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Housing Need and Demand in Wales 2006 to 2026

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This report estimates current and projected housing need and demands for Wales between 2006 and 2026.

Main findings

- An estimated 284,000 additional homes are required in Wales between 2006 and 2026.
- 183,000 of these are in the market sector and 101,000 in the non-market sector[1].
- These estimates average 14,200 dwellings a year - 9,200 in the market sector and 5,100 in the non-market sector[2].
- In addition, there is a current backlog of unmet housing need which is estimated at 9,500 households.
- Estimates for local authority areas over the period 2006 to 2026 range from 2,500 homes in Merthyr Tydfil to 37,300 in Cardiff. As estimates, they do not override the more informed assessments of housing need undertaken by individual local authorities.

[1] The market sector comprises owner-occupiers and private sector tenants, excluding owner-occupiers buying through the Right to Buy and private sector tenants receiving Housing Benefit. The non-market sector comprises social sector tenants, owner-occupiers buying through the Right to Buy and private sector tenants receiving Housing Benefit.

[2] Figures do not sum due to rounding.

1. Introduction

1.1 In October 2007 the Deputy Minister for Housing commissioned a major review of affordable housing in Wales. The review, which was led by Sue Essex, delivered its report in June 2008.

1.2 The report made a series of recommendations. One of its conclusions was that robust and up-to-date information on housing needs, demands and supply was needed urgently to provide a firmer basis for national housing policymaking. The report also recommended that the Welsh Assembly Government needs to build capacity across Wales to undertake this work in dialogue with other organisations and should consider the case for establishing a specific unit within the Assembly Government to assess housing need.

1.3 In response, the Assembly Government commissioned Cambridge University's Department of Land Economy to carry out an assessment of current and projected housing needs and demands at Wales-level and, where feasible at local authority area level.

Newly arising need and demand

1.4 The main estimates in this report are of newly arising need and demand for net additions to the housing stock. These are generated mainly by the increase in the number of households, but also by changes in, for example, the number of second homes. Net additions to the housing stock are those provided through new building, conversion gains and the transfer of buildings from other uses to housing, minus the number of dwellings demolished or transferred to other uses. Current information on demolitions and transfers is not robust enough to estimate the gross additions to the housing stock that will be needed[3].

1.5 The proportions of households in the market and non-market sectors in future years are estimated by 'rolling forward' the proportions in the base year for households in their mid-40s, and higher. The proportion of couple households aged 50-54 in 2006 (for example) in the market sector will be close to the proportion aged 60-64 in 2016 and 70-74 in 2026. The proportions of younger households cannot be worked forward in this way because many move between tenures. At ages up to the mid-40s, the proportions in future years are assumed to remain the same as in the base year.

1.6 For this 'ageing model' of housing tenure to be applicable to the 2006-based household projections for Wales, the published projection had to be partially re-classified, which involved some estimation. The re-classified household projections are shown in Table A. The numbers of one-person and single parent households were taken from the official projections.

[3] The demographic base of the estimates is the 2006-based projection of households for Wales and for the local authority areas published in June 2009 (Household Projections for Wales (2006-based) Summary Report). Information about households' housing tenure from Living in Wales for 2005, 2006 and 2007 was used as the basis for dividing households into categories defined by type (e.g. one-person households, one adult plus one or more dependent children) and age (from Living in Wales for 2006 only), for market and non-market sectors.

Table A: Household projections for use with the 'ageing model', Wales, 2006-2026

(thousands)

	2006	2011	2016	2021	2026
One-person households	390	432	478	523	569
One adult with one or more children	97	111	125	140	154
Couple households	709	724	738	749	753
Other households	76	76	74	70	65
Total	**1,272**	**1,342**	**1,415**	**1,482**	**1,541**

Note: Figures may not sum to totals due to rounding.
Source: Household Projections for Wales (2006-based) Table 1 and 2003-based Household Projection for Wales, with re-classification by author.

1.7 The projected division of the household totals in Table A between the market and non-market sectors is shown in Table B.

Table B: Projected households in the market and non-market sectors, Wales, 2006-2026

(thousands)

	2006	2011	2016	2021	2026
Market sector	967	1,020	1,074	1,123	1,166
Non-market sector	305	323	341	359	375
Total	**1,272**	**1,342**	**1,415**	**1,482**	**1,541**
Proportion in market sector (percent)	76.0	76.1	75.9	75.8	75.7

Note: Figures may not sum to totals due to rounding.
Source: Household Projections for Wales and Living in Wales, 2005, 2006 and 2007.

1.8 The need and demand for additional housing comprises the increase in households to be housed plus any net increase in the number of dwellings used as secondary homes and holiday accommodation, and any increases in vacant dwellings. Increases in vacant dwellings are not strictly speaking demanded or needed in any active sense, but the working of the housing system results in increases in their numbers as the dwelling stock grows.

1.9 In the non-market sector there is a need for additional dwellings to offset the reduction in the number of dwellings available for re-letting as a result of past Right to Buy sales. This is because when a Right to Buy owner-occupier household dies, the dwelling usually comes onto the market. If it had remained in the social sector it would have been available for re-letting. To allow for this, the number of 'lost' re-lets is added back into the estimate of housing need.

1.10 The actual number of re-lets in any year depends on the number of Right to Buy owners who died in that year. The figure for Wales is 30,000 for the whole period. The 'lost' re-lets are higher in the earlier years of 2006 to 2026, and lower in the later years, reflecting the high numbers of Right to Buy sales in the 1980s and the subsequent fall in sales.

