

## **Oxfordshire HMA: Summary Report**

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## Summary of key points

- The local authorities in Oxfordshire are faced with ambitious targets to build more homes to meet projected demand. The designated growth points in Oxfordshire are evidence of the high expectations to deliver new housing in large numbers. Tackling affordability is the primary issue alongside meeting increased demand.
- The local economy is buoyant with the expectation of further growth and an increase in local jobs. If the local housing market cannot supply sufficient capacity to house those moving in to take up these jobs then there will be the prospect of increases in commuting from outside Oxfordshire or the economic advance may be stifled. The needs of economic development for land and the need for housing land are difficult to resolve.
- The growth of smaller households including single person households and the growth of households headed by people over 65 will be the most significant demographic drivers.
- There are some influences exerted by neighbouring areas but the combined evidence of the data on migration and travel to work indicates a cohesive housing market area centred primarily on Oxford and including all the Oxfordshire local authorities.
- Low turnover in the private sector house market combined with high demand is helping to keep prices high in the county. The lowest quartile prices in the county are close to the national average for the country as a whole.
- House building rates have improved in 2006/2007 – these levels would need to be sustained if targets are to be met. However, there continues to be a shortfall in affordable housing.
- The number of homeless acceptances is currently stable due in part to the increased use of preventative measures. The long term reduction in homelessness will require sufficient levels of affordable housing being available.
- There is scope for the development of a wider range of housing related services to support those with special housing needs. The greatest challenge will be in the provision of services to older people including options such as extra care housing and floating support to enable people to continue to live in their own homes.
- It is estimated that as many as half of first time buyers will require subsidised (intermediate) home ownership to access the housing market in Oxfordshire.
- There is a significant lack of property coming on to the market in rural areas particularly at the lower quartile prices. In addition there is a lack of a sufficient supply of private rented sector properties in rural areas. Newly forming households are restricted to the main market towns or are forced to leave rural areas.
- Rents in the mainstream private rented sector which are on average £800 pcm, offer an alternative to home ownership that is still expensive for people on average incomes.
- Our modelling suggests that the shortfall in social rented and affordable housing is currently around 2,200 homes and will rise to around 7,500 pa by 2026, while the shortfall in market housing is currently around 900 homes per year rising to around 5,000 per year homes by 2026.
- The modelling undertook a series of scenarios. The most optimistic of these (with newbuild of around 10,700 units over the next 20 years above the SE plan targets, and 40% allocated to affordable housing), still results in the Country barely meeting overall demand, and failing to accommodate affordable housing requirements – indeed there would be around two households requiring affordable housing for every affordable home available.. The worst case scenario (assuming the higher level of housing need, and that historic levels of affordable housing development continue) results in a situation where there are four households for every social rented/affordable property available.

# 1 Introduction

## 1.1 Introduction and rationale

1.1.1 The Government has set a series of policy goals for housing, based around improving housing affordability; condition (decency); choice, especially for those in vulnerable groups; and mixed communities<sup>1</sup>. The draft South East Plan has identified a series of issues that will need to be addressed if progress is to be made against these objectives.

1.1.2 Critically, the draft SE Plan is based around developing the local economy, and is clearly underpinned by principles of sustainable development. It identifies a requirement to increase the growth of the housing supply both in the region as a whole and in the Oxfordshire sub-region. Further, it is acknowledged that the most recent targets for housing output have lagged behind requirements; resulting in a backlog, concentrated in key areas across the South East region, including Oxfordshire – this too must be addressed adding to the new build requirements. A considerable proportion of the required new build will need to be “affordable” if the housing is to be accessible to new workers and vulnerable groups – however, this will clearly present challenges in terms of achieving development targets, and delivering developments of good quality and to high environmental standards.

1.1.3 It is therefore essential that the local authorities in Oxfordshire develop a clear understanding of the housing markets within the county, both so that they can develop their strategic response to the draft Plan and so that they can produce their local development frameworks (LDFs)<sup>2</sup>.

## 1.2 Study objectives

1.2.1 The overall purpose of the study is therefore to analyse the housing market within Oxfordshire. A number of specific aims have been identified within the brief:

- to identify and clearly define the Oxfordshire sub-regional housing market and the housing markets within it
- to analyse the Oxfordshire sub-regional housing market, including its characteristics, drivers and other influences
- to derive figures for housing need and demand in the Oxfordshire sub-region and determine the requirements for market and affordable housing
- to provide a basis for all partners in the Oxfordshire sub-region to develop and implement sustainable policies that will lead to a balanced housing market.

## 1.3 Purpose of report

1.3.1 This report provides a summary of the study findings and draws out the key policy implications that emerge from these.

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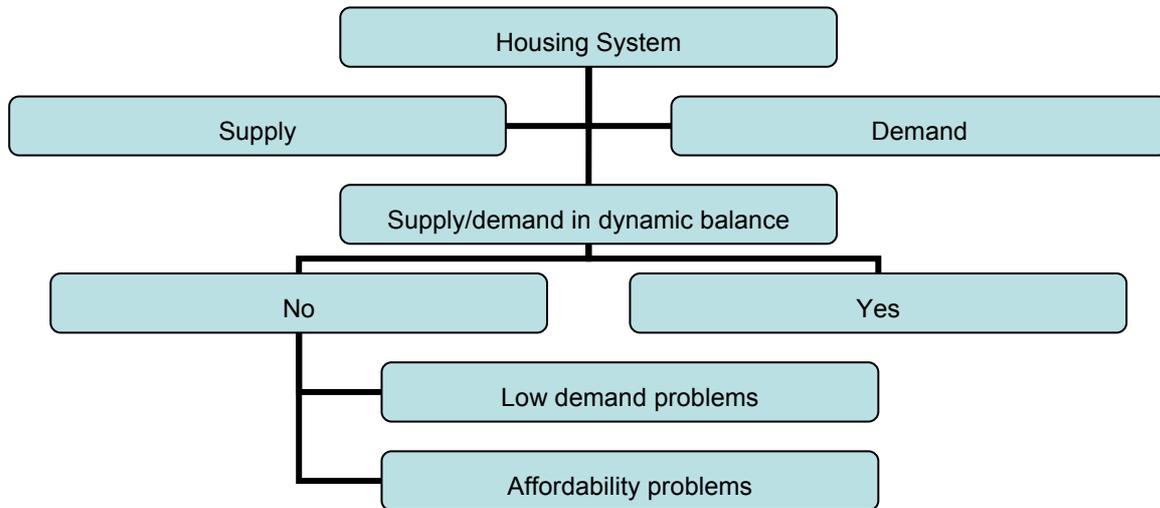
<sup>1</sup> CLG *Planning Policy Statement 3 (PPS3: Housing)*, November 2006, Para 9, as well as more recent policy pronouncements contained in the Green Paper *Homes for the future: more affordable, more sustainable*, published July 2007

<sup>2</sup> Indeed PPS 3 now requires planning authorities to draw on evidence from, among other things, the strategic housing market assessment, when developing local development frameworks [CLG *Planning Policy Statement 3 (PPS3: Housing)*, November 2006, Para 22]

## 1.4 Analytical framework

- 1.4.1 Housing systems are complicated. Housing is an unusual commodity - it is expensive and long-lasting, so acts as a consumer good, an investment good, and is an asset that passes between generations; it is fixed in space so it may take on the attributes of the local neighbourhood; and of course, proximity to employment and transport loci increasingly confers value. The demands of the guidance (and planners) that supply requirements be estimated over time only add to these complexities.
- 1.4.2 However, housing markets generally work well to meet housing needs. Household surveys typically show that the majority of households are satisfied with their housing and find it affordable. To understand why problems arise, and of course they do, it is necessary to understand why and how the market functions effectively most of the time.
- 1.4.3 The key principle which must inform policy analysis and policy discussion is that of market balance/imbalance. Most of the time the housing market maintains a dynamic balance – house prices and market rents move to ensure that houses can be bought and sold, while the development sector, supported by a usually effective system of land use planning, is able to add stock to respond to demand.
- 1.4.4 The social housing sector faces different challenges – it now largely serves households whose incomes are too low to enable them to participate in the mainstream market and the process of balancing supply and demand (need) can be more complex.
- 1.4.5 The private housing sector is not, however, a market which can operate satisfactorily without public intervention. At a minimum, its effective operation requires an effective planning system – it is important that planning provides scope for housing development in areas where demand exists. And, housing development can have strong impacts - positive and negative - on the area in which it takes place and even on surrounding areas. Planning therefore needs to take account of the factors that influence the pattern of development.
- 1.4.6 Public intervention can also become necessary where imbalances between demand and supply have become more profound - long lasting or even chronic - and, if not resolved, could give rise to a large number of adverse effects. In high demand areas this can mean affordability problems with low income households being forced out of the area often causing problems with local labour supply, increased levels of road traffic and ultimately affecting the performance of the local economy. Remedying these problems is extremely difficult and sometimes calls for measures which generate controversy and even opposition.
- 1.4.7 Figure 1.1 below sets out a simple framework for considering the issue in a policy context. Policy should aim to move the system towards balance, but measures may also be needed to address the effects of imbalances (e.g. lack of affordable housing).

**Figure 1.1: Supply/demand balance in the housing system**



1.4.8 It is also noted that while market balance is necessary for the housing system to meet policy objectives such as sustainable development and the support of economic growth, it is not always sufficient. In some cases the market may be in balance but the pattern of housing development may not be optimal from the standpoint of other objectives such as environmental sustainability or urban regeneration.

1.4.9 A policy objective of redeveloping a former commercial area for housing or bringing back into use contaminated sites will require policy intervention which does not fall under the heading of addressing market imbalance but it can be regarded as an example of dealing with “market failure” – a situation in which the unaided market cannot bring about development which would be socially and economically beneficial.

**1.5 Approach**

1.5.1 The HMA analysis has been undertaken in accordance with the most up-to-date guidance in place at the time of the analysis; the March 2007 DCLG Strategic Housing Market Assessments Practice Guidance<sup>3</sup>. This sets out guidance for collecting and interpreting data on the housing market and a clear approach for determining the level of housing need and demand in the housing market area.

1.5.2 The March 2007 guidance specifies that to be considered a robust and credible study the HMA needs to address eight core outputs and to include seven key process elements. These are set out in the tables below, taken from the 2007 guidance and are referenced again at appropriate points in the report.

<sup>3</sup> This has since been superseded by Version 2 of the Guidance, published in August 2007

**Table 1.1: Strategic Housing Market core outputs<sup>4</sup>**

1	Estimates of current dwellings in terms of size, type, condition, tenure.
2	Analysis of past and current housing market trends, including balance between supply and demand in different housing sectors and price/affordability.
3 <sup>1</sup>	Estimate of total number of future households broken down by age and type where possible.
4 <sup>1</sup>	Estimate of current number of households in housing need.
5 <sup>1</sup>	Estimate of future households that will require affordable housing
6	Estimate of future households requiring market housing
7	Estimate of size of affordable housing required
8	Estimate of household groups who have particular housing requirements e.g. families, older people, key workers, black and minority ethnic groups, disabled people, young people etc.
Note 1: Estimates of household numbers (outputs 3, 4, 5) may be expressed as a number or a range	

**Table 1.2: Strategic Housing Market Assessment process checklist**

1	Approach to identifying housing market area(s) is consistent with other approaches to identifying housing market areas within the region
2	Housing market conditions are assessed within the context of the housing market area
3	Involves key stakeholders including housebuilders
4	Contains a full technical explanation of the methods employed, with any limitations noted
5	Assumptions, judgements and findings are fully justified and presented in an open and transparent manner
6	Uses and reports upon effective quality control mechanisms
7	Explains how the assessment findings have been monitored and updated (where appropriate) since it was originally undertaken

- 1.5.3 The work for this Oxfordshire housing market assessment has comprised a combination of detailed analysis of secondary data, consultation with stakeholders and scenario modelling.
- 1.5.4 Account has been taken of the work for SEERA by DTZ to identify HMAs in the region. We have also sought to take account of the work being undertaken in the neighbouring market areas to analyse market boundaries and market activity; however none of the housing market analyses have yet been completed, so this has been restricted to brief consultations with the neighbouring authorities.
- 1.5.5 Care has been taken to use the most up-to-date data where possible and house price data in particular has been refreshed towards the end of the study period using May 2007 data from Hometrack. Other data updates were provided by the Oxfordshire authorities.
- 1.5.6 A comprehensive set of technical notes are provided to accompany the full report and the housing market models.

<sup>4</sup> Strategic Housing Market Assessment practice guidance, 2007, CLG

## 2 Analysis of key drivers

This section addresses the requirements of the 2007 HMA Guidance for part of core output 2,

“Description of key drivers underpinning the housing market.”

### 2.1 Policy drivers

2.1.1 The local housing market has been, and will be, influenced by the national, regional and sub-regional planning policy framework. Here the key aspects are identified.

2.1.2 The Regional Housing Strategy (RHS) provides the framework for thinking about and implementing housing policies in the region and the county. The key priorities from the RHS are:

- The need for more affordable homes
- Improving the condition of the region’s existing housing stock
- Providing homes which are affordable to those on lower incomes (i.e. social rented)
- Continued support for affordable housing for key workers
- Continued support for the delivery of new affordable housing in the region’s growth areas and rural areas, including small market towns
- A geographical focus based on housing need emerging from affordability, temporary accommodation and overcrowding criteria, and informed by the potential availability of large sites
- Support for the principle of meeting housing need across a sub-regional housing market area

2.1.3 An analysis of local housing strategies indicates that the issues faced by the local authorities, and hence the priorities that emerge, are broadly consistent with those for the region as a whole.

2.1.4 The South East Plan provides the strategic planning framework for the region. This is still at the draft stage - the evidence from the Oxfordshire HMA can, therefore, influence the responses of each of the Oxfordshire authorities to proposed modifications to the Plan. The draft Plan contains several specific key targets and objectives:

- New build at 28,900 per annum with the first 10 years targeted at meeting the needs of the existing housing backlog
- 60% of new homes to be built on Brownfield sites
- 35% of new homes to be affordable (25% rented, 10% other affordable housing), this rises to 50% in the Central Oxfordshire sub-area
- Increased density of 40 dwellings per hectare together with high design standards
- Better use of existing stock
- Creating more small scale affordable housing sites in rural areas

2.1.5 Some 1,700 of the target new homes per annum are identified for central Oxfordshire and a further 660 for the rest of Oxfordshire making a total of 2,360 per annum and equating to 47,200 new homes over 20 years.

