

9 Housing market study of the Nottingham conurbation: summary of interview findings

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9.1 Summary of findings

- The housing market in the Nottingham conurbation area can be sub-divided to four distinct areas: “city centre”, “the investment sphere”, “affordable family housing” and “more desirable family housing”. “City centre housing” is the new and emerging market for flats in converted, high density schemes which are particularly desirable to young professional buyers and renters. “The investment sphere” is the traditional “inner city ring” which has historically housed home owners on low incomes in terraced housing, but which is now increasingly changing (back) to an investment market. “Affordable family housing” is mixed low rise suburban estates, and “more desirable family housing” is housing of a higher quality and in locations of higher demand.
- One of the key factors underlying divisions in house values and housing demand is schools. There are “pull” and “push” factors at work. Good schools “pull” people towards such locations as West Bridgford, Wollaton, Mapperley, Carlton and the villages, whilst the lack of good schools in the city of Nottingham “push” people out to the suburbs and beyond. These factors are seen to have a strong influence on the distribution of house prices across the city.
- Significant price rises in “hot spots” such as Sneinton and Lenton are the result in part of competition between owner occupiers homing in on “historically affordable” areas, and landlords and “Buy-to-Let” investors who see these locations as being

ripe for the rented market. Whether the upward pressure on prices will continue depends to a large extent on the performance of the private lettings market.

- The market is “peaking” in some locations. Those most widely quoted examples were the Lace Market (where there is a particular over supply of rented housing), The Park (where prices are becoming more sensitive to demand) and Mapperley Park, where the balance appears to be moving in favour of buyers rather than sellers. Several of the interviewees raised concern about the long term sustainability of demand for the city centre apartment market which has grown very fast.
- 2 bed town houses and 3 bed semis are the homes in greatest demand in the city. The relevant price brackets are £65,000 to £85,000 for 2 beds and £80,000 to £110,000 for 3 beds. Agents (both selling and letting) are experiencing a particular demand for homes that “suit their character and age”. This means that people are looking to buy properties which have been renovated or refurbished in keeping with the property’s type and age. There is some evidence that people are making better use of space than was the case a few years ago.
- Housing demand for homes to buy (mostly Right-to-Buy) in the post war local authority developed estates is “steady”, except in neighbourhoods where there are particular problems of crime and vandalism.
- The sources of demand for private rented housing range across the income spectrum, although two main groups appear to dominate: young professional people (usually without children) and middle to working class “blue collar” households, often with children. People in the former group either move to similar accommodation in other cities, or move into the owner occupied market. People in the latter group are more likely to have “ties” with the city, and either decide to rent (for financial reasons) or, in some cases, have to rent because they cannot obtain a mortgage.
- Rental levels vary considerably according to location. An example quoted for the “same house” was £1,000 per month in West Bridgford (versus) £550 per month in Strelley.
- Affordable private rented housing is a high need priority. “Affordable”, according to most interviewees is a rent range of £300 to £400 per month, although one respondent said that £600 per month was a reasonable limit which landlords could set without affecting demand.
- The private rented market (that which provides housing at “market” rents) is being served by a number of different sectors: large institutional investors, smaller landlords and “Buy-to-Let” landlords, as well as Registered Social Landlords specialising in providing dwellings for those in work, but on low pay.
- Investment in rented housing in the city is becoming increasingly risky. The “prime” market in city centre apartments currently does not offer a reasonable return: for example, it was said that a flat on the market for £130,000 would only yield a rent, at best, of £600 per month, which is a return (before expenses and tax) of only 5.5%. Investors should therefore look at the middle market in low rise

traditional housing, where acquisition prices can be half that of the city centre, but yielding almost the same rent.

- Social rented housing is still seen by housing associations as being the mainstay of affordable provision. This is because it offers control of long term supply. There is evidence however that RSLs are diversifying into other sectors to a significant extent. Housing let at market rent in some of the more “desirable” areas of the city is one way in which this is happening.
- Affordable housing, provided by RSLs at market rents aims to meet the needs of households with incomes at or below £20,000 per annum. These are often households that have short term work contracts and hence cannot get access to mortgage finance.
- There is plenty of “affordable” housing on the market for those with the financial means. Some First-Time-Buyers in Nottingham can provide enough income security to obtain a mortgage in excess of £100,000. There are on the other hand, specific sections of the local population which are not likely to be able to gain access to the market. There is a specific need for bungalows to meet the needs of the elderly. This group are particularly averse to being housed in flats and will often prefer to stay in low quality accommodation rather than accept housing which is unsustainable in the long term.
- RSLs are looking in a pro-active manner at sites across the city which can accommodate new affordable development. This policy however needs to be carefully balanced against the longer term housing management issues which arise in areas of low demand.