1.11 Note that when the surviving member of Right to Buy owner-occupier household dies and the dwelling is sold, it is part of the supply of dwellings to meet market sector demand and so works to reduce the demand for new private sector dwellings.

1.12 The estimate of newly arising need and demand for additional dwellings in the market and non-market sectors is in Table C.

Table C: Two-sector estimates of newly arising need and demand for housing, Wales, 2006-2026

(thousands)

	Market sector	Non-market sector	Total
Net increase in households	199	70	269
Increase in second homes, etc.	6	0	6
Increase in vacant dwellings	18	1	9
Offset to re-lets 'lost' by past Right to Buy sales	-30	+30	0
Total net additional housing required			
(thousands in total)	**183**	**101**	**284**
(average per year)	9.2	5.1	14.2

Source: Table B with allowances for second homes, vacant dwellings and past Right to Buy sales.

Backlog of unmet need

1.13 As well as newly arising need and demand for housing in the future there is also housing need at the start date, often referred to as a 'backlog' of unmet need. It comprises households and potential households without a self-contained flat or house of their own, and households whose flats or houses are unsuitable e.g. too small. The backlog resembles a pool, which households enter and leave, not a fixed population. It could be reduced, but not eliminated entirely, as new people enter through eviction, family breakdown, new family additions and so on.

1.14 Current information means that only a partial estimate of the backlog of unmet need for non-market housing can be made. Note that overcrowded households in the social rented sector are shown separately from the main total because in principles, transfers within the sector can provide them with suitable accommodation.

Table D: Estimated backlog of current unmet need for non-market housing, Wales, 2006-2026

Households in temporary accommodation for homeless households	2,800
Sharing households wanting separate accommodation	2,000
Overcrowded households (private rented sector)	4,700
Total for whom additional non-market sector housing would be needed	**9,500**
Overcrowded households in the social rented sector	8,700

Source: Welsh Housing Statistics, 2006, Table 7.7, and information from Living in Wales, 2006.

Need and demand for housing in local authority areas

1.15 The base for estimating newly arising need and demand for housing in each local authority area is the official household projection for these areas. These have a degree of independence from the national projection, and for 2026 sum to a total 23,000 higher than the projection for Wales (Table A above). As a result, they do not sum to the national household projections. They might therefore be termed 'unconstrained' estimates. 'Constrained' estimates would use the same division of the increase in households between the market and non-market sector, but scaled to sum to the projection for Wales in Table A.

1.16 The figures at local authority level for second homes, vacant dwellings, and offsets for 'lost' re-lets are apportionments of the figures for Wales in Table C, but the increases in households are separate. Estimates of the division of households (one person; one adult with children; and 'all other' households) in 2006 and 2026, between the market and non-market sectors in each area, are based on Living in Wales. The proportions of one-person and 'all other' households in the market sector were taken to increase in all areas by the same amount as in Wales as a whole. This calculation does not allow for possible shortages of non-market sector housing in areas where the proportion of households in the market sector is highest, or of any 'catching up' of market housing where it is lowest. The estimates therefore provide only a starting point for consideration in the light of local knowledge.

1.17 The estimates of households in the market and non-market sectors for each local authority area are shown in Table E.

Table E: Two-sector estimates of newly arising need and demand for housing, Wales, 2006-2026, by local authority area

(thousands)

Local authority	Demand and need for housing		
	Market sector	Non-market sector	Total
Isle of Anglesey	3.1	2.2	5.2
Gwynedd	7.8	4.2	12.0
Conwy	8.7	3.3	12.0
Denbighshire	9.1	3.3	12.4
Flintshire	7.2	5.0	12.2
Wrexham	7.3	6.0	13.3
Powys	12.8	4.8	17.6
Ceredigion	6.5	2.1	8.6
Pembrokeshire	9.8	4.6	14.4
Carmarthenshire	16.0	8.1	24.1
Swansea	13.1	9.7	22.8
Neath Port Talbot	10.0	7.7	17.7
Bridgend	10.7	4.6	15.3
Vale of Glamorgan	10.7	4.1	14.8
Cardiff	24.3	13.0	37.3
Rhondda Cynon Taf	11.9	6.5	18.4
Merthyr Tydfil	1.0	1.4	2.5
Caerphilly	7.9	6.8	14.7
Blaenau Gwent	1.9	3.2	5.1
Torfaen	2.7	2.2	4.9
Monmouthshire	6.7	3.2	9.9
Newport	7.5	5.2	12.7
Wales	**197**	**111**	**308**

Note: Figures may not sum to totals due to rounding.
Sources: Household Projections for Wales (2006-based), information on housing tenure and type of household from Living in Wales 2005, 2006 and 2007, and figures for second homes etc. for Wales apportioned between local authority areas.

Gaps in the analysis

1.18 It was not possible to produce estimates that are disaggregated by the ethnicity of households, either in the base year or for future years. This is because the analysis depends on the official household projections, and these are not broken down by ethnicity. Neither can the estimates provide information about the future need for supported or adapted housing by the different client groups.

1.19 Nor was it possible to estimate any future need for intermediate market housing, such as shared equity or shared ownership. These tenures are too small to be used in the analysis of households by sector and could not be rolled forward into the future using the same methods as for housing need and demand. Alternative approaches were considered but had to be rejected for lack of robust data.

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