
Analysis of Sub-regional Housing Markets in the South West





Analysis of Sub-regional Housing Markets in the South West of England

A Final Report

by



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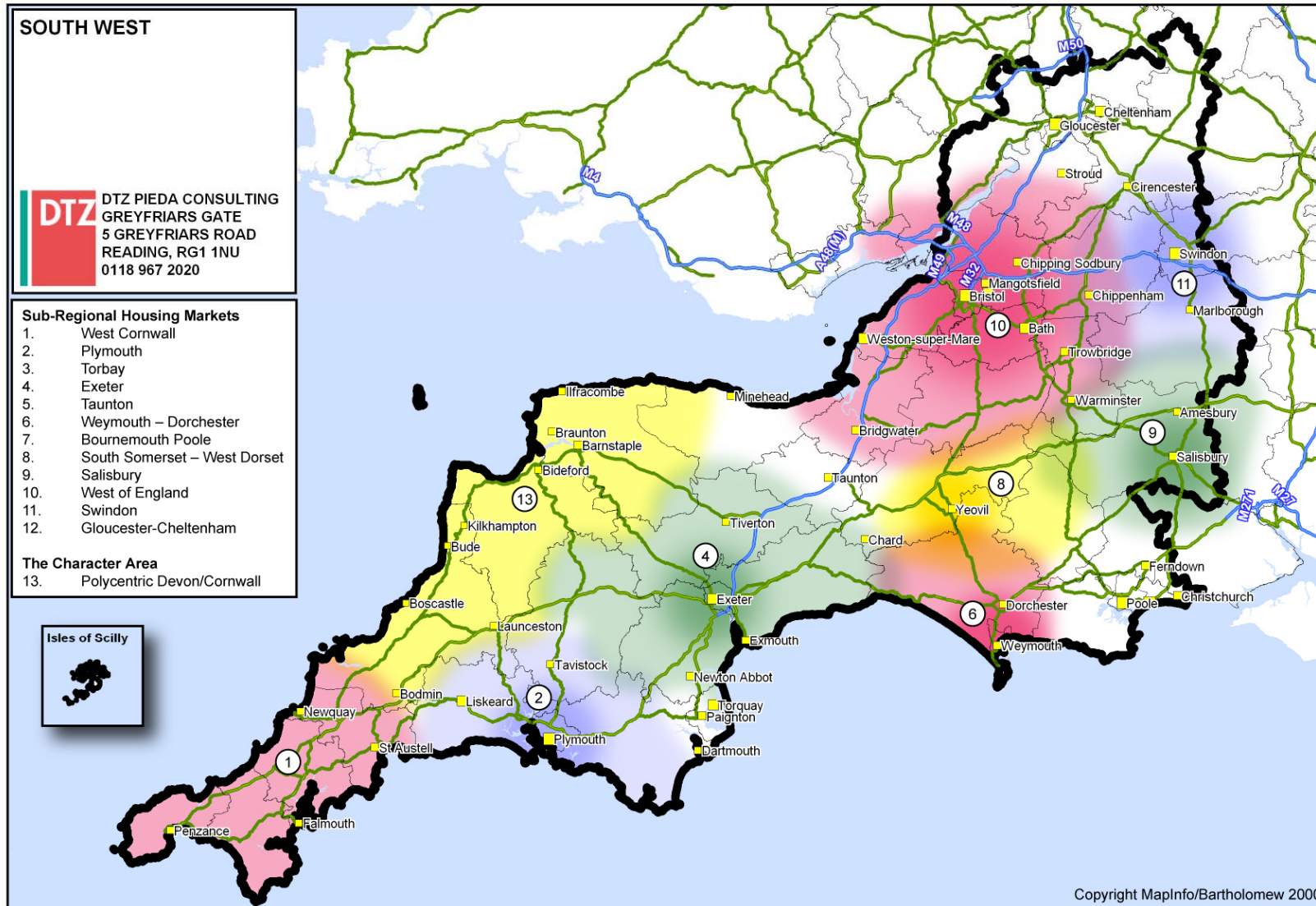
EXECUTIVE SUMMARY

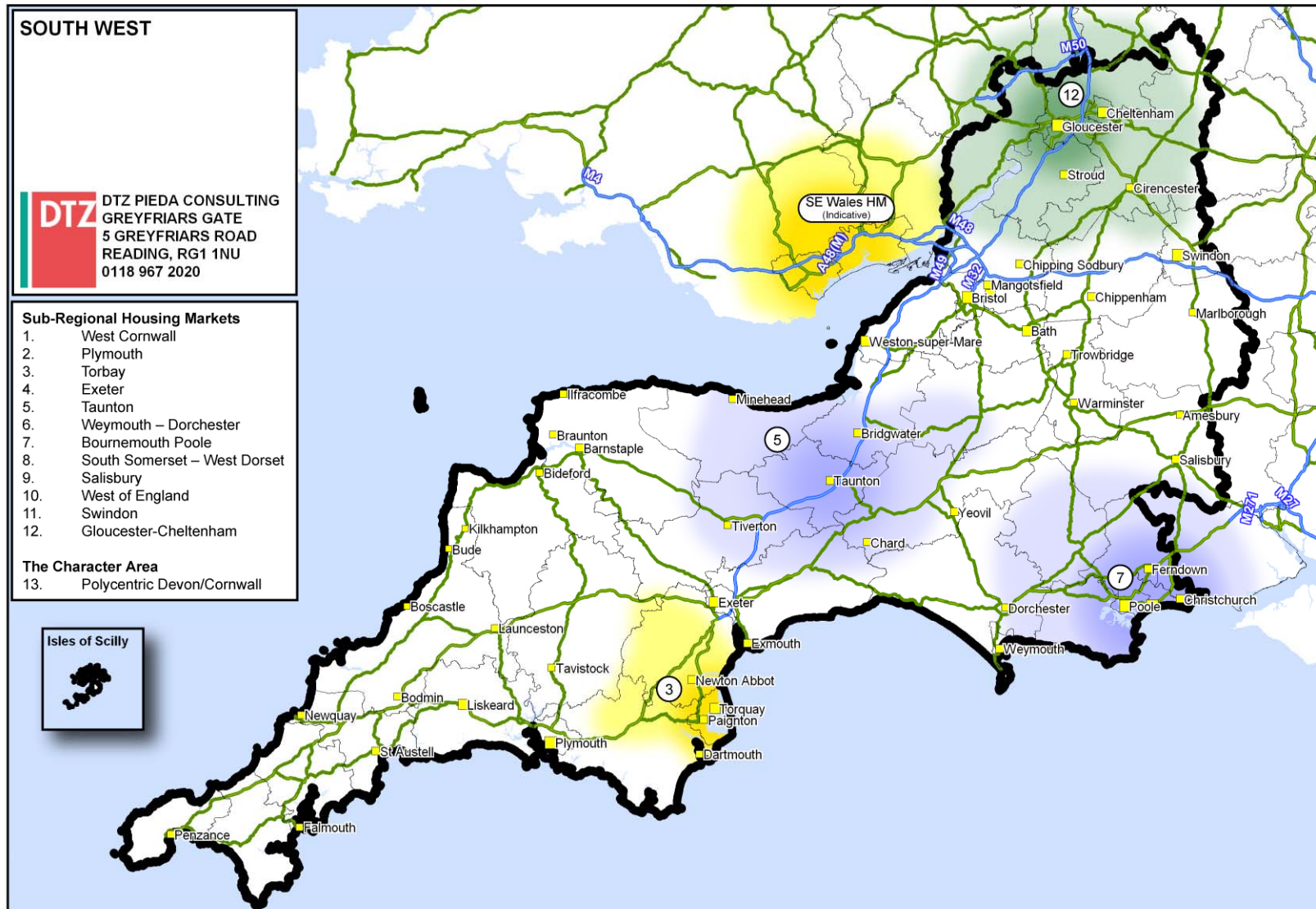
1. This study explains why an enhanced understanding of the operation and characteristics of sub-regional housing markets is important, identifies the number and spatial extent of sub-regional housing markets in the South West of England, and provides advice on the process of undertaking Housing Market Assessments in the region.
2. A sub-regional housing market will typically cover an area within which some 70% of all household moves are contained. It will be the area within which most people who are looking to move home will search for a new property in which to live. This area can be expected to correspond closely to Travel to Work areas and will generally cover an area that falls within the administrative area of a number of local authorities.
3. An understanding of how housing markets operate is essential to the development of housing and planning strategy. Housing, employment, and travel to work patterns are all inter-related and it is particularly at the sub-regional level that these relationships need to be understood and a broad balance achieved between homes, jobs, movement patterns and infrastructure.
4. Currently the understanding of the dynamics and characteristics of sub-regional housing markets in the South West is inadequate. In large measure this is because Housing Strategies are prepared by local authorities for their administrative area, while housing markets operate regardless of administrative boundaries. The current Regional Housing Strategy also present little information in terms of sub-regional differences and commonalities.
5. It is also important to understand the inter-relationship between the demand and supply of 'market' housing – housing bought or rented at prevailing open market prices or rents – and sub-market or subsidised housing. What happens in the owner occupied sector, the dominant tenure in sub-regional housing markets in the South West, has an impact on the private rented sector and the social rented sector. Sub-regional housing studies can illuminate these inter-relationships
6. The ODPM is actively encouraging Regional Housing Boards and local authorities to prepare Housing Market Assessments (HMAs) to enhance their understanding of how sub-regional housing markets work. But it is critical to understand that HMAs can serve a number of different purposes, and the scope of work undertaken as part of an HMA will depend on the questions which need to be addressed.
7. HMAs can serve three broad purposes: they can be used to inform sub-regional planning, and in particular to identify the means and implications of delivering 'balanced housing markets'. They can be used to identify and secure support for joint working between authorities that face similar issues and to encourage the transfer of best practice. Finally HMAs can be used to inform resource allocation.
8. In the South West DTZ envisage that HMAs have the potential to make a significant contribution to all three of these objectives. But we see a particularly important role for HMAs in addressing sub-regional planning issues. They will serve a valuable role in encouraging joint working by housing authorities. We see HMAs as informing, but not providing the basis for a new formulaic approach to, the resource allocation process.
9. The South West can be divided up into 12 sub-regional housing markets (see Figure 1). The 12 identified sub-regional housing markets are associated with the Principal Urban Areas of the South West, and the other larger settlements in the region. Unsurprisingly the larger the urban settlement, and its associated employment base, the more extensive is its sub-regional housing market. These housing markets reflect the boundaries of the 'city' region – comprising the urban area and its hinterland.

