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# **Local Housing Market Assessment**

## 2009 Annual Review

Carmarthenshire County Council

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## 1. Introduction

- 1.1 In 2005, DTZ was commissioned by Carmarthenshire County Council to undertake a Local Housing Market Assessment. This report is the fourth annual review as part of the Commission.

### **Why review the housing market assessment?**

- 1.2 The HMA should be a dynamic process. Information needs to be regularly updated and the findings reviewed. It is essential to monitor change and appraise the effect of interventions on housing demand.

### **Assessing the Current Housing Situation**

- 1.3 Chapter 2 provides a review of the Strategic Context affecting the functioning of the housing market. We have reviewed changes to the policy framework since 2008. In addition to this we have reviewed relevant research reports that are likely to influence policy in the future.

### **Strategic Context**

- 1.4 Chapter 3 provides an understanding of the key drivers that affect housing demand in Carmarthenshire. The key outputs of this chapter are to understand the current level of demand and identify the key housing demand pressure within Carmarthenshire. The factors that affect housing demand include:
- Demographic structure;
  - Household characteristics;
  - Labour force and income;
  - The cost of buying or renting a property.

### **Understanding and Assessing Housing Supply**

- 1.5 Chapter 4 examines the characteristics and structure of the housing supply in Carmarthenshire. Analysis of the supply of housing allows an assessment of the range, quality and spatial distribution of housing that is currently available in the areas. In particular, examining:
- Current housing supply;
  - Housing conditions; and
  - Supply of affordable housing.



### **Assessing Housing Need**

- 1.6 Chapter 5 completes an initial analysis of how well supply meets demand. The needs assessment table used here provides a quantitative assessment of housing need for affordable housing at the local authority level. We further break this down by carrying out an interim assessment of the likely housing needs by the six areas and size of property. It should be noted that in the absence of a current Housing Needs Survey (the last Housing Needs Survey was carried out in 2000 and is judged to be out of date) we have used affordability data together with an analysis of homelessness, and housing need identified from the Housing Register.

### **Analysis of Future Housing Requirement**

- 1.7 Chapter 6 provides a quantitative assessment of the supply and demand analysis presented in the previous sections. The output of this section is to provide a figure of additional affordable homes, above the UDP commitment, needed in the next five years and to consider what that means for the six area community networks. This section assesses;
- Overall position for the county;
  - The six community network areas, and
  - Housing aspirations

## 2. Strategic Context

### Review of Housing Policy and Policy of Relevance to the Housing Market

#### Welsh Assembly Government - Sustainable Homes Legislative Competence Order

2.1 The Welsh Assembly Government has proposed a new housing Legislative Competence Order which covers:

- **regulation of social landlords** - potential to 'introduce a comprehensive regulatory regime for all social landlords'
- **disposals by social landlords** – restrictions to the right to buy
- **social housing tenancies** – potential to introduce a single social housing tenancy and a supported housing tenancy. Also to develop 'new legislative proposals for new forms of occupation of social housing' and 'legislate ... regarding low cost home ownership schemes'
- **homelessness** – potential to 'legislate in relation to ... the prevention of homelessness, duties of housing associations, definition of homelessness, intentionality, local connection, discharge of duties and strategic planning responsibilities'
- **housing allocations** – potential to amend 'factors which a local authority may take into account when determining priorities in allocating housing accommodation'
- **housing-related support** – potential to 'change to the legislative framework to ensure that support of the desired standard is provided consistently across the 22 local authorities'
- **the provision of gypsy and traveller sites** – potential to 'enable the Minister to require local authorities to deliver Gypsy Traveller sites'
- **empty homes and council tax for second homes** – potential to 'allow Local Authorities to vary the council tax payable' i.e. charge additional tax.

2.2 The order was approved by the Assembly in February 2010, but has yet to be approved by Parliament. This order supersedes the Affordable Housing Legislative Competence Order that was approved by the National Assembly for Wales in 2009.



### **Welsh Assembly Government – Order in Council**

- 2.3 An Order in Council was approved in November 2009 which transfers powers to make building regulations for buildings in Wales to the Welsh Ministers with effect from 31 December 2011. This means that the Assembly can set the agenda for new buildings, making them more energy efficient and sustainable.

### **Welsh Assembly Government – Microgeneration and Planning**

- 2.4 From September 2009, the installation of micro-generation equipment such as solar panels in Welsh homes became easier. The aim of the changes is to remove certain types of micro-generation equipment from requiring planning permission, making it easier for individuals and local communities install equipment that will contribute to tackling climate change and lower energy bills. Equipment covered by the new rules includes small scale solar panels, ground source heat pumps and biomass flues.

### **Welsh Assembly Government - S106 Guidance**

- 2.5 Updated guidance on delivering affordable housing using Section 106 agreements was published by the Assembly in September 2009. The update looks at how local authorities can use the planning process to facilitate and bring forward development, whilst ensuring that they continue to deliver the maximum possible amount of affordable housing. It draws on emerging good practice from across the UK and research undertaken in Wales and England during the summer of 2009.

### **Strategic Capital Investment Fund**

- 2.6 A total of £62million has been allocated to housing from the Welsh Assembly Government Strategic Capital Investment Fund (SCIF).
- 2.7 In December 2009 the WLGA<sup>1</sup> reported that £20m of affordable housing projects were progressed through the SCIF process in October.

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<sup>1</sup> WLGA (December 2009) State of the Nation Report: WLGA Briefing to Chief Executives

## **Welsh Housing Sector Funding**

- 2.8 The European Investment Bank has agreed to allocate £95 million from a total of £345 million coming to the UK to Welsh social housing.
- 2.9 Communities across Wales in need of regeneration have received more than £25 million in housing renewal aid. The money will go to 36 renewal areas in 19 local authorities. Renewal areas enable councils to focus activity and investment on areas that combine a need for assistance with the potential for regeneration.

## **Gypsy Traveller Sites**

- 2.10 Grant funding worth nearly £500,000 will improve and extend facilities at five Gypsy Traveller sites. The grants have been awarded under the Welsh Assembly Government's Gypsy Traveller Refurbishment Grant scheme. The scheme was established in response to one of the recommendations in Pat Niner's report Accommodation Needs of Gypsy Travellers in Wales 2006. All local authorities in Wales were invited to draw up projects for funding; the successful projects are Ruthin Road, Wrexham, Shirenewton, Cardiff, Cwmcrachen, Blaenau Gwent, Ty Gwyn, Swansea and Withy Beds, Powys.

## **Welsh Assembly Government – Mortgage Rescue Action Plan**

- 2.11 In June 2009 the Assembly Government launched its Mortgage Rescue Action Plan. The Action Plan includes a range of actions:
- Social Housing Grant funding of £9.5million
  - provision of funding of £80,000 for a new Housing Debt Helpline which was launched in July and is run by the Consumer Credit Counselling Service in partnership with the Wales Co-op Centre
  - the commissioning of a mapping exercise of all debt advice services in Wales to inform further expansion of such services
  - a series of training workshops for front line housing and homelessness staff to highlight best practice and demonstrate how home owners and tenants can be helped as early as possible through budgeting and other financial advice
  - the development of affordable housing solutions including equity sharing
  - improving the implementation of the existing Court protocol on mortgage repossession actions, which expects the home owner to have explored every alternative to repossession through alternative repayment arrangements

- expanding the extent of Duty Advisor schemes in courts which are available to offer on the spot advice to people who are subject to repossession actions

## **Welsh Assembly Government – Ten Year Homelessness Plan**

- 2.12 The ten year homelessness plan for Wales was published in July 2009. The vision set out in the plan is that in ten years time, homelessness will be reduced to a minimum. Where homelessness cannot be prevented, the trauma of the experience of homelessness will be minimised through swift and appropriate service responses.
- 2.13 The aims of the plan are to:
- prevent homelessness wherever possible
  - work across organisational and policy boundaries
  - place the service user at the centre of service delivery
  - ensure social inclusion and equality of access to services
  - make the best use of resources

## **Budget 2009<sup>2</sup>**

- 2.14 The UK Government's objective for housing continues to be to ensure everyone has access to a decent home at a price they can afford. The Budget 2009 provided further support for homeowners, homebuyers and housing supply, including:
- a £600 million funding package of measures to build more homes through unlocking sites currently sitting dormant. In England this will deliver up to an additional 10,000 new homes within the next two years – both Homebuy Direct and homes for rent
  - an extension of the stamp duty holiday for all houses costing up to £175,000 until 31 December 2009
  - an extension of support for vulnerable homeowners in financial difficulty through widening the eligibility criteria for the Mortgage Rescue Scheme so that households in negative equity are not excluded
  - bringing forward a total of £775 million of housing and regeneration investment into 2008-09 and 2009-10
- 2.15 The Housing Benefit reform first announced in the 2008 Budget was restated. Indications from an internal review of Housing Benefit are that some claimants may be able to afford

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<sup>2</sup> Welsh Housing Quarterly: Issue 75

accommodation that is out of reach of working families on low incomes. A consultation will therefore be launched soon on the measures that can be taken to improve the incentives for those returning to work and reduce total spending on Housing Benefit in the medium term, while maintaining access to suitable housing for those who cannot work. The Budget also included an announcement that, from April 2010 there will no longer be scope for anyone to receive more Local Housing Allowance (LHA) than they have to pay in rent. The LHA was introduced in April 2008, and as the Government has found that costs have exceeded the planned expenditure, it is looking to bring costs into line with what is affordable. Existing claimants will move onto the new arrangements on the anniversary of their claim.

## Responses to the Credit Crunch

- 2.16 A number of housing-related responses were put in place that apply to both England and Wales. These included successive reductions in the Bank of England base rate over the period 8 October 2008 to 5 February 2009, from 5% to 1% :
- improvements to support for mortgage interest payments through the benefits system – formerly called Income Support for Mortgage Interest (ISMI), now called **Support for Mortgage Interest (SMI)**. SMI can be paid to people on Income Support, income-based Jobseeker's Allowance, income-related Employment and Support Allowance and Pension Credit if they are experiencing problems with the interest payments on their mortgage. From 5 January 2009:
    - the waiting period for which homeowners have to wait before help towards their mortgage is paid is cut from 39 weeks to 13 weeks for all new working age claims
    - the capital limit on loans for which SMI can be paid is increased from £100,000 to £200,000 for new working age claims
    - the Standard Rate of Interest which is used as the basis to calculate SMI is frozen at 6.08% for the next six months for all customers
    - pensioners getting Pension Credit do not have to wait to get help with their mortgage interest payments
  - the development of the **homeowner mortgage support scheme** – intended to provide greater reassurance to homeowners that they will be able to remain in their homes if they suffer a temporary fall in income, but are expected to recover at a later date. The scheme will allow lenders to reduce a borrower's current monthly mortgage payments, with the deferred payments rolled up, added to the principal, and paid at a later date when the borrower's financial circumstances have improved. The Government will guarantee the lender against a proportion of any loss incurred on the deferred interest payments in case

- the borrow defaults. The scheme will cover mortgages of up to £400,000 and a series of eligibility criteria will apply to individual households. At the time of writing, details of the scheme are still being finalised – information is available online at [www.communities.gov.uk](http://www.communities.gov.uk)
- **mortgage rescue schemes** – £9.5 million is available through Welsh scheme – information available online at <http://new.wales.gov.uk>
  - a new pre-action protocol for **mortgage possession proceedings** – introduced on 19 November 2008, the protocol aims to:
    - ensure that a lender and borrower act fairly and reasonably with each other to resolve any matters concerning both mortgage and home purchase plan arrears
    - encourage more pre-action contact between the lender and the borrower in an effort to reach an agreement
    - if an agreement cannot be reached, enable efficient use of the court's time and resources
    - The court will normally expect the parties to observe this behaviour before the start of a possession claim. The full protocol is available online at [www.justice.gov.uk](http://www.justice.gov.uk)
  - bringing forward **Social Housing Grant** allocations from future years – although this has happened in both England and Wales, the detailed decisions have been made by the individual administrations
  - offering up to 10,000 first-time buyers currently frozen out of the mortgage market the chance to get onto the property ladder through a new shared equity scheme (HomeBuy Direct)
  - bringing forward £400million in order to deliver up to 5,500 new social homes in England and Wales over the next eighteen months on top of current assumptions
  - working with Regional Development Agencies to support the most critical regeneration schemes with the greatest potential to transform communities

## **Sustainable Homes: A National Housing Strategy for Wales**

- 2.17 The Welsh Assembly Government has consulted on its new Housing Strategy with the findings currently being reviewed. The purpose of Sustainable Homes is to provide a coherent direction for housing policy in Wales. It is a strategy for all those with an interest in achieving sustainable homes for the people of Wales. It will guide policy making at the level of the Welsh Assembly Government, both in terms of housing and other areas that contribute to, or are supported by, good housing outcomes. It will also guide the housing policies and practices of local government and of non-government organisations such as private landlords and social enterprise landlords in housing and related areas. The Strategy is relevant to all

housing in Wales; private and social, owner occupied and rented, existing dwellings and those yet to be built.

2.18 The Strategy's vision is to promote an approach to housing supply and management that will help build a more sustainable future, improving our communities and the lives of individuals. It is structured around six principles:

- providing the right mix of housing
- using housing as a catalyst to improve lives
- strengthening communities
- radically reducing the ecological footprint
- ensuring better services
- delivering together

### **Housing and Regeneration Act 2008**

2.19 The wide ranging Housing and Regeneration Act 2008 aims to help to deliver their housing supply ambitions, empower tenants, and ensure affordable housing provision works and is more effective and efficient.

2.20 While, in England the new regulator, Ofgem, will take on the regulation functions of the Housing Corporation, which will be dissolved, in Wales, the 'registered social landlord' system will continue with some minor amendments to Part 1 of the Housing Act 1996.

2.21 Clauses and schedules that apply to Wales include:

- a proposal to give local authority tenants more of a say on the future of their homes, including a mandatory ballot on stock transfer and a stronger requirement for councils to co-operate with tenants who want to explore a change of ownership of their homes. The detailed provision will be set out in regulations made by Welsh Ministers in relation to Wales
- additional powers for social landlords to tackle anti-social tenants via Family Intervention Projects, including a new 'family intervention tenancy'
- introducing a mandatory sustainability rating for all new homes in England and Wales, indicating whether the home has been assessed and, if it has, the performance of the home against the standards
- enabling service personnel to establish a local connection with the district in which they serve, for the purpose of applying for social housing or homelessness assistance

- providing Gypsies and Travellers with the same security of tenure on local authority sites as on private sites and park home sites
- transferring Welsh functions of the Commission for the New Towns to the Welsh Ministers

## **Social Housing Grant (SHG) Changes**

2.22 The WLGA<sup>3</sup> reported that following recommendations on housing policy from the Essex review, two changes are being implemented in April 2010 that will have a significant impact on the role of Local Authorities:

- **Distribution of SHG** – from April 2010 the arrangement for allocating SHG will change. Authorities will be given a cash limited allocation of SHG, with freedom to set the priorities for expenditure. This is a significant change from the current arrangements that essentially distribute SHG to housing associations. An interim formula for distribution of SHG has been agreed for 2011/12 and 2012/13, based on population, affordability and past expenditure. This interim arrangement will allow the development of a distribution formula based on housing need. The change will give authorities greater freedom to determine local housing investment, but it will require authorities to have the right capacity and skills in place to assess need and manage the investment programme.
- **Zoning of housing associations** – also from April 2010 the zoning arrangements for RSL's become more flexible and will give authorities greater freedom to choose their RSL's partners. This will allow authorities to develop strong partnerships with RSL's that deliver new affordable homes and also assist the authority with their broader strategic priorities e.g. health & well being, community safety etc.

### **– Carmarthenshire County Council Initiatives**

2.23 The Strategic Capital Investment Fund has enabled new affordable homes for rent to be delivered in Garnant and Ammanford. Some existing homes have also been bought by housing associations using this funding in Whitland, Llanelli and Ammanford. More new build is on the way at a number of locations.

2.24 Also, the Council is looking to:

- reduce the demand for affordable housing by:
  - Helping older people stay independent in their own homes, thereby reducing the demand for new institutional schemes

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<sup>3</sup> WLGA (December 2009) State of the Nation Report: WLGA Briefing for Chief Executives

- Delivering better housing advice and options, including family mediation services to help prevent homelessness and reduce unplanned household creation
  - Promoting the Housing Choice Register as the access route into all forms of affordable homes in the County
  - Working with lenders to ensure that mortgage products are available for people who wish to buy an affordable home
  - Undertaking better education of young people regarding their housing options, including working in schools and colleges
  - Ensuring their work is reflected in other key strategies such as Transport and the Children and Young Peoples Plan.
- To influence the supply of affordable housing the Council plans through:
- The introduction of a Social Lettings Agency last year to promote the use of existing private rented sector homes as a viable alternative. Over 40 homes are already in management, and we have a target of 100 by March 2011.
  - Working with landlords to secure long term access to the private market and reduce tenancy turnover rates
  - Raise the standard of the private rented sector, especially houses in multiple occupation

2.25 The Council state that they will increase the number of affordable homes in the county by 100 homes during 2009/10 (excluding those funded through the social housing grant) as part of the Improvement Agreement Grant. This is with the background of continued low level of delivery on private sector sites, and the stalling of delivery on sites in County Council ownership. They are compensating for this through faster delivery by other means, such as the social lettings agency. There is vast untapped potential in the 1,800 private sector homes in the County that have been empty for more than 6 months. The Council is also investigating how they could start building themselves on land that they already own.

## Research of Relevance to the Housing Market

### Welsh Assembly Government – Rent First – Pilot Guidance

- 2.26 In March 2010 the Welsh Assembly issued a consultation paper for views whether or not to adopt the Rent First model, in principle, as a mechanism for delivering intermediate housing for rent in Wales.
- 2.27 *Rent First* is another intermediate housing option which could:
- Provide a mid-market housing solution for people on moderate incomes
  - Ease the demand pressure on social rented housing
  - Assist people in trying to build up a deposit/equity to buy a home
  - Provide a housing solution to those that are unable to commit to an assisted house purchase due to economic uncertainty
  - Enable housing associations to purchase properties from developers which might otherwise be standing empty.
- 2.28 The rationale for such a scheme is based on the difficulties that first time buyers on low to moderate incomes face in purchasing a property given the recent large house price increases. Although the recent recession has caused house prices to fall, there remains a significant affordability gap.
- 2.29 Some of the key issues facing first time buyers in Wales are that:
- Research carried out for the Welsh Assembly Government in 2009 found that one fifth of working households in Wales could not afford to buy at lowest decile house prices for two/three bedroom dwellings
  - There are significant variations in house price movements across Wales. Across Wales the average house price rose by 2.77% in the period January – August 2009. However house prices in Neath Port Talbot fell by 10% over the same period whilst in Conwy they rose by over 4.5%
  - Less than half of households earning less than £15,599 were owner occupiers. 20% lived in local authority housing, 15% lived in housing association properties and 16% lived in privately rented accommodation.
  - The market for intermediate rented products is likely to be aimed at those people with incomes above £16,000 and below £30,000.

- The available data suggests that there is an affordability gap with a significant proportion of households unable to afford to purchase a property but able to pay more than social rent.
- The credit crunch has resulted in increasingly restrictive terms and conditions on mortgages which has disproportionately affected first time buyers.
- Buyer behaviour has been affected by the lack of mortgage products, an uncertain economic climate and falling house prices
- The recession has caused a slowdown in the housing supply pipeline. This makes current housing demand more acute and could lead to greater supply and demand strain once the economy stabilises.
- Mortgage lenders are requiring larger deposits which causes particular problems for first time buyers. The availability of a sufficient deposit is a significant barrier to home ownership.

## **State of the Nation Report: WLGA Briefing to Chief Executives<sup>4</sup>**

### **Welsh HRAs Review**

- 2.30 The Assembly Government has launched a review of the Housing Revenue Account Subsidy (HRAs) arrangements in Wales and will consider the future options for authorities who still retain housing. This follows the recent review of the HRAs in England that will lead to the HRAs being dismantled.

### **Welsh Review of Rent Policy**

- 2.31 Alongside the review of HRA arrangements the Assembly Government is also reviewing rent policy in Wales. It will consider the broad principal of convergence of RSL and local authority rents, as well as the formula for guideline rents.

## **Issues Affecting Migrant Workers in Wales, their Families and the Communities in which they Live and Work<sup>5</sup>**

- 2.32 In November 2008 the Equality of Opportunity Committee published its findings of an inquiry into the experiences of migrant workers in Wales, their families and the communities in which

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<sup>4</sup> WLGA (December 2009) State of the Nation Report: WLGA Briefing for Chief Executives

<sup>5</sup> National Assembly for Wales: Equality of Opportunity Committee (November 2008) Issues Affecting Migrant Workers in Wales, their families and the communities in which they live and work

they live and work. During the inquiry the committee spoke to a number of organisations and experts that work with migrant workers along with migrant workers themselves.

2.33 The number of migrant workers in the UK may increase in the future, with shifts in the global economic climate, and as other countries join the European Union. However, it is also possible that the number of migrant workers could decrease following changes in the home nation economy. For example, following a surge in Polish migrant workers when Poland first joined the EU, it is now not economically viable to be in the UK for those workers who earn less than £8 per hour.

2.34 The five key themes that emerged during the course of the inquiry were:

- Improving access to information for migrant workers and their families;
- Improving access to Language Classes;
- Improving conditions for migrant workers and their families;
- Promoting good relations between migrant workers and their families, and the communities in which they live and work; and,
- Support for organisations and staff who come into contact with migrant workers and their families

2.35 Having considered the evidence, the Committee makes 25 recommendations to the Welsh Assembly Government which aim to ensure equality of opportunity for migrant workers their families, the organisations and staff with whom they come into contact, and other people in the communities in which they live and work. The recommendation of relevance to the housing market was:

1. **Recommendation 13** - The Welsh Assembly Government's Migrant Forum develop strategies to address poor living conditions for migrant workers, engaging the Minister for Housing.

## **Affordable Housing in Wales (The Essex Report)<sup>6</sup>**

- 2.36 Published in June 2008, *Affordable Housing in Wales* (the Essex Report) recommended wide-ranging changes to the way that the provision of affordable housing is regulated, funded, planned and delivered in Wales so that the housing sector (and in particular the Welsh Assembly Government) could respond effectively and rapidly to the impact of the credit crunch on housing.
- 2.37 Five workstreams were set up under the Essex Programme. They sought to develop new products, services and ways of working to implement the Report's recommendations. The overall work is managed by a programme board and a strategic board chaired by the Deputy Minister for Housing.

