



# CEREDIGION LOCAL HOUSING MARKET ASSESSMENT

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*CEREDIGION COUNTY COUNCIL*

*JANUARY 2016*

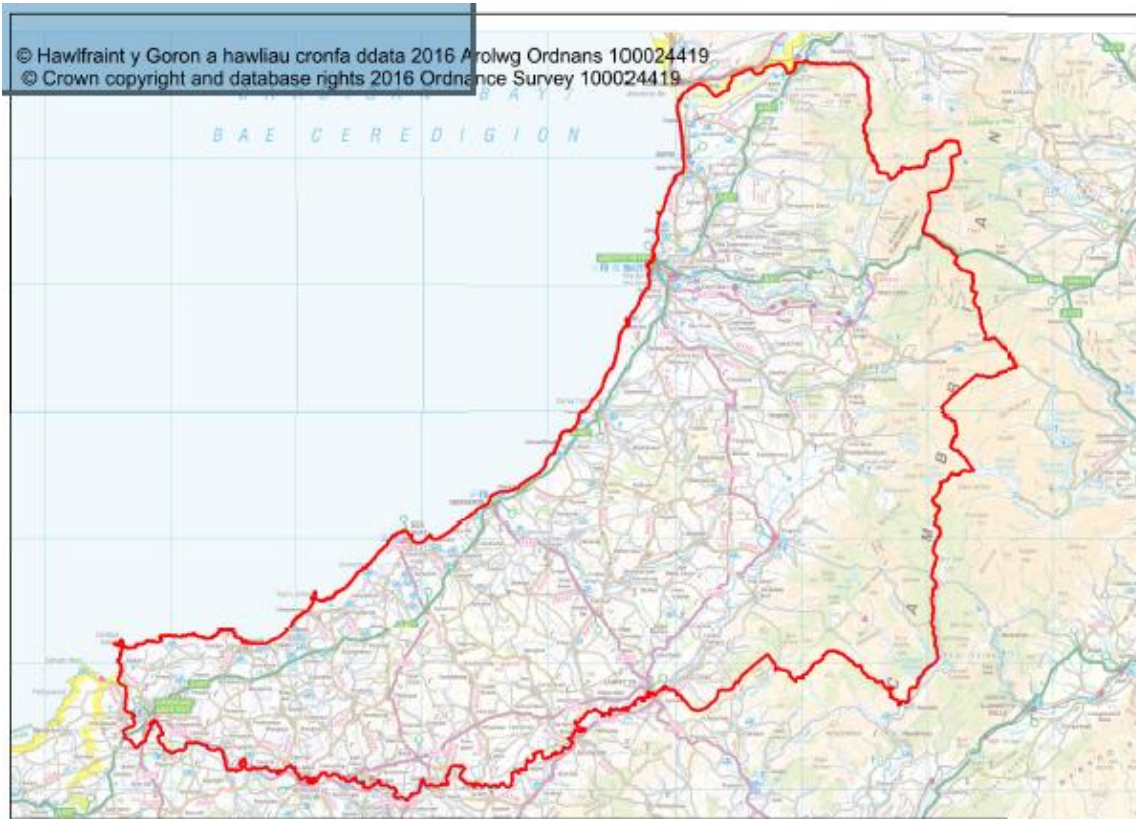
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Figure 1 Ceredigion County



# **1 EXECUTIVE SUMMARY**

## **1.1 Introduction**

The Ceredigion Local Housing Market Assessment (LHMA) is produced to meet the requirements of the Housing (Wales) Act 2014, and follows the general guidance on LHMA's produced by Welsh Government and others. The LHMA has a formal reference date of January 2016, and covers the three-year period to December 2018.

The concept of 'local housing markets' is more difficult to apply to rural areas than urban areas, and the practical definition of housing market areas can be problematic. This edition of the Ceredigion LHMA takes the administrative county area as the basis of the local market area, but recognises that Aberystwyth town comprises a sub-market area with distinct housing characteristics.

The LHMA includes evidence from a wide range of sources and has been compiled by an editorial board which included specialist housing strategy, planning and research officers. Initial drafts were discussed with a range of local private and public sector housing experts including representatives on the local Strategic Housing Partnership.

## **1.2 Housing Demand Factors**

The main driver of housing demand is population change. Population growth was high during the period to 2001, driven by net in-migration. Although it is more difficult to assess change in the period since 2001 because of changes to the official measures of population, it can be assumed that growth slowed, particularly in the period since the financial crisis of 2008. Changes in Higher Education (HE) student numbers has been one significant local factor in local population change, with numbers rising steeply in the period 2007 to 2011, which may have masked any fall in non-student in migration.

