



Central Hampshire and New Forest Strategic Housing Market Assessment

Test Valley Borough Council

Summary Report v1.0

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DTZ

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October 2007

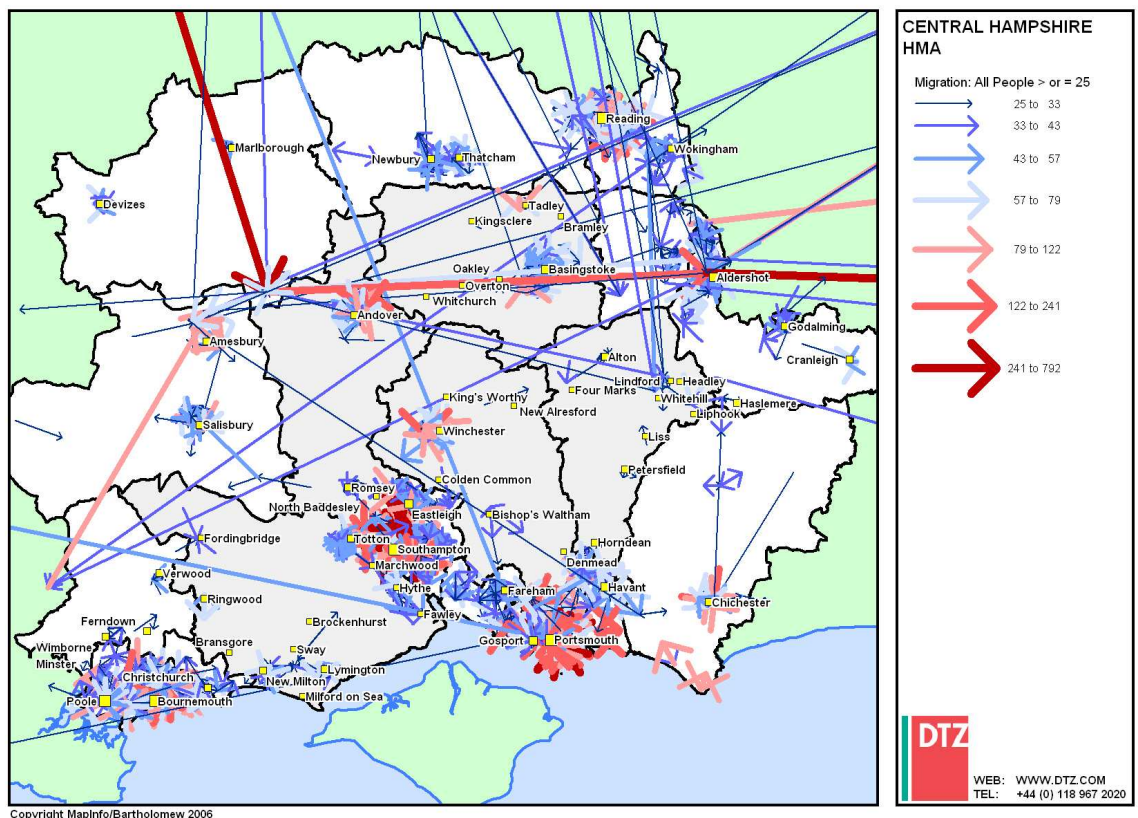
1 TEST VALLEY SUMMARY REPORT

1.01 The Central Hampshire and New Forest Strategic Housing Market Assessment (hereafter 'SHMA') has been undertaken to help the local authorities and their partners understand the dynamics and drivers of their housing markets. Undertaking a SHMA is a key requirement of Government's planning for housing policy, set out in Planning Policy Statement 3 Housing¹. SHMAs form an important part of the evidence base for developing plans and policies and for responding to changing household requirements. The purpose of this summary is to draw out the implications from the evidence for Test Valley Borough.

The Housing Markets Relating to Basingstoke & Deane

1.02 DTZ's research for the South East Housing Board in 2004 concluded that there was a 'North Hampshire' (as opposed to Central Hampshire) housing market associated with the M3/A303 and related rail corridors. However this also recognised the existence of three relatively small housing markets focused on Basingstoke and the Blackwater Valley area and Andover, rather than a very cohesive sub-regional housing market and reflects the geography of Central Hampshire and the dispersal of its principal settlements across a relatively large area. This contrasts with the highly integrated market in South Hampshire.

Figure 1: Central Hampshire Household Migration (25 Household or More)

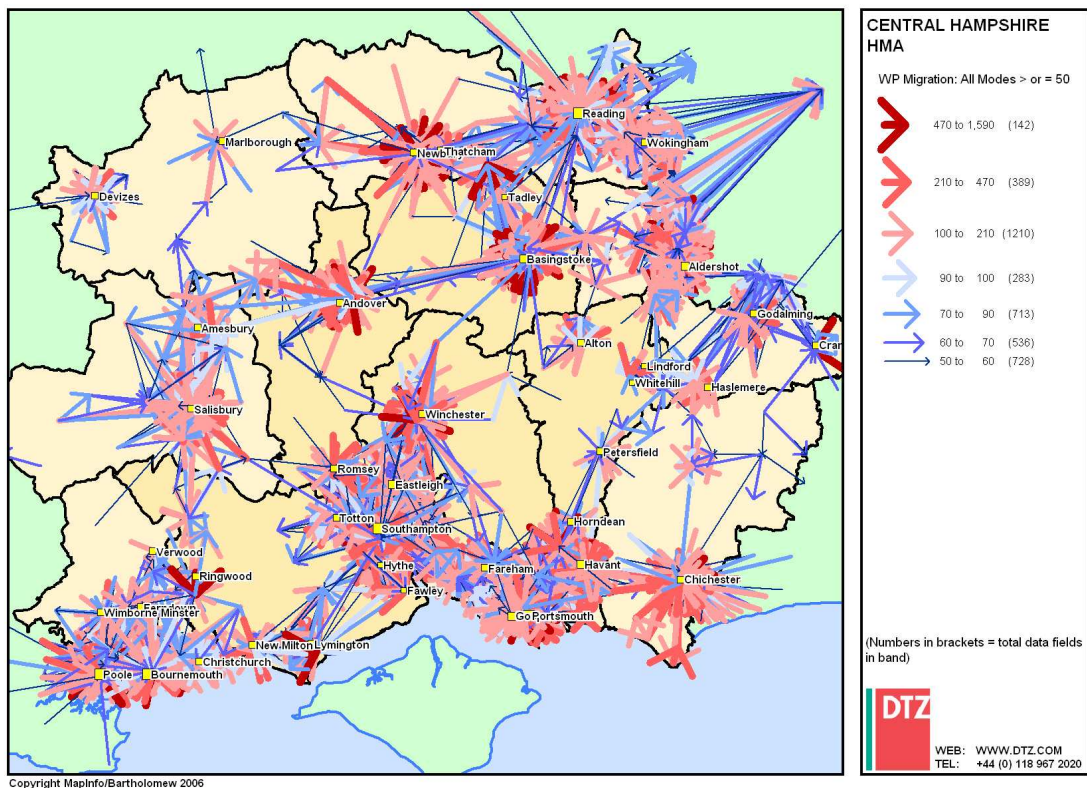


1.03 Andover has its own localised housing market, with concentrations of household movements centred on the town (Figure 1 shows the origin and destination of moves in the year preceding the 2001 Census).

