

NORTH AYRSHIRE MAINLAND HOUSING NEED & DEMAND ASSESSMENT

This summary of the Housing Need & Demand Assessment is a provisional document pending approval by the North Ayrshire Housing Market Partnership, the Housing Partnership and the Scottish Government.

The 2009 Housing Need & Demand Assessment will inform both the forthcoming North Ayrshire Local Development Plan and the North Ayrshire Local Housing Strategy, providing estimates of future households requiring both market and affordable housing within the respective plan periods.

1. EXECUTIVE SUMMARY: NORTH AYRSHIRE MAINLAND HOUSING NEED & DEMAND ASSESSMENT

In October 2008, North Ayrshire Council commissioned Arneil Johnston (independent consultants) to carry out a comprehensive 'Housing Need & Demand Assessment' (HNADA) in the mainland North Ayrshire area.

The purpose of an HNADA is to identify if the supply of available housing is both sufficient and suitable to meet the range of needs and demand identified across Sub Housing Market Areas (Sub-HMAs). Sub-HMAs are areas where households either currently live or work and if they wished to move would search for alternative accommodation. On this principle, if the assessment identifies housing need in a Sub-HMA, it is reasonable to assume that the household would expect to meet that need in the same area. Four Housing Market Areas were identified, namely:

- Garnock Valley;
- Irvine;
- North Coast; and
- 3 Towns.

The outcomes of the assessment identify imbalances between the number of households who require new or alternative housing and the number of homes available for sale or rent in each area.

1.1 The Number of Existing Households who Need Housing

The assessment identified the number of current households in housing need. Current need is defined as *'households lacking their own housing or living in housing which is inadequate or unsuitable, who are unlikely to be able to meet their needs in the housing market without some form of assistance'* (Housing Need & Demand Assessment Guidance, Scottish Government, March 2008).

The HNADA identified 6,066 households in mainland North Ayrshire who are located in inadequate or unsuitable housing and therefore in current need. A number of households can solve this inadequacy or unsuitability through investment or adaptation to their home, which reduces the current need figure by 1,968 to 4,098 households. It should be noted that the following results have been derived from a disaggregated assessment of housing need and housing affordability by Sub-HMA and house type (i.e. General Needs and Special Needs). Full details of the inputs, assumptions and outcomes of the disaggregated model are fully outlined in Sections 10 and 11 of the full HNADA report.

The assessment also considered those who would require assistance

The assessment also considered those who would require assistance to meet current need. This assistance is assumed to take the form of affordable housing. Of the 4,098 households in current need, it is estimated that 2,389 households will require affordable housing. The remaining 1,709 households will require open market housing, as outlined in Table 1.1 below.

	Total Current Need (Those in Unsuitable Housing)	Net Current Need (minus 1,969)	Current Need for Affordable Housing		Current Need for Market Housing	
			No.	%	No.	%
Households in North Ayrshire	6,066	4,098	2,389	58.3%	1,708	41.7%

Table 1.1: Current Need & Requirement for Affordable or Market Housing (Note: all figures are rounded to the nearest whole number)

1.2 The Number of Future Households who Need Housing

As well as current households who require alternative housing, a number of households will also require housing in the future. Such households include those who will set up home for the first time or those, who as a result of a change in circumstances, will lose the home they currently occupy. The HNADA concluded that 1,590 households would form a housing need during the first year of the assessment period. Of those, 1,392 will require assistance (i.e. affordable housing) to meet this need. The remaining 198 households will require open market housing as outline in Table 1.2 below.

	Future Housing Need per Annum	Future Need for Affordable Housing		Future Need for Market Housing	
		No.	%	No.	%
Households in North Ayrshire	1,590	1,392	87.5%	198	12.5%

Table 1.2: Annual Future Need & Requirement for Affordable or Market Housing (Note: all figures are rounded to the nearest whole number)

1.3 Imbalances in the Supply of Affordable Housing

In order to assess whether there is an appropriate balance between housing need, demand and the supply of affordable housing; a detailed match of households to homes was performed in each Sub-HMA. Affordable housing supply consists of both vacancies in existing affordable housing stock **plus** the projected delivery of new affordable homes in the North Ayrshire Strategic Housing Investment Plan (SHIP).