9.2 The owner occupied market

Market sub-divisions

Many interviewees found it difficult to conceptualise the housing market in the Nottingham conurbation in terms of clear sub-divisions. Estate agents can be particularly defensive when asked questions of this nature and often evade the issue by saying that, for example, “the market has few clearly divisible areas at the moment”, or “everything sells”. The most helpful response conceptualised the market on the basis of a “concentric ring” approach; as follows:

- City centre (including the apartment market) and the Park
- Investment “sphere” including Lenton, Radford and Sneinton
- Affordable family housing in suburban sphere including Carlton, Cinderhill and Basford
- More desirable family housing including Wollaton and West Bridgford

Other respondents think in terms of “pockets” of very high demand such as the Park, and with pockets of lower demand such as Broxtowe and Highbury Vale.

Demand generally in the Nottingham conurbation

The market is generally strong and this is also the case in areas that have historically experienced a slower rate of sales. The long term sustainability of the housing market in these (more difficult) areas is however highly reliant on regeneration and lowering rates of crime.

Areas such as Lenton, Radford and Hockley were identified as having steady to strong demand, as were areas such as Wollaton and Bramcote.

Up and coming locations

Some areas are clearly “up and coming”. Sneinton was widely quoted as a good example, as was Lenton. Sneinton used to be a “difficult” area to sell in (around two years ago), but now competition between households looking for affordable home ownership and investor demand has pulled it up; prices have almost doubled in the last two years – one agent quoted average prices having risen from around £20,000 to £40,000. Another suggested “extremely strong price growth in Sneinton where the price of some homes has risen from £30,000 to £60,000 within six months”.

Lenton has become very popular recently, where two bed terraced housing is selling for up to £120,000. In this area there is again competition between sectors (home owners and private landlords) with resultant price rises. The same issue has arisen in the area around Nottingham Trent University (the Arboretum) which has become very popular amongst investors and people looking to be owner occupiers of large Victorian housing.

Other areas look to be “peaking”. Whilst there is a steady demand for housing in areas such as the Park and Mapperley Park, these locations are becoming increasingly “price sensitive” at the moment and there is a concern that prices may have peaked. The same conclusion applies to new development in the city centre which “will have to be very competitively priced if it is to sell easily”.

Demand for the post war housing estates such as Bilborough is steady and there is market demand from local people who know the area. The demand for other estates in the same area such as Broxtowe, Cinderhill and Aspley is also steady except in pockets of housing where there are problems of physical decay or vandalism.

There has been little perceptible change in demand for the traditionally more “difficult” areas, despite the general improvements in the housing market. St Ann's and the Meadows, for example are still seen by agents as difficult areas in which to sell housing.

9.2.1 What house types are most in demand in the city?

There is considerable consensus about the type of housing in greatest demand. This is “2 bed town houses and 3 bed semis”. One agent suggested that “the 2 bed homes are sought in the price range £65,000 to £85,000 and the 3 bed in the range £80,000 to £110,000”. The 2-3 bed terraces suit starter households with a “budget £45,000 to £85,000”. Demand is strong for all forms of housing of this type and in this price bracket.

There is a particular preference for “those homes that ‘suit’ their character and age”. These “sell best e.g. Victorian terraces and villas with original features, fireplaces, etc”. There is an expectation that “people demand the ‘right house’ in the ‘right place’”. This form of housing is also in demand at the upper end of the market. Another agent highlighted a particular demand for “Victorian three storey houses which have been traditionally restored”. Further, “it is important to note that there has been a change in fashion over the last few years. Previously, buyers did not usually utilise the space on the third floor. Now this space has to be valued on a pro-rata basis as it is seen as being equally desirable”.

There are buyers who specifically want to buy a new home, but those who don’t. New build often provides less choice in terms of dwelling and space, but is usually better built to a higher finished specification.