Changes in the local economy and employment tend to be incremental. The county remains relatively dependent upon the service, retail and public sectors, the importance of the last boosted by the presence of the higher education sector and national institutions.

Low economic activity rates for the working age population can be explained by the high proportion of HE students and early retirees in the local population, and unemployment rates are relatively low. The area, however, does not have a wide offer of employment opportunity, and is an exporter of younger people to employment and education opportunities elsewhere.

Local earnings from employment have been relatively low, largely as a consequence of the structure of local industry with relatively few jobs in the higher earning manufacturing or service sectors, a pattern that is a symptom of rural economies. Aggregate measures also show relatively low levels of household incomes, due in part to the high proportion of student and retired households. Low income levels are a significant factor in poor housing affordability in the area, which is itself an aggravating factor in the local pattern of poverty.

According to 2011 Census there were 31,562 households in Ceredigion, with a relatively high proportion of single person households including older person households, although HE students will also boost the number of single households.

### **1.3 Housing Supply Factors**

According to 2011 Census there were some 34,500 dwellings in Ceredigion.

Surveys of housing conditions have shown that the county has a high proportion of older housing stock, and have also identified the range of problems associated with older stock such as cold and damp, and fall and trip hazards. Many of these problems have been particularly associated with housing in private rental tenures. These issues also contribute to the county's areas being ranked among the more deprived on the housing domain of the Welsh Index of Multiple Deprivation. Current programmes of work aim to improve the heating and energy characteristics of older housing.

Cold and damp problems may be exacerbated in rural areas which do not have access to mains gas systems and may be in more exposed conditions. High fuel costs contribute to rural poverty and may also be a contributing factor to local health deprivation.

A high proportion of households in the county are in private rental tenancies (19% second highest in Wales after Cardiff); conversely the county has the lowest proportion of households in social rent (10%) of the Welsh local authority areas. The high proportion of private rental tenancies can be largely attributed to the high proportion of HE students in the local household population.

Special attention is given to the definition of issues surrounding the supply of accessible and other specialised housing supply, especially to meet the requirements of older people. The current provision of such housing under social rental tenancies appears small in relation to the expected needs of a proportionally large population of older people, and the assumption is that the majority of people meet their needs through private means. The overall need is expected to rise on coming years with an increase in that population group.

The main contribution to housing supply of the regulatory planning system is to ensure a supply of land for housing through the allocation of particular sites and the granting of consents for development. An analysis of the data on consents and housing completions shows an increasing number of consents in relation to the number of completions. Overall, current allocations and consents at 1<sup>st</sup> April 2015 amount to 3.3 years' supply of land for housing, below the normally required 5 years' supply.

Building completions vary on an annual basis, but there is a noticeable difference between completion rates before the financial crisis and rates since 2008; building rates in the more recent period are about half of those seen before 2008.

The local construction sector has been dominated by small-scale developers with limited capacity to plan or carry out developments of a size that would be regarded as small schemes in other areas where they would form the majority of supply.

Developers and housing market agents have identified a number factors behind this fall in building rates including general uncertainty over demand, problems in financing business models, a skills shortage and loss of skilled construction workers to other areas, the high price of building land and the viability of schemes under the intermediate affordable housing planning policy requirements.

The construction sector makes a significant contribution to the local economy and employment, with new residential development alone having a turnover of over £40M p.a., even following the slowdown in completions. In fact it is apparent that domestic work and residential development have over the years given a local base level of work for the sector, and there must be concern over the effects of a prolonged period of lower residential building on the capacity of the local construction industry. Although numbers of Ceredigion residents employed in the sector have increased and now stand at around 2,800 (8.5% of employed) in 2011.

#### **1.4 Local Housing Market System**

The local housing market is driven by national factors such as the finance market and national economy, as much as by local factors, and generally follows trends in national indicators such as house prices.

Using house prices as the main market indicator shows that local prices broadly followed the steep rises seen nationally from 2003 onwards, and accelerated ahead of the national rate of increase to peak around 2007 at a level above the national measures. Following the financial crisis local prices fell less steeply than the national pattern, but whilst nationally prices have risen since 2010, local price measures in the most recent period have shown short-term variability around a generally static pattern.

