

**TORFAEN
COUNTY
BOROUGH**



**BWRDEISTREF
SIROL
TORFAEN**

Torfaen County Borough Council

Local Housing Market Assessment

June 2015



Executive Summary

This Local Housing Market Assessment (LHMA) has been produced using the Welsh Government approved methodology, and has utilised data from a range of sources including local housing registers, household projections, house prices, household incomes and dwelling stock turnover.

The findings show that based on current trends and anticipated projections, Torfaen will need approximately **200** additional affordable units of housing per annum until 2021, to meet the current shortfall. However, it should be emphasised that these figures are only an indication of the scale of the affordable housing problem and a benchmark to which the Council will be working towards, as far as is practically possible.

It should be noted that Tai Pawb (Promoting Housing Equalities) has been consulted on this assessment and their recommendations have been incorporated into the final analysis and findings.

Contents

Chapter 1: Introduction

- 1.1 Background
- 1.2 Methodology

Chapter 2: Backlog of Need

- 2.1 Definition
- 2.2 Limitations
- 2.3 Total Backlog

Chapter 3: Newly Arising Need

- 3.1 Definition
- 3.2 New Households priced out of the Market
- 3.3 Existing Households Falling into Need
- 3.4 Further Considerations

Chapter 4: Affordable Supply

- 4.1 Definition
- 4.2 Committed Supply of New Affordable Units
- 4.3 Social Housing Lettings

Chapter 5: Overall Shortfall of Affordable Housing

- 5.1 Demand by Tenure
 - Social Housing
 - Low Cost Homes Ownership
 - Intermediate Rent
- 5.2 Gypsy and Traveller Housing Need

Chapter 6: Housing Market Analysis

- 6.1 Average House Prices
- 6.2 Dwelling Stock Turnover
- 6.3 Average Rent Values

Chapter 7: Conclusion

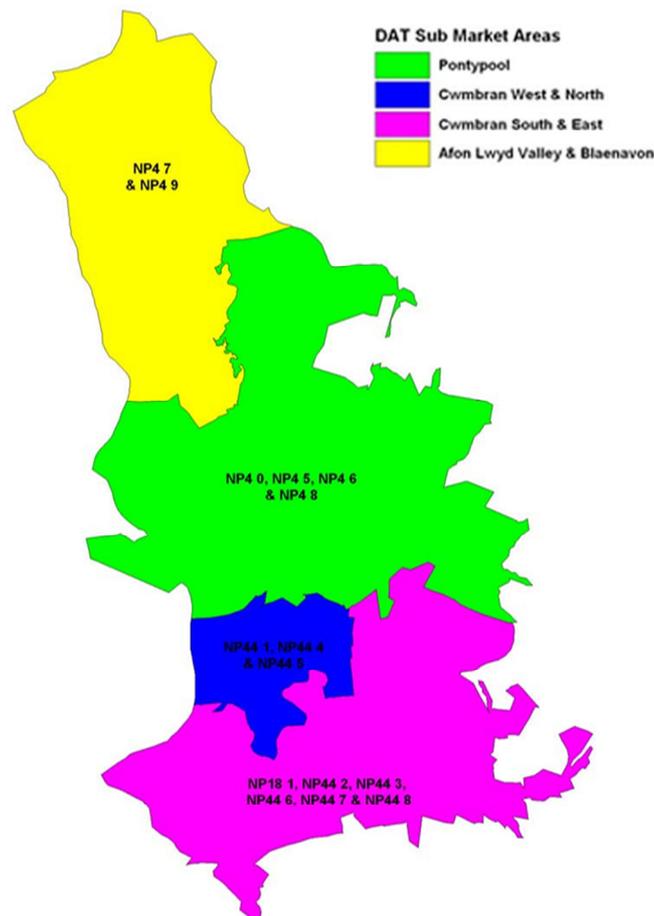
1. Introduction

1.1 Background

This LHMA has been developed using the Welsh Government (WG) quantitative housing assessment model, which advocates the use of local data sources and housing registers, to determine the average number of properties that are needed on an annual basis. This can often be a complex process, with different elements influencing where people aspire to live and the type of housing required.

1.2 Methodology

The findings of this LHMA have been analysed across 4 submarket areas. This approach was adopted because housing markets are not representative of ward boundaries, although reference is made to individual ward figures to provide greater analysis where required.



Housing need continually changes, so any assessment will only ever provide levels of demand at a given time. However, it can still assist Local Authorities to gain a better indication of how many new housing units are required and where they should be located. This helps provide a guideline figure to assist in developing a supply that more effectively meets demand.

The methodology for determining housing need follows a simple process:



Backlog

This takes into account households who are waiting on Local Authority housing registers (e.g. Homeseeker and Help2Own).

Newly Arising Need

This is calculated by looking at population projections, the number of first time buyers who are unable to buy on the open market, and existing households who have fallen into need through possession orders and homelessness.

Supply of Affordable Housing

Supply is determined by the number of properties allocated via the Local Authority's social housing register; Homeseeker, coupled with the number of new affordable units that the Local Authority is committed to build in the next 5 years.

Using this data, Torfaen has been able to gauge the type of properties that are required in the next 5 years and the areas in which they are most needed.