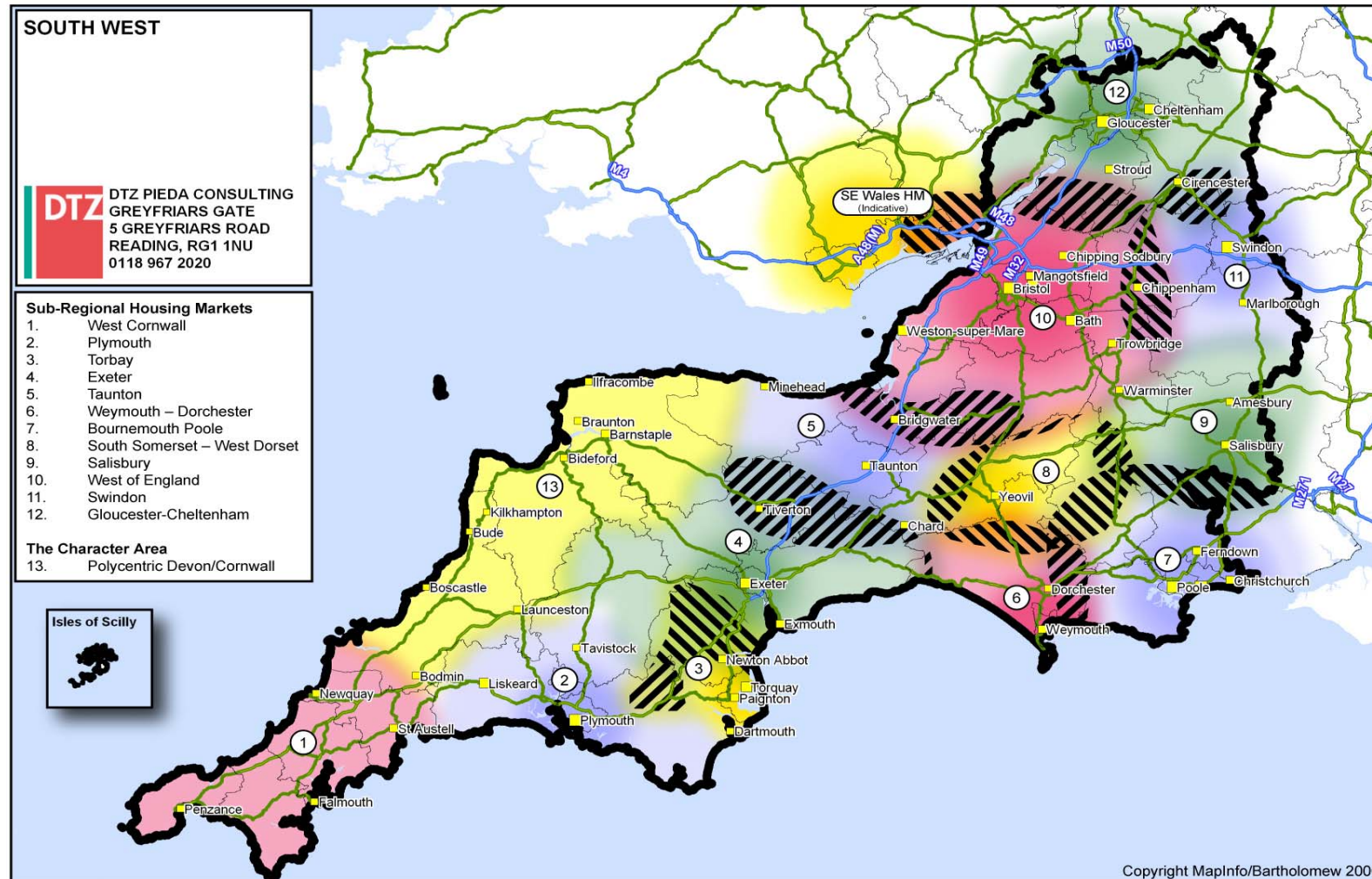
10. The study also identified another large area covering north Devon and north Cornwall that does not act as a single sub-regional housing market, but is defined by common housing characteristics and settlement patterns. DTZ refer to this area as a character area. Since it is not a single housing market area, the HMA approach may well need to be adapted to reflect the fact that this area really comprises a series of small local markets.
11. DTZ recommend that the SWHB promote the completion of HMAs for each sub-regional housing market in the region and the character area, over a period of the next 3 years. In some cases we can see merit in undertaking HMAs for two separate sub-regional housing markets through a single process because the housing markets overlap to a significant degree.
12. HMAs should be undertaken initially **either** in those sub-regions where the SWHB identify there are particularly difficult and pressing housing and planning issues that could be addressed through the HMA process; **or** in those sub-regions where an effective sub-regional partnership is in place that wishes to proceed with an HMA. This reflects the view that the purposes for undertaking an HMAs must be clearly specified and command broad support.
13. There is an immediate issue about the relationship of HMAs in the areas where the Regional Assembly has created Joint Study Areas. There is the scope to promote the conduct of HMAs as part of the JSA process to ensure that housing issues are given full consideration as part of the spatial planning process. The Assembly and the Housing Body should consider the practicality of undertaking all or part of an HMA as part of the JSA process.
14. To complete a programme of HMAs for all the sub-regional housing markets in the South West over a period of 3 years, the SWHB will need to promote the development of effective HMA partnerships. The key requirements are to ensure greater joint working of housing, planning and economic development staff in local authorities, and the engagement of private sector interests. At present few such partnerships exist.
15. DTZ recommend that the SWHB maintain oversight of the HMA process throughout the region and is an active partner in all HMAs. This implies helping to develop the brief for HMAs (which is required whether or not external contractors are to be used) and participating in steering arrangements for studies.
16. The conduct of HMAs must ensure the full engagement of partners from within the sub-region to ensure that the findings are translated into local housing strategies and opportunities for joint working. There must be scope therefore for the brief for HMAs to reflect the particular issues and priorities of the sub-regional partners, as well as meeting the requirements of regional partners.
17. It is recommended that HMAs be jointly funded by SWHB and the sub-regional partners. This will reinforce the message that responsibility for the HMA process is jointly owned and that it is expected that both the SWHB and the sub-regional partners will derive benefits from the process.
18. DTZ recommend that the SWHB support the HMA process as well as meeting its own requirement for consistent sub-regional housing profiles by preparing a 'Housing in the South West' report. This would contain a comprehensive analysis of those housing data available on a consistent basis across the whole of the South West. This document would be a core source of information for HMAs.
19. We recommend that SWHB encourage local authorities to work together in commissioning new Housing Needs Studies, and ensure that newly commissioned studies will permit analysis for sub-regional housing markets. New HNS should yield information on the scope for intermediate housing products. All survey data should be geo-coded.
20. SWHB should also take an active role in promoting quality and consistency across the region in the conduct of HNS. There is much to be gained in increasing standardisation of core questions,

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survey methods and the format of analysis in allowing comparison between local authority areas and sub-regions. The revised guidance on HNS that ODPM is currently preparing will assist the SWHB in this role.







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1 ABOUT THIS REPORT

- 1.01 The South West Housing Board commissioned DTZ in May 2004 to undertake a study intended to 'begin to analyse the sub-regional housing markets in the South West. The specific objectives of the study are:
- To identify the number and extent of sub-regional housing markets in the South West
 - To recommend a common methodology, identifying key data sets that should be utilised, or to be created, to undertake a comprehensive sub-regional Housing Market Assessment
 - To advise the SWHB on how best to generate the greatest understanding of the nature and dynamics of the sub-regional housing markets in the South West. This should take into account the range of housing studies already undertaken or planned at local or sub-regional level.
- 1.02 In order to meet these objectives DTZ have undertaken the following work:
We have undertaken extensive analysis of data in order to identify the number and extent of sub-regional housing markets in the South West
We have consulted widely with local stakeholders to explore their views of the extent of sub-regional housing markets
We have undertaken an audit of the housing needs and housing market studies undertaken across the region
We have brought to bear our own expertise to advise on how best to enhance the understanding of housing market dynamics within the region.
- 1.03 The study is specifically designed to contribute to the development of the Regional Housing Strategy for 2005 onward. A draft of the Regional Housing Strategy will be produced in November 2004. It will also inform the debate on the emerging Regional Spatial Strategy by identifying the pattern of sub-regional housing markets across the region. A consultation paper on the spatial options for the Regional Spatial Strategy is to be issued in the Autumn of 2004, with the final strategy due for completion in Autumn 2005. Developing an enhanced understanding of housing issues at the sub-regional level is also of relevance to next set of allocations to be made from the regional Single Housing Capital Pot which will apply to financial year 2006-07 and 2007-08.
- 1.04 A number of other studies are being undertaken that will inform both the Regional Housing Strategy and the Regional Spatial Strategy. This study is of particular relevance to collaborative studies being undertaken for a number of the Principal Urban Areas and their hinterlands in the South West (Joint Study Areas work). The work undertaken by Land Use Consultants on rural issues in the South West also has a bearing on the recommendations made in this report.
- 1.05 The findings of the study are set out as follows:
- We start in **Section 2** by going back to basics and answering questions such as: what is a sub-regional housing market? why is an understanding of the dynamics of the housing market important? and what is the value of undertaking an HMA?
 - In **Section 3** we present the findings of our analysis of the number and spatial extent of sub-regional housing markets in the South West, highlighting overlaps and issues

that the analysis gives rise to. The detailed analysis of how we arrived at these conclusions is contained in Annex 1.

- **Section 4** considers first the pattern of existing ‘housing-related’ partnerships that already exist in the region, that could provide a platform for joint working on the development of an HMA. In the light of this we make recommendations regarding groupings of authorities that should be responsible for work on HMAs.
- **Section 5** provides guidance on how to conduct an HMA focusing particularly on four questions: who should take the lead on the preparations of HMAs? How should one frame the terms of reference for an HMA to maximise the benefits of the study? How important is consistency between HMAs and how can this be achieved? And what should be the relationship between HMAs and Housing Needs Studies.
- **Section 6** presents DTZ’s recommendations arising from the study, relating in particular to the purpose and roll out of sub-regional Housing Market Assessments. The majority of the recommendations are directed to the SWHB and SWRA, but recommendations are also made to HMA Partnerships.

2 SUB-REGIONAL HOUSING MARKETS? WHY, WHAT AND HOW

2.01 It is implicit in the brief for this study that the South West Housing Body and its partners need a better understanding of the way in which sub-regional housing markets operate. Yet it is not made explicit why such an understanding is important. Nor is it necessarily clear to all partners what the Housing Body, and the organisations that make up the Housing Body will do differently as a consequence of having a better understanding of the dynamics of sub-regional housing markets. It is important to clarify these issues

2.02 This section therefore discusses:

- What do we mean by a sub-regional housing market?
- Why is an understanding of housing market dynamics at the sub-regional level important?
- What, then, is the value of undertaking sub-regional Housing Market Assessments (HMAs)?

What do we mean by a Sub-Regional Housing Market?

2.03 It is important to ensure that there is a common understanding of what is meant by the term ‘the housing market’. Once this is understood it is possible to explain what is meant by the sub-regional component of the phrase ‘sub-regional housing market’.

