

1. Introduction and background to the study

1.1 The Regional Planning background

The Housing Market study was commissioned by Nottingham City Council in April 2002. It forms part of the background to the ongoing process of Housing Strategy development, and also assists in formulating Housing and Planning policies for the City.

Planning considerations are especially relevant in view of the expectations that Nottingham will need to increase in size by some 9,000 extra households as part of the national growth in household numbers - projected at 3.8 million by 2016. Growth in Nottinghamshire was anticipated to be 69,000 households up to 2016.

The updated Regional Planning Guidance (RPG8) of January 2002 puts the requirement for additional housing in Nottinghamshire at 2,450 a year. The policy of 'sequential' site selection also requires redevelopment of brownfield sites in existing developed areas first.

Table 1. East Midlands Regional Planning requirements

Policy 20 Housing Provision	
<i>Housing provision for each structure plan area for the period 2001 - 2021 should be made at the following annual average rates:</i>	
<i>Derby and Derbyshire</i>	2,500
<i>Leicestershire, Leicester and Rutland</i>	3,150
<i>Lincolnshire</i>	2,750
<i>Northamptonshire</i>	2,750
<i>Nottingham and Nottinghamshire</i>	2,450
<i>Peak District National Park (of local significance only)</i>	50
<i>East Midlands Region</i>	13,700
<i>All figures are rounded to the nearest 50.</i>	

Source: RPG8 – January 2002

For the **Three Cities Sub-Area**, consisting of Derby, Leicester and Nottingham and their hinterlands, the guidance proposes:

“Urban renaissance and regeneration of the three cities are promoted, and the need for a Nottingham/Derby Green Belt endorsed...”

Executive Summary, RPG8

1.2 Methodology

Traditional 'housing needs surveys' have tended to focus narrowly on the potential need for social rented housing, using postal or interview subjective response survey methods. While this approach has its own value and merits, it is increasingly recognised that the wider housing market must be understood to formulate a comprehensive housing strategy.

The 2002 Housing Investment Programme guidance letter from the DTLR now comments:

"The analysis that underpins the housing strategy must include an assessment of the current state and likely future development of housing markets in the area. This should specifically address the issue of access to owner occupation and the availability of affordable housing."

In addition surveys have some limitations. They are necessarily of a limited sample, and therefore become less statistically reliable when broken down into small sub samples by, for example, area, household type, age or race – or all of these together. They run the danger of eliciting aspirations rather than, or as well as, needs in different respondents. Plus they can be very expensive.

Ideally a survey in due course would enable further and more detailed information to be added to the picture. Undertaking longitudinal studies of the sample over time could also reveal relationships between expressed intentions, subjective views and actual housing behaviour.

For this project, therefore, an alternative methodology was used, in which extensive use was made of a variety of other sources of data and information. Some of this is secondary and compiled from other sources, but some of it is primary in that it comes from direct contact with sources, unmediated by compilation, aggregation or interpretation.

The bulk of the project was undertaken over a quite short time scale, from April to June 2002. The aim was to gather evidence to improve knowledge and understanding of housing markets in and around Nottingham by using a wide variety of existing data sources. These included:

- 'mining' a number of Nottingham City Council's operational databases for anonymised data from which to derive information on numerous aspects of housing in the city,
- governmental and academic data sources - increasingly available on the World Wide Web,
- commercial data derived from sources such as Lifestyle questionnaires and surveys,
- survey data gathered for other purposes, such as Tenant Satisfaction surveys
- interviews with key professionals working in housing in property sales, rental and social housing sectors in the city.

1.3 Reasons for a Housing Needs assessment

Housing market studies and research have become an expected good practice element of the 'strategic enabling role' in housing which local authorities are now expected to take on. Up to date, good quality information and analysis is seen as part of the open, accountable and more rational process by which housing strategies and policies are developed.

The Office of the Deputy Prime Minister, through the Government Offices for the Regions, now expects that what is intended to be a more rigorous and rational housing needs analysis, which looks at all aspects of demand and supply, should be undertaken as part of the annual review of the housing strategy and housing investment programme submissions. This, it is argued, will lead to better and more informed choices and priorities, in a situation where resources will always be limited.

In particular, Planning Policy Guidance note 3 (PPG3) introduced the possibility of making provision of affordable housing a requirement in granting planning permission for development; and this requires a rigorous assessment of housing needs based on up to date local data. The rules for applying PPG3 are now set out in more detail in DETR circular 6/98, and were not changed by a Revision of Planning Policy Guidance Note 3: Housing Public Consultation Draft of 23 March 1999.

1.4 Information and data on housing in Nottingham

1.4.1 Data sources

Information on housing for this assessment has been gathered by a variety of means, with much primary data coming from the City Council's own operational computerised systems. These included the Council Tax, Housing, Planning, Environmental Health and Travel Pass databases.

This means that the information from these sources is not from a limited sample; either controlled as for interviews, or self selected as in postal surveys, but covers well over 95% of adults and households in the City.