2. Backlog of Need

2.1 Definition

Backlog refers to the number of households who are currently unable to satisfy their housing need in the market and have applied to the Local Authority for assistance. This has been determined by collating data from the two housing registers; Homeseeker (social housing) and Help2Own (low cost home ownership). Whilst numbers on these registers will fluctuate, there are approximately **3000** households waiting for assistance with housing in Torfaen at the current time.

This data has been disaggregated by the area(s), property size and property type (general needs, adapted or older persons') selected by the applicant when they registered for housing, to give an annual figure that is required over the next five years to meet the backlog.

2.2 Limitations

When applicants apply for housing with Homeseeker, they can choose a number of areas where they would like to live, without giving a first preference area. This has led to double counting, so to overcome this problem, the **number of selections** made for each area and the total **number of households** on the register is used to produce a proportionate level of demand across different localities. This provides a more accurate indication of the number of households seeking accommodation in each area.

Torfaen operates a choice based lettings scheme for social housing, so whilst applicants are asked for their areas of preference, they still have the freedom to apply for housing in any part of the borough. It is therefore important to acknowledge that areas of preference can only ever be seen as an indication of where there is a housing need and not a definitive list of where more housing is required. In addition, whilst demand for property may be higher in some parts of Torfaen, land availability means that the ability to deliver properties in specific areas is inevitably limited and applicants may have to meet their housing need in alternative areas.

2.3 Total Backlog

The following table shows the total annual backlog (over 5 years) by submarket area using data from both housing registers.

Gross Annual Affordable Housing Need	
North	46.06
Mid	116.93
Cwmbran West & North	117.40
Cwmbran South & East	188.81
Total	469.20

3. Newly Arising Need

Once the backlog for affordable housing has been determined, it is necessary to factor in newly arising need. This is achieved by calculating how many new households will form in the next five years and estimating how many of these new households will require affordable housing.

3.1 Definition

Newly forming households were determined by using the WG population projections; *2011-based household projections for local authorities in Wales, 2011 to 2036*. Whilst these projections are based on a number of assumptions, including future births, deaths and migration, they are one of the most reliable sources of data available at this time for estimating future population growth.

To calculate the overall number of new households arising in the next five years, the total projected figures for 2014 were subtracted from the projected figures for 2019, leaving a total net growth figure of **741** households. Using 2011 Census data, as a guide, these figures were then disaggregated to calculate the proportion of new households residing in each ward and submarket area.

Net Household Growth (2014 – 2019)

Submarket Area	Total Growth	Annual Growth
North	125.52	25.10
Mid	222.17	44.43
Cwmbran West & North	213.51	42.70
Cwmbran South & East	179.80	35.96
Total	741	148.2

3.2 New Households priced out of the Market

Not all new households are going to require affordable housing, so it is necessary to calculate how many of the newly forming households will be priced out of the housing market.

Using a 3.5:1 ratio, which is the standard earning to house price calculator for most mortgage lenders, and then comparing income data (CACI Paycheck) and House Price data (Hometrack), an estimate of households priced out of the market has been achieved.

Households priced out of the Market

Submarket Area	Annual Growth	% priced out of market	Annual Requirement
North	25.10	63.80%	16.01
Mid	44.43	71.33%	31.70
Cwmbran West & North	42.70	0.43%	29.53
Cwmbran South & East	35.96	74.76%	26.88
Total	148.20	70.26%	104.13

The findings show that approximately **104** households will be priced out of the market each year, a total of **520.65** households over the next five years.

3.3 Existing Households Falling into Need

Another area of demand comes from existing households who experience difficulties and become homeless.

Data collated between 2008 and 2013 shows that there are an average of **362** households a year who experience homelessness in Torfaen and contact the Local Authority for assistance. The LHMA has used this figure to project annual housing need amongst existing households over the next five years.

By applying Census 2011 data to this figure, an estimate has been created that shows how this breakdown will occur across the submarket areas.

Households who experienced homelessness

Submarket Area	1 Bed	2 Bed	3 Bed	4 Bed	Total
North	40.46	14.51	3.98	2.09	61.05
Mid	71.75	25.73	7.06	3.71	108.25
Cwmbran West & North	69.22	24.83	6.81	3.58	104.44
Cwmbran South & East	58.37	20.93	5.74	3.02	88.06
Total	239.80	86.00	23.60	12.40	361.80

In addition to homeless data, Ministry of Justice data shows that there are on average **430** landlord and mortgage orders served within Torfaen each year. Some of these households will already have been included in the **362** homeless households, but others will not, further increasing the overall demand for affordable housing.

3.4 Further Considerations

An area of newly arising need which has not been specifically covered in the above data sets, relates to households who are leaving hospital or institutional care and are unable to return to their existing accommodation.

Torfaen are working closely with Health and Social Care to identify these households and adequately meet their housing needs either through existing stock or through new build bespoke accommodation. With an ageing demographic in Torfaen, this is an area that is likely to continue to grow in the next few years, further increasing the number of newly arising housing units required.

4. Affordable Housing Need

4.1 Definition

To accurately predict future housing demand, it is essential to take into consideration current supply, turnover and the number of new build properties that will need to be developed in the next five years.

4.2 Committed Supply of New Affordable Units

Committed supply is determined by estimating the number of affordable housing units that are going to be built in Torfaen over the next five years. This is achieved by using data about sites which have already been identified and estimating the number of affordable housing units that each site may provide. Details of committed supply across each submarket area in Torfaen are identified in the table below.