<b>Table 2.1: New build allocations</b>			
<b>District</b>	<b>Central Oxfordshire 2006 – 2026</b>	<b>Rest of Oxfordshire 2006 – 2026</b>	<b>County Total 2006 - 2026</b>
Cherwell	5,800	6,000	11,800
Oxford	7,000	n/a	7,000
South Oxfordshire	7,500	2,700	10,200
Vale of White Horse	10,500	1,000	11,500
West Oxfordshire	3,200	3,500	6,700
<b>Total</b>	<b>34,000</b>	<b>13,200</b>	<b>47,200</b>
Source Draft SE Plan			

- 2.1.6 The central Oxfordshire section of the draft South East Plan seeks to build on the strengths of the sub-region by both realising opportunities for further economic growth while protecting and enhancing the natural, historic and cultural environment and landscape setting of Oxford.
- 2.1.7 The draft Plan seeks to achieve this by exploiting the economic potential of southern Central Oxfordshire; building thriving and balanced communities at Bicester, Didcot, and Wantage and Grove; and providing for economic development within Oxford. The aim is to grow the economy in a way that is sustainable in terms of both transport and the area's environmental heritage.
- 2.1.8 Didcot and Oxford are also identified by the CLG as growth points, with expectations of over 10,000 new dwellings in these areas by 2016 (5,000 and 5,692 units respectively). These outputs would be in addition to the allocations in the Draft SE Plan.
- 2.1.9 The Sustainability Appraisal Report (2006) assesses the environmental implications for the draft South East Plan. The report identifies specific environmental threats associated with achieving the proposed housing development in Oxfordshire:
  - Flood risk associated with the proximity of development land to existing flood plains
  - Limited amount of previously developed land (brownfield) to achieve targets, which would require the use of greenfield sites and designated Green Belt land
  - Transport congestion as new development will bring further traffic flows to already overstretched A roads
  - Water supply, already under pressure from existing use
- 2.1.10 The report further stresses the importance of assessing the environmental impact of new housing schemes at specific locations, so as to fully appreciate the environmental and sustainability implications of specific developments.
- 2.1.11 The report concludes that it will be very difficult for the sub-regions to achieve the draft South East Plan affordable housing targets and notes that increasing the total supply of houses has to be balanced with the other factors that contribute to delivering sustainable communities, such as transport, other items of infrastructure, and impact on the environment and natural resources.

## 2.2 Economic drivers

- 2.2.1 The Oxfordshire economy is relatively self-contained with the majority of its workforce (around 85%) resident in the County. Oxford is the principal employment centre, but there is significant economic activity centred on Banbury, as well as potential to expand the level of economic activity centred on Wantage and Didcot. Economic activity in the County is characterised by micro businesses, and small and medium enterprises. There are relatively few large employers based in Oxfordshire - 95% of Oxfordshire enterprises employ less than 20 people<sup>5</sup>.
- 2.2.2 The Oxfordshire economy is generally buoyant, with high levels of employment and steady economic growth. Economic forecasts indicate an increase in jobs in the county of between 28,100 and 33,900 between 2001 and 2011 and 51,200 to 75,400 between 2001 and 2026 (Draft South East Plan 2005). Indeed, the Office of the Deputy Prime Minister's (ODPM March 2006) analysis of the performance of English city-regions ranks Oxford 8th out of the 56 English city-regions in terms of economic growth.
- 2.2.3 Typically economic activity in the County is well above the England and Wales average (Figure 2.2). Clearly the Oxford rate is well below the country average, and consequently that for the rest of the County. This difference is largely explained by the large student population in Oxford (notably, despite the relative high level of economic inactivity, Oxford has a relatively low level of retired households). Oxford has the highest number of students as a proportion of the local population of any place in the south east region and the second highest in the country after Cambridge.

<b>Figure 2.2: Economic activity compared with England &amp; Wales</b>			
	<b>Economically active</b>	<b>Economically inactive</b>	<b>Retired</b>
Cherwell	+ 8.9%	- 6.3%	- 2.6%
Oxford City	- 5.7%	+ 10.8%	- 5.1%
South Oxfordshire	+ 7.2%	- 6.2%	- 1.0%
Vale of White Horse	+ 6.8%	- 6.1%	- 0.7%
West Oxfordshire	+ 8.4%	- 7.4%	- 1.1%
Source Annual Population Survey 2005			

- 2.2.4 Earnings within the County, at around £25,204 per annum, are above the national average but slightly below the regional average.

<sup>5</sup> Source: Counts of Enterprises for Census Area Statistics Wards by Employment Size Band, 2004

<b>Figure 2.3: Gross earnings by residence (2006)</b>			
	<b>Oxfordshire £ pa</b>	<b>South East £ pa</b>	<b>Great Britain £ pa</b>
Full time workers – All	25,204	25,412	23,379
Full time workers – Male	28,293	28,434	25,506
Full time workers – Female	21,528	21,346	20,155
Source: Annual Survey of Hours and Earnings (ASHE) - resident analysis 2006 Note: Median earnings in pounds for employees living in the area.			

2.2.5 Of particular significance to Oxfordshire are the earnings of first time buyer (FTB) households. These are typically people in the 20 – 39 age brackets. The earnings for FTB households are shown below for each district. Clearly, earnings in most districts are above – and in some cases, well above – the national and the regional average. This is not the case in Oxford, and to a lesser extent, in West Oxfordshire. Later, we shall return to FTB, and consider their earnings in relation to local house prices.

<b>Figure 2.4: Household incomes FTB (2006)</b>	
	<b>Average income<sup>1</sup> per year £</b>
Cherwell	42,300
Oxford City	37,626
South Oxfordshire	49,462
Vale of White Horse	44,656
West Oxfordshire	39,057
Oxon average	42,620
SE average	41,342
England average	38,996
Source Wilcox 2006 <sup>6</sup> Note1: Based on joint household earnings of people aged 20 - 39	

2.2.6 This overall profile of a robust and continuing economic growth suggests that the housing patterns that have been built thus far will be sustained. The housing market will require a private rented sector, particularly in Oxford, that includes a middle segment to serve incoming workers. There will remain a strong preference for owner occupation, typically

<sup>6</sup> Wilcox, S (2006), *The geography of affordable and unaffordable housing and the ability of younger working households to become home owners*, Joseph Rowntree Foundation

for quality, aspirational housing. With Oxford the primary (but by no means the only) locus for employment, there will continue to be pressure on housing in and around the city. Successful economic development outside the city will also have implications for housing demand; this is probably most advanced in the West Midlands, with implications for demand in the Banbury area. However, it is not yet clear how this will work through, as new transport links are put in place, businesses relocate, and so on. Proposals to capture economic opportunities are also in place for the Southern Corridor, and these could have an important impact, as house prices in parts of these areas as lower than in the immediate Oxford area. If successful, this development could serve to draw some of the pressure away from the economy-led housing market pressure around Oxford, by opening up employment opportunities in the “more affordable” parts of the County.

- 2.2.7 Further, Oxfordshire’s economy faces certain challenges which are caused by, or may be linked with, housing market issues. In particular, there are concerns that key workers and young workers may not be able afford housing within the County, and that the County may not provide a full price range of housing to meet the needs of a balanced workforce. Further, as pressures grow for development land, there are tensions between land for economic activity and housing<sup>7</sup>.

## 2.3 Demographic drivers

### Population and household growth

- 2.3.1 The total resident population of Oxfordshire in 2004 was 619,700, comprising 248,000 households<sup>8</sup>. The 2001 Census revealed a distinct urban/rural split, with 78% of population living outside of Oxford and 38% of people living in parishes of below 5,000 people.
- 2.3.2 The population of the County has been growing steadily over recent years at a rate slightly above the averages recorded for the South East region and England as a whole. Over the period 1995 to 2004 the population rose by some 34,000 people (6%), with almost half of this growth being concentrated in Oxford. The population is projected to be 640,900 by 2008 and 724,000 by 2028. This represents a 13% overall increase between 2008 and 2028.
- 2.3.3 There are a number of key features of this population growth.
- The population is generally aging: for Oxfordshire as a whole between 1991 and 2001 the under 4s declined by 3.2% and the 25 - 29s by 11.6%, while those over 65 increased by 10.3%. These increases are expected to continue<sup>9</sup>. This has complex implications for housing requirements. It might suggest that there will be a demand for smaller properties, as older households tend to be small and they may have affordability issues. However, older households typically wish to remain in the current home for as long as possible, resisting moves to “downsize” or move into specialist accommodation<sup>10</sup>, preferring to stay in their current home. Where a move is required, older people are increasingly demanding “larger” accommodation – two-bedroom properties, that have space for visitors, as opposed to the typical

<sup>7</sup> For example the Cherwell 2006 Employment Land Supply identifies a 27% shortfall in the amount of land needed for business development at current rates of development.

<sup>8</sup> Source: Office for National Statistics, Mid year population estimates 2004; CLG, Mid year household estimates 1981-2004.

<sup>9</sup> Over the period 2006 – 2026, ONS projections are for growths in the 65+ population of between 25% and 67%. See the main report for details.

<sup>10</sup> See Richards F et al *Time to move on?* Scottish Executive, 2006

sheltered studio/one-bedroom accommodation that has characterised sheltered accommodation. Older households remaining in their current accommodation may, however, require support at some point– either in terms of housing support and/or support to maintain the fabric of the property.

- The growth profile for Oxford is different. The rate of growth of older people is much lower than elsewhere in the County (at about 25% compared with 50% - 66% elsewhere). Conversely, the rate of growth of younger people is much higher than elsewhere in the County (about 14%, whereas elsewhere the numbers of young people are expected to decline or at best remain broadly stable - the only exception to this is Cherwell, where minimal growth of children is expected and good growth of people aged 20-65 is projected).

This increase in younger people to Oxford will be influenced by the University and the local economy. The student population will be sustained, while the local economy will continue to exert a draw. This places pressure towards the “bottom” end of the housing market – as many of these are new people moving to the city typically looking for entry level housing – either owner occupied or a rented property. While renting often offers people the opportunity to live in housing and areas that they would not be able to afford to be able to buy, given the costs of the housing Oxford, such opportunities must be limited.

- Over the last 15 years, household growth in the County has been strong compared to that in the South East region and England. Growth has been most rapid in Oxford and Cherwell, with other districts showing rates of growth closer to the regional average. Projections over the period to 2026 suggest that household growth is set to continue, again with strongest growth in Oxford and Cherwell. This combination of moderate population growth and continuing household growth, the current household projections by SEERA indicate that the average household size will decline. Forecasts suggest that household size will decline from 2.31 in 2001 to 2.19 in 2026 for the South East of England; while the forecast for Oxfordshire is for a potentially sharper decline - from 2.37 in 2006 to 2.16 in 2026.

We cannot, however, conclude from this that there will be a resultant need/demand for smaller dwellings. As noted above, a significant proportion of this new small household formation will be older people, who are already living in larger properties and are typically not minded to move to smaller properties, and certainly not one-bedroom properties where this can be avoided. Younger people may be forced to live in small properties for a short time at the start of their housing “careers” but seek to move on to larger properties *when they can afford it*, regardless of whether their household circumstances have changed. Thus, affordability may be the better indicator of the size and type of property required, rather than the household structure<sup>11</sup>.

## 2.4 Key issues:

- The local economy is robust and buoyant. We would certainly expect continued growth and an increase in local jobs. This places pressure on the local housing market to respond by increasing capacity if prices are not to further increase and in-commuting is to be managed (thus protecting against adverse environmental outcomes). It is possible that lack of suitable housing may limit economic growth – business park ventures and growth of existing businesses can be particularly

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<sup>11</sup> There is growing research evidence that when households seek to meet their aspirations they first search to identify areas that are “affordable” but within which they would be prepared to live, and will then compromise on size and type of property in order to secure a property there. Thus, households will often end up in a home that is smaller than they would have wished, or in a flat, when they would have preferred a terrace, for example. See, for example, Hickman P, Robinson D, Casey R, Green S, Powell R *Understanding Housing Demand*, Joseph Rowntree Foundation and Chartered Institute of Housing, Sheffield Hallam University, 2007

vulnerable to housing constraints – although location and proximity to transport networks will play a key role in such decisions. Strategy documents clearly point to opportunities for housing growth, linked to economic growth, outside Oxford (as well as continuing to develop opportunities within the city), allowing greater variety of location and property type and price.

- The growth of smaller households including single person households and the growth of households headed by people over 65 are the defining demographic drivers.
- Strategic planning documents recognise that tackling lack of affordable housing is the primary issue alongside meeting increased demand. This is a key aspect of housing market intervention, which planning authorities need to consider – in what ways they intend to intervene, for which household groups, and how far they are able to assist. The main groups affected include (potential) first time buyers, key workers, and single person households.
- Overall, the long term strength of the economy and the increased demand coming from forecast demographic changes are strong indicators that the inflationary pressures on the housing market are likely to continue over the next 20 years.

### 3 Assessment of the HMA area

3.1.1 The 2007 guidance identifies that for the HMA to be robust it must assess housing market conditions within the context of the housing market area. The following section considers the Oxfordshire housing market area to assess whether it is appropriate to focus the study on the Oxfordshire sub-region and to determine the extent to which account needs to be taken of neighbouring areas.

#### 3.2 Context

3.2.1 In 2004, SEERA commissioned research to establish the boundaries of the housing markets within the South East; to enable the local planning authorities to work together to undertake their local housing market analyses. The resulting report, *Identifying the Local Housing Markets of South East England*, drew on information about house moves and migration, travel to work patterns and other data, to conclude that there is a distinct HMA centred on Oxford and encompassing the city council and all four of the Oxfordshire district councils.

3.2.2 The key points from this analysis are as follows.

##### Migration

- The County is highly self-contained. Around half of all households who move house in Oxfordshire stay within the same district. Of those moving out of their own district, many remain within the County. Much of this is movement from Oxford to other parts of the county, notably Cherwell.
- The biggest flows out of the county are from Cherwell to Northamptonshire. There is a smaller movement of people out of South Oxfordshire to Buckinghamshire. There are no other outward flows of significance.
- The biggest movements into the County are from Northamptonshire to Cherwell. There is also a smaller movement of people in from the Reading area into South Oxfordshire.

##### Travel to work patterns

- Travel to work distances tend to be short, and in fairly clear patterns:
  - there is some movement between the districts but the most significant travel is into Oxford from surrounding areas
  - there is some travel to work out of County: from South Oxfordshire to Reading and Buckinghamshire, and to a lesser extent from Cherwell to Northamptonshire and from Vale of White Horse to Swindon
  - there is travel into the County for work from Northamptonshire into Cherwell and, slightly less, from Buckinghamshire into South Oxfordshire.
- There is long-distance commuting to London from the southern districts.