However, database systems for dealing with Council Tax, the Housing Waiting List, Housing Benefits, or Planning applications are set up for that purpose, not for collecting information about housing. Such systems therefore hold selected data which is of use for operational purposes, and are not a fully comprehensive source of all data that would ideally be useful in studying the housing market. In particular, they usually only hold data on what has happened – not what people would like to happen or what 'needs' to be done. However some items of data – for example preferences for areas or types on the housing register – may provide evidence of aspirations.

Nevertheless databases can yield a substantial amount and variety of evidence, especially if linked with and considered in the light of information from other such sources.

1.4.2 Extracting data

Knowing and finding out where to look for data in IT systems that could be of use in the assessment requires thought, persistence, and knowledge of the general data held in such databases. For the practical extraction, it needs the assistance of operational staff who know in which fields in each system the relevant data is held, and simultaneously the help of IT staff who can use and manipulate the query systems to extract such data.

Thanks are given to all the staff at Nottingham City Council who helped in this data extraction.

1.5 **Qualitative and contextual information**

In addition to the numerical information, a series of interviews and discussions were carried out with a wide variety of representatives of organisations involved in housing in Nottingham in all its guises. These included representatives of Nottingham City Council (Housing and Planning departments), Estate Agents, Lettings Agents, Building Societies, and housing advisory services.

These interviews were used to assist in the interpretation and analysis of the quantitative findings, and indeed without the valuable insights of those involved in housing in Nottingham the survey results would be just so many numbers.

This is very necessary because an effective and meaningful understanding of housing markets is not just a matter of gathering information. The information that can be obtained - and it will always be patchy or lacking in some respects - needs to be understood within the context of a framework for understanding the dynamics of that market.

A theoretical model of the forces and operation of the market is necessary to make sense of the information. Information uncovered - both quantitative and qualitative - may also inform and amend understanding and hence amend the model, through an iterative and interactive process, but without a framework of understanding the information will not really mean anything in the first place.

There are different existing models of how markets operate from business and management studies. There is, not surprisingly, some controversy and debate over these, but some of the typologies and terminology are widely accepted, and are useful starting points for looking at housing markets. The concepts and language of 'the market' have therefore been used to some extent as a framework for analysis and understanding of the information and views uncovered and collated for this project.

These concepts have also been used as broad headings to look at different elements of the housing market in Nottingham. There are, however, some important provisos and 'health warnings', both for the theoretical perspectives and for the information obtained.

1.5.1 Social Housing as a separate market.

While at one stage it may have been possible to make much more of a distinction between the customer groups for owner occupation, private renting and what is now termed social housing, it now appears that this has changed substantially. Some generalisations about client groups may still be possible, but for most the housing market is seen much more as a whole; and councils, housing associations, private renting and owner occupation are different 'suppliers' and 'consumer choices' within it.

What now appears to be much more important are divisions other than tenure within the market. Factors such as size, type and cost, which in turn relate to customer or consumer groups such as the elderly, young singles, special needs of various types, etc. A market terminology might refer to these as market **segments**, which lie alongside the tenure **sectors**. In addition there is also the extremely important variable of **location**, with all that it carries with it.

On the more general theoretical side, there are developments in economic theory which raise questions about the conventional concept of 'rational economic man' (it is still frequently referred to in masculine terms) who acts in 'perfect' markets to 'maximise utility'.

There has been a move away from the idea of any markets as perfect - although there may be different and changing degrees of approximation to perfection - and a recognition that people operate with limited knowledge of alternatives and within a bounded rationality. Also the idea of utility as any simply measurable material benefit has been undermined, in favour of a model which looks at a more complex mix of elements for satisfaction of desires which manifest themselves through economic activity and interactions.

In brief, this contends that we do not just want more, bigger or better goods, of whatever sort, but have subtle, complex, and sometimes very different desires, which are then translated into demand. Housing, especially, again has a very special position in this, as it is a fundamental underpinning of lifestyle choices and opportunities.

For this study in particular, some areas of Nottingham City have positions and roles within the greater Nottingham housing market, which includes at least Broxtowe, Gedling and Rushcliffe and perhaps farther afield. To find out more about the drivers and influences on these positions is a key aspect of the study.

1.5.2 Practical issues on information

Among these, a key issue is that the information available about the different elements and sectors varies quite considerably. For example, housing association lettings activity is now charted fully, at least in theory, through CORE; house sales are recorded and aggregated through the Land Registry database; but private sector lets, terminations and turnover are mostly invisible in reliable quantitative terms. The process has been one of looking for and seeking out sources of evidence from existing databases and records, rather than going out to specifically acquire new data.

1.6 Information presentation.

Key information has been selected from a mass of operational data which could be accessed, and presented in a filtered and selected manner, focusing on the aims of the study, development of the arguments and a logical framework for presentation.

All primary data will be shown in aggregated form, sometimes in Appendices or background papers where it is not necessary to include it within the main report and discussion. Graphs, maps and charts are also used where this will assist understanding and assimilation of information.