2.04 In economic terminology a market is where buyers and sellers come together to exchange goods or services at an agreed price. The price mechanism is the means by which demand and supply are brought into balance. Excess demand will result in prices being bid up. Excess supply will mean that prices fall until buyers are found for the surplus goods.

2.05 The housing market is a particularly complex market for a variety of reasons:

- First, housing entails a large capital outlay. Purchases by individuals are typically financed over a long period of time. Similarly development of new housing for rent, be it for private rent or for social renting entails a large capital outlay. The decision to purchase is therefore of great importance to developers and individuals and subject to the influence of the cost of capital – interest rates.
- Second, owner occupied housing is both a consumer good and an investment good. A consumer good is one that people buy to derive immediate benefits from – a pleasant place to live, a roof over their head. An investment good is bought to provide a financial return.
- In the private rented sector housing is an investment for the landlord and a consumer good for the tenant, and the situation is similar in the social rented sector though the ‘investor’ is not seeking the same financial return as a private landlord.
- Third, because housing is built to last, at any point in time only a fraction of the total stock of housing is ‘on the market’ – that is available for sale. Typically in any year around 10% of the owner occupied stock of housing may change hands, and new supply (newly built homes) comprise only 10% of total sales in any year.
- Fourth, the housing market is highly regulated. The location and volume of new development is controlled through the town planning system. Minimum quality standards are set for new building, and existing housing. In a significant sector of the market, the social housing sector

- Finally, because shelter is a basic human requirement, considerable resources are provided to ensure that those who cannot afford market housing are adequately housed either through direct provision of housing (council or housing association homes) or subsidy (Housing Benefit).
- 2.06 The final dimension which distinguishes the housing market from many product markets is that it has a strong spatial dimension. Location matters. Thus, while it is possible to talk of a national housing market and regional housing markets, in practice most buyers seek to move within the same sub-region because they wish to continue to live in that general area because of their sense of belonging, their family or broader social relationships, their jobs or access to particular services – most notably particular schools.
- 2.07 Typically one would expect a sub-regional housing market to comprise an area in which some 70% of all household moves are contained, excluding long distance moves which are associated with a major lifestyle change – for example a change in the place of work, retirement to a different part of the country, or a decision to share accommodation with a partner who is located in a different part of the country. This area is likely to cover an area that falls at least partly in the administrative area of a number of local authorities.
- 2.08 There are a number of other ways to think about the likely extent of sub-regional housing markets. The area of the sub-regional housing market area will map onto the area of search considered by the majority of households – not ignoring the fact that many people will confine their search to a much more localised area, or have limited choice to move further afield. However the fact that certain socio-economic groups may have more limited choices is a characteristic of the housing market, not something that impinges on the boundaries of the sub-regional housing market.
- 2.09 One would also expect a close relationship between the boundaries of sub-regional housing markets and sub-regional labour markets – generally referred to as Travel to Work Areas (TTWA). TTWAs delineate the areas within which at least 70% of the workforce in employment live and work. Across the South West some 65% of all households contain people who are in work, and unless these people are taking up a job in another location outside an acceptable journey time, they are likely to look for somewhere to live within the same travel to work area if they move home.
- 2.10 Below the sub-regional level there are local housing markets. For example smaller towns have their own housing market characteristics, as will particular parts of larger towns and cities. Such areas can achieve a high level of self containment – because many household moves are of relatively short distance. Rural areas also have their own market characteristics though the many rural areas are functionally part of sub-regional housing markets based on large centres of employment – cities or towns.

Why is an understanding of housing market dynamics at the sub-regional level important?

- 2.11 In brief, understanding how housing markets operate is essential to the development of housing and planning strategy. In particular housing and planning strategy needs to recognise a number of features of the way that housing markets operate:
- First, the operation of different housing markets (private, rental and intermediate) is intimately related with the dynamism, or lack of it, of sub-regional economies. It is also influenced by available transport infrastructure. Long distance migration can have an important influence on housing markets, and is the outcome of a complex mix

of factors. Anticipating change – which is fundamental to good strategic planning – depends on understanding the key drivers of change, so that the effect of different interventions can be reliably foreseen.

- Second, sub-regional housing markets will display different characteristics. This is the natural outworking of different historic inheritance in terms of the stock of housing, the characteristics of the local population, the economic structure of the sub-region, its appeal to in-migrants etc. Different sub-regions will therefore have different problems and opportunities. Strategy needs to reflect these differences – and these differences should inform resource allocation decisions.
- Third, housing markets do not respect administrative boundaries. Sub-regional housing markets can be expected to cross administrative boundaries. So by implication the development of strategy for any sub-region will imply a need for joint working between housing and planning authorities. Joint working is required to deliver an effective strategic response, but it can also bring benefits in terms of sharing of good practice, and hence increasing effectiveness and cost efficiency.

2.12 It also important for all those responsible for housing and planning strategy to understand the inter-relationship between the demand and supply of ‘market’ housing – housing bought or rented at prevailing open market prices or rents – and sub-market housing. There are a number of ways in which what happens in the owner occupied sector, which is the dominant tenure in sub-regional housing markets in the South West, has an impact on the private rented sector and the social rented sector. It is important in developing strategy that these inter-tenure relationships are thoroughly understood.

Responsibilities for Housing Provision

2.13 Under Public Service Agreement (PSA) 5 ODPM is required to achieve a better balance between housing availability and demand for (affordable) housing in all English regions while protecting valuable countryside around our towns, cities and in the greenbelt, and the sustainability of existing towns and cities (the latest comprehensive spending review adds emphasis to PSA5 on affordability). Specific measures to deliver PSA5 are set out in Service Delivery Agreements.

2.14 The Barker review concluded that housing is of macro-economic significance and the current shortfall in housing provision is having major economic consequences. The Barker review also concludes that the current method for assessing housing need is not adequate. The Government is currently consulting on merging regional housing and planning boards following the Barker review, with the view for a revised structure to be in place by August 2005.

2.15 Responsibility for housing and planning strategy exists at two levels within Regions, and as a consequence both need an appreciation of the characteristics and drivers of sub-regional housing markets.

- At the regional level, Regional Housing Boards (in the South West the Regional Housing Body) are responsible for developing the Regional Housing Strategy. A key emphasis in Regional Housing Strategies is to promote the development of sustainable communities in line with the government’s Policy Statement ‘Sustainable Communities – Building for the Future’. Regional Assemblies are responsible for developing the new Regional Spatial Strategies that will in time replace Regional Planning Guidance.

- At the local level, Unitary and District Authorities are responsible for preparing Local Housing Strategies for their own administrative area. These strategies are intended to address housing issues across all tenures. County Councils have hitherto been responsible for preparation of Structure Plans, Unitary Authorities for Unitary Development Plans and Districts for Local Plans. Under the new arrangements introduced by the Planning Act Unitary and District authorities will prepare Local Development Frameworks.

What is the value of undertaking sub-regional Housing Market Assessments?

2.16 Considerable resources will be required if Housing Market Assessments are to be undertaken for each of the sub-regional housing markets in the South West. What then are the potential benefits of preparing HMAs? The Housing Market Assessment Manual sets out in broad terms the benefits of undertaking an HMA. These benefits fall into three groups.

- **Sub-Regional Planning**
- **Promotion of Best Practice and Joint Working**
- **Resource Allocation**

2.17 These benefits can be secured by both regional partners and through local partners working together. The purpose and emphasis of an HMA may differ however depending on whether the HMA is being led by a regional body or a local partnership. We bring out this difference in emphasis between top down and bottom up HMAs in our comments below.

Sub-Regional Planning

2.18 The Regional Housing Body and Local Authorities have a responsibility to deliver 'Balanced Housing Markets'. To do this it is imperative to understand the overall balance between demand for and supply of housing at the sub-regional level, and the implication this has for affordability. Where there is perceived to be imbalance, there is a requirement for intervention, either to increase supply or, rather less likely to be feasible, to curb demand. The Barker Review has in particular highlighted the requirement for a long run increase in supply in the long run average real house price increases are to be moderated.

2.19 Issues regarding increasing the supply of market or affordable housing inevitably raised issues in terms of sub-regional strategic planning. Key issues are how much new housing is required and where is it to be located? In answering such questions it is critical to understand the relationship between economic development and housing demand. Equally it is critical to understand the spatial pattern of demand for labour and housing that results from travel to work patterns which in turn is dependent in part of the capacity of existing transport infrastructure.

2.20 These issues will be picked up in the Regional Spatial Strategy, which will need to link back into the Regional Economic and the Regional Housing Strategies. All of these strategies, DTZ would suggest, need a sub-regional dimension. It is worth remembering that the far northern tip of the region is closer to the Scottish border than it is to the far South West tip of the region. There is a great variety in the dynamics of the sub-regions of the South West, and this will imply that different interventions are appropriate. This becomes even greater when overlaid the basic framework of homes, jobs and transport are laid environmental issues, and the requirement to build sustainable communities.

2.21 Housing Market Assessments should be used as a key tool to inform the Regional Spatial Planning process at the sub-regional level. It can provide baseline data on the housing market; identify the key demographic and economic drivers; and provide a basis for thinking about future requirements, primarily in terms of housing; though it should highlight the implications of different economic, transport and social futures. The HMA process can help local authorities and their partners to understand the effect of planning decisions on housing markets. Put more generally it is a key tool for aligning future policy to ensure the policy objective of balanced housing markets is achieved.

2.22 The value of HMAs in the sub-regional planning process can be realised whether the process is led by a sub-regional partnership of local players, or initiated and led, probably with local participation by a regional body.

Promotion of Best Practice and Joint Working

2.23 There is growing recognition amongst local authorities of the need for joint working on housing issues precisely because housing markets cross administrative boundaries. HMA can be used as a tool to promote a shared understanding of a sub-regional housing market by a number of authorities. This in turn can potentially provide the basis for closer alignment of both housing and planning policies and lead into joint working.

2.24 There are a number of potential benefits to be realised by joint working:

- At the most basic level, joint working can help the process of sharing information and best practice. Authorities learn from each other, but still have separate decision making processes.
- Local partners may also band together around issues of common concern to make representations to decision makers and those who control resources – the benefit of strength in numbers and speaking with one voice.
- Authorities may also seek to deliberately align their policies on particular topics. This may be to strengthen their negotiating positions, or with the aim of stimulating investment by making decision making processes more transparent. Authorities in the West of England for example have been looking at the scope to adopt similar Section 106 agreements.
- Local partners may decide to work together to secure economies of scale in terms of either procurement or administration. At present the most evident forms of collaboration are housing partnership arrangements between particular groups of local authorities and housing associations.
- At the highest level of joint working, authorities may decide to pool resources into some form of jointly controlled organisation to achieve certain objectives. In other parts of the country this has often taken the form of certain joint development vehicles. The West of England Sub-Regional Housing Study for example recommended the establishment of a new delivery vehicle to fast track new housing development.