The standard ratios of local incomes to house prices or to rents indicate affordability issues in Ceredigion; the key income to lower quartile house price ratio of around 5.2 is the highest in Wales. Affordability problems can also be seen in the private rental market particularly in areas such as Aberystwyth where rents are driven by high general demand in addition to demand from students. These problems have been recognised in the series of local housing needs studies carried out since 2004. In an area with few opportunities to increase earnings housing costs can be a significant factor in the pattern of local poverty.

The Affordable Housing regulatory framework is a major central and local government intervention in the local housing market system, the delivery of

'Intermediate Affordable Housing' being dependent on cross-subsidy from the general market and the supply of land from the land planning system. Lower levels of house building in the general market has affected the provision of affordable housing, but, although annual rates of supply in terms of units is below the Local Development Plan aim of 70 dwellings per annum, it has achieved the target of providing 20% of all housing as AH.

Other concerns are apparent over the future level of affordable housing provided as social rental tenures. The local RSLs directly commission or buy on completion around half of all new-build affordable housing; as such they are significant agents in the local housing construction sector. Their business model, however, has been heavily dependent upon Welsh Government Social Housing Grant which is under continuing funding pressure.

Management of the private rental sector has changed considerably over recent years with an increased role for professional agents and landlords. This has led to a rise in standards of housing conditions and in tenancy management. The use of regulatory powers particularly licensing of Houses in Multiple Occupation has also proven effective in raising standards in the private rental sector, and improved standards in the sector will be supported by the regulation under the Rent Smart Wales scheme.

### **1.5 Aberystwyth Sub-Market Area**

Aberystwyth is recognised as a market sub-area by virtue of its significant role as a regional centre, and therefore as a major focus of demand, and for its particular housing characteristics, especially a strong private rental sector and the issues associated with high student demand.

Thirty-eight percent of households in the town live in private rental tenures. There has been some association between poorer housing conditions and tenancy management and the private rental sector in the town, especially with Houses in Multiple Occupation of which the vast majority in the county are located in Aberystwyth; the town, therefore has been the main focus of the local authority's regulatory work to improve standards.

The town is an area of high demand from all sectors. Prices and rental values are significantly higher than seen in surrounding areas and also vary between different areas of the town with a premium on the more desirable areas within easy reach of the town centre.

In contrast to the rest of the county, the overall supply of new property has shown an increase in recent years. However, given the potential demand across household types, new supply may have been disproportionately provided by conversions of larger property to flats, rather than by new build houses.

Taken together the twin factors of annual changes in student numbers and time lags in university accommodation provision have an immediate and often unpredictable effect on demand for housing, and make forecast and planning a difficult matter for the commercial sector as well as the local planning authority. The provision of dedicated university accommodation has lagged behind the steep growth of student numbers in the late 2000s, creating a year on year increase in demand for rental property. Conversely, the expansion of university accommodation coupled with falls in student numbers in the period since 2011 has seen demand for private rental property fall, with vacancies in some of the harder to let property.

## **1.6 Looking Ahead, Trends and Prospects**

Although it is possible to see a slowing of local population growth over the past decade, and especially in the period after the financial crisis of 2008 and its effect on general mobility, the true picture is masked by a series of adjustments to official population and migration data. Caution should be taken therefore in using the Welsh Government 2011-based population and household projections which are based on change in the period 2006 to 2011; these may not be a good reflection of actual change over the short- to medium-term which may be higher than the projected +4,000 people, and +2,600 households in the period 2011 to 2036.

Economic and employment prospects in Ceredigion are difficult to forecast particularly given the uncertainty over the impact on the public sector of continuing

austerity measures and questions over areas such as higher education and health. On the other hand some aspects of local economic policy and initiatives will work to increase the range of employment prospects. Change, however, will be incremental and small rather than large scale or rapid.

The housing delivery system may remain under pressure. Many of the underlying factors such as high land prices and difficulties in securing business finance remain, and there is still uncertainty over economic and other confidence factors which will affect how local demand responds to the slow recovery from recession.

Local prices changes may continue to show the variability noted in the years since 2010 although it is expected that they will start to show steadier (if relatively small) growth over the next few years. Stronger affordability tests and other changes introduced following the Mortgage Market Review may have dampened house buyers' ability to meet high asking prices, but continuing under supply against pent-up and new demand (e.g. stimulated by Government initiatives) indicate upward pressure on national (and consequently) local prices over the short- to medium-term.

The most recent Housing Needs Study indicates an overall housing requirement in 2011 to 2016 of 687 dwellings, of which 399 (58%) would be affordable housing. The affordable housing requirement would be split between 133 social housing units and 266 intermediate affordable housing, which represents an increase in the proportion of intermediate housing requirement over previous housing needs studies. This overall requirement is based on the lower population growth indicated in official projections. It is possible that actual growth in the period will be higher as the effects of economic recession begin to recede.