Committed Supply of New Affordable Units

Submarket Area	1 bed	2 bed	3 bed	4 bed	Total
North	52.76	46.17	26.38	6.6	131.9
Mid	68	59.5	34	8.5	170
Cwmbran West & North	27.92	24.43	13.96	3.49	69.8
Cwmbran South & East	91.68	80.22	45.84	11.46	229.2
Total	240.36	210.32	120.18	30.045	600.9

Through analysis of projected housing delivery, 600 new affordable housing units could potentially be delivered across the different tenures, approximately **120** a year. This includes candidate sites identified in the Local Development Plan (LDP) and potential windfall sites.

It should be noted that the figures identified above will depend on each site within the LDP coming forward and delivering the full amount of planning gain for the respective sub market area. Due to high levels of abnormalities and an increase in Welsh Government requirements (such as sprinklers); it is likely that the actual figures delivered will be lower.

4.3 Social Housing Lettings

The recommended approach for estimating the supply of social lets is to take the average number of re-lets over the last three years and use this as the predicted annual level (WAG 2006b. *Local Housing Market Assessment Guide Cardiff*: WAG, para 6.53).

Consequently, the total number of social lets for the financial years 2011-12, 2012-13 and 2013-14 were obtained and averaged to reach an anticipated annual level of lettings over the next five years. Using this approach, the average number of lets per annum will be approximately **841**.

Total Annual Affordable Supply

Submarket Area	1 Bed	2 Bed	3 Bed	4 Bed	Total
North	60	122.33	55.67	4.33	242.33
Mid	73	89.67	61.67	2	226.33
Cwmbran West & North	120	65.33	50.33	6	241.67
Cwmbran South & East	67.67	38.33	22.67	1.67	130.33
Total	320.67	315.67	190.33	14	840.67

5. Overall Shortfall of Affordable Housing

To determine the overall shortfall of affordable housing, the total backlog is added to the newly arising need, before the anticipated annual supply is subtracted to calculate the overall shortfall. However, it would be inaccurate to assume that some of the lets will only be occupied once over the next five years. In order to take account of this, the current levels of turnover are also calculated, by dividing average lets by existing social housing stock.

However, the methodology used for analysing the data can affect the overall results and the level of demand. This section explores in more detail how the data has been analysed in Torfaen and the rationale for the approach taken.

5.1 Demand by Tenure

Social Housing

The advantages of using this approach when developing a LHMA is that it enables a Local Authority to identify more clearly the type of housing that is required and to disaggregate the data down to location and tenure.

The following table shows the initial findings for social housing in Torfaen:

Annual Social Housing Need

Submarket Area	Number of Units
North	-66.55
Mid	-22.34
Cwmbran West & North	8.60
Cwmbran South & East	105.89
Total	26

These findings show that demand for social housing is predominately in the South of the Borough, with an ample supply of housing currently available in North and Mid Torfaen.

However, these figures mask a significant amount of supplementary data which quite clearly highlights a demand for housing in North and Mid Torfaen, in particular for smaller units.

Example:

The table below provides a breakdown of demand for general need social housing in the Abersychan ward:

Ward	1 Bed	2 Bed	3 Bed	4 Bed	Total
Abersychan	25.87	-28.74	-26.72	-2.55	-32.15

There is a high demand for 1 bed properties within this ward, but the ample supply of 2 and 3 bed properties is concealing this fact, with the result that when total demand for the North is calculated, the 2 and 3 bed properties counteract the need for 1 bed units.

Tai Pawb have highlighted that the lack of smaller units will impact greatest on the under 35s due to welfare benefit reform and it is unlikely that the needs of this group will be met solely through social housing unless they have a very high housing need. Tai Pawb advocates that other housing tenures and solutions should be made available for this age group such as shared housing schemes and Houses in Multiple Occupation (HMO).

Torfaen are aware of the growing needs of young people and have been working closely with its Registered Social Landlord (RSL) partners to provide suitable solutions including the remodelling of existing housing stock to offer dedicated young persons housing. However, it is also important to recognise the need for sustainable communities and that large scale developments of 1 bed units are not conducive to community cohesion and sustainability.

To effectively address the demand for 1 bed units in North and Mid Torfaen, the Housing Service in Torfaen will continue to work with its partners to consider reconfiguring or remodelling larger units, whilst also having due regard to the needs of the wider community.

The problem of masking housing need also occurs when demand for social housing is calculated across the submarket areas.

The (apparently) negative demand for housing in North and Mid Torfaen off sets the (real) demand for housing in the South (CSE & CWN), bringing the overall net total for social housing down to only **26**.

For this reason, whilst recognising the data, a decision has been made to exclude the negative figures in North and Mid Torfaen from the overall calculation (-66.55 and -22.34).

Recent analysis of the Common Housing Register has shown that the number of new applicants coming from different parts of Torfaen over the last 3 years is very similar, but that the number of bids received is highest for properties located in the South. The areas of preference that applicants chose also indicates a predilection for the South of the borough and these figures have been a fundamental part of the calculation to determine future housing need. The lower preference for some areas in North and Mid Torfaen, when added to the housing stock that is available, indicates an ample supply of housing leading to an overall negative figure for housing need. This negative figure in North and Mid Torfaen has then reduced the overall need figure for housing across Torfaen.