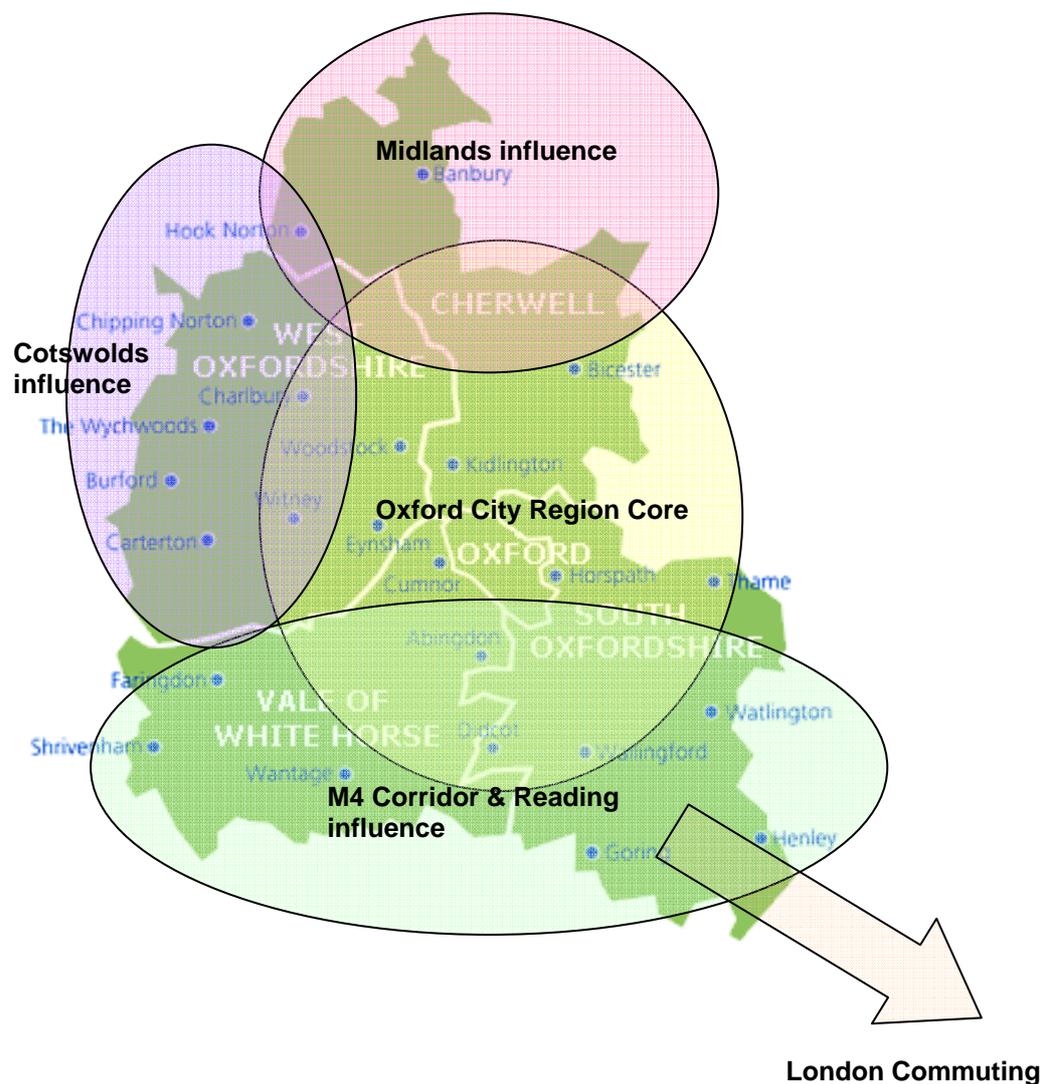
##### House prices

- House prices in all parts of the County are consistently above the national average. Specific variations include for example the high house prices in the western parts of West Oxfordshire, indicative of the 'Cotswolds influence' (in-movers)

3.2.3 Together, this evidence indicates a cohesive housing market area covering the County, centred on Oxford, with a lesser focus on Banbury. The housing market becomes somewhat less cohesive at key points around the boundary, specifically with the Reading/M4 corridor and the growth areas of Milton Keynes and Northampton exerting influence.

- 3.2.4 The strongest of these, is the East Midlands’ influence on the Banbury area. There is both in-migration from the area and travel to work to the area. Nonetheless, Banbury’s strongest connections are with the Oxfordshire housing market area. This **may** change over time, and the relative strength of connections should be observed.
- 3.2.5 The linkages that parts of the Vale of White Horse and South Oxfordshire have with Reading are much weaker than those Banbury has with the East Midlands. However, this is an area which has been identified for pronounced economic and housing growth in coming years, and should therefore be kept under review.

**Figure 3.1: Geographical sub market influences**



**3.3 Key issues:**

- Oxfordshire is a relatively distinct housing market area. It is therefore appropriate to assess housing market conditions within the context of this housing market area as required by the 2007 guidance.
- The study identifies some blurring of the housing market area at its boundaries, particularly along/at at key transport nodes. Nonetheless, the Oxfordshire housing

market still appears to be the major force throughout the county. Future updates must monitor the continued relevance of the county boundary for the HMA analysis.

## 4 Analysis of current housing market

This section specifically meets the requirements of the 2007 guidance for core output 1 and part of core output 2,

“Estimates of current dwellings in terms of size, type, condition, tenure”

“Analysis of past and current housing market trends, including balance between supply and demand in different housing sectors and price/affordability.”

### 4.1 Current supply and tenure mix

4.1.1 The total housing supply within Oxfordshire is 255,510. This breaks down broadly evenly between the authorities, as shown on figure 4.1 below.

Figure 4.1: Housing supply 2005		
Authority	Total dwellings	
	Number	% of Oxfordshire total
Cherwell	55,982	22%
Oxford City	54,546	21%
South Oxfordshire	54,999	22%
Vale of White Horse	48,046	19%
West Oxfordshire	41,937	16%
Oxfordshire total	255,510	
Source: HSSA returns 2004/05, data as at 01/04/2005		

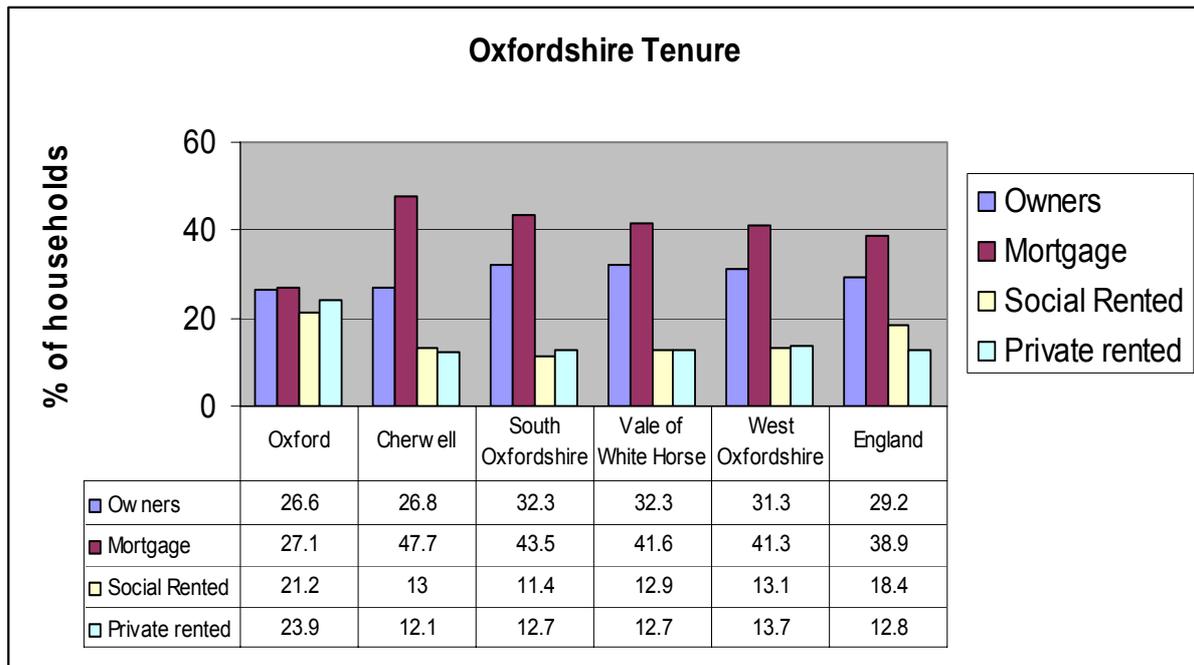
4.1.2 Home ownership dominates the districts, and is well above the English average; indeed, in most areas levels of both outright ownership and ownership with a mortgage are higher than the English average<sup>12</sup>. This profile is typical in rural areas, where alternative tenures, have not been well-developed<sup>13</sup>, which means that owner occupation has generally been the main tenure for some time. The exception is Cherwell, where outright ownership is lower than the English average – this would suggest that there is a less mature home ownership market, with less inherited home ownership, and fewer people moving to the area to retire than the other district authorities.

<sup>12</sup> The figures for shared ownership figures have been omitted as they are very small. They range between 0.4 and 0.6% of households apart from Oxford city where the figure is 1.2%.

<sup>13</sup> For example, large-scale private sector housing schemes did not develop in the 40s and 50s and large-scale local authority housing has not been developed, post-war, or in the 60s. Tied housing will have been available on estates, but increasingly this will be declining, as the employment itself declines and/or the landowners move the accommodation into holiday accommodation.

4.1.3 In Oxford there is a more even spread of tenures; with home ownership levels below the national average and levels of private rented housing above the national average. This fits with the economic profile of the city from section 3 – there is a substantial student sector, which will tend to require a combination of university residences and private rented sector accommodation; and there is a robust economy, which will draw on some new labour will tend to have some demand for private renting, at least on arrival.

Figure 4.2: Tenure Breakdown showing outright owners and owners with mortgages



Source Census 2001([www.neighbourhood.statistics.gov.uk](http://www.neighbourhood.statistics.gov.uk))

4.1.4 The most recent data on stock type is from the Census. This shows that the districts outside of Oxford have a higher proportion of detached homes, whereas Oxford has a higher proportion of flats. The total stock has only increased by around 5% since 2001 so this position will not have significantly changed since the Census.

**Figure 4.3: Type of property**

	Cherwell		Oxford		South Oxon		Vale		West Oxon	
	%	Rel to E&W (%)	%	Rel to E&W (%)	%	Rel to E&W (%)	%	Rel to E&W (%)	%	Rel to E&W (%)
Detached	31.1	+ 8.3	9.8	-13.0	36.6	+ 13.8	38.7	+ 16.0	36.4	+ 13.6
Semi-detached	35.6	+ 4.0	31.6	0.0	32.5	+ 0.9	31.4	- 0.2	32.9	+ 1.3
Terraced	24.2	- 1.8	30.2	+ 4.1	18.8	- 7.2	18.5	- 7.5	22.1	- 4.0
Flats	8.6	- 7.2	26.7	+ 6.8	10.2	- 6.0	9.9	- 6.1	7.8	- 8.3
Other	0.6	0.0	1.8	+ 1.0	1.9	+ 1.4	1.4	+ 0.9	0.9	+ 0.4
Total	100	0	100	0	100	0	100	0	100	0

Source Hometrack/Census 2001

- 4.1.5 The social rented sector primarily consists of the properties owned by Registered Social Landlords (RSLs). Only Oxford has a significant number of properties still owned by the local authority (8,118); the other authorities having transferred their stock to RSLs. The profile of social rented sector stock is shown in the table below. A significant proportion of this stock – ranging from about 10% in West Oxfordshire to 34% in Oxford – is housing for older people.

**Figure 4.4: Housing association and council properties**

	Cherwell	Oxford	South Oxfordshire	Vale of White Horse	West Oxfordshire
HA rented accommodation	6,662	3,584	6,237	6,207	5,061
Council rented	0	8,118	0	0	0
Total rented	6,662	11,702	6,237	6,207	5,061
HA shared ownership & leasehold	296	611	305	189	359
Total	6,958	12,313	6,542	6,396	5,420

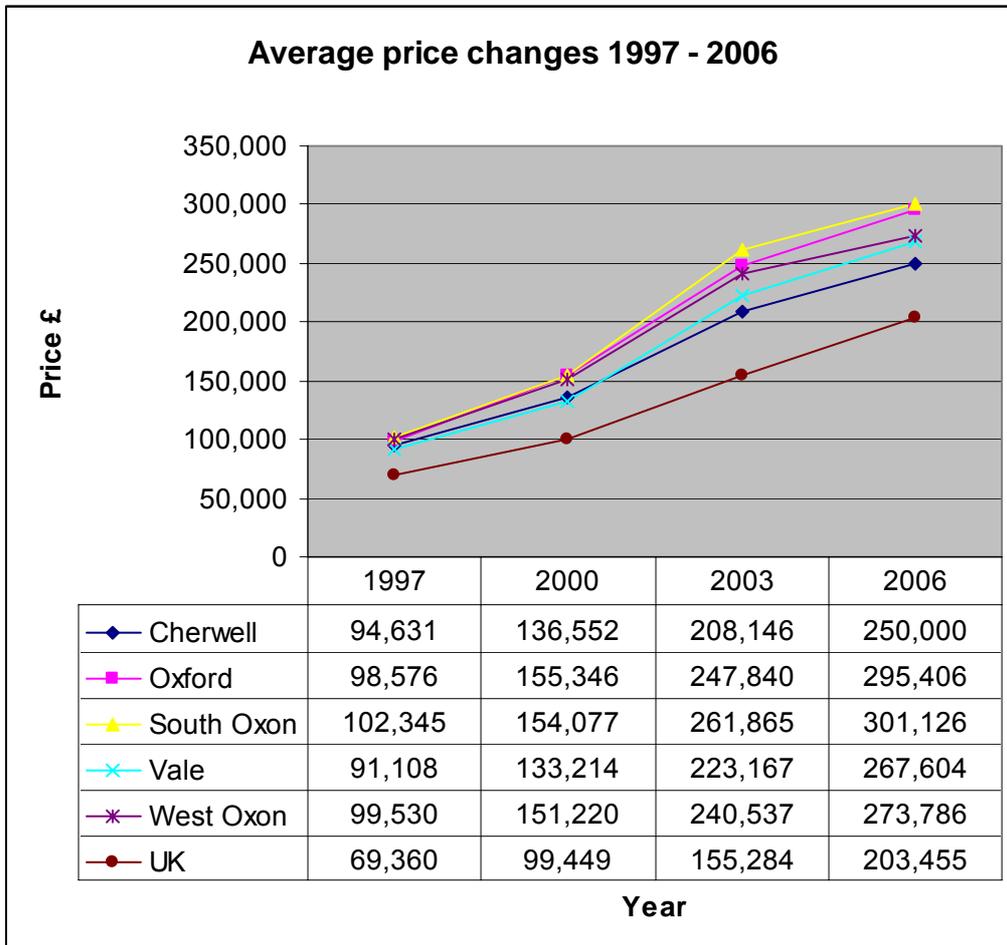
Source: Regulatory and Statistical Returns 2005

## 4.2 Property Prices

4.2.1 House prices when expressed as average house prices mask huge variations in the quality, size, location and so on of the properties. Although we provide more detailed price information (by property size and type, by different price brackets) in this section, nonetheless, the tables will not be presenting “like-for-like” comparisons. However, in some respects this is not important. We will be focussing on developing an understanding of indicators of the housing market as a whole and accessibility to the market for those seeking to enter the housing market. The former is perhaps best considered in terms of average prices as it provides a measure comparison; the latter in terms of who can afford lower quartile properties.