Welfare reform may be expected to have some impact upon local housing markets. In addition to the changes in social housing and overall changes to housing and other benefits, the planned changes will have a particular impact on younger tenants in the private rental sector with the withdrawal of automatic housing benefit for people aged 18 to 21, a move to lower guide rents for housing benefit payments, and people under 35 only being eligible for shared accommodation rent allowances.

There will be a particular policy focus upon housing for older people in the coming years. As the number and proportion of elderly in the population rises and people live more healthily into old age, conventional models such as social sector 'sheltered housing' will be inadequate to meet the population's needs and aspirations. Innovative design and financing in housing need to be explored alongside the changes in the provision of health and social care.

Aberystwyth will continue to consolidate its role as a regional centre, although there are some questions over the prospects for growth at local institutions such as the University, and for the public sector in general.

Changes in university student numbers and university accommodation have seen a fall in demand for private rental property in Aberystwyth. It remains to be seen whether this will be short-term and whether demand will return with rises in student numbers, or whether it is a longer-term issue. The options for landlords would include attracting other tenant groups such as young single people in shared households or conversion of property to meet the demand for self-contained flats. Conversion of HMOs to flats is already supported in principle by local planning policies, but given the practical problems of conversion of many older properties, the general policy may require support from wider public and private initiatives to boost housing supply from this source.

## **1.7 Conclusions**

Although it is not a policy document, the LHMA presents evidence of issues and trends that inform policy making. The evidence presented in the LHMA will be kept under review and revised in the light of new information. The LHMA should be a useful source for a range of policy plans and strategies in particular: the review of the Ceredigion Local Development Plan; the Council's Housing Strategy; the Council's Well-being Plan; and the Public Service Board's Well-being assessments and Local Well-being Plan.

The LHMA draws especial attention to a number of issues:

Housing Requirement: current evidence suggests a total requirement of around 2,060 new dwellings in the period 2011 to 2016. The basis of the currently

available population and household forecasts, however, strongly suggest that this figure will need to be revised once data is available on trends in the period after the height of the financial crisis.

**Housing Affordability:** Housing affordability continues to be a problem in Ceredigion. The housing needs assessment indicates that around 60% of new housing should be 'affordable housing', and that a higher proportion of affordable housing (67% of AH) should be provided by intermediate housing than indicated by previous needs studies. The proportion of affordable housing required, however, may reduce should there be a return to in-migration closer to the level seen before the financial crisis leading to an increase in demand for market housing.

**Housing for an Ageing Population:** The provision of suitable housing being one of the central issues for well-being in later life, the certain rise in the numbers of older people provides a challenge for housing policy. The effects of population change will play out over decades to come, but public policy needs to act now to ensure that suitable housing will be available for the future.

**Private Rental Sector in Aberystwyth:** Changes in the supply of university accommodation and in numbers of HE students have had the immediate effect of increasing the number of vacant properties in the Aberystwyth area. Housing policy and regulation will need to respond to the challenges this raises, should this prove to be more than a short-term blip.

**Welfare reform:** The UK Government's continuing programme to reform the welfare system, especially the payment of housing benefit, will have effects on both individual households and on the housing market. To date the main effects or expected effects have been: a rise in demand for smaller properties in the social sector as a result of the 'bedroom tax'; a rise in demand for multiple-occupancy tenancies in the private rental sector as a result of changing the basis for payments to single person households; a reduction of the money available to benefit claimants in private tenancies as a result of a reduction in the level of Local Housing Allowance.

## **2. INTRODUCTION**

### **2.1 Purpose**

This, the latest version of the Ceredigion Local Housing Market Assessment (LHMA), updates the previous LHMA which was published in 2011. The production of a LHMA on a regular basis is now a statutory duty under the Housing (Wales) Act 2014. This latest LHMA has a reference date of December 2015 and therefore formally covers the three-year period from January 2016 to December 2018, although it also takes into account trends beyond 2018.

This Assessment follows the outline of the guidance on LHMA's published by Welsh Government (2006). Although Welsh Government and the Welsh Local Government Association have recently published a 'getting started' guide to measuring housing need (WLGA 2014), it was found that the approach promoted was not particularly useful in rural areas generally, or in areas with the housing market characteristics of Ceredigion.