¹CLG(2006)Planning Policy Statement 3(PPS3)Housing

- 1.04 There is limited housing market integration between the towns of Basingstoke and Andover with a low level of household movement between the Andover and Basingstoke urban areas, with only 70 households moving from Basingstoke into Andover, and 50 households moving from Andover into Basingstoke in the Census year. The Romsey area receives sizeable inward flows of households from the South Hampshire market associated with Southampton (110 households moved from Southampton to Romsey in 2001).
- 1.05 Figure 2 shows that Andover has a concentrated pattern of travel to work movements focussed on its urban centre, which draws cross-district travel to work flows from Amesbury and Tidworth (in the far south east of Kennet district) and Whitchurch (in the far western area of Basingstoke and Deane district). A relatively large number of the workforce (1,290 workers) in the Andover urban area live in the Tidworth/Ludgershall urban area and therefore outside the Test Valley administrative boundary. There is also evidence of longer distance travel to work movements between Andover and Basingstoke and Newbury. In addition, in 2001, around 1,500 workers commuted from Test Valley to London for work².
- 1.06 Romsey also appears to have close functional alignment with the South Hampshire sub-region (Western Pole associated with Southampton), with Figure 3 showing strong travel to work movements from Romsey into Southampton (1,250 workers).

Figure 2: Origin and Destination of All Ward Level Travel to Work Movements (50+)

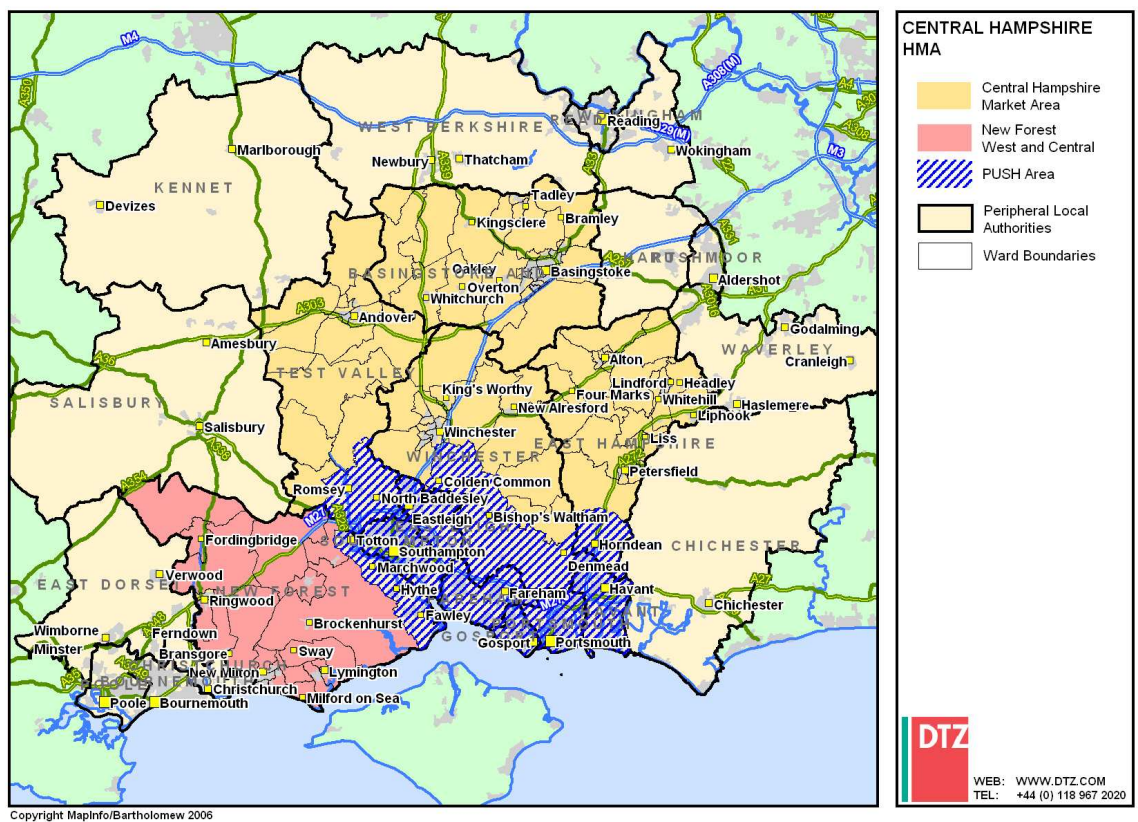


²This is consistent with the level of commuting to London from other authority areas on the periphery of the South East region

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- 1.07 Overall, urban area travel to work movements reveal reasons for a generally strong economic linkage between the different parts of the Central Hampshire sub-region, in contrast to household movements.
- 1.08 The Central Hampshire area appears to function as an area with a number of localised housing markets. In the northern part of Central Hampshire there are a number of localised but interconnected housing markets operating, with Andover, Basingstoke, and Winchester forming the sub-region's key nuclei. This pattern reflects the geography of Central Hampshire and the dispersal of its principal settlements across a relatively large area. By way of contrast the settlements in the southern fringes of Test Valley (Romsey, North Baddesley and Nursling and Rownhams) quite clearly relate to the urban parts of South Hampshire in both labour market and housing market terms. Both market areas are shown in Figure 3.
- 1.09 It is clear that the Central Hampshire labour market is more integrated than the housing market, which suggests that people make decisions about which settlement they wish to live in, and a high proportion will continue to live there, but there is much more flexibility in where people choose to work.³ This particular aspect of the life/work balance is made possible in Central Hampshire by the existence of good road and rail links, and a relatively low density of population.

Figure 3: Central Hampshire Area



³This is supported by the research conclusions of the Countryside Agency's (2004) 'The Role of Rural Settlements as Service Centres' – carried out as background work to the designation of the South Downs National Park

Demographic Drivers of the Housing Market

- 1.10 The current population of the Central Hampshire market area is estimated to be 393,000 (2005), around 5% of the population of the South East. Since 1981 the population of Central Hampshire (+19%) has grown much more significantly than the growth in population in the South East as a whole (+13%), which in turn has grown much more rapidly than in England as a whole (+8%). Test Valley Borough has a current population of around 112,300 (2005), which accounts for 1.4% of the South East's population and has grown by around 22% since 1981. This was the fastest growth rate of all the Central Hampshire districts (average of 19% growth) and far outstrips the growth of South Hampshire and the South East as a whole over the same period.
- 1.11 The age structure of the population influences the level, type and tenure of housing that is required. For example, a population that is younger tends to be more mobile and has accumulated less in the way of housing equity and savings. Younger households therefore have more difficulty in becoming home owners, and their mobility means that they are less inclined to buy. Areas with a larger population of people in their 20s therefore typically have a relatively large stock of private rented accommodation. Conversely areas with an older age profile often have high levels of owner occupation, but may have a relatively greater need to consider how best to meet the housing and health needs of older people.
- 1.12 Figure 4 sets out the current⁴ age structure of the population in Test Valley and shows how this contrasts between the parts of the Borough in Central Hampshire and South Hampshire. Figure 4 shows that the population has a relatively younger bias compared to the South East and England (and to the other authorities in Central Hampshire) with higher proportions of children (aged 0-14), particularly within Andover town and high proportions in the 25-44 age group (younger families).

