

## **Leicester and Leicestershire Strategic Housing Market Assessment** *Summary Findings – Core City area*

This element of the SHMA outputs gives brief summaries and key conclusions relevant for housing strategy and policy for the Core City Urban Area. The detailed evidence and analysis compiled for the SHMA which supports these is in the main report, appendices, and data.

### *City and Suburbs*

Like all cities the Leicester core urban area consists of a wide variety of household types in different socio-economic groups living in different types of home and tenures. Local authority boundaries cut across, and can distort and disguise, this pattern, but also reinforce some of its effects.

The core urban area can be seen as broadly a central city area, an inner ring, outer estates, suburban areas and some closely linked nearby satellite small towns and villages. Each plays a slightly different role within the wider housing market, best understood in overall terms by considering *lifestage* and *lifestyle*. All areas are of course mixed to different degrees, but there are general patterns

- The central city has more singles, young households, and recent in migrants.
- The inner ring has established Ethnic Minority communities on the east side, and more recently established couples, young family and older households on the west.
- The outer estates, now mixed tenure to varying degrees, are home mainly to working class families and communities.
- The suburbs attract better off households and families in particular, and some suburban submarkets and villages are at the most expensive end of the housing market.

This both reflects and influences housing choices, often shown by house prices differentials. The city tends to meet greater levels of demand and need for more affordable housing, while the suburbs carry less of this need, so that households move into the city to obtain housing, but when their resources increase many tend to move to the suburbs or villages. While this broad flow pattern now applies to many ethnic groups, including the well established large Asian communities, the inner city and outer estates tend to remain similar in socio-economic composition.

The net effect is one of gradually increasing polarisation by income and socio-economic classification, shown by many indicators such as deprivation, school performance, increased commuting and longer journeys to work. The market generally reinforces this process<sup>1</sup>, and can also add to housing market volatility as demand for some areas is higher and has pushed up prices in

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<sup>1</sup> Known as the 'Escalator model of migrations' ( Fielding , 1995)

them, while others areas fall behind in relative terms, or move into different tenure patterns with more transient renting.

All of this is generally well understood at one level by local authorities, but their strategies, policies and planning are not always strategically co-ordinated as much as they might be to help counter polarisation, stabilise the housing market system and improve how it functions.

Within this general pattern there are also specific issues.

#### *City centre renewal*

Considerable effort has been made to regenerate the city centre by fostering commercial and housing development. This has achieved striking improvements, but has also brought with it problems of some oversupply in provision of flats and student housing propelled by high levels of borrowing and Buy to Let, although not as much as many other cities.

Careful consideration of the lifestyle and lifestages demographic profile of the overall city shows that it is unlikely that there would be sufficient demand for the housing 'products' developed, and absorbing and resolving what has already been built could take many years. It may be necessary for local authorities to allocate thought and resources now to how to address the problems this will probably cause in the medium to long term.

A key misinterpretation appears to have been that more single person households means that more smaller accommodation will be required; but most of these are actually older and 'empty nesters' households, already often in family housing, who do not wish to move to small flats. Forward projections must be understood in terms of the lifestyle, lifestage and market choices of households, and the consequent demand for different types of housing.

#### *Outer housing estates*

Within the core urban area over 85% of local authority and housing association housing is in Leicester City compared to about 70% of all housing, because in most of the surrounding local authorities their social rented housing is in the county and larger towns. The larger city estates have seen many changes and improvements over time, including Right to Buy sales that have made them mixed tenure. Need for rented housing is high, but many estates have lower price levels and demand for properties in them that are now in the private sector.

Land ownership, lower land prices and less competition for development has meant relatively easier opportunities for social housing development in some of these areas, but they are where more affordable housing is strategically needed to help balance the market and reduce polarisation trends.

### *Affordable housing need across the range*

A clear finding from the SHMA is that there is a need for more affordable housing across a range of tenures and types, estimated at a shortfall of affordable supply of some 2,650 a year for the whole HMA, of which some 1,450, or just over half the total, is within the core urban area, and around 800 a year, or 60% of this, within the city administrative boundary. This means that the suburban and satellite areas should increase their proportion of affordable housing to meet the needs arising from within them to help reduce social polarisation.

Although a majority of affordable housing overall should be for social rent, a substantial proportion should be for intermediate housing for sale and rent, and the suburbs will usually require more of this due to their socio-economic profile and higher house prices.