### **2.2 Ceredigion Housing Market Areas**

Ceredigion (Fig. 1) is a predominantly rural area; Aberystwyth is the only settlement that may be described as truly urban and has a regional role; the other towns Cardigan, Lampeter, Aberaeron, Tregaron and Llandysul are far smaller and act as mainly local centres. In addition over half the population of the county live outside these six towns, in rural settlements that include larger villages that act as local service centres, but also in small villages and hamlets and clusters and scattered housing in open countryside. Such a settlement pattern and a relatively low level of housing activity pose problems for identifying local 'market areas'.

The 2011 edition of the Ceredigion LHMA explored in detail the problems of applying the concept of 'housing market areas' to rural areas. The previous Assessment used the two official Travel to Work areas (the Aberystwyth and Cardigan TTWAs) as representing market areas defined by employment and commuting behaviour. However, these areas were of limited use in the market assessment, as many data were only available at the larger, county area, and, in the main, public policy did not cross county boundaries. In addition, it was

recognised that although Aberystwyth was an obvious centre for a wide TTWA with strong commuting patterns, commuting patterns in the Cardigan sub-market area were weaker.

This current edition of the LHMA, therefore, abandons the sub-division by TTWA and takes the main housing market area as being the area of Ceredigion county as a whole (which is also the approach recommended by housing need consultants ORS), but recognises some important spatial factors:

- Housing market activity will be concentrated in and around the major towns; activity (sales and moves) outside of the towns will be lower and more scattered. Towns are the centres for employment, shopping and services and so most housing market behaviour will be linked to towns, although this may also imply a readiness to commute from rural areas.
- Aberystwyth, because of its service importance and its isolation from towns of a similar size, is clearly the centre for a strongly self-contained area. Areas in the south of the county, however, are more weakly contained. Carmarthen is a particularly strong employment and service centre for parts of southern Ceredigion and its influence has grown with the improvement of roads northwards into Ceredigion.
- The concept of local housing markets recognises that areas below the level of a wide market area may have special characteristics and be important enough to be considered as sub-areas. In the case of Ceredigion, Aberystwyth can clearly be considered as a sub-market area: it is the only properly urban area; it has a strong migration and commuting pull; and it has the special circumstances of a proportionally very large resident student population, and a private rental sector which influences the general housing market in the town and over a wider area.
- Finally on area definitions, it should be emphasised that the term 'Local Housing Market' is intended to contrast with assessments of the national market, rather than indicate a very local area within the county of Ceredigion. Not only are there problems collating robust data on smaller areas, or rural areas, it is also difficult to apply the concept to these areas.

Housing needs in smaller areas such as rural villages and their surrounds are better assessed using community housing studies such as those carried out by Rural Housing Enablers and similar bodies. These community studies can be an effective way of collating information on housing aspirations as well as the needs of some residents at a particular point in time e.g. identifying newly-forming households through relationship breakdown, although, because they capture an isolated snap shot of more immediate and particular needs, such local studies do not supply the larger scale and medium- to long-term view required for strategic planning.

### **2.3 Methodology**

This edition of the Ceredigion LHMA was compiled by an editorial team comprising staff from Ceredigion County Council's housing, planning and research teams. The initial drafts were circulated to key groups, including the Ceredigion Strategic Housing Partnership, for comment.

The main methods used were:

- Analysis of statistical information, especially results from the 2011 Census that became available in 2013/14
- Analysis of available internal and external reports relevant to housing issues and local conditions
- A separate statistical modelling of housing need based on a whole market model developed by Opinion Research Services (See Section 4.7)
- Information from physical surveys such as completions and housing condition surveys
- Survey and engagement to collate the views from major sectors in the local housing market including house builders, estate agents, letting agents and landlords, as well as interest groups such as 'Ble ti'n mynd i fyw?'.

## 2.4 Structure of Report

The Assessment starts with an outline of past and recent trends in the local housing market. The section is divided into four chapters:

- Housing Demand Factors (3.1): this section outlines the factors such as population and economic growth, and household formation trends broadly related to the demand for housing
- Housing Supply Factors (3.2): this section outlines the existing housing stock and trends in the local supply of housing
- Working of the Local Housing Market System (3.3): this section describes trends in the local housing market system that, in broad terms, acts to match demand and supply factors
- Aberystwyth Housing Market (3.4) which outlines factors of particular importance in the Aberystwyth town market

Chapter 4 provides a forward view of these demand, supply and market factors over the period of the LHMA and beyond

Chapter 5 provides a summary of points already covered under the headings of the conventional market sectors.

