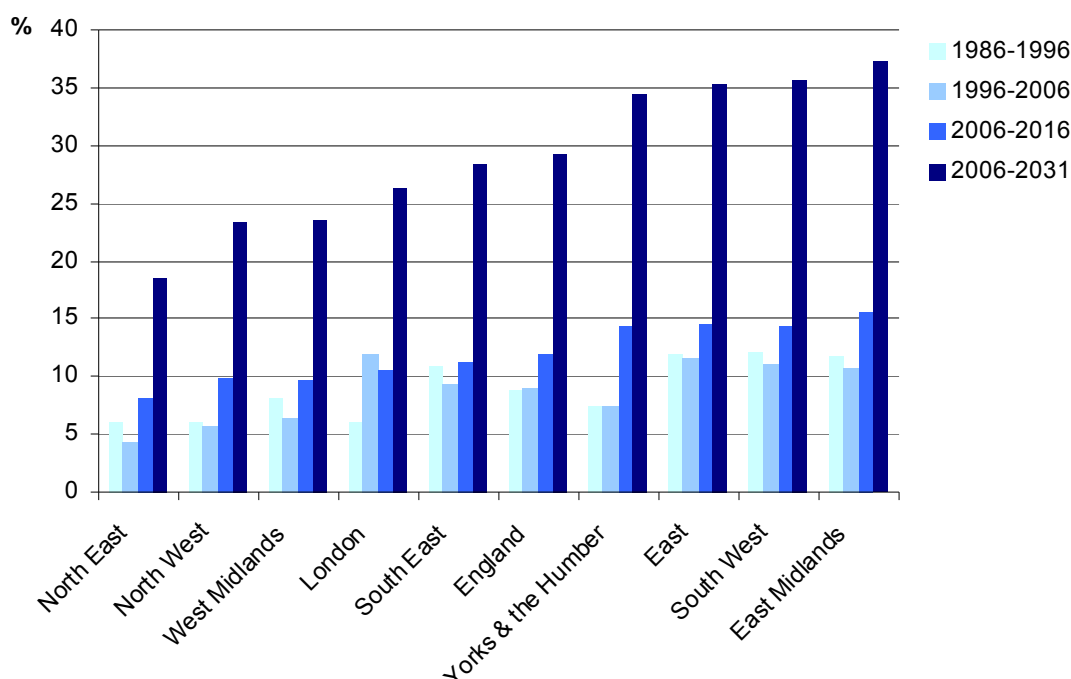
The fastest rate of growth was in the South West, at 12.2%. Between 1996 and 2006 the East Midlands also grew faster than the average for England, at 10.7% compared to 9%. This was equivalent to an additional 179,000 households in the region. London grew the fastest of all English regions over this decade, at 11.9%. Looking forward, Chart 2 also illustrates that over the decade from 2006 the East Midlands is likely to experience the fastest rate of growth of any other English region.

The East Midlands is projected to experience a growth rate of 15.6% over the decade to 2016, compared to the national average of 12%. This is equivalent to 289,000 households – increasing the East Midlands total to 2,138,000 households by 2016, or 8.9% of the total for England.

In addition:

- The next fastest rate of growth over the decade is projected to be in the East of England, at 14.5%. The largest absolute increase is projected to be in the South East, which will gain 391,000 additional households by 2016;
- The slowest rate of growth is projected to be in the North East, at 8.2%; and
- In terms of average annual increases, the East Midlands is projected to gain 28,900 households per annum between 2006 and 2016, compared to 39,100 in the South East and 9,100 in the North East. In England overall, an additional 259,100 households per annum are projected.

Chart 2: Change in the number of households by English region, 1986-2031 (%)



Source: Communities and Local Government, 'Household Projections by Region, 2006-2031', Table 408, March 2009.

The 2006-based household projections cover the period up until 2031. Due to the nature of projections, the margin for error increases the further the forecast goes into the future. For this reason, the reporting that accompanied the statistical release focuses on the period 2006-2016. However, the RSS Partial Review now looks forward to 2031, the full period covered by the 2006-based household projections. Key points for the period 2006-2031 are as follows:

- The number of households in the East Midlands is expected to increase to 2,539,000 by 2031. This represents a growth of 37.3% over the period 2006-2031, or an additional 690,000 households. This is the fastest rate of growth of any English region, and is significantly higher than the national average of 29.3%;
- The average annual increase in the East Midlands is 27,600 households over 25 years, which is slightly lower than the rate of growth projected over the period 2006-2016;
- The number of households in the East Midlands is projected to increase to 9.1% of the total for England; and
- The South West is projected to experience the next fastest growth, at 35.7%, whilst the North East is projected to experience the slowest growth, at 18.6%.

Table 1: Household projections by Housing Market Area (HMA), 2006-2031 (000s and %)

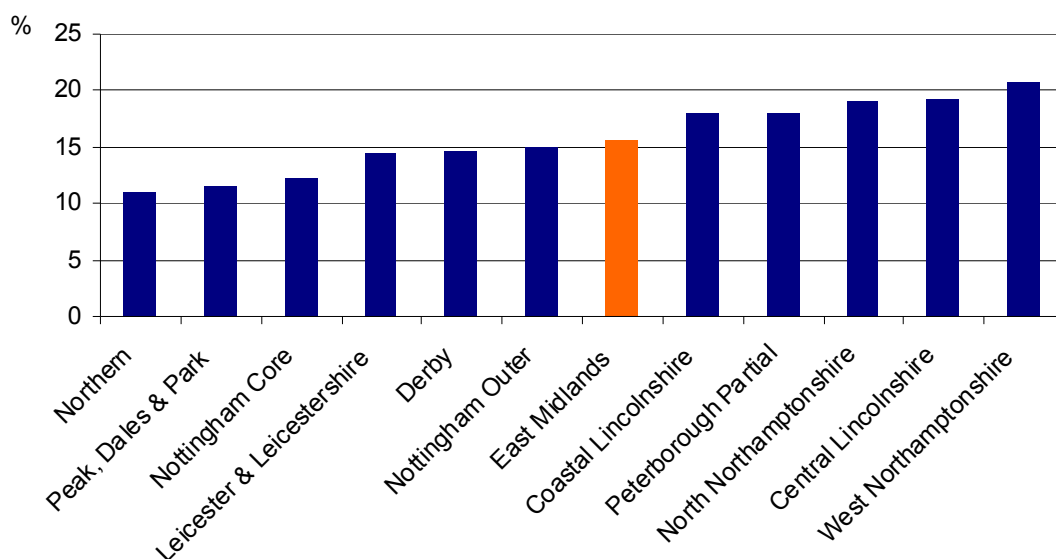
	2006	2016			2031		
	Households	Households	Increase %	Increase (numbers)	Households	Increase %	Increase (numbers)
Central Lincolnshire	118,300	141,000	19.2	22,700	172,200	45.6	53,900
Coastal Lincolnshire	86,100	101,600	18.0	15,500	123,500	43.4	37,400
Derby	188,700	216,300	14.6	27,600	255,100	35.2	66,400
Leicester and Leicestershire	376,800	431,300	14.5	54,500	508,900	35.1	132,100
North Northamptonshire	127,800	152,100	19.0	24,300	186,500	45.9	58,700
Northern	166,200	184,700	11.1	18,500	211,200	27.1	45,000
Nottingham Core	204,600	229,600	12.2	25,000	266,800	30.4	62,200
Nottingham Outer	140,700	161,800	15.0	21,100	191,700	36.2	51,000
Peak, Dales and Park	69,000	77,000	11.6	8,000	89,300	29.4	20,300
Peterborough Partial	217,300	256,500	18.0	39,200	305,700	40.7	88,400
West Northamptonshire	153,900	185,800	20.7	31,900	227,800	48.0	73,900
East Midlands	1,849,000	2,138,000	15.6	289,000	2,539,000	37.3	690,000

Source: Communities and Local Government, 'Household Projections by Region, 2006-2031', HMA calculations by East Midlands ONS Regional Team, April 2009.

Table 1 sets out the key points from the 2006-based household projections for the HMAs in the East Midlands and the overall rate of growth for each HMA between 2006 and 2016 is shown in Chart 3. This shows that the fastest growth in the region is projected to be in the southern and more rural HMAs, with the northern HMAs all growing below the regional average:

- West Northamptonshire is projected to experience the fastest rate of growth, with the number of households increasing by 20.7% over the decade, over five percentage points more than the regional average;
- The most populous HMA, Leicester and Leicestershire with 376,800 households in 2006, will grow slightly more slowly than the regional average, at 14.5%. However, it will experience the largest absolute increase – with an additional 54,500 households over the decade; and
- The Northern and the Peak, Dales and Park HMAs will grow at the slowest rates, at 11.1% and 11.6% respectively. However, it is important to note that this growth rate is still close to the English average of 12% between 2006 and 2016.

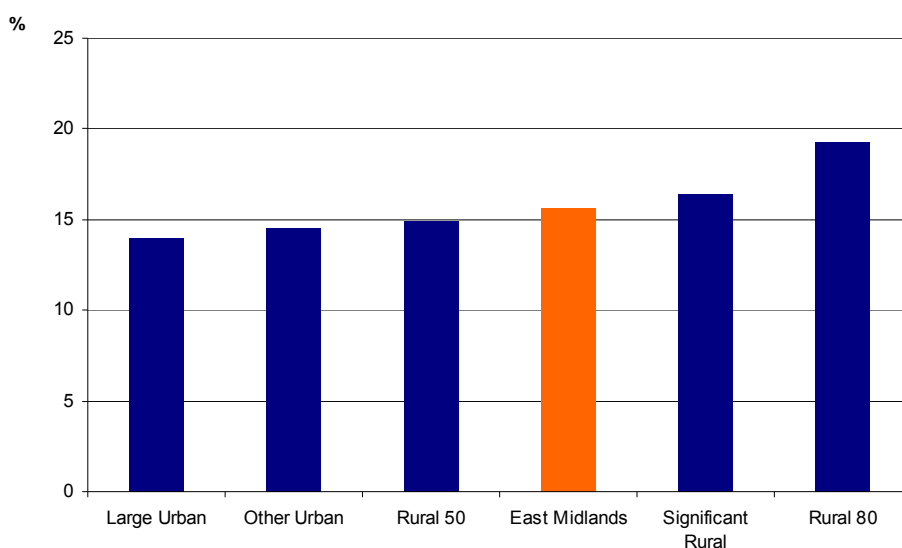
Chart 3: Change in number of households by HMA, 2006-2016 (%)



Source: Communities and Local Government, 'Household Projections by Region, 2006-2031', HMA calculations by East Midlands ONS Regional Team, April 2009.

Chart 4 summarises the differences in household growth between urban and rural areas by looking at the Defra district classifications. As in the case of population change, this illustrates that the highest growth rates are projected to be in the most rural, 'Rural 80', districts – where the number of households are projected to increase by 19.3% over the decade 2006-2016 (compared to the regional average of 15.6%). Both urban classifications are projected to experience slower than average growth in households, with 'Large Urban' districts increasing by 14%.

Chart 4: Change in number of households by urban-rural district classification, 2006-2016 (%)



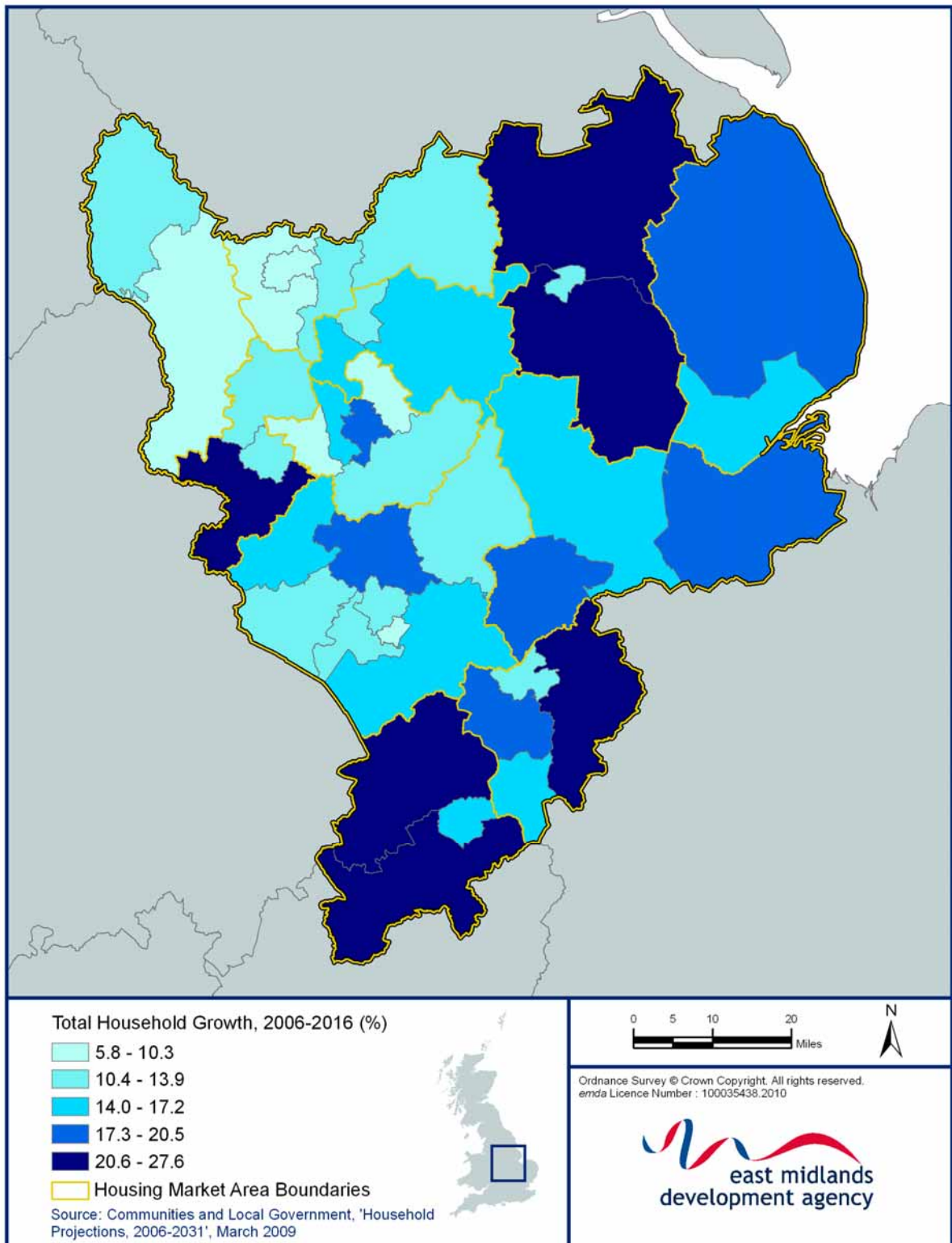
Source: Communities and Local Government, 'Household Projections by Region, 2006-2031', Defra urban-rural district calculations by East Midlands ONS Regional Team, November 2009.

Map 1 shows that the districts that are projected to experience the fastest rate of growth in the number of households will be in the far south of the region, in central Lincolnshire, and in other more rural districts, such as southern Derbyshire. The number of households is projected to increase by 27.6% between 2006 and 2016 in South Northamptonshire, and by 23.3% in East Northamptonshire. The number of households is forecast to grow by 22.8% in North Kesteven, whilst West Lindsey is projected to experience growth of 22%. South Derbyshire is projected to experience growth of 24.5%, the second fastest rate of growth in the region behind South Northamptonshire.

Growth in the number of households is projected to be slower in the far north of the region, at 8.6% in North East Derbyshire and 8.7% in the Derbyshire Dales. However, it is also projected to be relatively slow in a number of districts immediately adjacent to Leicester and Nottingham Cities. Oadby and Wigston, near Leicester, is projected the slowest growth rate in the number of households in the region, at 5.8%, whilst Gedling, near Nottingham, is projected to experience a growth of 9.4%.

This pattern of growth in the number of households broadly reflects the recent and projected distribution of population growth across the region.

Map 1: Change in number of households by LAD/UA, 2006-2016 (%)

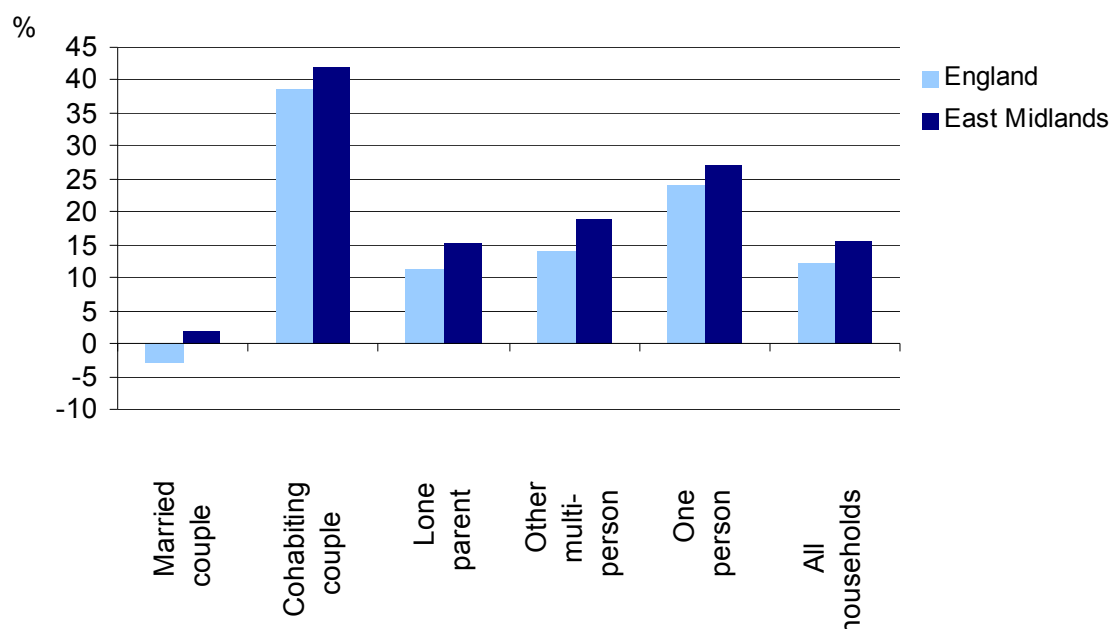


As well as overall numbers, the 2006-based household projections also include data on the changes in household composition. Composition is discussed in terms of five categories:

- Married couple households (which contain one or more married couple families);
- Co-habiting couples (containing one or more co-habiting couple families, but no married couples);
- Lone parent households (containing one or more lone parent families, but no married or co-habiting couples);
- Other multi-person households (containing neither a married or co-habiting couple family, nor a lone parent household – examples include unrelated adults sharing a house or flat or a lone parent with only non-dependent children); and
- One person households (one person living alone who shares neither housekeeping nor a living room with anyone else).