2.25 The preparation of Housing Market Assessments can contribute to the development of joint working at all these levels.

- HMAs can provide the basis for a common understanding of housing and planning issues between adjacent authorities.
- HMAs can provide a common basis for making representations to regional or national government for changes in policy or for resources.

- HMAs can, if so directed, identify where there would be benefits in developing common policies and joint working of various different forms.

Informing Resource Allocation Decisions

- 2.26 It has also been suggested that Housing Market Assessments could be used to build up the evidence base for resource allocation decisions. It is clear that in general HMAs would help decision makers to understand the differences between different sub-regions, and the key issues in those regions. Informed decision making is clearly better than decision making made in the dark.
- 2.27 However there have been some suggestions that HMAs might in some way be used as a key source of information for to allow resource allocation to be made on the basis of statistical analysis using information from HMAs or at least using information from HMAs to supplement currently available statistics available for each authority in England. DTZ very much doubt this is realistic.
- 2.28 There main reasons for this assessment is that, if data is to be used as the primary means to allocate significant resources – a formulaic process of resource allocation –, then robust data has to be produced for all areas on an entirely consistent basis and should be updated at regular intervals. This could be achieved through the HMA process – but it would require centralised prescription of the data to be collected, the format for its analysis, and it would have to be updated.
- 2.29 In essence the HMA would be a requirement on local authorities for a new statistical return. This is not the purpose for which HMAs were devised. HMAs were conceived as a flexible tool that regional and local partners could use to help inform strategic decision making. It would undermine the use of HMAs to inform sub-regional strategic planning and promoting best practice and joint working. Local authorities would see little benefit and might well look to the regional bodies that wanted such information to fund the HMA.
- 2.30 In the current climate there also seems little need for a tool to allow the formulaic allocation of resources. The Single Housing Investment Pot is comprised of two elements. 70% of the HIP element is already allocated by formula. The Approved Development Programme has never been allocated on a simply formulaic basis and is increasingly tied into the priorities set out in the Regional Housing Strategy and reflects partnering approaches being developed with associations and local authorities.

3 SUB-REGIONAL HOUSING MARKETS IN THE SOUTH WEST -

- 3.01 The analysis undertaken for this study indicates that the South West can be divided up into 12 sub-regional housing markets (see Figure 3.1) with another large area that in our view does not act as a single sub-regional housing market, but is defined by common housing characteristics and settlement patterns.
- 3.02 The 12 identified sub-regional housing markets are in the main associated with the Principal Urban Areas of the South West, and the other larger settlements in the region. Unsurprisingly the larger the urban settlement, and its associated employment base, the more extensive is its sub-regional housing market. These housing markets are likely to reflect the boundaries of the 'city' region – comprising the urban area and its hinterland.

The Sub-Regional Housing Markets in Outline

- 3.03 The 12 sub-regional housing markets and the one character zone are listed below with brief comments made on each:

Sub-Regional Housing Markets

- **West Cornwall:** comprising all of Penrith, Kerrier, Carrick and Restormel districts and extending into part of North Cornwall. In many respects this area has much in common with the North Cornwall and North Devon character zone, since it comprises small settlements, but household movement data indicate significant levels of movement between adjacent authorities and the A30 ties the area together in terms of economic function. There will, however, be many and strong local housing market influences.
- **Plymouth:** the Plymouth sub-regional housing market is centred on Plymouth, extends east taking in much of South Hams as far as Totnes, north to Tavistock, and west to Liskeard. Though one of the bigger cities in the South West, the extent of the Plymouth sub-regional housing market is less extensive than other major centres since it has a less extensive employment base, and fewer higher value added economic activities.
- **Torbay:** the Torbay sub-regional housing market extends out into South Hams and Teignbridge districts, but is relatively tightly drawn round the urban area, since the area has not experienced the same degree of economic growth as Exeter or other locations in South Hams. The Torbay sub-regional housing market overlaps with the Exeter sub-regional housing market to a significant extent in Teignbridge District.
- **Exeter:** the Exeter sub-regional housing market is extensive, reflecting the fact that Exeter is at the centre of a hub of road and rail networks and has become a significant centre of employment in recent years. The market includes the city itself, and extends out into East Devon, South Somerset, parts of Taunton Deane, Mid Devon and Teignbridge. The market overlaps with that of Taunton and Torbay.
- **Taunton:** the Taunton sub-regional housing market stretches north west, south west, south east and north east along principal road networks (A358, M5) covering all of Taunton Deane District, and taking in much of West Somerset, and parts of West Devon, South Somerset, Mendip and Sedgemoor.

- **Weymouth – Dorchester:** The Weymouth Dorchester sub-regional housing market is a small sub-regional housing market comprising Weymouth and Portland and the southern parts of West Dorset District.
- **Bournemouth Poole:** The Bournemouth Poole Christchurch conurbation is the second largest urban area in the South West. Its sub-regional housing market covers the urban area, all of Purbeck district much of North Dorset, East Dorset and extends into the New Forest District of the South East region.
- **South Somerset – West Dorset.** This comprises a small sub-regional housing market focused on Yeovil and Sherborne and including much of South Somerset and the northern part of West Dorset. Western parts of the market will experience the pull of the Taunton sub-regional housing market.
- **Salisbury:** the Salisbury sub-regional housing market is focused on Salisbury itself, but extending westwards to Shaftesbury, northward to Amesbury and eastwards into Test Valley district in the South East region.
- **West of England:** the core of the West of England sub-regional housing market comprises the four unitary authorities in the former county of Avon, but the influence of the West of England extends further out into Somerset, Wiltshire and Gloucestershire and even over the Severn crossings into Wales. This influence reflects the sub-regions economic dominance of the region.
- **Swindon:** the Swindon sub-regional housing market covers the urban area of Swindon, and extends with a westward rather than eastward bias into Cotswold, North Wiltshire and Kennet districts.
- **Gloucester-Cheltenham:** Gloucester and Cheltenham urban area lie at the heart of this sub-regional housing market, which broadly embraces the whole of the county of Gloucestershire and its constituent districts, though parts of Stroud district is subject to the influence of the West of England market, parts of Cotswold district look to Swindon, Oxford or north to Stratford upon Avon. On the north boundary of the market there is overlap with the Worcester sub-regional housing market.

The Character Area

- **Polycentric North Devon/North Cornwall:** This area covers a large swathe of North Devon and Cornwall starting with the Exmoor National Park and including virtually all of North Devon, Torridge and North Cornwall districts. The area is rural in character with a settlement pattern based on villages and market towns, which vary in size and function. With no major centres of employment the area is better described as comprising a series of local markets, all of which are subject to significant influence of in-migration, and second home purchase. There may be a case for examining the characteristics and housing market dynamics of this area as a whole, but there is less of a compelling case for so doing since it operates as a number of local housing markets. A joint study for this area would be quite different to that which would be undertaken for a sub-regional housing market with a requirement for enhanced understanding of localised issues.

How Robust is the Analysis?

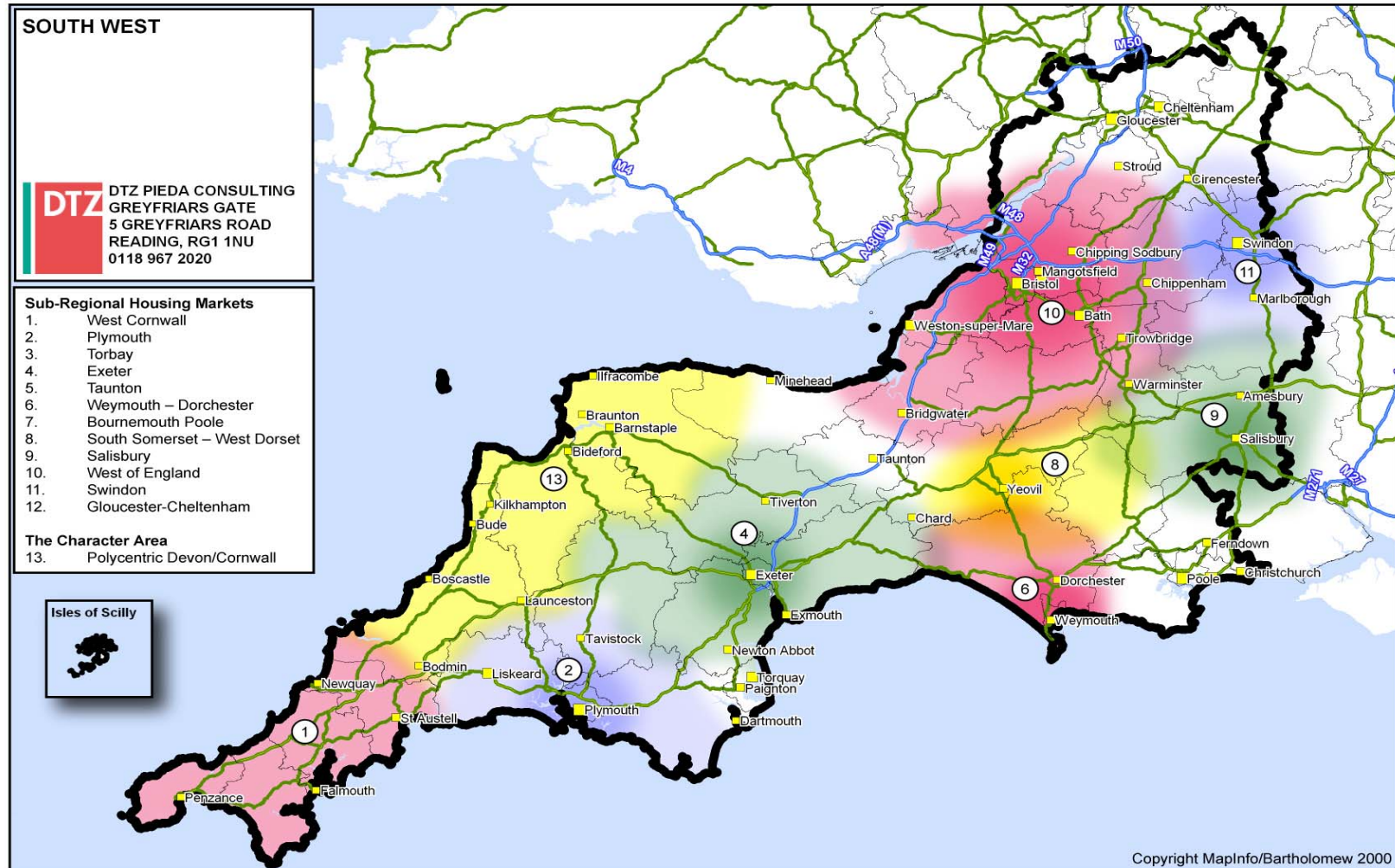
- 3.04 The analysis is based on extensive analysis of currently available data on household movements and travel to work patterns. We have also examined a range of other data to inform the analysis (see Annex ? for the detailed analysis). There has also been extensive consultation on the pattern of sub-regional housing market and broad acceptance of analysis. In the light of this DTZ is confident that the pattern of sub-regional housing market shown in Figure 3.1 is correct.
- 3.05 Where there is room for disagreement is precisely how far the boundaries of the housing markets extend, and the degree of overlap. Such issues do not influence our recommendations regarding the key groupings of authorities that need to be involved in undertaking the HMA for each sub-regional housing market. They are issues that can be explored further as part of the HMA process. Additional analysis can also be undertaken on the full Origin-Destination travel to work data when this is released by ONS.