### **Current Picture in Wales**

- 2.38 The majority of the housing stock is in the private sector (83%), however, a significant proportion of households live in the social housing sector in homes provided by local authorities and housing associations. Tenure change in Wales has shown an overall decline in the level of social housing and the growing importance of housing associations as providers of affordable housing.
- 2.39 The review identified the lack of a robust evidence base at a national (Wales) level in relation to the extent of the need for additional affordable housing in Wales. This data deficit requires urgent attention.
- 2.40 The available evidence suggests that the current social housing stock falls short of the Welsh Housing Quality Standard (WHQS) and substantial investment is needed both to achieve WHQS by the target date of 2012 and to sustain it thereafter.

### **Looking to the Future**

- 2.41 Making the Connections is at the heart of the Welsh Assembly Government's public service agenda. The review felt that this model is both appropriate and applicable to taking forward a new approach to stimulating and developing affordable housing in Wales. In applying the

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<sup>6</sup> Essex, S, Smith, B and Williams, P (June 2008) Affordable Housing Task and Finish Group. Report to the Deputy Minister for Housing.

model, housing would be aligning itself with other policy changes in public service delivery taking place within Wales. This would see:

- the Assembly Government taking a stronger strategic role, moving away from detailed management of programmes to concentrating on achieving outcomes through enabling delivery, performance and accountability;
- local authorities acting as strategic housing enablers and community leaders, identifying local need and working closely with others to meet it;
- housing associations being given more freedom to release resources, develop and innovate but within a clearer, risk and performance based regulatory framework;
- the private sector recognised as having an essential role as funder, developer and landlord, encouraged to work in greater partnership with government; and
- tenants being sure of a quality and responsive service

### **Regulating Housing Associations – Going Forward**

2.42 The current regulatory regime for housing associations was developed over 20 years ago. The review believes that the current arrangements are failing in a number of different ways and no longer meets current and future challenges. The group takes the view that reform is urgently needed particularly in the light of regulatory changes in both England and Scotland.

2.40 The aim of the Group has been to set up a regime which is far more transparent than the one operating at present, with clear performance requirements and compliance mechanisms in place so that it will deliver real benefits to associations and their key stakeholders including tenants and residents.

### **Securing Finance for Affordable Housing**

2.41 The report suggest that expansion of affordable housing can be supported by increased use of European Investment Bank (EIB) funds, public land release and section 106 Agreements, all of which can bring extra resources to the table so that Wales is not solely reliant upon housing association asset alone. This may be complemented by European Structural Funds. Adopting a full suite of the range of options available including local housing companies, partial stock transfer and community land trusts, in conjunction with improved regulation, should reassure boards and association stakeholders such as lenders and local authorities that this can be done safely and without risk to the future of the associations themselves. The Assembly Government should use its strategic Capital Investment Board to secure additional funding for affordable housing as part of wider regeneration objectives.

- 2.42 An urgent recommendation of the Review was that the Welsh Assembly Government should review the housing association rent regime and its interaction with the cost guideline process. There was concern that within the structure there are significant anomalies and there is a need for a regime with a stronger and clearer logic and one that is fair and consistent.

### **Key Recommendations**

- 2.43 The recommendations in the Group's Report will, if implemented, contribute to ensuring this challenging agenda can be met. Although not all are for the Welsh Assembly Government it is essential that they lead the change, moving quickly to put new arrangements in place. They must ensure that this Review is used to implement and embed the cultural environment of trust and transparency that allows a model of partnership, integration, planning and performance to thrive.
- 2.44 There are some that are crucial to the delivery of the 'One Wales' commitments and need urgent or immediate implementation. These include:
- the need to urgently put in place a robust evidence base on housing need;
  - the immediate implementation of a planned programme of change, with the Welsh Assembly Government taking a strong lead role by providing a clear vision and setting out a partnership approach based on trust, transparency, mutual respect and clarity of roles;
  - strengthening of staffing with the right skill sets in Housing Division to enable them to implement this change agenda and take a new approach. This may require additional resources. Those activities that don't add significant value (e.g. detailed scheme appraisals) need to stop urgently in order to create capacity for staff to move the management of Social Housing Grant (SHG) swiftly onto a more strategic footing and pursue a role of overseeing the health and performance of HAs to ensure that quality, affordable housing is delivered;
  - implementing the new regulatory regime described in the Report as a matter of urgency, beginning this year;
  - a more focused regime must be complemented by a relaxation of current constraints on housing associations through early implementation of the 'quick wins' recommended previously by the Group;
  - ensuring that the Assembly Government and its partners make best use of existing resources such as publicly owned land, housing associations' assets and the planning system to support the delivery of new affordable housing;
  - encouraging all local authorities (including those that have transferred stock) to take a stronger strategic enabling and community leadership role, identifying housing need and

working with others across their areas to maximise opportunities to provide affordable housing;

- aligning Social Housing Grant and the Welsh Housing Quality Standard (WHQS) with the Assembly Government's climate change agenda, maximising energy efficiency and progressively moving up the levels of the Code for Sustainable Homes;
- early partnership working, which is essential to taking forward the recommendations regarding the Regulatory Framework and implementing the new regime for SHG.

2.45 In response<sup>7</sup> to the Essex Report, the Deputy Minister for Housing, Jocelyn Davies AM has agreed with the Welsh Local Government Association (WLGA) and Community Housing Cymru (CHC) to give early priority to implementing the interim recommendations of the review, specifically a new Home Buy scheme and responding further to the housing market crisis. In addition to these priorities, the Deputy Minister intends to change the Social Housing Grant process to help deliver promises; introduce a new regulatory framework for housing associations, and make real progress in releasing Assembly Government land for development.

2.46 A new way of working has been implemented as a result of the Essex Report which involves greater partnership working. The programme of action will be jointly owned and delivered with stakeholders. The recommendations will be grouped into five key workstreams as follows:

- Responding to the credit crunch - to include purchase of existing properties, land, mortgage rescue, homebuy, empty homes. Essex recommendations: 26; 27; 28; 29; 30; 38.
- Affordable housing delivery - focusing on programme management and SHG. Essex recommendations: 3; 4; 6; 7; 8; 9; 21; 22; 24; 25; 37; 39.
- Performance and monitoring information - action to establish firm position of numbers of homes; information on need; self-reporting and performance monitoring for RSLs and LAs. Essex recommendations: 1; 10.
- Regulation - taking forward the range of recommendations for repositioning and restructuring the regulatory function. Essex recommendations: 13; 14; 15; 16; 17; 18; 19; 20.
- Financing affordable housing - includes work on prudential borrowing, HRA, gearing, land supply, alternative vehicles and rents. Essex recommendations: 31; 32; 33; 34; 35; 36.

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<sup>7</sup> Written Statement 17<sup>th</sup> September 2008 by Jocelyn Davies, Deputy Minister for Housing. Accessed at <http://wales.gov.uk/topics/housingandcommunity/housing/news/statement/?lang=en> on 6/4/2010

## Achievements To Date<sup>8</sup>

2.48 Achievements arising from the workstreams include:

- An additional **£42m of Social Housing Grant** to provide up to 500 more homes over the next 3 years;
- Agreement to **bringing forward £12m of Social Housing Grant** and RSL schemes from later years adding a further 100 units of housing by 2011;
- This is in addition to the building of **400 units in 22 existing schemes** for ‘green homes’ that supports new approaches by RSLs to reducing the costs of low carbon homes at Code 4 and 5 and will help us mainstream innovation. We will be managing these through the Social Housing Grant programme;
- Responding to the credit crunch with **a more flexible approach to standards and technical scrutiny** by the Assembly Government to enable RSLs and local authorities to respond quickly to pressing housing need and support the construction industry in Wales. A guidance note, prepared through one of the Workstreams, sets out the detail of how this will work;
- **Eight sites of public sector land** have been identified across Wales and the intention is that these will be transferred to RSLs in 2009/10.
- **A revised RSL circular 02/06 on Group structures** issued on 3 October, removing barriers for RSLs and enable them to contribute more widely to the regeneration of communities
- reducing bureaucracy for RSLs through revising the General Consent Order that will streamline the practice on **section 9 disposals** and eliminate the need for most of the individual consents;
- **a revised Homebuy** product that’s currently out for consultation.
- A change in the Housing Division of the Welsh Assembly Government to better support the delivery of housing in Wales. The new structure focuses on Policy, Operations and Regulation and will help to better align resources to the work, increase resilience and enable staff to focus more on delivering for people.
- Development of an intermediate rental product – Rent First – discussed above

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<sup>8</sup> Essex Review Updates accessed <http://wales.gov.uk/topics/housingandcommunity/housing/strategy/essex/updates/?lang=en> on 6/5/2010

## Poverty and Deprivation in Rural Wales<sup>9</sup>

- 2.49 In 2008 the Rural Development Sub-Committee carried out a inquiry into poverty and deprivation in Wales. The Committee was concerned that, whilst people across rural Wales appeared to be experiencing the impact of poverty and deprivation, the policies and programmes of the Welsh Assembly Government did not seem to reach them.
- 2.50 Although the Welsh Assembly Government has made eradicating poverty and deprivation a policy priority the focus of anti-poverty measures and programmes, such as Communities First, have been almost exclusively in urban areas. This raising concerns that the needs of people living poverty in rural Wales may not have been fully addressed.
- 2.51 Poverty is often not recognised as being relevant to rural areas because the population density and the dispersed nature of the communities can mean that those experiencing poverty or deprivation are hidden within statistical indicators. The Committee had a specific concern that the main indicator for identifying deprivation – the Welsh Index of Multiple Deprivation did not adequately take into account the needs of rural areas. The index is designed to identify concentrations of deprivation. If there are not a large number of deprived people living in an area, the area will not be identified as being deprived by the index. This is particularly relevant for rural areas.
- 2.52 Rural housing was not specifically considered in the enquiry as it was being considered by other departments and committees in the Welsh Assembly however, the inquiry highlighted a number of issues:
- The disparity between income levels and house prices in many rural areas has created a situation where many people are priced out of their local housing market, forcing them to relocate to other areas. For Wales as a whole house prices in 2007 were 6.6 times full-time pay. This ratio was higher in all of the nine rural unitary authorities apart from Carmarthenshire where the ratio was equal to the Wales average. The highest ratios were for Monmouthshire and Ceredigion (9.6 and 9.4 respectively). In the remaining eleven authorities, the ratio was above the all Wales average for only three authorities – Wrexham at 6.8, Cardiff at 7.2 and Swansea at 7.1. The lowest ratios were for Neath Port Talbot (4.3) and Blaenau Gwent (4.5).

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<sup>9</sup> Rural Development Sub Committee (July 2008) Consideration of Rural Development Sub-committee report on its inquiry into poverty and deprivation in rural Wales.

- The lack of affordable housing, social housing and rented accommodation is a significant problem in rural areas
- Community Housing Cymru stated that additional pressure was put on land supply for housing development as a result of the large number of conservation areas and listed buildings in rural Wales. The small scale nature of housing development in rural areas resulted in less opportunity for cost savings and made it harder to utilise Section 106 agreements, as private developers were more reluctant to allocate homes for affordable housing.
- It was revealed that many young people were unaware of their right to register for social housing or believed there was little chance of them being allocated a property therefore they did not register their need. There was also an issue of “no stock, no need” – if a rural community had no social landlord housing stock there would not be a register for the area and therefore no perceived need for social housing.
- Low income or economically inactive single men and women between the ages of 25 and 49 have particular difficulties in accessing affordable or social housing as they do not fall into a ‘vulnerable group’.
- There will be an increasing need for affordable and social housing to take account of the changing demographic situation of the UK. As the population ages there will be increased demand for bungalows, ground floor accommodation and adapted properties.
- The types of buildings more common in rural areas tended to be less well insulated and the choice of heating fuels was limited and more expensive. Approximately 40 per cent of Welsh households with electricity as their main fuel were considered to be ‘fuel poor’.

2.53 The Inquiry made the following recommendations to the Welsh Assembly Government

- **Recommendation 8:** The Committee recommends that the Welsh Assembly Government develops stronger planning guidance to enable the development of affordable housing in rural areas, and to assist local planning authorities to make more land available for affordable housing in rural areas.
- **Recommendation 9:** Whilst the Committee welcomes the Welsh Assembly Government’s consultation on housing in rural areas, it is concerned as to the lack of urgency at which the shortage of affordable housing in Wales is currently being addressed. In the context of the above consultation, the Committee urges the Welsh Assembly Government to:
  - a. develop key worker schemes in rural areas
  - b. encourage increased use of shared equity schemes
  - c. make efforts to break down the barriers to enable local people to buy homes in their local areas.

- d. increase the supply of affordable housing beyond the 6,500 homes committed to within the *One Wales* document.

## **Review of Evidence to Inform the National Housing Strategy<sup>10</sup>**

- 2.54 The Welsh Assembly Government commissioned Tribal Consulting to examine the evidence base of the housing system in Wales to inform the new national housing strategy. Their report provides evidence on the external factors that shape and influence the housing system, as well as an overall profile of key trends.
- 2.55 The report considers the six aims of the national housing strategy
- To develop an adequate supply of affordable housing
  - To provide high quality accessible homes
  - To provide high quality housing services
  - To contribute to the health and well-being of the people of Wales
  - To contribute to regeneration and sustainable communities
  - To contribute to environmental sustainability and respond effectively to climate change

### **Supply of Affordable Housing**

- 2.56 There are a number of key issues for the housing strategy to consider:
- The growth of single person households combined with the needs of an aging population
  - There is increasing aspiration for home ownership in Wales which needs to be balanced with affordability
  - Recent events have demonstrated how the housing market is influenced by external factors including the global nature of the financial markets. This makes it difficult to predict trends in the housing market.
  - House prices are now slowing and in some areas falling. In Wales a greater proportion of households reside in the owner-occupied sector than in other parts of the UK; therefore the potential impacts of a market downturn may be felt more widely. In addition, there are spatial differences across Wales in both tenure structure and house price trends over the last decade or so. For example, current average house prices range from £109,000 in Blaenau Gwent to £238,000 in Monmouthshire.
  - Current evidence demonstrates a persistence of longer term imbalance between supply and demand with rising house prices and continuing levels of housing need.

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<sup>10</sup> Tribal Group (August 2008) Review of Evidence to Inform the National Housing Strategy

- The growth of the Buy to Let market appears to support the view that housing is seen as an investment good rather than a consumption good. However, the recent recession may lead to a change in the investment-led motivations in the market.
- There is little evidence on what the tenure balance of new housing supply should be or the spatial distribution. The report recommends that increasing the supply of housing across all tenures should be the key priority of the housing strategy. This should be the long-term strategic focus. However this needs to be informed by a more systematic construction and analysis of the evidence on need and demand across Wales.
- There appears to be an imbalance between supply and demand of housing following the recent recession. Although house prices have generally fallen, there has been a contraction in the availability of finance which is impacting on demand.
- There is a need for better identification of future trends and risks from the wider international and UK policy arena that impact on the housing system in Wales and its communities. The UK government has been surprised at how problems in the US financial system have impacted on the availability of finance in the UK. A second example of unforeseen impacts on the housing market is the effect EU enlargement has had on demand for housing

### **High Quality Accessible Homes**

2.57 The accessible homes aim within the national housing strategy broadly seeks to deal with the quality of the housing stock, the effect on health and safety, and its capacity to meet changing housing needs. It relates to both existing and new homes, although most of the current evidence refers to the former rather than the latter. The evidence review focuses on the Housing Health and Safety Rating System (HHSRS), disrepair, overcrowding, general health indicators from a housing perspective and adaptations to the existing stock.

2.58 Key findings included:

- The evidence emphasises the requirement for a cross-tenure focus on housing quality and its impact on quality of life. Although current policies will assist in tackling some of the basic safety and disrepair problems. The fact that there are currently separate approaches for the public (standard) and private (rating) sectors will present challenges
- Poverty, associated low incomes and lifestyle influence health outcomes more immediately than tenure associations. The housing contribution should primarily focus on raising quality standards (safety, accessibility) for existing stock across all tenures. In addition all new-build stock (private and public) should be based on standards that meet the projected needs of the 21st century and in particular take account of the changing population profile.

- A continued focus on supporting independent living for households is important and this must take into account both the physical property standards required along with wider housing support dimensions. As the population ages the need for more holistic packages of support will increase along with more sophisticated assessments of appropriate housing and care options for individual households at various life-stages.

### **High Quality Housing Services**

2.59 Delivering high quality housing services is another major aim within the strategy. With the evidence encapsulating the WHQS, housing advice services, local authority housing management data and choice based lettings. Further evidence on homelessness focusing on service provision is also presented.

2.60 Key findings included:

- The main issue that the housing strategy needs to consider are the challenge in delivering the WHQS and the policy tools available to achieve this. An up-to-date measure of the pass and fail rate in the stock is required to provide a more immediate assessment of the challenge
- Prevention of homelessness and the evidence on housing advice tends towards the conclusion that the further development and implementation of high quality local housing option services should be the main policy thrust. This includes ensuring that a range of housing options are available to meet needs and aspirations. The principle of choice could also be fundamental. This will empower households by giving them some sense of control over their own housing pathways.

### **Health and Well being of the People of Wales**

- The main challenge for the housing strategy aim appears to be ensuring that housing options and services are accessible to all groups. There is evidence that some groups continue to experience or perceive that equality of housing opportunity is not yet a reality.
- The evidence also appears to show that certain groups, such as pensioners, lone parents with young children and families with disabled children, are more likely to spend more time at home. Housing polices across tenures which improve the living environment for these groups would be beneficial.
- Housing interventions may also need to consider how groups such as families with young children or those with disabled children can be prioritised in improving their housing situations. Housing needs should be prioritised in tackling overcrowding or poor physical home environments that pose health and safety risks.

- Overall, there is a case for considering prioritising housing issues and needs that focus on meeting more clearly equality requirements and contribute to positive wider health and wellbeing outcomes.

### **Regeneration and Sustainable Communities**

- 2.61 The national housing strategy aims to contribute to both regeneration and the creation of sustainable communities. The evidence reviewed here mainly relates to mixed communities, poverty as well as economic and social opportunities, and their relationship with housing.
- 2.62 Housing can assist in alleviating negative impacts associated with poverty by keeping housing costs affordable and providing high quality stock. The housing strategy needs to focus on this twin approach of making homes affordable while also increasing accessibility and environmental standards in the housing stock. The Assembly Government should consider these as the two most important priorities for the national housing strategy.

### **Environmental Sustainability and Responding Effectively to Climate Change**

- 2.63 Contributing to environmental sustainability and responding effectively to climate change is a fundamental 21st century challenge for politicians and policymakers. This is reflected in the housing strategy. The main objectives that the Assembly Government have identified under this theme are to improve sustainability in the construction of new and existing homes, as well as locate and design new homes to mitigate the effects of climate change. The evidence review has examined topics such as sustainability in construction, domestic energy consumption and household behaviour, as well as recent evidence on policy mechanisms in the housing sector that could contribute to relieving the effects of climate change. However, data and knowledge on this is still limited.
- 2.64 Household behaviour is a major factor influencing the ecological footprint. The Assembly Government should investigate what housing policy levers can be used to influence household behaviour, as well as enhance energy focused programmes.
- 2.65 Tackling some of these issues will be challenging as there is a requirement to balance the need for new supply on one hand and on the other, actions required in the existing housing stock to meet changing needs and environmental objectives. It is unlikely that meeting changing needs, increasing new supply, and improving the existing stock to contribute to environmental objectives can all be met within current resource and timescale capabilities.

### 3. Assessing the Current Housing Situation

#### Summary

- Carmarthenshire has continued to enjoy strong population growth, at a faster rate than Wales and Great Britain
- Parallel to this, economic activity in Carmarthenshire continued to rise, such that it now exceeds that of Wales
- Carmarthenshire has been seeing declining unemployment (as recorded by JSA claimants) however, reflecting the period of recession, the proportion of the resident working age population claiming JSA started to rise from August 2008
- The proportion of full time jobs in Carmarthenshire fell between 2007 and 2008, however, over the same period the number of part time jobs increased. It has been commented that this recession has seen workers dropping their hours rather in order to avoid redundancy.
- There has been an increase in the proportion of employees working in higher level occupations
- The pay gap between jobs in Carmarthenshire and those in Wales and Great Britain has continued to close, whilst the gap between the poorest paid and the rest started to fall in Carmarthenshire in 2009.
- Following a levelling off in the price growth of entry level housing in 2008, 2009 saw the price fall to £89,000 (just above the 2005 level) and such housing is now within the reach of at least three quarters of households (based on household incomes) by community network area, and 81% overall, compared to the 2008 figure of 25%.
- Reversing the recent trend, average house prices in Carmarthenshire have fallen below those of Wales, however, the fall in value is driven by falls in the cost of smaller and entry level housing, particularly in the traditionally lower priced areas of Ammanford, Llanelli and Gwendraeth
- Notably, despite the fall, prices in the most expensive areas of Carmarthenshire - Taf, Teifi and Tywi are at or above those of 2008, and a concern is that the value premium of larger (3 bedroom plus) housing over smaller housing may be increasing, alongside a similar geographical price discrepancy between the prime areas of Taf, Teifi and Tywi, and the rest of Carmarthenshire
- This trend would be consistent with national trends, which has seen the market for larger housing, particularly in attractive locations recover quicker than that for smaller housing in other locations

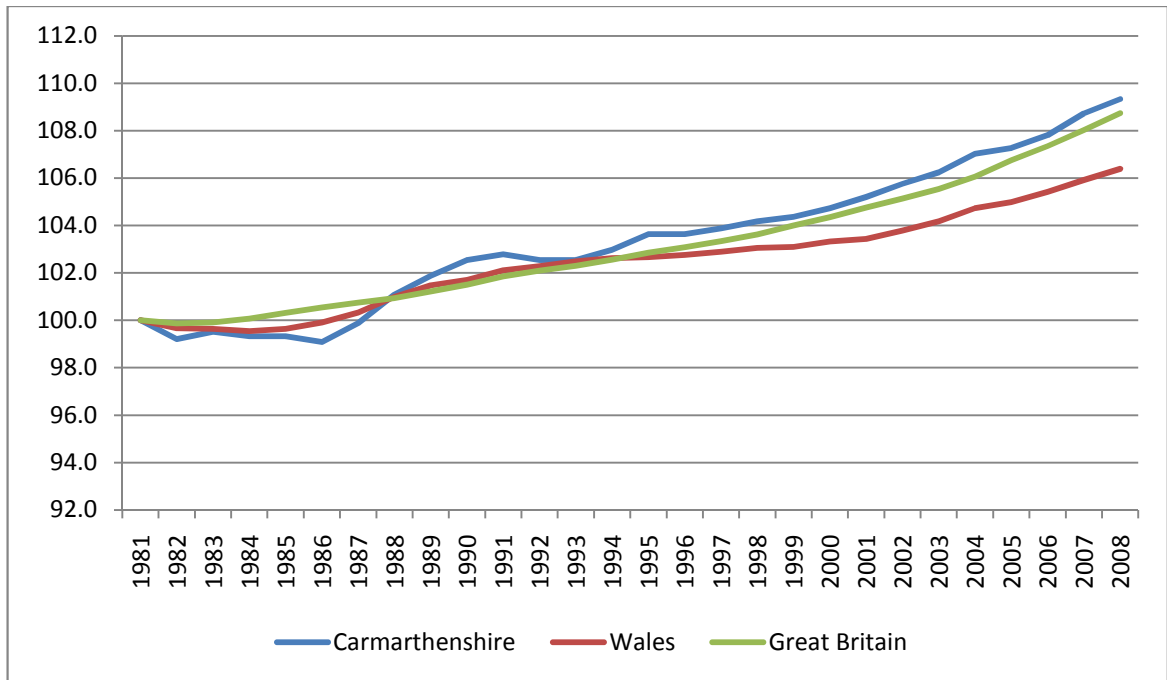
## **Introduction**

- 3.1 This chapter provides an understanding of the key drivers that affect housing demand in Carmarthenshire. The key outputs of this chapter are to understand the current level of demand and identify the key housing demand pressure within Carmarthenshire. The factors that affect housing demand include:
- Demographic structure;
  - Household characteristics;
  - Labour force and income;
  - The cost of buying or renting a property.

