

tailoring the housing supply to need and market

Bob Line looks at how, using data from the household projections, we might better model future housing demand, taking account of the type and size of housing that particular household groups might not just need, but want, will accept and will be able to afford

Arguably one of the major mistakes in housing provision over recent years has been the overshoot in the supply of new smaller flats and apartments. Government pressure for brownfield development and increased density and the growth of buy-to-let have contributed to this over-supply, but an underlying misconception also appears to have been a simplistic belief that the growing numbers of smaller and one-person households will 'need' smaller one- and two-bedroom flats.

But a closer look at the more detailed household projections by age and household type shows that most of those in smaller, one-person households are from older generations. They are more likely to be 'empty nesters' of various sorts – widows, divorcees, etc. – and are probably already living in family housing, most often owner occupied, and with stacks of equity, as they were the generations able to buy and profit from house price inflation. These households often will not move easily, especially not to city centre flat blocks on the basis of lifestyle preferences. They have very strong bargaining positions in the market, and if the offer is not very attractive and a good deal, they will just stay put.

So to try to estimate what the 'optimum' shape of future housing provision might need to be to properly address this situation, a model was developed by the author and has been used in Strategic Housing Market Assessments in Leicestershire and Nottingham which tries to take account of the likely *current housing circumstances and bargaining power* of the different ages and types of household, and from this to predict what

type and size of housing they might not just *need*, but *want*, *will accept* and *will be able to afford*.¹

Modelling such factors inevitably requires judgment as well as qualitative and quantitative evidence support, because the evidence of available empirical data usually just reflects current imbalances and distortions. So there needs to be a degree of 'in principle' judgment by allocating to each household type and age group the housing they would probably or typically take if they were to move.

While there is some evidence to support such judgments, further qualitative and longitudinal research would improve understanding both of what is needed and what would be acceptable to each age group and household type. In addition, gradual changes in behaviour to bring about better utilisation of the housing stock could perhaps be achieved by the development of better product types, and by greater awareness of pricing differentials.








Table 1 overleaf shows a typical set of detailed household projections for a local authority area, with cells colour coded to show the 'most likely' accommodation types and size of housing that the particular household age and type would be most likely to want, *accept and be able to afford* according to their likely current housing circumstances.

If the totals for each household type alone are used, without taking account of probable differing current market positions, the very crudely assessed type of housing required could be in the order of:

- family houses, 48 per cent;
- two-bedroom flats and houses, 14 per cent;

Table 1
Typical household projections for a local authority area, for the year 2016

Age band	Household type					Total
	Married couple	Cohabiting couple	Lone parent	Other	One person	
15-19	2	34	68	25	101	230
20-24	122	785	302	266	662	2,137
25-29	674	2,070	497	353	1,291	4,885
30-34	1,906	2,057	763	346	1,887	6,959
35-39	2,481	1,589	747	168	1,881	6,866
40-44	3,259	1,253	796	195	1,735	7,238
45-49	3,935	922	583	316	2,071	7,827
50-54	3,983	716	164	417	2,016	7,296
55-59	3,670	498	54	361	1,893	6,476
60-64	3,153	260	14	327	1,631	5,385
65-69	3,365	186	5	388	1,917	5,861
70-74	2,399	73	2	281	1,711	4,466
75-79	1,580	27	5	215	1,690	3,517
80-84	1,006	14	3	176	1,530	2,729
85+	634	11	8	247	2,041	2,941
Total	32,169	10,495	4,011	4,081	24,05	74,81

-  One-bedroom flats – mainly younger single or couple households at the start of the housing pathway
-  Two-bedroom upsizing flats – childless couples or older singles
-  Two-bedroom houses – couples, smaller families, single parents, singles with child access and frequent visitors
-  Three-bedroom houses and larger – typical families with children
-  Three-bedroom flats/cluster – young people sharing, students, extended older families, non-traditional household groups
-  Two-bedroom downsizing houses, flats, bungalows – younger old empty-nesters, downsizers
-  One-/two-bedroom elderly/care – older frail elderly singles

Note: For the purposes of this article, proportions are much more relevant than absolute numbers

-  one-bedroom flats, 32 per cent; and
-  other, shared, cluster, etc., 6 per cent.
-  two-bedroom downsizing houses, flats, bungalows, 20 per cent; and
-  one-/two-bedroom elderly/care, 8 per cent.