In conclusion Chapter 6 summarises the main points of the Assessment.

### **Summary: Introduction**

The Ceredigion Local Housing Market Assessment (LHMA) is produced to meet the requirements of the Housing (Wales) Act 2014, and follows the general guidance on LHMA's produced by Welsh Government and others. The LHMA has a formal reference date of December 2015, and covers the three-year period January 2016 to December 2018.

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The LHMA includes evidence from a wide range of sources and has been compiled by an editorial board which included specialist housing strategy and planning as well as research officers. Initial drafts were discussed with a range of local private and public sector housing experts including representatives on the local Housing Strategy Partnership.

## **3.1 HOUSING DEMAND FACTORS**

### **3.1.1 Population**

The total resident population of Ceredigion at the time of the latest Census in March 2011 was 75,922. The Census population estimate has been updated with annual data on births, deaths and migration in a series of Mid-Year Estimates of population (MYE), the latest of which for 2013 put the population at 75,964, a small decrease on the Mid-Year Estimate for 2012.

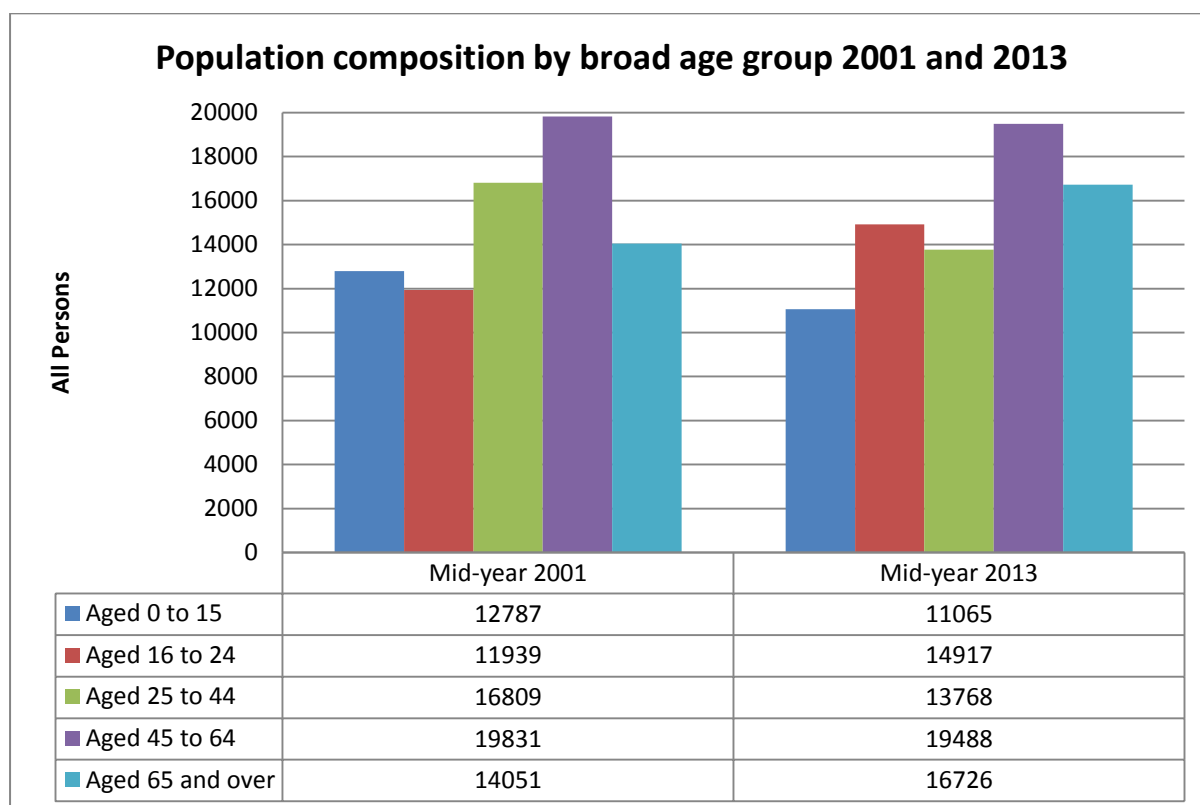
The total population in the previous 2001 Census was 74,916, which in turn represented high population growth in the decade since the 1991 Census. On the basis of Census data, therefore, total population growth in the county between 2001 and 2011 was around 1,000. Throughout this period, as in previous decades, there have been fewer births than deaths in the county population, and population growth, has been through net in-migration.