## **Demographic Structure**

- 3.2 Demography is a key influence on requirements for market and affordable housing. This section analyses the demographic change between 1981 - 2008, along with the characteristics of population.
- 3.3 The long term trend in Carmarthenshire has been a steadily growing population. There was a short period between 1981 and 1986 when the population of the County was falling, but since 1987 the trend has been for growth.
- 3.4 Since 1991, the population in Carmarthenshire has generally been growing at a faster rate than both Wales and Great Britain.

**Figure 3.1: Indexed Population Change in Carmarthenshire, Wales and Great Britain**



Source: Mid Year Population Estimates, ONS

- 3.5 Previous reports have set out data from the 2001 Census which highlighted changes in population by age group. The 0 – 15 year old age group in Carmarthenshire (moderate growth) and 16 - 24 year old age group (a notable fall) have more closely matched those of Great Britain than Wales. Close alignment with Wales has only been shown in the fall in the 25-44 age group (against a rise for GB).
- 3.6 Population projections produced for each Local Authority by the Welsh Assembly Government indicate that the total population of Carmarthenshire is projected to increase by 32,500 (or 18.3%) by mid-2031. This is above the average population growth (14.1%) projected to be seen across all Welsh local authorities. It is projected that there will continue to be more females than males in the population throughout the projection period. However, the male population is forecasted to see higher growth (20%) than the female population (17%)
- 3.7 The projected population increase is forecast to be driven by inward migration with around 1,600 more people expected to move into Carmarthenshire than leave each year.
- 3.8 The total population in Carmarthenshire is projected to increase every 5 years until mid-2031, although the rate of increase will slow over the projection period from 3.9 per cent between mid-2006 and mid-2011 to 2.5 per cent between mid-2026 and mid-2031.

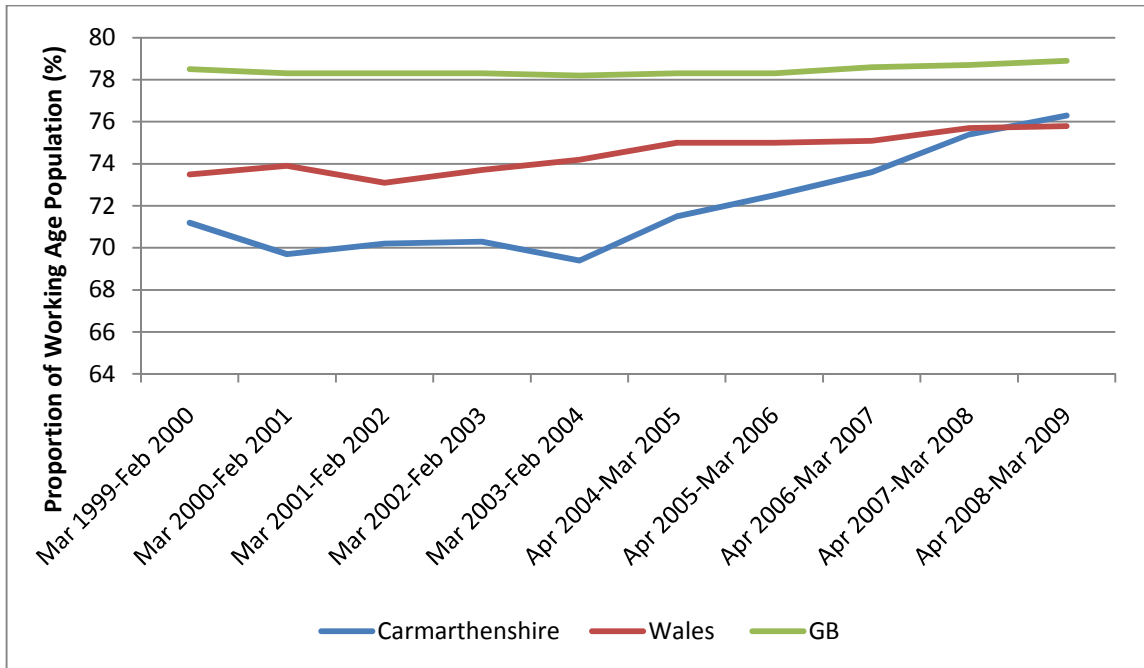
**Table 3.1: Population Change, Key Years and Key Age Groups**

	2006	2011	2016	2021	2026	2031
Children	33,100	33,200	34,000	35,000	35,000	34,700
Working Age	103,800	106,100	110,200	113,500	117,400	117,800
Pension Age	41,200	45,600	47,900	50,600	52,900	58,100
Total	178,000	184,900	192,100	199,100	205,300	210,600

### **Labour Force and Income**

- 3.9 The amount and type of employment available in an area not only determine the levels of wages paid but also influence the tenure, size and location of housing sought. Incomes provide a further key driver for the local housing system. Wherever possible, data is compared with the averages in Wales as well as in England and Wales.
- 3.10 In 2008 the economic activity rate in Carmarthenshire exceeded that of Wales for the first time, continuing a strong underlying upward trend apparent since March 2003. In the period April 08 – March 09, 76.3% of the working age population were classed as economically active. The economic activity rate includes both those that are employed and unemployed in a particular period. Economically active people supply, or want to supply, their labour to produce goods and services.

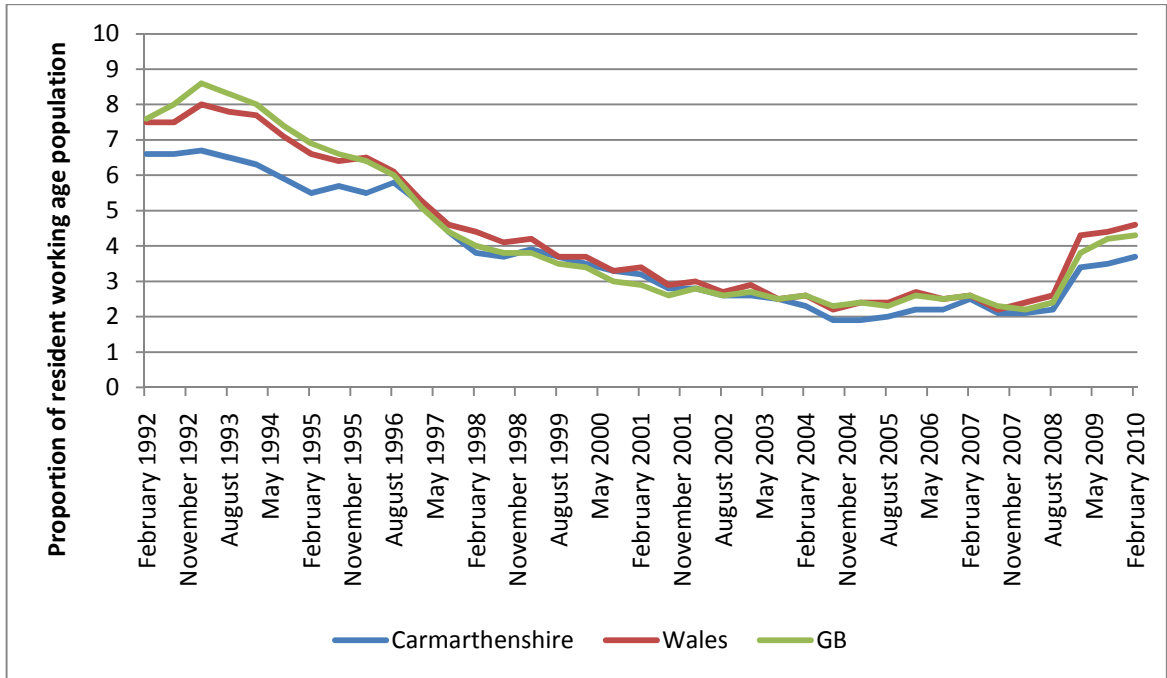
**Figure 3.2: Economic Activity Rate**



Source: Labour Force Survey (1999 – 2004), Annual Population Survey (2004 – 2009)

3.11 Carmarthenshire has seen a prolonged downward trend of Job Seeker Allowance claimants. Since 1992 Carmarthenshire's claimant count has generally remained below or equal to the rates in both Wales and GB. In August 2008 Carmarthenshire, Wales and GB all saw sharp rises in the claimant count reflecting the large job losses seen around the country as a result of the recent recession.

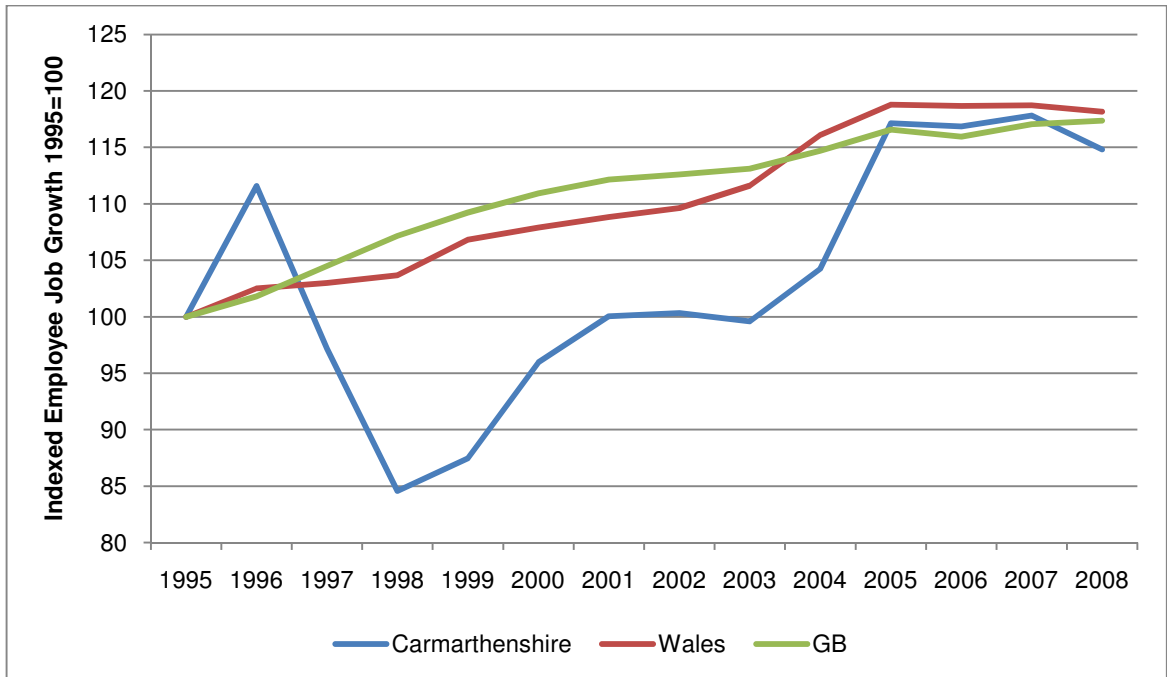
**Figure 3.3: Job Seeker Allowance Claimants**



Source: Claimant Count with Rates and Proportions

- 3.12 Figure 3.4, below shows that, employment in Carmarthenshire has fluctuated, but since 1998 employment has been following an upward trend. Between 1998 and 2002 employment growth in Carmarthenshire exceeded that of both Wales and Great Britain. Employment fell slightly in 2003 before continuing on a growth trend. The year 2006 saw a slight downturn, though the decline was smaller in Carmarthenshire compared to Wales and Great Britain. In 2007 all three areas returned to growth, however 2008 has seen a decline in employment. The decline was larger in Carmarthenshire than in Wales and Great Britain.

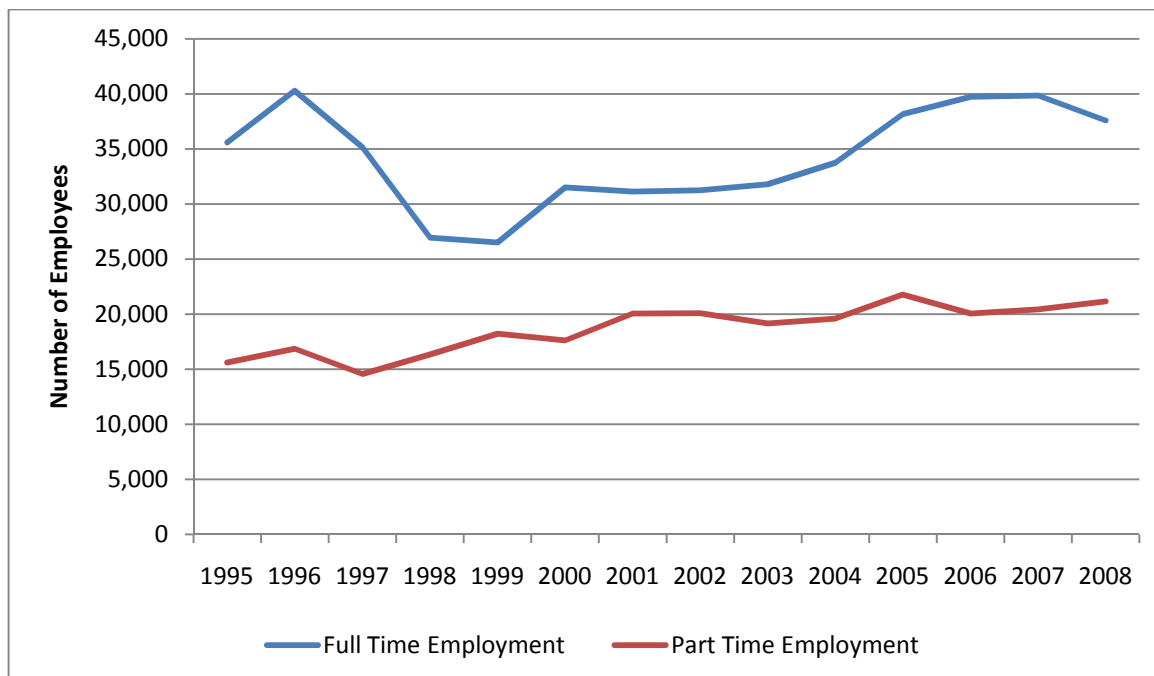
**Figure 3.4: Rate of change in total employee Jobs**



Source: Annual Employment Survey Rescaled Employment Analysis (1995 – 1997), Annual Business Inquiry Employee Analysis (1998 – 2008)

- 3.13 Behind this fluctuation in total employment has been a change in the nature of employment (Figure 3.5 below). The chart shows that full time employment has fluctuated more than part time employment. Part-time employment has grown steadily from 15,600 to 21,150 between 1995 and 2008 (a 35% increase). Full-time employment has increased only 5% over the same period. It is also interesting to note that whilst full-time employment declined between 2007 and 2008, falling from 39,850 to 37,590; reflecting the period of recession, part time employment actually increased over this 12 month period, from 20,420 to 21,145. It has been commented that the current recession has seen employees switch from full-time to part-time positions in order to keep in employment.

**Figure 3.5: Full Time and Part Time Employment in Carmarthenshire**



Source: Annual Employment Survey Rescaled Employment Analysis (1995 – 1997), Annual Business Inquiry Employee Analysis (1998 – 2008)

3.14 Besides employment status, this study also looks at the occupation levels, industries of employment as well as wages, which can shed some light on the income levels of those who are employed. The Office of National Statistics uses the Standard Occupation Classification 2000 to group employment occupations:

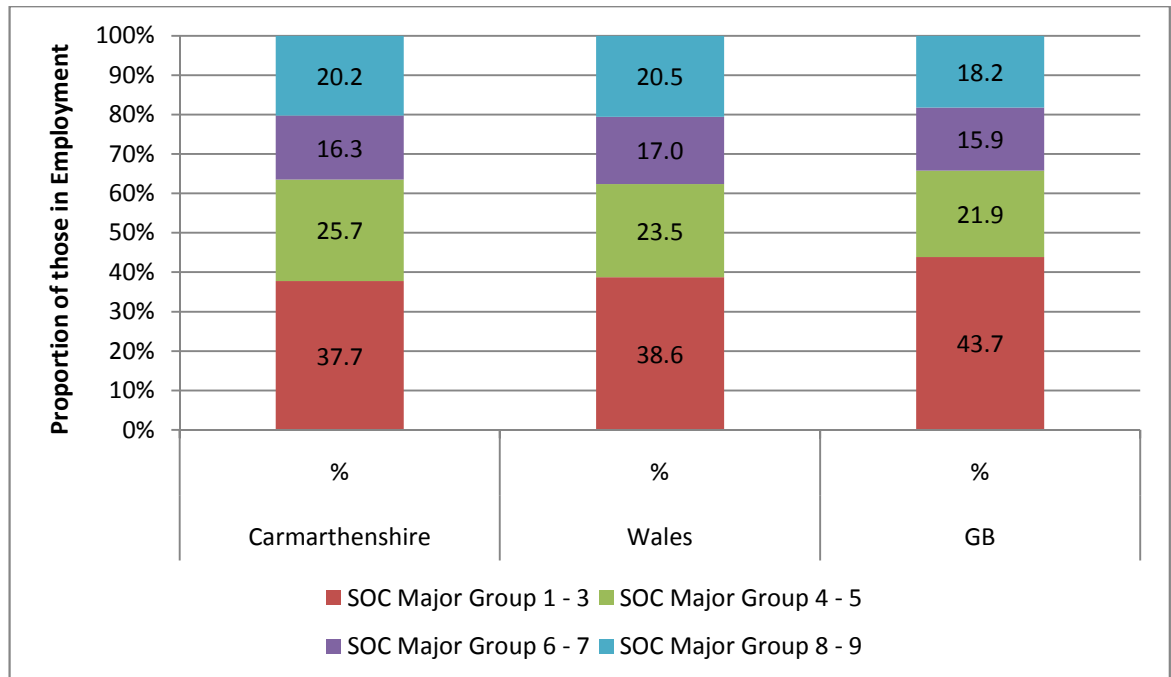
1	1. Managers and senior officials; 2. Professional occupations; 3. Associate professional and technical;
2	4. Administrative and secretarial; 5. Skilled trade occupations;
3	6. Personal service occupations; 7. Sales and customer service occupations;
4	8. Process plant and machine operatives; 9. Elementary occupations <sup>11</sup>

3.15 Compared to Wales, Carmarthenshire has a very slightly lower level of employed population in occupation groups 1 to 3 (managers, professional or associate professional), but higher

<sup>11</sup> Elementary occupations include farm workers, labourers, cleaners, porters and bar staff.

levels of employed population in occupation groups 4 and 5 (administrative and skilled trade occupations). See Figure 3.6.

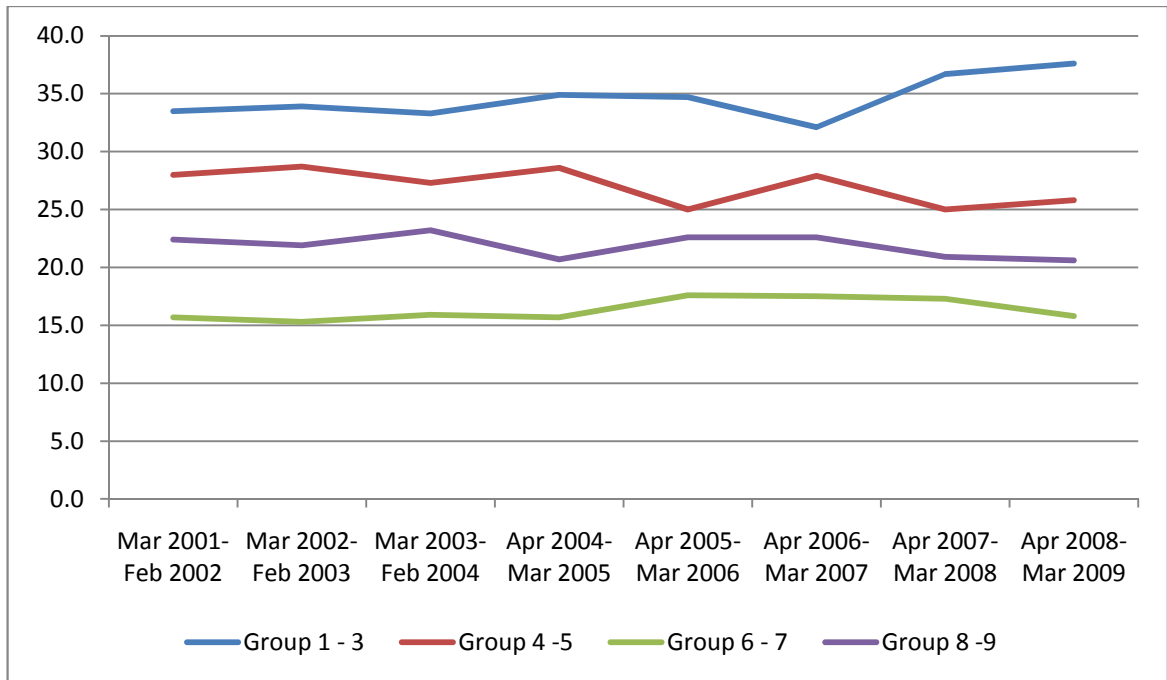
**Figure 3.6: Employment by Occupation Group, 2008 - 2009**



*Source: Annual Population Survey, July 2008 – June 2009*

3.16 Figure 3.7 shows that since 2001 the proportion of those in employment in higher level occupations (Group 1 – 3) has been steadily growing from 33.5% in 2001 to 37.6% in 2009. Over the same period employment in occupation groups 4 and 5 has been falling.