Chart 5 shows growth rates over the period 2006 to 2016 across these five groups. From this it is clear that co-habiting couple households are projected to have the highest rate of growth (at 41.8% in the East Midlands) whilst one person households are also projected to grow significantly (at 27.2%). Conversely, the number of married couple households are projected to decline slightly in England overall (by -3%) and increase only very modestly in the East Midlands (by 1.7%).

Chart 5: Change in households by composition category, England and East Midlands, 2006-2016 (%)



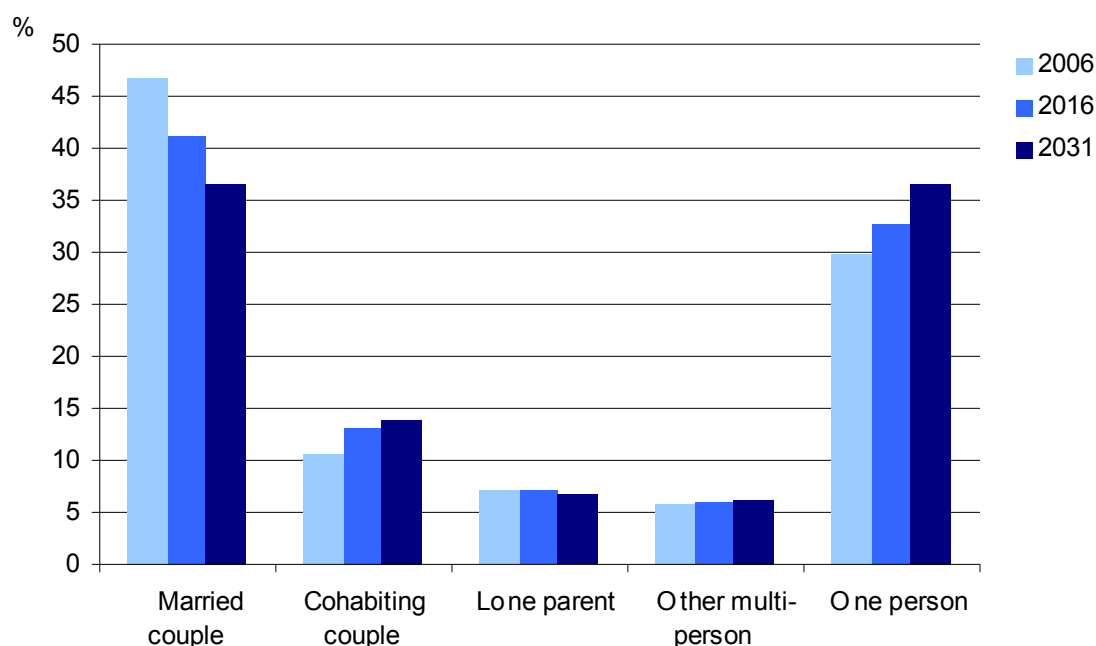
Source: Communities and Local Government, 'Household Projections by Region, 2006-2031', Table 404, March 2009.

Chart 6 shows how these differential growth rates will affect the composition of households in the East Midlands over the medium and long-term:

- In 2006, married couple families accounted for the largest share of households in the region, at 46.8%. The next largest proportion was accounted for by one person households, at 29.8%;
- The proportion of married couple households will decrease by 2016, to 41.2%, whilst co-habiting couple households will grow to 13% (from 10.6% in 2006) and one person households to 32.8%. The share made up of one parent and other multi-person households will stay static, around 7% and 6% respectively; and
- By 2031, one person households will grow to 36.6% of all households, whilst married couple households will continue to fall, also to 36.6%.

This illustrates that an increasing number of new household formation is projected to be from one person households, significantly changing the nature of housing required over the forecast period.

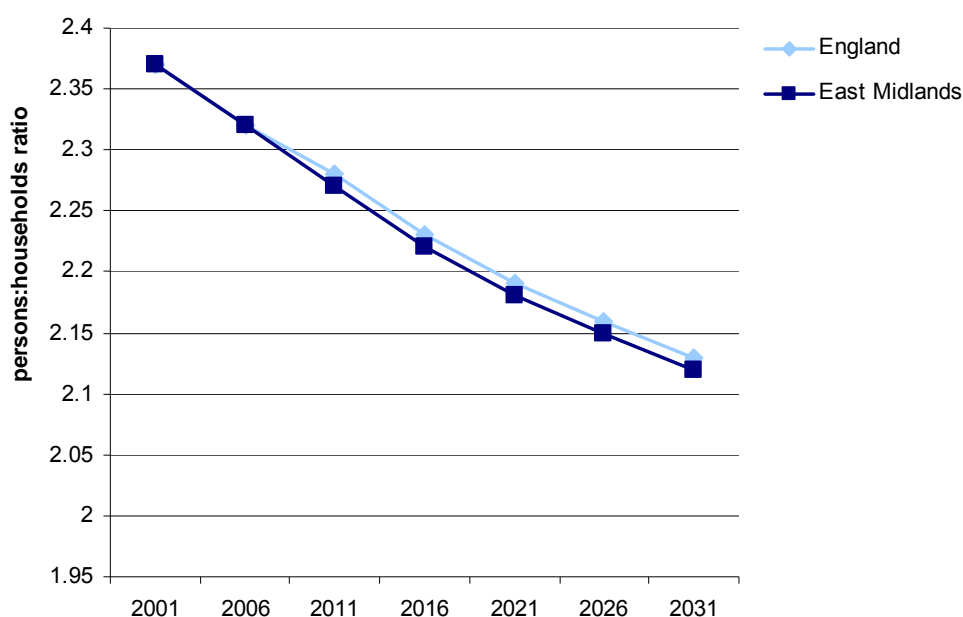
Chart 6: Household composition in the East Midlands by category (%)



Source: Communities and Local Government, 'Household Projections by Region, 2006-2031', Table 404, March 2009.

Chart 7 shows the impact of the changing balance of household composition on overall household size. The ratio of the number of people to number of households has fallen steeply over time, and is projected to continue to fall. In 1997, there were 2.41 people to each household in both the East Midlands and England. The chart shows five year intervals from 2001, which illustrates that the rate of decrease in the East Midlands becomes slightly more rapid than England from 2006 onwards. In 2006 the ratio was 2.32 both regionally and nationally. By 2016, the ratio is projected to be 2.22 in the East Midlands and 2.23 in England, falling to 2.12 in the East Midlands and 2.13 in England by 2031. As Chart 6 suggests, the declining size is largely due to the rapid increase in one person households.

Chart 7: Ratio of people to households, England and East Midlands, 2001-2031 (ratio, five year intervals)



Source: Communities and Local Government, 'Household Projections by Region, 2006-2031', Table 404, March 2009.

2.3.2 Components of household growth

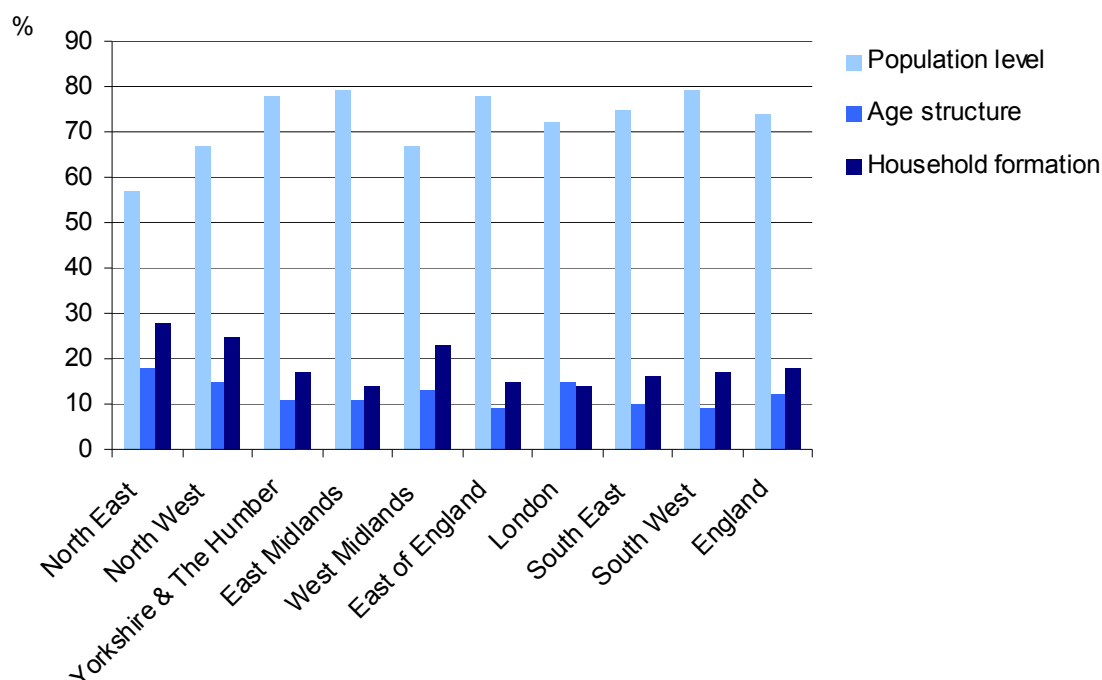
The Department for Communities and Local Government (CLG) have investigated the impact of the different components of household growth. This is done by running the projection model and holding the factor of interest constant, allowing all the other factors to change – and observing what effect this has on the resulting number of households compared to the main projection.

The three components investigated in this way were:

- Population level – where all the demographic factors (age structure, and level of population due to migration and natural change) are held constant;
- Age structure – where just the age structure of the population is held constant; and
- Household formation – where all the demographic factors are allowed to change and just the household formation rate is held constant.

The three components are closely interrelated, so the impact all three have on the total household group add up to more than 100%.

Chart 8: Components of household growth by English region, 2006-2031 (%)



Source: Communities and Local Government, 'Household Projections by Region, 2006-2031', Table 415, March 2009.

The impact of these three components on total household growth by region is shown by Chart 8. This illustrates that, in all regions, the main driver for projected growth in households is the increase in population, which reflects the combined effects of increasing fertility rates, rising life expectancy and net inward migration. In the East Midlands, factors associated with population change account for 79% of total household growth between 2006 and 2031, compared to 74% in England overall (CLG estimate that, of this national figure, 33% can be attributed to net migration).

Age structure alone contributes 11% to household growth over the projection period in the East Midlands, compared to 12% for England overall. Outcomes of changing age structure relevant to household growth include the growing number of one person pensioner households.

Finally, household formation rates alone contribute 14% to total household growth in the East Midlands, compared to 18% in England overall. All three components have a positive impact on total household growth in all regions, with London being the only region where age structure makes a slightly higher contribution than household formation (with London being an atypical region with a particularly young age profile).

2.3.3 Additional demand for accommodation

In addition to having regard to estimates of household population, Local Authorities are also required to monitor other indicators of demand for

potential housing, especially regarding vulnerable groups. The Housing Act of 1996 places a statutory requirement on Local Authorities to assist families who are homeless or threatened with homelessness, by securing accommodation in certain circumstances: “they must secure suitable temporary accommodation until a settled home becomes available.” Other duties are for Local Authorities to provide help to households in accessing information and applying for assistance. They are also encouraged to work closely with social services and other statutory, voluntary and private sector partners to tackle homelessness more effectively.¹²

The Government’s suggested measure for tracking progress is achieving a reduction in the number of households living in temporary accommodation under homeless provision (National Indicator 156). This data is now published on a quarterly basis, and the following analysis looks at the first quarter (1st January – 31st March) for each year between 1999 and 2009 in order to make consistent comparisons between years:

- In the first quarter of 2009, the East Midlands accounted for the second smallest proportion of homeless households in temporary accommodation of the nine regions, at 1.5% of the English total, with 930 households. This share has decreased from 3.5% of the national total in the first quarter of 1999;
- The number of homeless households in temporary accommodation has fallen significantly in the East Midlands, by -53.3%. The trend has been quite volatile, with the number increasing to 3,030 in the first quarter of 2005, before falling again. However, the East Midlands’ trend compares favourably to the national picture, where the number of homeless households has increased by 13.1% between quarter one 1999 and quarter one 2009; and
- London accounts for by far the largest share of the national total, at 47,780 households in the first quarter of 2009, or 74.7% of all homeless households in temporary accommodation in England.¹³

Equivalent data is not available for all nine of the Upper Tier Authorities in the East Midlands, so only regional comparisons can be presented here.

Local Authorities also have a statutory duty to accommodate gypsy and traveller households. Data on this is provided by the count of gypsy and traveller caravans¹⁴ (known as the ‘caravan count’), which is undertaken for

¹² Communities and Local Government, ‘Homelessness Code of Guidance for Local Authorities’, July 2006.

¹³ Communities and Local Government, NI 156, analysis provided by the ONS East Midlands Regional Team.

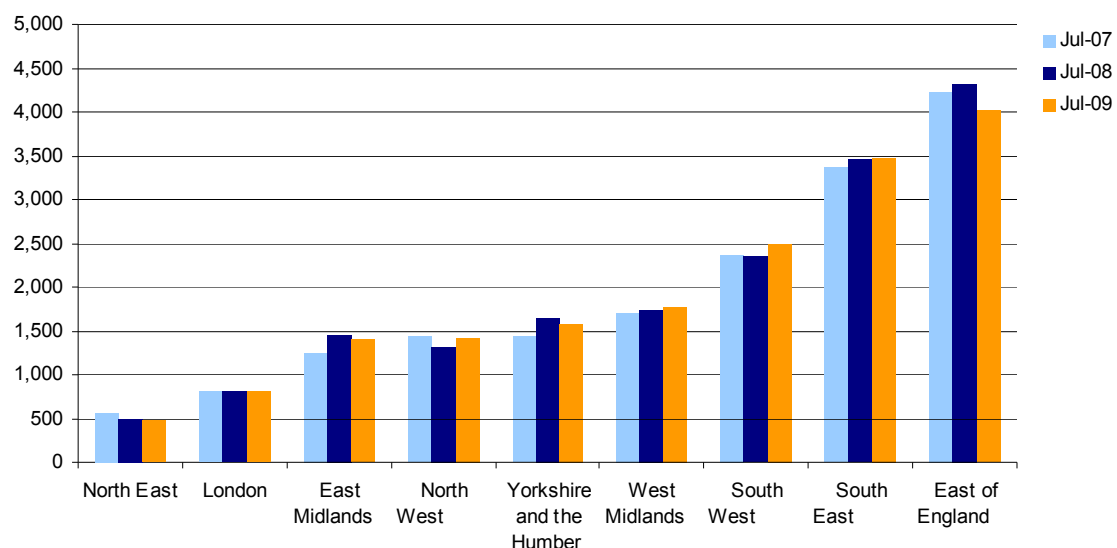
¹⁴ A ‘caravan’ is defined in the Caravan Sites and Control of Development Act 1960 as “any structure designed or adapted for human habitation which is capable of being moved from one place to another (whether by being towed or by being transported on a motor vehicle or trailer) and any motor vehicle so designated or adapted”. The count should include all mobile homes, ‘trailers’ and converted vehicles which fall within the definition of a ‘caravan’ and are occupied by ‘gypsies’, which are defined as “persons of nomadic habit of life, whatever their race or origin”. Local Authorities should include in the count return only those ‘touring’ caravans which are used as additional sleeping accommodation on a permanent or semi-permanent basis.

each Local Authority and reported to the Department for Communities and Local Government in January and July each year. The Government also collect information on the size and nature of sites provided for gypsy and traveller caravans, whether they have planning permission, and whether they are 'tolerated' by Local Authorities if they do not have planning permission.¹⁵

Chart 9 shows the total number of caravans counted in each English region in the July count of 2007, 2008 and 2009 (the January count is not included due to seasonal variation). This shows that the count of gypsy and traveller caravans fluctuated in most regions between 2007 and 2009, with no consistent trend. In the East Midlands, the count has increased from 1,248 caravans in July 2007 to 1,452 in July 2008, but then decreased to 1,402 in July 2009.

- This is the third lowest count of the English regions, with the North East having the lowest number of caravans throughout the period.
- However, the overall rate of increase in caravan count in the East Midlands between July 2007 and July 2009 is the highest of all English regions, at 12.3%, compared to a 1.7% increase in England overall. This is also the largest absolute increase – with an additional 154 caravans in July 2009 compared to July 2007.
- This means that the East Midlands' share of the total English caravan count has increased over the three year period, from 7.3% to 8% between July 2007 and July 2009.
- The largest number of caravans was in the East of England, which had a count of 4,025 in July 2009, 23.1% of the total for all England.