Issues for the SWHB

- 3.06 The pattern of sub-regional housing market in the South West raises a number of issues for SWHB:
- Should the SWHB be encouraging the preparation of 13 HMAs? Is there merit in having them all done at once? How feasible is that?
 - Would there be merit in undertaking an HMA for more than one sub-regional housing market where, for example, there are significant market overlaps?
 - Should all HMAs follow the same format and content? Conversely should the objectives of HMAs be tailored to address particular sub-regional issues?
 - Who should lead on the delivery of HMAs? Specifically should the preparation of HMAs be led by the RHB or through sub-regional partnerships? Or should they be a partnership of the regional and sub-regional stakeholders?
 - Linked to the last issue is a question of who pays (even if the HMA are undertaken using internal resources)? And who has the final decision on matters of controversy?
- 3.07 We return to these issues later in the report, following a review of existing partnership arrangements in each of the sub-regional markets and our recommendations of which authorities should be involved in delivering the separate HMAs.

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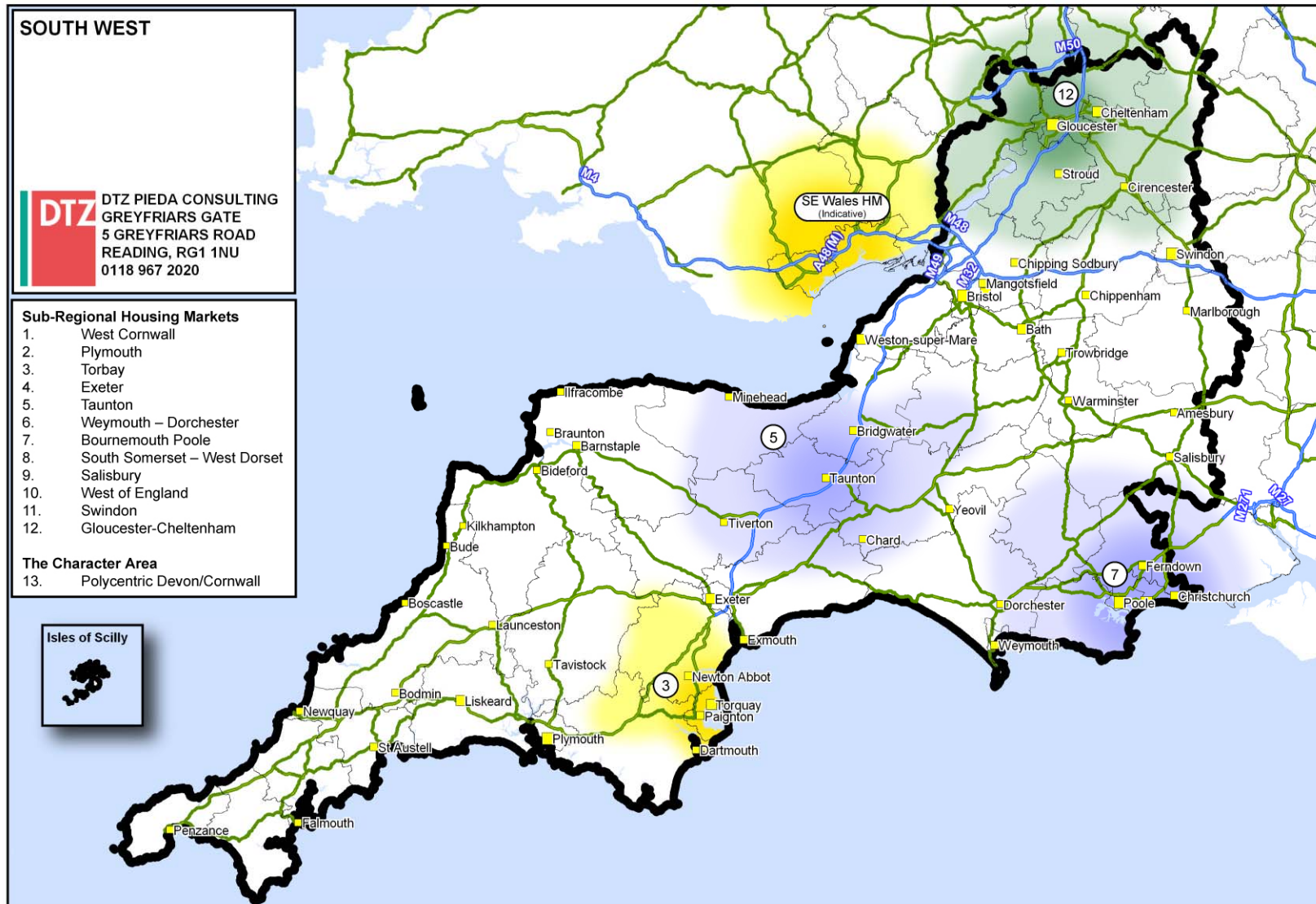
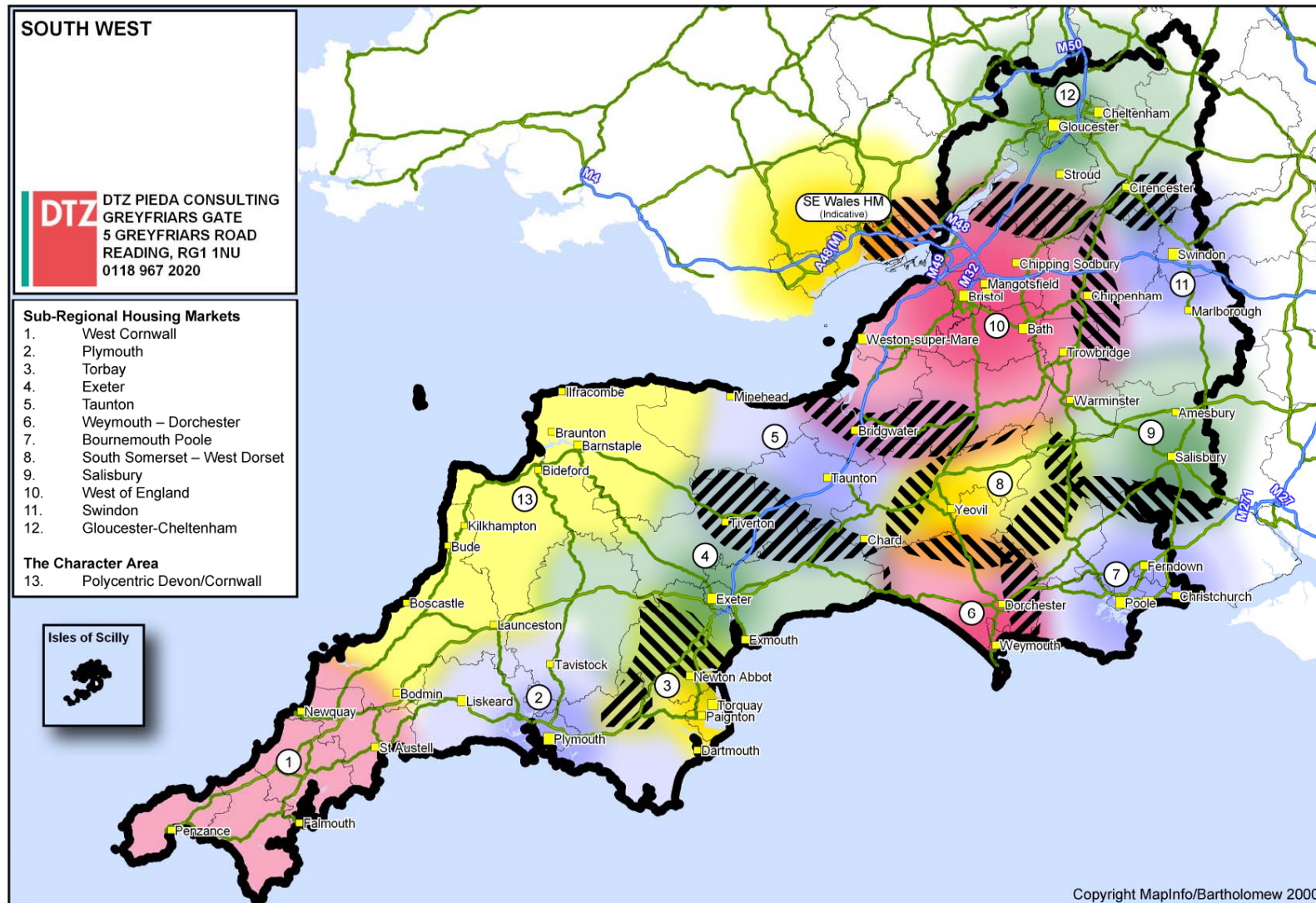


Figure 3.1 The Sub-Regional Housing Markets of the South West



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4 PARTNERSHIPS AND PROPOSED ARRANGEMENTS FOR UNDERTAKING HMAS

4.01 This section considers:

- Existing partnership arrangements in the South West on housing issues
- Recommendations for partnership groupings for HMAs in the South West
- Existing studies conducted within each of the sub-regional market areas
- Recommendations for prioritising HMAs across the region.

Existing Partnership Arrangements in the South West

4.02 There are a plethora of housing partnership arrangements within the South West. Whilst we do not attempt to map all existing networks, it is useful to consider the key existing partnerships and the role that they could play in undertaking HMAs. Examples of joint working to address housing, economic and planning issues, across the region include:

- Cornwall Housing Officers Group
- Plymouth Housing Officers Group
- Devon Strategic Housing Officers Group
- Exeter and SE Devon Empty Homes Partnership
- Somerset Housing Officers Group
- Dorset Chief Housing Officers Group
- Wiltshire and Swindon Chief Planning Officers Group
- M4 Corridor Group
- Rural Affordable Housing Partnership in Salisbury
- Wiltshire Development Officers Group
- SW Empty Property Forum
- Supporting people team for Wiltshire
- West of England Housing Officers Group
- Gloucestershire Housing Officers Group
- Sub-regional partnerships (SWRDA)

Recommendations for Partnership Groupings for HMAs in the South West

4.03 How well do existing arrangements match up to the sort of partnership that would be required to provide oversight for a HMA? The ODPM HMA Manual suggests that the HMA partnership consist of two groups:

The HMA Team - a multi-disciplinary team (including housing, planning, economic development and regeneration practitioners) who will oversee the preparation of the HMA. This team should comprise representatives from each of the participating authorities. The core team should also include the Housing Corporation, a representative of the SWHB, and housing associations.