Within the first year of the assessment it is estimated that 1,511 units of affordable housing will be available to meet the need identified. This total consists of 1,366 vacancies in existing social housing and a projected 145 units of new build housing. Annual new build projections are based on the average number of potential completions in the SHIP (2009-14) and assume delivery of 112 units for rent and 33 units for shared equity. It should be noted that projected delivery of new build housing is predicated on the availability of appropriate development funding from the Scottish Government, as the SHIP presents both programmed and potential activity. Given potential future limitations in the availability of development funding, the projected delivery of 145 units may present an optimistic view of future affordable housing development.

Table 1.3 shows the imbalance identified in the supply of affordable housing in the baseline year of the analysis.

	Current need for affordable housing	New annual need for affordable housing	New annual supply of affordable housing	Net shortfall/surplus (2008/09)
3 Towns	475	541	535	-481
Garnock Valley	418	160	291	-287
Irvine	802	614	643	-773
North Coast	698	77	42	-733
Mainland NA	2,389	1,392	1,511	-2,269

Table 1.3: Imbalance in Supply of Affordable Housing Baseline Year (Note: all figures are rounded to the nearest whole number)

The components of need and supply in Table 1.3 should not be considered as static or definitive measures. Households will move in and out of need in regular cycles and both demand and supply will fluctuate according to personal and socio-economic factors. To reflect this, detailed projections were performed based on annual profiles of need, demand and supply over a 15 year period. Again a detailed match of households to homes was performed with imbalances (i.e. shortfalls in affordable housing) detailed in Table 1.4 at 5 year intervals.

	Base Year	Year 1	Year 5	Year 10	Year 15
	2008/09	2009/10	2013/14	2018/19	2023/24
3 Towns	-487	-523	-837	-1,435	-2,179
Garnock Valley	-325	-242	78	473	804
Irvine	-729	-702	-777	-1,084	-1,529
North Coast	-729	-781	-939	-1,113	-1,336
Mainland NA	-2,269	-2,249	-2,474	-3,158	-4,240

Table 1.4: Projected Imbalances in Supply of Affordable Housing up to 2024 (Note: all figures are rounded to the nearest whole number)

Tables 1.3 and 1.4 provide clear evidence of shortfalls in the availability of affordable housing relative to need. Even in the baseline year (2008/09), a shortage of -2,269 units is identified, with shortfalls evident in each Sub-HMA. Initially shortages are worst in the Irvine and North Coast Sub-HMAs (32%); followed by 3 Towns (21%) and then Garnock Valley (14%).

Over the next 15 years, shortages in affordable housing supply will deteriorate by a further 87%, from -2,269 in the baseline year to -4,240 in year 15. This deterioration is true in all Sub-HMAs with the exception of Garnock Valley, where supply balances need by Year 5 and a future surplus of affordable housing is suggested. The situation deteriorates most heavily in the 3 Towns Sub-HMA where shortages quadruple (by 347%) in 15 years.

This analysis provides clear evidence of a considerable and continuing need for affordable housing far beyond the capacity of the Strategic Housing Investment Plan. In fact, the shortages evidenced in Table 1.4 are **inclusive** of projected SHIP completions of 145 units per annum. Since it is questionable whether this projected level of activity will be achieved, Table 1.5 provides a high, medium and low position of affordable housing shortage based on the following three SHIP delivery scenarios:

- 'High scenario': delivery of 145 affordable homes per annum is achieved (projected SHIP completions);
- 'Medium scenario': projected delivery is based on the rate of average completions over the last 5 years = 91 units per annum (2004/05-2008/09);
- 'Low scenario': delivery of 72 affordable homes per annum is achieved (half projected SHIP completions).

Table 1.5 demonstrates the impact of development funding in the delivery of affordable housing.

	Base Year	Year 1	Year 5	Year 10	Year 15	Increase in shortfall
	2008/09	2009/10	2013/14	2018/19	2023/24	
High scenario	-2,269	-2,249	-2,474	-3,158	-4,240	~
Medium scenario	-2,269	-2,303	-2,755	-3,720	-5,082	20%
Low scenario	-2,269	-2,321	-2,848	-3,907	-5,363	26%

Table 1.5: Projected Shortfalls in Affordable Housing based on Low, Medium, High Delivery of SHIP (Note: all figures are rounded to the nearest whole number)

The availability of development funding is a critical factor in determining both affordable housing supply targets and defining an appropriate supply of housing land to deliver these targets.