Figure 4: Age Structure of Test Valley's Population (2001)

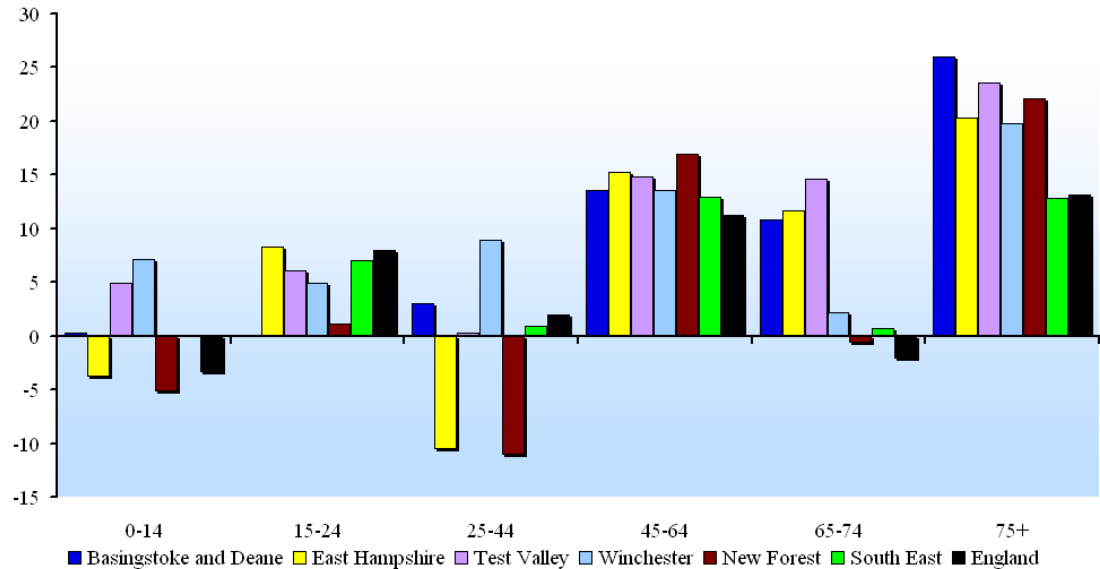
	0-14	15-24	25-44	45-64	65-74	75+
Test Valley Borough	20%	10%	29%	26%	8%	7%
<i>Part in South Hampshire</i>	20%	10%	29%	27%	8%	7%
<i>Part in Central Hampshire</i>	20%	10%	30%	25%	8%	7%
<i>Andover Urban Area</i>	21%	11%	32%	22%	7%	7%
South East	18%	12%	28%	25%	8%	8%
England	18%	13%	29%	24%	8%	8%

Census 2001

- 1.13 Figure 5 shows the percentage growth in population in the study area over the period 1981-2005. The population of Test Valley grew by around 20,000 people over this period which the greatest proportion of growth in the oldest age groups. This pattern is reflected across Central Hampshire and South Hampshire. However, unlike many of the other Central Hampshire Districts, Test Valley has experienced growth in the younger age groups (0-14 and 15-24) as well.

⁴Data from 2001 Census has been used here because it allows data to be disaggregated to smaller areas. However, 2005 Mid Year Population Estimates (only available at the local authority level) are consistent with the figures for Test Valley in 2001

Figure 5: Population Age Change 1995-2005 (%)



1.14 The ageing population is a national phenomenon. The growth in the 45-64 age group is a consequence of the baby boom of the 1950s, and the growth in the population aged 75+ is a consequence of increasing longevity. The rapid percentage growth in population of people aged over 75 and in the 65-74 age group is markedly higher in Test Valley than in the South East as a whole and in England. Test Valley is experiencing significant growth in the population aged 45-64 – but this is much more in line with regional and national trends.

1.15 Migration patterns also impact on the age structure of the population over time. Figure 6 suggests that within all districts there are inward movements of couples with children (family households) and to a lesser extent, net inward migration of pensioner households. There is also some net out-migration of one-person households (non-pensioner households) from Test Valley and this may reflect the draw of adjacent towns such as Basingstoke and Southampton as employment locations attracting young and single professionals.

Figure 6: Net Migration Figures (Whole Districts)

	Winchester	Basingstoke & Deane	East Hampshire	Test Valley	New Forest
One Person (excluding pensioner)	-129	148	-109	-63	-124
One Person Pensioner	46	-9	46	18	55
Pensioner Couples	8	-31	-3	10	78
Couples without children	-25	7	78	67	215
Couples with children	157	130	215	109	214
Lone parent households	-7	-15	-5	35	-3

Source: 2001 Census

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- 1.16 The total number of households in Central Hampshire increased by 13% in the period 1991 to 2001. This level of growth is in line with the South East average. Higher levels of growth occurred in Test Valley which grew by 16% (6,100 households) over the period.
- 1.17 Hampshire County Council forecasts anticipated growth of around 8,700 (440 households each year) over the next 20 years in Test Valley. The recommended increase in dwelling provision to 480 per annum contained in the draft South East Planning Panel Report would have implications for future household formation in Test Valley. The proposed additional dwellings would imply an increased level of household growth over the period.
- 1.18 At present, couple households with or without children account for the most significant household groups in Test Valley and the Central Hampshire market area. This is also true for the South Hampshire housing market although changes in the composition of households in all areas is expected over the next 20 years. An estimate of the profile of households in 2026 is provided in Figure 7⁵. It is important to keep in mind that these projections are based on past trends continued forward.

Figure 7: Household Projections by Household Type, 2001-2026

	<i>Part in Central Hampshire</i>	<i>Part in South Hampshire</i>	<i>Andover Urban Area</i>	Test Valley Borough		Test Valley Borough %	
	2001	2001	2001	2001	2026	2001	2026
Total	100%	100%	100%	44,200	54,900	100%	100%
One person-pensioner	14%	14%	14%	5,700	10,200	14%	18%
One person-other	11%	11%	12%	5,100	9,200	11%	16%
Pensioner Couples	10%	10%	9%	4,200	4,400	10%	8%
Couple Households Without Children	23%	21%	21%	10,000	10,300	22%	18%
Couple Households-With Dependent Children	24%	26%	25%	11,000	11,400	25%	21%
Couple Households-All Children Non Dependent	7%	7%	6%	3,000	3,100	7%	6%
Lone Parent Households- with dependent children	5%	4%	6%	1,500	1,600	5%	5%
Lone Parent Households- all children non dependent	2%	2%	3%	800	900	2%	2%
Other households-with dependent children	2%	1%	1%	900	1,200	2%	2%
Other households-all student	0	0	0	0	0	0%	0%
Other households-all pensioner	0	0	0	300	300	1%	1%
Other households-other	2%	2%	2%	1,700	2,200	3%	4%

Source: DTZ/Hampshire County Council * Figures may not sum due to rounding

⁵We have produced these for the Borough as a whole, based on household projections which are only available at the local authority level though we also show the current profile of households for Andover and the part of the Borough in South Hampshire and Central Hampshire, based on ward level data

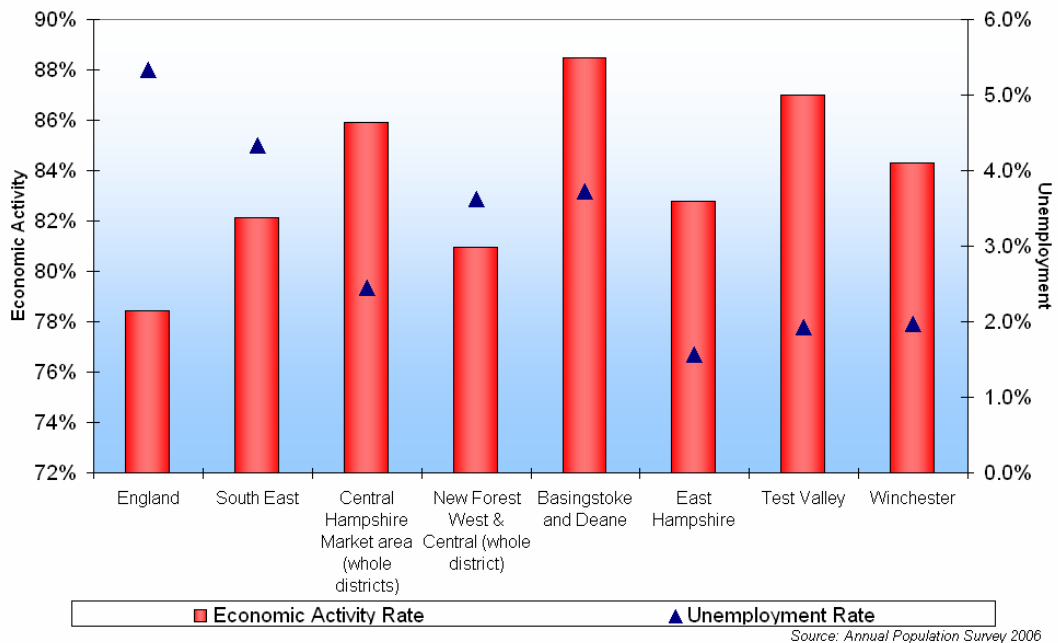
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- 1.19 Growth in numbers of households across Test Valley and Central Hampshire as a whole will be driven by large increases in the numbers of single person households and moderate growth in the numbers of multi-person households (households of unrelated individuals sharing a dwelling). Proportionately, in 2026, Figure 7 shows that family type households are expected to comprise a smaller proportion of the overall household population although they will remain a significant group.
- 1.20 It is also worth noting that a significant proportion of the single person households will be elderly. Around half of the growth in single person households is accounted for by elderly households and is the result of an ageing population. This is true for most authority areas and is consistent with trends at the national and regional level.
- 1.21 In terms of policy implications, DTZ would counsel considerable caution in interpreting the anticipated growth in single person households (projected in Figure 7) as implying a requirement for the bulk of new private sector housing provision to take the form of small homes. There can be no presumption that growth in small households implies that these households can only afford to purchase small dwellings and trends in the way people work, increasingly from home, are likely to place different demands for space on homes in the future. Some of the growth in single households will be the result of the ageing population and older households are likely to 'under-occupy' larger properties for a long period of time.