4.2.2 Average house prices in Oxfordshire have increased in line with UK house price movements over the last 10 years. However the differential between the different local authorities has increased during that time, with properties in South Oxfordshire and Oxford in particular moving further away from those in Cherwell despite the slightly steeper price rises in Cherwell in the last 12 months.

Figure 4.5



Source CLG live tables on housing market and house prices, based on Land Registry data

4.2.3 The following table provides a breakdown of prices by the size of property. This is an important breakdown, as we noted above the very different stock profiles of the different authorities. Here we see that smaller properties are more expensive in Oxford than in the rest of the county, whereas larger properties are more expensive in the other districts, particularly South Oxfordshire which is the most expensive (on average) for larger

properties. This table suggests that the predominant house types in each area are the more expensive – that, for example, flats and terraces are disproportionately common house types in Oxford, the high prices being paid suggests demand pressures on these properties.

**Figure 4.6: Average house prices by property size (number of bedrooms) and type, 2007**

	1 bed Prices (Flat)	2 bed Prices (Flat)	2 bed Prices (House)	3 bed Prices (Flat )	3 bed Prices (House)	4 bed Prices (House)
Cherwell	113,021	150,161	182,648	145,648	216,004	336,044
Oxford	174,723	210,271	242,109	343,242	271,176	390,753
South Oxfordshire	142,259	186,249	231,064	316,444	307,471	446,937
Vale of White Horse	130,856	163,288	227,596	226,921	254,234	380,522
West Oxfordshire	119,166	166,197	215,190	246,250	263,456	377,902

Source: Home track, May 2007

4.2.4 The following table provides a comparison of property prices across the five local authorities. These averages cannot fully reflect the wide range of prices within the county, given that ward averages range from £140,000 to £700,000. The table, therefore, also shows the lower quartile price and the lower quartile price for a terraced house, as these provide a benchmark for the sort of entry level property likely to be sought by first time buyers. Again we have highlighted the highest prices in each category. As might be expected from figure 4.6, the highest overall average is found in South Oxfordshire. However, the highest “entry-level” prices are found in Oxford at around £220k in 2007.

**Figure 4.5: Average and lowest quartile house prices by district, 2007**

District	Average (£)	Lowest quartile (all properties) (£)	Lowest quartile terraces only (£)
Cherwell	233,300	157,900	150,300
Oxford City	311,000	216,700	220,700
South Oxfordshire	400,200	209,000	193,000
Vale of the White Horse	303,100	199,000	180,000
West Oxfordshire	284,400	191,800	185,000
Oxfordshire	306,400	194,900	218,968

Source: Home track, May 2007

- 4.2.5 The figures for Oxfordshire clearly show that turnover has been declining in the County since 2001. Nationally the percentage of private stock being sold each year has fallen from 5.25% to 4.5% in 2005. The Oxfordshire authorities have seen a sharper fall to around 3.75%; although the profile is slightly different in Cherwell, where turnover has been higher than the national average - at 7% in 2001 and falling to 4.75% in 2005.
- 4.2.6 The figures for 2006 indicate a further sharp fall in the number of properties coming on to the market in Oxfordshire with total sales of 13,229. The supply of entry level properties is even smaller with for example only 16.7% of properties on the market being terraces under £200K.
- 4.2.7 This is critical, as it means that not only are property prices high and rising in Oxfordshire, but that the supply of homes, and of the potentially more affordable homes within the County, are declining<sup>14</sup>.

### 4.3 Overcrowding, vacant dwellings and second homes

- 4.3.1 There is some overcrowding in the Oxfordshire local authorities but this is well below the regional average. The highest levels of overcrowding in the County are found in Oxford (5.6% of homes are overcrowded). This is slightly below the regional average (5.9%), but well above the national average. Indeed, Oxford is ranked the third worst district in the South East and the 28th worst district in England and Wales<sup>15</sup>.
- 4.3.2 Under-occupation is above the national average in the four districts, indicating that the majority of housed people have accommodation exceeding the minimum space standards. While Oxford has a lower percentage of households under-occupying than the national average, this still represent 68% of all accommodation.
- 4.3.3 Turning to the use of the stock itself, there is a very high occupancy rate of the existing stock. Some 97% of dwellings are permanently occupied, above the national average. The County performs well on both measures that comprise occupied household space: vacant dwellings and second homes – falling below the national average on both. However, this means that there is little scope to improve the efficiency of the existing stock in order to meet housing requirements; at any one time only around 6,000 dwellings are empty across the whole of the County, with a further c. 1,600 being used as holiday homes.

### 4.4 House conditions

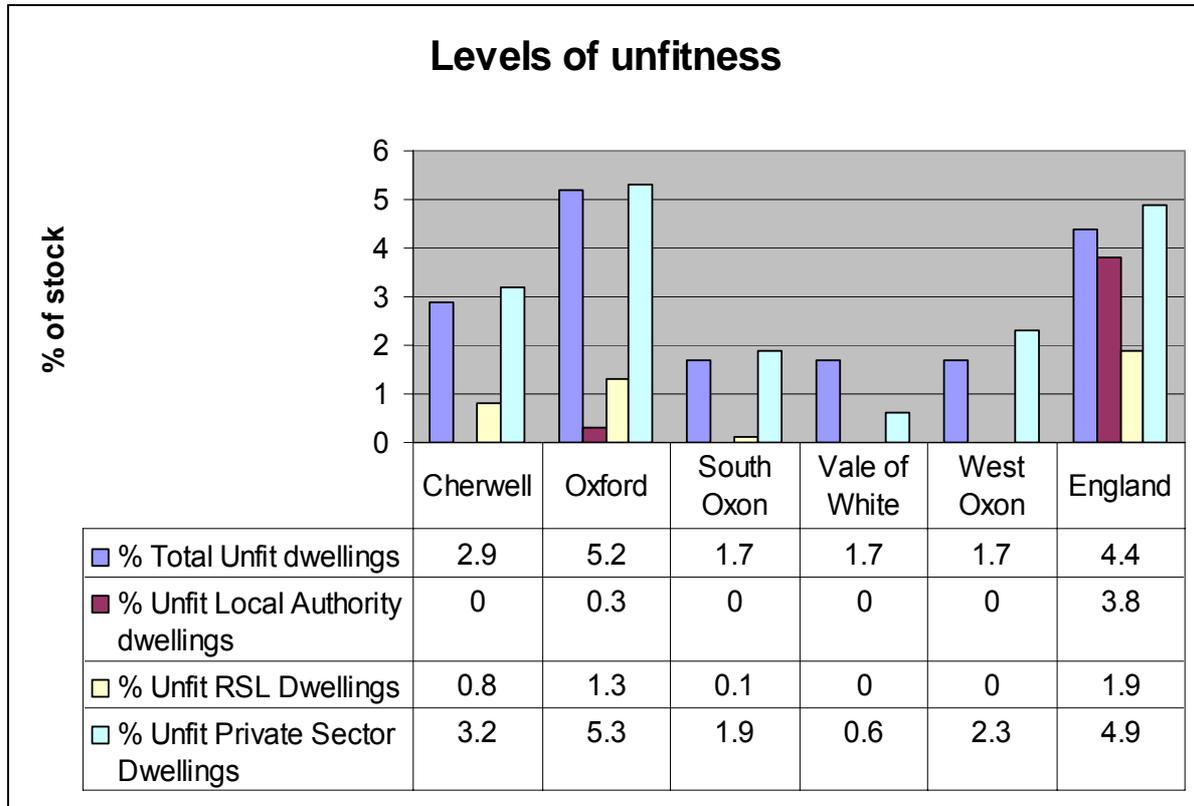
- 4.4.1 The comparison of Oxfordshire with other districts across the South East region indicates that there are relatively higher levels of unfitness to address across the County, particularly in Oxford. For example, Oxford has the highest number of properties in the South East (and the 5<sup>th</sup> highest in England and Wales) identified as having no access to a private bathroom. The highest levels of unfitness are to be found within the private sector.
- 4.4.2 However, as the table below demonstrates, levels of unfitness in the four districts are below the English average.

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<sup>14</sup> There are of course some properties to be found at relatively low prices, for example, in areas around regeneration areas and properties themselves in need of improvement.

<sup>15</sup> Regional Housing Strategy 2006

**Figure 4.8**



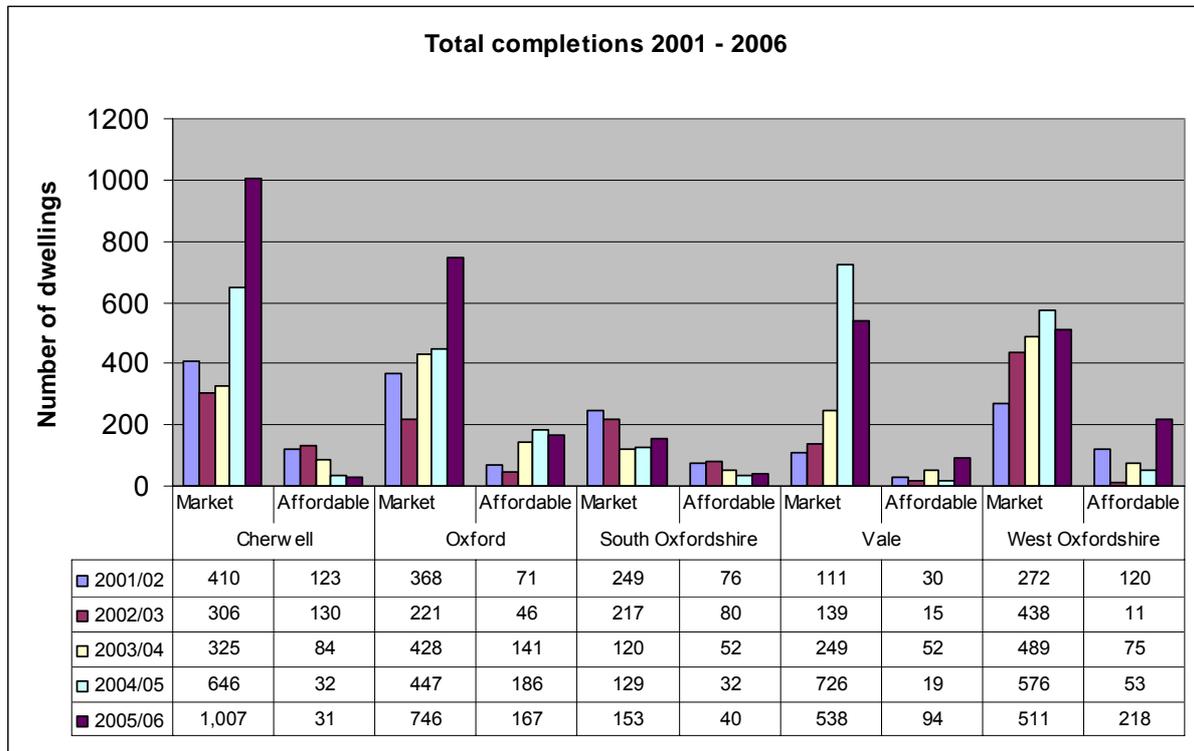
Source HIP / HSSA return for 2004/05. Figures as at 1/4/2005

## 4.5 House building

4.5.1 There were 10,916 new build completions in Oxfordshire between 2001/02 and 2005/06. When the numbers of conversions are added, total completions are 11,799. Overall 14.8% of completions were for affordable housing. This gives an average over the past five years of 2,360 completions per year, with 12.4% for social housing.

4.5.2 The target for completions for 2006 onwards (to 2026) in the draft SE Plan is 2,360 per annum. Past performance appears in line with the proposed target. However, it is falling short on the affordable housing component, which is likely to be between 30% and 40%. Moreover, it is clear from Table 4.7 that a substantial contribution to the 5 year average has come from completions achieved in the last two years – building rates in the first three years fell far short of the proposed target level (at between 1,600 and 2,000 units per annum). Consequently, it is unclear whether the target levels can be sustained and whether the required levels of affordable housing will be achieved.

Figure 4.9<sup>16</sup>



**4.6 Key issues:**

- Despite high house prices in the area, home ownership is the dominant tenure in the rural districts, and is well above the English average – this profile is typical of rural areas. In Oxford home ownership is the majority tenure, but well below the English average; renting is above average.
- There is significant variation in house prices between wards. However, there is no evidence of low price areas; all areas have high prices relative to the national average. Smaller property and entry level property prices are highest in Oxford, while larger property prices are highest in South Oxfordshire.
- Turnover has been declining across the County over recent years, limiting the housing options for households seeking housing in the County.
- The levels of empty properties and second homes are below the national average indicating that the housing stock is in close to full use.
- Average build rates are below those required to achieve the proposed targets for the County and levels of affordable housing achieved are below those required.

<sup>16</sup> Includes new build completions and properties generated by conversions. More up-to-date figures indicate that Vale has completed in the region 290 affordable units over the period 2001/02 – 2005/06, rather than the 210 indicated here. Updated figures for Cherwell indicate that total completions for 2004/05 were 677 not 678 and for 2005/06 were 1,067 not 1,038, while affordable completions in 2005/06 were 61 not 31. Further, Cherwell are awaiting an appeal decision (expected by 21 November 2007) which might reduce 05/06 completions by c. 300 dwellings.

## 5 Analysis of sub-markets

5.1.1 In this section we consider a number of sub-markets within the overall Oxfordshire housing market:

- Rural housing markets
- Oxford City
- The housing markets around Cherwell and in the Southern Central Corridor
- Private rented sector and the buy-to-let sectors

5.1.2 This section part addresses the requirement of the 2007 guidance expressed in core output eight.

“Estimate of household groups who have particular housing requirements e.g. families, older people, key workers, black and minority ethnic groups, disabled people, young people etc”.

5.1.3 In section 6 we consider housing issues affecting key household types to address the other parts of this core output.