9.2.2 And what is needed?

It proved difficult for interviewees to distinguish between “demand” and “need” (as may be perhaps expected). One respondent suggested that “there is a demand amongst some house buyers to purchase a new home” (and hence a need for a higher level of new build). This is based on the assumption that “many of those currently owning and renting newly converted and newly built city centre flats may want to purchase a new home when they start a family. There is currently “insufficient supply of this type of housing to meet future demand”.

9.2.3 Household movement and mobility

In the interviews, we asked about trends in household movement and where people were coming from when they purchased a house. Here it is difficult to obtain a clear picture, since much depends on the market being served by specific companies. One office in the city centre said that there was a “mobile professional group” (including investors and well paid professionals – doctors and those employed with large companies – Boots, Capital One, etc) who were looking to buy in city centre locations (The Park and city centre apartments); this group comprises around 25% of all enquiries. Another 25% are looking to live and work further out in the city – typically areas such as Gedling and Carlton (but they come from many different backgrounds and areas in Nottingham). The remainder come from further afield. They will look correspondingly further out – West Bridgford and Bramcote, for example.

Another office stated that “the general trend is one of out-migration from the city centre. People do not normally move from the suburbs inwards, but move in the opposite direction”. This same office reported that “around 50% of households buying through (the company) are first time buyers who “can’t afford more”, around 30% is for investment (either professional landlords or parents buying for students). Around 5% is for the ethnic minority market, often looking to buy for extended families; another 5% are lone people, including previously married and the remaining 10% come from all walks of life”.

9.2.4 The emerging market in city centre apartments

Interviewees were particularly keen to discuss emerging markets. One of the key features of the Nottingham housing market in recent years has been the city centre

apartment market. This has produced, according to one agent, around 5,000 additional units “from nowhere”. This housing has been in high demand, partially driven by “investors and people putting their money into property rather than pensions”. The market for city centre apartment buyers, is largely younger, professional couples with no children. There are usually two incomes and two cars. These people normally spend more time away from home than in it. They thus want a home that is easy to manage.

The city centre flat market is generally buoyant and prices are high relative to the Nottingham city average. However there is a general concern amongst people interviewed that this sector of the market has over-heated. There are now a “lot [of homes] for sale” leading to the conclusion that there may be over-supply. Two interviewees raised question marks about the long term sustainability of demand for this type of accommodation; one on the basis that many new developments do not offer sufficient variation in quality and price; the other on the basis of the current form of demand being of a “one-off” nature. More specifically, it “may be that many of the city centre apartments currently being sold are to people buying later in life [the “generation” being] who are those deterred from buying during the recession of the early 1990s. When this group move on, then it may be more difficult to sell or let the apartments in a different market [and] these homes will not lend themselves to student accommodation since the rents will be too high”.

There may be “knock-on” effects from this market: there is “a concern that the households moving out of the flats (probably starting a family) will find a shortage of buyers and family accommodation when the time comes”.

Housing associations have recently become involved in investing in apartments in the city centre, particularly on the Derby and Alfreton roads.

9.2.5 What needs to be done to assist the housing market in Nottingham?

The local economy has benefited from the presence of firms and organisations such as Experian, Diamond Cable and Inland Revenue. However, the impact on the housing market has been limited. These firms have not brought in significant additional households from outside the area. Rather they have been looking to utilise the local labour resources which are relatively cheap compared with other [southern] regions of the country.

A recurring theme here is schools (when thinking about how the city’s housing market can be improved). Most interviewees saw imbalances in the quality of schools as being linked to imbalances in the housing market, with areas with good schools having higher prices than those where schools were not so good. Some of the city schools contain a significant “unruly” population of children. Households with children generally move out of the inner city areas – to West Bridgford, Wollaton, Mapperley, Carlton and the villages. This impacts on prices, pushing them up in those areas and leaving other (mainly inner city) areas with lower prices.

One interviewee suggested that “the city has to some extent lost its sense of ‘community’”. This is in part due to policy decisions taken some while ago (e.g. bulldozing of St Ann’s and the Meadows) and in part due to the new forms of house building going on in the city centre. There are few ‘communities’ in Nottingham

where people can move house within a close area and find what suits them throughout their lives.