Economic Drivers of the Housing Market

- 1.22 Economic development of an area is of equal importance in driving change in housing markets, especially due to its effect on migration. While there is an obvious and established link between economic development and the requirement for housing, the type of housing provided within an area can also often play a role in supporting economic development and regeneration objectives.
- 1.23 Employment and job growth are important drivers of the demand for housing. In 2005 some 203,600 people were employed (working) in the Central Hampshire market area, which represents 5.4% of the people employed in the South East. The total was around 54,000 in Test Valley, 1.4% of the South East total (consistent with the Borough's share of the South East population). This is in contrast to South Hampshire, which as a sub-region, has historically underperformed economically relative to the size of its population.
- 1.24 Over the period 1995-2005, the number of jobs in the Central Hampshire market area has grown by a third (33%). This compares with growth in employment of 17% in England and 23% in the South East as a whole. Employment growth in Test Valley was 28% (12,000 jobs) growth over this period.
- 1.25 The economic activity rate in Test Valley at 87% is higher than the South East average (82%) and the Borough contains a large number of areas with a relative density of economically active people. Areas of particularly high economic activity exist in and around the Romsey area and Andover. Test Valley has very low unemployment rate (1.9%) – a level commonly regarded as full employment and lower than Central Hampshire as a whole (2.4%), the South East (4.3%) and England (5.3%) (see Figure 8).

Figure 8: Economic Activity Rate and Unemployment Rate, Working Age Population, 2006 (Whole Districts)



- 1.26 However whilst total GVA growth from 1989-2005 (economic output) in the Central Hampshire market area was broadly in line with regional growth, Test Valley experienced significantly lower GVA growth than experienced nationally or regionally. This suggests that although Test Valley has increased employment at a faster rate, this has not been matched by improvements in productivity, which is likely to partly reflect the under-representation of the higher value jobs in the Banking, Finance and Insurance sector, in contrast to Central Hampshire as a whole.
- 1.27 DTZ generally do not consider it sensible to make projections or forecasts further than 5 years forward since it becomes increasingly tenuous to predict what the future might hold based on the relationships and trends of the past. This point underlines the importance of reviewing projections and forecasts – the new planning framework has also been designed with this need for flexibility in mind. However, should past trends continue the economic output of Test Valley would grow at a significantly lower rate than experienced nationally.
- 1.28 The degree to which the need for labour can be satisfied is in part linked to the provision of new dwellings within the market area. The alternative to this is to seek to push activity rates still higher, which is likely to be difficult in Test Valley, or to draw more people of retirement age into the labour market. Historically, Test Valley had some capacity to increase job growth by drawing surplus (unemployed) labour resources into the economy. However, in the future (given activity rates are already high and unemployment low), employment growth may become increasingly reliant upon either greater in-commuting or in-migration. However, adjacent areas also have low unemployment which may imply longer distance migration or in-commuting and explains the recent trends in migrant workers arriving from the EU Accession States. Test Valley currently has around 600 migrant workers currently living in the Borough.

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- 1.29 The Central Hampshire market area has a higher proportion of people that commute over 10km to work than regionally and nationally. This indicates that more people seek employment further away from where they live. Good road and rail links to and from Southampton through Central Hampshire to the Blackwater Valley and London are all likely to encourage longer distance commuting. Drawing labour into the area from increasingly further a field is likely to entail even greater long distance commuting and would add to congestion on transport networks. This is not attractive in terms of sustainable development and underlines the relationship between future economic development within the Central Hampshire area and plans for housing provision.
- 1.30 However, in 2001 11% of all those in work, worked at home or from home in the Central Hampshire which is slightly higher than the regional (10%) and national (9%) averages. With growth in service sector employment and significant advances in Information and Communications Technology since 2001, the numbers of full or part time home workers may have increased significantly. Such trends have implications for the housing market in terms of demand for working space at home, and by allowing people to live progressively further from their place of work.

Test Valley's Housing Stock and Completions

- 1.31 The stock of housing in an area impacts on housing market outcomes for example by attracting certain types of in-migrants and/or impacting on the affordability of housing. Test Valley has a high proportion (40%) of detached homes compared to the South East and even compared to Central Hampshire as a whole and is likely to reflect the stock in the rural parts of the Borough which tends to be larger. The part of the Borough in South Hampshire has an even stronger bias towards detached homes, although in the south of the Borough, this complements the smaller stock of homes, including flats, in other parts of the South Hampshire market area (see Figure 9). Andover has a bias towards terraced homes (due to London overspill and similar to Basingstoke and other urban area) and relatively lower proportions of detached and semi-detached dwellings.