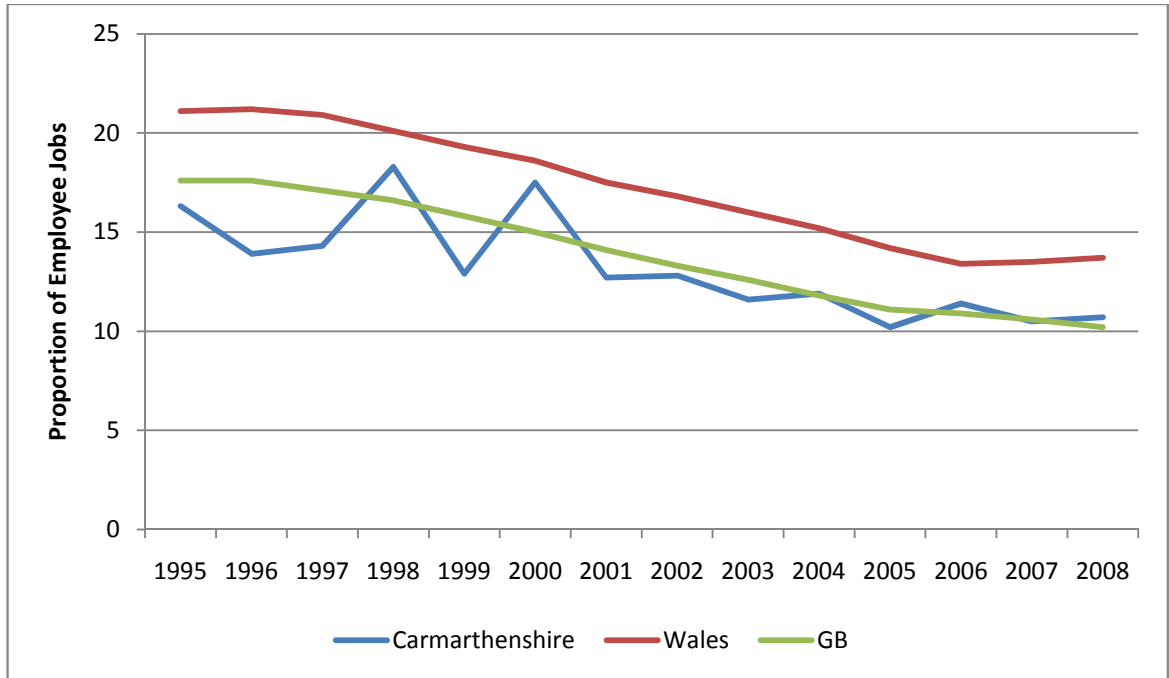
**Figure 3.7: Change in employees by Occupation Groups 2001-2007**



*Source: Labour Force Survey, 2001 – 2004, Annual Population Survey 2004 - 2009*

- 3.17 The following two figures (see Figure 3.8 and Figure 3.9) show the trend of manufacturing employment and service employment in Carmarthenshire, Wales and Great Britain. Services include trade and distribution, hotel and catering, transport and communication, business and financial services, public administration, education and health.
- 3.18 The figures show that manufacturing employment in Carmarthenshire, after volatile movement between 1997 and 2000, would seem to be settling at around 10% of employment, though a downward underlying trend is still apparent.

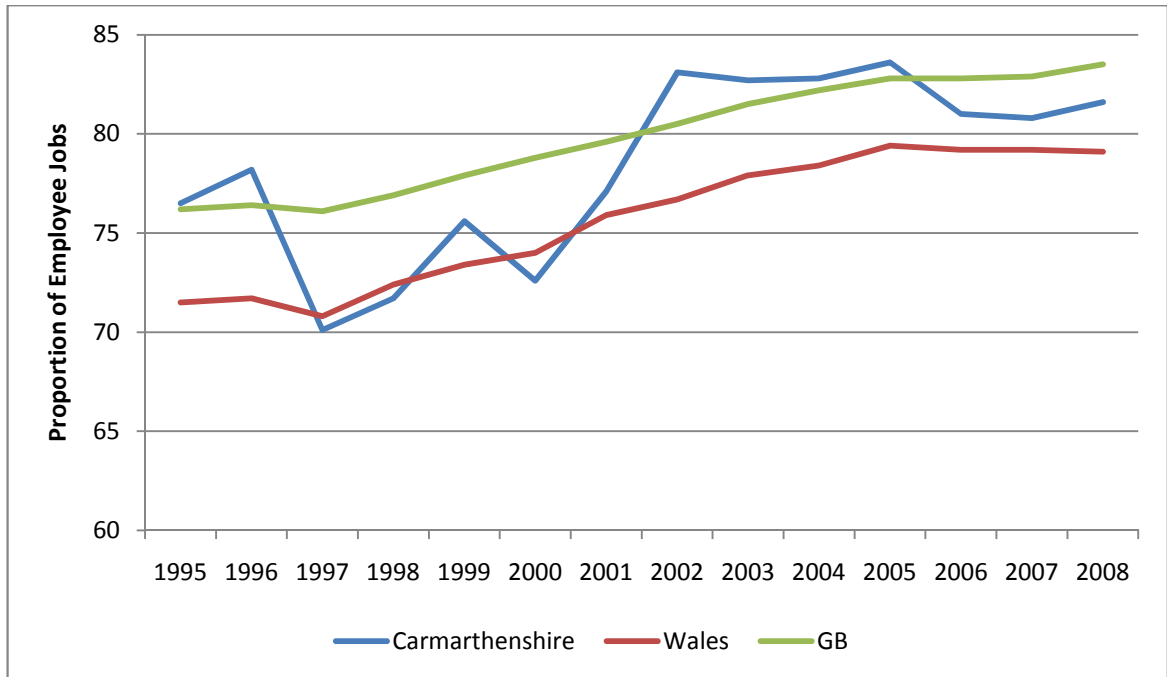
**Figure 3.8: Trends in Manufacturing Employment**



Source: Annual Employment Survey Rescaled Employee Analysis, 1995 – 1997; Annual Business Inquiry 1998 - 2008

- 3.19 The Service Sector in Carmarthenshire has also seen a high level of volatility. Following strong growth this sector has settled at around 83% of employment.

**Figure 3.9: Trends in Service Sector Employment**



Source: Annual Employment Survey Rescaled Employee Analysis, 1995 – 1997; Annual Business Inquiry 1998 - 2008

3.20 Figure 3.10, Figure 3.11 and Figure 3.12 show the changing standing of Carmarthenshire relative to Wales and Great Britain regarding workplace earnings. Overall, workplace earnings in Carmarthenshire have been closing in with those of Wales, and to a lesser extent, Great Britain, with the key driver being the steady growth of earnings for male workers; the earnings growth of female workers, compared to that of Wales being has been rather more volatile, for example, since drawing level in 2007, it has fallen behind once again, which seems to be a repeat of the pre 2005 pattern.

**Figure 3.10: Median Gross Weekly Wages (All Workers)**

	Carmarthenshire	Wales	GB
2004	329	381	420
2005	363	389	431
2006	376	400	444
2007	398	404	459
2008	413	420	479
2009	416	440	490

Source: Annual Survey of Hours and Earnings – Workplace Analysis

**Figure 3.11: Median Gross Weekly Wages (Male Workers)**

	<b>Carmarthenshire</b>	<b>Wales</b>	<b>GB</b>
2004	357	417	460
2005	401	425	472
2006	427	438	486
2007	421	441	500
2008	437	463	524
2009	448	478	533

*Source: Annual Survey of Hours and Earnings – Workplace Analysis*

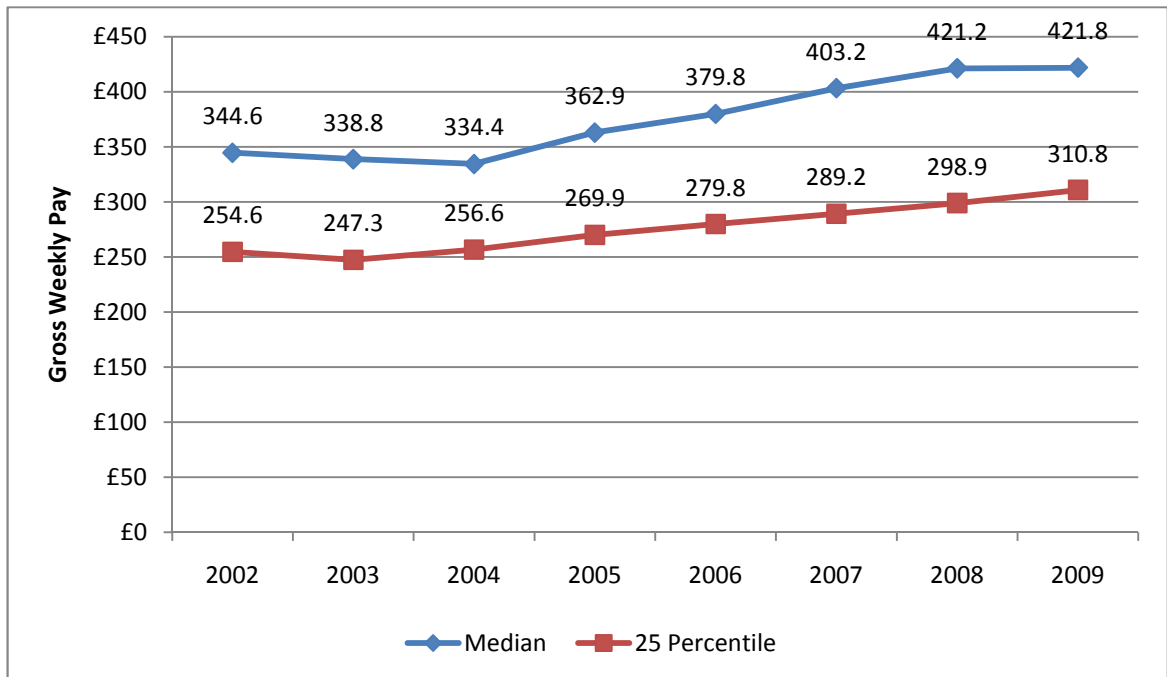
**Figure 3.12: Median Gross Weekly Wages (Female Workers)**

	<b>Carmarthenshire</b>	<b>Wales</b>	<b>GB</b>
2004	258	320	356
2005	340	334	372
2006	309	346	383
2007	355	355	395
2008	363	369	413
2009	376	383	426

*Source: Annual Survey of Hours and Earnings – Workplace Analysis*

3.21 Figure 3.13 shows the trend of average weekly income and the lower quartile income. It shows the continued widening of the gap between the average income of most (the median) and the poorest 25 percentile over the four years between 2004-2009. In 2009 the gap between the median and the poorest 25 percentile closed, perhaps reflecting employees taking pay freezes and pay cuts during the recession period. The gap between the median and lower quartile continues to raise affordability issues since the amount most are able to pay continues to drift away from what the poorest are able to afford.

**Figure 3.13: Carmarthenshire Resident Full Time Workers Median and Lower Quartile Gross Weekly Earnings (All Workers), 2002 - 2009**



Source: Annual Survey of Hours and Earnings - Full Time Employees Resident Based Analysis

- 3.22 From CACI, the average earnings per household by the six community areas can be established (see figure 2.12 below). Just over 19% of households in Carmarthenshire earn less than circa £23,889 per annum we calculate is required to purchase an “entry level” property<sup>12</sup>, a significantly lower proportion than in 2008 (75%).
- 3.23 This change is notable in all six areas with Teifi experiencing the biggest decrease, with only 12% of households being over the required income (£29,020) in 2008, compared to 77% being over the required income of £23,889 in 2009. This is a combination of significant house price falls (which will be discussed in the following paragraphs) with small increases in household incomes.

<sup>12</sup> See section 3

**Figure 3.12 Annual Income for Households**

Area	Number of Households Earning Less Than £23,889 (2009)	% Of Total Households 2008	% of Total Households 2009
Ammanford	3720	74%	17%
Gwendraeth	4651	73%	17%
Llanelli	13322	79%	25%
Taf	4594	71%	15%
Teifi	2300	88%	23%
Tywi	2262	74%	15%

*Source: CACI 2009*

### **The Cost of Buying or Renting a Property**

#### **House Prices**

- 3.24 In previous years, house prices in Carmarthenshire have surpassed those of Wales for all types of property listed, and this essentially remains the case in 2009 (with the exception of apartments, which are only a small part of the market in Carmarthenshire) However, there has been a significant fall in the value of semi detached housing in Ammanford, Gwendraeth and Llanelli, compared to 2008. Prices of semi-detached housing in Taf, Teifi and Tywi remain substantially above the Welsh average, as do the price of detached homes in all areas except Ammanford. Prices of terraced homes have also fallen such that they are now around the same level as the Welsh average.

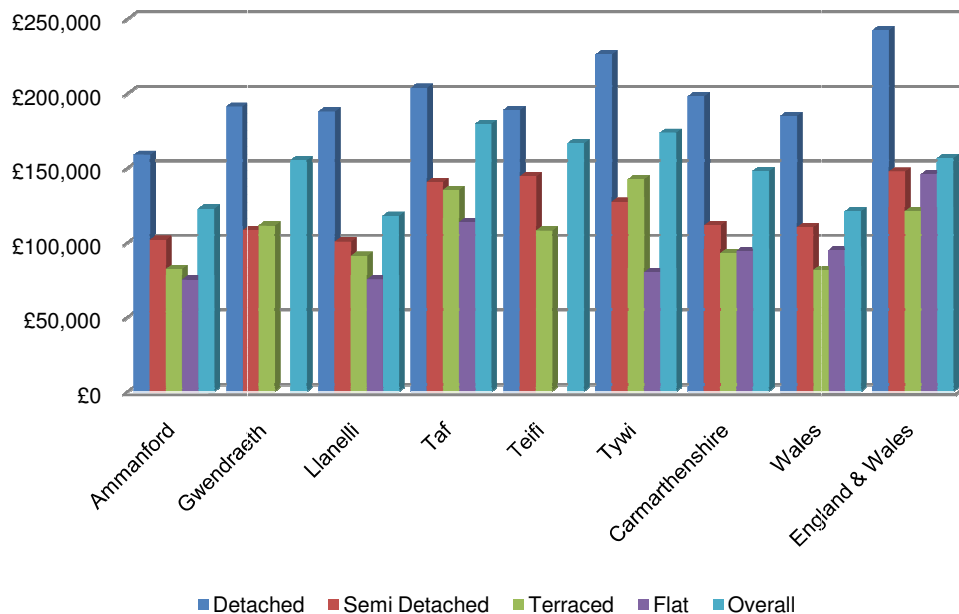
**Figure 3.13: Current Average House Prices as at 2009**

	Detached	Semi Detached	Terraced	Flat	Overall
Ammanford	£158,804	£101,782	£82,243	£75,000	£122,643
Gwendraeth	£191,031	£108,260	£111,293		£155,112
Llanelli	£187,829	£100,603	£91,022	£75,150	£117,849
Taf	£203,765	£140,489	£135,151	£113,584	£179,559
Teifi	£188,740	£144,318	£107,906		£166,526
Tywi	£226,172	£127,319	£142,396	£80,000	£173,626
Carmarthenshire	£198,036	£111,597	£92,697	£94,203	£147,854
Wales	£184,828	£110,155	£81,559	£94,924	£120,885
England & Wales	£242,448	£147,510	£120,848	£145,731	£156,500

Source: Hometrack, 2009

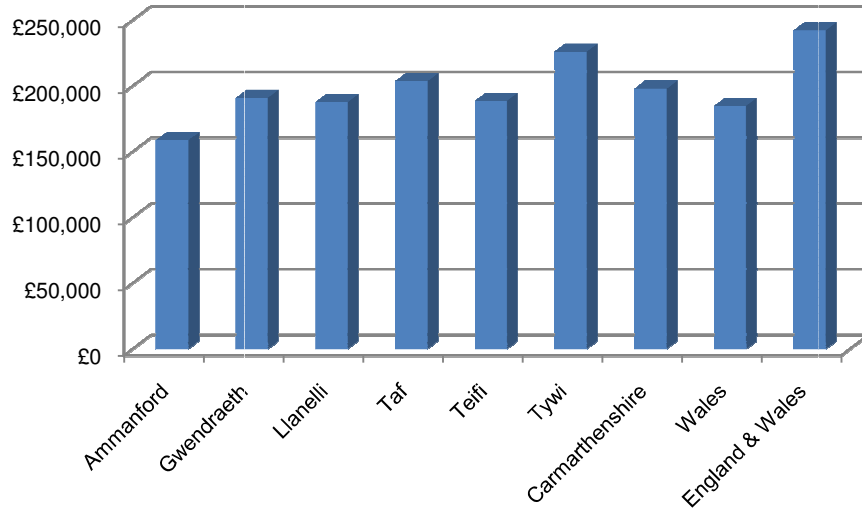
3.25 The table is re-expressed in figures 3.14, which considers overall house prices, and 3.14a – 3.14d, which present house prices by house type.

**Figure 3.14: Current House Prices**



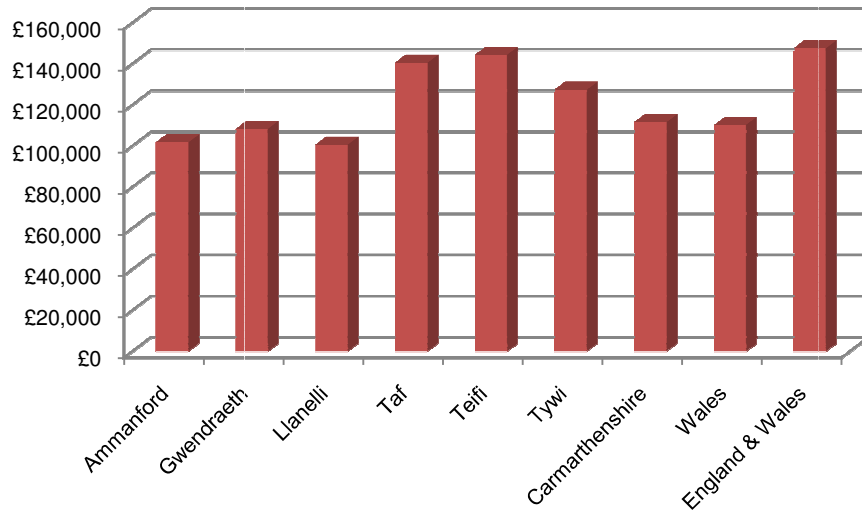
Source: Hometrack, 2009

**Figure 3.14a: Current Detached House Prices**



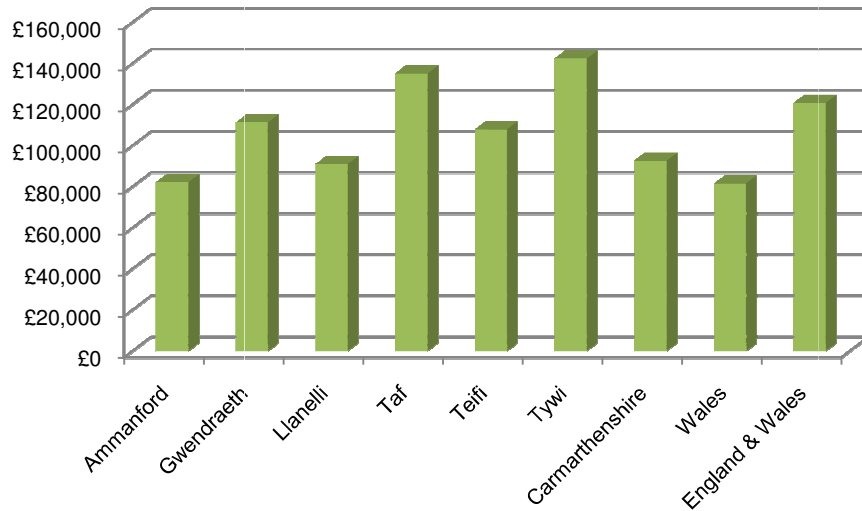
Source: Hometrack, 2009

**Figure 3.14b: Current Semi Detached Prices**



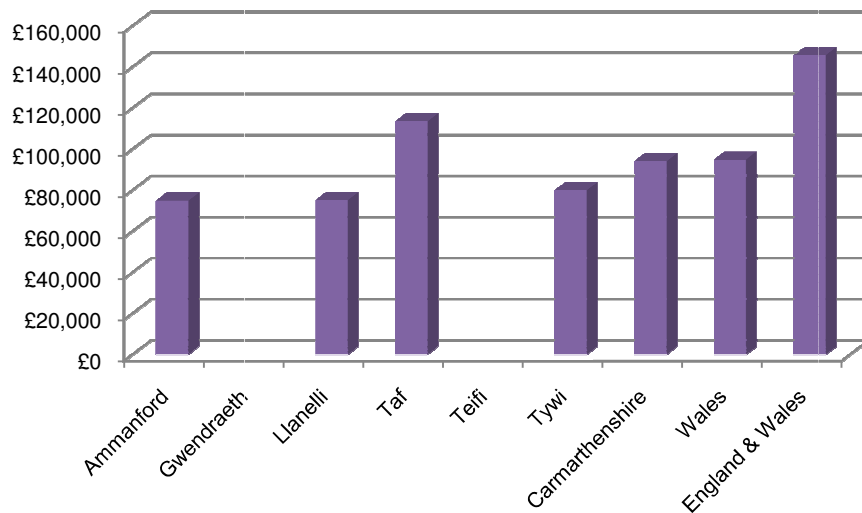
Source: Hometrack 2009

**Figure 3.14c: Current Terraced Prices**



Source: Hometrack 2009

**Figure 3.14d: Current Flat Prices**



Source: Hometrack, 2009

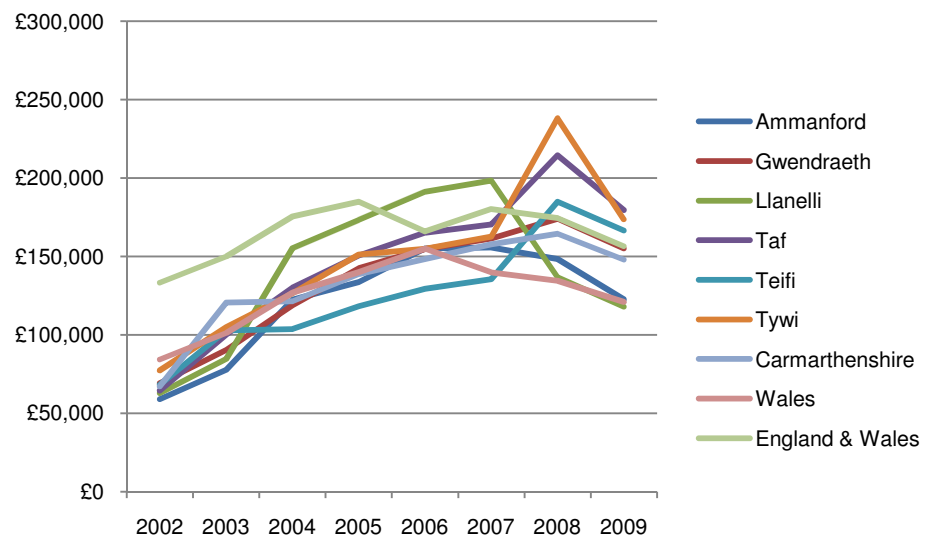
3.26 With regard to area based trends over time, Figures 3.15 and 3.16 show how prices have fallen significantly across all areas, and faster than the fall for Wales as a whole, though all except Llanelli and Ammanford remain substantially higher than those of Wales.