By removing the negative figures from the calculation, this provides a more accurate reflection of housing need and supports existing local knowledge that demand for housing is greatest in the South of the borough.

Annual Social Housing Need

Submarket Area	Number of Units
North	N/A
Mid	N/A
Cwmbran West & North	8.60
Cwmbran South & East	105.89
Total	115

If this approach were not adopted, the overall demand for housing in Torfaen would appear significantly lower, which would lead to an undersupply of additional affordable housing in areas where they are needed the most.

Social Housing - Older Persons'

When planning future demand for social housing, it is important to factor in demand for older person's housing and adapted properties, which will need to be delivered alongside general needs properties.

Demand for older person's social housing is particularly low in Torfaen, because of the significant amount of housing stock that the RSLs own. As a result, this LHMA shows no overall demand for older person's housing across the borough. Even when these figures are examined by area, only Cwmbran South and East shows any demand, and this is off set by the sufficient supply of housing in other parts of the borough.

Older Persons Housing Need

Submarket Area	1 Bed	2 Bed
North	-14.71	-0.71
Mid	-20.94	-1.35
Cwmbran West & North	-18.20	0.00
Cwmbran South & East	4.62	-1.53
Total	-49.23	-3.59

RSLs could consider reconfiguring some of their larger units in Cwmbran South and East to meet demand for 1 bed units; however, the overall results suggests that based on current demand levels there is currently a low demand for older persons social housing in Torfaen.

With an ageing population, the development of suitable housing for older people is essential, so RSLs may need to consider remodelling or refitting some of their

existing stock to better the meet the needs of applicants, whilst the Local Authority should also continue to explore the viability of housing options for older people in other tenures, not just social housing.

Tai Pawb recommends careful consideration should be given to the housing needs of older people, which should include development of bespoke accommodation such as extra care, but also reconfiguration of existing accommodation.

Social Housing - Adapted Housing

Demand for adapted social housing has been derived primarily from existing applicants on the Homeseeker register, existing adapted housing stock and the proportion of previous allocations. The overall demand for adapted housing is currently **0.13** units per year across Torfaen, however, when these figures are broken down by submarket area, there is a clear demand for smaller units.

Adapted Housing Need

Submarket Areas	1 Bed	2 Bed	3 Bed	4 Bed
North	2.52	-2.05	-0.33	-0.33
Mid	4.09	-3.43	-2.71	0.00
Cwmbran West & North	3.19	-0.95	-2.95	0.00
Cwmbran South & East	4.76	-0.10	-1.24	-0.33
Total	14.56	-6.53	-7.24	-0.67

Approximately **15** 1 bed adapted social properties are needed each year to meet existing need, but it should be noted that at the present time there is not a definitive list of adapted housing in Torfaen, as RSL partners are currently reviewing their adapted stock. The Housing service will continue to review and monitor this process, to ensure that suitable properties are available and work with its RSL partners to deliver adapted units, either through a refit of existing stock or where necessary the development of new adapted units.

Low Cost Home Ownership

The findings of this LHMA show that there is a small, but steady need for more Low Cost Home Ownership (LCHO) properties to be delivered in Torfaen.

Demand for LCHO is determined by analysing the current Help2Own register, coupled with newly arising demand and committed supply.

Newly arising need is determined by looking at population projections, income data and property prices. Committed supply is then subtracted to reach an annual figure of **26** units.

Annual Low Cost Home Ownership Need

Submarket Area	Number of Units
North	3.59
Mid	9.44
Cwmbran West & North	7.15
Cwmbran South & East	5.83
Total	26.00

It should be noted that other influencing factors such as requiring a **5%** deposit of the open market value of a property and the lack of mortgage products such as Homebuy / Equity share, coupled with personal circumstances (e.g. existing debt) are not factored into the assessment.

Intermediate Rent (IR)

The initial findings of this LHMA indicate that there is a need for **36** Intermediate Rent properties to be delivered per annum in Torfaen.

Annual Intermediate Rent Need

Submarket Area	Number of Units
North	4.43
Mid	10.81
Cwmbran West & North	6.17
Cwmbran South & East	14.49
Total	35.90

However, it has become apparent that delivering intermediate rents in North Torfaen is unachievable due to the low market rents currently being achieved. In many wards the average rental values are equal to, or less than the Local Housing Allowance rates.

An intermediate rent is defined by WG as rent charged at 80% of private market rent or Local Housing Allowance. In North Torfaen private market rents are typically below Local Housing Allowance, therefore there is an insufficient difference between market and Local Housing Allowance to enable an intermediate rent to be charged.

As a result, a decision was made based on the WG Intermediate product (80% below market rent), that only those wards where the difference between benchmark

rents and Local Housing Allowance was £10 or more a week, would be included in the calculation. The following tables show which wards were included and how this relates across the submarket areas:

Intermediate Rent Viability

Ward	Number of Units
Coed Eva	1.61
Croesyceiliog North	1.89
Croesyceiliog South	1.59
Fairwater	0.75
Llanyrafon North	0.94
Llanyrafon South	2.09
St. Dials	0.67
Two Locks	3.65
Total	13.20

Intermediate Rent Viability

Submarket Area	Number of Units
North	0
Mid	0
Cwmbran West and North	3
Cwmbran South and East	10
Total	13

This approach reduces the number of IR units that can be delivered down to just **13**, leaving a demand for **23** affordable housing units that will now need to be delivered through alternative tenures i.e. social housing.