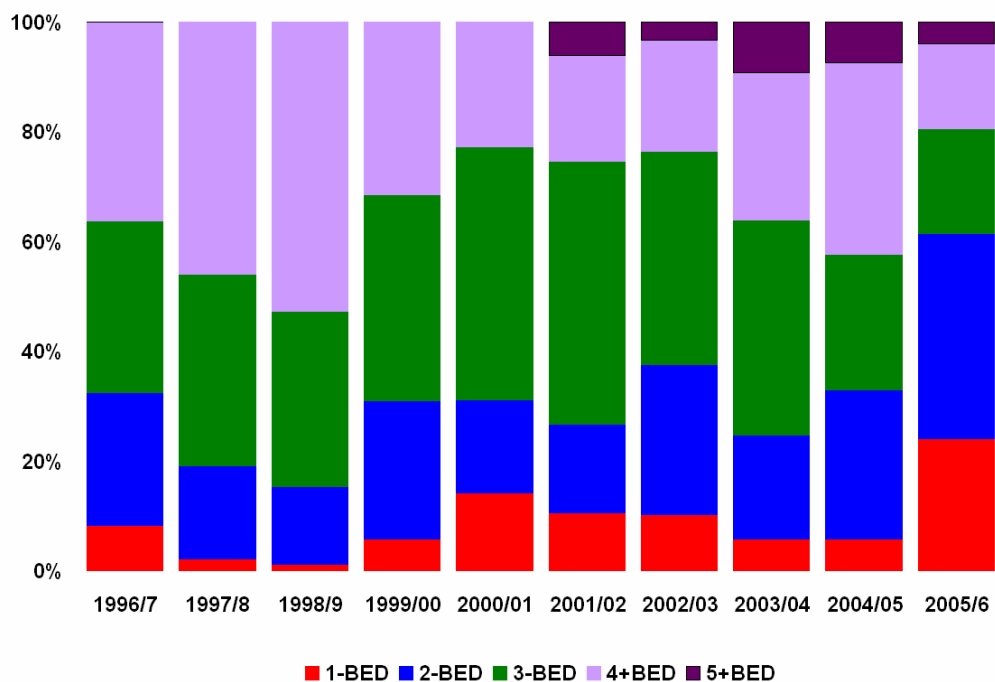
Figure 9: Housing Stock by Type 2001

	Detached	Semi-detached	Terraced	Flat/maisonette/apartment	Caravan/other mobile/temporary structure
Test Valley	40%	26%	23%	11%	1%
<i>Part in Central Hampshire</i>	40%	26%	23%	11%	1%
<i>Part in South Hampshire</i>	44%	24%	22%	10%	1%
<i>Andover Urban Area</i>	26%	26%	33%	15%	0%
Central Hampshire market area	36%	26%	25%	13%	1%
South Hampshire market area (Western Pole)	28%	28%	21%	22%	1%
South East	29%	29%	23%	18%	1%
England	23%	32%	26%	19%	0%

Census 2001

- 1.32 In Test Valley, there has been growth since 2000/01 in the completions of 1 bedroom and 2 bedroom dwellings, matched by a decline in 3 bedroom dwellings although interestingly, there has also been an increase in the proportion of 4/5 bedroom homes over the same period (see Figure 10). To some extent the increase in small dwellings completed is likely to have been driven by declining affordability, which has meant that households have delayed purchasing properties, which, in turn, has created additional demand for private rented dwellings and, in turn, facilitated the growth of the Buy-to-Let market. The emphasis in planning policies on delivering development within town centres on brownfield and at higher densities has supported and reinforced this pattern. A further factor that has led to the growing emphasis on provision of flats and smaller units is the price of land by assuming some local authorities are not averse to approving high-density developments.
- 1.33 The influence of the buy to let investment market on the type and size mix of new completions is a source of concern given that the longer term implications are uncertain. The BTL phenomenon has enabled the growth of the private rented market and at present rents remain robust (in part this may be supported by recent Eastern European in-migration). Private renters express different preferences to buyers since renting is almost always viewed as a temporary housing solution.
- 1.34 However, the pattern of completions shown in Figure 10 suggests that Test Valley has managed to deliver a mix of dwelling sizes, which probably reflects the type of sites that have been delivered and, assuming this continues, is likely to reduce the risk of a housing market downturn on continued housing delivery in the Borough.

Figure 10: Size of Completions in Test Valley 1996-2006

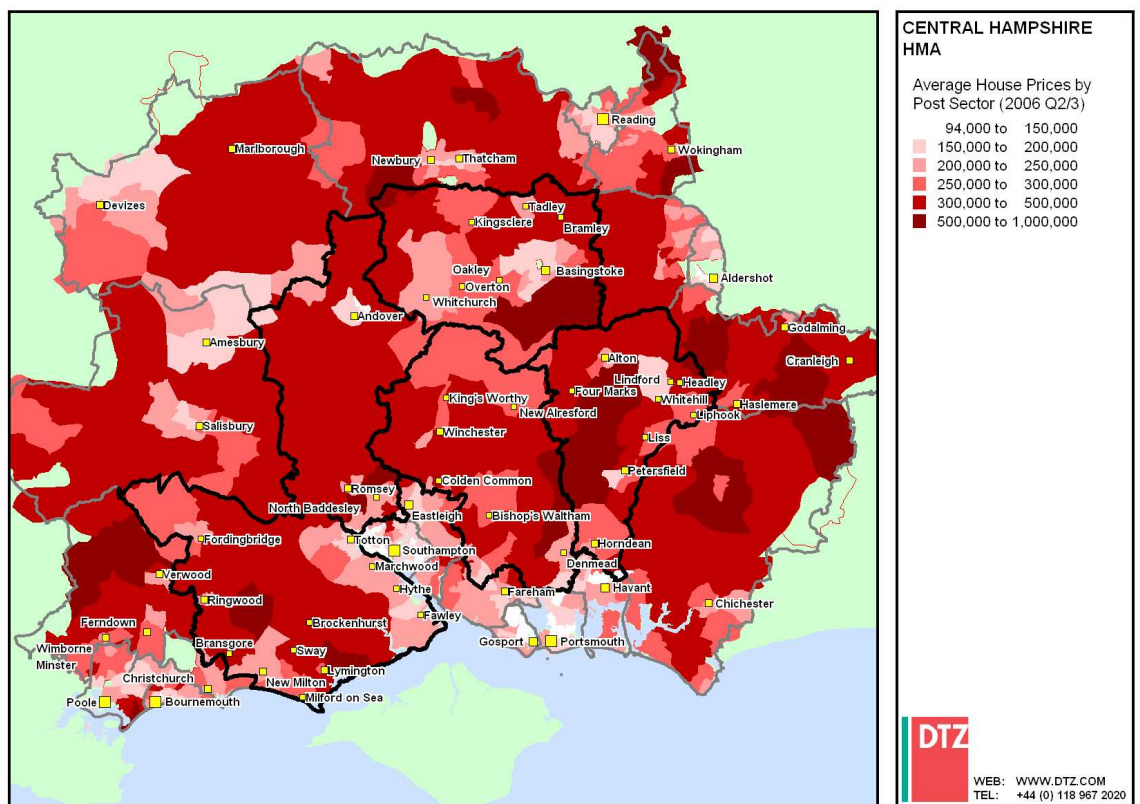


Source: Hampshire County Council

Housing Market Outcomes

- 1.35 The housing market works well for the majority of people within the Borough. However, there is a significant and growing proportion of households who are priced out of the market, with implications for future housing, planning and economic development policies.
- 1.36 Average house prices in Test Valley are around £263,000 (2006), a figure which is slightly lower than the Central Hampshire Market Area (£266,000) but above that of the South East (£244,000) and those at the national level (£208,000).

Figure 11: Average House Prices by Post Sector, Q2/3 2006



- 1.37 There are pockets of low price postcodes centred in and around the major urban settlements in the market area. Basingstoke, Bordon and Andover all have pockets with an overall average price of £94,000 to £177,000. This may be partly explained by the concentration of smaller dwelling types that are generally found in urban areas compared to the generally larger dwelling types in rural areas, but will also reflect market assessment of the perceived attractiveness and quality of life in different locations.
- 1.38 Average house prices have increased by almost 200% in Test Valley over the last 10 years which is less than experienced in all other Central Hampshire District other than New Forest. In Test Valley the percentage price increase for flats/maisonettes was 226% over the same period, consistent with rises in the Central Hampshire market area for flats (230% since 1995 compared with an increase in overall prices of 184%). This trend is likely to indicate the impact of the development and sale of significant volumes of new flats in

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recent years (with sales of new flats having a significant price premium on the sale of the second hand stock).

1.39 In the period 2002 to 2006⁶, affordability has worsened in Test Valley and currently, lower quartile house prices are around 9 times lower quartile earnings. Households within Test Valley have lower mean household incomes (£38,600) than Central Hampshire as a whole (£39,800). Relatively higher house prices in Test Valley mean that a comparatively higher proportion of new households are unable to access owner-occupation than in the other Districts within Central Hampshire. Average key worker earnings are also less than the income required to purchase a home in the Borough. In Test Valley an average key worker salary is only 57% of the income needed to purchase a home (51% in Central Hampshire, 56% in the South East as a whole and 75% in England).