There is a potential problem with parking provision for the new city centre developments. The City Council originally discouraged parking altogether for flats up to £100,000 (in places like the Lace Market these can be 1 bed only). It is considered that any flat with a sale price of around £150,000 will need parking provision – with at least one space. Currently up to 30% of all flats do not have any parking.

Improving residential facilities in the city centre could however be at the expense of commercial development. This is a challenge for the city's planners.

Other relevant comments about the city and its housing market were:

- “Traffic congestion is a problem in the Nottingham area. However improvements in infrastructure could mitigate against the city centre lettings market.”
- “There could be more places of entertainment in the city centre which would improve the market.”
- “There is some expectation that the new tramline will have a positive impact on prices in neighbouring areas. The precise effects of this are however difficult to gauge at the present time.”

9.3 The private rented market sector

9.3.1 Areas of stronger and weaker demand for renting

The private rented housing market in Nottingham has seen a period of steady growth since the mid 1990s. As may be expected however, some areas have a greater demand than others. The following comments are fairly representative of how letting and estate agents see the market:

- “Anything” in the Lenton area lets well, especially 2 bed studio flats – these “fly out”. Lenton is a strong area because of local employment opportunities at the hospital and the University”. “Here many investors have targeted the student market. Also, parents of students have purchased homes for their children during their stay at University [but]the policy of regeneration and tax break subsidies (e.g. Stamp Duty) is questionable in these areas when people can take advantage of the market in this way. Where areas are becoming settled as “student land”, owner occupiers are tending to sell out, and unlikely to return.
- “West Bridgford is very desirable for renting, but is fairly price sensitive”
- “St Ann’s and the Meadows are not such good areas, especially in the centres. Also certain areas of Aspley and Bilborough. Homes in Forest Fields can sometimes take a while to let”

- “Demand however, is highly sensitive to (precise) location and fringe areas of St Ann's and the Meadows are in demand – examples [being] the Embankment area of the Meadows and the area bordering Mapperley Park/St Ann's”
- “The main areas for renting in the city are the Lace Market, West Bridgford, Gamston and Arnold. Other core areas are Bulwell and Mapperley.”

9.3.2 Forms of demand for private renting

There are several sources of demand for private renting in the city. These range across all income levels. Two main sources are young professionals and middle class “blue collar” workers. The former group provide a steady supply of transient households who when quitting a tenancy either move to another city to work or purchase a house and start a family in the Nottingham area. The latter are those who do not qualify for social rented housing and who sometimes cannot obtain a mortgage. Other potential private renters are students from Nottingham having just obtained a first job. Couples falling within this group are looking for rents of around £500.

At the higher end, there are quite a few Americans moving into the rented market with jobs at companies such as Caterpillar and Lear Jet. One agent reported a significant number of households coming in from the Indian sub-continent to work with companies such as Experian. The private rented market is often a first port of call for these households.

9.3.3 The current picture – a landlords’ or a tenants’ market?

At the time of writing (June 2002) some interviewees see the market moving from a landlords’ to a tenants’ one. The extent to which this is happening depends of course on the particular sub-market in question, and the type and quality of accommodation on offer

In certain sectors (the best example being city centre flats) there is some oversupply with too many tenants for the new units coming onto the market. Two years ago, demand was outstripping supply but now rents are levelling off in response to the changing balance between landlords and tenants. 2 bed flats in the Mills Building, Plumtre Place, Lace Market are now being let at £795 per month where the original asking rent was £995. There are signs of the market adjusting elsewhere near the city centre. Properties letting in the Park for £800 a few months ago are now letting for £600 to £650.

Nevertheless young people see flats (generally) as being trendy places to live and as long as the rents reflect demand the homes will find ready occupiers. There are questions however about the affordability of this housing for many households (some rents are 1 bed flats for £500 p.m). Many young professionals are being priced out to areas such as Sneinton (Lace Market “overspill”).

There is also some demand for city centre apartments at the “luxury” end. One agent reported rents in excess of £2,000 per month being achieved. The long-term sustainability of these rent levels depends to a large extent on company (re-location) policies rather than what happens in the household market. Some landlords are companies who provide accommodation for employees. However since the

downturn in the US and world economy companies have tightened up their re-location budgets which has had some effects on the demand for more expensive rented property.