**Figure 3.15: Change in House Prices 2002 to 2009**

	2002	2008	2009	% Increase To 2008	% Increase To 2009
Ammanford	£58,830	£148,340	£122,643	152	108
Gwendraeth	£69,206	£173,910	£155,112	151	124
Llanelli	£62,790	£136,757	£117,849	118	88
Taf	£64,338	£214,450	£179,559	233	179
Teifi	£67,992	£184,875	£166,526	172	145
Tywi	£77,215	£238,163	£173,626	208	125
Carmarthenshire	£67,163	£164,400	£147,854	145	120
Wales	£84,197	£134,315	£120,885	60	44
England & Wales	£133,247	£174,635	£156,500	31	17

Source: Land Registry and Hometrack,

**Figure 3.16: Change in House Prices 2002 to 2009**

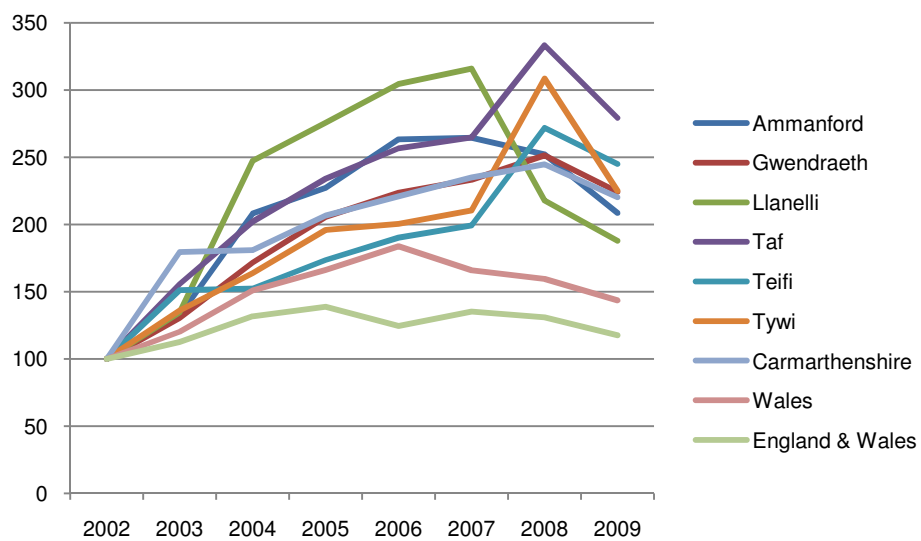


Source: Land Registry and Hometrack

3.27 Figure 3.17 presents house price changes as an index where average house price in 2002 is 100. Notably, despite the fall, prices in the most expensive areas of Carmarthenshire - Taf, Teifi and Tywi are at or above those of 2007. Another notable

point is that if one puts aside the apparent “market bubble” that developed in Llanelli over the period 2003-2007, then the price premium of the highest priced areas over the lower priced areas has actually increased.<sup>13</sup>

**Figure 3.17: Indexed Change in House Prices 2002 to 2009 (2002 = 100)**

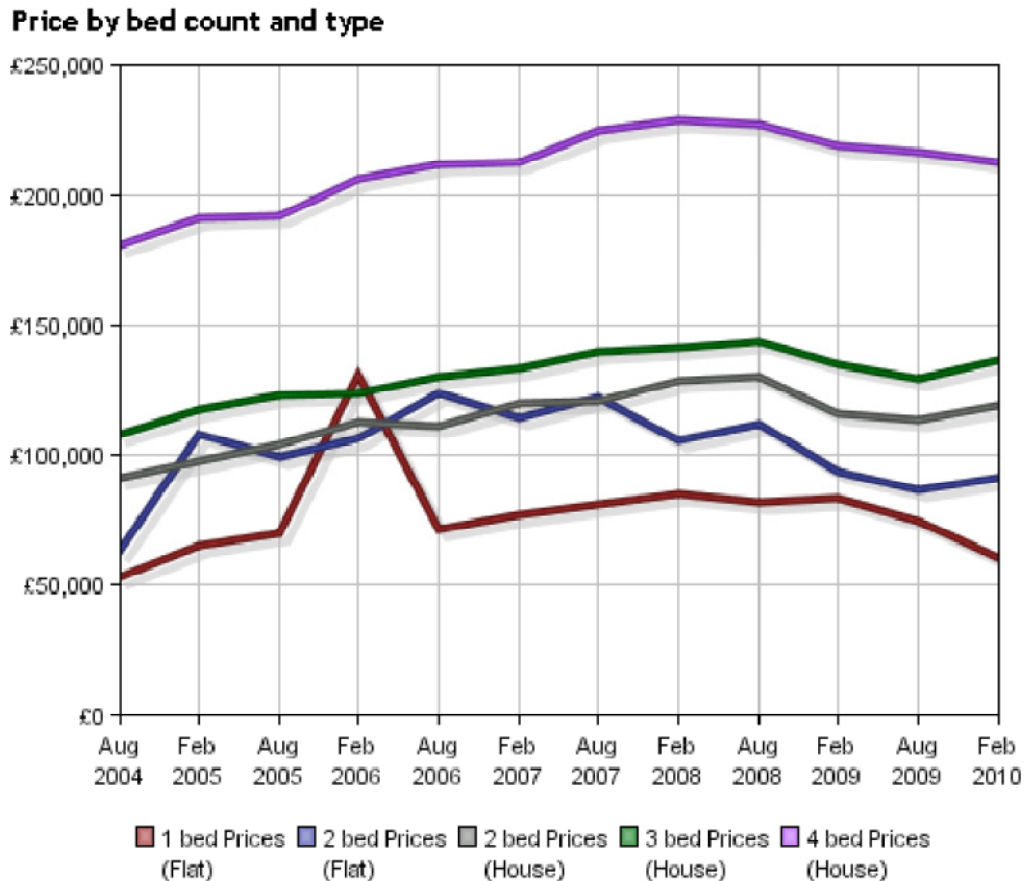


Source: Land Registry and Hometrack

3.29 Figure 3.18 shows breaks down house price change by property size. This shows how the price of entry level housing has been driven down by the falling cost of 1 and 2 bedroom flats and 2 bedroom housing, such that the premium between this type of housing and 3 bedroom housing has actually increased, quite significantly since 2008

<sup>13</sup> However, the datasets between of 2008 and 2009 are different to previous years; they are sourced from Hometrack which allows for more accurate Community Network Area price mapping than the post code based Land Registry system which only drills down as far as post code sectors e.g. LL4 3, and in many cases there were common postcode sectors between Community Network Areas

**Figure 3.18: Price by size and type of home, August 2004 to February 2010**  
(Source: Hometrack)



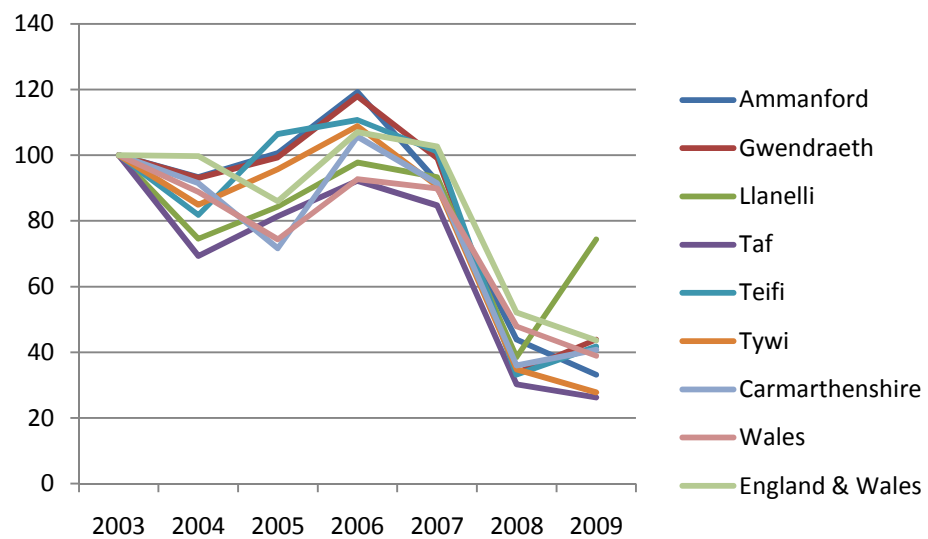
3.30 Underpinning this behaviour is the confidence of better off buyers. Three drivers – the economy, the mortgage market and sentiment – would together determine the timing of the residential market recovery, and it seems that sentiment might have turned the tide in the higher sections of the market, with a little bit of help from the economy. The price falls apparent since 2008 may have been enough to tempt cash buyers back into the market, particularly those who had aspired to a better property in a better area for some time – and now saw that it was affordable.

3.31 Also, the demand from better off households has not just been driven by demand for pure occupational reasons – the desire to live in a nicer house in a better location. The poor returns on cash investments, concerns about stock market volatility, combined with confidence that in the long run house prices in the UK have

consistently shown real growth and provided tax free capital gains for owner occupiers: all these considerations have encouraged buyers who have the funds back into the market. Taff, Teifi and Tywi, where house prices remain at or above 2007 levels, despite the 2008 falls, are all particularly attractive parts of Carmarthenshire, which attract such aspirational households, typically in the 45-60 group (for which net in-migration to Carmarthenshire is particularly high in comparison to the overall figure for Wales)

3.32 Figures 3.19 and 3.20 show how sales activity has slowed drastically from 2007 in line with the national trend. In 2009, this trend contains in line with that nationally, although there is a significant upward movement in Llanelli and a small uplift in Gwendraeth, which suggests that a substantial fall in prices in these areas, together with a recovering mortgage market have played an important part in boosting activity.

**Figure 3.19: Indexed Trend in Sales 2003 to 2009 (2003 = 100)**



Source: Land Registry and Hometrack

**Figure 3.20: Absolute Trend in Sales 2005 to 2009**

	2005	2006	2007	2008	2009
Ammanford	677	802	619	295	223
Gwendraeth	432	513	431	147	191
Llanelli	527	611	583	241	465
Taf	685	776	713	255	221
Teifi	199	207	189	62	78
Tywi	355	404	336	129	103
Carmarthenshire	2,251	3,318	2,871	1,131	1,281
Wales	46,135	57,504	55,749	29,697	24,126
England & Wales	1,031,749	1,284,599	1,231,422	624,262	523,262

*Source: Land Registry and Hometrack*

### **Renting a Property**

- 3.33 Mid range open market rental values are shown below in figure 2.20. This data is presented by town, which can be cross-referenced to the community network areas on figure 2.1. There has been a decrease in the rents of most properties for all of the towns, with a few exceptions. In all the areas (apart from Llandeilo) there has been a slight increase in 2 bed flats average rental values. Llanelli has also seen an increase in rents demanded for 2, 3 and 4 bedroom houses. Carmarthen has only the seen the same for 1 bed flats. Llandeilo has seen decreases in rent levels across all house types in 2009 (in some cases seeing over 10% decrease in 2008 levels).
- 3.34 Llanelli and Carmarthen still have the highest rents for all house types, with Llanelli having the highest rent levels for 2 and 4 bed houses, while Carmarthen is the most expensive for 1 and 2 bed flats (both areas are very similar in their levels for 3 bed houses). Llandeilo offers the cheapest rents across smaller dwelling types (flats), while Ammanford offers lower rents for larger house types (2 or more bedroom houses).

**Figure 3.21: Rental values by Areas in 2009 (2008)**

Type	Llanelli (ppw)	Carmarthen (ppw)	Ammanford (ppw)	Llandeilo (ppw)
Room with Shared facilities	£- (£53)	£67 (£54)	£ - (£-)	£- (£-)
Studio Flat	£- (£83)	£65 (£93)	£ - (£-)	£54 (£69)
1 bed flat	£89 (£95)	£96 (£92)	£78 (£91)	£75 (£92)
2 bed flat	£142 (£129)	£110 (£104)	£100 (£98)	£97 (£100)
2 bed house	£121 (£110)	£113 (£125)	£108 (£108)	£113 (£130)
3 bed house	£140 (£127)	£141 (£163)	£118 (£125)	£131 (£140)
4 bed house	£188 (£204)	£148 (£165)	£131 (£140)	£- (£162)

Source: Local Agents

**Figure 3.22 Average social housing rent levels in 2009 (2008) for Carmarthenshire and Wales**

		One-bed		Two-bed		Three-bed		Four-bed +	
		Houses	Flat	Houses	Flat	Houses	Flat	Houses	Flat
Registered Social Landlord	Carmarthenshire	£55.78 (£52.40)	£53.79 (£51.03)	£61.78 (£58.51)	£55.70 (£53.02)	£66.10 (£62.82)	£66.41 (£62.72)	£86.28 (£82.37)	-
	Wales	£58.86 (£53.32)	£55.69 (£51.75)	£63.15 (£59.96)	£58.45 (£53.38)	£66.91 (£63.72)	£63.28 (£68.38)	£81.81 (£79.48)	£73.53 (£84.17)
Local authority	Carmarthenshire	£50.98 (£49.09)	£50.78 (£45.92)	£55.16 (£53.04)	£55.24 (£51.51)	£60.05 (£57.75)	£61.72 (£58.75)	£67.13 (£65.07)	£67.22 (£64.59)
	Wales	£52.02 (£50.26)	£52.15 (£49.96)	£56.39 (£54.01)	£56.63 (£54.19)	£61.69 (£58.63)	£60.02 (£57.32)	£68.23 (£65.28)	£67.62 (£66.58)

Source: Welsh Assembly Government Housing Statistics 2009

3.35 Social housing rental rises in Carmarthenshire and Wales have generally been similar, though slightly higher perhaps in Wales compared to Carmarthenshire (a reversal of last year, and return to the trend shown in the 2007 report). Local Authority rent levels are on average lower than RSL rents.

## 4. Understanding and Assessing Housing Supply

### Key Findings

- With the lower quartile / entry level average house price in the County at a figure of £89,000 as at Quarter 3 2009, an average annual income of at least £23,855 would be required to purchase a house at such a price
- This represents a substantial fall from 2009, and on the face of it, 19% (compared to 75% in 2008) earn less than the required income
- However, lettings opportunities in the affordable housing stock are not increasing to the extent that one might expect in a time of house price falls. One must bear in mind a number of factors:
  - 1) The average prices of a house by Community Network Area remains high, at around six times median incomes in the high priced areas of Taf, Tywi and Teifi, though much lower in Amanford, Gwendraeth and Llanelli
  - 2) House price falls are concentrated in smaller stock, not necessarily always suitable for families, and concentrated in the lower priced areas of Aman, Llanelli and Gwendraeth; the price of semi-detached homes in Taf, Teifi and Tywi remain significantly higher than those in Wales for example. It is smaller, 2 bedroom stock, which is seeing more lettings, lettings for larger stock are generally more static
  - 3) Whilst smaller entry level stock is increasingly affordable, many mortgage providers are requiring large deposits, and this together with concerns regarding future employment prospects is impeding progression to home ownership, so reducing turnover in the social housing stock and the opportunity for new lettings

### Introduction

4.1 This section examines the characteristics and structure of the housing supply in Carmarthenshire. Analysis of the supply of housing allows an assessment of the range, quality and spatial distribution of housing that is currently available in the areas.

4.2 More specifically, this section examines the following:

- Current housing supply;
- Housing Conditions; and

- Supply of affordable housing.

### **Current Housing Supply**

- 4.3 As at the 2001 Census there were 73,112 homes in Carmarthenshire. The largest number of housing units were recorded in Llanelli, (33% of all housing units), followed by Taf and Gwendraeth. This figure has now risen to 80,743<sup>14</sup>, but is not broken down by areas.
- 4.4 As at April 2009 there were, according to Carmarthenshire County Council Council Tax records 1,796 properties (2% of stock) in Carmarthenshire that had been empty for more than 6 months. This is a slightly higher figure than in October 2008, but still reflects well against figures of 3.8% in July 2006, and 4% recorded in December 2005.<sup>15</sup>

### **New Build, Renovation and Demolition**

- 4.5 Statistics from *Statistics for Wales* covering the period April 2008 to March 2009 point to point to 245 new build starts and 282 new build completions, the lowest figures recorded since at least 1999. However, research by the NHBC has pointed out that by October 2009 a strong recovery was underway in activity in Carmarthenshire, with 104 new homes registered in Carmarthenshire over the period August to October 2009, compared to 24 in the same period of 2008, and the highest level of completions in Wales over the period<sup>16</sup>.

### **Supply of Affordable Housing**

- 4.6 It should be noted that Carmarthenshire County Council operates a common lettings policy with the County's Registered Social Landlords, alongside a common housing needs register.
- 4.7 There were 12,249 Council and RSL homes in Carmarthenshire in 2009, a slight net increase compared to 2008, and reflecting RSL new builds and a fall in right to buy sales (see below).

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<sup>14</sup> Welsh Housing Statistics 2008, published March 2009

<sup>15</sup> These figures may not be strictly compatible, on the basis that they are records from different times of year.

<sup>16</sup> These figures exclude housing association new build, as NHBC is not used by housing associations in Carmarthenshire

4.8 The year 2009 saw further falls in right to buy sales, to 13, from 18 in 2008, and 40 and 41 in the previous two years, reflecting the overall scarcity in the availability of mortgage finance.

4.9 As with previous years, the sales have mostly been of 3 bedroom properties (7 of 13) , though with some 2 bedroom properties (5 of 13), and including one, one bedroom property. The popularity of 3 bedroom properties continues a long term trend, whilst the absence of sales of 4 bed units reflects a trend of falling sales over the decade, which is not surprising given the low levels of stock.

#### Turnover of stock

4.10 It is important to consider not just the supply of housing but also turnover. These help calculate the number of homes becoming vacant each year (See Figure 3.4).

4.11 During the three quarters of 2008 up to the end of September 2008, there were 634 lettings, close to the figure for the same point in 2006, a year that ended with the highest lettings (908) since 2003. As it was, the whole of 2008 saw 836 lettings, which suggests a levelling out of the mid decade fall in lettings.

**Figure 4.4 Council lettings by Area and Size 2001-2008**

Area	Size	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
Aman	1-bed	28	19	22	18	21	28	22	17	22	197
	2-bed	103	108	66	47	70	70	69	100	76	709
	3-bed	76	58	39	25	45	39	31	45	39	397
	4-bed	0	0	2	0	0	0	0	1	0	3
		207	185	129	90	136	137	122	163	137	1306
Gwendraeth	1-bed	38	55	41	37	34	30	38	27	33	333
	2-bed	94	95	63	46	69	69	69	58	52	615
	3-bed	59	62	37	21	29	48	36	32	39	363
		191	212	141	104	132	147	143	117	124	1311
Llanelli	1-bed	155	194	179	143	136	173	148	134	124	1386
	2-bed	127	113	95	80	99	101	78	94	86	873
	3-bed	225	208	155	129	111	135	106	115	107	1291
	4-bed					0	9	4	4	1	18
		507	515	429	352	346	418	336	347	318	3568
Taf	1-bed	63	46	37	40	39	31	35	54	41	386
	2-bed	67	83	77	46	60	55	66	63	61	578
	3-bed	34	24	28	15	14	22	20	19	14	190
		164	153	142	101	113	108	121	136	116	1154
Teifi	1-bed	9	4	5	2	7	5	4	7	2	45
	2-bed	57	51	43	32	46	44	40	37	34	384
	3-bed	3	8	4	3	4	2	5	5	4	38
		69	63	52	37	57	51	49	49	40	467
Tywi	1-bed	7	2	0	3	4	6	2	3	4	31
	2-bed	36	34	30	30	24	29	18	18	22	241
	3-bed	13	10	6	7	5	12	5	3	1	62
		56	46	36	40	33	47	25	24	27	334
<b>Total</b>		<b>1194</b>	<b>1174</b>	<b>929</b>	<b>724</b>	<b>817</b>	<b>908</b>	<b>796</b>	<b>836</b>	<b>762</b>	<b>8140</b>

Source: Carmarthenshire County Council

4.12 The figures allow for an analysis of letting by community network area and by type.

- Continuing the long term trend of decline, lettings are at their lowest level since 2004, though lettings in Aman, Taff and Gwendraeth would seem to have stabilised; though in Taf there remains an underlying decline in 3 bedroom lettings
- Also of concern is the continued fall in lettings in Teifi and Tywi, which are already at a low level compared to demand, with the fall in 3 bedroom lettings in Tywi being particularly marked, with just one letting in 2009
- Four bedroom homes continue to be particularly scarce across Carmarthenshire

4.13 The underlying fall in letting across Carmarthenshire since 2001 can be an indicator of high demand, in which case there is low lettings availability. On the other hand, low turnover could also be a result of low demand or high levels of long-term void. Therefore, turnover figures will have to be discussed alongside waiting lists analysis and long-term vacancy rates.

4.14 We have compared 2008 figures for re-let properties by duration of vacancy by bedrooms and area with those from previous years and cross referenced with vacancy rates (Table 4.5, below).

- The proportion vacant for less than 3 months in the year 2009 was 78%, compared to 83% in 2008, from 77% in 2007, and 80% in 2005, suggesting a gradual underlying trend of shorter vacancy periods
- However, whilst there was a fall in short term vacancies overall, the proportion of short term vacancies rose in Amanford (from a low base) and Taf (repeating last years rise). The proportion stayed the same in Tywi, and essentially the same in Teifi (when considering the small number of vacancies overall). The key driver in the fall in short term vacancies as a proportion of overall vacancies has been a significant fall in the number of short term vacancies in Llanelli, as part of a much larger fall in vacancies overall in the area (from 22 in 2008 to 190, with vacancies falling across all dwelling sizes)

- Vacancies in the County remain around 4%, though this masks the fall in Llanelli (across all sizes)

4.15 These figures, taken with the changes in the number of lettings, would seem to suggest, as that

- As in 2008, limited lettings in Teifi and Tywi are guided by the very limited supply, with most homes in these areas letting within 3 months, and very low vacancy rates (which have fallen again, since 2007)
- The continued generally low lettings rate of 3 bedroom properties is due to high demand as households stay put, with the vacancy rate remaining low and static at around 3%.