Figure 12: Number and Proportion of Households Unable to Purchase (Whole Districts)

	Lower Quartile House Price (2006)	Household income needed to purchase	% of households unable to purchase	Number of households unable to purchase
Test Valley	£153,000	£40,000	62%	29,000
Central Hampshire Market Area	£162,000	£42,000	60%	98,000
Winchester	£192,000	£50,000	74%	34,000
Basingstoke & Deane	£148,000	£39,000	51%	33,000
East Hampshire	£170,000	£45,000	60%	27,000
New Forest	£165,000	£43,000	69%	53,000
South East	£148,000	£39,000	56%	1,841,000

Source: CACI, CML, CLG

1.40 The income threshold required to purchase houses at the lower quartile level in Test Valley is around £40,000 and in Central Hampshire is just over £42,000. As shown by Figure 12, 62% of households in Test Valley (60% in Central Hampshire as a whole) have an income below this threshold, and are therefore unable to afford to purchase a dwelling at current price. Although most households are already adequately housed, this measure can be used as a proxy for the ability of new households to afford to buy. Although it is also worth noting that the incomes of newly forming households are generally lower than the population as a whole.

1.41 In general the pattern of rental affordability reflects the pattern of purchase affordability, with the areas that are least affordable in terms of purchase also being the least affordable in terms of market renting. However, it remains relatively expensive to rent within Test Valley. An income of around £27,000 is required to rent a 2 bed property in Test Valley, assuming households spend 25% of their gross income on rent.

⁶This is the longest time series for which Earnings data is currently available through the Annual Survey of Hours and Earnings

Housing Need

- 1.42 In the context of house prices and affordability within Test Valley and Central Hampshire it is inevitable that a proportion of households find themselves unable to access housing in the open market. Estimating the number of households in housing need is therefore a key element in understanding the housing market.
- 1.43 The figures arising from the housing need assessment are not directly comparable to those produced using the more traditional household survey approach and so these figures should not be used to demonstrate a decline or increase in housing need over time by comparing them to previous surveys.
- 1.44 Around 15,000 households have current housing applications registered with a local authority within Central Hampshire (3,600 in Test Valley) of which around 9,700 in Central Hampshire (2,290 in Test Valley) fall within the definition of housing need set out in the CLG guidance and their needs are unlikely to be met within the market⁷. We have not assessed whether households are currently *in need* as part of the housing need assessment unless they are registered on one of the authority's waiting lists.
- 1.45 Further need for affordable housing will arise in the future as new households form and some existing households fall into need. We estimate that around 400 households in Test Valley could fall into need each year, based on household projections, the incomes of new households (and current affordability levels) and net numbers of households joining waiting lists each year.
- 1.46 The annual supply of affordable housing across the Central Hampshire area and in Test Valley itself through re-lets is equivalent to around 6% of total stock in the social rented sector. Along with new supply from affordable completions, this provides 580 dwellings in Test Valley which can be offset against the level of housing need.

Figure 13: Need for Additional Social Rented Homes

	Estimated Range Based on Waiting Lists	
	Minimum	High
Current Need (per annum) assuming backlog is met over 5 years	460	720
<i>Plus</i>		
Newly Arising Need (per annum)	400	480
<i>Minus</i>		
Supply per annum including future completion over next 5 years	580	630
<i>Equals</i>		
Shortfall (per annum)	280	570
Shortfall per annum (excluding new completion over next 5 years)	380	670

⁷The figures for the number of households in need exclude applicant households who are not resident within the local authority (or without a strong local connection) to avoid double counting of households across the 5 authorities.

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- 1.47 The level of housing need therefore exceeds what will be delivered by way of new affordable housing each year. In Test Valley the minimum estimate of housing need suggests that there is a need for around 280 affordable (social rented) homes each year on top of what is planned by way of new completions of social rented homes in the Borough over the next 5 years (see Figure 13). The figure is 380 when future completions are taken out of the calculation.
- 1.48 DTZ consider that it is useful to produce a range for the level of housing need given that any assessment of housing need is an estimate and based on a number of assumptions. The minimum estimate in Figure 13 underestimates the level of housing need because we have excluded from the calculation of current need any households that could not be identified as having an element of housing need.
- 1.49 It is also possible to illustrate the existence of housing need, beyond those households registered with each local authority by considering the circumstances of households who have expressed an interest in intermediate housing options. A significant number (440 households) are interested in intermediate housing in Test Valley but do not have sufficient income to access the private rented sector (and most intermediate options) but are not registered on any of the local authority waiting lists. These households may need to access social rented accommodation but are not included in our estimates of housing need.
- 1.50 Even the minimum figures in this range of housing need equate to over 60% of the total housing provision planned in the Borough. In reality, social rented completions are, at best, likely to account for one third of all completions (assuming 25-35% social renting on all development sites).
- 1.51 In terms of the size of social rented homes, the majority of households registered require a one bedroom home. However, the requirement of those in need differs. The pattern of registered households shows that 1 and 2 bedroom properties are rented most frequently. In Test Valley there is significant pressure on the 2 and 3 bedroom stock (as well as 1 bedroom properties which is common across the authorities).
- 1.52 In addition to the need for affordable (social rented) homes identified in Figure 13, around 3,000 households in Central Hampshire (over 1,000 in Test Valley) have expressed an interest in intermediate housing options. These households have actively signed up with Swaythling (the Zone Agent for Hampshire) although there is also a much wider population of households who fall into the intermediate market, based on their incomes. The majority of households would prefer two bedrooms, with around one third preferring a 3 bedroom home.
- 1.53 There is limited overlap between those interested in intermediate housing and those on local authority housing registers (10% of households interested in intermediate housing are registered on waiting lists) although this does suggest there is some scope to encourage mobility between the social rented and intermediate sectors and free up much needed social rented accommodation.
- 1.54 On the whole, 55% of those interested (610 households in Test Valley) would be able to afford intermediate options on the basis of their incomes which suggests that these products should form part of the Council's affordable housing policy. However, although households who could afford intermediate options have constrained choices in the housing market they do have other choices – including the private rented sector and in some cases

the open market so there is a need to carefully consider how intermediate products are targeted.

Implications for Policy

1.55 Across Test Valley, including Andover town and the southern part of the Borough that relates to the South Hampshire market, the following themes are relevant and also relate to the key requirements of PPS3 and Government's housing policy:

- The need for affordable housing
- Influencing the housing mix (type and size of market and affordable homes)
- Ensuring the delivery of housing provision

Affordable Homes

1.56 The assessment of housing need demonstrates that there is a need to maximise the delivery of affordable housing within Test Valley. This raises two questions:

- How far can the authority maximise the provision of affordable housing through new development?
- How can the authority make the best use of affordable housing as a scarce resource (in terms of both the use of the existing stock and new supply)?

1.57 How far Test Valley can secure new affordable housing through new development will vary according to the following factors, which are likely to vary across the Borough:

- Development economics and the health of the housing market
- Availability of grant
- The level of housing growth achieved (and the distribution between South and Central Hampshire areas of the District)
- The site specific and neighbourhood context

1.58 It is relevant to consider that a 40% affordable housing quota has been proposed and is likely to be adopted across the PUSH sub-region. DTZ recommend that the authorities aim to secure 40% affordable housing from new development, across the area. It would be appropriate, and may be possible, to achieve a higher level (up to 50%) in settlements of less than 3,000 people and in rural areas where development economics may be more robust.⁸ Given the scale of development likely in these locations the authorities may be less reliant on new housing to deliver their overall numbers and therefore have relatively more leverage over the nature of development.