### Rural

5.1.4 Drawing on the secondary data to develop a clear overview of housing needs in rural areas is problematic: price and turnover data are too thin to provide an accurate picture of the private sector “market”, and the lack of social rented sector means that housing list data are unreliable measures of need for affordable housing. The task is further complicated by the fact that rural housing markets can be extremely localised – because of transport and the structure of facilities. More local investigation is required to build up a picture of the nature of rural areas – to understand the structure of the micro market (if one exists), linkages with neighbouring micro markets, and with market towns and other housing markets/employment centres. Great care must be taken not to double count across studies, and not to generalise from “worst case situations”<sup>17</sup>. Nonetheless, a number of key messages have been extracted from the available data.

5.1.5 The Regional Housing Strategy (RHS) recognises 450 rural settlements in Oxfordshire<sup>18</sup>, accounting for 19% of the rural settlements in the region. Almost half (49%) of the population of Oxfordshire live in a rural settlement making it the most rural county in the South East.

5.1.6 Typically the rural housing stock comprises disproportionately fewer smaller properties than are found generally. Instead, the property mix tends to be skewed towards the more expensive property types (larger properties and houses rather than flats). In low/medium priced rural areas this may not be a problem as a bottom/affordable end of the market will tend to develop – poorer quality houses, those in less attractive areas, those with smaller rooms, and so on, will be affordable despite being houses rather than flats/terraces. However, work undertaken by Oxfordshire Rural Housing Enablers suggests that although factors such as quality and location influence price differentials across Oxfordshire, the base price of rural housing is high – the stock quality is good and demand is strong. Thus even at the “bottom-end”, prices remain fairly high, making it difficult for new households to access housing in their local area.

5.1.7 Access to affordable housing is therefore a key concern in rural areas: the RHA identified

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<sup>17</sup> Rural areas with greatest housing need tend to undertake such studies first...

<sup>18</sup> Defined as settlements of fewer than 10,000 people

17 of the 19 least affordable areas in rural areas. There are two factors affecting access to affordable housing in the rural areas – price and supply. The lower quartile price for the Oxfordshire districts is c. £189,400 (Hometrack May 2007). This represents **all** the available supply – across all prices and locations (including market towns) in each district. Some of the more rural wards had few properties coming onto the market, some had none at all. For example in West Oxfordshire in 2006, 47% of all turnover was in two market towns, while seven wards had no turnover (Hometrack).

- 5.1.8 Access to the rented sectors is also limited in the rural areas. Typically, rural parishes have low levels of social rented stock: 165 rural parishes have either no social rented housing or less than 10% social rented housing; while just three have over 35% and a further nine have over 20% social rented housing (Fisher 2004). Further, the total stock of private rented sector housing outside of the market towns is below the average for the county as a whole. Lack of move-on options also means that there is below average turnover of these PRS properties, adding to supply problems. Critically, this means that households that cannot access the owner occupied sector have very limited opportunities to access accommodation via the rented sectors.

### Oxford City

- 5.1.9 As discussed above, the structure of housing in Oxford, together with the socio economic influences on the local housing market result in the city have a distinct set of housing characteristics, when compared with the rest of the County. The key points are highlighted below.
- 5.1.10 **Tenure structure** The tenure structure of the city differs from the County – and from England – in that it has a relatively low level of home ownership and a correspondingly high level of renting, in particular, a high level of private renting. This enables the market to offer the greater flexibility to respond to the student population and in-coming workers; and, in part linked to this, it facilitates moves into and through the owner-occupied sector (by providing short-term accommodation before and between moves). As will be highlighted in Section 7, the private rented sector plays a key role in providing accommodation where there are supply shortages in the owner occupied sector, and an alternative to owning when prices are too high.
- 5.1.11 **Private renting and the student market** The high levels of private renting will be strongly associated with the student population in the city. Oxford has the highest number of students as a proportion of the local population of any place in the south east region and the second highest in the country after Cambridge. A significant number of students are housed in accommodation provided by their university. The others will mainly rely on the private rented sector to meet their accommodation needs. Student housing issues are primarily around being able to secure accommodation – in a market that moves very quickly at the key times of the year – and being able to secure reasonable accommodation at a reasonable price. The student sector plays a key role in the private rented sector – it forms a core component of the sector, and impacts out into the wider private sector, in terms of the general availability of accommodation.
- 5.1.12 **Owner occupation - and access to the housing market** Although Oxford is not the highest priced authority in the County, entry level house prices are high – both when considered in terms of house type (the price of smaller properties) and price (the lower quartile price in Oxford is higher than those for the other districts). Thus, getting a “foot on the housing ladder” in the city is expensive – at around £220k<sup>19</sup>. High prices for properties at the bottom end of the market are likely to be an impact of the student market; as smaller dwellings and bottom end dwellings (such as larger properties able to be turned into HMOs) make ideal rental properties and are therefore sought after by

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<sup>19</sup> May 2007, lower quartile prices for terraces, Hometrack

landlords and developers.

- 5.1.13 The demand for affordable housing is compounded in the City by the lack of suitable development land in part resulting from restrictions placed by the Green Belt. This combination of high demand and limited land supply means that house prices per square metre in Oxford are the highest in the county.
- 5.1.14 **Black and minority ethnic (BME) households** Oxford also has a much larger BME population than other parts of the County, resulting in the need to address a more diverse set of housing needs than required elsewhere. In part, this profile will be a consequence of the University, so part of the BME population will be students living in the PRS; however, part will be family households living in mainstream housing, and intending to stay in the city for some time.
- 5.1.15 **Links with the city's economy** The city's economy is buoyant, and the diverse housing market is appropriate to support the current and developing economy. Although as commented on above, access to housing is becoming increasingly unaffordable. As with many cities, the Green Belt that surrounds the city does limit the extent of housing (and industrial/commercial) development, within the city itself. The city's workforce is not entirely resident within the city – hence the pronounced transport issues that face the local area on a daily basis. Housing opportunities – and particular opportunities to enjoy an enhanced environment/neighbourhood – can present outside the city, while continuing to work within the city. Thus, the Oxford housing market does extend beyond the city limit.
- 5.1.16 **Deprivation** Not all households in Oxford share in the city's buoyant economy. Unlike other parts of the County, there are significant pockets of deprivation within the city: the ONS measurement at sub district levels indicates that 12% of the sub-areas in Oxford are in the 20% most deprived in the country, while only 8% are in the 20% least deprived. Elsewhere in the County there are no sub-areas in the 20% most deprived. This clearly has implications for the need and demand for social rented and affordable housing in the city.

## 5.2 The housing markets around Cherwell and in Southern Central Oxfordshire

### Cherwell

- 5.2.1 The housing market in Cherwell and in particular Banbury exhibits some distinct characteristics that led the SEERA (DTZ) report to identify it as potentially outside of the Oxfordshire housing market area.
- The travel to work and migration data indicate a strong link with the East Midlands.
  - Banbury represents a significant employment and retail centre separate from Oxford.
  - House prices follow a different pattern, with average prices lower than those for the rest of the county but also rising faster than the rest of the county.
- 5.2.2 However, there is also a strong connection between Cherwell and Oxford. Despite the travel to work and migratory data linking Cherwell with areas outside of Oxfordshire it also shows that the strongest relationships between Cherwell and Oxford.

### Southern Central Oxfordshire

- 5.2.3 The most significant economic and housing development activity outside of Oxford and Banbury is centred on the southern part of central Oxfordshire, which includes the towns of Didcot, Wantage and Grove. Didcot has been identified by the CLG as a national growth point for housing and is the nearest town to the expanding employment sites of Milton Park and Harwell Science and Innovation Centre. The travel to work data also

reveals that there is already a significant movement of people the Southern Central Corridor, representing one of the main exceptions to the Oxford-centred travel patterns in the county.

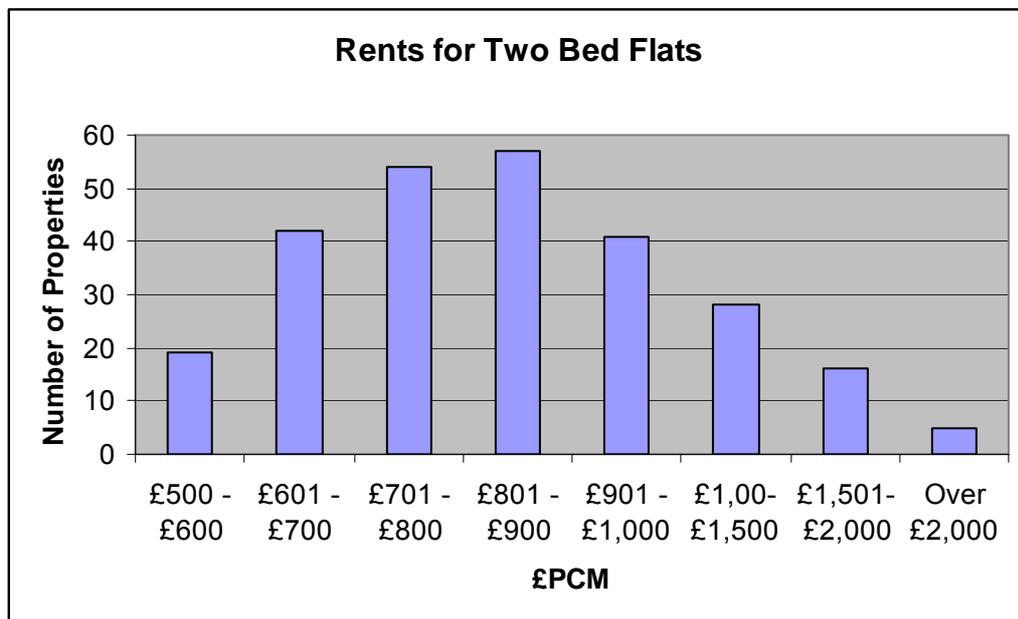
### 5.3 Private rented sector and Buy-to-let

- 5.3.1 There is a buoyant private rented sector (PRS) in Oxfordshire. The recent increases in house prices have led to an increase in the numbers of people looking to rent as an alternative to buying – either because they now cannot afford to do so, or because they prefer to defer. In particular there has been a rise in activity at the top end of the rental market and continued interest in Buy-to-let. However the increases in property market values also means that landlords are typically achieving a reduced rate of return, as rents are not rising commensurately. Nonetheless – for many landlords, the investment potential (that is, long-term capital growth) is more important than the short term rate of return, which generally serves to maintain PRS supply at a time when demand is increasing.
- 5.3.2 The PRS market in Oxfordshire has a number of distinct segments:
- Oxford and the market towns
  - Rural lets
  - Letting by rooms
- 5.3.3 The bulk of the activity is centred in Oxford, which has a diverse PRS, including the professional market, the student market, and the Housing Benefit market. However, each of these markets is dominated by one and two bed flats, albeit in somewhat different types/qualities of property/area.
- 5.3.4 The PRS in Banbury has been much less diverse, more focused towards the cheaper end of the market. However, the upturn in the PRS market is leading to a broadening of the scope of the market.
- 5.3.5 The rest of the main PRS activity lies within the key market towns including: Bicester, Abingdon, Kidlington, Witney, Faringdon, Thame, Wallingford, Didcot and Wantage.
- 5.3.6 Rents are not cheap. Analysis of the c. 2,600 two bed properties being advertised at the end of 2006<sup>20</sup> suggests that around three quarters of the properties on the market have an asking rent of between £600 and £1,000 pcm, with a median point of around £800 pcm. The higher prices are to be found in Oxford and in the south at Henley-on-Thames (the most expensive property at Henley at £5,500 pcm) whilst the cheaper prices are to be found at Faringdon, Banbury and Bicester.

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<sup>20</sup> Analysis based on the rents details from the 88 Oxfordshire letting agents advertising (2,621) 2 bedroom properties on the Rightmove website in November 2006.

Figure 5.2: Private Sector Rents



**Buy To Let**

5.3.7 The buy-to-let (BTL) market has become a significant source of rental property across the country serving 5-6% of all households. The biggest BTL region is the South East with 27.6% of the BTL market share. The buoyant PRS in Oxford in particular and the sharp house price increases in the county generally has provided fertile ground for BTL development in the county as in other parts of the south east.

5.3.8 The Council of Mortgage Lender’s own surveys indicate that over 91% of investors are seeking long term (10 – 15 year) capital gain and 80% of investors are not intending to sell even if prices fall in the short term. Whilst some anecdotal evidence from auction house indicates that around 50% of all recent repossessions are from BTL investors; CML figures show that arrears amongst BTL investors has actually fallen during the last two years<sup>21</sup> (CML 2006). This would indicate some stability in the supply of BTL properties over the coming years.<sup>22</sup>

**5.4 Key Issues:**

**Rural housing**

- Almost half of the Oxfordshire population live in a rural settlement. This is an extremely high percentage compared to the South East or to England.
- While house prices vary significantly across the County, there is strong evidence of high prices in many rural parishes. Further, and critically, access to affordable housing is restricted by the very small number of properties coming on to the market. Alternatives to home ownership are limited: there are now few social rented sector properties in the rural areas; the private rented sector (beyond tied

<sup>21</sup> Repossessions overall equate to just 0.06% of all BTL mortgages.

<sup>22</sup> Unfortunately no data are currently available from either the CML or ARLA to allow a more precise assessment of BTL in the Oxfordshire local authorities.

housing in some parts) tends not to be well developed and can be relatively expensive.

- Newly forming households are generally restricted to the main market towns, where the main turnover of owner occupied housing is focused, or are forced to leave rural areas.

### Oxford City

- As with most cities, the housing system in Oxford is diverse, serving a wide range of households: there is a vibrant private rented sector, much of it serving students, but possibly also serving workers in the city's buoyant economy; the owner occupied sector is relatively small, and access at the bottom end is expensive; many of the city's workers live elsewhere, resulting in marked transport problems for the city; and there are pockets of deprivation, where the benefits of the city's economy have not permeated.

### Cherwell and the Southern Central Oxfordshire

- Although on balance, the County of Oxfordshire is a self-contained housing market, there are some areas which function somewhat differently. The Oxford and rural areas (and the possibility of rural micro markets) were discussed above. Two other areas stand out:
  - The housing market area around Banbury has relatively strong links with the East Midlands - Northampton and Milton Keynes in particular. These links operate in both directions, with households moving in and out of the County from the East Midlands, and workers travelling in both directions to work. However, numbers are still relatively small. Further, Banbury provides an alternative to Oxford for community activity – for shopping in particular. As further economic development of the Cherwell area continues, economic development in Milton Keynes continues and transport links improves; the nature, strength and direction of links will need to be monitored.
  - In Southern Central Oxfordshire, flows in and out of the County are much more modest. Of greater interest is the potential economic and housing growth along the corridor, including Didcot, Wantage and Grove. Indeed, there is already evidence of east west travel, representing one of the main exceptions to the Oxford-centred travel patterns in the county. Any significant new development is only likely to increase this movement.