Chart 9: Count of gypsy and traveller caravans by English region, July 2007- July 2009 (total number of caravans)



Source: Communities and Local Government, 'Count of Gypsy and Traveller Caravans, last five counts', 16th July 2009, Table 1, downloaded 25th February, 2010

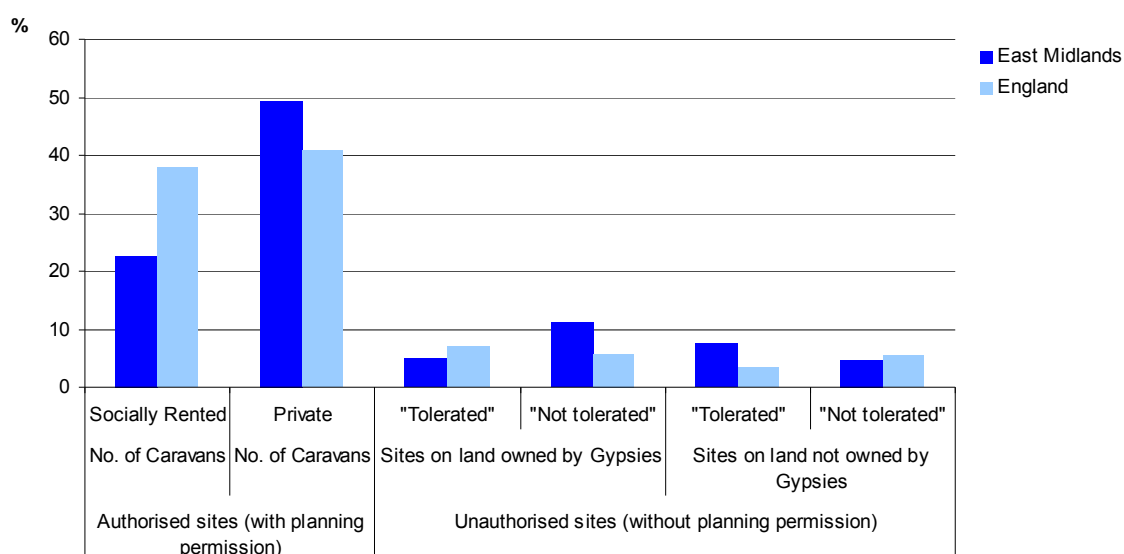
¹⁵ 'Tolerated' caravan sites that do not have planning permission are those sites against which the planning authority has decided not to take action. Where a site is 'not tolerated', the planning authority or land owner will have decided to seek the removal of the caravans.

Chart 10 shows how the number of caravans in the East Midlands is distributed across the different kinds of site ownership, the proportion of caravans on unauthorised sites that were 'tolerated' by planning authorities, and how this differs from the national average:

- The East Midlands has a smaller share of caravans located on authorised sites rented from Local Authorities or Registers Social Landlords (socially rented) than in England overall, at 22.5% compared to 37.9%. Conversely, it has a larger proportion of caravans located on private sites, at 49.3% compared to 40.7%;
- The East Midlands had a larger share of the total count of caravans located on unauthorised sites owned by the gypsies or travellers that were 'not tolerated' by the planning authorities, at 11.1% compared to 5.7% in England overall; and
- There was a larger share of caravans on unauthorised sites that were not owned by the gypsies or travellers but were still tolerated by the planning authorities, at 7.4% compared to 3.3% nationally.

The region has experienced an above average growth in caravans over the three year period, and this may explain why there is a larger proportion of caravans on unauthorised sites not owned by gypsies or travellers tolerated by land owners or planning authorities.

Chart 10: Count of gypsy and traveller caravans, July 2009
(% of total number of caravans)

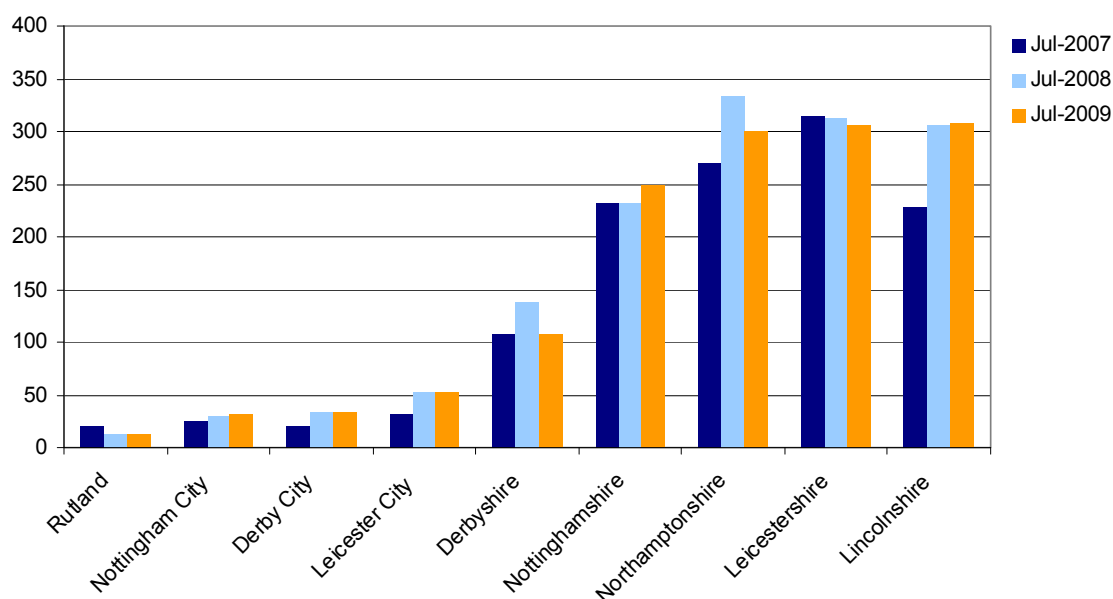


Source: Communities and Local Government, 'Count of Gypsy and Traveller Caravans, last five counts', 16th July 2009, Table 1, downloaded 25th February, 2010.

Chart 11 shows how the total caravan count for the East Midlands is distributed across the nine Upper Tier Authorities. Some areas, such as Lincolnshire, have experienced a significant increase over the period, whilst the trend has been less clear in other areas. Leicestershire and Northamptonshire had the largest shares in July 2007 and July 2008 respectively, but the rate of change in Lincolnshire was such that the county recorded the largest caravan count in the region in July 2009, with 22% of the East Midlands total. Chart 11 also suggests that the more rural Local

Authorities in the region are significantly more likely to be accommodating gypsy and traveller communities than elsewhere. Nottingham, Derby and Leicester City all have relatively small caravan counts (with a combined total of 8.3% in July 2009). With the exception of Rutland (with only 0.9% of the region's caravans), this data suggests that the accommodation of gypsy and traveller communities is principally a rural issue.

Chart 11: Count of gypsy and traveller caravans by Local Authority/Unitary Authority, July 2007- July 2009 (total number of caravans)



Source: Communities and Local Government, 'Count of Gypsy and Traveller Caravans, last five counts', 16th July 2009, Table 1, downloaded 25th February, 2010.

Finally, Local Authorities provide information on the nature and capacity of sites allocated for gypsy and traveller communities. In July 2009, there were 259 'pitches' in the region provided by Local Authorities and Registered Social Landlords, 5.4% of the total for England, providing capacity for 449 caravans (5.6% of the total capacity provided for England). This is the second smallest capacity of the English regions (with the North East providing 4.5% of pitches and 4% of total national caravan capacity). This share is significantly lower than the East Midlands share of the total national caravan count (8%) and may explain why the region has a higher proportion of caravans located on privately owned sites than in England overall.

The largest number of Local Authority or Registered Social Landlord pitches for gypsy or traveller caravans in the East Midlands is provided by Lincolnshire County Council, with 76 pitches. However, these pitches provide capacity for 109 caravans, which is lower than the capacity in Northamptonshire. In July 2009, Northamptonshire provided capacity for 135 caravans across 75 pitches.

This includes the largest site in the region, Ecton Lane Park Caravan Site, which includes 35 pitches and has a capacity for 70 caravans.¹⁶

Key Points: Household trends and additional demand for housing

- The East Midlands has the second smallest number of households of the nine English regions, but the number has increased at a faster than average rate.
- In 2006, there were 1,849,000 households in the East Midlands, 8.6% of the English total.
- Between 2006 and 2016, the number of households in the East Midlands is projected to grow faster than any other region, at a rate of 15.6% compared to 12% in England overall. By 2016, there will be 2,138,000 households in the region.
- The West Northamptonshire HMA is expected to experience the greatest rate of growth within the East Midlands, followed by Central Lincolnshire.
- The more urban HMAs, Derby, Leicester and Leicestershire and Nottingham Core, will all grow below the East Midlands regional average. The slowest rate of growth is projected to be in the Northern HMA.
- Co-habiting couples and one person households are the composition categories that will grow the fastest. A significant proportion of growth in the future will be accounted for by the formation of new one person households. By 2031, one person households will make up the same proportion of the total household population as married couple households.
- The average size of households will continue to get smaller over the forecast period, and at a slightly faster rate in the East Midlands.
- The biggest drivers for household growth are the increasing size of the population due to migration, natural change and changing age structure. This accounted for 79% of household growth in the East Midlands over the projection period (2006-2031).
- The East Midlands has a relatively small share of homeless households in temporary accommodation, and this has decreased over time.
- The region's share of gypsy and traveller caravans increased between 2007 and 2009. Larger numbers of caravans were located in the more rural Local Authorities, especially Lincolnshire, which accounts for the largest share of the region's caravan count.
- Possibly because of a smaller proportion of sites provided by Local Authorities and Registered Social Landlords in the region, gypsy and traveller caravans were more likely to establish authorised settlements on privately owned sites. Of non-authorised settlements, planning authorities in the region were more likely to 'tolerate' caravans on sites that were not owned by the gypsies or travellers themselves in the region than in England overall.

¹⁶ Communities and Local Government, 'Gypsy sites provided by Local Authorities and Registered Social Landlords in England', Table 2, 16th July 2009, downloaded 25th February, 2010.

2.4 Dwelling stock

If household estimates can be used to represent the demand for housing, an indication of the quantity of supply is provided by estimates of dwelling stock.

Data on dwellings use the latest applicable Census definition. In the data used in this section, the 2001 Census definition applies. This describes dwellings as either containing a single household space or several household spaces sharing some facilities and designed as a self-contained unit of accommodation. Self-containment is where all of the rooms (including bathroom and toilet) are behind a single door which only that household can use. Non self-contained household spaces at the same address should be counted together as a single dwelling. Therefore a dwelling can consist of one self-contained household space or two or more non self-contained household spaces at the same address. The term 'multiple occupancy' refers to a single dwelling containing more than one household.

The 2001 Census defines dwelling by type as follows: houses, bungalows, flats, maisonettes, and bedsits. However, no clear definition for each is available. Houses include single story bungalows. Flats are particularly difficult to define, but the Building Regulations (2000) defines a flat as follows: "A flat is a separate and self-contained premises constructed or adapted for use for residential purposes and forming part of a building from some other part of which it is divided horizontally." A maisonette is a flat encompassing more than one story.¹⁷

Another type of dwelling is a 'communal establishment', i.e. an establishment providing managed residential accommodation. These are usually not counted in overall dwelling stock data, but include university and college student accommodation, hospital staff accommodation, hotels and hostels, defence establishments and prisons.

Non-permanent or 'temporary' dwellings – which include caravans, mobile homes, converted railway carriages and houseboats – are included if they are the occupants' main residence and council tax is payable on them. Permanent gypsy and Traveller pitches are also counted if they are, or likely to become, the occupants' main residence. In all stock figures, vacant dwellings and second homes are included.

The dwelling stock statistics used in this section are published in the CLG annual 'Housing Statistics' release, and are based on Local Authority Housing Flows Reconciliation returns, whilst more detailed data, such as age of stock, is estimated on the basis of the latest Survey of English Housing (a national sample survey carried out on behalf of the Government).

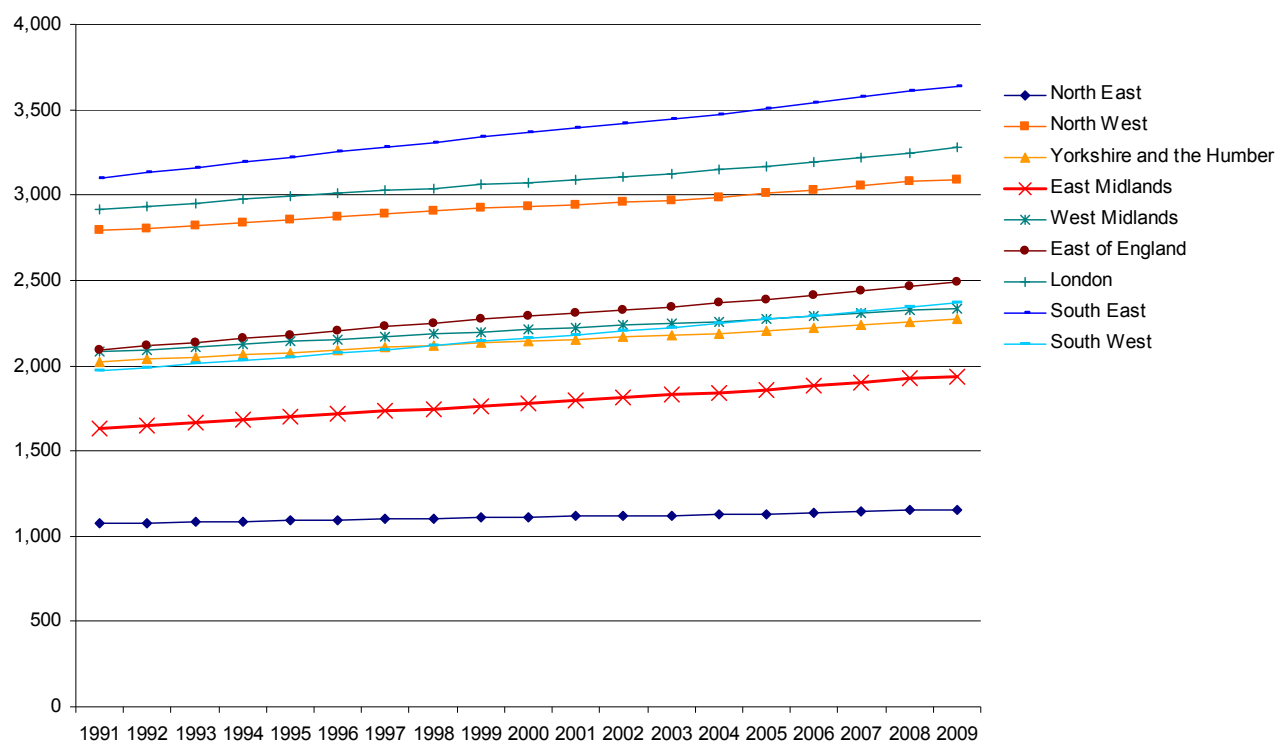
¹⁷ Communities and Local Government, 'Housing Statistics 2008', December 2008.

2.4.1 Key trends in dwelling stock

Charts 12 and 13 shows the change in the number of dwellings over time, illustrating that the trend in dwelling stock follows the trend in households (shown in Chart 1) quite closely in each English region:

- Chart 12 shows that dwellings have increased in all regions, but the East Midlands has consistently had the second smallest dwelling stock of the nine regions, at 1,937,000 in 2009 (8.6% of the total for England). However, this share has increased over time as dwelling stock in the East Midlands has increased at a faster rate than the English average;
- To compare to recent population trends described in Chapter 1 (1998-2008) and household trends in Section 2.3 of this Chapter (1996-2006), two different time periods have to be used. Dwelling stock in the East Midlands increased at a faster rate than population between 1998 and 2008, at 10% compared to a population growth rate of 7.3%, but at a slower rate than numbers of households between 1996 and 2006, at 9.5% compared to 10.7%;
- The faster rate of household growth compared to population growth can be attributed to the decline in the number of people per household and increasing number of single person households;
- In both periods, dwellings in the East Midlands increased at a faster rate than the English average. Between 1998 and 2008, dwellings in the East Midlands increased from 1,748,000 to 1,923,000. This is the second highest growth rate of the nine English regions over this period; and
- The number of dwellings has remained higher than the number of households throughout the period 1996 to 2006, although the difference between the two has decreased from 47,000 to 31,000 over the period. This is because of vacant dwellings and second homes.

Chart 12: Number of dwellings by English region, 1991-2009 (000s)

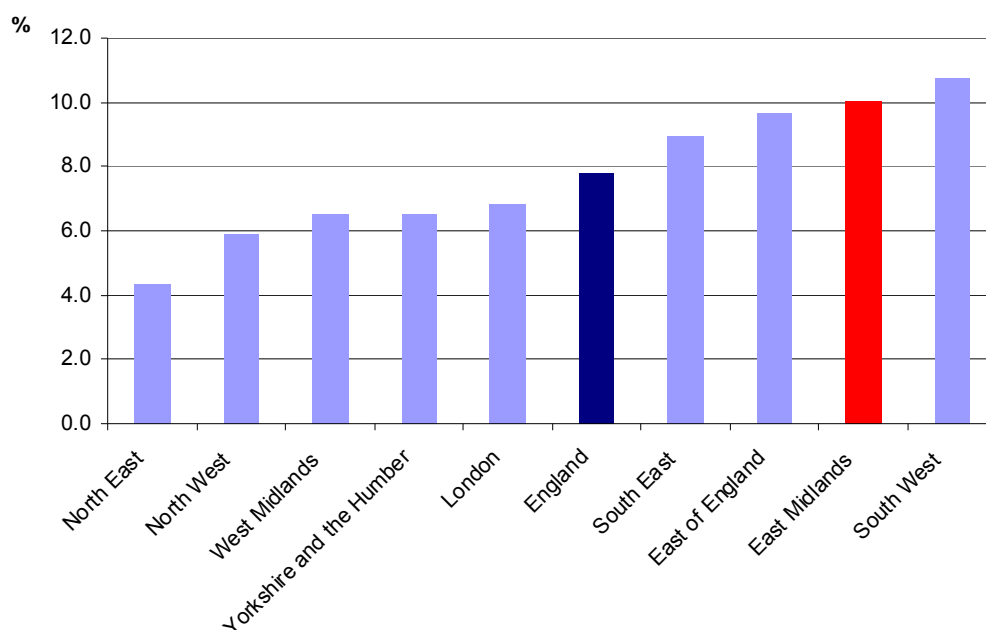


Source: Communities and Local Government, 'Dwelling Stock by Tenure and Region', Table 109, December 2010.

Note: data for 2002 to 2009 is provisional.

If trends in the number of households are not affected by recession, growth rates in the number of dwellings clearly are, given the impact recession has on the house building sector (Chapter 8, Transport and Infrastructure, examines construction trends in detail). Chart 12 illustrates that the increase in dwellings slowed between 2008 and 2009 compared to the long-term trend. In the East Midlands, the number of dwellings in 2009 increased by 0.7% on 2008, the smallest annual increase for the period 1991-2009.

Chart 13: Growth in dwellings by region, 1998-2008 (%)



Source: Communities and Local Government, 'Dwelling Stock by Tenure and Region', Table 109, December 2010.