A study of the full range of population data, including sources such as Higher Education statistics and house building data, however, suggests that the actual change between 2001 and 2011, although less than that seen in the period 1991 to 2001, was higher than the +1,000 indicated by Census data alone. Census data is used as the base data for a number of official population calculations, including Mid-Year Estimates of population. The MYE data also provide the basis for local authority population projections and household estimates produced by Welsh Government, which project the recent historical trend shown into the future in a simple 'straight-line' manner. There is, therefore, a significant degree of uncertainty over the how likely it is that actual change will follow the trend described in official projections.

In the view of this Assessment forecasts of population size, number of households or housing requirements based on these official projections should be treated with a great deal of caution. It is especially important that no substantial changes are made to long-term strategies and plans whilst the full direction and extent of population change remains uncertain. This view is supported by consultants ORS in their commentary on housing need and requirement forecasts.

The presence of two higher education establishments has a marked effect on the population structure and the 16-24 age group has increased by 3,000 between 2001 and 2013 because of the expansion in HE student numbers. On the other hand, the 25-64 age group has decreased by 3,400 and the 0-15 group by 1,700. Whilst the population size overall has increased by 500, the 65 and over group has grown by 2,700 in this period as the baby boomer generation moves toward retirement.

**Figure 2 Ceredigion population structure 2001 and 2013 by broad age groups**



Source: ONS Mid-Year Estimates of population

### 3.1.2 Higher Education Students

Information from 2011 Census indicated that, excluding students living with parents (mainly of school age) there were some 9,100 full-time students resident in Ceredigion (12% of resident population). The majority of these were full-time undergraduates or postgraduates at the two local universities: Aberystwyth University with its campus and residences in Aberystwyth town, and the University of Wales Trinity St David's, which has a campus at Lampeter among other

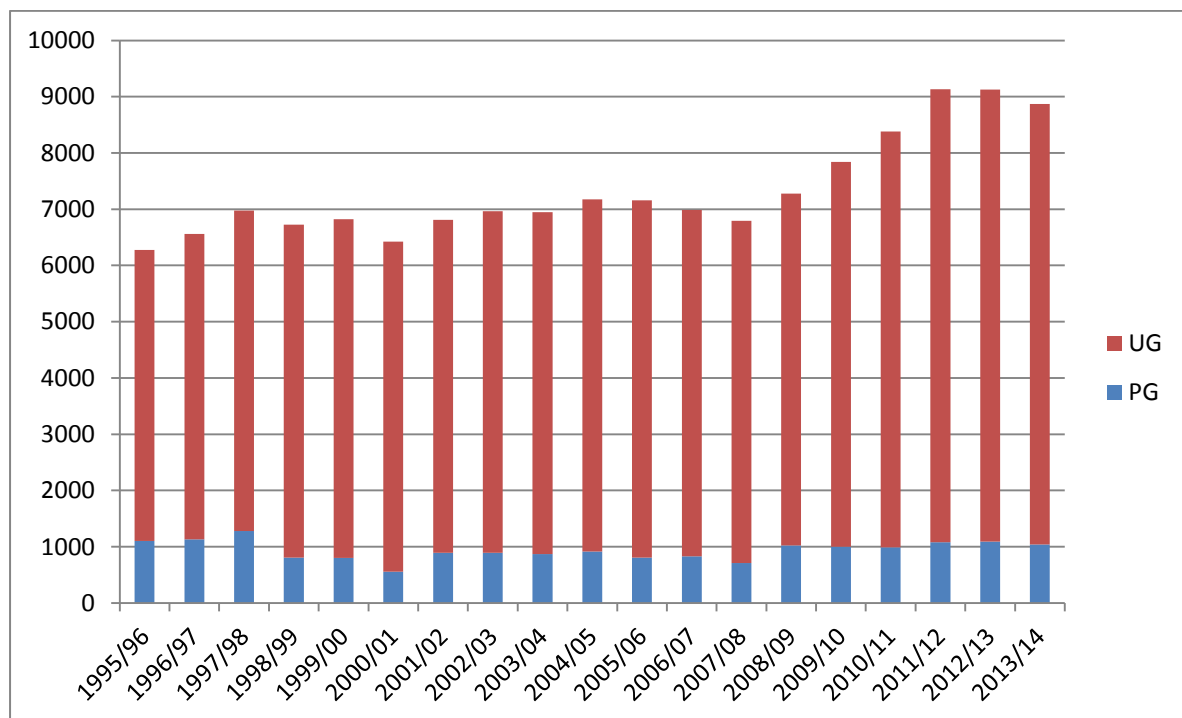
locations. The two institutions have very different patterns of development of student numbers and so are treated separately here.