### Private rented sector

- The Oxfordshire PRS is differentiated and buoyant. The sector focuses on the Oxford and Banbury markets, as well as lesser activity in the market towns. Buy-to-let has been a significant source of new private rented supply in the south east, again, particularly in the Oxford area. Clearly, any change in the BTL market – for example in response to a continued interest rate rises – would have implications for the supply of properties in the city<sup>23</sup>.

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<sup>23</sup> It is our view that a further rise in interest rates over the next year is likely. While such a rise would be unlikely to effect existing landlords' position on remaining in the sector (rate of return being less important than capital gain), if the increased cost of borrowing cannot be set against increased rents, this may result in increased possessions, thus reducing the supply of properties.

## 6 Assessment of housing support issues in relation to HMA

This section part addresses the requirement of the 2007 guidance expressed in core output eight.

“Estimate of household groups who have particular housing requirements e.g. families, older people, key workers, black and minority ethnic groups, disabled people, young people etc”.

### 6.1 Homelessness

- 6.1.1 The level of homeless acceptances in the County has been falling over the last four years, both in absolute terms and when considered as a ratio of the overall population. Further, as the table below shows, levels of homeless acceptance are generally low in the county, with three of the five districts having rates of acceptances below that for the region as a whole. However, homeless rates are considerably higher than the regional average in Oxford, at just under 7 people per 1,000, compared with just under 3 people per 1,000 for the region as a whole (and under 2 per 1,000 in South and West Oxfordshire and in the Vale).
- 6.1.2 Reliance on temporary accommodation is generally falling, although it is continuing to rise in Cherwell. However, use of temporary accommodation in Cherwell and Oxford is significant – in both districts there are more people in temporary accommodation than were accepted as homeless in the previous year (around 2.2 households currently in temporary accommodation per household accepted as homeless) indicative of very long waiting periods prior to rehousing.

**Figure 6.1: Homeless acceptances and temporary accommodation placements, 2002/03 – 2005/06**

District	2002/03	2003/04	2004/05	2005/06
<b>Homeless acceptances per 1,000 population</b>				
Cherwell	4.9	3.8	5.6	3.3
Oxford City	10.4	6.8	6.7	6.8
S Oxfordshire	5.2	2.8	1.8	1.3
Vale of White Horse	3.1	3.5	2.4	1.9
W Oxfordshire	1.6	2.5	2.4	1.5
South East Region	4.3	4.5	3.7	2.7
<b>No. accepted as homeless</b>				
Cherwell	266	210	310	179
Oxford City	570	382	376	379
S Oxfordshire	273	149	98	69
Vale of White Horse	145	163	114	89
W Oxfordshire	61	98	94	59
<b>No. in temporary accommodation</b>				
Cherwell	223	262	353	394
Oxford City	944	1,109	924	861
S Oxfordshire	162	161	115	99
Vale of White Horse	313	224	186	162
W Oxfordshire	13	35	24	21
Source: CLG from Regulatory and Statistical Returns, various years Note1 – this is a snapshot figure of the number in temporary accommodation as at 31/3 each year.				

## 6.2 Supporting people client groups

### 6.2.1

Oxfordshire's Supporting People Strategy 2004-2009 provides direction for the provision of housing and support for vulnerable groups across the county. Key issues include:

- **Young people at risk and care leavers:** most services for young people are located in Cherwell (60%) and to a lesser extent in Oxford (24%). There is a clear lack of direct access and emergency provision outside of Banbury and Oxford for this group.
- **People with learning disabilities:** there are approximately 1,800 people within the county over the age of 18 with severe to moderate learning disabilities known to Social Health and Care. While people with learning disabilities live in a range of housing types and tenures, those in independent housing tend to live in social rented homes.
- **People with physical disabilities:** services are almost all in Cherwell, Oxford and South Oxfordshire. In addition Home Improvement Agency services are also available to this group.

- **People with mental ill health:** 71% of the funding supports services in Oxford, with very low levels of provision in the other districts. There is a lack of move-on accommodation available for this group.
- **People who are substance users:** over half of the funding supports services in Oxford. There are no services provided in West Oxfordshire or South Oxfordshire and very minimal services in Cherwell.
- **People leaving prison:** a potential source of housing need arises from people leaving prison. Of those discharged from Thames Valley prisons to Oxfordshire in 2003/04, only around a fifth were not released to permanent accommodation.

### 6.3 Older people

6.3.1 The growth in the population of older people, and particularly of those aged 75 and over, will have implications for the type of housing that is required and for the services that will be needed to support people in independence and for care services.

6.3.2 As figure 6.3 shows, although the older population is forecast to grow substantially in all districts, this growth is substantial in the rural districts outside of Oxford. An average growth of 39% is forecast over the next 20 years for people in the 65 – 69 age groups while the 75 and over population is forecast to increase by more than 60% in each of the districts over the 20 year period to 2026. However, the growth in Oxford is more modest, at just over 20% for the same time period.

**Figure 6.3: Changes in population of people aged 75+, 2006 – 2026 (2004 baseline), (000's)**

Local authority	2006	2011	2016	2021	2026	% increase 2006-2026
Cherwell	9.1	10.1	11.4	13.6	16.5	81.3
Oxford	9.0	9.0	9.1	9.7	11.0	22.2
South Oxfordshire	10.1	11.1	12.3	14.3	16.8	66.3
Vale of White Horse	9.3	10.2	11.4	13.1	15.3	64.5
West Oxfordshire	8.4	9.2	10.3	12.1	14.4	71.4

Source: ONS 2004 based sub national population projections

6.3.3 It will be critical to ensure that appropriate housing and support are available for this household group, to enable them to remain independent and/or to live in homely environments in the community, for as long as possible. The forthcoming analysis of costs and benefits of the Supporting People programme in England (as well as similar studies undertaken in Scotland and Wales) points to substantial cost savings that can be achieved by providing appropriate housing support for older people; it also points to the quality of life benefits generated by such support<sup>24</sup>

6.3.4 The Supporting People Strategy highlights that there is currently a poor fit between

<sup>24</sup> None of these reports are yet published, so references are not available.

existing services for older people and the strategic objectives of the Supporting People programme, although the authorities are now working to develop a strategic response to improving services and service development.

- 6.3.5 The Supporting People Strategy identifies that services are not currently targeted at reducing hospital admission times, and few sheltered housing schemes are able to assist residents who have fallen. Access to sheltered accommodation in the County is generally on the basis of housing need and not support needs. Clearly, this could be improved through better targeting of existing services and the development/direction of services to support more vulnerable older people. The Strategy notes that there is also scope to develop floating support services which would improve access for those living in rural areas.
- 6.3.6 Increasingly, there is development of specialist and/or sheltered housing for older people in the private sector. The high property values and the aging population would mark Oxfordshire as a target for such developments; the rurality, costs of development and constraints on development may however restrict opportunities. Nonetheless, at least one such scheme is already underway on the edges of Oxford (for the over 50s). More specialist “retirement villages” may follow.
- 6.3.7 Finally, social rented sheltered housing could play a role in the wider housing system; it could contribute towards the release of family accommodation in the social housing sector by providing an alternative for older people who are under occupying their property. However, for this to be a realistic option, the sheltered housing available would have to meet older people’s requirements, and would have to “offer” something that their current housing lacks – typically an acceptable standard/level of support at a reasonable cost, within a good environment and in good quality accommodation.
- 6.3.8 It is clear that addressing the needs of older people is a critical issue for the County – older people represent a significant and growing component of the population. While, the vast majority of older people continue to live in mainstream accommodation, some require housing support to do so, and others will need (or want) to move into smaller or specialised accommodation for health, financial or some other reason. Over recent years the housing expectations and aspirations of older people have changed – they expect a much higher standard of housing and a much greater say in decisions about their accommodation and support. At the same time, new technologies, new models of provision and support, and the much greater involvement of the private sector in the provision of accommodation and support, have resulted in a much wider set of options that can be taken into account when developing an older persons housing strategy for the area.

## 6.4 Black and minority ethnic (BME) communities

- 6.4.1 BME communities<sup>25</sup> represent 4.8% of the overall County population. The largest ethnic group are people of Indian origin (0.7% of the population). In Cherwell 0.8% of the population is of Pakistani origin, focused mainly in Banbury.
- 6.4.2 Oxford, at c. 13%, has a higher percentage of people from BME groups within its population than the regional or national average. It has the third largest level of BME population in the South East region after Slough and Reading. The student population will of course have some influence on the Oxford BME profile. The largest BME groups in Oxford are people of Pakistani origin (2.2% of the population), Indian origin (2.1%) and Chinese origin (2.0%).
- 6.4.3 Notably, while the total BME population in the city is around 13%, some 35% of Oxford’s

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<sup>25</sup> Figures based on the 2001 Census

homeless households are from BME groups. Further, not only are BME groups in Oxford more likely than other households to present as homeless, the Oxford BME homeless rate is higher than the English BME homeless rate (which is “just” 25%)<sup>26</sup>.

## 6.5 Key issues

- The number of homeless acceptance has been declining, due in part to the increased use of preventative measures, and rates are below the regional average. However, homeless rates among BME households are particularly high – both compared with rates generally in Oxfordshire and when compared with rates for BME homelessness in England.
- The use of temporary accommodation has generally been falling, although in Cherwell and Oxford continues to be substantial, indicative of long waits for move-on accommodation.
- There is scope for the development of a wider range of housing related services to support those with special housing needs. The greatest challenge will be in the provision of services to older people including options such as extra care housing and floating support to enable people to continue to live in their own homes.
- Whilst the overall numbers of Supporting People clients is small, these households are more likely than the general population to be social renters – they are therefore reliant upon an adequate supply of good quality, (often accessible) affordable rented homes being available.

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<sup>26</sup> Homelessness Strategy for Oxford 2003-2008

## 7 Assessment of the future housing market

7.1.1 The final section of the report draws together key information from the previous sections, to develop a set of forecasts for the housing market over the next 10 and 20 years. The section is in four main parts:

- We start by considering the available information on current (backlog) housing need
- We then move on to lay the groundwork for the analysis of new need, by drawing together the key economy and demographic information from previous sections
- We summarise some of the emerging information around need for affordable housing
- And conclude by developing a set of housing market projections that draw out requirements for affordable and market housing in Oxfordshire

### 7.2 Current need

7.2.1 This is specified as one of the core outputs of an HMA – core output 4.

*“Estimate of current number of households in housing need”.*

7.2.2 Currently the Oxfordshire authorities do not have a robust set of housing list data that provides an accurate estimate of housing need in the area. The figures that are available suggest that the level of social rented demand ranges between 14.4 applicants per let in Cherwell to 3.1 applicants per let in Oxford. However, the accuracy of these figures is in some doubt. It is not clear how much double counting or dead-wood there is in these figures, nor which, if any, of the lists that make up the totals include applicants that are not in housing need. We would also note the obvious – that housing lists will never be a useful indicator of need in areas where there is little or no social rented stock, as households, no matter how desperate they are, will not see the point in applying for housing that does not exist.

7.2.3 Housing needs surveys can provide a more in-depth and comprehensive assessment of housing need – in particular they can seek out households in need that are not on the waiting list and profile these households (including reasons for not applying to the housing register). Critically, the surveys can adopt rigorous research methods that permit extrapolation to the whole local authority population.

7.2.4 Each local authority has commissioned (or updated) a housing needs survey in the last three years and the results of these are summarised in Table 7.1. We would stress that these surveys were carried out at different points in time, by different contractors, using different methodologies, so the outputs are not directly comparable.

7.2.5 As with the housing list data, there are some concerns with using housing need survey figures to develop the housing market estimates. In particular there were difficulties in getting accurate housing needs data – typically around sampling strategies and data collection (households in need are a very small part of the total population, and will often not be the household that is being interviewed, but a “hidden household” requiring proxy data to be collected), as well as double counting across components of the calculation.

7.2.6 The 2007 Guidance suggests that an alternative estimate of current housing need can be obtained from secondary sources: homelessness data, overcrowding data and temporary accommodation data. The results of this approach are given in Table 7.1, alongside the

housing needs studies figures for comparison. In the modelling we have used two sets of outputs: one based on the “Tribal” estimate of current need (using the method suggested by Guidance) and one based on the current need estimate from housing needs studies.<sup>27</sup>

**Table 7.2: Current housing need (backlog) calculations: Alternative calculation and survey-based**

Local Authority	A Total over-crowding <sup>1,2</sup>	B Adjusted over-crowding figure <sup>3</sup>	C Homeless acceptances <sup>4</sup>	D Numbers in TA <sup>4</sup>	E Homeless at home <sup>4,5</sup>	F Current need from alternate calculation <sup>6</sup>	G Current need from Housing Needs Surveys <sup>7</sup>
<b>Cherwell</b>	2,604	1,302	179	394	0	1,875	450
<b>Oxford</b>	6,102	3,051	379	861	6	4,297	1,570
<b>S Oxon</b>	2,027	1,014	69	99	15	1,197	1,450
<b>Vale</b>	1,795	898	89	162	0	1,149	580
<b>W Oxon</b>	1,403	702	59	21	3	785	1,400

Notes

1. Households requiring more than one extra room 2001 Census
2. Some of those currently in overcrowded households may also form some of the households identified as newly forming households.
3. Not all overcrowded households would be seeking new accommodation, adjustment of 50% therefore made to reflect this
4. CLG HSSA figures 2005/06
5. There is the potential here for double counting as some overcrowded households may have been accepted as homeless and may also be currently homeless at home.
6. F = B+C+D+E
7. Cherwell Housing Needs Study 2004, Fordham Research; Oxford Housing Requirements Study 2004, Fordham Research; South Oxfordshire Housing Needs Study Update 2004, Fordham Research; Vale of White Horse Housing Needs Survey Update 2005, Fordham Research; West Oxfordshire Housing Needs Survey Update 2004, David Coultie Associates Ltd.

### 7.3 Future household numbers

7.3.1 The next stage is to understand the level of new need. The guidance suggests that the future forecasting is undertaken in four steps:

1. Projections of changes in future household numbers
2. An assessment of future economic performance
3. An assessment of affordability issues
4. ‘Bringing it all together’ - identification of high level messages about the key trends and drivers and an estimate of the scale of the requirements for future housing and the likely changes to affordability.

7.3.2 Some of these issues have already been covered in detail in previous sections, so we merely summarise the key points here (and refer back to the appropriate point in the report). However, for completeness, we do touch on all issues in this section.

<sup>27</sup> In the modelling the Tribal current need estimates form the basis for the “A” scenarios, while the housing needs estimates form the basis for the “B” scenarios.