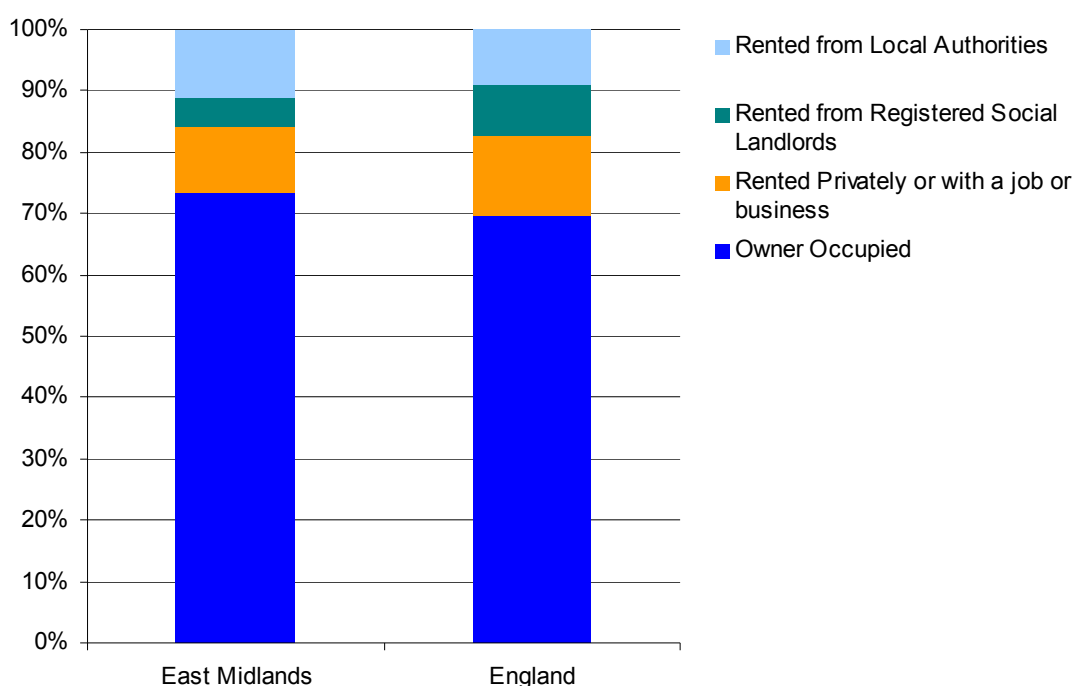
There are four categories of tenure used to describe dwelling stock and household data:

1. **Owner-occupied:** this includes accommodation that is owned outright or is being bought with a mortgage;
2. **Rented privately:** this is defined as all non-owner-occupied property excluding that which is rented from Local Authorities and Registered Social Landlords or accommodation provided by private or public bodies as part of an employment contract. This includes property occupied rent-free by someone other than the owner. Collectively, owner-occupied and private rented dwellings are referred to as 'private sector dwellings';
3. **Rented from Registered Social Landlords (RSLs):** this is the technical name for social landlords that are registered with the Tenant Services Authority (TSA), the regulator for social housing. Most are Housing Associations (HAs), but there are also trusts, co-operatives and companies. HAs are independent societies, bodies of trustees or companies established for the purpose of providing low cost social housing for people in housing need on a non-profit making basis. Much of the supported housing accommodation in the UK is provided by HAs, with specialist projects for people with mental health or learning disabilities, substance misuse problems, the formerly homeless, young people, ex-offenders and women fleeing domestic violence. HAs not registered with the TSA are not strictly RSLs unless otherwise stated, but these make up a very small proportion of RSLs in the UK. RSL housing is usually grouped as 'public sector dwellings'; and
4. **Rented from Local Authorities:** this category represents all dwellings owned and built by Local Housing Authorities under the Housing Act of 1985. Statistics in this category also include dwellings built by New Towns

and other Government Departments (such as the Ministry of Defence) because the numbers involved are very small. These dwellings are also referred to as 'public sector dwellings'.¹⁸

The most recent data for which there is a breakdown of dwelling stock by tenure relates to 2007. In these categories, the profile of dwelling stock in the East Midlands is very similar to that for England overall, as shown in Chart 14. However, the region has a higher proportion of owner occupied dwellings (at 74% compared to 70% in England) but lower proportions of dwellings rented privately (11% compared to 13%) and rented from RSLs (5% compared to 9%). The East Midlands also has a higher proportion of dwellings rented from Local Authorities than nationally (11% compared to 9%).

Chart 14: Dwellings by tenure, England and East Midlands, 2007 (%)



Source: Communities and Local Government, 'Dwelling Stock by Tenure and Region', Table 109, December 2010.

Chart 15 illustrates trends in the stock of dwellings in the East Midlands by tenure. This shows that:

- The largest tenure category, owner occupied dwellings, increased significantly, from 1,158,000 in 1991 (71% of all dwelling stock in the region) to 1,398,000 in 2007 (74% of dwelling stock). Over the decade 1997-2007, the number of owner occupied dwellings in the East Midlands increased by 12.9%;
- The fastest growth rate has been in dwellings rented from RSLs, at 91.7% over the decade 1997-2007, principally due to transfer from the Local Authority sector. However, it must be noted that although RSL dwellings have more than doubled as a proportion of the regional total since 1991 (from 1.7% to 4.8%), absolute numbers remain comparatively small. In

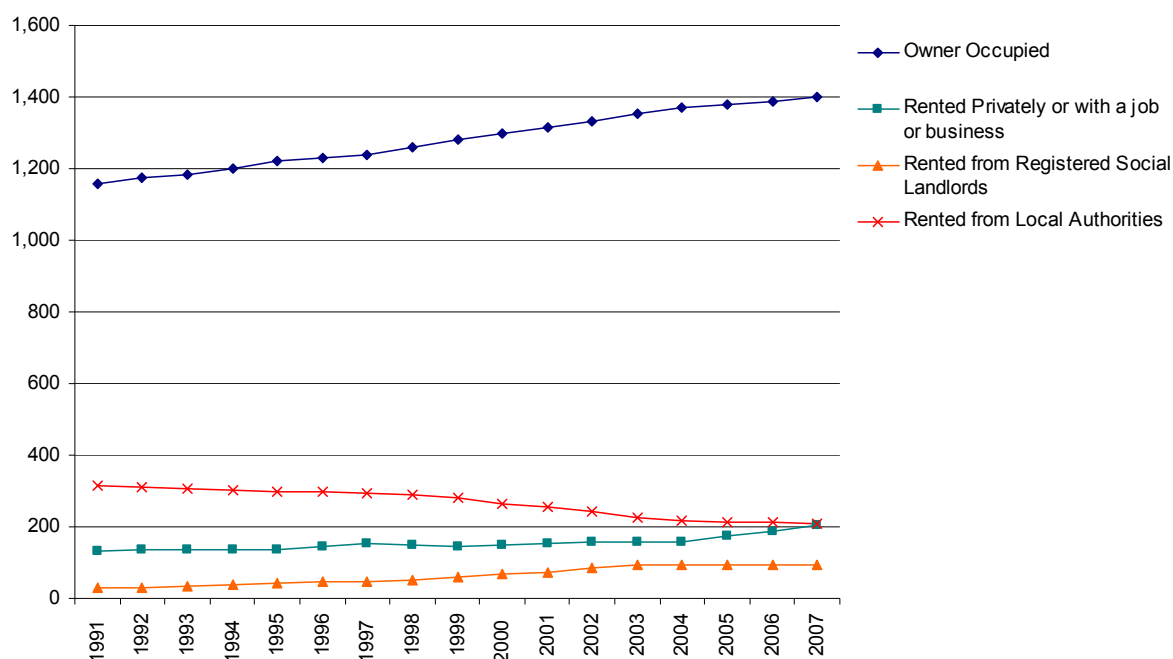
¹⁸ Ibid, 'Housing Statistics 2008'.

1991, there were an estimated 28,000 dwellings in RSL tenure in the East Midlands, by 2007 this had increased to 92,000; and

- Local Authority (LA) owned stock decreased by -28.7% in the East Midlands between 1997 and 2007. Since 1991, the share of total housing stock in Local Authority tenure has decreased from 314,000 dwellings in 1991 (19% of all East Midlands stock) to 209,000 (11% of stock) in 2007.

The trend of declining numbers of Local Authority stock, and higher numbers of RSL stock, is due to a number of developments in the management of public sector housing over the last two decades. New Housing Associations have been formed to move stock across from the Local Authority to the RSL sector, known as Large Scale Voluntary Transfer (LSVT), whilst developments such as ‘the right to buy’ offered to Council housing tenants has led to LA stock moving into the private sector. According to the Government Office for the East Midlands, there were eight Large Scale Voluntary Transfers in the period 1997-2007, accounting for a total of 35,608 dwellings (almost 40% of which were from districts in Lincolnshire). Of relevance to the discussion later in this section, 10,505 were classed as ‘non-decent’, reflecting practice of transferring LA stock in need of repair to the RSL sector.¹⁹ RSLs have also been able to increase their stock due to access to new funding, which has not been available to Local Authorities.

Chart 15: Trends in dwellings by tenure in the East Midlands, 1991-2007 (000s)



Source: Communities and Local Government, ‘Dwelling Stock by Tenure and Region’, Table 109, December 2008.

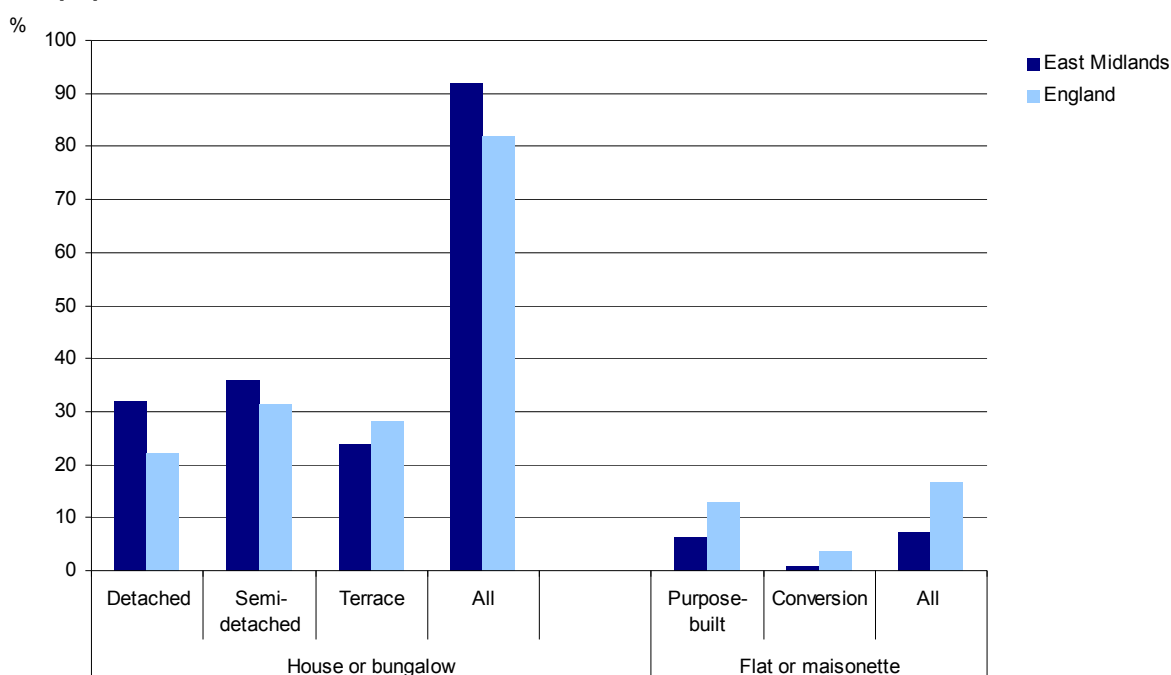
Chart 16 details dwelling stock by type of dwelling. This shows that the East Midlands has a greater proportion of houses or bungalows than in England overall, with 92% of stock categorised as such compared to a national

¹⁹ Government Office for the East Midlands, ‘Completed LSVTs’, October 2009.

average of 82%. Within this broad category, the region has higher proportions of both detached and semi-detached houses and bungalows, but a lower proportion of terraced houses. Conversely, the East Midlands has a lower proportion of dwellings categorised as flats or maisonettes than in England overall (7% compared to 17%).

Comparisons with the national average are somewhat misleading, as it is skewed by the atypical nature of dwelling stock in London (55% of which are houses or bungalows, 43% are flats or maisonettes). However, although dwelling stock in the other eight regions has a similar profile, the East Midlands still has the highest proportion of dwellings classed as houses or bungalows and the lowest classed as flats or maisonettes.

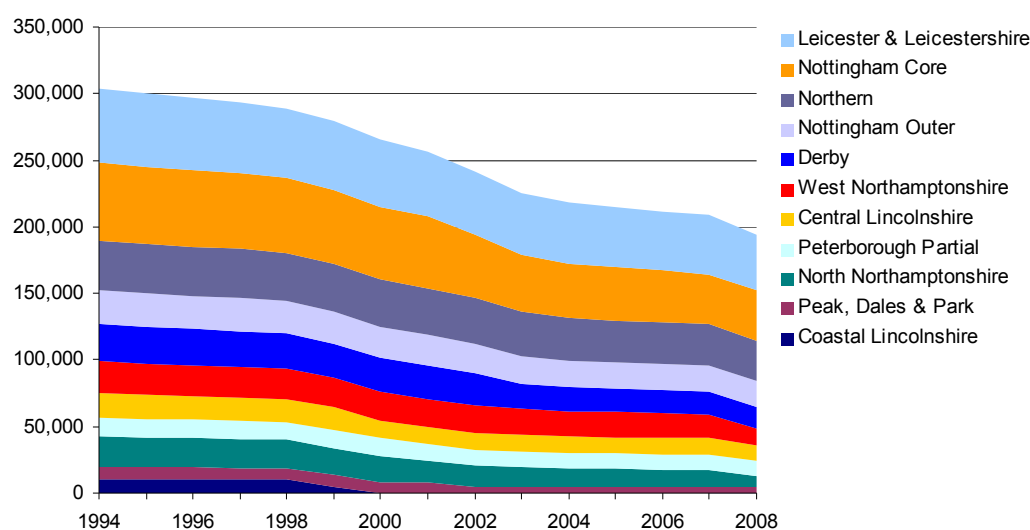
Chart 16: Dwelling stock by type, England and the East Midlands, 2007 (%)



Source: Communities and Local Government, 'Dwelling Stock, England: type of accommodation, by region', Table 117, from 2007-2008 Survey of English Housing.

Sub-regional data on dwelling stock is limited. No overall totals are available because data on private sector housing (both owner-occupied and privately rented) is not published at Local Authority level. Data is instead limited to RSL rented stock and Local Authority owned stock, although it must be noted that for most areas these categories of tenure account for the minority of total housing stock (see Chart 14).

Chart 17: East Midlands Local Authority owned dwelling stock by HMA, 1994-2008



Source: Communities and Local Government, HMA calculations produced by East Midlands ONS Regional Team, November 2009.

Chart 17 shows the East Midlands total of Local Authority owned stock split by HMA. This shows that Local Authority owned stock has been declining in all HMAs for the period 1994-2008. In the case of some HMAs (e.g. Coastal Lincolnshire) where some of its constituent Local Authorities have become Large Scale Voluntary Transfer authorities, the stock has reduced to zero or a very small number. For other HMAs, this decline has been more gradual. To be consistent with earlier time series, looking over the decade 1998-2008:

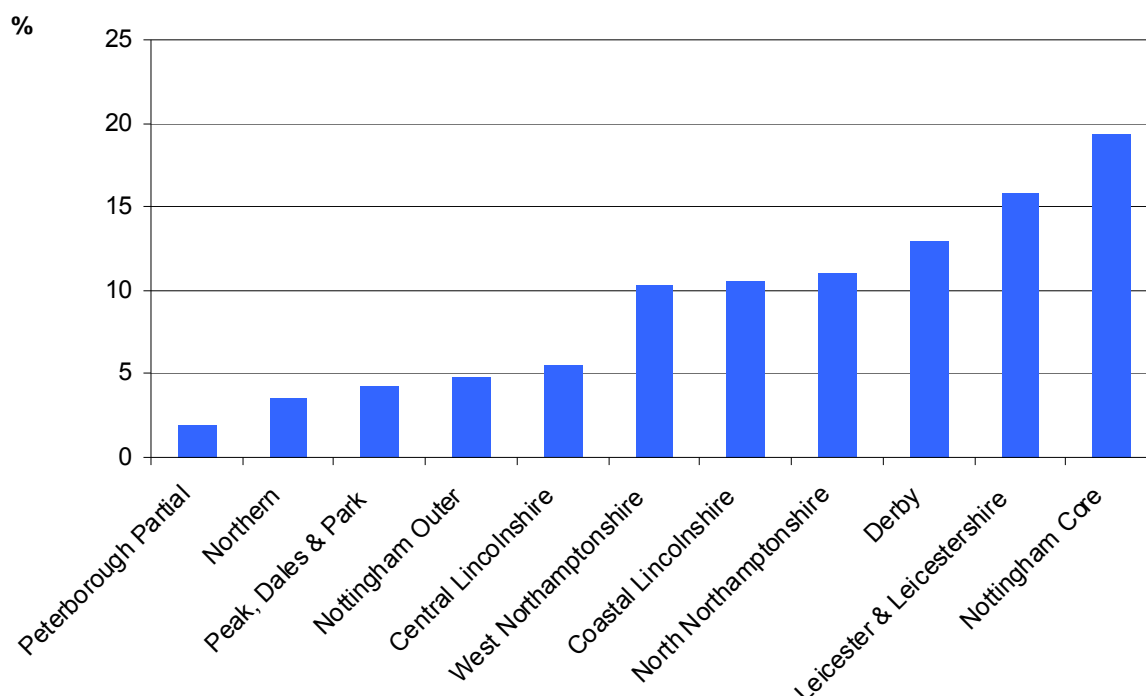
- Leicester and Leicestershire HMA had the largest share of LA stock in the region, at 41,629 dwellings in 2008. This has declined by -20.8% since 1998, compared to a decline of -32.9% in the region overall;
- The fastest rate of decline has been experienced by North Northamptonshire, at -59.2% over the period. However, in Coastal Lincolnshire HMA, Large Scale Voluntary Transfer meant that the 10,171 LA owned dwellings in 1998 reduced to zero by 2008. Across Lincolnshire, dwellings rented from the Ministry of Defence make up a significant proportion of LA stock; and
- Nottingham Core, Derby, West Northamptonshire, Central Lincolnshire, and Peak, Dales and Park HMAs also all experienced decreases in their LA stock in excess of 30% over the decade 1998-2008.