**Figure 4.5: Vacancies by Council Stock**

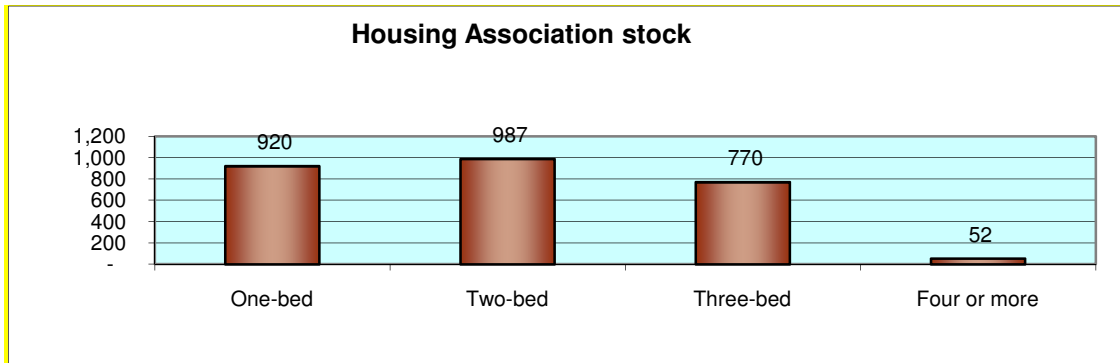
Area	1- bedroom	2- bedroom	3- bedroom	4 bedroom	Total	% of total stock
Aman	3	15	13	0	31	2%
Gwendraeth	29	8	28	0	65	4%
Llanelli	99	28	63	0	190	5%
Taf	25	7	2	0	34	3%
Teifi	0	1	1	0	2	0%
Tywi	0	2	1	0	3	1%
<b>Total</b>	<b>156</b>	<b>61</b>	<b>108</b>	<b>0</b>	<b>325</b>	<b>4%</b>
<b>% of total stock</b>	<b>10%</b>	<b>2%</b>	<b>3%</b>	<b>0%</b>		

*Source: Carmarthenshire County Council*

### Housing Association Sector

4.16 As at 31 March 2008, housing associations owned 2,729 self contained homes, a 129 increase over the previous year; with most of the increase being in 3 bed dwellings (39), followed by 2 bedroom (15), and 1 bedroom properties (11), with 4 bedroom properties increasing by 4. The size distribution is as shown in Figure 4.6, below.

**Figure 4.6: Housing association homes by Property Size**

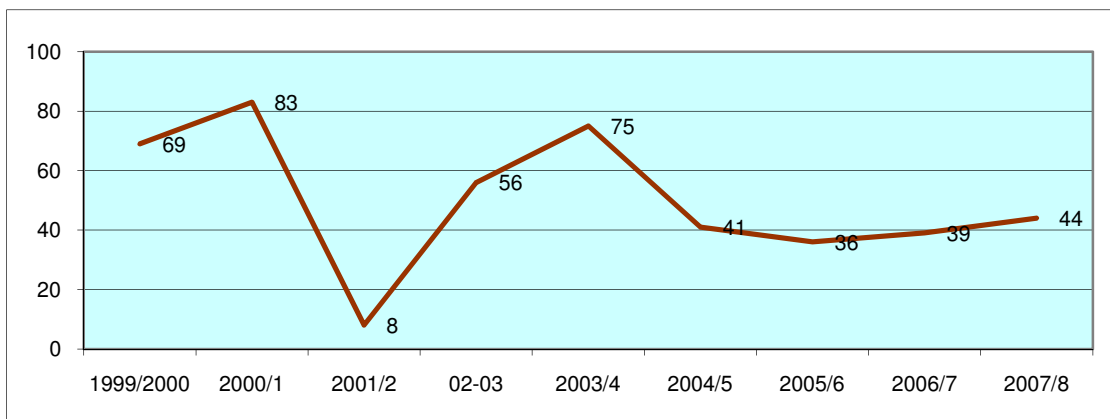


Source: Welsh Assembly Government Housing Statistics

**Change in stock numbers**

4.17 New provision by housing associations in Carmarthenshire includes new build, acquisitions and other provision by rehabilitations, conversions and re-improvements. Figure 3.7 shows that the annual rate of provision of new housing association homes since 2001 has generally been notably less than that of the preceding period.

**Figure 4.7: New Housing Association Homes 1999-2007**



Source: Welsh Assembly Government Housing Statistics

4.18 However, we understand from the Carmarthenshire County Council Housing Strategy that planned investment for the provision of affordable housing equates to 40 affordable units per year each year during 2005-2009; the 3 year average since 2005/6 is essentially in line with this projection. Prior to this period, the 2003/4 peak, of 75 homes, included completion of a 38 flat extra care scheme in Burry Port.

### Turnover of stock

4.19 Figure 4.8 below, shows how the recovery in Housing association lettings, after a fall between 2002 and 2005, has continued, driven by a particularly encouraging rise in lettings in Teifi ( 2 and 3 bedroom homes) and Tywi (mostly 2 bedroom homes), with lettings in other areas generally remaining stable.

**Figure 4.8: RSL Lettings by Area between 2001-2009**

Year	Aman	Gwendraeth	Llanelli	Taf	Teifi	Tywi	Total
2001	72	17	167	29	0	14	299
2002	49	33	148	76	0	16	322
2003	57	15	101	61	7	10	251
2004	56	13	89	59	0	8	225
2005	47	6	85	49	8	0	195
2006	46	20	111	70	0	13	260
2007	48	22	148	60	2	5	285
2008	51	27	92	63	0	8	241
2009	53	22	88	63	36	21	283

*Source: Carmarthenshire County Council*

### Private Sector Renting

4.20 The private sector is an increasingly important player in the overall rented accommodation market. As has been the case across the United Kingdom, buy to let investors have had an important role in financing the building of two bedroom apartments. However, most investor interest is in older, small, existing houses and ex-Council Right to Buy properties, and here the Sector is very much in competition with first time buyers, and so, on balance, it is fair to say that the private rented sector contributes more to the quantum of demand for affordable housing from Carmarthenshire County Council and the area's RSL suppliers than it does to relieve it.

### Affordability

4.21 The definition of 'affordable housing' is where there are mechanisms in place to ensure that housing is accessible to those who cannot afford market housing, both on first occupation and for subsequent occupiers.

4.22 The lower quartile house price within Carmarthenshire has been used here as a guide to the entry-level into owner occupation for first time buyers. Figure 3.9 shows how this figure has declined in 2008 and 2009 after growing substantially during 2007, though is still higher than the 2005 level.

**Figure 4.9 lower quartile average House prices**

Year	2003	2004	2005	2006	2007	2008	2009
Price	£52,000	£73,000	£86,000	£93,000	£105,000	£100,000 <sup>17</sup>	£89,000 <sup>18</sup>

Source DCLG 2009

4.23 There are still some issues around the affordability of owner occupation within Carmarthenshire. The assessment of affordability (see figure 4.10 below) shows that purchasing an entry level property would require a net annual income of £23,888, which is nearly as low as the 2006 figure.

**Figure 4.10 Assessment of affordability – lower quartile house price**

House Price	Information
Lower Quartile House Price	£89,000
95%	£84,550
5% Deposit	£4,450
<b>Mortgage</b>	
First Active Mortgage Repayment Calculator	<a href="http://www.firstactive.co.uk">www.firstactive.co.uk</a>
Mortgage Type	Capital and interest repayment
Term	25 years
Interest rate for first two years	6.79%
Interest rate for remaining term	2.79%
24 payments at a fixed rate, currently 6.79%	£597.22
Followed by 276 payments are a variable rate, currently 2.79% <sup>19</sup>	£408.87
<b>Affordability</b>	
Affordability Ratio	30%
Household income per month to service mortgage at 30%	£1,990.73
Annual household income to service mortgage at 30%	£23,888.80

4.24 The draw back with this model is that does not place a limit on the Loan to Value Ratio. To test the validity of this calculated answer, the following variables were entered the Nationwide Mortgage Calculator<sup>20</sup>:

- Childless First Time Buyers with joint gross income of £24,000, no outstanding loans, aged 30 (1<sup>st</sup> February 1980 and 1<sup>st</sup> September 1980)
- A deposit of £4450 (i.e. 5% of £89,000)

<sup>17</sup> Updated figure following revised updates to the data.

<sup>18</sup> Data only available for first 3 quarters of 2009, with Q3 being provisional and subject to change

<sup>19</sup> This will include an overall extra charge of 1% on the total borrowing as only a 5% deposit is used. If there is a LTV of 90% then this overall charge is not applied.

<sup>20</sup> [https://portal.nationet.com/nationwide/Affordability/\(tvbor5i21ewrkjfa2bqixbzs\)/Results.aspx](https://portal.nationet.com/nationwide/Affordability/(tvbor5i21ewrkjfa2bqixbzs)/Results.aspx)

- Both plan to retire at 65

- 4.25 The calculator suggested that such a couple could obtain a mortgage for this house under such terms, with a possible load of £89,000, based on the 30% income ratio. However, for higher priced properties the required loan amount might be proportionately harder to obtain. Last year's report noted that around 75% of households were earning less than the net household income required affording the entry-level property price. This year, some 19% of households earn less than the required income. This is due to a number of factors, including a marked decrease in house prices but still an increase in median incomes (between 1 – 4% depending on area).
- 4.26 Affordability difficulties are also highlighted in the six community network areas when average incomes are compared with average house prices. (Lower quartile house prices are not available by the community network areas).
- 4.27 The six community network areas have an average house price that is typically between four and seven times the median income, with the highest figure in Teifi showing almost 7 times the median income, as shown in figure 3.11. However, these are significantly reduced from the 2008 figures. Tywi now shows a multiplier of almost seven times the median income compared to the figure for 2008 of almost nine.
- 4.28 Difficulties in accessing the property market within the six community network areas are not simply confined to first time buyers and those on lower incomes, but could affect any group that does not start with significant housing equity.

**Figure 4.11: Affordability indices**

	<b>Median Household Income<sup>21</sup></b>	<b>Average House Price (2009)</b>	<b>2008 Indices</b>	<b>2009 Indices</b>	<b>Indices Point Change</b>
Ammanford	£26,740	£122,643	5.8	4.6	(1.2)
Gwendraeth	£27,763	£155,112	6.5	5.6	(1.4)
Llanelli	£25,643	£117,849	5.4	4.6	(0.8)
Taf	£28,026	£179,559	7.8	6.4	(1.4)
Teifi	£25,209	£166,526	7.5	6.6	(0.9)
Tywi	£27,361	£173,626	8.9	6.3	(2.6)

*Source: CACI, Hometrack*

- 4.29 Based upon the affordability indices presented in figure 3.11, conventional mortgage loans of approximately three times the gross household income<sup>22</sup> would effectively exclude many households from purchasing property. It is notable that the range of affordability has narrowed, with the index in most affordable area (Llanelli) falling the least over the year (following a significant correction the previous year), and that for the least affordable area (Tywi) falling the most
- 4.30 Figure 4.12 below shows the mortgage the average household will be able to borrow in comparison to the current levels of average house prices. As the Figure shows, conventional mortgage loan amounts are insufficient within all of the areas to access home ownership.
- 4.31 As in 2008, the areas of Taf, Teifi and Tywi show the greatest difficulties of housing affordability. It is notable that:
- All six areas experience significant reductions in the shortfall between affordability and average house price.
  - Llanelli shows the smallest shortfall. This is due to the sharp decline in the average house price of the area since 2007, combined with a minimal increase in the median household income for the same period;

<sup>21</sup> Gross median income for the whole household

<sup>22</sup> Based, anecdotally, upon the Local Housing Assessment Guidance of 3.5 times the gross income of a single earner and 2.9 times the gross income of a dual income household.

- The largest shortfall is shown in the most expensive areas, Taf, Teifi and Tywi. Ammanford has seen the largest increase in median household income (an increase of 3.7% on 2008 levels), and a significant drop in average house price (17% lower than 2008). However, it is Tywi that has seen the greatest reduction in average house price (over 27% drop), but still sees one of the more extensive shortfalls.
- However, these falls must be put into context. The mortgage affordability shortfall in all areas except Amanford (near its 2005 level) and Llanelli (less than the 2005 level) is still significantly greater than it was in 2005 (the year of the initial Housing Market Assessment in this series), whilst the shortfall in Gwendraeth, Taf, Teif and Tywi are close to their 2006 positions

**Figure 4.12: Household Mortgage to House Prices**

	<b>Mortgage Affordability</b>	<b>Current Average House Price</b>	<b>2008 Shortfall</b>	<b>2009 Shortfall</b>
Aman	£80,220	£122,643	£71,015	£42,423
Gwendraeth	£83,289	£155,112	£93,261	£71,823
Llanelli	£76,929	£117,849	£60,731	£40,920
Taf	£84,078	£179,559	£131,926	£95,481
Teifi	£75,627	£166,526	£110,847	£90,899
Tywi	£82,083	£173,626	£158,288	£91,543

*Source: Hometrack, CACI, 2009*

## 5. Assessing Housing Needs

### Key findings

- Chapter 4 highlighted that whilst prices of homes in Carmarthenshire are falling, it is substantially driven by falls in the price of smaller, entry level housing, and prices generally in Taf, Teifi and Tywi remain relatively unaffordable,
- So despite price falls, there remains substantial housing stress in Carmarthenshire
  - Whilst housing register numbers have fallen slightly (after a substantial fall in 2008), new applications are rising again
  - There is an increase in demand for larger housing generally, and an increasing number of family households on the register
  - The most acute indicators of housing stress – relating to homelessness – are rising; homeless presentations are rising again after last years fall, continuing a general upward trend, whilst the number of homeless households that the Council has a statutory duty to rehouse has risen to its highest level for at least a decade
  - Whilst homelessness presentations have fallen back in Llanelli, to around the level it was in 2005 (after the 2006-2007 peak), they have increased substantially in Aman, Gwendraeth and Taf over the period, with the growth in 2009, after a dip in 2008, being particularly high.
  - A factor behind the rise in homeless households may be an increasing number of hidden family households unable to access their own housing, as the number of families in this situation grows. It follows that the more family households with children there are that are subject to this precarious housing arrangement, the more homeless presentations come from such families being turned out, even if the rate of this occurring stays the same. An increase in the number of households requiring re-housing in priority need would support this theory
- With regard to the ratio of supply to demand for different types of housing in the community network areas, and reflecting previous comments on demand for larger housing, improvements in the ratio have mainly been for 2 bedroom accommodation, with a much smaller rise for 3 bedroom housing (except for Teifi, where new lettings have shown an encouraging increase), no change in the very poor ratio for 4 bed housing, and a worsening ratio for 5 bedroom plus housing
- However, whilst there has been some improvement in the supply ratios, it still remains a concern that the ratios for 2 and 3 bedroom housing remain typically in the teens and twenties. The one exception to this is the ratio for Teifi, which has risen eight points to 37%. Indeed, all ratios aside from this type and 3 bedroom houses in Llanelli (now at 46% after two successive annual 4 percentage point rises since 2007, but still way below the 2005 figure of 82%) growth since 2008, and which at 42% is an improvement over 2007's 38%, but is itself a significant fall from 82% in 2005), and 2 bedroom units in Teifi (29%) remain 25% or less.

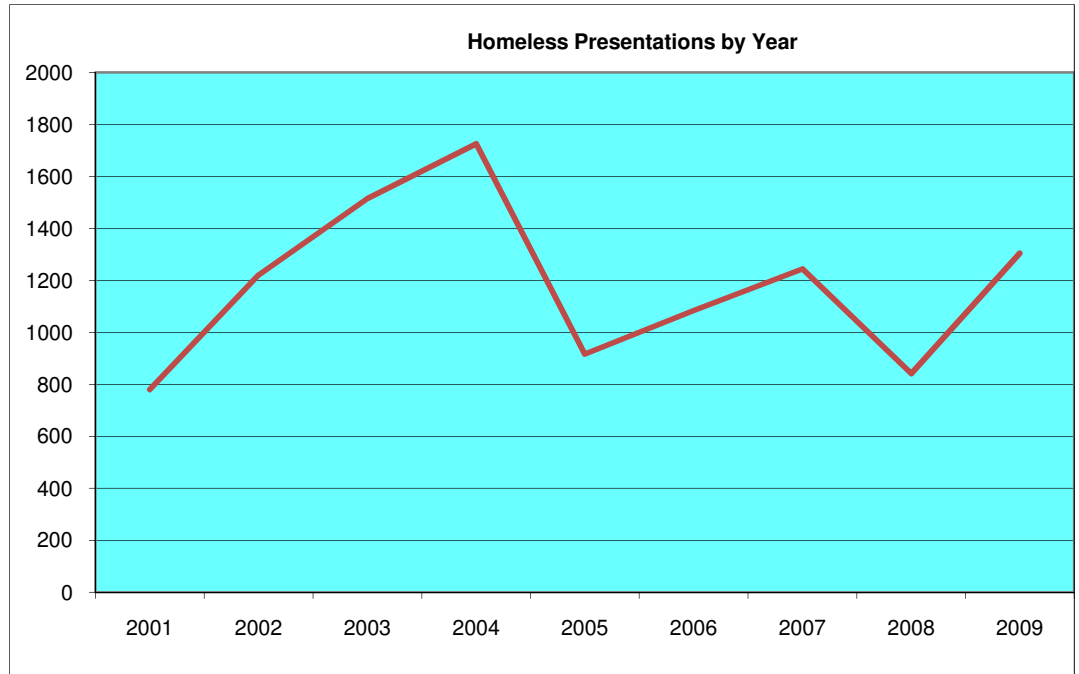
### **Introduction**

- 5.1 In much of Wales there is a net shortage of affordable housing, and decisions about how much more to build should be based on levels of housing need. Housing need generally refers to 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 local housing market without help.
- 5.2 This type of information is often collected in a Housing Needs Survey (HNS). The survey last carried out for Carmarthenshire is now over seven years old and judged to be out of date. In the absence of a current HNS we have used affordability data and an analysis of;
- Homelessness, and
  - Housing need identified from the Housing register.

### **Homelessness**

- 5.3 Putting aside the magnitude of the 2003/4 peak, which might be overstated due to a previously inconsistent approach to purging (of applicants whose housing need had lapsed) the register, and reading in tandem with the increase in the numbers of those that the Council has a statutory duty to re-house (below), we suggested in the 2006 report that the underlying trend from 2001 was progressively up. This still seems to be the case.

**Figure 5.1: Homeless Presentations 2001- 2009**



*Source: Carmarthenshire County Council*

5.5 With regards the sources of homeless approaches (See Figure 5.2, below), the persistently dominant source has been Llanelli, followed by Aman, Gwendraeth and Taf. This remains so in 2009. Notably, the primary position of Llanelli is continuing to erode slightly in relation to the other four primary source areas.

**Figure 5.2 % geographical source of approaches of homelessness during 2005, 2006 & 2007**

	Aman	Gwendraeth	Llanelli	Taf	Teifi	Tywi	Outside Carmarthenshire	Total
Q1-05	53	50	123	55	13	11	25	330
Q2-05	32	32	103	37	5	5	11	225
Q3-05	26	15	130	18	2	2	17	210
Q4-05	5	7	106	21	2	2	9	152
Total	116	104	462	131	22	20	62	917
%	13%	11%	50%	14%	2%	2%	7%	100%
Q1-06	33	23	106	45	5	7	9	228
Q2-06	37	23	117	33	3	1	13	227
Q3-06	49	32	155	20	8	6	21	291
Q4-06	58	40	173	38	5	4	20	338
Total	177	118	551	136	21	18	63	1084
%	16%	11%	51%	13%	2%	2%	6%	100%
Q1-07	91	56	142	59	6	7	22	383
Q2-07	71	50	144	54	6	5	23	353
Q3-07	67	50	145	24	2	2	13	303
Q4-07	37	25	90	20	6	4	23	205
Total	266	181	521	157	20	18	81	1244
%	21%	15%	42%	13%	2%	1%	7%	100%
Q1-08	35	17	90	28	8	6	17	201
Q2-08	37	24	58	31	2	8	20	180
Q3-08	42	49	79	19	3	10	24	226
Q4-08	63	32	93	29	8	2	8	235
Total	177	122	320	107	21	26	69	842
%	21%	14%	38%	13%	2%	3%	8%	100%
Q1-09	81	57	129	30	4	2	17	320
Q2-09	93	70	104	53	8	6	19	353
Q3-09	66	64	129	64	2	6	28	359
Q4-09	51	43	105	45	6	6	17	273
Total	291	234	467	192	20	20	81	1305
%	22%	18%	36%	15%	2%	2%	6%	

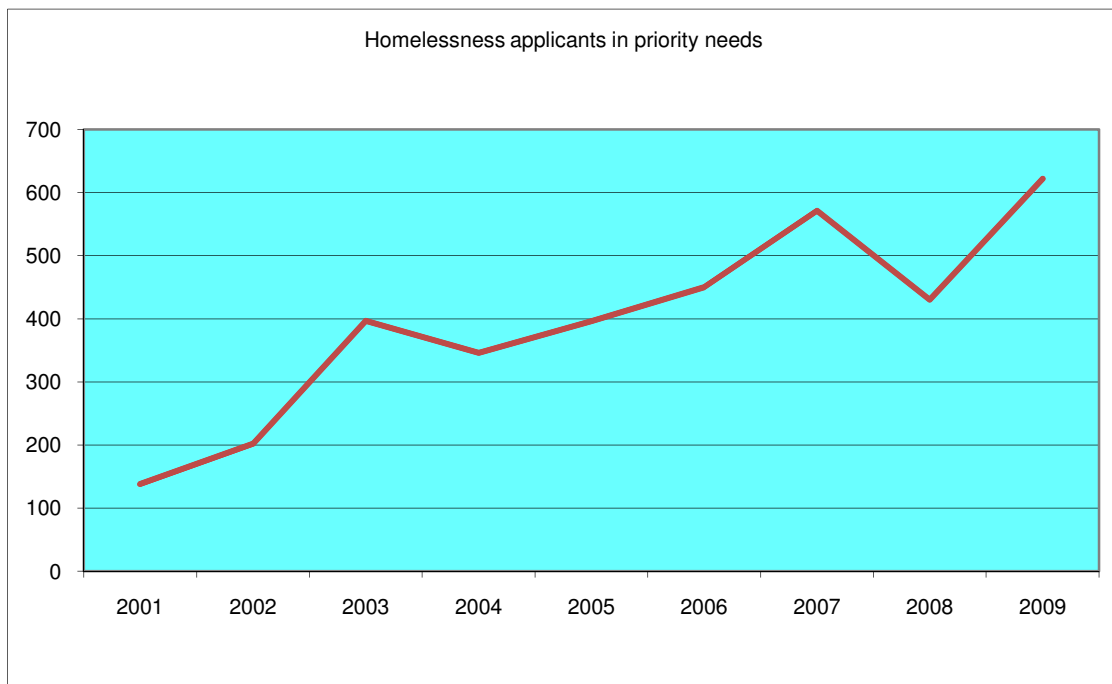
Source: Carmarthenshire County Council

5.6 The trend in homeless presentations has over recent years been reflected in the number of presentations that Carmarthenshire County Council has a statutory duty to re-house, which has shown a pronounced upward trend, and after last years fall has risen to its highest level over the recording period.