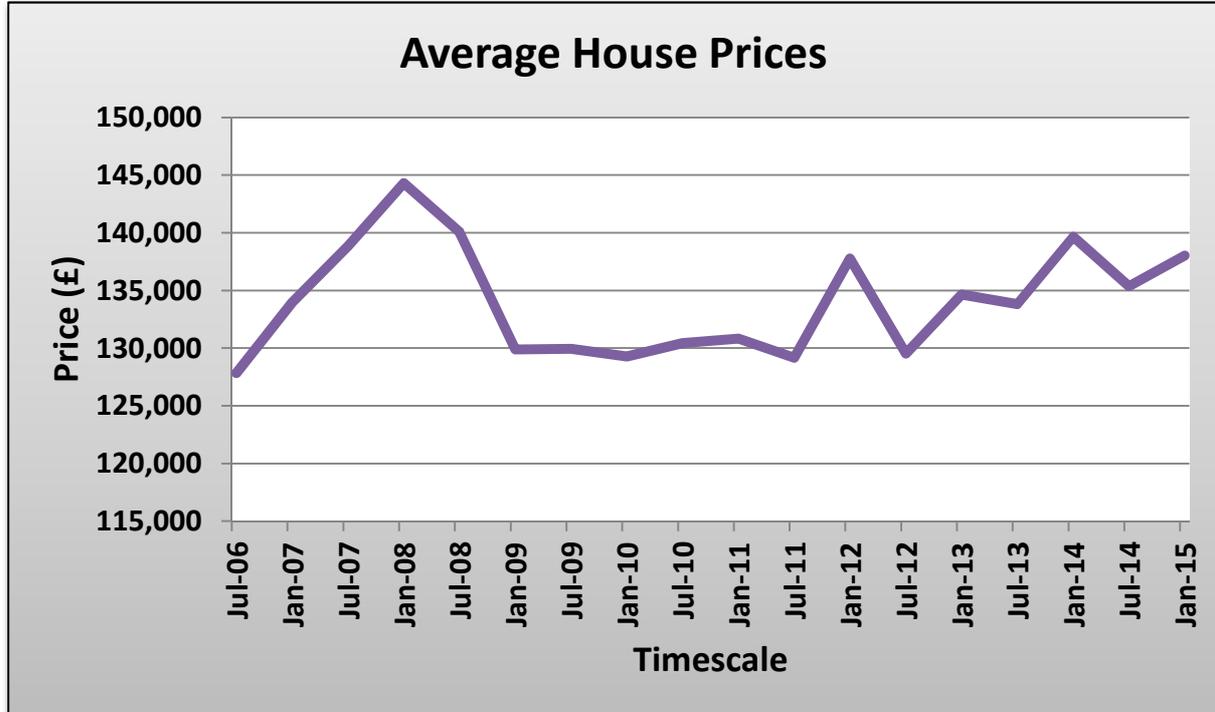
5.2 Gypsy and Traveller Housing Need

The accommodation needs of the Gypsy and Traveller community have not been specifically addressed in this LHMA, however an independent Gypsy and Traveller Accommodation Assessment is currently being carried out in Torfaen, the findings of which will be taken into account for the overall demand for housing in Torfaen.