Chart 18 shows the distribution of rented dwelling stock managed by Registered Social Landlords (RSLs) across the region's HMA. This data has remained fairly stable between 2002 and 2008, but there was a significant change in the definition from 2002 (with the addition of bed spaces to the self-contained units that were previously measured), which means that earlier data is not comparable. The share of the East Midlands total of RSL stock by HMA differs from the distribution of LA owned stock. As established earlier, this is partly a function of the transfer of LA stock to RSLs through Large Scale

Voluntary Transfer, meaning that some of the areas with the smallest shares of LA stock have higher shares of RSL stock:

- The HMAs that cover the three largest cities account for the largest proportion of RSL stock. Nottingham Core HMA had 21,084 self-contained units and bed spaces rented by RSLs, 19.3% of the total for the region. Leicester and Leicestershire and Derby HMAs account for 15.8% and 12.9% of the regional total respectively;
- Whilst Coastal Lincolnshire had very small numbers of LA stock, it accounts for a significant proportion of the region's RSL stock, accounting for 10.6% of the East Midlands total with 11,553 self-contained units or bed spaces; and
- Some of the more rural HMAs account for relatively small shares of RSL stock, with Peterborough Partial, Northern and Peak, Dales & Park having the smallest numbers in the region.

Chart 18: Share of RSL stock by HMA, 2008 (%)



Source: Communities and Local Government, HMA calculations produced by East Midlands ONS Regional Team, November 2009.

2.4.2 Vacant dwellings

In profiling the extent of the region's dwelling stock, it is important to summarise trends in the number of vacant dwellings. Data on vacant dwellings is only available for public sector stock (Local Authority and RSL) which, as demonstrated earlier in this section, accounts for a relatively small share of total dwelling stock.

Data from 1999 to 2009 shows that vacant stock in Local Authority ownership has declined significantly in all regions. In the East Midlands, the number of

vacant dwellings in LA ownership fell from 5,400 in 1999 to 3,300 in 2009, a decrease of -39%. This fall has been slower than many other regions, with vacant LA dwellings falling by -59% in England overall. This means that the East Midlands share of total LA vacant dwellings in England has increased over the decade, from 6.4% in 1999 to 9.5% in 2009.

However, as Chart 15 demonstrated, the total number of dwellings in LA tenure has been decreasing in both the East Midlands. Therefore the proportion of all LA dwellings that are vacant has remained fairly flat in both the region and in England overall. In 1999, 1.9% of all dwellings in the East Midlands in LA tenure were vacant, compared to 1.8% in 2009.

It is important to emphasise that LA dwellings can be vacant because they have been taken into council ownership and closed for clearance or to make way for new development. Therefore it is important to distinguish between dwellings that are vacant, and those that are vacant and available for immediate letting, or which will be available after only minor repairs. These dwellings are known as 'management vacant'. Throughout the period 1999 to 2009, there has been a higher proportion of LA dwellings classed as 'management vacant' than in England overall, meaning a higher proportion of this stock could represent viable additional accommodation. In 2009, 57.6% of vacant LA stock (1,900 dwellings) in the East Midlands was 'management vacant', compared to 47.1% in England overall.²⁰

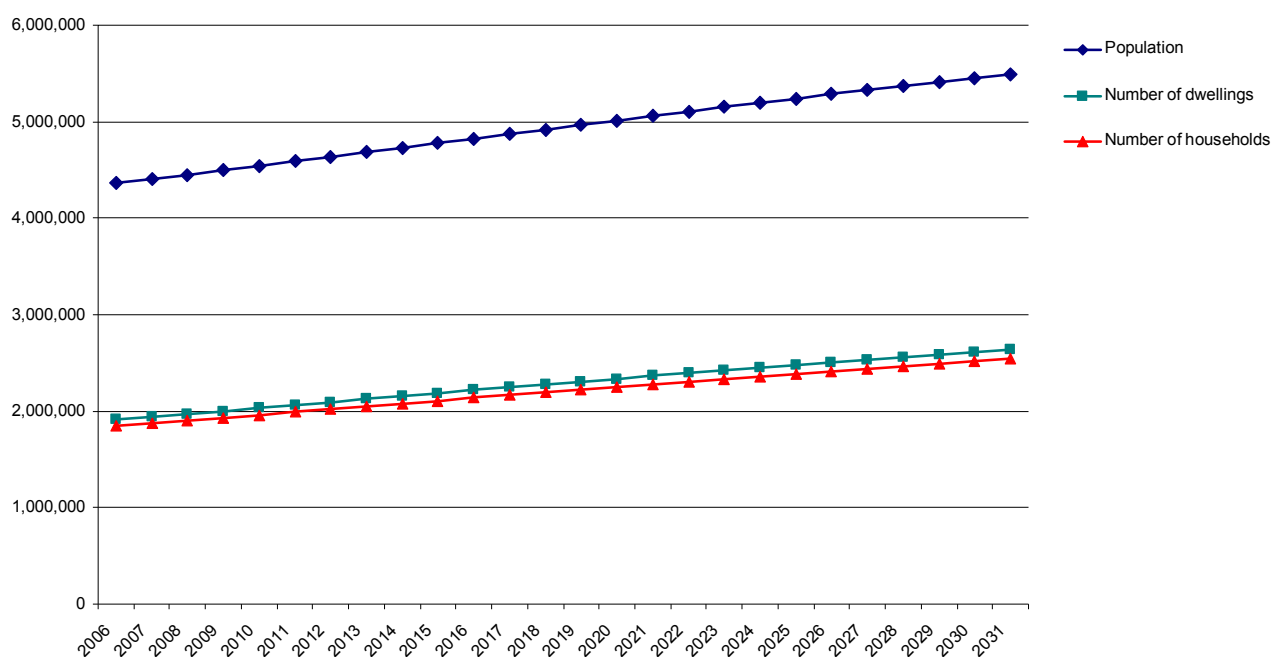
Looking at stock in RSL tenure, the number of vacant dwellings has also decreased, although at a slower rate than LA owned vacant dwellings in the East Midlands, falling from 2,198 in 1999 to 1,535 in 2009, a decrease of just over -30%. In England overall, vacant RSL stock has remained fairly stable, decreasing by only -1%. As a proportion of all RSL stock, vacant dwellings have decreased quite significantly, from 3.8% in 1999 to 1.8% in 2009. As total RSL stock increased over the same period, this is likely to be a function of Large Scale Voluntary Transfer from LA tenure: with Local Authorities transferring vacant stock that can be quickly let to the RSL sector, which then rapidly becomes occupied once in RSL tenure. This interpretation is supported by the fact that a higher proportion of RSL stock is 'management vacant' compared to LA stock. In 2009, 63% of vacant RSL stock in the East Midlands was 'management vacant', over five percentage points higher than the proportion of LA stock described as 'management vacant'.²¹

²⁰ Department for Communities and Local Government (CLG), 'Vacant Dwellings: local authority vacant dwellings, by region: England 1989 – 2009', Table 611, November 2009.

²¹ CLG, 'Vacant Dwellings: RSL vacants, by region, from 1994', Table 613, September 2009.

2.4.3 Projections of future dwelling stock

Chart 19: Projections of population, dwellings and households in the East Midlands, 2006-2031



Source: Simpson, L, et al., Population Studies and Projection Services, University of Manchester, on behalf of the East Midlands Regional Assembly, 'Demographic Projections for the East Midlands, Local Authorities and Housing Market Areas', June 2009.

Finally, this section presents the possible future demand for dwellings associated with population and household projections.

Chart 19 presents the official 2006 based projections for population and households to 2031 alongside dwelling numbers. This is based on work undertaken by the University of Manchester, using the ONS 2006-based Sub-National Population Projections. The dwelling figures are therefore trend based: they do not take into account planned housing developments, future policy change, or the capacity for local areas to accommodate this growth. The dwelling projections are produced by estimating rates of households sharing dwellings, vacant dwellings and second or holiday homes. These assumptions are based on the 2001 Census, adjusted in some cases by data from Local Authority Council Tax records. Chart 19 demonstrates that:

- Over the period 2006 to 2031, the projections assume 1.04 dwellings to every one household across the East Midlands as a whole. As stated above, the number of dwellings exceeds the number of households because of second homes, vacant dwellings, etc;
- Based on this ratio, an average increase of 27,570 households per annum would result in a demand for 28,600 additional dwellings per annum; and

- This would lead to a total requirement for 2,633,000 dwellings in 2031, representing 715,000 additional dwellings since 2006.

The above projections can be compared with estimates of actual dwelling stock for the period 2006 to 2009 (introduced in Section 2.4.1). This enables a comparison of actual increases in dwelling stock to the demand for additional dwellings associated with projected population growth:

- Official estimates of dwelling stock indicate an average of 19,250 additional dwellings per annum between 2005-2006 and 2008-2009. However, this includes a significant fall in the rate of increase in 2008-2009 (with only 14,000 additional dwellings over the year, compared to 21,000 in 2007-2008 and 22,000 in 2006-2007).
- The projections for the same period suggest a need for an additional 28,700 dwellings per annum, with no corresponding fall between 2008 and 2009. This is because the projections are trend based and cannot account for the impacts of the recession on house building. The projection for 2009 is for 2,002,000 dwellings, compared to the official estimate of dwelling stock of 1,937,000, a 3.4% difference.
- Two observations can be made from this. Firstly, the relatively small difference between the projections for 2009 and the estimates of actual dwelling stock suggests that the projections provide a reasonably accurate picture of likely requirement for housing in the short to medium-term. Secondly, the fact that population trends are not affected by recession in the same way as growth in dwelling stock suggests that there could be an accumulation of latent demand for housing during the current period of subdued construction activity.

Key Points: Dwelling stock in the East Midlands

- Historically, the number of dwellings has closely followed the number of households in most regions. However, there are higher numbers of dwellings than households both regionally and nationally, due to vacant dwellings and second homes. In 2009, there were 1,937,000 dwellings in the East Midlands, 8.6% of the English total.
- Between 1998 and 2008, the number of dwellings in the East Midlands increased at a faster rate than the population, at 10% compared to 7.3%. However, for the period for which we have estimates of recent household trends, 1996 to 2006, the number of dwellings increased at a slower rate than households. The faster rate of household compared to population growth can be attributed to the decline in the number of people per household and increasing number of single person households.
- Dwellings in the East Midlands increased at a faster rate than the English average. Between 1998 and 2008, the rate of growth in East Midlands dwelling stock was the second fastest of the nine English regions.
- However, there is evidence to suggest that the recession has had an impact on the growth in dwelling stock in the region. Between 2008 and 2009, dwelling stock increased by only 0.7%, the smallest annual increase for the period 1991-2009.
- A larger proportion of dwellings are owner-occupied in the East Midlands than nationally, at 74% compared to 70%. The East Midlands also has a higher proportion of Local Authority owned stock than in England overall.
- However, stock owned by Registered Social Landlords has grown faster than other tenure categories over the decade to 2007, principally due to transfer from the LA sector.
- The East Midlands has the highest proportion of dwelling stock classed as houses or bungalows, and the lowest classed as flats or maisonettes of all English regions.
- Dwelling stock owned by Local Authorities has declined in all HMAs over the decade. Leicester and Leicestershire HMA accounts for the largest proportion of LA owned stock in the region whilst North Northamptonshire experienced the fastest rate of decline over the decade 1998-2008.
- The most urban HMAs account for the largest share of stock rented by RSLs. RSL stock has grown over time whilst LA owned stock has declined due to Large Scale Voluntary Transfer of public sector housing stock from LA to RSL tenure.
- The number of vacant dwellings in both LA and RSL tenure in the East Midlands has declined over time, but there is a higher proportion of vacant stock in the RSL sector that can be described as 'management vacant' – i.e. available for immediate letting or requiring only minor repairs. This may reflect the fact that Local Authorities transferred larger proportions of stock that was ready to let to RSLs, whilst vacant stock in LA tenure includes dwellings that have been taken into council ownership to be cleared for new development.
- Dwellings projections, derived from the 2006-based population and household projections, suggest that there could be a requirement for an additional 28,600 dwellings per annum if past trends continue. This would result in a total dwelling stock of 2,633,000 by 2031.

2.5 House prices and affordability

This sub-section describes recent trends in the housing market across the English regions and in the HMAs within the East Midlands. This will begin with an assessment of trends in house sales and house prices as context for the discussion of affordability that will follow.

Housing market trends are closely related to conditions in the wider economy. Chart 19 shows data reported by HM Land Registry for property sales between 1998 and 2008 (the latest year for which annualised data is available – thus only the first year of the slump in sales due to the recession is shown here). This illustrates that all English regions experienced overall increases in house sales over the period, but that the trend has been extremely volatile. There was a significant dip in 2005 for all regions, followed by a recovery in 2006 and 2007, and a subsequent steep decline in 2008 as the recession began to take effect. The Barker Review notes that volatility has been a significant feature of the UK housing market from the 1970s, characterised by successive periods of strong house sales and house price growth followed by slumps in sales and real house price decline. The Review also found that such fluctuations are more likely to have wider impacts on the economy, as household spending in the UK is more sensitive to the real and perceived performance of the housing market than in other European countries.²²

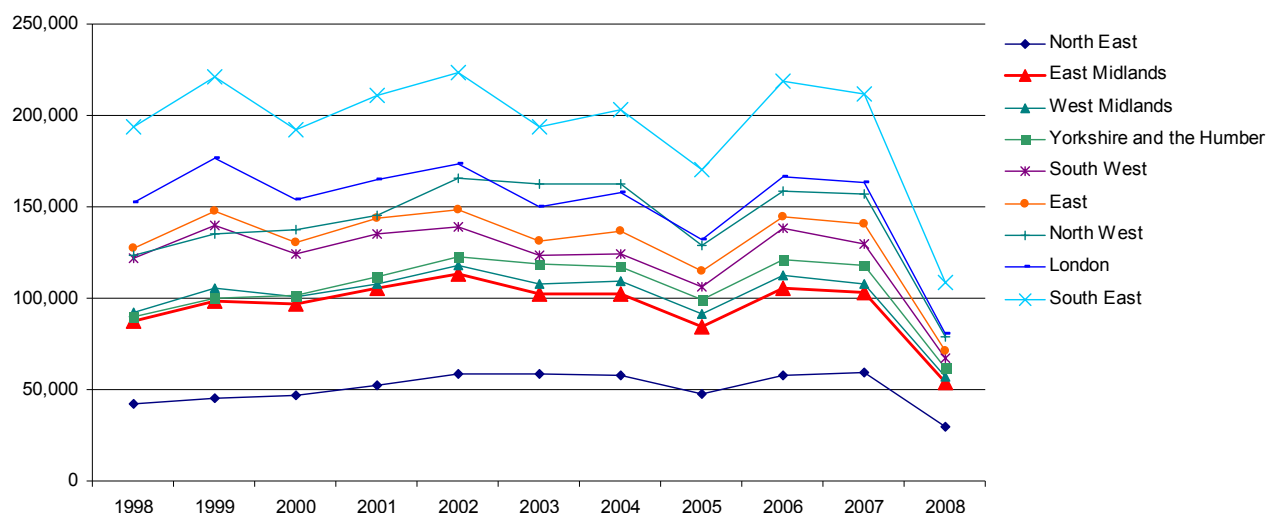
2.5.1 House sales and prices

As shown in Chart 20, the South East, the region with the largest stock of dwellings (see Chart 11) has consistently recorded the highest volume of sales over the period 1998-2008. The South East also demonstrates some of the largest year-on-year fluctuations, with one of the steepest falls in sales between 2004 and 2005 and 2007 and 2008. Indeed, the most striking observation from this chart is the massive drop in sales across all regions between 2007 and 2008, as the housing market responded to the impact of the 'credit crunch' that became a full blown recession from the fourth quarter of 2008 (the second successive quarter of negative growth).

In the East Midlands, sales fell from 102,840 properties in 2007 to 54,200 in 2008 – meaning that the number of properties sold almost halved. Throughout the period the East Midlands has had the second smallest volume of sales, and has closely followed the trend of sales in the West Midlands and Yorkshire and the Humber, illustrating the inter-relationship of these housing markets. Prior to the contraction of the housing market through 2007 and 2008, sales in the East Midlands had been increasing at a somewhat faster rate than average in England (growing by 17.5% between 1998 and 2007, compared to 15.4% in England overall).

²² Kate Barker, on behalf of the Deputy Prime Minister and Chancellor of the Exchequer, 'Review of Housing Supply – Securing our Future Housing Need', Interim Report – Analysis, December 2003.

Chart 20: Property sales by English region, 1998-2008



Source: Communities and Local Government, 'Table 588: Housing Market – property sales based on Land Registry Data, by district, from 1996', May 2009.

Chart 20 also demonstrates that another impact of the recession was to reduce the disparity in property sales between regions. In 2007, there were 152,190 more property sales in the South East (the largest housing market) compared to the North East (the smallest), but in 2008 this difference had more than halved to 78,840. However, it is likely that the disparities in sales between regions will increase as the housing market recovers, with different regions recovering at markedly different rates.

Within the East Midlands, Leicester and Leicestershire HMA, which accounts for the largest dwelling stock, also accounts for the largest volume of sales, at 19.1% of the regional total in 2008. This was equivalent to 10,370 property sales. The other HMAs containing the region's largest cities, Nottingham Core and Derby, also account for large shares of the regional total, at 15.6% and 10.6% in 2008. Peak, Dales and Park HMA accounted for the lowest volume of sales in 2007, at 1,670 or 3.1% of the East Midlands total.

Alongside volume of sales, HM Land Registry also publishes trends in house prices. Chart 21 shows house prices for the English regions between 1998 and 2008. This shows that, unlike sales, there has been a steep and consistent year-on-year increase in most regions up until 2007-2008, when the impact of the recession becomes visible with an abrupt flattening out of the trend.