Statutory duty to re-house	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total	138	202	397	346	396	450	571	430	622

Source: Carmarthenshire County Council

**Figure 5.3 Homeless where there is a statutory duty to re-house 2001-2009**



Source: Carmarthenshire County Council

5.7 It is important to look at the reasons for homelessness to understand any emerging trends. (See figure 5.4)

**Figure 5.4: Reasons for Homelessness 2001-2009**

Reason	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Emergency and fire</b>	28	16	16	12	11	6	23	23	9
<b>Leaving institution</b>	15	33	47	39	50	105	90	66	31
<b>Loss of rented or tied accommodation not rent arrears</b>	40	27	169	425	236	253	333	200	107
<b>Mortgage arrears</b>	33	49	57	22	15	21	41	45	36
<b>Other</b>	197	404	382	316	131	106	105	112	145
<b>Other violence or harassment</b>	1	1	13	35	26	18	18	34	20
<b>Parents, relatives friends no longer willing to accommodate</b>	232	376	444	470	259	195	193	159	167
<b>Racial violence or harassment</b>	0	0	1	2	2	0	4	3	5
<b>Relationship breakdown – non-violence</b>	141	197	284	262	116	162	151	108	59
<b>Relationship breakdown - with violence</b>	64	95	84	118	76	77	93	67	50
<b>Rent arrears</b>	29	23	18	25	17	38	42	28	8
<b>Total</b>	<b>780</b>	<b>1221</b>	<b>1515</b>	<b>1726</b>	<b>939</b>	<b>981</b>	<b>1093</b>	<b>845</b>	<b>637</b>

*Source: Carmarthenshire County Council*

5.8 Whilst the overall numbers of homeless are up, there are mixed messages with regard to the reasons given for homelessness (where given). A reduction in the proportionate share of loss of rented or tied accommodation, and mortgage arrears, as reasons for homelessness are encouraging, and the latter might reflect the success of the Welsh Mortgage Rescue Scheme<sup>23</sup>. However, a rise in the share of parents, relatives, friends no longer willing to accommodate, is a concern, as it may be a symptom of an increasing number of hidden newly forming

<sup>23</sup> The Mortgage Rescue scheme is funded by the Welsh Assembly Government through the Social Housing Grant (SHG) programme in partnership with housing associations and local authorities (Refer to Chapter 2).

households unable to access their own housing, and where family households with children are involved this may be a factor in an increase in the level of households that the Council has a statutory duty to rehouse.

- 5.9 It should be noted that Carmarthenshire County Council operates a common housing choice register with the County's Registered Social Landlords, alongside a common allocations policy.
- 5.10 The housing choice register comprises households already living in social housing who need a transfer and those who are not tenants of social landlords. These two groups of applicants should be considered separately. When a transfer request is met, this will unlock one unit for letting at the same time.
- 5.11 Table 5.5 shows that in December 2009 there were 6,741 entries on the Council's housing choice register, compared to 6,264 eighteen months earlier, and this figure stands about halfway between the 2007 and 2008 figures. The driver of the increase has been the number of households requiring housing of at least 2 bedrooms, and the increase is from both households that have never been housed (the greater share of the increase) and transfer applicants (the lesser share of the increase).
- 5.12 This represents a part reversal of last years trend, which saw the number of applicants looking for 2 bedrooms or less fall, with demand for 3 or more bedrooms remaining steady as it has this year
- 5.13 The static level of demand from single persons and childless couples is a likely reflection of the falling cost of the cheapest (lower quartile) housing in Carmarthenshire, and competitive rents for 1 bedroom and studio accommodation.

**Figure 5.5: Profile of Applicants on Housing Register in December 2009**

	Single persons	Childless couples	At least 2 bedroom	At least 3 bedrooms	At least 4 bedrooms	At least 5+ bedroom	Total
Never been housed	2,474 (2,471)	722 (714)	1,512 (1,104)	552 (542)	122 (123)	41 (41)	<b>5,423</b> <b>(4,995)</b>
Transfer	513 (503)	121 (134)	399 (351)	218 (218)	53 (50)	14 (13)	<b>1,318</b> <b>(1,269)</b>
<b>Total</b>	<b>2,987</b> <b>(2,974)</b>	<b>843</b> <b>(848)</b>	<b>1,911</b> <b>(1,455)</b>	<b>770</b> <b>(760)</b>	<b>175</b> <b>(173)</b>	<b>55</b> <b>(54)</b>	<b>6,741</b> <b>(6,264)</b>

Source: Carmarthenshire County Council

5.14 Figure 5.6 profiles applicants by age and family status, it shows that a key driver of the growth in applicants between March 2008 and December 2009 were families with children (household head aged between 25 and 60)

**Figure 5.6 Age and family status of applicants (December 2009 & March 2008)**

Age of principal applicants	Age of Applicants as at December 31, 2009						Total
	Under 25		25-60		Over 60		
	No.	%	No.	%	No.	%	
Single	825	12%	1779	25%	708	10%	3312
Childless couples	233	3%	354	5%	322	5%	909
Family with children	570	8%	2187	31%	92	1%	2849
<b>Total</b>	<b>1628</b>	<b>23%</b>	<b>4320</b>	<b>61%</b>	<b>1122</b>	<b>16%</b>	<b>7070</b>

Age of principal applicants	Age of Applicants as at March 31, 2008						Total
	Under 25		25-60		Over 60		
	No.	%	No.	%	No.	%	
Single	776	12%	1541	25%	657	10%	2974
Childless couples	208	3%	324	5%	316	5%	848
Family with children	490	8%	1869	30%	83	1%	2442
<b>Total</b>	<b>1474</b>	<b>24%</b>	<b>3734</b>	<b>60%</b>	<b>1056</b>	<b>17%</b>	<b>6264</b>

Source: Carmarthenshire County Council

5.15 The total number of people requesting re-housing steadily increased from 2001 to 2004. (See figure 5.7) in 2005 the number fell and we attributed this to a more efficient updating of the annual review of the housing choice register, rather than an indication of a significant reduction in the demand for affordable homes (or an increase in the rate of allocation). This view would seem to have been substantiated as the : December 2009 total for registrations exceeds the “pre-correction” 2004 figure by around 900, due mainly to growth in non transfer applicants. Whilst the figure has fallen for the second year running, the pace of fall seems to be slowing, especially amongst non transfer applicants

**Figure 5.7 Total number of housing choice register applicants.**

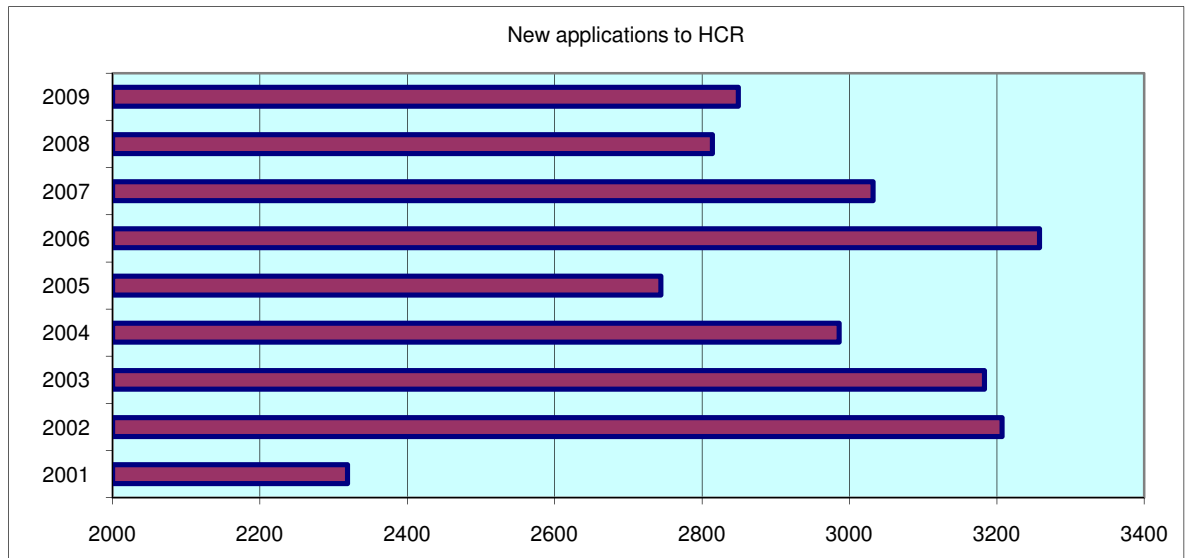
Year	Total number	Transfers	Not transfers
2001	4,088	1,720	2,368
2002	5,215	1,942	3,273
2003	6,621	2,153	4,468
2004	6,720	2,210	4,510
2005	5,684	1,812	3,872
2006*	5,237	1,108	4,129
2007**	7,674	1,463	6,211
2008***	7,064	1,418	5,646
2009****	6,741	1,318	5,423

*Source Carmarthenshire County Council 2009*

*\* 31/7/2006, \*\*31/12/2007, \*\*\*31/12/2008, \*\*\*\* 31/12/2009*

5.16 Behind this slowing in the rate of fall of numbers on the housing choice register seems to be a cessation in the fall in the number of new applicants to the housing register.

**Figure 5.8 New Applications to Housing Register 2001-2007**



Source Carmarthenshire County Council 2009

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009
New Applications to HCR	2,319	3,207	3,183	2,986	2,744	3,258	3,032	2,814	2,849

Source Carmarthenshire County Council 2009

5.17 In establishing the areas and size of housing needed we looked at the housing choice register data. We are aware of the fact that applicants can choose more than one preferred area, but this problem is addressed in our study by separating those who made only one choice from those expressing a choice of two or more areas. (See figures 5.9 and 5.10).

**Figure 5.9: Those expressing only one area of choice (December 2009)**

	Aman	Gwendraeth	Llanelli	Taf	Teifi	Tywi	Total
Single	352	581	1083	448	69	61	<b>2594</b>
Childless couple	81	212	261	132	24	14	<b>724</b>
At least 2-bed	193	347	499	235	59	33	<b>1366</b>
At least 3-bed	88	132	214	108	20	12	<b>574</b>
At least 4-bed	16	48	51	24	6	4	<b>149</b>
At least 5+bed	5	6	17	6	0	0	<b>34</b>
<b>Total</b>	<b>735</b>	<b>1326</b>	<b>2125</b>	<b>953</b>	<b>178</b>	<b>124</b>	<b>5441</b>

Source Carmarthenshire County Council 2009

5.18 With regard to those expressing only one choice we note the following:

- A large increase in expressed interest in Gwendraeth, which moves it to the second most popular area after Llanelli, which fell slightly (again), and in front of Aman and Taff, which recorded relatively modest increases in popularity. Expressed interest in Teifi and Twyi remained essentially static
- With regard to the demand for different sizes of housing, there are several notable points, with demand for all sizes increasing, notably:
  - 4 bedroom housing increasing by 50%, mainly for a home in Gwendraeth, but with notable increases in Aman and Taff, and smaller rises in demand for 1,2, and 3 bedroom accommodation with last years increase in demand for 5 bedroom housing also being sustained
- In the 2006 report we noted how single person accommodation had taken on proportionately greater importance since 2005, and this trend is continuing in 2009, with demand for single person accommodation increasing by 21% and that from couples by 31% (reversing a fall in 2008), compared to an overall increase in demand of 21%

**Figure 5.10: Those expressing two or more areas of choice (December 2009)**

	Aman	Gwendraeth	Llanelli	Taf	Teifi	Twyi	Total
Single	366	52	372	345	100	152	<b>1387</b>
Childless couple	103	47	137	119	36	54	<b>496</b>
At least 2-bed	186	46	202	172	58	73	<b>737</b>
At least 3-bed	80	25	81	68	23	33	<b>310</b>
At least 4-bed	21	2	25	21	8	11	<b>88</b>
At least 5+bed	9	6	10	6	3	5	<b>39</b>
<b>Total</b>	765	178	827	731	228	328	<b>3057</b>

*Source: Carmarthenshire County Council*

5.19 With regard to those expressing more than one choice we note the following:

- All areas recorded falls in registrations, with an exceptionally large fall in Gwendraeth. Aside from this, the largest falls were in Teifi and Twyi, carrying on from slight falls last year and probably reflecting their unpopularity as second choice given the scarcity of affordable housing opportunities in these areas, and

in Aman (where registrations were static last year). The smallest falls were in Llanelli and Taff, which had recorded strong increases in 2008.

- With regard to housing type, demand fell the least for one bedroom housing, and five bedroom housing, and the most for four bedroom housing (though this was essentially limited to Gwendraeth, with demand holding up elsewhere). There were notable falls for 2 bedroom housing across all areas, and slightly lesser falls for 3 bedroom housing across all areas
- In the 2006 report we noted how single person accommodation had taken on proportionately greater importance since 2005 – demand had reduced the least in comparison with falls in demand for other accommodation (which we had linked to a fall in the number of transfer applicants registering an interest in larger housing due to the long waiting list for such housing). In 2006 we noted with interest that it was maintaining its enhanced share even as demand recovers overall, and in 2008 this type of demand rose significantly, though in 2009 demand share has fallen slightly.

**Figure 5.12 Comparison of need expressed with average of actual supply**

	Aman		Gwendraeth		Llanelli		Taf		Teifi		Tywi	
	D	S	D	S	D	S	D	S	D	S	D	S
At least 1-bed	902	50	892	35	1853	193	1044	69	229	5	281	8
S as a % of D	6%		4%		10%		7%		2%		3%	
At least 2-bed	379	90	393	72	701	125	407	78	117	43	106	28
S as a % of D	24%		18%		18%		19%		37%		26%	
At least 3-bed	168	48	157	44	295	135	176	31	43	8	45	7
S as a % of D	28%		28%		46%		18%		19%		15%	
At least 4-bed	37	0	50	0	76	5	45	1	14	0	15	0
S as a % of D	1%		0%		7%		2%		1%		0%	
At least 5+bed	14	0	12	0	27	0	12	1	3	0	5	0
S as a % of D	0%		0%		0%		5%		0%		4%	

Source: Carmarthenshire County Council

5.20 Figure 5.12 shows the potential demand (D columns) and supply (S columns) for affordable housing in each area. The demand is calculated by choices expressed in the current Housing Choice Register rather than by the number of households. We are aware that 3,057 applicants chose more than one option, which has not been discounted. However, this is still a reliable picture of the potential demand for affordable housing in each area, and is consistent with the method used in the 2005, 2006, 2007 and 2008 reports.

5.21 As with the previous reports, in the calculation, we estimate that single person households and childless couples will need at least one-bedroom. We do not

consider there is a potential demand for bedsits, because of the very low availability and turnover. There is also evidence that non self-contained properties do not meet the aspirations of independent households. In order to assess more accurately the location needs of households, it is necessary to ask the applicants to prioritise the location preferences should they chose more than one.

5.22 Supply is an average of Council and RSL lettings in the five years covering 2005 to 2009

5.23 The slight improvement in the supply to demand ratio, for some areas and types, which emerged in 2008, has continued into 2009.

- This applies to all 2 bedroom accommodation, and as with 2008, has a particular emphasis in Aman and Teifi, due to reductions in the level of demand
- For 3 bedroom accommodation, whilst there were improvements in the ratio across all the Community Network Areas, they differed in magnitude. Following a small improvement last year, a very large rise in the ratio was recorded in Teifi (due to a fall in demand together with a slight increase in supply); significant, if smaller rises were recorded once again in Gwendraeth and Llanelli due to a fall in demand and a small increase in supply
- There is generally no change in the situation for 4 bedroom accommodation, with the exception of a slight rise in Teifi
- Last year it was noted how the shortfall in supply for 5 bedroom (and larger) accommodation had become more acute with all areas except for Tywi seeing increases in demand. The situation has generally not changed, with the exception of a slight improvement in the ratio in Taff
- Also, a slight improvement in the ratio for 1 bedroom dwellings has emerged in Aman and Tywi

5.24 As with 2008, the improvements in the ratio are generally a mixture of a notable fall in demand set against a slight increase in supply.

5.25 However, whilst there has been some improvement in the supply ratios, it still remains a concern that the ratios for 2 and 3 bedroom housing remain typically in the teens and twenties. The one exception to this is the ratio for Teifi, which has risen eight points to 37%. Indeed, all ratios aside from this type and 3 bedroom houses in Llanelli (now at 46% after two successive annual 4 percentage point rises since 2007, but still way below the 2005 figure of 82%) growth since 2008, and which at 42% is an improvement over 2007's 38%, but is itself a significant fall from 82% in 2005), and 2 bedroom units in Teifi (29%) remain 25% or less.

## 6. Analysis of Future Housing Requirement

6.1 This section provides a quantitative assessment of the supply and demand analysis presented in the previous sections. The output of this section is to provide a figure of additional affordable homes, above the UDP commitment, needed in the next five years and to consider what that means for the six area community networks. This section assesses;

- Overall position for the county;
- The six community network areas, and;
- Housing aspirations.

### Overall position for the county

**Figure 6.1: Assessment table – Calculating Current Need**

Element and step in calculation		Note
1. Existing households in need of alternative housing	6,741	
2. <i>plus</i> current non-households in need	0	
3. <i>minus</i> cases where they can afford to meet their needs in the market	155	
<b>4. equals total current housing need</b>	<b>6,586</b>	<b>(1+2)-3</b>
<b>Available Stock to Offset Need</b>		
5. Current occupiers of affordable housing in need	1,318	
6. <i>plus</i> surplus stock	236	
7. <i>plus</i> committed supply of new affordable units	722	25% of UDP new builds over next 5 years
8. <i>minus</i> planned units to be taken out of management	0	-
9. <i>equals</i> Total available stock to meet need	2,276	5+6+7-8
<b>10. equals Total current needs</b>	<b>4,310</b>	<b>4 minus 9</b>
11. <i>times</i> quota progressively to reduce level of current need	<b>20%</b>	Policy judgement that current unmet needs should be eliminated in 5 years
<b>12. equals annual need to reduce level of current need</b>	<b>862</b>	<b>10 x 11</b>
<b>Newly Arising Need</b>		
13. New household formation (gross p.a.)	<b>589</b>	From 2005 report
14. <i>times</i> proportion unable to buy or rent in the market	<b>19%</b>	
15. <i>plus</i> existing households falling into need	<b>626</b>	
16. <i>minus</i> potential out-migrants unable to affordable market housing	<b>0</b>	-
17. <i>plus</i> in-migrants unable to afford market housing	<b>0</b>	-
<b>18. equals Newly arising need</b>	<b>737.9</b>	<b>14+15-16+17</b>
<b>Supply of Affordable Units per year</b>		
19 Net supply of social re-lets	<b>848</b>	
20. <i>plus</i> supply of intermediate housing available for relet or resale at sub-market levels	<b>9</b>	Housing Strategy 2004-2009
<b>21. equals affordable supply</b>	<b>857</b>	<b>19+20</b>
<b>Net Shortfall or Surplus</b>		
<b>22. Overall shortfall or surplus</b>	<b>743</b>	<b>12+18-21</b>

- 6.2 The assessment table (shown in figure 6.1, above) reveals a requirement for 743, a second successive fall, and a notable fall from 2007's figure of 1,332, and back within the range of the mid decade requirement (around 700-800).
- 6.3 Clearly, the continuing fall in house prices in some parts of Carmarthenshire has been important in this reduction in requirement. As prices become more affordable relative to household incomes, home ownership becomes more accessible.
- 6.4 On this basis, one might assume a further reduction in Housing Choice Registrations, and an increase in lettings as some households move on to owner occupation. However, this has not been the case this year, and the number of new applicants is increasing.
- 6.5 An explanation behind this is that whilst an entry level home (based on the lower quartile house price for the county) in Carmarthenshire is now within the reach of 81% of households (based on CACI Paycheck date), the stock that is now within the reach of a great many more households is not necessarily suitable to meet the housing needs of those on the register. In particular, our comparison of demand and lettings shows some improvement in the situation for smaller housing, whilst that for larger family housing shows little sign of improvement, indeed the number of family households on the register is increasing.
- 6.6 Also, whilst the fall in the number of transfer applicants (this corresponds with an underlying fall in re-lets since 2001, and so a lesser opportunity to accommodate those on the register who have "never been housed", so perhaps reducing the incentive to register on the Housing register amongst this group) would seem to have steadied, it has only steadied (indeed increasing this year), it is still low.
- 6.7 The paragraphs below provide an explanation behind the figures of the assessment table.

#### **Stage one - Calculating current need**

- 6.8 This involves determining how many existing and hidden households are in housing need. And comprises three key groups;
- **Existing households in need of alternative housing. (1)**
- 6.9 This is taken directly from the housing choice register and comprises households requesting accommodation. As at March 2009, 6,741 people were on the housing choice register.

- **Current non-households in need. (2)**

6.10 This refers to hidden households, in the absence of a Housing Needs Survey we have been unable to establish an accurate figure – so have relied on the housing choice register data, which is included in the previous point.

6.11 Homelessness data would also be included here – but, as all households approaching as homeless are automatically registered on the Housing choice register, this is already included in the housing register data so no separate figure has been included to reduce risk of double counting.

- **Cases where they can afford to meet their needs in the market. (3).**

6.12 We established that an income level of £23,888 is required to enter the owner occupied or private rented sector.

6.13 The 2005 analysis presumed that all new households on the register with an income of over £15,000 would have an income that met or exceeded the then £21,000 estimated annual income required to enter the private housing sector. Taking this assumption forward, Lower Quartile residence based incomes<sup>24</sup> have risen by 15% since 2005, suggesting the highest income households (i.e. those with over £15,000 per annum, which the 2005 report suggested had an income of £21,000) had an income of £24,150. This figure is slightly higher than the £23,888 entry level income threshold. Assuming the same proportion (2.3%) of applicants are in the highest income bracket as at 2005, then 155 can afford to meet their needs in the market.

### **Stage two – Available stock to offset need**

- **Current occupiers of affordable housing in need. (5)**

6.14 These are those households on the transfer list

- **Surplus stock. (6)**

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<sup>24</sup> Used as a proxy for the incomes of those on the housing register

6.15 As the total number of voids in the social sector is less than 3% we have not assumed there is any surplus stock, however this does not take account of unused stock in the private sector.