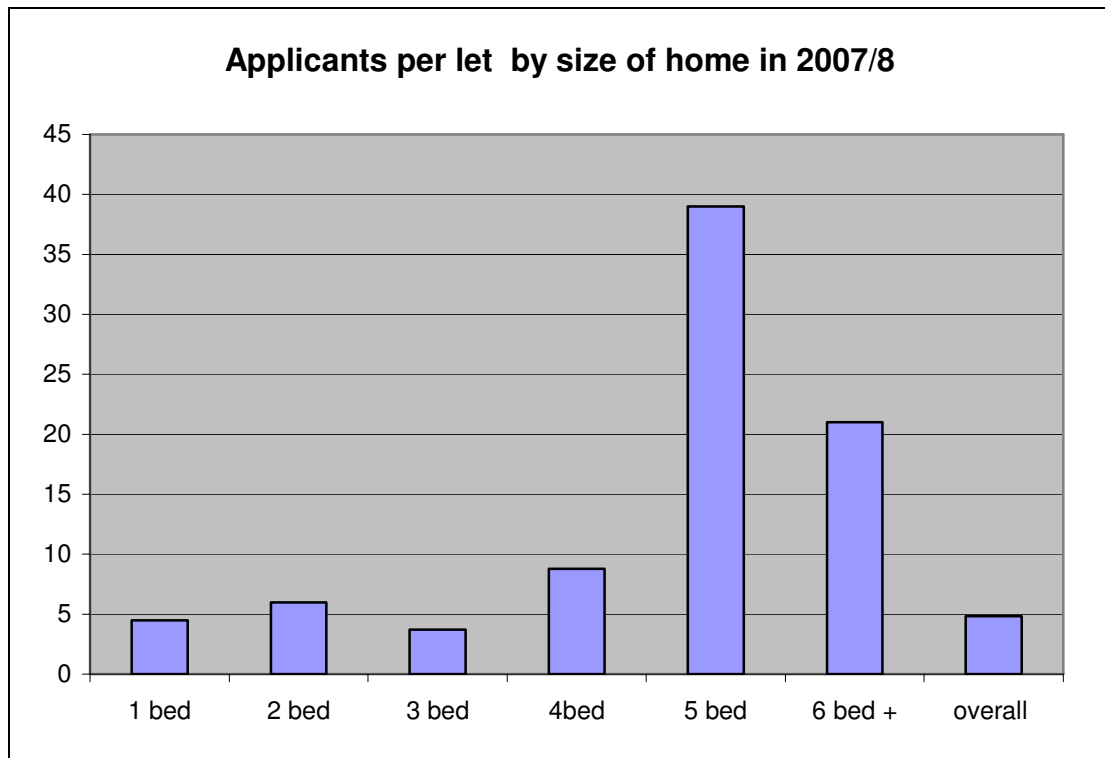
Overcrowding levels in the inner areas of terraced housing means that in the city need is currently most pressing for homes of four or more bedrooms in areas along the east side of the urban area. In the suburbs the need is for more entry level and upsizing family houses of three and some two bedrooms.

Leicester City provided full data from its housing register, from which a query gives the following accommodation sizes required, which represent the backlog need for affordable, mainly social rented, housing:-

Bedrooms requested	count of requests	%
bedsit	7	0.08%
1 bed	3835	45%
2 bed	2915	34%
3 bed	1292	15%
4bed	386	5%
5 bed	117	1.4%
6 bed	20	0.2%
7 bed	1	0.01%
Total	8573	100%

Source: Extract from LCC housing register October 2007. Total on housing register varies year on year

Some 6% of applicants on the housing register require 4 bedrooms or larger, but this data does not show their relative priority or current circumstances, or how this need may be met. Comparing the supply of lets of different sizes to the housing register need gives an indicator of the difficulty of meeting this need.



While there is a constant need for smaller units this is often for relatively short lifestages early in a typical housing career, and there will usually be steady turnover in these types of properties. Many smaller units have also been provided by the market, albeit often not of the most appropriate types, in the optimum locations, or at the right prices. In current circumstances further additional smaller units are not likely to be appropriate to meet need in many locations.

#### *Developing patterns of ethnic communities*

Leicester is a cosmopolitan city proud of its record on race relations, but different ethnic communities have become integrated into the wider housing market to various extents. Much of the large Asian community that originally arrived in the 1970s have housing preferences and are making choices in much the same way as other established communities, with areas perceived as more or less desirable, and so is following quite well established secondary migration patterns from the inner urban areas to the suburbs, mainly on the whole eastern side of the urban area.

So those that can afford it, - sometimes with enhanced purchasing power from extended families -, are acquiring living space and solving overcrowding by buying larger houses in the suburbs. Developers are targeting this market with products attractive to them where possible. While this could help ease overcrowding pressures in the inner areas, it will also lead to more polarisation along socio-economic and income lines in these communities, and the city losing more skilled and qualified population – who often then commute back to the city for work. To avoid this process the city needs a better ‘housing offer’ for these households in areas where they want to live, in reach of current communities but with improved space and quality.

### *Housing for families and downsizing empty nesters*

In other parts of the core urban area the key issue, as elsewhere, is one of housing that new households and young families can access and afford. This undoubtedly would be helped by improved supply of suitable housing overall, especially reasonably sized, moderately priced family housing.

However the extent of 'under-occupation', in the crude sense of having more bedrooms than might be considered strictly necessary, is also a major factor in this shortage of housing for young families – in essence older households who mainly bought, but also rented, family homes many years ago still remain in them when their offspring have grown up and left. This reduces the supply of family housing coming available, both to buy or rent, for younger households, and so further pushes up prices.

Many of these 'empty nesters' are 'young old' households, over 50 and in the latter stages of a career or in early retirement, and do not wish to move, or if they consider it at some point are in a powerful position as consumers to choose what they want, or not to move at all.