Based on the delivery of the North Ayrshire SHIP, shortages in affordable homes range from -4,240 (under the high scenario) to -5,363 (under the low scenario). This unmet need does **not** translate into a requirement to build approximately -5,300 new properties as a significant proportion of this need could be met through a range of interventions in the mainland North Ayrshire housing system.

Unmet requirements for housing could be met by programming a range of actions to tackle housing unsuitability and supply imbalances. Key issues to consider, as identified through stakeholders consultation, are as follows:

- tackling private sector housing disrepair;
- using assistive technology to address housing unsuitability for older people;
- tackling and preventing homelessness;
- making better use of the current affordable and private stock;
- developing flexible tenure options;
- developing partnerships with the private rented sector; and
- implementing an affordable housing policy.

1.4 Imbalances in the Supply of Market Housing

Tables 1.1 and 1.2 outline the need for market housing from the existing household base who live in mainland North Ayrshire. It is estimated that 1,709 households in current need and 198 newly forming households per annum will require market housing in mainland North Ayrshire.

In order to assess whether there is an appropriate balance between housing need, demand and market housing supply; a detailed match of households to homes was performed in each Sub-HMA. The analysis of housing market supply focuses initially on the availability of market entry housing, since households in current need may be on the margins of housing affordability. It is estimated that 930 units will be available to meet need, focusing on the number of vacancies in and around the lower quartile of the housing market. Analysis of supply is therefore focused on the availability of market entry homes and not the total number of properties available in the market each year. The supply figures outlined in Table 1.6 relate to vacancies in the existing supply of market housing. Annual completions of private housing have not been considered.

Table 1.6 shows the imbalance identified in the supply of market entry level housing in the baseline year of projections.

	Total current need for housing	Current need for market housing	New annual need for market housing	New annual supply of market entry housing	Net shortfall/surplus (2008/09)
3 Towns	1,087	372	49	252	-169
Garnock Valley	763	382	44	126	-300
Irvine	1,500	512	55	373	-194
North Coast	747	442	49	179	-312
Mainland NAC	4,097	1,709	198	930	-976

Table 1.6: Imbalance in Supply of Market Entry Housing Baseline Year (Note: all figures are rounded to the nearest whole number)

As well as assessing those who need market housing the HNADA also considers those who simply would like to move home in the area and therefore create a demand for market housing. The HNADA concluded that in Year 1 of the assessment period, 756 households who currently live in North Ayrshire would demand market housing each year.

A detailed match of households to homes was performed based on annual profiles of need, demand and market entry supply over a 15 year projection period. Imbalances (i.e. shortfalls in the availability of market entry homes) are detailed in Table 1.7 at 5 year intervals.

	Base Year	Year 1	Year 5	Year 10	Year 15
	2008/09	2009/10	2013/14	2018/19	2023/24
3 Towns	-170	-134	-10	177	636
Garnock Valley	-300	-539	-1,576	-3,170	-4,441

Irvine	-194	-42	572	1,494	2,762
North Coast	-312	-285	-173	-4	333
Mainland NA	-976	-999	-1,189	-1,503	-710

Table 1.7: Projected Imbalances in Supply of Market Entry Housing up to 2024 (Note: all figures are rounded to the nearest whole number)

Evidence of a shortfall in the supply of market entry level properties is identified even in the base year of the projections (-976 units). By year 10, this shortage has deteriorated further, with unmet need of -1,503 market entry homes evident. However by Year 15 the balance between demand and supply improves with the shortfall reducing from -1,503 units to -710.

The most striking finding is imbalances in market supply by Sub-HMA. By year 15, supply in both the 3 Towns and North Coast Sub-HMAs is relatively in balance, with clear surpluses evident particularly in Irvine area (2,762). In contrast, the evidence suggests a significant shortfall of market entry homes in the Garnock Valley Sub-HMA (-4,441 units by Year 15).