In other markets, the situation is more finely balanced. There is a steady demand for terraced and semi-detached houses for rent in the city. There is more robust demand for these types of property to rent (than flats in the city centre). Areas where there is still seen to be potential for rental growth are Wollaton, Bramcote Hall, West Bridgford and Mapperley Park. The demand for properties in the rental range £500 to £700 is strong, particularly from young professionals. There is also pent-up demand from households that cannot get a mortgage. Thus the “boot” is still on the landlords’ “feet” to a large extent in these areas.

Whether houses let depends on the price-accommodation equation. Rents range significantly with location. Detached houses in West Bridgford can be let for up to £1,000 per month, although in other areas (example Strelley) similar houses are let for only around £550 per month. West Bridgford tends to be a defining location in the minds of agents. Another reported that “the range of rents for semi-detached houses is between £750 per month (West Bridgford) and £500 (elsewhere in the city).”

The Buy-to-Let lending policy is important in trying to weigh up what is going on. The phenomenon is, according to some agents, accounting for over supply in some locations and there the market is moving in favour of tenants. However, some “sanity” is being brought back into the rented market, as due to Buy-to-Let, the market is becoming more difficult for landlords to move into as house prices rise and rental returns fall.

9.3.4 What form of rented housing is most needed? (from the perspective of the letting agents)?

The following form a range of responses to this question:

- “Housing let in the range £300 - £400, for professional and working people. Ideally 2-3 bed terraces.” However “there is also a sufficient supply of cheap terraced housing” in poor condition which does not provide a demand. Much of this housing may revert to the owner occupied sector.
- “In terms of rents, what is needed are homes for rent at less than £600 per month.”
- “There is also a shortage of new build housing to meet the affordability and client type demand (above).”
- “Quality lets are of prime importance. Homes that are in good order and well decorated let well.”
- “There is strong demand for high quality apartments in the city centre. This market is “very busy” at the moment. The demand for “large family houses” is also not over-supplied.”

9.3.5 Types of investors in the private rented sector

Investor landlords come in many shapes and sizes. There are the larger, more “serious” investors, who are likely to stick with the market throughout the coming years. Recently there has been a significant amount of money coming into Nottingham’s rented housing market from Ireland, where investors are taking advantage of low [Euro currency] interest rates. A block of 157 units in the Ropewalk has been financed in this way. An Irish investor has also purchased a block of flats for rent near Huntingdon Street. One agent reported that 60% of the company’s lettings were owned by “professional” investors (the other 40% being “smaller” landlords).

Other, smaller investors are important to the private rented market in the city. The Buy-to-Let opportunity has been important in assisting smaller landlords to obtain a foothold in the market. Some of this investment is based on equity withdrawal from people’s own homes; others base investment on inheritance monies. More than one agent questioned the “staying power” of this group in the market. Other landlords suggested that there is a group of “new kids on the block” who are approaching the rented market (via Buy-to-let) in a very professional way, and who are likely to be around for some time.

There are also “opportunistic” investors; those households that let their home when they obtain a job abroad, or those who move to a “cheaper” part of the country and can afford to begin again in the housing market, leaving their house in Nottingham to be rented out.

Investor landlords are also people buying homes for their offspring who are students in the city (the “Lenton” model – with rents at around £45 - £50 per room). This (latter) approach works only in some areas – students like to be in the area around the Arboretum (near Nottingham Trent Univ). Prices are too high in that area to make the model work.

The student market is nevertheless catered for by the smaller private landlord. There are however mixed messages emerging about the strength of this market. Some landlords see a weakening in demand, although others feel that student housing will always let in Nottingham provided that dwelling quality is high enough.

9.3.6 The role of Buy-to-Let

There seems little doubt that Buy-to-Let is fuelling house prices and creating competition between different sectors of the market. One agent suggested that “terraces in places such as Forest Fields, Sneinton, and Bulwell were being sold for around £35,000 last year whereas now (May 2002) they are being sold for £50,000.”

9.3.7 Returns for investor landlords

There is a consensus that the best returns are to be made in the mainstream inner city and suburban housing terraces and semi-detached homes. The city centre flat market is no longer providing good returns. Typically a flat on the market for £130,000 to £140,000 would only yield around £600 per month – at best a gross return of 5.5.%.