1.7 Policy and Strategy Issues

The housing needs analysis does not seek to dictate policies, as it is clearly and properly for Nottingham City Council to determine these. Rather it seeks to gather and present up to date information and interpretations on which the local authority and others can base their own strategic approach. Where appropriate, the report does put forward alternatives and suggestions for consideration.

Further analysis of the findings in order to focus and refine policy maybe needed as new questions arise, circumstances change and time passes. An advantage of this method is that the primary data sources remain within the local authority, and indeed the queries used to obtain them have been saved within the IT section and are repeatable whenever required. While the reports generated do not by any means give instant answers, they are nevertheless accessible and obtainable at minimal cost, unlike surveys, which are inevitably expensive.

1.8 Outline of key methodological issues.

As yet there is no right or widely accepted way of establishing 'housing needs', and there are many problems in accurately quantifying something as variable and complex as peoples' intended behaviour.

Several nationally based methodological models have been developed, including crude household/dwelling balances, a net stock approach, affordability modelling and a gross flows approach. All of these are considered to be more or less mechanistic, and it is widely accepted that their relationships to the real world may be tenuous in many respects.

Estimates of the need for new affordable housing nationally have varied from 22,000 to 250,000 per year, aptly demonstrating the degree of discrepancy between different approaches.

The approach used here reflects most closely the 'gross flows' model of Morrison, Kleinman and Whitehead, (University of Cambridge, 1992), but also includes an affordability analysis based on access to tenures as well as ability to afford their ongoing costs.

1.9 Aims of a housing needs analysis

Considering the aims of the housing needs analysis helps guide the methodology adopted. For the local authority, as strategic housing enabler, aims may include:

- to support Housing Investment Programme bids
- to inform the City Council's Housing Strategy
- to inform local development policies
- to assist in the development of local plans and PPG3 policies

These aims can be further broken down into more basic elements for purposes of the framework for the study.

- to quantify needs for affordable housing
- to help the Local Authority optimise its use of resources.
- to help it maximise its intake of resources
- to understand the causes and 'drivers' of demand and need
- to understand the sources and resources for supply of accommodation in its various forms
- to understand and manage the matching of supply with need and demand.
- to involve and mobilise the community as a whole within the process of understanding, and providing resources to meet housing needs .

1.10 Analysis of primary data

Very often assumptions must be made about concerns and responses before even setting out to collect data, and again in the process of analysing findings.

Many aspects of the analysis require consideration of several factors simultaneously. There are seldom simple causal relationships between factors. It is more common to find correlations between categories used in the analysis, in many circumstances leading to 'multi-collinearity' where several factors tend to vary together. These patterns can then be interpreted in the light of experience, to enable more accurate and quantified pictures of different patterns of housing to be built up – but patterns do not of themselves show causes.

So, for example, the results indicate that private renters are younger, have lower incomes, and are more likely to move. These factors go together in the same people, and the measurable consequences flow from their general position rather than because some factors necessarily cause others.

These multiple and inter-related aspects of housing can lead to some complex and convoluted combinations of the results, in which, inevitably, assumptions have to be made about the different activities and options which underpin the numbers. Where this is done every effort has been made to make clear that assumptions are being made.

Any assumptions made are based on knowledge and experience, but other assumptions may well be possible. In the estimation of housing need the general rule adopted is always to take the assumption or end of the range of possible values that will give the lowest need for affordable housing. Selecting the most conservative

options in each case therefore makes the outcome more robust, and indeed more likely to be an underestimate.

1.10.1 Cross referencing data sources for analysis.

One key issue for using existing database as sources is that by this method, currently at least, the records are not directly cross linked at the individual subject level. For a survey method each questionnaire applies to one household so that links and direct cross tabulations can be made on their responses. It is possible, therefore, to query survey data to find, for example, what are the incomes of households who are likely to move within the next few years.

For operational data extracted from operational databases such links are not yet practically available, although they are theoretically possible. The results have therefore generally been handled and analysed at a more aggregated and statistical level.

In this approach, therefore, to enable greater statistical cross referencing, the data has wherever possible been broken down and utilised in the smallest geographical areas, while still maintaining data protection. This is usually based on postcodes, wards or census enumeration districts. The smaller the unit of linking, the greater the probability that the mean will apply – for a survey of individuals the linking unit is one, and the probability that it applies is 100%. Linking at detailed levels thus gives a greater probability that the sub samples will share the same characteristics. In addition, where possible other indicators have also been used to further connect and refine the data.

1.11 **Summary of methodological approach**

The overall methodology adopted within this analysis can be set out as follows:

- 1) Statistical and numerical information on housing demand, need and supply

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- 2) Interpretation of this information for the relative positions of groups within the housing and social housing markets – or housing market segments.

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- 3) Matching the interpreted requirements with policy considerations

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- 4) Development of policy on the basis of rational consideration of the options generated.

This is intended to anchor the project to real objectives, to enable it to be used as a predictive and planning tool for future housing strategies and policies. At the same time it can provide a basis for a generally improved understanding of local housing markets, patterns and interactions.