Having said this, further analysis was performed to identify whether this apparent shortage of market entry properties could be addressed by the ability of households to purchase homes at prices in the middle and upper points of the market. In addition, it is appropriate to factor in the additional demand of 756 to ascertain an overall market position. It should be noted that the number of households who can afford (1,732) is based on 1,709 households in current need, 198 new households, and annual demand from 756 households less 930 sales in the lower quartile of the market. Table 1.8 outlines the results at each point in the market and demonstrates that shortfalls across North Ayrshire are completely eradicated in the baseline year, where shortages are reduced from -976 to an overall surplus of 89 properties (even where the demand of 756 is taken account of). This is fully detailed in section 10.3.2 of the full report.

	Market Entry - Middle Market	Middle Point of Market	Upper Point of Market	Total
% Households who can Afford	29%	39%	32%	100%
No Households who can Afford	495	679	558	1,732
% Sales	29%	34%	36%	100%
Number Sales	534	623	664	1,821
Imbalance	39	-56	106	89

Table 1.8: Imbalance in Supply of Market Housing Baseline Year (Note: all figures are rounded to the nearest whole number)

The analysis demonstrates that there is a reasonable balance between supply in each quartile of the market and the number of households who can afford at each price point. Only at the median (middle) point in the market is there a negative

variance between those who can afford this price (40%) and the proportion of vacancies available (34%)¹.

The outcomes of this analysis by area suggest that shortages are addressed or significantly reduced across all Sub-HMAs with the exception of Garnock Valley, where imbalances in the supply of market housing (of **-375** units) are evidenced from the baseline year onwards. This is outlined fully in Table 1.9.

	Entry - Middle Market			Middle Point of Market			Upper Point of Market			Total Imbalance
	Can Afford	Sales	Imbalance	Can Afford	Sales	Imbalance	Can Afford	Sales	Imbalance	
3 Towns	94	148	54	115	153	38	127	204	77	169
Garnock Valley	174	71	-103	282	86	-196	165	89	-76	-375
Irvine	81	216	135	117	230	113	163	234	71	319
North Coast	146	99	-47	165	154	-11	103	137	34	-24
Mainland NA	495	534	39	679	623	-56	558	664	106	89

Table 1.9: Imbalance in the Supply of Market Housing by HMA Baseline Year

It should be noted however that this analysis of need and demand for market housing only focuses on the requirements of the existing population of households in mainland North Ayrshire.

All of the modelling analysis performed focuses on housing need and demand exerted by current or projected households in mainland North Ayrshire. In order to assist with the development of the housing component of the Council's "Main Issues Report", further analysis was undertaken which considers the needs not only of indigenous households but the demand placed by households who will migrate into the area. The following sections outline this analysis in detail and do NOT relate to the modelling exercises detailed above.

The outward migration of households from the area is reflected to an extent, by the vacancies created in existing market housing per annum. Conversely, the analysis does not account for the average annual movement of 1,372 households who migrate into mainland North Ayrshire (accounting for 36% of all house sales in the area 2003-2007). In addition, the analysis outlined in Table 1.8, focuses on vacancies in existing market supply and does not take into account new build completions of market housing. On average, over the last 5 years, 453 units of new build housing have been delivered in mainland North Ayrshire.

Further analysis has therefore been carried out which takes into account total housing need and demand (both arising within North Ayrshire and from those moving into the area); and total market supply (both vacancies and completions).

¹ Volume of housing supply in each quartile of the market is derived from the analysis of sales from the Register of Sasines covering the last full year of market transactions (2007). Housing affordability in each quartile is derived from indexing household incomes utilising CACI Paycheck data (2007) to house prices banded by quartile. A mortgage multiplier of 3.5 times household income has been utilised to derive borrowing potential.

Table 1.10 matches new **annual** need and demand for market housing to new **annual** market supply. Since our analysis of sales relates to levels of market activity in 2007, during a housing market boom, a 25% reduction in the number of sales has been applied in order to present a more realistic profile of market vacancies given the current economic climate. Adjusted market vacancies include all sales i.e. 930 properties at market entry level, plus 1,821 sales at the upper and middle points of the market. For clarity, annual demand includes both the requirements of indigenous and in-migrant households, whilst annual supply includes both market vacancies and completions².