### *Improving the functioning of the housing market*

A key overall strategic objective of housing strategy and policy should therefore be to improve the stability and functioning of the market, by :-

- Increasing supply overall, but appropriate to the specific local circumstances – larger houses in the city, more moderate family housing in the suburbs.
- Developing local 'housing ladders' so that household can move to more appropriate types and sizes while remaining in the area if they so wish
- Developing and targeting forms of housing that meet the aspirations and needs of households that would release family housing of all tenures. This could include smaller houses, bungalows, or apartments of suitable size and type.
- Addressing price differentials between the 'rungs' on the housing ladder, because households cannot or will not move if the financial steps are too large, - or for 'downsizers', not large enough.

Most housing market instability has been due to a financial regime of easy and eventually unsustainable borrowing over recent years; but local imbalances and polarisation exacerbate this. It is inevitable that there will be conflicts between short term pressures and longer term strategic aims; and probably between conflicting political positions;- but if the strategic balance of housing supply and demand is not addressed at local levels as well as in overall terms it will increase the likelihood of periodic boom and bust within the housing market, with consequent direct effects on housing need.

## Student housing in Leicester - summary and policy options

Student housing in the whole HMA is analysed in more detail in Appendix 6 - [http://www.blnehousing.info/LeicSHMA/report\\_sections/6-Student\\_housing\\_market.pdf](http://www.blnehousing.info/LeicSHMA/report_sections/6-Student_housing_market.pdf)

On the demand side, acceptances by the Universities in Leicester over the past three years have been:-

### **Acceptances by university since 2005**

University	Undergraduates aged under 24 accepted		
	2005	2006	2007
De Montfort	5616	3642	3947
Leicester	2729	2477	3022
Total to Leicester	10350	8125	8976

Source: UCAS

Over recent years substantial amounts of new student housing have been delivered in Leicester, mainly in the central areas. This has replaced much student housing in Halls and similar elsewhere within the urban area, such as Scraftoft , Oadby and Knighton. New provision has been:-

### **Completions by type in Leicester City 2001-2007**

year reported	Bungalows	Flats	Houses	Student Housing	Total
01/02	15	181	288		484
02/03	9	578	296	8	891
03/04	18	326	595	534	1473
04/05	29	671	306	440	1446
05/06	13	878	254	41	1186
06/07	14	899	375	64	1352
Total	98	3533	2114	1087*	6832

Source: Leicester City Council Planning database

\*This total is largely student cluster flats which equates to over 5,000 bed spaces.

The commercialisation of student housing has developed over the last ten years as new multi-national specialist providers have entered the market in Leicester (although not yet in Loughborough). The development of blocks of student housing, plus the growth in numbers of city flats, linked with the increase in Buy to Let has all led to a situation where there is greater supply of housing for students and those at a similar lifestage, as can be inferred from the figures above.

Student numbers have grown but not in any simple or predictable way, and with falls in some years. There are different possible future medium and long term scenarios depending on the number of students who come to the city, but a situation of a surplus of supply over demand is now very likely in the short term in the Leicester market. When this occurs, market forces give more choice to consumers, and the poorest quality and/or poorest value forms

of accommodation are likely to remain empty. This is often seen as development of a 'mature market'.

The commercial risks of provision of more new schemes will increase, and developers would be wise to carefully research future local demand; but if new developments do attract students then other schemes or types of student housing may suffer the loss of demand. This should in theory result in a gradual improvement in the quality and value of student accommodation.

The difficulty is that the accommodation that has been developed is often in the form of medium and high rise cluster flats for shared living and may not be attractive to families. The need will be to attract other single, working people into the schemes and this could be at a time when there are significant numbers of higher quality apartments coming on to the market in Leicester.

Market adjustments are inevitably troubled, and tactics to retain or increase market share can become questionable. Reports from the universities suggest that there is a tendency for providers to use various marketing devices to attract market share, such as free gifts, incentives, and including trying to get potential tenants under contract earlier, and before they can research the market better. Good advice services which understand what is happening in the market, provided directly by the universities, will become more important.

If some areas of terraced housing lose out in this competition, as they appear to be doing, this could provide an opportunity to introduce policies and incentives to help switch housing that is more suitable for families back to family use. This could include measure such as targeted support for new owners, grants and loans for works, envelope renewal schemes, environmental improvements and focus on local schools in the appropriate areas.

There is evidence that many young Polish migrant workers are now living in areas like Narborough Road, providing a substitute demand, although there are also indications that this may not hold up in the longer term. If they begin to leave then these properties may become difficult to let and patches of low demand housing may develop.

There appears to be a current oversupply of student housing compared to immediate and short term demand, and there is a danger that less attractive units and marginal private lets will be left empty.

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*The Leicester and Leicestershire Strategic Housing Market Assessment was carried out between July 2007 and September 2008, principally by B.Line Housing Information, Three Dragons and Rural Solutions.*

*The full report, appendices and data models are available on line at :-*

[http://www.blinehousing.info/LeicSHMA/Leicester\\_SHMA.htm](http://www.blinehousing.info/LeicSHMA/Leicester_SHMA.htm) or  
<http://tinyurl.com/6dn14j>