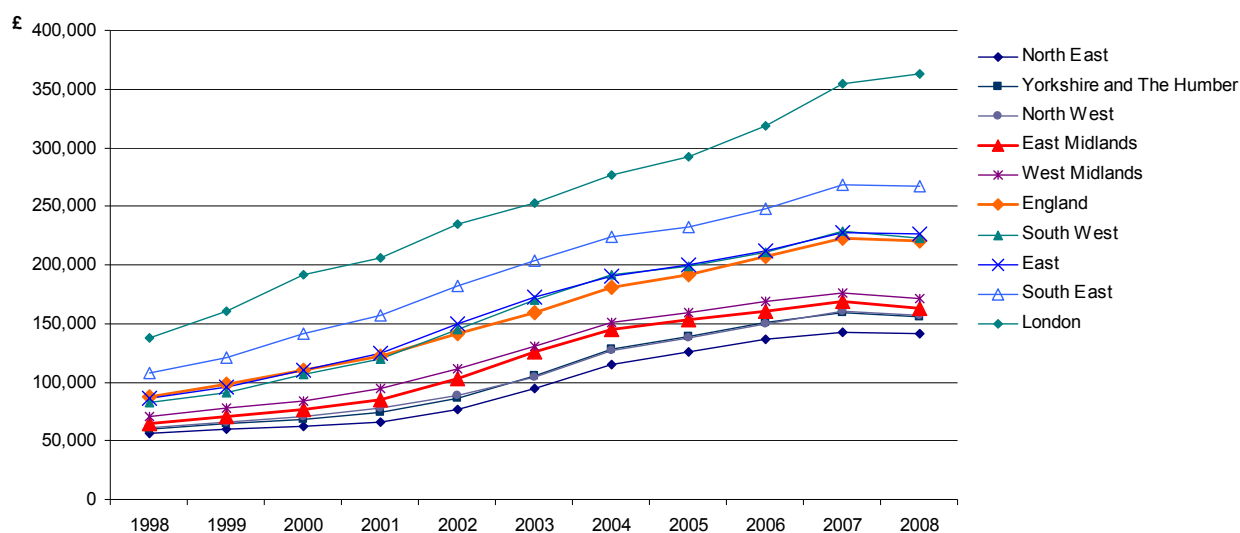
The Barker Review noted that the UK was unusual in terms of house price trends in particular. Over the past 30 years there has been a long-term upward trend in real house prices of around 2.5% per annum, a rate of growth that has been broadly in line with incomes. This has meant that, unlike many other goods and services, housing has not become cheaper over time compared to income. Rate of increases in many other European countries, such as France and Germany, have been lower. This is because of a number of factors, including the UK's small land mass relative to its population. This causes prices to increase quickly because land is a relatively scarce commodity. But policy and cultural factors have also had an impact. The UK

has historically had a low rate of house building compared to other countries, whilst there is an established tendency, supported by successive Government incentives, for people to aspire to purchase property rather than to rent. In Continental European countries renting remains much more prevalent.

Chart 21 demonstrates that house prices in the East Midlands have remained below the English average throughout the time-series shown.

In 2008, the mean house price in the East Midlands was £163,300, down -3.3% from £168,800 in 2007. This decrease is greater than the national average, where mean house prices fell from £222,600 in 2007 to £220,300 in 2008, a fall of -1%. Up until 2008, house prices in the East Midlands increased broadly in line with the national trend, although remain consistently lower than the English mean (by around 28% each year). However, house prices in the East Midlands have remained consistently higher than the means for Yorkshire and the Humber, the North East and North West. London is a significant outlier, with a mean house price of £362,800 in 2008 (over twice that of the East Midlands), and the gap between house prices in London and the national average has increased over the period. London is also the only English region to have experienced house price increases between 2007 and 2008, at 2.3%.

Chart 21: Mean property prices by English region, 1998-2008



Source: Communities and Local Government, 'Table 585: Housing Market – mean house prices based on Land Registry data, by district, from 1996', August 2009.

The Land Registry provides the latest official estimates of house prices, which are based on total registered sales for all property types. However, because these are estimates of all sales, there is a substantial time lag, with 2008 being the most recent year for which data is available. Clearly in light of the recession and early indications of a recovery in the economic indicators, it is important to provide a more recent snap shot on housing market conditions.

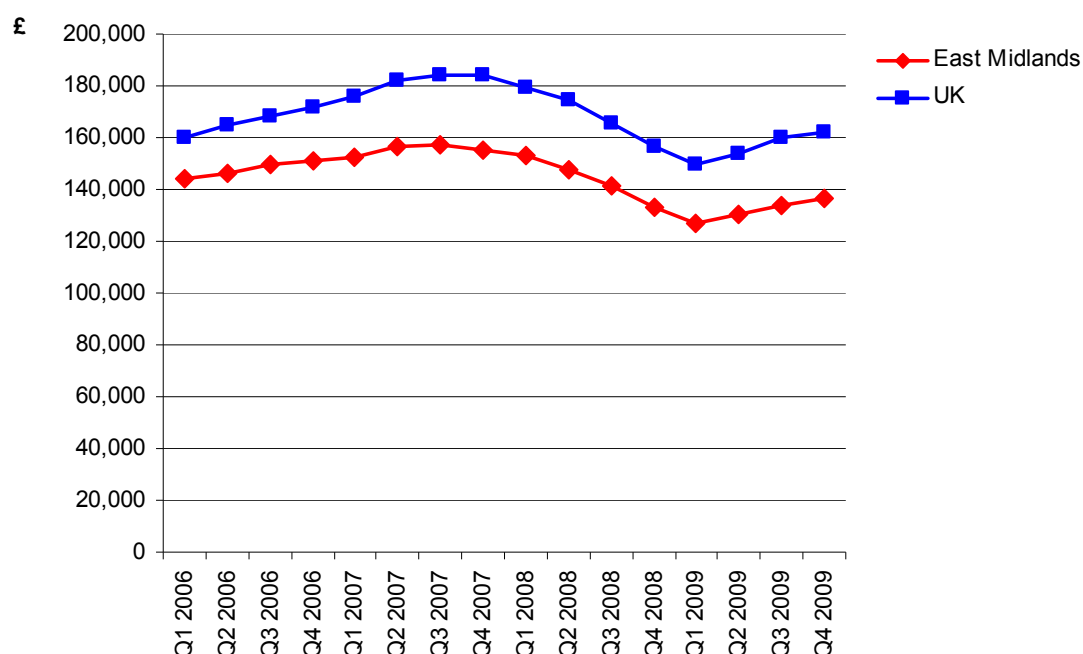
This is available from quarterly data published by the Nationwide Building Society.²³

Chart 22 shows quarterly average house prices recorded by the Nationwide between the first quarter of 2006 and the fourth quarter of 2009, for the UK as a whole and for the East Midlands region. Broadly this shows that the rising trend up to 2007 illustrated in the Land Registry data in Chart 20 peaked in quarter 3 of 2007 in both the East Midlands and the UK before falling though 2008.

In the first quarter of 2006, the average value for new loans written in the East Midlands was estimated to be £143,840, compared to £160,319 in the UK. This increased to £156,924 in quarter 3 of 2007 in the East Midlands, before falling quarter-on-quarter to £126,673 in the first quarter of 2009. This represents a decline of -11.9% between quarter one of 2006 and quarter 1 of 2009, a steeper fall than the -6.6% experienced nationally.

However, from the second quarter of 2009, house prices have started to increase each quarter, to £136,492 in the East Midlands in quarter 4 of 2009, compared £162,116 in the UK. This represents a 2.5% increase on the fourth quarter in 2008, which is lower than the increase in the UK of 3.4%. This suggests that the housing market in the East Midlands is recovering less rapidly than other regions in the country.

Chart 22: Nationwide estimates of quarterly average house prices, quarter 1 2006 – quarter 4 2009 (£)



Source: Nationwide House Price Index (HPI), quarterly regional house price estimates, downloaded on 5th March, 2010.

²³ This is not comparable to the Land Registry estimates used elsewhere in this section because it is based on the sample of new loads written by Nationwide (rather than all sales recorded with the Land Registry), and it is adjusted for type of property and also seasonally adjusted. This data is broadly similar to data published by the Halifax, which uses a comparable methodology.

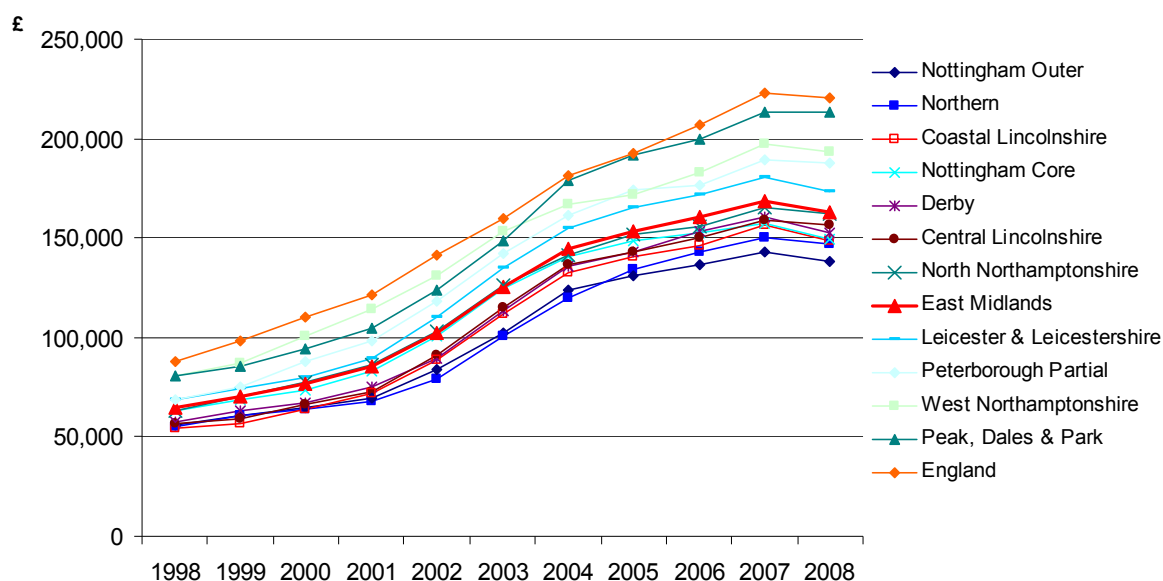
The annual Land Registry data is the only source of data that allows an assessment of house prices within the region. Chart 23 shows mean house prices for each of the region's HMAs, compared to the mean for the East Midlands overall and for England.

The first observation from this chart is that no HMA in the East Midlands has house prices that are above the mean for England, although the Peak, Dales and Park HMA is close, at £213,400 in 2008. It is important to note that this is the HMA with one of the lowest volumes of private sales and one of the smallest stocks of public sector dwellings, suggesting that, along with the attractive environment that characterises this area, limited supply has contributed to relatively high house prices.

The Nottingham Outer and Northern HMAs have the lowest mean house prices, and the trend in house price increase in recent years slowed in Nottingham Outer prior to the impact of the recession. Both HMAs have had relatively low rates of household growth, but Nottingham Outer experienced significant growth in house sales, whilst both HMAs have experienced significant rates of internal migration over the last decade. This could suggest that rather than weak demand for housing per se, there is little pressure on house prices from the earnings of people resident in the area, due to persistent deprivation and weak local employment opportunities, addressed in the Deprivation and Economic Inclusion chapter.

Chart 23 also shows that the impact of recession on house prices in 2008 varied across the region's HMAs. Peak, Dales and Park, the HMA with the highest house prices, saw little decrease in mean prices (from £213,500 in 2007), whilst some of the more urban HMAs saw very significant falls. Mean house prices in Nottingham Core HMA fell by 5.3% between 2007 and 2008, and fell by 5% in Derby HMA.

Chart 23: Mean property prices by HMA, 1998-2008 (£)



Source: Communities and Local Government, 'Table 585: Housing Market – mean house prices based on Land Registry data, by district, from 1996', August 2009.

2.5.2 Affordability

The above discussion of house prices provides context to the question of the affordability of housing in the East Midlands. 'Affordable housing' describes accommodation that is provided to specified individuals whose needs are not met by the market. This includes social rented and intermediate housing. Affordability is defined as a "cost low enough to afford, determined with regard to local incomes and local house prices."²⁴

Affordability was prioritised by the Barker Review as an issue that affects both the general welfare of the population in the UK as well as acting as a serious and worsening barrier to social equity. Increasingly unaffordable housing affects general welfare by inducing households, developers and landlords to make more intensive use of existing housing, either through multiple occupancy or through developing and occupying smaller dwelling spaces. This can lead to overcrowding, impacting upon social cohesion problems and putting undue demands on local infrastructure. It can also lead households to substitute their desired form of tenure ('getting on the ladder' of home ownership) with rented dwellings, or moving to a different, more affordable location than desired. The 'distributional impacts' of poor affordability impede social equity, because lack of affordable housing has a disproportionate impact on lower income households. It can thus compound social exclusion.²⁵

For this reason, the Government's favoured indicator of affordability is the ratio of house prices that fall in the lower quartile range of all house prices against earnings that fall in the lower quartile range of all earnings. This is in order to focus discussion of affordability on providing access to housing to those most likely to be excluded from property sold at the market price. This is based on data from the Land Registry (house prices) and the HCA, and Local Authorities (for rental prices) and the Annual Survey of Hours and Earnings (ASHE), an ONS survey based on a sample of PAYE employers.

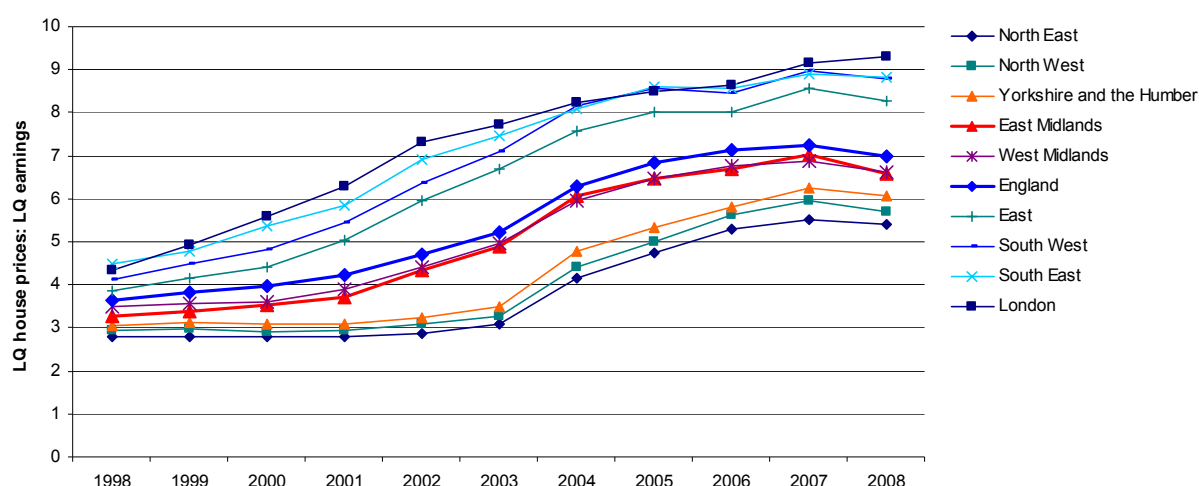
The National Housing and Planning Advice Unit (NHPAU) estimated that nationally this ratio stood at 4 in 2000. In other words, a house in the lower quartile of the total price range was, on average, four times the price of annual earnings that fall into the lower quartile range. By 2006 this ratio had deteriorated to 7.25. The NHPAU go on to predict that even if the level of building currently set out in the emerging RSSs is achieved, affordability would still worsen to a ratio of 8.6 by 2026.²⁶

²⁴ Ibid, 'Housing Statistics 2008'.

²⁵ Ibid., Barker, Interim Report – Analysis, December 2003.

²⁶ National Housing and Planning Advisory Unit (NHPAU), 'Meeting the housing requirements of an aspiring and growing nation: taking the medium and long-term view – advice to the Minister about the housing supply range to be tested by Regional Planning Authorities', June 2008.

Chart 24: Ratio of lower quartile house prices to lower quartile earnings by English region, 1998-2008



Source: Land Registry, Communities and Local Government and ONS Crown Copyright, presented by the ONS East Midlands Regional Team, March 2009.

Chart 24 shows lower quartile house prices to lower quartile earnings ratios for the nine English regions between 1998 and 2008.²⁷ This illustrates a widening gap between the north and the south of the country, with trends in affordability in the East Midlands and West Midlands closely tracking the national average. In 2008, the affordability ratio in the East Midlands was 6.6, compared to an average for England of 7.0.

Regions in the Greater South East have experienced steadily increasing affordability ratios throughout the decade, whilst the North East, North West and Yorkshire and the Humber maintain stable affordability from 1997 to 2002, before sharply increasing from 2003 onwards. Affordability ratios in the East and West Midlands have remained higher than the three northern regions throughout the period, but the gap has significantly increased from 2000, as the trend in both regions went up in line with the national average.