New investors need to be careful, although there are still good returns to be achieved from rented housing in the middle markets.

The long-term outlook for the rented market in Nottingham is good; the city's infrastructure is in place and it is generally a desirable place to live.

9.4 Affordable housing and affordability

9.4.1 Affordable housing policies across the city

Many housing associations prefer social rented housing as an “affordable” housing solution. This form of housing provides a way of ensuring continuity of social housing supply. Shared ownership does not provide this. Other associations have focused (in addition to social rent) on the “market rented” sector, as a way of widening their services as an affordable housing provider.

“Market rented” housing, in the case of one large RSL based in Nottingham, is housing for people earning “below the local average wage”. Households qualifying for these units are earning £20,000 or less.

Housing associations have various strategies for providing affordable housing. Typically, there are four approaches. “Land acquisition and new build”, “purchase and repair” (properties purchased in the open market requiring only minor works prior to re-let), rehabs (properties purchased in the open market but requiring major works and decoration prior to letting) and “temporary social housing” (properties managed for a period of time for another RSL).

9.4.2 What sort of housing is needed in Nottingham?

Nottingham provides a range of affordable housing for those that can buy a dwelling. First time buyers can sometimes afford a house for £80,000. Some first time buyers can, in some circumstances, offer a joint income of around £40,000, which allows them to realistically look at housing above £100,000. However, there are many households that fall outside this situation due to lack of employment or other circumstances. A significant number of households are in practice barred from the owner occupied sector due to the need for income to get a mortgage. This is a sad situation when interest rates are very low and is a cause of frustration to many in the rented sector.

There is a significant need for affordable 4 and 5 bed units to house households across the board. A four bed unit can house up to 10 people, depending on the household structure.

In addition, there is need in the affordable sector for bungalows in Nottingham; this is not just for disabled people but for “mainstream” elderly households. RSLs are developing bungalows, but there are not enough. Elderly people, rather than accepting a 2 bed ground floor flat will hold out and wait for a 2 bed bungalow.

One problem in the social sector is “speculative tenants”. These won't rent housing association properties and will hold back in the hope of a council property which they can then buy via “Right-to-Buy”.

There is evidence that housing associations are looking to emulate the role of the private landlord by developing and providing accommodation that meets the needs of the more transient type of household; those younger people (between 18 and 35) that are either looking to move out of the city, or to move into the owner occupied sector. One RSL reported that few of the tenancies were renewed, but at the same time, that there were very few voids.

9.4.3 New development locations in Nottingham: issues

Housing association development departments often like to be seen as “pro-active” and ready to take on challenges in all areas of the city. However, RSL management departments are usually wary when considering new sites and properties to purchase. Some RSLs have become active in the city centre apartment market, competing with private developers, and sometimes being assisted by urban regeneration funding.

There is a need to carefully balance regeneration opportunities with housing management issues. Despite the very high levels of investment going into locations such as Hyson Green, (for example via New Deal funding), this still remains a difficult area in which to manage housing. High turnover, voids and levels of crime all contribute to the problem. Other areas such as Moorgreen and Strelley (edge of Broxtowe) are also difficult to let, and there are question marks about whether more development and acquisition should occur at St Ann's and the Meadows.

There are other areas of the city however, where the demand is much stronger. There are for example, long waiting lists for affordable housing units in areas such as Sherwood, Mapperley, Lenton and Dunkirk.

The problem is that people can be waiting for ages to get the dwelling that they want.

Many households put location as a priority above type of house. Some people in places such as Hyson Green and Radford “just want to get out”, without showing too much concern about their housing destination.

9.4.4 Rent levels

Rents in the social sector are tailored to meet households on benefit. They can range from around £35 per week for a 1 bed flat or bedsit through to £75 per week for a 4 bed unit. RSL market rents can be up to 40% more expensive. Rents are currently subject to the government's review on rent setting.

With new build schemes the rents tend to be slightly higher and this can mean people falling into the poverty trap. In order for them to go to work and come off benefit they need a fairly high income to cover rent, bills etc. Working Family Tax credit has helped in alleviating the problem but it is demoralising for tenants if they see that they are getting little “real” improvement in quality of life.

Rental surcharges are currently being imposed for households that “over-occupy” to try to encourage more efficient use the housing stock.