

A standard method for Objectively Assessing housing Need?

A research approach

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The problem:

1. Too few LPAs are planning for a reasonable share of housing growth compared to the national need
2. Less than 50% have an up-to-date adopted Local Plan
3. Strategic Housing Market Assessments have become a time consuming growth industry. Some exceed 200 pages
4. Most have very weak methodology – a listing of data is rarely a logical argument for new supply in the locality
5. The concentration on price as the main market signal misunderstands housing economics.

The research approach - 1

Experience to date of a standardised approach to OAN in Scotland has:

- A. Been based on methodology from NAHPAU, the best at its time, but now since 2008 has become outdated and has “ossified” the Scottish system
- B. Delivered spreadsheet tables produced nationally that are not understood by the LPAs leading to lots of data but no attempt at understanding or learning
- C. Resulted in actual output of housing growth (new supply and net additions by LPA) that has low correlation with the determined OAN.

The research approach - 2

House prices are a reflection of house price demand but have weak relationship with physical demand.

Are there other “market signals” we can use:

- A. Vacancy levels
- B. Trends in residential floor space per person?

Data trend analysis at national, regional and LPA level is showing weakness of majoring on the house price signal, weaknesses in use of backlog measures, and possible benefits of the alternative approaches.

The research approach - 3

How do we take account of local visions whether of preserving the status quo or wanting to grow faster than neighbouring authorities?

How do we take account geographical and policy constraints?

How do we rebalance growth between regions?

The research approach - 4

DCLG (ONS next) household projections could become the default OAN but:

- A. Never intended for this purpose
- B. Have (mostly) over-estimated actual growth
- C. Have consistently over-estimated rate of reduction in persons per household
- D. Are circular trend projections based on past growth in households (housing supply)
- E. Do not account for policy and economic conditions
- F. Need a methodology on migration effects on household numbers, and to a lesser extent the deceleration of trends in age at birth of first child and in longevity.

We need a fundamental review before we lock these projections into a standard method, and we should allow for the continued improvement in understanding of the dynamics of our housing markets.