HMA Partners – a wider grouping who will provide some input (mainly statistical information in terms of housing or economic characteristics) into the assessment and who will find the outputs of the assessment beneficial to their statutory and other functions.

The SWHB could provide advice on which organisations they see as being partners for the individual HMA teams, but this grouping should include:

- GOSW
- SWRA
- English Partnerships
- SWRDA
- Sub-Regional Partnerships or LSPs,
- Housebuilders
- Estate Agents
- Registered Social Landlords
- National Housing Federation
- Housing Corporation

Additional stakeholders also include:

- Lenders
- Education Authorities
- Health Authorities
- Infrastructure Agencies eg Highways Agency, Water companies
- Environment Agency
- Regeneration Agencies.

4.04 In terms of existing partnership arrangements Table 4.1 indicates that there is a lot of joint working at county level. But there are clear limitations to existing arrangements in terms of taking forward HMAs:

- There would appear to be limited working across county boundaries except in Plymouth. This is an issue for the North Devon and North Cornwall character area and the South Somerset-West Dorset sub-regional housing market. There are other sub-regional housing markets where cross county boundary linkages would be of value.
- There seem to be few partnership structures that include housing, planning and economic development professionals. This is important if HMAs are to be used to inform sub-regional planning issues – and we would expect that most should seek to do so. Where work is underway on Joint Study Area studies then there is better working across housing and planning.
- There appears to be a lot of joint working between local authorities, but few of these joint partnerships include house developers or estate agents. Before an HMA is undertaken it would be necessary to engage the private sector in partnership structures.

4.05 Within each of the sub-regional housing market areas, the local authorities listed above need to decide on which authority will take the lead on conducting the HMA and which authorities would have a supporting role within the HMA partnership. In general we take the view that the larger urban authorities are best placed to take the lead in convening partnerships but this should be subject to discussions with the partners. So too would precise membership of the HMA team and partnerships. To ensure consistency we would recommend that SWHB maintain an overview of the development of partnership structures for HMA purposes.

Existing Studies conducted within each of the Sub-Regional Market Areas

- 4.06 Part of the work undertaken for the study entailed an audit of what housing needs or housing market studies have been undertaken in the region. Detailed information on the audit is contained in Annex B. However Table 4.2 provides a summary of the information gathered.
- 4.07 Key points to note about the range of housing studies undertaken in the region include:
- Virtually every area has undertaken a Housing Needs Study. There is no surprise in this in that it is almost a requirement for both planning purposes and to evidence a fit for purpose housing strategy. Only the West of England has completed a more broadly based Housing Market Assessment.
 - In the majority of cases Housing Needs Studies have been undertaken for individual authorities. In the past they have never been undertaken at the sub-regional scale, though Gloucestershire authorities have now commissioned a joint county wide HNS. However some adjacent authorities have undertaken joint HNS in the past eg Plymouth and South Hams.
 - Many of the HNS undertaken are now dated including some significant centres such as Swindon and Salisbury, though Salisbury is in the process of commissioning a joint HNS with Test Valley and New Forest Districts (an interesting example of working across the regional boundary).
 - The Housing Needs Studies reviewed quite commonly adopt varying methodologies except where they have been undertaken by the same consultants, in terms of sample sizes, survey methods and questions, along with method of analysis. This lack of consistency in methodology and the timing of surveys means there is a lack of comparability between different areas, and findings cannot readily be aggregated up to the sub-regional or regional.
 - The Housing Needs Studies in the region tend to focus on housing need, in terms of the numbers of people requiring affordable housing. They do not focus on developing an understanding the proportion of those in need who would be interested in/able to afford intermediate housing products or would consider renting privately. Nor do they identify where people might be willing to live in neighbouring authorities.
 - There is a reliance in the HNS on large household surveys (which are expensive) or postal surveys (which raise issues of reliability) rather than secondary data and management information. This increases costs. Authorities have failed to reach economies of scale through joint commissioning. Rarely have the studies identified a core of common and comparable management information and a system by which this information can be easily updated.

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Table 4.2
Summary of Studies Undertaken

Sub-Regional Housing Market		Studies Undertaken
West Cornwall	Penwith	HNS 2004
	Kerrier	HNS 2000
	Carrick	HNS 2001-02
	Restormel	HNS 2003/04
Plymouth	Plymouth	Plymouth City Council and South Hams District jointly commissioned a HNS, 2000, update in 2002 is still being considered and has not yet been published.
	Caradon	HNS 2002 Baker Associates are researching the blockages to the supply of affordable housing.
	South Hams	HNS 2002
	West Devon	HNS 2003 Update
Polycentric Rural N Devon & N Cornwall	North Cornwall	HNS 2003
	Torridge	HNS 1999/2000
	North Devon	HNS 2001
	Exmoor National Park	West Somerset HNS 2003 Various Parish level Housing Needs Studies
Exeter	Exeter	HNS 2000, Update 2003 King Sturge is looking at Exeter University's geographical housing market.
	Mid Devon	HNS 2004
	East Devon	HNS 2000/01
Torbay	Torbay	HNS 2003
	Teignbridge	HNS 2002/03
	Exeter	HNS 2000 Update 2003
Taunton	West Somerset	HNS 2003
	Sedgemoor	HNS 2000, Update 2003.
	Taunton Deane	HNS 2002
	Mendip	HNS 2001
Weymouth & Dorchester	Weymouth & Portland	No recent HNS undertaken
	West Dorset	HNS 2002
	Purbeck	HNS 2002
S Somerset/ W Dorset	South Somerset	HNS 2002, Rural Housing Needs Survey.
	West Dorset	HNS 2002
Bournemouth Poole Christchurch	Purbeck	HNS 2002
	Poole	HNS 2001. Leading for Dorset District authorities in commissioning a rolling programme of district housing needs surveys over a five-year period via one standard approach.
	Bournemouth	Complete an annual survey of the development of residential units in order to track the numbers being completed compared to provision set out in the Bournemouth, Dorset and Poole Structure Plan: In the process of completing the survey for 2003-04.
	Christchurch	No information available
	North Dorset	HNS 2002
	East Dorset (with New Forest)	HNS 2002
Salisbury	Salisbury (with Test Valley)	HNS 2001, Balanced Housing Markets Diagnostics, Decent Homes Diagnostic
Swindon	Swindon	HNS 2001

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	North Wiltshire	HNS 2000
	West Wiltshire	No recent HNS undertaken
	Kennet (with Vale of White Horse)	HNS 2001
West of England West of England HMA 2004	North Somerset	HNS 2001
	Bath & North East Somerset	HNS 2000
	Bristol City	No recent HNS undertaken
	South Gloucestershire	HNS 2003
Gloucester/Cheltenham County wide HNS, 2004	Tewksbury	HNS 1998
	Cheltenham	HNS 2000, HNS Update 2003
	Gloucester	HNS 2000
	Forest of Dean	HNS 1999, HNS 2001 Update
	Cotswolds	HNS 2000
	Stroud	HNS 1999, HNS Update 2003

Prioritising HMAs across the Region

4.08 DTZ would advise the RHB to promote the progressive roll out of HMAs across the region, rather than encouraging the preparation of an HMA for each sub-region within a short time period. We have various reasons for recommending such an approach:

- We concluded in Section 2 that HMAs should *inform* resource allocation decisions, rather than provide the basis for resource allocations. There is therefore no pressing need for 100% coverage of HMAs in the region within a defined timescale.
- If HMAs are rolled out over a period of time, the partners can gain experience in how to get the most value out of HMAs. The RHB or other regional partners would need to have an involvement in different HMAs if the benefits of experience are to be transferred.
- We anticipate that many HMA partnerships will wish to outsource the preparation of HMAs to consultants. We know that there are relatively few consultancies able to take this sort of work on. Partners could find it difficult to procure firms with the relevant expertise if they seek to commission a range of studies in a short period of time.
- Every area is at a different stage in bringing together an HMA partnership that could effectively steer an HMA and make good use of its findings. Rushing the process of partnership building is likely to result either in poorly managed studies, or inability to act on recommendations made.
- Some partnerships are heavily committed to existing work programmes – for example the development of joint Housing Needs Studies in Gloucestershire and Bournemouth, Poole and Dorset. They might have difficulty handling the additional demands for conducting an HMA.

4.09 DTZ would therefore recommend the progressive roll out of HMAs across the region over the next 3 years. We recommend that the RHB maintain an overview of the entire HMA process through its strategic role. We recommend that the RHB provide funding to match

locally provided resources. By taking an active part in the preparation of HMAs the RHB will help ensure consistency of approach, quality of delivery, and ensure that lessons can be transferred between sub-regions.

4.10 In terms of prioritising areas to conduct HMAs we recommend that the RHB:

- Actively encourage the preparation of HMAs where there is a common perception that there are difficult sub-regional strategic issues that need to be addressed, which a HMA could shed light upon.
- Respond positively to approaches that are brought forward by local partnerships which are keen to undertake an HMA because they recognise the value of joint working on specific issues that need to be addressed on a joint basis.

4.11 It has not been part of this brief to identify the key issues for the Regional Spatial Strategy at the sub-regional level. But for illustrative purposes only, the sort of generic issues that we expect an HMA could be focused on include:

- How can housing development be balanced and distributed between rural areas, market towns and principal urban areas to meet the needs of different groups?
- What housing (tenure and type) should be provided alongside regeneration proposals across the region?
- What are the economic prospects and hence the housing market potential of different areas?
- How should economically buoyant areas address the housing issues arising from continued economic and population growth?
- What are the spatial planning implications for housing markets in under-performing areas of the South West?
- Is there a desire to promote or absorb housing growth in certain areas of the region? What are the infrastructure implications of this?

5. CONDUCTING AN HMA

5.01 We made recommendations in Section 4 regarding the areas for which HMAs should be undertaken, and the development of HMA partnerships. The process of undertaking an HMA has been set out in detail in the HMA Manual published by ODPM (and prepared on behalf of ODPM by DTZ), and it is not our intention to repeat the guidance contained in that document. The Guidance remains valid for the conduct of HMAs in the South West.

5.02 However there are a number of issues that in the light of experience are worth emphasising for the conduct of HMAs in the South West. In this section we discuss these issues by providing answers to the following questions:

- Who should take the lead on preparation of HMAs – regional organisations or sub-regional partnerships?
- How should one frame the terms of reference for an HMA to maximise the benefits of the study?
- How important is consistency of approach between HMAs and how can this be achieved?
- What should be the relationship between HMAs and Housing Needs Studies?

5.03 In answering these questions we draw upon our experience subsequent to preparing the HMA Guidance Manual in preparing HMAs in the West of England, Thurrock, West Cornwall and Merseyside, as well as the parallel work to this study that we are undertaking in South East England, commissioned by the South East England Regional Assembly.

Who should take the lead on preparation of HMAs?