⁸Exception sites in rural areas capable of delivering 100% affordable housing is also a tool that should be used, where achievable

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- 1.59 Given the level of need in relation to the amount of affordable housing that is available and is likely to be delivered in the future, the authorities are likely to want to prioritise in terms of the type of affordable housing secured and this is likely to mean securing social rented accommodation first. Within the quota of affordable housing, DTZ suggest that not more than 25% of all new housing is delivered as social rented accommodation on large developments (where new communities are effectively being created) or in neighbourhoods with existing concentrations of social and private renting. DTZ suggest that the authorities use the balance between social rented and intermediate housing within the affordable housing quota to provide flexibility in negotiations with developers and over the plan period when the market changes.
- 1.60 In Test Valley, securing the quota of affordable housing set out in plans has by and large been achieved, but the key constraint in the delivery of additional affordable housing, under current planned targets, is that many development sites have fallen below affordable housing thresholds and have therefore not provided affordable housing. This means that, overall, the proportion of affordable housing secured through new development has been less than optimal – in 2005/06 affordable housing accounted for 28% of completions in Test Valley (of the 374 new homes delivered, 103 were affordable). The fact that small sites make up a significant proportion of new housing development (outside of Andover and Romsey) means that the opportunity to secure affordable housing is far from optimal.
- 1.61 Ideally, the authorities could adopt a principle of securing affordable housing on all sites, regardless of the size of the development. However, how far the authorities are able to remove affordable housing thresholds depends on whether the benefits to them (and to the delivery of affordable housing) of being involved in negotiations on small sites outweighs the cost and the viability of sites.
- 1.62 Test Valley need to consider the type and size of sites that they allocate or identify for development in the future. Whilst the effect of thresholds may be difficult to avoid on windfall sites, it should be possible to ensure that future allocations are of sufficient size to ensure that they deliver affordable housing. Indeed, it would be a good objective to ensure that there are a sufficient number of larger sites allocated for development to deliver affordable housing targets without the need to rely on the small sites. This is likely to be more challenging in villages where development sites may be smaller in scale. However, if this can be achieved it may reduce the 'effort' required to secure affordable housing by making the task more manageable through focusing resources on fewer sites and reducing the number of sites specific negotiations⁹.
- 1.63 In an ideal world, it would be possible to meet housing need and demand where it arises. A situation where households had free choice on where they wanted to live ought to deliver better social outcomes for them and their communities. But in the context of a shortfall of housing (market and affordable), constrained supply as a result of limited resources and environmental and infrastructure limitations, the location of new development is always likely to be a compromise. This is part of the justification for thinking in terms of housing market areas rather than administrative boundaries. Housing market areas broadly represent the area that households are prepared to move within to access housing. By implication, housing provided within a market area should serve the demands and needs of households within that area.

⁹Test Valley Borough Council have commissioned an assessment of viability to advise on these issues

- 1.64 However, evidence demonstrates that mobility and choices in relation to housing are more limited amongst social rented tenants¹⁰ and those on lower incomes so this needs to be borne in mind in the location of new affordable homes.
- 1.65 The housing register in Test Valley provides an indication of the preferences that applicant households have in terms of where they want to live. There is housing need in all of localities¹¹ as indicated by the preferences expressed by applicant households. However, the highest preferences are for the main settlements and in Andover itself. However, the ‘preferences’ or ‘choices’ that applicants have indicated in their applications can be misleading because they are likely to reflect the households’ assessment of the likelihood of being housed which in turn reflects the availability of re-lets and stock of existing social rented accommodation (and there are relatively high concentrations of social rented housing within Andover). However, there are a significant number of households in rural parishes on Test Valley’s housing register – often households living in tied accommodation who need to move.
- 1.66 Analysis of intermediate households suggest that intermediate housing products should form part of the Borough’s affordable housing policies. It is hard to say how significant an element it should play since the affordability of intermediate products varies with market conditions and interest rates; funding opportunities come and go; and there remains a generally poor understanding of intermediate housing products amongst consumers – which is not helped by the variety of initiatives and different products launched, each with different eligibility criteria and characteristics.
- 1.67 However, there is significant interest building up in Central Hampshire and give evidence on house prices and incomes in Test Valley there is a significant potential market. Whilst this is a useful indication of the scale of the market, it would also be useful to inform the level of intermediate housing by the rate of take up of different types of products locally. DTZ suggest that intermediate housing makes up around 15% of new housing provision (or that it makes up the balance of affordable housing provision depending on the level of social rented accommodation secured). The proportion of intermediate housing might be higher on developments that deliver less social rented accommodation for reasons of site viability or local circumstances and could be informed by take up rates.

Influencing Housing Mix

- 1.68 The size of new affordable homes secured through new development needs to be based on an understanding of housing need and affordable housing strategy that goes beyond a simple assessment of the size requirements of households on local authority housing waiting and transfer lists. There are a number of pieces of evidence that need to inform affordable housing size requirements.
- 1.69 The housing need assessment indicates the need for a range of different sized homes given the size of dwellings required by households in need and the pattern of re-lets across Test Valley. There is significant pressure on 1 bedroom properties but this must be viewed in the context of a shortage of affordable housing overall and allocation policies which limit

¹⁰Survey of English Housing (2005/06) demonstrates that, nationally, 72% of social rented tenants move less than 5 miles when moving home, compared to 54% of owner occupiers and 50% of private renters. Only 15% of social rented tenants move more than 10 miles compared to 29% of owner occupiers and 28% of private renters.

¹¹Locational preferences of households on waiting and transfer lists

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households to accessing the minimum amount of space to which they are entitled. Therefore there are a large number of households who are only entitled to 1 bedroom and effectively competing for the same properties.

- 1.70 However, there is also pressure on larger (particularly 2 and 3 bed) homes in Test Valley. It is beyond the scope of this study but the authority may wish to consider how targeted provision of certain sizes or types of affordable dwellings could help to create a chain of lettings and thus maximise the number of households re-housed through the provision of new affordable dwellings.
- 1.71 DTZ suggest that, as far as possible, Test Valley Borough Council avoid enshrining a prescriptive size mix within local development documents. Rather, they set out a process or set of criteria, in a Local Development Document, for informing the appropriate mix on sites or at a particular point in time. This could be linked to aspirations in the Local Housing Strategy or regular monitoring included in Annual Monitoring Reports – both of which can be updated more regularly than LDF documents.
- 1.72 One of the key policies in the new PPS3 is concerned with achieving a mix of housing to support mixed communities. However, local authorities have limited policy levers available to them in order to influence the delivery of mixed communities (assuming such a community could be defined).
- 1.73 Discussions with stakeholders during the SHMA process have revealed that the meaning of a mixed community is difficult to define. What most stakeholders can agree on is what a mixed community is not. It is not a neighbourhood that is dominated by one particular tenure or income group. DTZ take the view that it is clearly important to avoid creating concentrations of disadvantage. It is also desirable to avoid neighbourhoods where everyone is of the same income and socio-economic group, though in practice this is what many homeowners would prefer and is characteristic of many neighbourhoods. It is also important to recognise that neighbourhoods have different characteristics and that this is important to providing a variety of choice in the housing market.
- 1.74 In relation to the mix of households, the evidence demonstrates that:
- Growth in one person households is expected in Test Valley and across both Central and South Hampshire markets but does not imply the need for the majority of market dwellings to be small units. The demand for market homes reflects a complex set of factors relating to household income and life stage rather than simply household size and evidence suggests new homes are often bought by those ‘trading up’ who often want more space
 - There is a relatively wide choice of types and sizes of dwellings in the Central Hampshire market area. However, there is relatively a high proportion of larger dwellings in Test Valley particularly the rural areas when compared to the South East as a whole but in the South of the District this compliments the stock in the urban part of South Hampshire. In Andover there is a bias towards smaller properties, particularly terraced dwellings
 - Recent completions in Test Valley have included a larger proportion of 1 and 2 bedroom homes (including town centre flats) in recent years though there have also been completions of large (4 and 5 bedroom properties) against the trends observed in the South East as a whole