6.16 The 2005 Report noted 261 long-term empty properties in the council stock, which we have adopted for this Report. However for the purposes of the 2005 Needs Assessment we assumed that 250 units of Council stock would be “out of commission” at any one time due to the nature of upgrading work required to meet the Carmarthenshire Homes Standard) and so considered there to be only 11 “surplus units” Carmarthenshire County Council has informed us that since this time the nature of the Carmarthenshire Homes Standard delivery programme has crystallised such that many more people than was initially thought will be able to remain in their homes whilst the improvement works are carried out, and so we have adopted the much smaller figure of 25 units as being out of commission at any one time for the purposes of Homes Standard work. On this basis, the level of surplus stock is 236.

- **Committed supply of new affordable units. (7)**

6.17 This figure is based on the Unitary Development Plan. However, neither the rate of housing completions, nor the target proportion of these new units that are affordable, is being achieved, so this figure is likely to be a significant overestimation. For example, the number of affordable homes delivered through Section 106 agreements in 2009/10 was only 14.

- **Planned units to be taken out of management. (8)**

6.18 There are none identified. (See point (6) above)

- **Quota to reduce level of current need. (11)**

6.19 We have worked on an assumption to meet housing need within a five year period.

- **New household formation. (13)**

6.20 The 2005 report stated that this is the projected number of new households forming each year. We have taken the projected increases during the period 2006 to 2011 and estimated that there will be a yearly growth of 589. However, this is an estimate and for statistical error purposes it is wise to review regularly as it includes a 10% error margin.

- **Proportion unable to buy or rent in the market (14)**

6.21 Approximately 19% of the population in Carmarthenshire does not earn sufficiently to afford entry level buying or renting; simply applied this percentage as a proportion of new household forming.

- **Existing households falling into need (15)**

6.22 This is classed as existing households who fall into need each year. It is those owner-occupiers and private tenants who join the housing choice register and priority need homeless household applicants. It should not include those households who renewed their applications or transfer requests. The figure would also need to be netted down by those households who choose to leave the register, or decide not to renew their application.

6.23 Analysis of the housing choice register shows an average increase of 460 households each year. This has been worked out from the average increase over the last five years. (See figure 7.2). This figure may be overstated, as it will include transfer applications. The large negative figure for 2005 relates to a purge of lapsed registrations that had mounted up over previous years and that should have been removed on an annual “rolling basis”.

**Figure 6.2 Average numbers of new of housing choice register applicants.**

Year	Total number	Increase/decrease
2005	5684	-1036
2006	5237	-447
2007	7249	2012
2008	6264	-985
2009	6741	477
Sum Total (2005-9)		<b>21</b>
Average per year		4.2
Less 2.3% who could afford to access own accommodation		<b>4.1</b>

6.24 Also we should include those households who joined the list and were re-housed within the same year as joining. In the absence of data this detailed we have used the figure for priority need homeless households accepted for re-housing during 2009. (622)

- **Potential out-migrants unable to affordable market housing and in-migrants unable to afford market housing. (16 and 17)**

6.25 In the 2007 report ONS figures for in and out migration at the ward level (mostly 2001 data) suggested high levels of in and out migration.

6.26 To assess the effect of such figures on housing need the Needs Assessment would need to factor in the ability to access market housing of the population of the inward and outward migration groups. In the absence of definitive reliable data available regarding the incomes of these groups, a series of considered assumptions could be made on in the affordability figures that we apply. However, given the large membership of these groups, adjustments of just a few percent either way on the affordability figures (the margin of error that would need to be associated with % rates based on such assumptions) would affect change in the needs analysis in the 100's magnitude. Such an error margin is of the same magnitude as the Needs Forecast itself making the data unusable. Hence, without be-spoke data we could not suggest affordability rates (%) of sufficient accuracy to be usable.

### **Stage Three -Supply Of Affordable Units Per Year**

- **Net supply of social re-lets. (19)**

6.27 Here we have taken an average of council and RSL lets over the last three years that we have complete data for (1067). The figure used should be net of transfers, (we have applied 20% based on the three year average proportion of housing register applicants who are transfers) and adjusted this by 0.5% (-5) to account for reductions due to right to buy, which become available each year, resulting in a figure of 848.

- **Supply of intermediate housing available for relet or resale at sub-market levels. (20)**

6.28 This is the number of LCHO and other forms of intermediate housing becoming available each year. We have used the 2008/09 figure from Carmarthenshire County Council's Affordable Housing Provision Submission Ah-LA 2009-10

### The six community network areas

- 6.29 Having established a figure for overall provision within the county, it is now advisable to assess the provision by the six community network areas.
- 6.30 In advising the level of affordable homes needed within these six areas, we have assessed the demand expressed on the housing choice register in terms of the number of households requiring re-housing, and also the likely size of homes required. Of course the latter is only estimation and may be of limited use as the allocation policy may restrict the type and size of properties that households may be eligible to apply for.
- 6.31 As applicants to the waiting list can express more than one choice of area, to avoid the risk of double counting we have only used preferences of those expressing one area of choice. This has been used to establish levels of demand per area as a percentage of total demand, which has in turn been used to estimate the levels of affordable housing per area. See figure 5.3 below.
- 6.32 In assessing the likely size of homes required data from the housing choice register has been used. We have assessed the total level of demand expressed for each area by size and applied that to the levels of demand identified above. This is only for a guide and not an assertion of what should be provided

**Figure 6.3 Housing register analysis**

Area	Number requesting housing (expressing one choice only)	As a % of total	Expressed as numbers of affordable housing required
			<b>743</b>
Aman	735	14%	100
Gwendraeth	1326	24%	181
Llanelli	2125	39%	290
Taf	953	18%	130
Teifi	178	3%	24
Tywi	124	2%	17
<b>Total</b>	<b>5441</b>	<b>100%</b>	<b>743</b>

6.33 How this level of provision affects each of the areas is considered in more detail below.

**AMAN**

**Figure 6.4 Analysis of total demand expressed on housing choice register for Aman**

Size	Demand	Demand as a % of total	Supply required as % of need identified
			100
4 + bed	51	3%	3
3 bed	168	11%	11
2 bed	379	25%	25
1 bed	902	60%	60
<b>Total</b>	<b>1500</b>	<b>100%</b>	<b>100</b>

6.34 Figure 6.4 shows the demand for homes by bedroom size in Aman. However in assessing what homes are required we need to take account of the drivers of the housing market highlighted in this study and the turnover or available supply of affordable homes.

6.35 In 2005 we reported that:

- It has insufficient 4+ bed homes to meet demand expressed.
- 1 and 2 bed homes are in short supply; however there was reasonable provision of 3 bed homes.

6.36 In 2006 we noted that demand for 3 bed homes was creeping up, and suggested that whilst the focus should remain on smaller homes and 4+ bed homes, the need for 3 bed homes should be closely monitored in response to acceleration in demand in relation to the pace of units becoming available.

6.37 In 2007, we suggested that the need for 3 bed homes , alongside smaller and 4 bed plus homes, seems to have become established. This remained the case in 2008, with supply only improving marginally in relation to supply, whilst the situation saw no change in 2009

## GWENDRAETH

**Figure 6.5 Analysis of total demand expressed on housing choice register for Gwendraeth**

Size	Demand	Demand as a % of total	Supply required as % of need identified
			181
4 + bed	62	4%	7
3 bed	157	10%	19
2 bed	393	26%	47
1 bed	892	59%	107
<b>Total</b>	<b>1504</b>	<b>100%</b>	<b>181</b>

- 6.38 As with 2007 and 2008, we have not detected any change in trend from the previous years and suggest that **overall the focus should be on smaller homes and 4+ bed homes, though the need for 3 bed homes should be closely monitored**

## LLANELLI

**Figure 6.6 Analysis of total demand expressed on housing choice register for Llanelli**

Size	Demand	Demand as a % of total	Supply required as % of need identified
			290
4 + bed	103	3%	10
3 bed	295	10%	29
2 bed	701	24%	69
1 bed	1853	63%	182
<b>Total</b>	<b>2952</b>	<b>100%</b>	<b>290</b>

- 6.39 In 2005 we noted how the area had
- insufficient 4+ bed homes to meet demand expressed. Only two properties becoming available
  - 1 and 2 bed homes were in short supply; though the area benefited from the highest provision of 3 bed homes in the county.

6.40 In 2006 we noted that, alongside a continuation of the acute shortage of 4+ bed homes, and 1 and 2 bed homes, a fall in the number of 3 bedroom homes becoming available. We stated that whilst this might not pose an immediate problem given the then reasonably healthy supply, it could have been an indicator that existing tenants were having difficulty progressing on to market housing, slowing the release of social housing to new tenants in need.

6.41 In 2007, we suggested that there was an emerging need for more 3 bedroom homes, alongside that for smaller homes and 4+ bed homes reported in previous years. However, the notable fall in house prices in Llanelli over 2008 would seem to have countered, at least temporarily, such an apparent rising need. However, it is worth continuing to monitor this situation closely, especially as Llanelli seems (on the basis of evidence over 2008 and 2009) to be becoming a more popular “second” choice, and hence taking a progressively greater demand from existing or forming households from elsewhere in Carmarthenshire.

#### TAF

**Figure 6.7 Analysis of total demand expressed on housing choice register in Taf**

Size	Demand	Demand as a % of total	Supply required as % of need identified
			195
4 + bed	61	4%	7
3 bed	178	10%	20
2 bed	453	26%	51
1 bed	1043	60%	117
<b>Total</b>	<b>1735</b>	<b>100%</b>	<b>195</b>

Size	Demand	Demand as a % of total	Supply required as % of need identified
			130
4 + bed	57	3%	4
3 bed	176	10%	14
2 bed	407	24%	31
1 bed	1044	62%	81
<b>Total</b>	<b>1684</b>	<b>100%</b>	<b>130</b>

- 6.42 In 2005 we noted how Taf had
- insufficient 4+ bed homes to meet demand expressed.
  - the lowest available supply of 2 bed homes in the county. It had the highest available supply of 1-bed homes in the county, but still significant shortfall against demand expressed.
  - the second lowest available supply of 3 bed homes in the county.

6.43 In 2006 we noted, the supply demand ratio for 3 bed units become less favourable with an increased demand not matched by a growth in supply, and suggested close monitoring. This has continued through 2007 and remained the case in 2008, with the situation becoming slightly more acute. The year 2009 saw some improvement, though the supply to demand ratio remains very low (18%).

- **A range of home sizes is required.**

#### TEIFI

**Figure 6.8 Analysis of total demand expressed on housing choice register for Teifi**

Size	Demand	Demand as a % of total	Supply required as % of need identified
			24
4 + bed	17	4%	1
3 bed	43	11%	3
2 bed	117	29%	7
1 bed	229	56%	14
<b>Total</b>	<b>406</b>	<b>100%</b>	<b>24</b>

- 6.44 In 2005 we noted how Teifi had:
- insufficient 4+ bed homes to meet demand expressed.
  - the lowest available supply of 1 and 3 bed homes in the county.
  - It has the second highest available supply of 2 bed homes in the county, but there is still a shortfall against demand expressed.

6.45 In 2006 we noted how demand for 2 bed homes had fallen quite sharply with the new let supply remaining static – which we suggested was a case of a shortfall in supply dissuading people from registering rather than a falling number of people aspiring for such housing. Indeed in 2007 we noted a large increase in demand, though there was a reversal of this in 2008, and again in 2009.

- **With the continued shortage of 3 bedroom accommodation (A supply to demand ratio of 19%) compared to an improving ratio for 2 bedroom accommodation (37%), the construction of 3 bedroom accommodation should be prioritised over 2 bedroom accommodation. This will encourage lettings chains that should also serve to assist with the acute shortage of one bedroom accommodation.**
- **As per the recommendations of previous reports in the series, consideration to the housing needs of the older people should continue to be given prominence**

## TYWI

**Figure 7.9 Analysis of total demand expressed on housing choice register**

Size	Demand	Demand as a % of total	Supply required as % of need identified
			17
4 + bed	20	4%	1
3 bed	45	10%	2
2 bed	106	23%	4
1 bed	281	62%	11
<b>Total</b>	<b>452</b>	<b>100%</b>	<b>17</b>

6.46 In 2005 we noted how Tywi had:

- insufficient 4+ bed homes to meet demand expressed.
- the second lowest available supply of 1 and 3 bed homes in the county.
- the highest available supply of 2 bed homes in the county, but still shortfall against demand expressed,

- 6.47 In 2006 we noted how
- demand for 1 and 3 bedroom homes had fallen, with supply remaining low and static; we suggested that the very low availability of such units was dissuading people from registering, and the shortfall in supply remained a key issue
- 6.48 Over the period 2006 – 2009, the demand for 3 bedroom housing has fluctuated. For example the year 2009 saw a small rise over 2008, whilst 2008 had seen a fall from the 2007 figure. Overall supply has remained very low, and overall the demand – supply balance has worsened slightly since 2005.
- 6.49 Whilst the situation for 4 bedroom housing continues to be acute, consideration will need to be given to the additional need that can be served through targeting the same amount of resource at 3 bedroom housing. **Overall the focus should be on 1, 2 and 3 bedroom properties, with perhaps a priority given to three bedroom properties in order to encourage lettings chains for smaller properties. Consideration should continue to be given to the housing needs of the elderly.**
- Aspirations**
- 6.50 In assessing supply and demand it is not enough to solely attempt to match supply with demand.
- 6.51 In the 2005 report we suggested that aspirations will be influenced by knowledge of what is available and affordable - particularly within the social rented sector, where household's aspirations are likely to be influenced by their experience of the local allocations policy, which may restrict the type and size of properties that households may be eligible to apply for.
- 6.52 In the 2006 report, having considered the 2005 K-West report of tenants and leaseholders, and the 2005 CABE study "What Homebuyers Want: Attitudes and Decision-making Among Customers" we suggested that there is a significant hidden latent demand for 3 bedroom social rented units in Carmarthenshire, on top of the demand expressed through the Housing Register, and suggested that this may grow if increasing house prices relative to incomes reduce the opportunity for households to graduate to home ownership options. Indeed, analysis earlier in this section shows how the need for affordable 3 bed housing



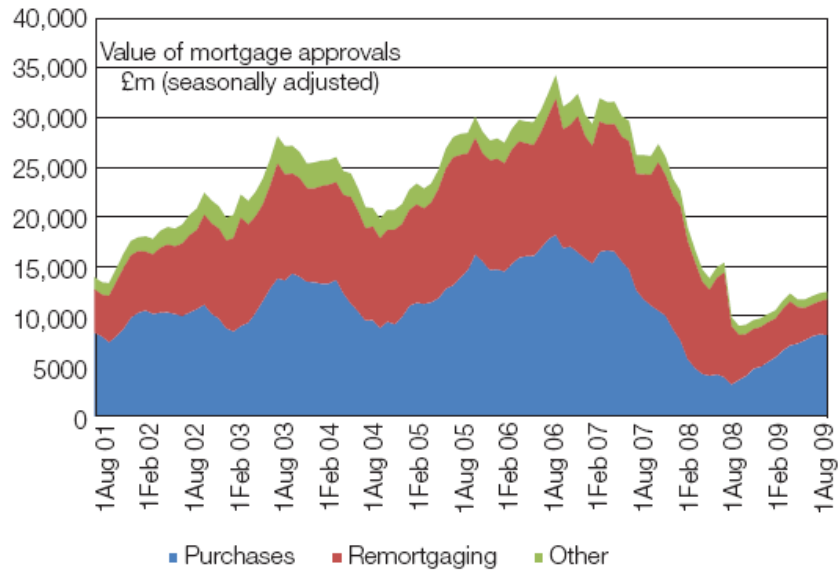
has increased in recent years, with the demand / supply imbalance reaching, and remaining at particularly acute levels in Taf, Teifi and Tywi.

- 6.53 This is despite falls in the price of housing in Carmarthenshire. However, this report has previously considered how the fall in prices is being driven by entry level / lower quartile housing, which is significantly populated by 1 and 2 bedroom flats and 2 bedroom housing; the price of 3 bedroom housing has fallen at a lower rate such that the price premium over 2 bedroom housing has risen since 2008.

## 7. Conclusion

- 7.1 Whilst the overall calculated shortfall of affordable housing in Carmarthenshire would seem to have reduced in 2009, and to a level last seen in the middle of the decade, we are concerned that the trend is still one of increasing need over the long term, particularly due to structural changes in the mortgage market. We also believe that these structural changes in the mortgage market may, on the demand side, also mean that the calculated figure is likely to be an underestimation of the shortfall. Added to this, in the short to medium term at least, a fall in the number of housing completions has encumbered the ability of the planning system to deliver new affordable housing.
- 7.2 Theoretically, lower priced housing is in easier reach of more households in Carmarthenshire. However, this study has shown that the price reductions may be geographically concentrated in the generally more affordable areas of Aman, Gwendraeth, and Llanelli.
- 7.3 Furthermore, first time buyers in particular have faced huge hurdles in terms of deposit requirements in accessing mortgages. This has restricted the volume of activity in the market, particularly at the cheaper end of the market.
- 7.4 On this basis the affordable housing assessment table is likely to have underestimated the numbers of households unable to buy or rent in the market, and we believe the structural factors constraining lending to first time buyers will remain in place in the medium to long term.
- 7.5 Throughout 2009 the mortgage market has been slowly thawing with volumes of mortgage lending slowly increasing month by month. But lending remains hugely constrained by historic standards

Value of mortgage approvals August 2001 – December 2009



Source: Bank of England, 2009

- 7.6 We expect the mortgage market to slowly unfreeze with the passage of years, but not to return to the levels of free and easy credit of the 10 years to 2007. The constraint on the expansion of the mortgage market is a function of the much wider issue of credit availability in the current decade. Lending institutions still have a long way to rebuild their capital base relative to their outstanding loan books – the painful process of deleveraging. This alone presents a constraint on mortgage lending. But it also remains the case that the market for wholesale finance, a key mechanism by which lenders funded the expansion of their loan books in the last decade, remains largely closed. The market for new residential mortgage backed securities – the specific instrument that allowed substantial expansion of mortgage lending – remains very weak.
- 7.7 UK mortgage lenders also face a challenge over the next few years in refinancing their existing portfolios of medium term loans used to finance mortgages. If lenders are forced back to reliance on retail deposits this could both constrain lending and push up the cost of mortgages because of competition for retail deposits.
- 7.8 All of the factors outlined above are likely to constrain mortgage lending and push up the cost. In this environment many of those who were able to access mortgages in the credit boom, will not be able to do so. Even if the lenders wish to lend to these groups

(eg Self Certified borrowers, some Buy to Let borrowers etc) proposed regulation will make it more difficult for lenders to do so, and require more stringent tests.

- 7.9 The second factor that we believe may over estimate the ability of households to enter the owner occupier market is the disparities between homeowners and tenants with regard to income growth and economic confidence. Our view is that generally it is the home owning classes who have been better protected from the effects of recession than private or social rented tenants. Homeowners are in general older and better qualified than those in other tenures and hence at less risk of unemployment. Even if a household in social housing could obtain a mortgage, they may not be confident of their ability to afford the commitment through into the medium term.
- 7.10 A third factor constraining entry into owner occupation is whether a household can afford housing that meets their needs and aspirations. This study has noted that lower quartile, or entry level, housing is, theoretically, in the reach of more households. Reflecting this there has been some reduction in the demand for two bedroom social housing. However the supply of 3 bedroom affordable housing in relation to demand remains much worse than in 2005, which was a year in which entry level housing was about as affordable as it has been shown to be in 2009, whilst the supply of larger housing in relation to demand continues to be, seemingly perpetually, acute
- 7.11 Related to this, there has been an increase in the number and proportion of family households on the housing register, which, taken with the acute supply – demand imbalance for homes of 3 bedrooms and above, suggests an increasing number of family households unable to access market housing of a size that meets their needs. In a time of falling house prices this is, perversely, seeing new entries to the housing register increase, and the fall in overall numbers on the register that began in 2008, slow considerably.
- 7.12 On this basis, we believe the supply deficit of affordable housing in Carmarthenshire may be more acute than what the presented number suggests, particularly with regard to 3 bedroom housing, and we believe the situation may continue to become even more acute in areas such as Taf, Teifi and Tywi, where a market recovery may be underway; these areas are attractive to better off cash rich buyers. Their interest may have been fuelled by the 2008 price falls, in particular those who had aspired to a property in these areas for some time – and now saw that it was affordable. Conversely, as we have previously pointed out, many lower income family

households in these areas, at least into the medium term, will continue to face barriers to obtaining mortgages of a size that will enable them to access 3 bedroom housing, a problem that will be accentuated by the interest of cash rich buyers in these areas of Carmarthenshire.

7.13 The level of homelessness can be a measure of the depth of housing need. The reasons for homelessness are complex, and are not just related to the cost of housing. However, the study has suggested that there may be an increasing number of family households, unable to afford their own accommodation, being turned out of family and friends accommodation, which might reflect the increasing incidence of such housing arrangements. The importance of housing cost factors as a driver behind homelessness is the changing geography of homeless presentations. In 2005, these were concentrated in the key population centre of Llanelli, but there is now more of spread with all community network areas except the largely rural Teifi and Tywi having a significant number of homeless presentations.

7.14 With such continued housing stress in Carmarthenshire, the nature of current and proposed public sector interventions (See Section 2) is very encouraging. In addition to the Welsh Mortgage Rescue scheme that is assisting existing owner occupier households, the following new national and Carmarthenshire initiatives will have a particular impact on enhancing both the supply of affordable housing in Carmarthenshire, and households' access to the most appropriate housing solution for their needs.

#### **Welsh Assembly Government / Wales Wide Initiatives and Actions**

- The allocation of £62million to housing from the Welsh Assembly Government Strategic Capital Investment Fund (SCIF), with £20 million of affordable housing projects being progressed by October 2009.
- The allocation by the European Investment Bank of £95 million from a total of £345 million coming to the UK to Welsh social housing; following the recommendations of the Essex Report.
- The allocation of more than £25 million in housing renewal aid to 36 renewal areas in 19 local authorities. Renewal areas enable councils to focus activity and investment on areas that combine a need for assistance with the potential for regeneration



- The proposed Rent First initiative for delivering intermediate housing for rent, in order to
  - Provide a mid-market housing solution for people on moderate incomes
  - Ease the demand pressure on social rented housing
  - Assist people in trying to build up a deposit/equity to buy a home
  - Provide a housing solution to those that are unable to commit to an assisted house purchase due to economic uncertainty
  - Enable housing associations to purchase properties from developers which might otherwise be standing empty.

#### **Carmarthenshire County Council Initiatives and Actions**

- Working with lenders to ensure that mortgage products are available for people who wish to buy an affordable home
- Introducing a Social Lettings Agency to promote the use of existing private rented sector homes as a viable alternative. Over 40 homes are already in management, and the Council has a target of 100 by March 2011.
- The initiative to increase the number of affordable homes in the county by 100 homes during 2009/10 (excluding those funded through the social housing grant) as part of the Improvement Agreement Grant.
- Investigating how it could start building themselves on land that it already owns