6. Housing Market Analysis

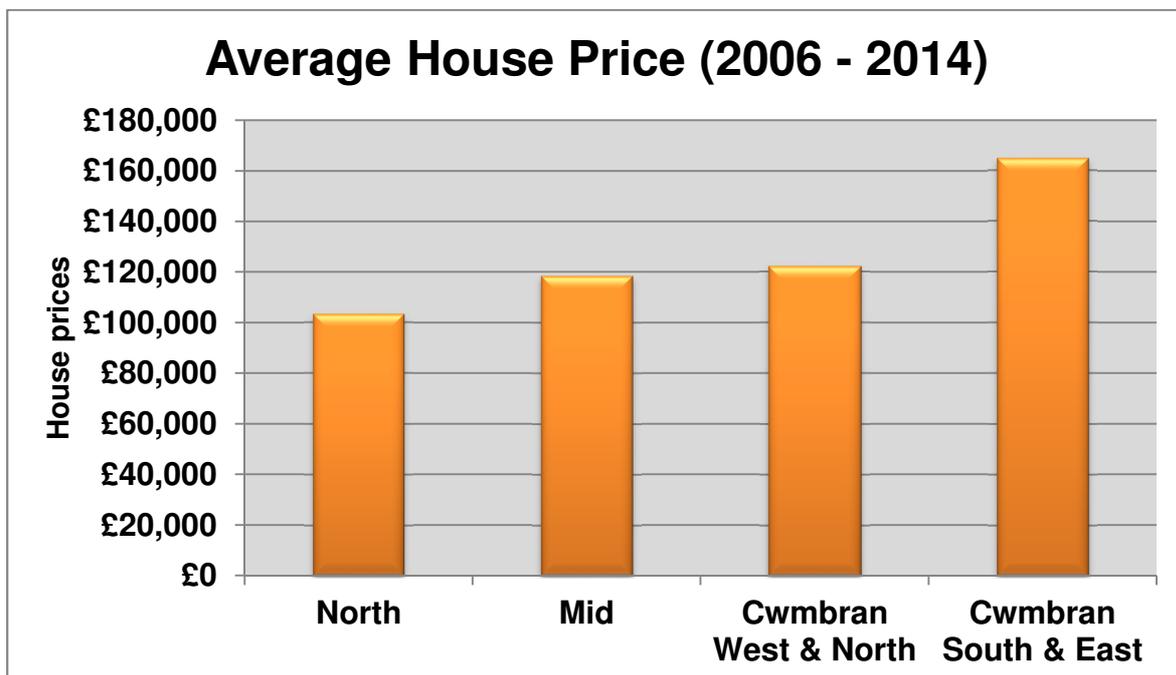
6.1 Average House Prices

The following chart shows how house prices in Torfaen have changed in recent years.



Whilst prices are still below their 2008 peak, they have continued to rise steadily over the last 4 years, making access to housing much harder for many first time buyers.

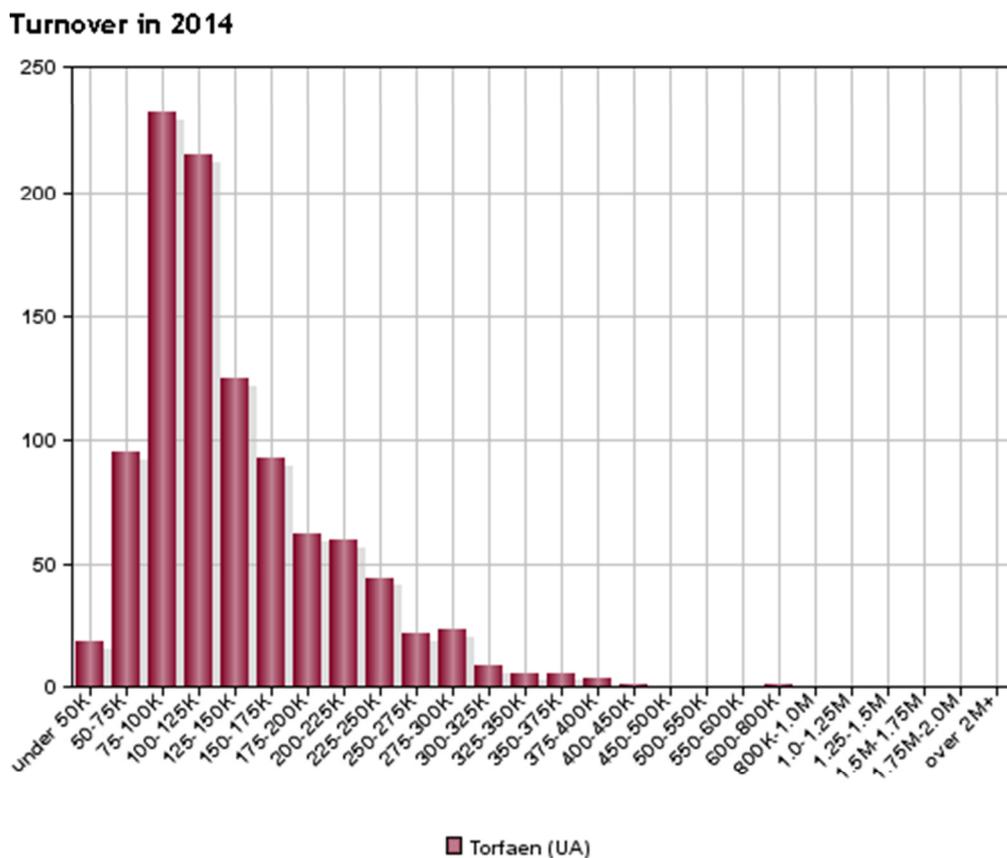
House prices can fluctuate significantly depending on the areas in which they are located. This chart shows average house prices in Torfaen by submarket area (based on sales over the last 8 years):



The chart demonstrates that house prices increase further South, with the result that demand for more affordable housing is always greatest in this area. This correlates with other findings in this LHMA, which identified significant need for affordable housing in the South where house prices and rental values are now too high for many households.

The current house price to earning ratio in Torfaen is **5.6:1**, which means that a single applicant would have to spend 5.6 times their salary to be able to purchase a property, which (except in exceptional circumstances) would mean most single people are prevented from buying without assistance. Even if lower quartile house prices are used, the ratio is still 5.1:1, putting owner occupation outside of the reach of many residents in Torfaen.

In 2014, the majority of properties were sold for £75,000 to £100,000.