### Household growth

7.3.3 Information on net household growth within Oxfordshire was addressed in section 2. The key messages to emerge from this analysis are as follows.

- Household growth is continuing across the County. The rate of household growth is greater than that for population growth, as a consequence of decreasing household sizes and the growth of single person households.
- The age structure of the population is continuing to shift towards older people, with a pronounced growth in households headed by someone aged 85+.
- The Oxfordshire housing market is relatively self-contained. Almost all the migration is movement between Oxfordshire authorities – this accounts for some 89% of all in-authority movement

### Future economic performance

7.3.4 The economic conditions pertaining to Oxfordshire were addressed in section 2. Of particular significance are the following findings.

- The local economy is robust and buoyant. We would certainly expect continued growth and an increase in local jobs. This places pressure on the local housing market to respond by increasing capacity if house price growth is to be contained and in-commuting is to be managed (thus protecting against adverse environmental outcomes).
- It is possible that lack of suitable housing may limit economic growth – business park ventures and growth of existing businesses can be particularly vulnerable to housing constraints – although location and proximity to transport networks will play a key role in such decisions.
- Whilst overall numbers of inward migration are relatively low, incoming households are important to maintain the growth in the local economy as the current population appears close to full employment.

7.3.5 The analysis of demographic or economic drivers suggests that a fall in demand is unlikely. Indeed, the indicators suggest potential for increased pressure on the housing market: in particular, in-migration may be a response to employment growth, which will continue to place pressure on housing supply/prices<sup>28</sup>, while the Oxfordshire housing market is likely to continue to be an attractive source of housing to buyers from the south and west, which will continue to place an upward pressure on prices.

### Affordability

This sub section part addresses the requirements of the 2007 guidance for core output 5.

*“Estimate of future households that will require affordable housing”*

7.3.6 Oxford city has been identified as one of the least affordable places in the South East (Wilcox 2006). The position of each authority in relation to the rest of the 67 South East local authorities is as follows:

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<sup>28</sup> In-migration is not the only solution to increasing economic growth – the existing labour force/population can respond in terms of flexibility around hours, movement out of economic inactivity, and so on; and, of course, there can be increased in-commuting.

<b>Table 7.4: Affordability Ranking in Region</b>	
<b>Authority</b>	<b>Affordability ranking in SE Region</b>
Oxford City	10 <sup>th</sup> least affordable
South Oxfordshire	16 <sup>th</sup> least affordable
Vale of White Horse	23 <sup>rd</sup> least affordable
West Oxfordshire	28 <sup>th</sup> least affordable
Cherwell	43 <sup>rd</sup> least affordable
Source: Wilcox 2006	

7.3.7

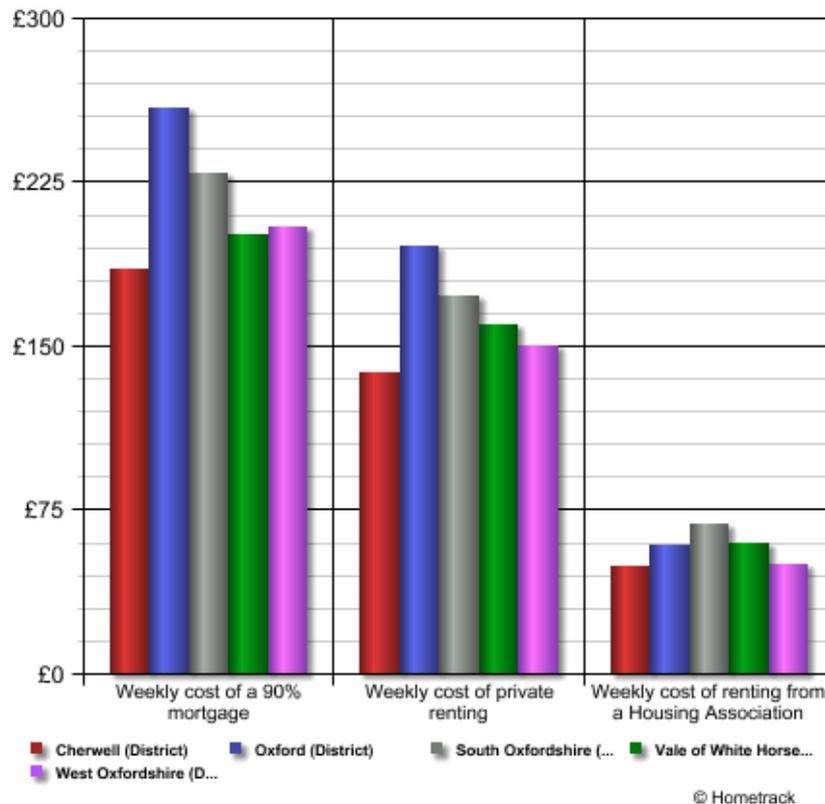
Figure 7.1 indicates the relative costs of buying or renting a 2 bed property in each of the districts in Oxfordshire. Key points from this chart:

- Renting in Oxford is relatively expensive. Indeed, it can be more expensive to rent a property from the private sector in Oxford than it would be to purchase a property in another part of the County.
- There is a pronounced difference between the cost of renting from an RSL and the cost of renting privately or buying. While this is the case across the country, we have seen elsewhere in this report that that the supply of social rented housing is very limited in Oxfordshire, particularly in the rural areas.
- Housing costs appear lower in Cherwell than in the other districts<sup>29</sup> – this applies across all tenures, including the social rented sector.

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<sup>29</sup> We would stress that these are district average costs, and when prices are disaggregated to smaller geographies a more complex price profile is seen. However, highest prices in the county tend to be found in the southern parts of the county, and some of the cheaper prices in the regeneration areas of the larger towns/city. These lower prices found in parts of Banbury are reflected in the private rents.

Figure 7.1: Comparative costs of renting & buying a two bed property May 2007

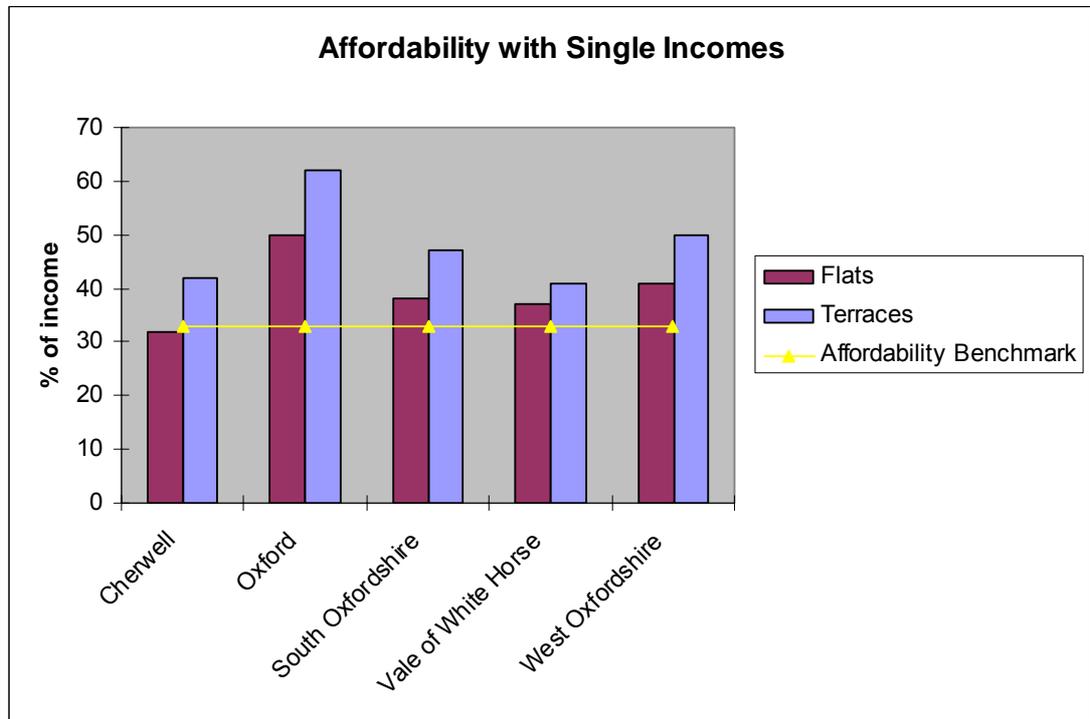


Source Hometrack May 2007

- 7.3.8 There are of course many different ways of measuring affordability (for example, comparing average incomes with average house prices). Our approach, used below, is based on whether people can afford to **borrow enough to buy a property in the local area** and, if so, what type of property, would they be able to afford<sup>30</sup>.
- 7.3.9 Assuming an average household income of just under £25k pa, the only properties that people would be able to afford would be flats in the lower price quartile range in West Oxfordshire and Cherwell (affordability is shown on the chart as the yellow line – households on the average income can afford properties below this line). However, given the generally low levels of turnover in the County, flats in this price bracket in West Oxfordshire and Cherwell will constitute a fairly small number of the properties on the market, and are likely to be found in a fairly limited number of locations within these districts.

<sup>30</sup> The calculation requires that we make a number of assumptions: we have assumed that the interest rate is 5.35%, that households make a 10% deposit and take out a 25 year repayment mortgage. We have assumed that households will have an average income for the county of around £24,000 pa (Source ASHE 2006). House prices are based on the lowest quartile prices for both flats and terraces representing the typical entry level; for first time buyers, based on 2007 prices (source Hometrack).

Figure 7.2: Affordability at lowest quartile prices May 2007



Data sources: Hometrack May 2007, ASHE 2006

7.3.10 Even households with two incomes would find buying a lower quartile two-bed terrace property in Oxford difficult (38% of income). However, two-income households would be able to afford this type of property in the other districts.

## 7.4 Modelling the Oxfordshire housing market

This sub section addresses the requirement of the 2007 guidance for core outputs 5 and 6

“Estimate of future households that will require affordable housing”

“Estimate of future households that will require market housing”

7.4.1 It is a key requirement of the guidance that housing estimates are produced, over a 20 year period.

7.4.2 A crude measure of the measure of supply to demand is to match the potential forward housing supply based on current new build aspirations together with the CLG’s household projections. This produces the following table:

**Figure 7.8 Household projections and stock projections, Oxfordshire**

	2006 (Base)	2011	2016	2026
Households	248,198	267,869	282,262	308,953
Stock	257,275	269,075	278,515	302,115
Stock (growth)		271,748	283,861	312,807
Ratio	1:0.96	1:0.99	1:1.01	1:1.02
Ratio (growth)		1:0.98	1:0.99	1:0.99

Source SEERA (stock figures) and CLG (household data)

7.4.3 However this does not take into account the impact of the backlog figures, the impact of gross household formation or the pressure arising from movements within tenures. The guidance also requires the identification of demand separated out by affordable and market housing. To achieve this, a more sophisticated approach is required.

7.4.4 The approach adopted here has been to model the Oxfordshire housing market. A series of assumptions have been used. Modifying these assumptions allows different scenarios to be tested. The key variables are as follows:

- Current housing need: The estimate of current housing need has been derived from two alternative sources – the secondary data and the housing needs surveys.
- Affordable housing: Levels of affordable housing to be delivered are estimated from past levels of achieved affordable/social housing, as well as from the 30% and 40% affordable housing targets.
- Tenure choice: A range of assumptions of the first choice destination of newly forming households between home ownership and private rented and LCHO have been adopted, based on national information from the Survey of English Housing (SEH)
- New build targets: Two new build targets have been specifically tested: the impact of the Panel recommendations for achieving higher levels of new build in the County (these accommodate the new growth point (NGP) targets; and a significantly higher level of new build (c11,000) units in the south and Oxford. Both these assume the development is delivered over the 20 year planning period.

7.4.5 A total of 16 scenarios have been run for this report. An operational version of the model has also been provided, so authorities are able to continue to update the information in the model and run new scenarios.

7.4.6 A number of issues emerge from the analysis. These are summarised here, while a fuller exploration is provided in the main report together with summary output tables<sup>31</sup>.

7.4.7 We start by considering the findings from the “baseline” scenario (A1)<sup>32</sup>. The clear message is that the Oxfordshire housing market has **excess demand** for housing.

<sup>31</sup> Excel spreadsheets containing the full outputs for each local authority have also been provided.

<sup>32</sup> This uses the Tribal estimates of current need (this is higher for the County as a whole than the estimate produced from the housing need surveys, but the Tribal South and West Oxfordshire figures are lower than the survey figures); uses the completions data based on SE Plan targets, and assumes that 30% of new completions will be allocated to affordable housing.

Overall, once turnover and supply have been taken into account, there is currently a shortfall of 3,200 dwellings per annum. Our analysis suggests that will rise to around 7,500 pa in years 2012-16, and to around 12,500 pa by years 2022-26. Comparing supply with demand, the analysis reveals that there are currently around 1.06 households for every available dwelling; this will rise to 1.19 households per available dwelling in years 2012-16, and to 1.55 household per available dwelling in years 2022-2026.

- 7.4.8 There is marked variation in the degree of shortfall across the different tenures.
- 7.4.9 The shortfall in market housing is currently around 900 homes per year, and will rise to around 5,000 homes per year by 2026<sup>33</sup>. Comparing supply with demand, the analysis shows that, although there is an overall shortfall for market housing, there appears to be an excess supply of private rented housing, and a shortfall of housing for home ownership. These distinctions are currently slight; however, the model suggests they will grow though time. Thus there are currently 0.95 PRS tenants for every dwelling and 1.04 home owners for every dwelling, while the model suggests there will be just 0.79 PRS tenants for every dwelling but 1.33 home owner for every dwelling by 2022-26. In reality, there is likely to be further adjustment within the market sector (typically through price), to shift properties and households between tenures, which will serve to reduce these differentials<sup>34</sup>.
- 7.4.10 The shortfall in social rented and other affordable housing is substantial. The analysis suggests that the current shortfall is currently around 2,200 homes per year, and that this will rise to 7,500 pa by 2026<sup>35</sup>. Thus, social and other affordable housing account for around two thirds of the total shortfall, although these sectors comprise less than a fifth of the housing stock.
- 7.4.11 The extent of the social and other affordable shortfall is most easily appreciated when supply and demand are compared. The analysis suggests that there are currently 1.22 households for every social/affordable dwelling available; this will rise to 1.86 households per dwelling during the period 2012-16, and will be around 3.22 households per dwelling by 2022-26.
- 7.4.12 These figures have all related to the baseline scenario A1. Scenario A1 is based on the higher estimate of current housing need, the lowest target levels of development and the lower affordable housing target<sup>36</sup>. We have therefore considered all scenarios, to extract the range of outputs that might be expected<sup>37</sup>. For simplicity, we will just report the supply to demand ratios.
- 7.4.13 All the scenarios suggest there is excess for demand for housing. The range is quite tight – between 1.02 and 1.06 households per available dwelling. The figures clearly suggest that demand is just above supply (between 2 percentage points and 6 percentage points higher).
- 7.4.14 As noted above, the structure of this mismatch is important – the bulk of excess demand is within the social and affordable sectors. When we consider all the scenarios, the

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<sup>33</sup> These figures relate to table 7.7 in the main report

<sup>34</sup> Figures from Appendix H: Summary Tables for Oxfordshire – Scenario Base A1

<sup>35</sup> These figures relate to table 7.7 in the main report

<sup>36</sup> We would argue, this is robust estimate of current need based on the Guidance and the available data. We do not consider that it over-estimates the level of current housing need in the County. We would also note that the development and affordable housing levels are based on the SE Plan Targets, not on actual levels previously achieved. While total completions have reached Plan targets in the last two years, it is unclear whether they can continue to do so for a sustained period. Affordable housing levels have never reached anything like Plan targets. Further, some sites might not need to include affordable housing, outturn levels of affordable. It is therefore unclear whether even these “modest£ assumptions can be achieved.