5.04 It is clear that the completion of HMAs have the potential to serve the needs of both regional organisations such as the SWHB and of sub-regional partnerships based primarily on local authorities but including other organisations. But the purposes for which regional and sub-regional organisations need HMAs are not identical.

- Regional organisations particular need sub-regional analysis to inform the development of the Regional Housing Strategy and the Regional Spatial Strategy. They are also interested in using the information derived from HMAs to inform resource allocation decisions and for this they need information to be provided on a consistent and comparable basis.
- Sub-Regional Partnerships need to enhance their understanding of how the sub-regional housing market operates to inform local housing strategy and the development of joint working. They are also likely to be interested in the information to help them influence resource allocation decisions by highlight the needs of their area over and above those of other areas.

5.05 There is clearly a significant overlap in the interests of regional organisations and sub-regional partnerships in conducting HMAs but the subtle differences in agendas could translate into differences of emphasis in the conduct of HMAs.

- For example regional organisations are likely to want to be able to compare and contrast the different sub-regional Housing Markets in the South West to understand how they differ and where they are similar, and to do so on a consistent basis. Consistency in data analysis (in terms of which sources are used, time periods for analysis, and creation of secondary variables) is vital if information is to inform resource allocation decisions.

- In contrast sub-regional partnerships are likely to be more interested in differences within the sub-regional housing market – essentially the overlay of local market characteristics within the sub-regional housing market context. They may also wish to present data and analysis in a particular way to highlight the needs of the sub-region, and therefore if left to their own devices with no central guidance or control each area would present sub-regional data in a different way.

5.06 The question therefore arises: Should the RHB specify the format and content of HMAs to be undertaken in the South West? or should sub-regional partnerships be allowed to develop briefs for HMAs that reflect the particular issues that are of most concern to that partnership and to adjust the approach to fit their requirements? These questions can not be totally divorced from the question of ‘who pays for HMAs to be undertaken’?

5.07 Both a purely top down, prescriptive approach, and a bottom up, local determined approach have strengths and weaknesses as outlined in the box below. The challenge is therefore to find an approach to the conduct of HMAs that harnesses the strengths of both the top down and the bottom up approach, and addresses the weaknesses of each approach. The right solution is clearly for regional organisations to work in partnership with sub-regional partnerships to create a win-win solution.

**Advantages and Disadvantages of Top Down and Bottom Up
Approaches to HMAs**

	Top Down	Bottom Up
Strengths	<p>Can ensure consistency across sub-regions in terms of analysis</p> <p>Ensures transfer of best practice and learning between sub-regions</p> <p>Can help ensure that difficult political issues (eg scale and location of new housing development) are not ducked</p> <p>Helps to ensure consistent quality by development of central core of expertise in conduct of HMAs</p> <p>Provides the consistency and comparisons that is required for development of regional strategy and to inform resource allocation</p>	<p>Ensures the work is focused on issues of concern to sub-regional partners</p> <p>Likely to encourage sub-regional partners to make data available</p> <p>Fosters greater insights into local housing markets and differences within the sub-region</p> <p>Allows scope for sub-regional partners to make the case for investment in their area</p> <p>More likely to help focus local housing strategies</p> <p>Helps build partnership approaches and hence encourages joint working</p>
Weaknesses	<p>Can demotivate sub-regional partners who are important to the HMA process in terms of providing data and local insights</p> <p>May fail to explore issues of particular concern to the sub-region due to imposition of ‘one size fits all approach’</p> <p>Lack of local ownership of the process can mean that the implications for local housing strategy are not drawn out</p> <p>May do nothing to foster joint working</p>	<p>Lack of consistency between HMAs undertaken for different sub-regions</p> <p>HMAs may contain an element of advocacy for the sub-region</p> <p>May as a consequence fail to be of value in informing resource allocation decisions</p> <p>Awkward but important issues that threaten partnership approaches (eg scale and location of new housing development) may be parked or sidelined</p> <p>More difficult to encourage learning in the conduct of HMAs and the adoption of best practice</p>

- 5.08 DTZ would recommend the following approach to the funding and roll out of HMAs in the South West region.
- The SWHB should maintain a strategic oversight of the entire HMA process and have responsibility for transferring good practice and ensuring a degree of consistency between all HMAs; but sub-regional partnerships should be fully engaged in the process of undertaking HMAs
 - The preparation of HMAs should therefore be seen as a joint responsibility of the SWHB and sub-regional partnerships. Thus the SWHB should work with sub-regional partnerships to develop the brief for HMA; where appropriate to appoint external consultants and participate fully on steering groups.
 - This partnership should be reflected in funding arrangements with costs of preparing HMAs shared between the SWHB and sub-regional partnerships in equal measure. DTZ suggest that the SWHB should match the funding put up by sub-regional partnerships.
 - DTZ recommend that the SWHB prepare a 'Housing in the South West' report containing a comprehensive analysis of those housing data sets available on a consistent basis across the whole of the South West. This document would be a core source of information for HMAs. We set out in more detail below what this document would contain.

How should one frame the terms of reference for an HMA to maximise the benefits of the study?

- 5.09 The approach we are advocating for the conduct of HMAs in the South West is a partnership approach between the SWHB and sub-regional partnerships. Implicit in this approach is that the scope and focus of HMAs can vary between sub-regions, so as to allow focus on the particular challenges and opportunities in that sub-region; but there will be a consistent core of information and analysis that will allow the regional bodies to derive a consistent overview of all sub-regional housing markets in the South West.
- 5.10 In view of this it is not possible to be prescriptive about the precise scope of each HMA. However DTZ would emphasise the importance of developing a clear brief for an HMA to the quality of the eventual outputs. This applies whether or not the HMA is to be prepared using in-house staff or if an external organisation (eg. consultants or academic institution) is to be commissioned.
- 5.11 The process of developing the brief should be undertaken by a small group representing the key partners. Ideally you want to engage senior personnel in this since they are the ones most likely to see the big picture. The key to getting what you want out the HMA process is to know what you want out of the process at the start. There are a number of techniques that can be used to help partnerships develop a clear set of objectives for an HMA.
- Debate among the key partners why you are undertaking an HMA. In this it may be helpful to refer back to the potential functions of the HMA process outlined in Section 2. Is your HMA more about addressing sub-regional housing and planning issues or is it more about identifying areas for joint action? Note that the approach that DTZ are recommending will in all cases yield a core of information that will inform resource allocation decisions.
 - You may find it difficult to start the above discussion. In which case you may wish to take a step backwards and brainstorm to identify housing and planning related issues where you feel you have inadequate information. Then translate those into

specific questions, in as much detail as possible, that you would like to have answers. Then prioritise those questions – which of these are ‘must know’ and which would be ‘nice to know’.

- Speculate about the desired outcomes of the HMA might be. Specifically ask yourselves ‘what might we expect to do differently as a result of the information that the HMA will provide’. It may help to use hypotheses; ask yourself the question ‘if the HMA were to show that is the case, what would we expect to do about it? What options for intervention do we have? This will allow you to identify if there are specific hypotheses or anticipated interventions that you want the HMA to test.
- 5.12 Once the core team is clear about the objectives of the HMA you can turn to other parts of the brief. Key elements of the process of developing the brief are:
- Consider how you would anticipate that the objectives of the study will be met. If you anticipate using external contractors to prepare the HMA, then you need only to outline the key elements of the approach – you can ask the contractors to outline their recommendations. However if there are certain ‘must have’ components of work (eg analysis of a common core of data, any surveys etc) these should be specified.
 - Consider the level of resource required to complete the study. There is a rule of thumb that is worth observing in commissioning external consultants.
 - If you can be very specific about the work you require, then there is no benefit in giving consultants a guide price. You should receive tenders that are directly comparable against your specification and where you can compare prices on a like for like basis.
 - If you wish to get ideas from consultants about how best to meet your (clearly specified) objectives, then you should think about providing a guide budget. Failure to do so may result in you receiving tenders that are very difficult to compare because they vary considerably in scope and price.

How important is consistency of approach between HMAs and how can this be achieved?

- 5.13 Consistent information is important particularly to regional organisations since they need to understand the differences in the character, needs and opportunities of the different sub-regional housing markets in the South West. It is also of value to sub-regional partnerships to know how they differ from other sub-regions and which sub-regions they are similar to, since this will cause them to think about whether certain interventions made elsewhere may be appropriate to their sub-region or not.
- 5.14 It is also the case that some ways of analysing information is simply more robust or communicates better with the audience than others. For example it is always preferable to look at trends over time than a snapshot of information for one year. There are also insights into the quirks of data that are not always widely understood – for example it is not possible to undertake a straight forward comparison of households living in the private rented sector between the 2001 and 1991 Censuses because of changes in the treatment of tied accommodation.
- 5.15 For both these reasons DTZ recommend that the SWHB produce a ‘Housing in the South West’ report that would analyse the standard data sets available for each local authority and for housing associations on a common basis for all sub-regional housing markets in the

- South West. It would mirror the SWRDA's 'State of the Region' report which brings together mainly economic data by sub-region for the South West as a whole.
- 5.16 Undertaking the analysis for the whole region at the same time would not only provide consistency but be more cost effective and comprehensive than doing this as part of the preparation of individual HMAs. Material would be presented through a mix of tables, charts and maps. It would be underpinned by a set of easily accessible spreadsheets that would allow analysis by local authority.
- 5.17 This 'Housing in the South West' digest would provide each HMA partnership with a common core of information that they could incorporate into their HMA. As part of the HMA process, additional quantitative and qualitative information would be used to supplement the core statistical information provided from the 'Housing in the South West' digest. Individual HMAs would use this additional information to provide greater depth of analysis and interpretation of the drivers and characteristics of the sub-regional housing market.
- 5.18 Further work is required to develop the specification for the Housing in the South West report but an initial indication of the data and sources which such a digest should bring together is given in Table 5.1.
- 5.19 Table 5.1 lists data which can be analysed at the district level and can therefore be aggregated to the market areas. A quantitative analysis will need to be accompanied by qualitative information from stakeholders. DTZ recommends that a two month time frame is set aside to undertake this data analysis to inform the balance of housing markets across the region and in turn the spatial options for the Regional Spatial Strategy.