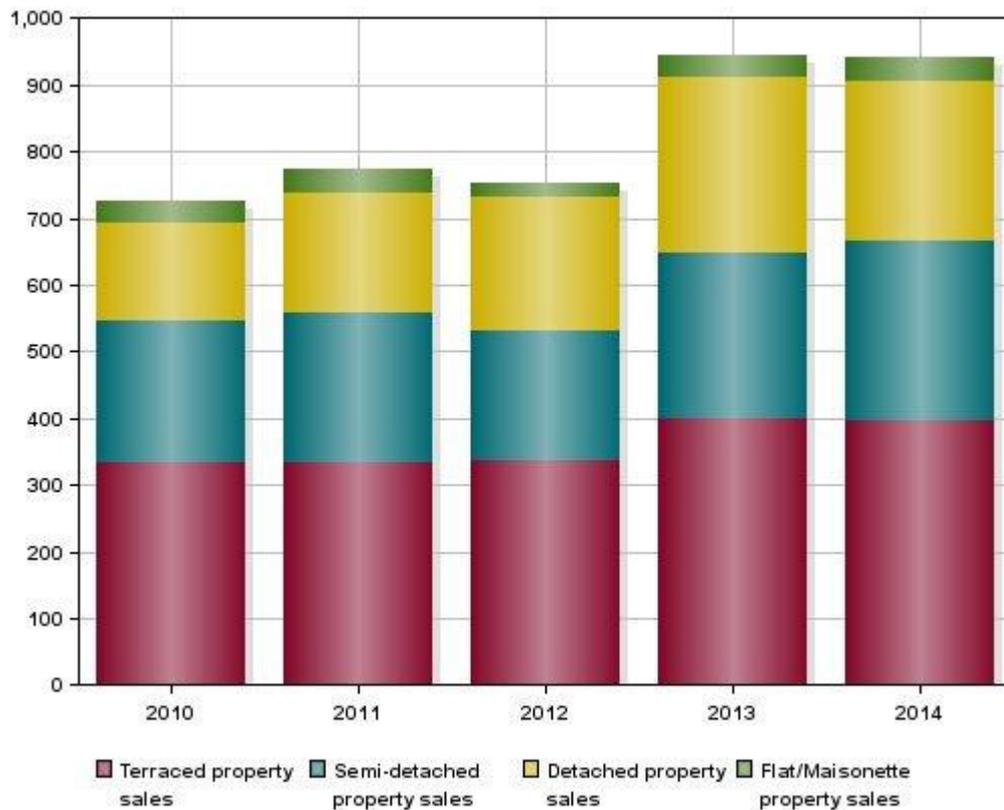
With gross weekly pay in Torfaen currently standing at £420 per week (£21,840 per annum)¹ this data reaffirms that single person households would have to borrow between 4 and 5 times their income to purchase a property. Most mortgage lenders would be reluctant to offer a mortgage at this ratio, with the result that many of these households are prevented from purchasing a home.

¹ Hometrack Housing Intelligence System [Accessed 29.04.15]

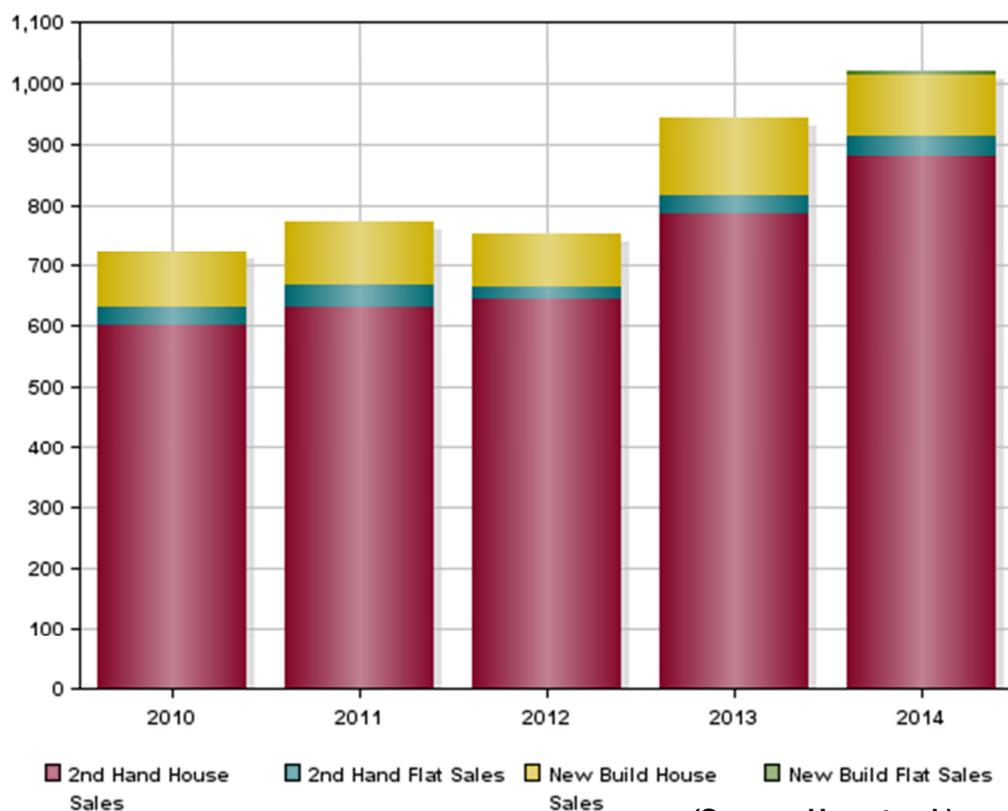
6.2 Dwelling Stock Turnover

Despite growing house prices, sales have continued to rise, especially in 2013-14, when there was a significant increase in sales. These charts show how this was broken down by property type, followed by the type of sale.