	New annual need for market housing	Inward migration into North Ayrshire	Annual demand from existing households	Total annual demand for market housing	Annual vacancies in market housing	New completions	Total annual supply of market housing	Net annual shortfall/surplus
3 Towns	49	317	167	533	757	129	886	353
Garnock Valley	44	235	321	600	373	60	433	-167
Irvine	55	449	165	669	1,052	155	1207	538
North Coast	49	372	103	524	569	109	678	154
Mainland NA	198	1,372	756	2,326	2,751	453	3204	878

Table 1.10: Total Annual Need for Matched to Total Annual Supply of Market Housing

Table 1.10 focuses on the **annual** components of need, demand and market housing supply in mainland North Ayrshire. It suggests that on an annual basis new supply will outstrip demand by 878 units, creating a surplus of available properties. This surplus position is true for all sub-HMAs with the exception of Garnock Valley where both the number of market vacancies and new completions are approximately 50% below average in both cases. Table 1.10 also demonstrates that new demand for market housing is more than double the average demand elsewhere in North Ayrshire. Both factors have a significant influence on the extent of market housing shortfall identified in the Garnock Valley sub-HMA.

² The analysis presented in Tables 1.8-1.12 is predicated on the assumption that households will purchase property in the quartile of the market that they can afford. This is a realistic assumption given the current restricted access to mortgage finance, which focuses heavily on the financial ability of households to purchase based on income and other capital. Although households may purchase properties in quartiles higher or lower than they can afford, it is not feasible to reflect the infinite possibilities associated with personal choice or individual behaviours. The outcomes of this analysis therefore provide a credible baseline assessment of need and demand relative to supply utilising evidence based assumptions.

In this modelling scenario, annual demand from existing households of 954 (i.e. newly arising need of 198 plus new demand of 756) is lower than the demand placed on the market from those migrating to the area (1,372). In reality and based on our modelling assumptions (which relate to 2007 sales), at least another 878 indigenous households will purchase homes given the number of market sales which took place.

	Current need for market housing	Net annual shortfall/surplus of market housing	Net current need for market housing	Net current need for market housing	Net current need for market housing	Net current need for market housing	Net current need for market housing
	Base Year	Year 1	Year 1	Year 2	Year 3	Year 4	Year 5
	2008/09	2009/10	2009/10	2010/11	2011/12	2012/13	2013/14
3 Towns	-373	353	-20	333	686	1,039	1,392
Garnock Valley	-382	-167	-549	-716	-883	-1,050	-1,217
Irvine	-512	538	26	564	1,102	1,640	2,178
North Coast	-442	154	-288	-134	20	174	328
Mainland NA	-1,709	874	-835	47	925	1,803	2,681

Table 1.11: Net Snapshot of Current Need for Market Housing Adjusted for Annual Surplus (2009/10 – 2013/14)

However, as Table 1.10 focuses solely on annual demand for housing and excludes the backlog of households in current need and who also require market properties; apparent surpluses of market supply can be utilised to address the requirements of these households. Table 1.11 demonstrates how long it takes to eradicate the backlog utilising the annual net surpluses of market housing identified in Table 1.10 above.

Table 1.11 demonstrates that in Year 1 of the projection period, residual unmet need for market housing of -831 units is evident. However by Year 2, the backlog of current need has been fully addressed, with significant surpluses of market supply suggested from Year 3 onwards (925 units). This market turnaround occurs because on an annual basis new supply is projected to outstrip demand by 878 units, quickly creating a surplus of available properties. Current need is eliminated very quickly and surpluses are likely to accrue. This pattern is true for all Sub-HMAs with the exception of Garnock Valley where shortfalls of market supply are clearly evident and exacerbated by a recurring annual shortfall of -167 units. By year 10 in Garnock Valley, cumulative shortfalls amount to -2,052 units and by Year 15, -2,887.