In the East Midlands, affordability ratios have almost doubled over the 10 years for which data is available. In 1998, the average house in the lower quartile of the house price range was 3.4 times the average lower quartile salary. By 2001 this had increased to 3.7, and then the year-on-year changes increase markedly, with the region's affordability ratio reaching 7 by 2007, before decreasing to 6.6 in 2008 as house prices began to fall with the impact of the recession. However, although the house price data may suggest that affordability issues may have eased, increasing difficulties in accessing finance following the 'Credit Crunch' that preceded the recession means that housing has remained out of reach for many. For other regions, the chart shows that:

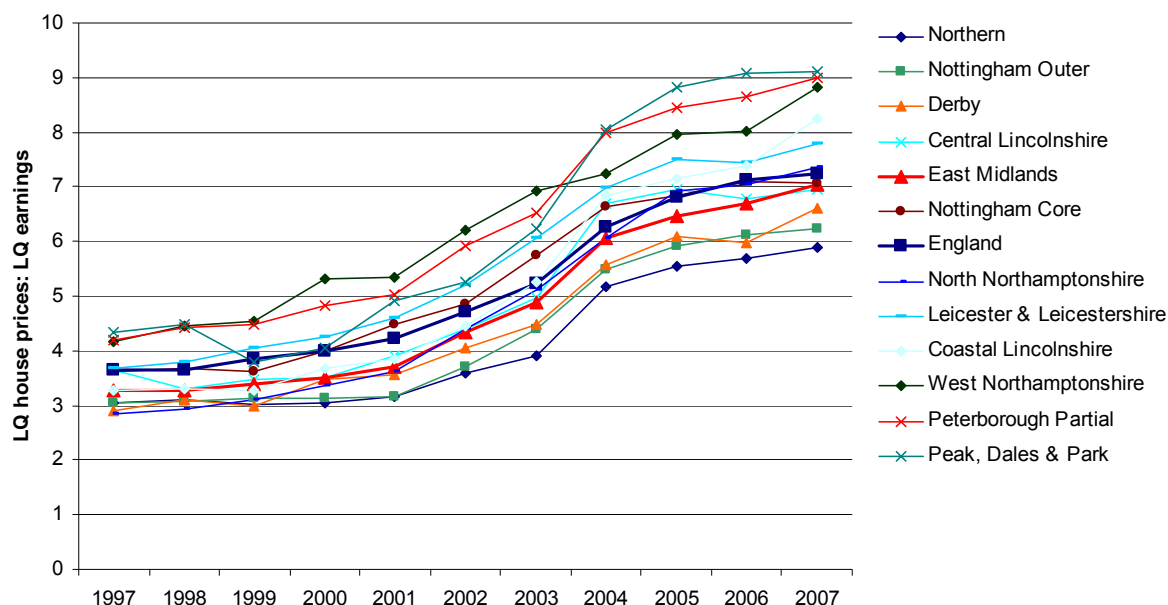
²⁷ 2008 data for the ratio of lower quartile house prices to lower quartile earnings had recently been published at the time of writing for regions and Local Authority Districts, but the necessary data to calculate ratios for aggregate geographies, such as HMAs, was not available for 2008, as 2007 remained the latest year for which published annual house price data was available.

- Affordability ratios have been similarly high in London, the South East and South West throughout the period. Affordability ratios in London and the South East in 1998 were 4.9 and 4.8 respectively. By 2007, they had risen to 9.1 and 8.9.
- Affordability ratios fell in all regions except London between 2007 and 2008. In London, they increased slightly to 9.3. The biggest fall was in the East Midlands (with a decrease of 0.4 points from 7 to 6.6), whilst ratios in the East of England and the West Midlands both decreasing by 0.3 points.
- Affordability ratios remained lowest out of the nine regions in the North East throughout the period, between 2.8 in 1998 and 5.4 in 2008.

The necessary data to calculate ratios for 2008 at HMA level was not available at the time of writing, so Chart 25 shows trends in affordability ratios over time across the HMAs between 1997 and 2007. As well as a clear upward trend over the decade (particularly after 2001), it illustrates quite a wide distribution of ratios, from under six to over nine in 2007. It also shows that affordability in the region has diverged over time: ratios being grouped between three and just over four in 1997.

- The Peak, Dales and Park HMA was least affordable in both 1997 and 2007 (with ratios of 4.3 and 9.1 respectively).
- Peterborough Partial, Central Lincolnshire and West Northamptonshire have consistently recorded relatively high affordability ratios throughout the time series.
- In 2007, the HMAs in the north of the region were most affordable, with the Northern HMA most affordable (with a ratio of 5.9), whilst in 1997 Derby and North Northamptonshire were most affordable, with ratios of 2.9 and 2.8 respectively.

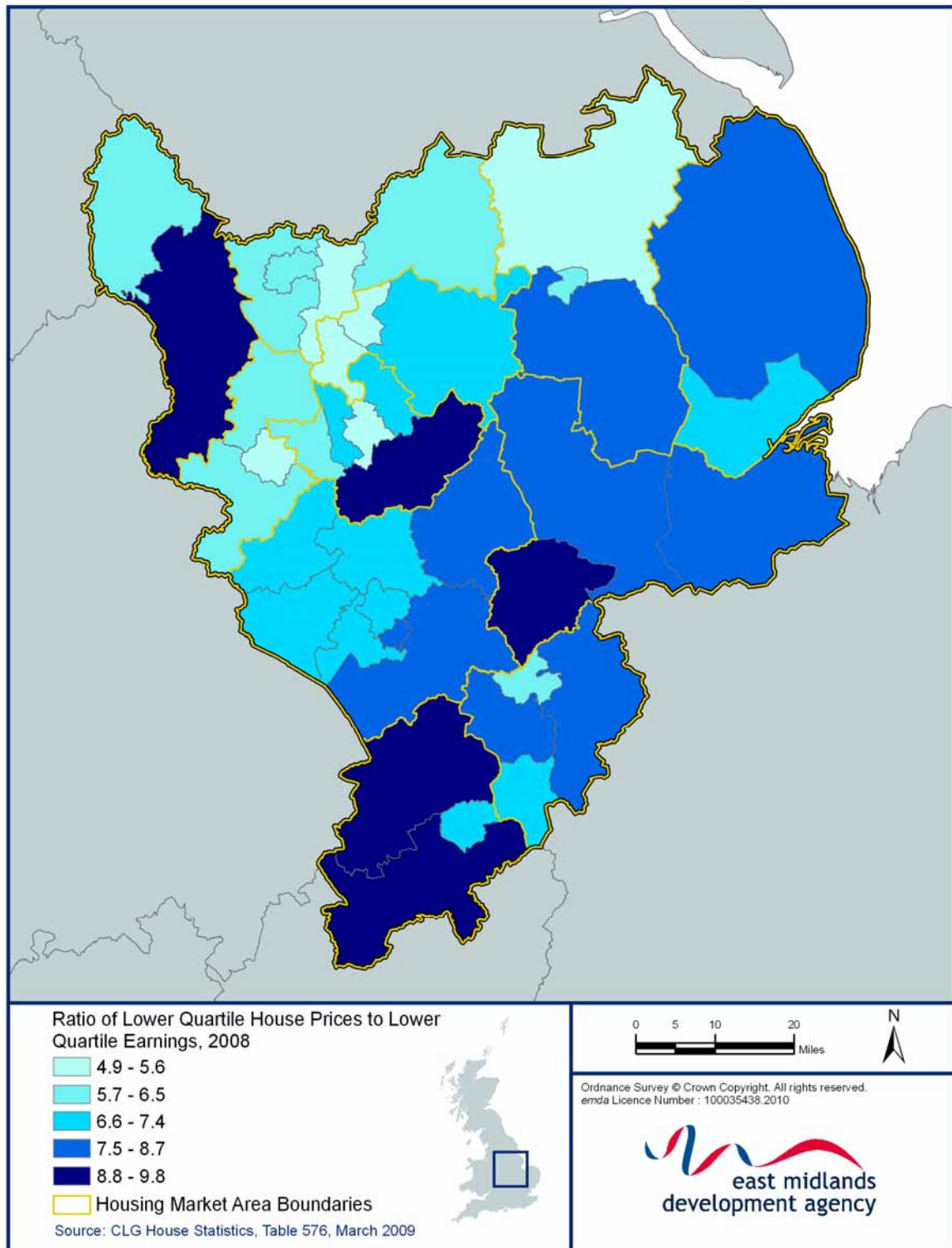
Chart 25: Ratio of lower quartile house prices to lower quartile earnings by HMA, 1997-2007



Source: Land Registry, Communities and Local Government and ONS Crown Copyright, presented by the ONS East Midlands Regional Team, March 2009.

Map 2 shows that although affordability ratios are generally higher in the more rural south and east of the region, there are three clear 'hotspots' (one of which is in the north west of the region). The Derbyshire Dales had the highest ratio of lower quartile house prices to lower quartile earnings in the region in 2008, at 9.8, followed by South Northamptonshire at 9.7 and Rushcliffe (south of Nottingham City) at 9.3. In all three districts, high house prices are the principal reason for poor affordability. However, the district of East Lindsey also has a relatively high affordability ratio, at 8.4. In this case it is not due to house prices, which are relatively modest, but low wages. This is an example of an area where quality of employment is the principal driver of poor affordability, illustrating the close relationship between housing supply issues and labour market conditions.

Map 2: Ratio of lower quartile house prices to lower quartile earnings by Local Authority District / Unitary Authority, 2008



Key Points: Affordability

- Housing market trends are closely related to conditions in the wider economy. House prices in the UK are particularly volatile compared to other European countries, and have grown at a similar rate to income, meaning that, unlike other goods and services, housing has not become cheaper over time compared to income.
- The Barker Review prioritised affordability as an issue that affects both the general welfare of the population, through inducing over-crowding and the development and occupation of less desirable dwellings, and acts as a barrier to social equity, by disproportionately affecting lower income households.
- The number of houses sold in the East Midlands almost halved between 2007 and 2008 with the onset of recession and associated contraction of the housing market. Prior to this, house sales in the region had been increasing at a faster rate than the national average, at 17.%% between 1998 and 2007, compared to 15.4% in England overall.
- Leicester and Leicestershire HMA accounted for 19.1% of sales in 2008, the largest share of the East Midlands housing market.
- House prices in the East Midlands have remained below the English average, but have closely followed the national trend. House prices increased year-on-year until 2007, before falling in 2008. The decrease in mean prices in the region between 2007 and 2008 was faster than in England overall, at -3.3% compared to -1%.
- Quarterly data shows that house prices both regionally and nationally began to fall after the third quarter of 2007, with the value of loans written in the East Midlands reaching a low point of £126,673 in the first quarter of 2009. House prices appear to have recovered both regionally and nationally after this point, with prices for the fourth quarter of 2009 2.5% higher than the first quarter. However, house prices in the East Midlands appear to be recovering at a somewhat slower rate.
- No HMA in the region records a mean house price in excess of the English average. Although there is generally a north/south divide in house prices in the region, the HMA with the highest mean house price is the Peak, Dales and Park HMA. The Nottingham Outer and Northern HMAs have the lowest house prices in the region.
- Affordability has been worsening in the UK as a whole, and the NHPAU estimate that the national affordability ratio will increase from 7.2 in 2006 to 8.6 in 2026.
- In 2008, East Midlands house prices in the lower quartile were 6.6 times earnings in the lower quartile. This has almost doubled since 1998, but is lower than the ratio of 7 in England. Regions in the south of England have considerably higher affordability ratios than regions in the midlands and the north.
- Affordability ratios for HMAs are not available for 2008, but in 2007 the Peak, Dales and Park HMA was the least affordable in the East Midlands, with lower quartile house prices 9.1 times higher than lower quartile earnings. The most affordable HMAs on this measure are the Northern HMA and Nottingham Outer HMA.
- Rural areas tend to be less affordable than the more urban parts of the region.
- The Coastal Lincolnshire HMA has a relatively high affordability ratio although house prices are relatively low. This is due to lower residence based earnings. This shows that income deprivation can affect lower quartile affordability as well as housing market issues.

2.6 Conditions of stock

In order to assess how effectively the region's supply of dwellings meets the current and expected future requirements of the population, it is important to discuss issues of quality as well as quantity. This section will look at the proportion of homes categorised as 'decent', those that are overcrowded, and those that are failing to meet other standards of adequacy, such as lacking central heating or suffering from damp, as well as households' overall satisfaction with their accommodation.

According to the Government's housing strategy, the vast majority of landlords will be expected to ensure that homes are 'decent' by 2010. 'Decent' homes are defined as accommodation that is free of 'category 1 hazards' (as set in the Housing Health and Safety Rating System (HHSRS), which came into effect in April 2006). A decent home should also:

- Be in a reasonable state of repair. A home would not be 'decent' if one or more key building components was found to be old, and because of this, needed replacement or major repair;
- Have reasonably modern facilities and services, i.e. a kitchen that is less than 20 years old, and;
- Should provide a reasonable degree of thermal comfort, meaning that the dwelling should have both effective insulation and efficient heating.²⁸

This is a minimum standard that should trigger remedial action on behalf of the landlord (i.e. renovation, replacement or repair). The proportion of homes that fail to meet these criteria are estimated at a regional level through the English House Condition Survey (EHCS), which combines three separate but related surveys that take place over two consecutive years. These comprise an interview with the household, a physical survey of the dwelling carried out by a surveyor, and a market value survey of a dwelling. This section uses the 2005-2006 EHCS, which covers the combined results of field work conducted through 2004-2005 and 2005-2006. Analysis on the East Midlands content of the EHCS was conducted by the National Centre for Social Research (NatCen) on behalf of *emda*.²⁹

²⁸ Communities and Local Government, 'A Decent Home: Definition and Guidance for Implementation – Update', June 2006.

²⁹ NatCen, on behalf of *emda*, 'Evidence Base for the Single Regional Strategy – NatCen contribution', March 2009.

2.6.1 Decent homes

In the East Midlands in 2005-2006, a slightly higher proportion of private households lived in dwellings that were classified as 'non-decent', at 35% of all households, compared to 34% in England overall.³⁰ Table 2 shows how the region compares to the national average across the different categories of household used in the survey, with the following statistically significant differences:

- The region has a slightly lower proportion of private households who own their home outright living in 'non-decent' accommodation, but has a significantly higher proportion of households in private rented accommodation living in 'non-decent' dwellings, at 58% compared to 47% nationally.
- There is also a significant difference in the proportion of households who have been living in their dwelling for three – four years that are in 'non-decent' accommodation (38% in the East Midlands compared to 29% in England overall).
- Households where the Household Reference Person (HRP, the person with the highest income, or the oldest in a joint-income household where the incomes are equal) is unemployed are particularly likely to be in 'non-decent' accommodation in the East Midlands compared to England overall, at 57% compared to 42%.
- The household composition category most likely to be in 'non-decent' accommodation regionally is lone parent households (where 43% are in 'non-decent' dwellings, compared to 33% in England overall). However, nationally it is single person households aged under 60 that are most likely to be in 'non-decent' accommodation (at 39% in England, compared to 38% in the East Midlands).

³⁰ The 2005-2006 EHCS uses a definition of 'decent homes' updated to reflect the Housing Health and Safety Rating System (HHSRS) criteria of hazards. This means that this data is not comparable to earlier surveys, and results in a significantly higher proportion of dwellings identified as 'non-decent' (for example: on the old definition, 27% of dwellings would be classed as non-decent in 2005-2006; using the updated HHSRS definition, this increases to 35%).

Table 2: Households in 'non-decent' dwellings, 2005-2006 (%)

2005-2006		Households in 'non-decent' dwellings – HHSRS (%)	
		East Midlands	England
Household tenure type	Own with mortgage	33	33
	Own outright	34	36
	Private rented	58*	47
	Social rented	29	28
Length of residence	Less than 1 year	37	36
	1-2 years	33	32
	3-4 years	38*	29
	5-9 years	31	32
	10-19 years	29	33
	20-29 years	38	37
	30+ years	43	43
HRP economic activity status	Full-time work	32	34
	Part-time work	43	36
	Unemployed	57*	42
	Retired	34	35
	Other Inactive	39	34
Household composition	Single person aged <60	38	39
	Single person aged 60 or over	35	38
	Couple <60	35	35
	Couple aged 60 or over	37	32
	Couple with dependent children	30	31
	Lone parent with dependent children	43*	33
	Other	37	37
All households		35	34

* Indicates a statistically significant difference between an estimate for the East Midlands and the corresponding estimate for England at the 5% level.

The base is all private households, where the unweighted base was 1,403 in the East Midlands and 15,648 in England.

Source: NatCen, on behalf of *emda*, 'Evidence Base of the Single Regional Strategy – NatCen Contribution', Appendix A, EHCS tables: Table E.1 and E.2, Decent Homes – HHSRS Definition.

Table 3 shows the proportion of dwellings classed as 'non-decent' in 2005-2006 by the different categories of dwelling used in the EHCS. The same proportion of all dwellings were classed as 'non-decent' in the East Midlands as England overall, at 35%. However, there are a number of statistically significant differences in the dwelling categories in the East Midlands compared to the national picture:

- Terraced houses in the East Midlands were considerably more likely to be 'non-decent' than in England overall, at 45% compared to 39%;

- Flats were considerably less likely to be ‘non-decent’ in the East Midlands than nationally, at 29% compared to 38%; and
- Older dwellings were more likely to be ‘non-decent’ in the East Midlands, with 65% of dwellings built before 1919 classed as ‘non-decent’ in the region compared to 58% nationally. Dwellings built between 1919 and 1944 were also more likely to be ‘non-decent’ in the East Midlands, at 45% compared to 40% nationally.

In addition it should be noted that ‘non-decent’ dwellings were most likely to be in city and urban areas in the East Midlands, with 45% classed as ‘non-decent’ in such areas regionally, compared to 42% nationally. However, in England overall, dwellings in rural areas were the most likely to be classed as ‘non-decent’, at 43%, compared to 41% in the East Midlands.

Table 3: Dwellings classed as ‘non-decent’, 2005-2006 (%)

2005-2006		Dwellings that are ‘non-decent’ – HHSRS (%)	
		East Midlands	England
Dwelling type	Terraced	45*	39
	Semi-detached	37	34
	Detached	32	32
	Bungalow	23	25
	Flat	29*	38
Dwelling age	Pre-1919	65*	58
	1919 to 1944	45	40
	1945 to 1964	34	32
	1965 to 1980	26	30
	Post-1980	11	12
Type of area	City and other urban centres	45	42
	Suburban residential areas	31	30
	Rural areas	41	43
All dwellings		35	35

* Indicates a statistically significant difference between an estimate for the East Midlands and the corresponding estimate for England at the 5% level.

The base is all private dwellings, where the unweighted base was 1,447 in the East Midlands and 16,269 in England.

Source: NatCen, on behalf of *emda*, ‘Evidence Base of the Single Regional Strategy – NatCen Contribution’, Appendix A, EHCS tables: Table E.3 and E.4, Decent Homes – HHSRS Definition.

In summary, the 2005-2006 EHCS illustrates some important messages for tackling the problem of ‘non-decent’ dwellings at a regional level. Firstly, in the East Midlands it is more likely to be an urban problem than in England overall and particularly relates to older and terraced housing stock. Dwellings in the private rented sector are also significantly more likely to be ‘non-decent’ compared to the national average. Moreover, the problem of ‘non-decent’ accommodation is more likely to affect households that are already vulnerable in the East Midlands than nationally, such as those where the reference person is unemployed, or those classed as lone-parent families.