<sup>37</sup> We are not including Scenarios A6 and B6 here (although they are included in the main report Appendix). A6 and B6 were based on assumptions derived from the Wilcox report, and produced findings substantially different to the others produced by the model.

analysis suggests there could be currently between 1.13 and 1.34 households per social/affordable dwelling. There is much less variation in the market housing levels: the analysis suggests that there are currently between 1 and 1.03 households per dwelling. Thus, for social/affordable housing the level of shortfall is much greater, and the degree of variation within the model is also wider. However, we would note that the many of the scenarios are not really applicable in the “current” (2006-10) time periods, as the authorities as the development proposals contained within the scenarios will not have been fully implemented.

7.4.15 By 2022-26, the analysis suggests that there will be between 1.16 and 1.56 households per dwelling. The variations within and between the tenure are marked. There will be between 1.87 and 3.97 households for every social/affordable dwelling in 2022-2026, while there will be between 1:02 and 1.30 households for every market dwelling.

7.4.16 Finally, we consider the Panel Scenarios. These were run to take account of the proposals by a number of the authorities within Oxfordshire to deliver homes in addition to the basic draft SE Plan targets, as set out in the Panel’s recommendations to the SE Plan (hence “Panel scenarios”). The analysis shows that the additional development is not sufficient to meet the requirements for affordable housing or for market housing. The increased development does improve the supply demand balance: there would be around 1.05 households per dwelling over the period 2006-10, rising to 1.47 households per dwelling by 2022-26 (compared with 1.06 rising to 1.55 under the baseline). We would also expect improvements in both social/affordable and market housing as shown on the table below. However, these improvements are limited, and do not bring the market close to balance.

**Figure 7.9:  
Comparing supply demand ratios for the Baseline (A1) and Panel A scenarios, 2006-2010 and 2022-2026**

	2006-2010		2022-2026	
	Panel	Baseline	Panel	Baseline
Ratio of affordable housing supply/demand	1.26	1.28	3.00	3.22
Ratio of all open market supply/demand	1.01	1.02	1.18	1.24
Overall supply/demand	1.05	1.06	1.47	1.55

Source: Tribal analysis – see Appendix H main report, Scenario A1 and Panel A

7.4.17 This analysis indicates that at present the market is currently under some pressure with overall demand just exceeding supply but only by a small margin. While the pressure on the market housing does increase a little over time. The maximum shift is in the range of 1.02/3 households per dwelling to around 1.18/22 households per dwelling.

7.4.18 The pressure on social and other affordable homes is however more intense with the potential for a significant backlog of need for social and other affordable homes developing over the 20 year period. The worst case scenario (that historic levels of affordable housing develop continue) results in a situation where there are four households for every social rented/affordable property available. The Tribal “Growth Scenario” (significant home building and the allocation of 40% of units to affordable housing) goes some way to meeting this need but even under this “best case” scenario the model suggests that there were still be around two households for every social/affordable dwelling that is available<sup>38</sup>.

7.4.19 The scenarios indicate that the market sector is close to balance, but remains out of balance, even when we make the strongest development assumption (the Tribal Growth

<sup>38</sup> We would also note that the level of social rented/affordable housing assumed under this scenario is optimistic, as it assumes 40% of all new build. In practice, not all sites will be required to provide affordable units – for example, because the site is too small. Consequently, this scenario may inflate the outcome level of social rented/affordable housing developed.

Scenario). Some of the pressure in the market is diffused by the presence of the private rented sector which, in most cases, has some spare capacity to absorb surplus demand from those otherwise seeking home ownership. Similarly there is the possibility for people to take up home ownership properties by crossing from one Oxfordshire local authority to another. Nonetheless, the scenarios clearly accord with previous findings of high occupancy within the stock, and the projections suggest that demand is likely to exceed supply at all modelled development levels. While development in excess of planned levels is clearly indicated, this may not be possible, given difficulties experienced delivering past targets, as well as environmental constraints.

- 7.4.20 There is far less opportunity for households in need of social and affordable housing to manage their housing by moving between sectors and local authority areas (both for administrative reasons, and because there is less flexibility across the County). Ratios are already much higher for these sectors, and are projected to rise much more steeply than those for market housing. Outcomes for social and affordable housing are to a large extent dependant on achieving market housing outcomes, as affordable housing is, at least in part, delivered through mainstream development. However, there is clearly a need to both deliver above these targets and to manage existing stock effectively.

## 8 Research recommendations

8.1.1 The Housing Market Assessment was a significant piece of research, drawing on secondary data sources, local authority data, Hometrack information, and two consultation events involving stakeholders from all the authorities involved in the study. Nonetheless, there were a number of areas that we were not able to explore fully. It was therefore agreed with the steering group that we would set out research recommendations, for consideration by the steering group. We have assumed that these recommendations could be followed up by the steering group, the Oxfordshire Data Observatory or by individual authorities.

### Information on property size and type

8.1.2 It has not been possible from the existing information to come to robust conclusions about the size and type of accommodation that people will demand. Further research is required in order to meet this requirement. Two approaches could be considered.

8.1.3 First, soundings could be taken from developers, as part of capacity work. Developers do tend to have an understanding of market preferences (although, they will target their development towards areas that will result in the best outcomes for themselves).

8.1.4 Second, consumer research could be undertaken, to explore households' preferences on house type and size (possibly linked to the housing aspirations outlined below). It would be useful to be able to distinguish between the preferences of existing households (that is moving households) and new households (emerging households). In research terms, the best information on the behaviour of emerging households is generated from the actual choices made by people who are now in their first home.

### Household aspirations

8.1.5 The study was clearly not able to explore **why** people made key moves, nor examine what households really want from their housing in Oxfordshire now and over the next few years. It is increasingly being recognised that aspirations drive housing outcomes, so an understanding of these "whys" and "whats" could be extremely useful in future planning.

8.1.6 If the councils were planning a survey of local households we would strongly recommend that it covered some of these issues.

- motivations for renters – why tenants are renting – was it an active choice, for how long, had more affordable owner occupied housing been available would they have bought or rented<sup>39</sup>, when do they expect to buy, where?
- housing choices for older people – what is important, what would prompt a move, what type of housing would people like to live in, would they consider council/RSL housing, where would they like to live?
- what is most important when deciding where to live, is there anything you wouldn't compromise on, ...
- where did they live in their last house – tenure (this would allow the SEH tenure move assumptions used in the model to be replaced with local information, or at least provide some local information for a comparison)

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<sup>39</sup> The CML have suggested that first time buyers are now much less price sensitive, and are actively choosing to rent for life-style reasons. If this is the case, then expenditure on first time buyers may not be efficient...

## Rural research

- 8.1.7 The secondary data on the rural housing market is not detailed enough to build up a complete profile. More detailed research on one or more of the rural areas might be considered. This would allow a deeper understanding of the housing needs of the households in the rural area. A rural research study would entail drawing together existing secondary data (which is likely to be fairly thin) and collection of supplementary primary data - both from agencies working in the area, and from residents of the area. A face to face survey would provide the most robust data, but will prove expensive in a rural setting. Postal surveys tend to provoke a strong response bias, which can be extremely misleading in a needs assessment. A telephone survey might be a useful compromise – landlines still tend to be common in rural areas (as mobile reception can be poor, there is less reliance on mobiles in these areas), so a reasonable population and response should be achievable<sup>40</sup>.
- 8.1.8 We would note that there is potential for double counting of housing needs across rural studies – so care must be taken to avoid over-estimating need and demand across settlements. It can be useful to refer back to an overall constraint such as a county needs estimate or a household formation figure to ensure that local estimates are within reasonable limits.

## Information on the social rented sector

- 8.1.9 Future studies/updates would benefit from improved information on demand for social rented housing. Even the best waiting list information does have its flaws.
- It is not comprehensive - it will miss those who do not register, either because of lack of information, awareness, or because they do not feel it worthwhile (it will usually miss out people in areas where there is little social rented housing).
  - It may over-estimate need, if it includes people who are not in housing need. And there are problems if the lists are not kept up-to-date. Good lists should enable these people to be excluded.
  - Where there are multiple providers there may be the issue of multiple applications, artificially inflating the combined waiting list
- 8.1.10 Where lists are not kept up-to-date they can contain applicants that no longer wish to be rehoused by the landlord – inflating the waiting list<sup>41</sup>.
- 8.1.11 Waiting list information in Oxfordshire is fairly fragmented (most authorities have transferred their stock), and in some cases waiting list reviews are not annual. However, there may be plans to move to a common housing register. This may be helpful in providing information on households interested in social rented stock. Of particular interest would be:
- Numbers and profile of households (single, couple, etc) registering each year (waiting list and transfer)
  - Number and profile of households bidding each year (waiting list and transfer)
  - Number and profile of households being granted priorities outside the normal

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<sup>40</sup> We have certainly used this approach with reasonable results in remote rural areas, where budget constraints have meant a full face to face survey was not possible.

<sup>41</sup> One recent example of a landlord reviewing its waiting list after four years resulted in the loss of 33% of the names of the list – a considerable reduction. While some of these people will rejoin when they realise they have come off the list, most will be people who no longer need social housing.

registration process

- 8.1.12 It would be also be useful to monitor characteristics such as age, ethnicity, origin (LA district/out of Oxon), time on register.

#### **Tenure movement**

- 8.1.13 The Oxfordshire housing market model draws on national data, among other things, to estimate movement between tenures. In many respects this is appropriate – the national survey is updated frequently, so changes in behaviour can be captured. However, local information would be helpful to indicate whether there is a case for modifying the estimate made from national data. Information on tenure moves could be collected in a housing needs survey or other form of residents survey. A robust sampling method would be required to ensure that the findings could be reliably extrapolated to the population as a whole, and to the key population sub groups (that is the tenure sub-groups and new households). A random sample would be required, preferably administered face-to-face, although some telephone techniques are compliant with random sampling requirements.

#### **Private renting**

- 8.1.14 The private rented sector is a key sector in the Oxfordshire housing market, especially in Oxford city. In the city, it accounts for a significant proportion of households, is highly segmented, and plays an important role in the structure of the housing market. Secondary data on the sector is fragmented and, currently, limited. A separate study to construct an evidence base (principally drawing on secondary data) would be helpful in allowing the authority to track and analyse the sector. We would suggest that that the Council Tax Register (CTR) could form a useful starting point for this analysis; if it is not already tenure coded, work could be undertaken to introduce a tenure marker onto the database. This would enable the authority to estimate (and through time, track) the size of the sector. Mapping the data, would allow analysis of the location of the sector and again, changes in the profile of the sector could be revealed over time. Linking the CTR data with address or postcoded data from other databases would allow more detailed analysis of the sector to be built up.
- 8.1.15 If a housing needs survey (or other resident-based survey) is to be undertaken, it might be worthwhile considering a increasing the size of the private rented sector sample (a private rented sector boost)<sup>42</sup>. A pure random sample is unlikely to yield a large enough sample to enable analysis – especially if sub-samples of the sector are to be analysed.

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<sup>42</sup> A boosted sample would mean deliberately sampling additional PRS tenants, to enable a robust PRS sample to be built up – effectively, over-sampling the PRS sector so that the PRS responses can be used with confidence. When the total sample is being analysed, the PRS responses are weighted back down, so that they do not distort the overall picture. Thus, if a total sample of 2,000 is drawn, and the PRS accounts for 10% of the stock but 20% of the interviews (ie an additional 200 interviews were undertaken), each response would be weighted at 0.5 when being analysed as part of the total sample.

# **Appendix A**

## **Glossary**

<b>Affordability</b>	A measure of whether households can access and sustain the cost of private sector housing. There is no standard measure of affordability. This report uses two broad measures: the lenders' multiplier (2.9 times joint income or 3.5 times single income (whichever the higher)); and the more sophisticated approach developed by the model which assesses the affordability of housing, based on the cost of housing making assumptions around interest rates, deposits and so on – here we assume that the household should not spend more than 33% of their income on mortgage costs.
<b>Affordable housing</b>	<p>PPS3 defines affordable housing as “social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. Affordable housing should:</p> <ul style="list-style-type: none"> <li>- Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices.</li> <li>- Include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision”.</li> </ul>
<b>ASHE</b>	Annual Survey of Hours and Earnings
<b>CDC</b>	Cherwell District Council
<b>CLG</b>	(Department for) Communities and Local Government, previously the ODPM (Office of the Deputy Prime Minister)
<b>Current need</b>	(Previously referred to as the backlog of need) Households whose current housing circumstances fall below accepted minimum standards. This would include households living in overcrowded conditions, in unfit or seriously defective housing, families sharing, and homeless people living in temporary accommodation or sharing with others.
<b>Housing need</b>	PPS3 defines housing need as “the quantity of housing required for households who are unable to access suitable housing without financial assistance”.
<b>HSSA</b>	Housing Strategy Statistical Appendix (the replacement for the HIP returns)
<b>Intermediate Housing</b>	PPS3 defines intermediate housing as “housing at prices and rents above those of social rent but below market prices or rents and which meet the criteria set out above. These can include shared equity products (eg Homebuy), other low cost homes for sale and intermediate rent.”
<b>LDFs</b>	Local Development Frameworks
<b>OCC</b>	Oxfordshire County Council
<b>ONS</b>	Office for National Statistics
<b>PPS3</b>	Planning Policy Statement 3 (PPS3: Housing), November 2006
<b>RHS</b>	Regional Housing Strategy
<b>RSR</b>	Regulatory Statistical Returns
<b>SEH</b>	Survey of English Housing
<b>SODC</b>	South Oxfordshire District Council
<b>VoWH</b>	Vale of White Horse District Council
<b>WODC</b>	West Oxfordshire District Council