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- Consultation with developers and some local agents suggest that a significant proportion, if not the majority, of flats within town centres are rented out to private tenants. Although the development of the private rented sector is generally regarded as positive in providing flexibility and choice, this has implications for the turnover of residents within these new developments since turnover within the private rented sector can be higher than in other tenures
 - Furthermore, continued provision of flats would have implications for the stock over time and prices of flats in Test Valley appeared to accelerate in 2006 (in contrast to the other District) which suggest that demand remains quite robust for these properties in the short term (perhaps because Test Valley has seen less flattened development than other areas)
 - There is evidence of pressure on all sizes of affordable dwellings in the authorities, including on the larger 3 bed dwellings in Test Valley, partly because of lower turnover of larger homes in the social rented sector.
 - Data on the type and size of completions by RSLs since 2001 demonstrate that the vast majority of new dwellings developed are flats and around 70-80% are two bedroom or less. Thus the pattern of new completions is likely to limit what the authority can do about the pressure on larger dwellings within the social rented stock
- 1.75 Determining the appropriate mix of homes in the future is a highly imprecise science. It is therefore only possible (and appropriate) for the authorities to address serious imbalances in the dwelling stock through influencing the provision of new development.
- 1.76 In the rural areas of all of Test Valley it would be appropriate to encourage a proportion of smaller market dwellings as part of a mix to build in a wider choice of homes into the existing stock (which currently has a high proportion of large dwellings). However, on larger sites including the Andover MDA a broad mix is likely to be appropriate in order to appeal to a range of segments in the market. The southern wards of Test Valley also provide a complementary mix of housing within the South Hampshire market area, with relatively smaller and cheaper dwellings available in Southampton.
- 1.77 DTZ do not suggest that local authorities set targets for the type and size of market homes, but authorities have relatively strong levers to influence the pattern of completions in the open market through the type and size of sites allocated for new development. One means of encouraging a greater range of different types and sizes of homes to be developed is to consider allocating a variety of different types and sizes of housing land (in a similar way to that required in employment land allocations). This would also help to ensure that, were the market to change, there is the opportunity to deliver a different type of development. Test Valley need to ensure that a range of different sites are available to facilitate the delivery of a range of different dwellings across the district (and in both housing market area), and to provide the opportunity to deliver different types of dwellings at different times as market circumstances change. A sufficient supply of developable land and choice of sites would also ensure that the authorities have more leverage over the nature of development in the future.
- 1.78 Local authorities also have relatively strong influence over the design and density of new development and issues around the appropriate nature of development in terms of local character. National policy has generally encouraged higher densities, which has meant that, where competition for land is intense, developers have bid up the price of land by

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assuming that they will be permitted to deliver at higher densities in order to recoup the cost of the land. This in turn has favoured the development of lots of small units at higher densities on sites. This implies that Test Valley should give relatively high priority to developing policies or principles on design, particularly on significant sites or areas expected to accommodate the majority of new development – this may also go some way to managing developer expectations about the densities that could be achieved.

- 1.79 The population in all of the authority areas is ageing and the growth in households in the future is expected to be driven to some extent by the ageing population. The evidence suggests that older households require choice and quality options within the housing market, including options within mainstream housing (where most prefer to live) to take account of a variety of ages and circumstances
- 1.80 The design of neighbourhoods will be important, particularly with regard to access, mobility, services and activities on offer. This issue is common to all authorities and would merit further investigation by the Borough Council, perhaps working jointly with other authorities in Central and South Hampshire, in order to investigate different types of provision (market and affordable) and locations that will be attractive to older households in the future.
- 1.81 Other groups within the housing market (including BMEs, recent migrants and people on low incomes) appear to face issues in terms of their access to the market, particularly owner occupation rather than their need for specialised accommodation. The conclusions in relation to these groups are therefore related to affordability and the need for delivery of affordable housing. However, there are specific issues that need to be considered by the authorities. BME groups and recent migrants may not be aware of the choices available to them (reluctance to talk about their housing needs is often an issue). There may also be higher interest in intermediate tenures amongst BME households. Both of these points indicate the need to ensure that choices are communicated to specific groups
- 1.82 For recent migrants and households needing more flexible accommodation in particular, the private rented sector is an important tenure. Although the level of private renting in Test Valley has been historically lower than other tenures (11% of households) it is an increasingly important tenure, particularly in meeting the needs of those who are unable to access owner occupation. DTZ suggest Test Valley consider how their interventions could best support a quality private rented sector. There are a range of things to consider:
- The overlap and competition at the low end of the private rented sector, often housing people on housing benefit and recent migrants
 - Interventions at the low end of the private rented sector, including HMO licensing and working with landlords to ensure that dwellings meet certain standards
 - The overlap between households in the private rented sector and those that might access intermediate housing options and whether the growth of a higher quality and affordable private rented sector might be a better option than intermediate housing
 - The high end private rented sector, housing highly mobile workers who may prefer renting (or are renting accommodation for short periods of time or during the working week but live elsewhere), including corporate lets

- Working with developers and investors/ landlords to understand how new developments will be occupied and the implications this might have for some neighbourhoods

Securing Delivery

- 1.83 A fundamental requirement in achieving the level of affordable housing and a different mix of development is the delivery of new housing overall. Figure 14 sets out the proposed housing numbers in the South East Plan and, following the Panel Report, the Inspector's recommended housing numbers which would represent an increase for Test Valley, although the Panel did not specify whether this should be distributed to the part in South Hampshire or Central Hampshire. Given the robust demand identified in earlier sections of this report these numbers are unlikely to present a challenge in terms of delivery providing there are sufficient sites identified.
- 1.84 The southern parts of Test Valley, East Hampshire and Winchester Districts are included in the PUSH sub-region which has also been awarded Growth Point Status and has been allocated an initial £3.6 million to support work to ensure that the planned level of housing provision across the sub-region (around 80,000 new homes by 2026) can be delivered sustainably. However, for Test Valley, the majority of housing development is planned for the northern part of the District, which largely relates to the Central Hampshire market.
- 1.85 In all authorities, particularly Test Valley, there is a need to consider the location of available sites and the housing markets that new developments might serve, given the relationship with the South Hampshire housing markets as well as the Central Hampshire market and the market associated with Andover itself.

Figure 14: Proposed Housing Targets for Test Valley

District	Total 2006-2026	Annual Average (District)	Annual Average (Part in Central Hampshire)	Annual Average (Part in South Hampshire)	EIP Panel Recommendation
Test Valley Borough	8,910	440	240	200	480
South Hampshire Total	80,000	-	-	4,000	(distribution between markets not determined)
Central Hampshire Total	29,000	-	1,450	-	(distribution between markets not determined)

Source: Draft South East Plan (Regional Spatial Strategy) 2006-2026; Draft South East Plan Panel Report August 2007

- 1.86 In all authorities land supply is important to delivery. DPTZ suggest Test Valley aim to allocate, or identify as far as possible, a sufficient supply of land for the plan period, in line with PPS3. This would deliver a number of benefits, particularly in Andover where the authority are planning to bring forward a major development area:
- It would provide the authorities with greater leverage over the timing and nature of development by ensuring that they are not dependent on one site or any one developer

to deliver their housing targets or mix of housing and target levels of affordable housing

- It would provide flexibility for the market to switch to building something else if demand changes by bringing forward development in a different location on a different type of site – it is highly likely that the market will change during the plan period (if it has not done so already)
- It would provide scope to ensure that the sites allocated are capable of delivering affordable housing i.e. there are enough sites of sufficient size and less reliance on negotiations on very small sites to deliver affordable housing (given the difficulties associated with this as discussed earlier in the section)

1.87 Adherence to the new policies on land supply within PPS3 would achieve the benefits above, providing the sites allocated or identified are available and viable for development. A sufficient pipeline of land would allow authorities to bring forward land identified for a later date if required to meet their targets in the event of encountering difficulties with another site.