Table 1.12 details the cumulative impact of the annual surpluses of market housing demonstrated in Table 1.10 at five year intervals. Cumulative surpluses in market housing over a 10 year period amount to 7,071 units and increase steadily to a cumulative figure of 11,461 over a 15 year period. Again, the key issue within this trend is the continuing shortfall of market units in the Garnock Valley as a result of a recurring annual shortfall of -167 units.

	Current need for market housing	Net annual shortfall/surplus of market housing	Net current need for market housing	Net current need for market housing	Net current need for market housing	Net current need for market housing
	Base Year	Year 1	Year 1	Year 5	Year 10	Year 15
	2008/09	2009/10	2009/10	2013/14	2018/19	2023/24
3 Towns	-372	353	-20	1,392	3,157	4,922
Garnock Valley	-382	-167	-549	-1,222	-2,052	-2,887
Irvine	-512	538	26	2,173	4,868	7,558
North Coast	-442	154	-288	323	1,098	1,868
Mainland NA	-1,709	878	-831	2,661	7,071	11,461

Table 1.12: Net Snapshot of Current Need for Market Housing Adjusted for Annual Surplus (2009/10 – 2023/04)

Clearly the surpluses suggested by this analysis are unlikely to manifest in practice as the number of new vacancies will adjust to market conditions and the ability of households to move. This analysis demonstrates that recent market activity generates supply beyond the levels of current and future demand projected by the study; especially relative to the peak in sales experienced in 2007. Anecdotal evidence from local industry professionals suggests a significant drop in the volume of sales in 2008 and 2009 (beyond the 25% reduction factored into this analysis); as a result of current lending restrictions and the economic downturn. This anecdotal evidence is reinforced by the findings of this exercise.

The outcome of the analysis however, clearly suggests that there is no compelling evidence of a shortfall in the supply of market housing relative to current projections of need and demand. The exception of course is in Garnock Valley, where historically market supply (both vacancies and completions) has been considerably lower than market activity in other sub-HMAs.

1.5 Implications for Policy and Planning

The key messages of this housing need and demand assessment are as follows:

- Based on the delivery of the North Ayrshire SHIP, shortages in affordable homes range from **-4,240** (under the high completions scenario) to **-5,363** (under the low completions scenario);
- Over time, need for affordable housing is evident in every Sub-HMA with the exception of Garnock Valley where imbalances are addressed by Year 5;
- Over the 15 year modelling period, unmet need for affordable housing increases at a higher rate in the 3 Towns Sub-HMA than elsewhere in mainland North Ayrshire, suggesting a clear need for intervention;
- This unmet need for affordable housing does **not** translate into a requirement to build approximately 5,300 new properties, as a significant proportion of this need could be met through a range of interventions in the mainland North Ayrshire housing system;

- The availability of development funding is the critical factor in determining both affordable housing supply targets and defining an appropriate supply of housing land to deliver these targets;
- Initial analysis of the sufficiency of housing market supply would suggest that there is a shortfall in the region of 1,000-1,500 properties over the next 10 years. However, this analysis focuses only the availability of market entry level properties, based on the assumption that those in housing need may be on the margins of affordability;
- In fact, detailed affordability analysis by market quartile reveals that this apparent shortfall of market entry units could be addressed by the ability of households to purchase property in the middle and upper quartiles of the housing market. Shortfalls in the region of 1,000 units are completely eradicated when all market vacancies are considered;
- This analysis was then further developed to include not only market vacancies but annual housing market completions; and to consider the impact of demand from in-migrant households in addition to need and demand arising from the existing households base;
- When the annual components of demand for and supply of market housing are considered (including in-migrant households and new build completions as well as vacancies) there is evidence that market supply outstrips demand by almost 880 units per annum. However, this apparent 'surplus' can be utilised to address the backlog of households in current need who also require to move. However, this backlog of need is addressed by Year 2 of the projections with future 'surpluses' of market housing projected, relative to current projections of future need and demand;
- In reality, projected surpluses in market supply will be addressed by a drop in the volume of sales, as market activity responds to lower levels of effective demand associated with the current economic recession. This conclusion is reinforced by the anecdotal evidence of market professionals who cite a significant drop in the turnover of market vacancies over the last 12 months;
- It is clear however, that there is no compelling evidence of a shortfall in market housing in mainland North Ayrshire based on current evidence.