By applying the market position criteria, as set out in the colour coding, the totals in each category can be converted to percentages for each type and size of provision which could, in theory at least, best fit the likely future potential household demand profile:

-  one-bedroom flats, 5 per cent;
-  two-bedroom upsizing flats, 8 per cent;
-  two-bedroom houses, 19 per cent;
-  three-bedroom houses and larger, 39 per cent;
-  three-bedroom flats/cluster, 2 per cent;

This is very different from the simplistic ‘size needed’ estimates, and shows, for example, that, given the large and increasing numbers of ‘empty nesters’ who now own and often under-occupy family houses, there is a substantial *potential* demand for downsizing houses, flats and bungalows (the latter are still very much in demand despite the mere mention causing great consternation among planners). There is strong evidence to support this overview. The Survey of

English Housing 2006/07 shows 36.6 per cent of *all* households as under-occupied (i.e. two or more bedrooms *above* the 'bedroom standard'), compared with 2.7 per cent overcrowded (i.e. one or more bedrooms *below* the 'bedroom standard');² and a commissioned Census table³ shows 70 per cent of all owners aged over 50 have two or more bedrooms above the standard. But it is also crucial to emphasise that the majority of these households are 'young old' – from 50 to 70 or so – and mostly do not want or need sheltered or supported accommodation, but simply types and sizes of housing more suited to their changed circumstances and lifestyle after their families have grown up and left.

It principle, at least, planning strategy and policies should aim to steer overall housing provision in an area towards that which best meets this future profile. The spatial scale at which this should be

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considered and assessed is a crucial consideration. Regions or local authorities seldom relate well to real housing market areas or patterns – settlements such as villages, smaller towns, or larger urban area housing 'sub-markets areas'⁴ are a much better basis.

This also means that it is essential to know the type and size profile of the existing stock for the area under consideration, so that the future profile could be gently and carefully steered towards the optimum. Policies must also remain flexible and responsive, based on monitoring the market demand and supply, and not set in stone for many years, or they will probably result in overshoot of supply of particular housing types in dynamic housing markets.

But it is also very likely that many of the under-occupying 'empty nesters' will just stay put, and will not move to somewhere more suited to their reduced household size. This being so, planning and

new housing provision will need to compensate by producing more family housing for the households who would have moved into the family housing vacated if demand were more elastic and the whole housing market more fluid.

However, if the products, prices, deals, and the overall offer of housing for the 'young old' – those just before or after retirement age – were good enough to attract them to move, then it could perhaps improve and help to stabilise the wider housing market. But the market research, products and offer must fit and stimulate this potential market demand well, or the next glut could be of 'downsizing' homes.

It is, however, worth noting that in December 2008 the Department for Communities and Local Government published the final report of a study of the current household projections methodology.⁵ One of its 'methodological recommendations' is that 'the existing household type (with the exception of single person households), gender and marital status breakdown could be dropped... and that the main time series modelling is only applied at the age band level. Cohort modelling should only be used for the 40-44 and older age bands.' While the type and age group categories used could be more useful and informative, and there may be good reasons for methodological concern over the present arrangements, it would be a shame if nothing replaces the more detailed breakdowns just when it is increasingly important that we understand the nature of future housing demand better.

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Notes

- 1 This spreadsheet model was subsequently semi-automated so that projection data values can be pasted in to produce an instant 'optimum' profile, and the most likely property type and size allocated to each household age and type can be adjusted more easily as better evidence or research becomes available, or if behaviour patterns change
- 2 *Housing in England 2006/07. A Report Based on the 2006/07 Survey of English Housing, Carried out by the National Centre for Social Research.* Department for Communities and Local Government, Sept. 2008, Table 1.14b. www.communities.gov.uk/documents/corporate/pdf/971061.pdf
- 3 *Tenure and Occupancy Level by Household Type.* Commissioned Census Table C0619, Apr. 2006
- 4 *Is it Possible to Identify Housing Sub-Markets? Testing a New Approach.* Findings in Built and Rural Environments. RICS, Jun. 2007. www.submarkets.co.uk/rics/39217_Housing_Market_Fibre_lowres.pdf
- 5 *Options for the Future of the Household Projection Model: A Final Report.* Department for Communities and Local Government, Dec. 2008. www.communities.gov.uk/publications/housing/optionsfuturemodel