Table 5.1
Proposed Datasets to be Collected at a Regional Level

Section	Indicator	Source
Demographic Drivers of Demand	Population Trends	Census/ Mid year Population Estimates
	Population Projections	ONS/ ODPM
	Age Structure/ trends	Census/ Mid year Population Estimates
	Migration- origin/destination	NHS- soon to be Census
	Migration- origin/destination- Age	NHS- soon to be Census
Demographic Structure	Household Composition/ trends	Census
	Household Composition Projections	ODPM
	Household Size/ Trend	Census
	Household size projections	ODPM
Economic Drivers of Demand	GDP per Head	ONS
	Employment trends	ABI
	Employment projections	Commercial Forecasts
	Economic Activity Levels	Census/ LFS
	Socio-economic Structure	Census
	Household Incomes	Inland Revenue
	Commuter Patterns	Census
	GVA Projections	Commercial Forecasts
	Workforce/ Employment Projections	DETR/ TEMPRO database
Scale and Structure of Supply	Stock by Tenure- ownership	Census
	Type of Dwelling	Census
	Council Tax Band	Census/ LA revenue services
	Type of Occupancy	Census
	Tenure	Census
	Analysis of Social Housing	LAs, CORE, Housing Corporation RSR, Housing Needs Surveys
	Access to Housing and Services	IMD
Supply Trends	Housing Stock Trends	Census and Local Authorities
	Completion Levels	LAs
	Development Sites	LAs
	Capacity Levels	Local Plans, Urban Capacity studies etc
	Planning Targets	RPG, Local Plans etc
Demand meets Supply	House Prices/ Trends	Land Registry
	Sales Levels/ Trends	Land Registry
	Affordability	Joseph Rowntree Foundation/ Land Registry + Inland Revenue
	Homeless Applications/ acceptances	LAs
	Housing Register Data- trends	LAs

What should be the relationship between HMAs and Housing Needs Studies?

5.20 It is generally unlikely to be the case that HMAs will include much in the way of primary research¹. Nor can HMAs generally provide the sort of detailed information on housing needs provided by Housing Needs Surveys, since they tend to focus on the big picture. For the foreseeable future there will be an ongoing requirement for Housing Needs Studies to provide the sort of detailed information that local authority planning staff need in order to back up their planning policies on affordable housing and their negotiation with developers.

5.21 However there is a clear need to integrate HMAs and HNS and to address some of the weaknesses of HNS undertaken in the past. ODPM is currently preparing revised guidance on HNS and how they should relate to HMAs. We understand this is due to report before the end of the year but we cannot prejudge what this will recommend around a more inclusive approach for assessing housing markets. However in the interim, the SWHB should clearly promote good practice. We would suggest that the SWHB should encourage:

- The commissioning of Joint Housing Needs Studies. There is little merit in undertaking HNS for single authorities, though it is accepted that local authorities may need to ensure that data can be analysed solely for their area. This can be done by ensuring that all survey data is geo-coded (probably using 7 figure post codes). By working in partnership local authorities should be able to secure better value for money, as well as creating the opportunity to compare and contrast needs with adjacent areas. It would clearly make sense to promote HNS for sub-regional housing markets – though providing data is geo-coded and capable of analysis for sub-regional housing markets – it may well make sense to undertake surveys for even larger areas than this such as counties.
- The SWHB has an interest in ensuring that development of consistent and comparable information emerges from HNS, just as it does in ensuring consistent and comparable information emerges from HMAs. The SWHB should therefore take a role in promoting best practice, and the transfer of experience between local authorities. There would be merit in exploring if there is scope to develop a common core to the survey questionnaires used, and a general acceptance of what is best practice in terms of sampling methodology, data storage and analysis.
- It is of increasing importance that HNS not only provide crude numbers of households in need of affordable housing, but information on tenure preferences and ability to afford intermediate housing products such as shared ownership and other forms of subsidised housing other than conventional social rented housing. This implies developing effective means of collecting information on household income and wealth (particularly existing housing equity) and greater sophistication in analysing the ability to afford different sub-market housing products.

¹ The West of England HMA was perhaps unusual that around 40% of the total budget was used to undertake qualitative research into the housing aspirations and perceptions of consumers. This entailed the organisation of 17 focus groups with people at different lifestages, in different tenures and in different parts of the sub-region.

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6. RECOMMENDATIONS

6.01 We have made recommendations throughout the course of this report. This section brings together the various recommendations that we have made, splitting them out into recommendations for the SWHB and for HMA partnerships, and identifies issues for further consideration.

Recommendations for the SWHB and SWRA

6.02 We have identified three broad purposes that HMAs can fulfil. We recommend that the SWHB endorse our conclusion that the primary purposes of HMAs in the South West will be to contribute to the process of sub-regional planning and encouraging joint working on housing and planning issues at the sub-regional level.

6.03 We identify that HMAs can play a role in the resource allocation but recommend that in the South West that the HMA process should be used to inform allocation decisions, by providing a consistent set of information for each sub-region. There should be no attempt to develop a new formulaic allocation system based on data from the HMA process.

6.04 This recommendation reflects the advice contained in the recent Housing, Planning, Local Government and the Regions Committee report on the role and effectiveness of the Housing Corporation. This report recommends that the Housing Corporation and other Government funding agencies, review how they work with local authorities to ensure that funding and partnering arrangements help implement local housing strategies. This suggests that resource allocation should be designed to deliver local housing strategies rather than allocating funding based on a top-down regional analysis.

6.05 The report has identified the different sub-regional housing markets in the South West. We recommend that the SWHB endorse these findings and start to reflect this analysis in the Regional Housing Strategy. The SWRA should consider how the structure of sub-regional housing markets should inform the Regional Spatial Strategy.

6.06 We recommend that the SWHB promote the completion of HMAs for each sub-regional housing market in the region, over a period of the next 3 years (so broadly 4 a year). In some cases we can see merit in undertaking HMAs for two separate sub-regional housing markets through a single process because the housing markets overlap to a significant degree.

6.07 HMAs should be undertaken initially **either** in those sub-regions where the SWHB identify there are particularly difficult and pressing housing and planning issues that could be addressed through the HMA process; **or** in those sub-regions where an effective sub-regional partnership is in place that wishes to proceed with an HMA.

6.08 There is an immediate issue about the relationship of HMAs in the areas where the Regional Assembly has created Joint Study Areas. There is the scope to promote the conduct of HMAs as part of the JSA process to ensure that housing issues are given full consideration as part of the spatial planning process, but it may be impractical to undertake a full HMA within the time required for completion of the JSA process. The joint study area work is currently at different stages of development across the region, and those responsible for undertaking these studies need to consider carefully the relationship and timing of their studies with analysing housing markets within their areas.

- 6.09 To complete a programme of HMAs for all the sub-regional housing markets in the South West over a period of 3 years, the SWHB will need to promote the development of effective HMA partnerships. The key requirements are to ensure greater joint working of housing, planning and economic development staff in local authorities, and the engagement of private sector interests.
- 6.10 We recommend that the SWHB maintain oversight of the HMA process throughout the region and is an active partner in all HMAs. This implies helping to develop the brief for HMAs (which is required whether or not external contractors are to be used or not) and participating in steering arrangements for studies.
- 6.11 The conduct of HMAs must however ensure the full engagement of partners from within the sub-region to ensure that the findings are translated into local housing strategies and opportunities for joint working. There must be scope therefore for the brief for HMAs to reflect the particular issues and priorities of the sub-regional partners and make reference to the Comprehensive Performance Assessment process. The Audit Commission's Comprehensive Performance Assessment process takes into account how well local authorities understand their housing markets and what actions and achievements they can demonstrate in helping to balance those markets. DTZ recommends that the Housing Market Assessment Process becomes part of the CPA process.
- 6.12 It is recommended that HMAs be jointly funded by SWHB and the sub-regional partners. This will reinforce the message that responsibility for the HMA process is jointly owned and that it is expected that both the SWHB and the sub-regional partners will derive benefits from the process.
- 6.13 We recommend that the SWHB support the HMA process as well as meeting its own requirement for consistent sub-regional housing profiles by preparing a 'Housing in the South West' report. This would contain a comprehensive analysis of those housing data sets available on a consistent basis across the whole of the South West. This document would be a core source of information for HMAs.
- 6.14 The document should be supported by data at the individual authority level made available in a series of easily accessible spreadsheets. This would, for example, allow analysis of the difference between different parts of sub-regions. The spreadsheets should indicate where ward level data is available so that local area analysis can be readily undertaken if required.
- 6.15 We recommend that SWHB encourage local authorities to work together in commissioning new Housing Needs Studies, and ensure that newly commissioned studies will permit analysis for sub-regional housing markets. New HNS should yield information on the scope for intermediate housing products. All survey data should be geo-coded.
- 6.16 SWHB should also take an active role in promoting quality and consistency across the region in the conduct of HNS. There is much to be gained in increasing standardisation of core questions, survey methods and the format of analysis in allowing comparison between local authority areas and sub-regions. The revised guidance on HNS that ODPM is currently preparing will assist the SWHB in this role.

Recommendations for HMA Partnerships

- 6.17 We recommend that the authorities in each of the sub-regional housing markets should come together to agree upon a timetable and process by which they will take forward the completion of an HMA for their area within the next 3 years. Key issues to be addressed

are the composition of the HMA partnership and the timeframe in which the sub-region wishes to undertake and HMA.

- 6.18 At the sub-regional level, the local authority partners will probably wish to identify a lead authority. The local partners will need to identify its core and partner members. Guidance on this process is contained in the HMA Manual published by ODPM, and should also be available from SWHB.
- 6.19 This report provides guidance (see Section 5) on the process of developing the brief for an HMA. This is a key part of securing a worthwhile outcome from the HMA process and should not be rushed. More detailed information on the HMA process itself is contained in the HMA Manual.
- 6.20 Some local authorities, notably North Dorset and West Devon might potentially need to be involved in more than one HMA because they are on the edge of number of sub-regional housing markets. We recommend that these authorities participate in one HMA, but that part of the brief for that HMA is to examine the overlap with adjacent housing markets and the implication of this for strategy in the overlap areas.

Recommendations for the Character Area

- 6.21 In the North Devon and North Cornwall area there is not the same compelling logic for undertaking a Housing Market Assessment as in other areas of the South West where there are defined sub-regional housing markets. However, the housing markets in these area share common characteristics in being rural, based around a settlement pattern of market towns and villages. The entire area also experiences similar issues in terms of the effect of in-migration and purchase of second and holiday homes on house prices. There could well be merit in a joint study of this area to explore these issues and to develop a shared understanding of the problems and how they may be addressed.

Further Issues to Address

- 6.22 A key issue identified as part of this study is the inter-relationships between jobs, population, workforce, migration, travel to work patterns and the housing market. The spatial planning process would benefit from the development of a simple but robust model, probably based on a systems dynamics approach, that would allow some quantification of these interactions. DTZ recommends that analysing such inter-relationships would involve a two month study.
- 6.23 The value of such a model would be to explore ‘what if’ scenarios at the sub-regional level. For example in any sub-region one might wish to explore the following sort of questions:
- What will be the housing market implications if an additional 10,000 jobs are created in the sub-region over the next 15 years?
 - What would be the implications for the economy (jobs and output) and travel to work patterns if we sought to limit in-migration by constraining the development of new housing?
 - How much scope is there for economic growth without creating any additional demand for housing through increasing economic activity rates?
- 6.24 DTZ has been undertaking the development of a regional model to explore such issues. The model still requires refinement, but we believe there is scope to develop some simple heuristics that could inform the spatial planning process.

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