Annual turnover by property type



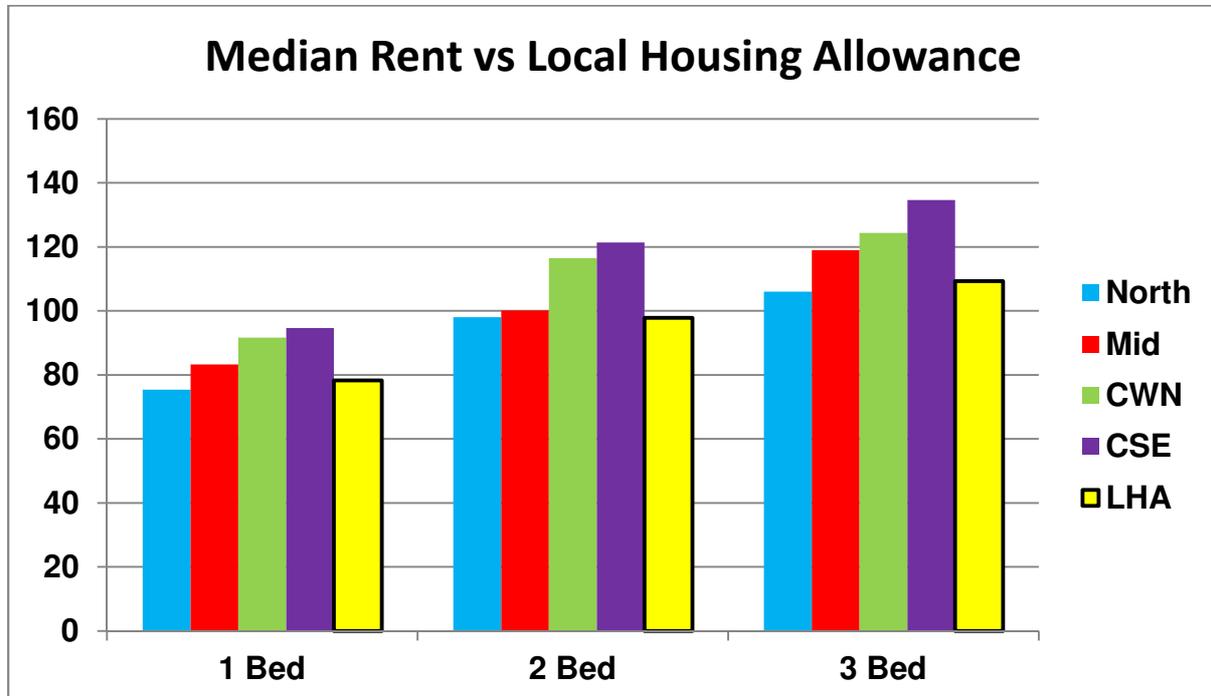
Annual turnover by broad type and age



(Source: Hometrack)

6.3 Average Rent Values

The following table shows the average rents in each submarket area compared to the Local Housing Allowance (LHA).



In nearly every area, the LHA is below market rental values, however in North and Mid Torfaen the difference is only slight, indicating that households in these areas, who are in receipt of the maximum amount of LHA, would have most, if not all, of their rent covered by LHA.

For properties in the South of the borough, the difference between LHA and market rent is much higher, with the result that a household in receipt of the maximum LHA would still have to find an additional £14 - £26 extra per week to pay their rent.

These figures further support the findings of this LHMA, which suggests that households in the North of the Borough could satisfy their housing need in the private rented sector, whilst households in the South are currently priced out of this tenure and require more affordable housing.

Conclusion

The following table provides a breakdown of housing need by submarket area, based on the principles and findings outlined in this LHMA.

Total Housing Need per annum

Area	Social	Low Cost Home Ownership	Intermediate Rent
North	4.43 (IR)	3.59	0
Mid	10.81 (IR)	9.44	0
Cwmbran West & North	8.60 (SH) + 3 (IR)	5.27	3
Cwmbran South & East	105.89 (SH) + 5 (IR)	7.7	10
Total	138	26	13

The **23** Intermediate Rent (IR) units that cannot be delivered in some parts of Torfaen have now been added to the Social Housing (SH) need column and disaggregated across the 4 submarket areas.

By applying these principles, the calculations show that the total annual demand for housing in Torfaen is as follows:

Total Housing Need per annum

Area	Social	Low Cost Home Ownership	Intermediate Rent	Total
North	4.43	3.59	0	8
Mid	10.81	9.44	0	20
Cwmbran West & North	11.60	5.27	3	20
Cwmbran South & East	110.89	7.7	10	129
Total	138	26	13	177
Split	78%	15%	7%	100%

The identified need for 1 bed units in the North of the borough has not been factored into these overall housing need figures, because there is an ample supply of larger units, which could potentially be remodelled to address this need. This is the preferred policy that Torfaen will be exploring with its RSL partners before it considers building new 1 bed units in these areas.

However, this approach will be reviewed on a regular basis and if it is not successful, the need to develop more 1 bed units will have to be reconsidered. If this happens, the overall housing need backlog and the annual requirement for affordable housing will increase to more than 200 affordable housing units per annum.

This assessment has been undertaken using data sets available at the present time to project future demand, However to ensure that appropriate housing need projections are maintained, the assessment will be subject to an annual review.