2.6.2 Overcrowding and other issues of housing adequacy

The Survey of English Housing (SEH) provides important information on the adequacy of accommodation for households living in both private and public sector accommodation.³¹

A key output from the SEH is the proportion of households that live in accommodation that meets the 'bedroom standard' of overcrowding. This defines a dwelling as 'overcrowded' if the number of bedrooms available to the occupiers is less than that which should be allocated to them according to the 'bedroom standard' formula.³²

According to the SHE 2006-2007, a lower proportion of households in the East Midlands live in dwellings that fail to meet the 'bedroom standard' of overcrowding compared to England overall, at 2% compared to 3% (a difference which NatCen report as statistically significant), and a higher proportion were found to be above the standard (79% compared to 72% nationally). Furthermore, looking at the different categories of tenure and dwelling type:

- Households in private rented accommodation were significantly more likely to be in accommodation that was above the 'Bedroom standard' in the East Midlands than in England overall, at 67% compared to 53%. This contrasts with the higher proportion of 'non-decent' homes in the private rented sector in the region; and
- Terraced houses, which were also more likely to be 'non-decent' in the East Midlands, were also less likely to be overcrowded – with 76% of terraced houses above the 'bedroom standard' in the East Midlands compared to 73% nationally.

This data suggests that overcrowding is slightly less of an issue in both the private rented sector and in the total housing stock in the East Midlands compared to the national average.³³

The SEH also provides information on housing adequacy according to central heating and the presence of damp. In 2006-2007, households in the East

³¹ The Survey of English Housing (SEH) is a survey of households that has run annually from 1993-1994 until 2007-2008, after which it was combined with the EHCS to form the new English Housing Survey (EHS). The sample is stratified by Government Office Region and has a national sample of between 15,000 and 20,000 households each year. Unlike the EHCS, which is a dwelling based sample, the SHE is household based.

³² The formula for the 'bedroom standard' as defined in the Housing Act 2004 does not count very small rooms (less than 50 ft²) nor kitchens or living rooms. The formula allocates a bedroom to two adults living as a couple or single adults over 21 years of age, but for younger people recognises that sharing may be required – although this is dependent on gender. For example, two people aged between 10 and 20 could share a bedroom without the dwelling being 'overcrowded', but only if they are of the same gender.

³³ NatCen, on behalf of *emda*, 'Evidence Base of the Single Regional Strategy – NatCen Contribution', Tables 2.19, 2.20, 2.25 and 2.26.

Midlands were slightly more likely to report that they had central heating in all of the rooms than the national average (at 90% compared to 89% of all households respectively), and less likely to state that they had central heating in none of the rooms (at 6% compared to 7%). However, households in the private rented sector were less likely to report central heating in all rooms in the East Midlands and more likely to report central heating in none of the rooms.³⁴

Households in the East Midlands were also less likely to report damp due to a leaking roof, damp walls or floors, damp foundations, rotten floorboards or window frames. Regionally, 12% of households reported damp in 2006-2007, compared to 14% nationally. However, terraced houses were more likely to have damp in the East Midlands than nationally, at 19% compared to 17%, whilst flats were less likely (at 19% compared to 21%). Again, private rented stock fairs less well in the East Midlands than in England overall, with 29% of households in this sector reporting damp regionally compared to 25% nationally. However, in this case, households in the social rented sector were significantly less likely to have damp problems in the region, at 16% compared to 21%.³⁵

Finally, the SEH reports an overall measure of households' satisfaction with their present accommodation. In 2006-2007, a slightly higher proportion of total households in the East Midlands stated that they were 'very satisfied' with their accommodation than nationally, at 63% compared to 62%. Tenants in the private and social rented sector in the region were less likely to be 'very satisfied' compared to the national average (at 42% compared to 43% for private rented tenure, and 42% compared to 46% for social rented tenure).³⁶

³⁴ Ibid, Tables 2.29 and 2.30.

³⁵ Ibid, Tables 2.37 and 2.38.

³⁶ Ibid, Tables 2.41 and 2.42.

Key Points: Condition of dwelling stock

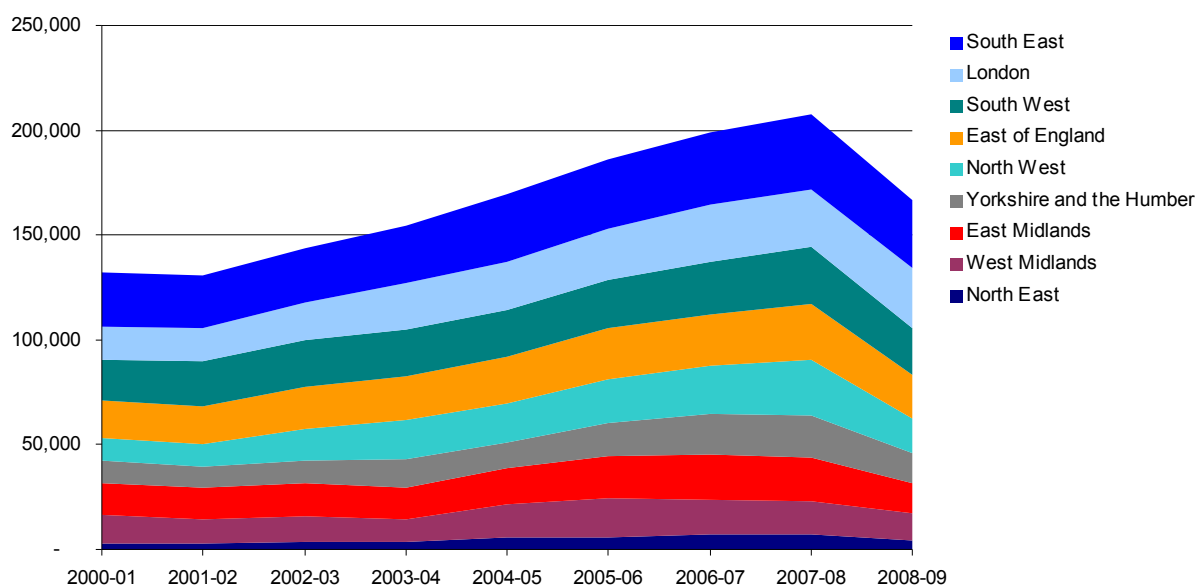
- The East Midlands has a slightly higher proportion of private households classed as living in 'non-decent' accommodation than in England overall, at 35% compared to 34%.
- A significantly higher proportion of households in private rented accommodation in the region lived in 'non-decent' accommodation, at 58% compared to 47% in England.
- Unemployed and lone parent households were also more likely to be in 'non-decent' accommodation in the East Midlands than nationally.
- Terraced, older houses and dwellings in urban areas were also more likely to be 'non-decent' in the East Midlands compared to the national average.
- However, households in the region were less likely to be overcrowded than nationally, and more likely to be in accommodation that was above the 'bedroom standard' of overcrowding.
- Households in the East Midlands were also more likely to have central heating and less likely to report damp than households in England overall.
- Moreover, households in the East Midlands were slightly more likely to report that they were 'very satisfied' with their accommodation than nationally, with the exception of tenants in the private rented sector, who were less likely to be 'very satisfied' than the national average.

2.7 Trends in house building

The following section will briefly look at trends in house building and compare these to trends in projected demand described in Section 2.4.3.

Data on net additional dwellings built in each Local Authority is published annually by the Department for Communities and Local Government. This measures the absolute increase in stock (private and public tenure) between one year and the next, including other losses and gains (such as conversions and demolitions). It is collected by Local Authorities and Regional Planning Bodies to monitor progress toward RSS targets in Annual Monitoring Reports (AMRs), and allows observations to be made on the likelihood that increasing stock may meet the growing demand shown through household increases and affordability ratios.

Chart 26: Net additional dwellings by region, 2000-2001 to 2008-2009



Source: Communities and Local Government, 'Net additional dwellings to the stock by region', Table 118, February 2010.

Chart 26 shows net additional dwellings each year for each English region, stratified in ascending order to represent their contribution to the national total. This shows that:

- The number of net additional dwellings increased in most regions each year between 2001-2002 and 2007-2008, before falling significantly in 2008-2009 with the impact of recession on house building;
- In the East Midlands, there were 14,210 net additions in 2008-2009, down from 20,600 in 2007-2008;
- In the last three years' of data, the East Midlands' share of the national total has fallen. In 2006-2007, net additions in the East Midlands accounted for 11.1% of total additions in England. In 2008-2009, the proportion fell to 8.5%, suggesting that house building in the East Midlands has been more heavily affected by recession than elsewhere;
- Section 2.4.3 provides estimates of dwelling stock required to meet projected demographic change, if current trends in household formation, occupancy, etc. were to continue. According to the projections for the period 2006 to 2009, a total of between 25,000 and 30,000 additional dwellings per annum would be required to meet demand. Chart 26 illustrates that actual net additions fell below this level throughout the period, especially in 2008-2009, when they fell to less than half the level necessary to meet the demand associated with projected population growth;
- This suggests that, to meet projected population change as well as the latent demand built up during the period of reduced house building, net additions will have to increase significantly in the next few years.

2.7.1 Design and build quality of new developments in the East Midlands

As introduced in Section 2.2.1, design and build quality is an increasingly important theme in national housing policy. The Building for Life criteria has provided CABE with a framework for auditing new housing developments. In 2007, CABE published an assessment of the design quality of new housing developments built between January 2003 and August 2006. The assessment looked at approximately 33 housing developments (each comprising at least 20 units)³⁷ in each of the nine English regions. In the East Midlands, this included large developments in Worksop, Retford, Rushcliffe, Broxtowe, Nottingham, Ashfield, Newark and Northampton, along with smaller developments in Rutland and Charnwood. Overall, CABE concluded that their assessment “paints an uncompromising and unflattering picture of the quality of new housing” where, “far too much development is not up to standard... and [there is] far too little that is exemplary in design terms.”³⁸

Unfortunately this critical assessment particularly applies to new developments in the East Midlands. Chart 27, illustrates that:

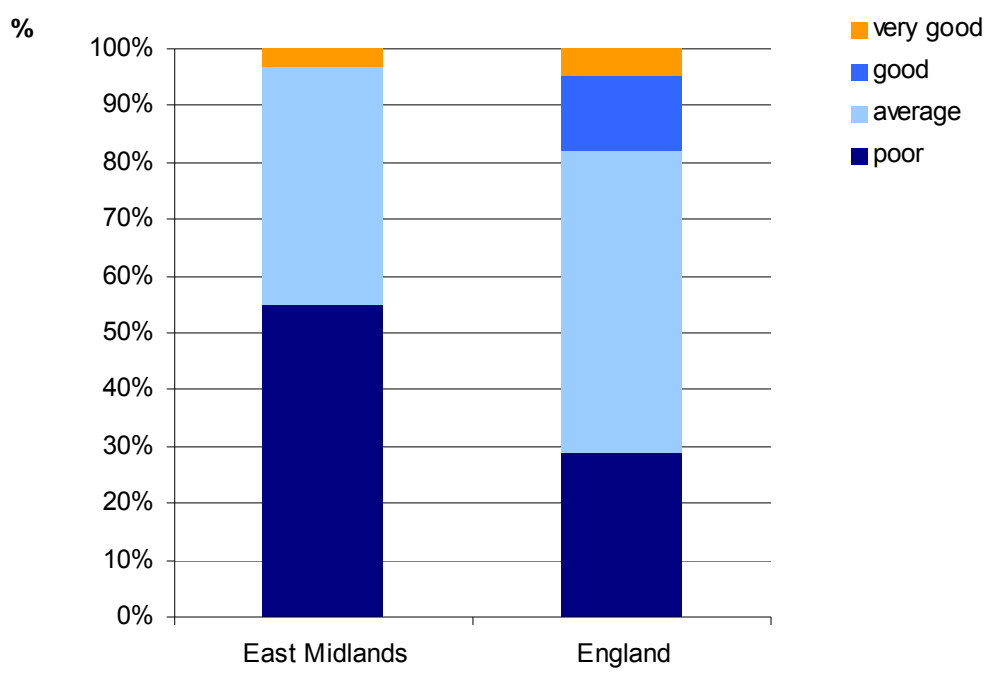
- The East Midlands has by far the highest proportion of developments rated as having ‘poor’ design quality out of the nine regions, at 55% compared to 29% nationally. This rating means that less than half of the Building for Life criteria had been met, meaning that the development cannot be categorised as a ‘good development’ as set out in PPS3. ‘Poor’ developments make up the largest share of the developments assessed by CABE in the East Midlands;
- The second largest proportion of new developments in the East Midlands were rated as ‘average’, at 42%, compared to 53% nationally (a significant majority of the national picture). Developments rated as ‘average’ would not merit a Building for Life award, and are, in CABE’s review, a “wasted opportunity to generate value and create sustainable places.” However, they would meet the requirements set out in PPS3; and
- No development schemes in the East Midlands were rated ‘good’, whilst 3% (equivalent to a single development scheme) were rated as ‘very good’, compared to 13% and 5% respectively in England overall. This is clearly a very negative picture of the design quality of new housing in the East Midlands compared to elsewhere, which will be investigated through research undertaken in 2010.³⁹

³⁷ The schemes assessed were drawn from the output of the 10 largest developers in each region, predominantly from the mid-range in terms of price. Urban design specialists assessed the developments according to the 20 criteria set out in Building for Life.

³⁸ CABE, ‘Housing Audit: Assessing the design quality of new housing in the East Midlands, West Midlands and South West’, 2007.

³⁹ In February 2010, *emda* commissioned a research project into ‘Housing Design Quality and Sustainable Economic Development in the East Midlands’, looking at the literature on impacts of good design and outcomes such as employment, enterprise, low carbon and community cohesion, and producing case studies on more recent developments in the East Midlands. This will report in early summer 2010.

Chart 27: CABE audit of design quality, England and the East Midlands (% of new housing developments)



Source: CABE, 'Housing Audit: Assessing the design quality of new housing in the East Midlands, West Midlands and South West', 2007.

Key Points: Trends in house building and design quality

- The number of additional dwellings increased in most regions until 2008-2009, when they fell significantly as the recession impacted on house building. In the East Midlands, net additions fell more than in other regions, with the share of total net additions in England falling from 11.1% in 2006-2007 to 8.5% in 2008-2009.
- Between 2006 and 2009, net additions in the East Midlands have been significantly lower than projections of additional dwellings associated with population and household growth. In 2008-2009, the number of net additional dwellings in the East Midlands was less than half the projected demand for dwellings.
- An assessment of recent housing development schemes carried out by CABE found that the East Midlands had the largest proportion of developments assessed as having a 'poor' standard of design of all nine English regions, had no schemes assessed as 'good', and only one was assessed as 'very good'.

2.8 Conclusions

As in the case of population, the East Midlands is forecast to experience the fastest rate of growth in the number of households of the nine English regions, at a rate of 15.6% between 2006 and 2016 compared to 12% nationally. This is likely to result in a significant increase in the demand for housing –

especially as a larger majority of stock in the East Midlands is owner-occupied compared to the national average. Long-term trends also demonstrate that there is little relationship between the rate of increase in the number of households and economic conditions, with little evidence of an impact of previous recessions on household growth.

Household trends are instead much more closely related to demographic and social changes. Migration is an important factor in driving the increase in the number of households, but the changing balance of household composition will also become increasingly important. Linked with an ageing population in some areas, there will be an increasing number of one-person households (which will equal the number of married-couple households by 2031). This will have significant implications for the type and size of housing required in the region.

The fastest rates of growth in households are also projected to be in the south and east of the region, with the West Northamptonshire HMA projected to grow at the fastest rate, followed by the Central Lincolnshire HMA. HMAs in the north and west of the region are projected to grow least. Moreover, the more urban HMAs, such as Nottingham Core, are projected to experience relatively low rates of household growth. This projection could result in delivery challenges for the region.

Moreover, recent data suggests that, although the East Midlands is experiencing relatively rapid rates of growth in the number of households, it is currently achieving below average rates of increase in the number of new houses built each year. If these trends continue, this could exacerbate future imbalances between demand and supply, with negative impacts on affordability.

Although household trends do not appear to be affected by economic conditions, the trend in dwelling stock is much more closely related to the economy, with the recent recession causing a significant reduction in the annual increase in dwelling stock between 2007 and 2008. Over the longer term, the number of dwellings has increased more rapidly than the rate of population growth, but slower than the rate of household growth – demonstrating the impact that declining household size, and the growth of single person households, has had on increasing the demand for housing.

Looking at possible future trajectories, if past population and household trends continue, there could be an associated demand for additional dwellings that significantly exceeds the current level of annual additions to stock. The East Midlands share of the national total of new additions to dwelling stock has fallen in recent years, whilst the region has seen a significantly above average increase in households over the same period. Combined with the rapid fall in house building in 2008, this could create a level of built-up demand that may exacerbate affordability.

Housing in the East Midlands is more affordable than in some other parts of England, but affordability is a significant challenge in some parts of the region. Moreover, it is a challenge for the parts of the region that are forecast to

experience the most rapid growth in demand – principally in the south of the region. However, high house prices are not always the principal cause of poor affordability. In East Lindsey, poor affordability is due to low wages, linked to a poor supply of quality jobs. In this case, improvements in the labour market are required to address affordability pressures – illustrating the importance of addressing housing market issues through economic development as well as housing supply.

The recession has had significant impacts on house prices, although improvements in affordability have only been slight. The housing market in the East Midlands appears to have been affected more than other regions, and also appears to be recovering at a slower rate, with house prices declining more rapidly than the national average through 2008, and recovering more slowly through 2009.

Finally, although housing stock in the East Midlands is less likely to be overcrowded than elsewhere in England, and residents are more likely to be satisfied by their accommodation, achieving ‘decent’ homes remains a challenge. ‘Non-decent homes’ are a particular problem in the private rented sector in the East Midlands, in older and terraced houses (of which the region has a higher than average number), and for households already in a vulnerable situation – lone parent families and unemployed households. Therefore, improvements in the condition as well as the size of the region’s housing stock are key priorities for tackling social exclusion. Unfortunately, current evidence on the quality of new housing stock suggests that design standards are particularly poor, with a higher proportion of new developments assessed as having been poorly designed than any other region. This means that there are significant challenges for policy makers in the region to increase not only the quantity, but the quality of housing stock to provide for the needs of a changing population in a sustainable way.