### *Aberystwyth University*

University data reported through the HE Statistics agency (Fig. 3) indicate that the number of full-time undergraduate and post graduate students registered at Aberystwyth University (AU) was relatively static in the decade to 2007/08 at around 7,000 full-time students. Numbers rose steeply from 2007/08, to reach a peak in 2011/12 of around 9,100, boosted by record high admission acceptance numbers (ca. 3,300 UCAS acceptances) in that year ahead of the introduction of tuition fees. Since then the total number of students has decreased as acceptances have fallen back to levels previously seen in the period before 2007/08 (2,475 UCAS acceptances for 2012/13).

The latest HESA data for 2013/14 indicate a total of 8,870 full-time students and it is expected that this number will have fallen further in 2014/15 as the record 2011/12 entry cohort finished courses in 2014.

**Figure 3 Aberystwyth University full-time student numbers undergraduate and post graduate**



(Source: Higher Education Statistics Agency)

### *Trinity St David Lampeter campus*

Lampeter University was an autonomous HE institution until its merger with Trinity College, Carmarthen in 2010, at which date the number of full-time students had recovered from a low-point in the early 2000s to a total of around two thousand full-time students. Separate official data for the Lampeter campus has no longer been available since the merger, and the situation has been complicated by a further merger with Swansea Metropolitan in 2013 to form the University of Wales Trinity St David.

According to 2011 Census there were around 800 full-time students in Lampeter town and immediate area, the majority of which can be assumed to be HE students at Lampeter. On the basis of Census data, therefore, the resident, full-time student population of Lampeter has fallen significantly in recent years.

### **3.1.3 Gypsy and Traveller Population**

The Gypsy and Irish Traveller population recorded in the 2011 Census was 74, less than 0.1% of the population of the county, with two thirds resident in conventional housing.

### **3.1.4 Economy**

Compared with the national average, Ceredigion, like many other rural areas, has proportionally more employment in personal service industries, the public sector, hospitality and tourism, and agriculture, and has relatively less employment in manufacturing and financial and business services.

The local economy is relatively static with low rates of business creation, and little evidence of significant migration manufacturing or services firms to the area, or of dynamic growth in these sectors. The retail sector, however, has seen both migration and growth, with significant retail developments, and with national chains locating in towns especially in Aberystwyth, where the sector continues to grow around developments to regenerate Aberystwyth's role as a regional centre.

A high proportion of public sector employment is attributable to the two universities and other national and regional institutions located in the county, in addition to employment in the health services and local government. Aside from these large institutions, there are relatively few large employers in the area outside the retail sector. In contrast, self-employment is an important sector locally accounting for 26% of the employed (around 8,000 people), compared with national rates of around 14%.

The majority of employment locations are found in and around the towns of Aberystwyth, Cardigan, Lampeter and Aberaeron. Aberystwyth is by far the most important location with the university, Welsh Government offices and other institutions and a large retail sector in addition to offices and firms located on industrial and trading estates; the town has a correspondingly wide commuting area.

### **3.1.5 Employment**

The overall Ceredigion economic activity rate is low; in June 2015 68.4% of the 16 to 64 year old population was recorded as economically active, one of the lowest rates in Wales. However this low rate can be largely attributed to the proportionally high number of Higher Education students in the local population, as well as to a high proportion of retirees aged under-65; excluding students the economic activity rate is 80.4%, higher than the Wales average.

The high proportion of students and early retirees means that, although the proportion of the population not in employment is high, the unemployment rate is relatively low: 4.7% of the 16+ population compared with the rate for Wales (6.7%) or the UK (5.7%) under the International Labour Organisation definition.

Claimant rates are similarly low; in September 2015 there were 500 claimants of job seeker benefits (1% of the 16 to 64 year old population). After a rise in unemployment following the financial crisis, these latest data show a return to the level of benefit claimants last seen in late 2007 (which itself represented a long-term low).

Given its remoteness from major employment centres, Ceredigion is a relatively self-contained employment area. The main in- and out-commuter flows are seen in the south of the county with flows between Ceredigion and Carmarthen, Swansea, and Pembrokeshire, there is also a far smaller flow in the north between Machynlleth and Aberystwyth. There is some reason to believe that flows have increased in recent years with developments such as the improved south Ceredigion to Carmarthen road link. Overall, according to 2011 Census, the county has a small net inflow of around 250 commuters.

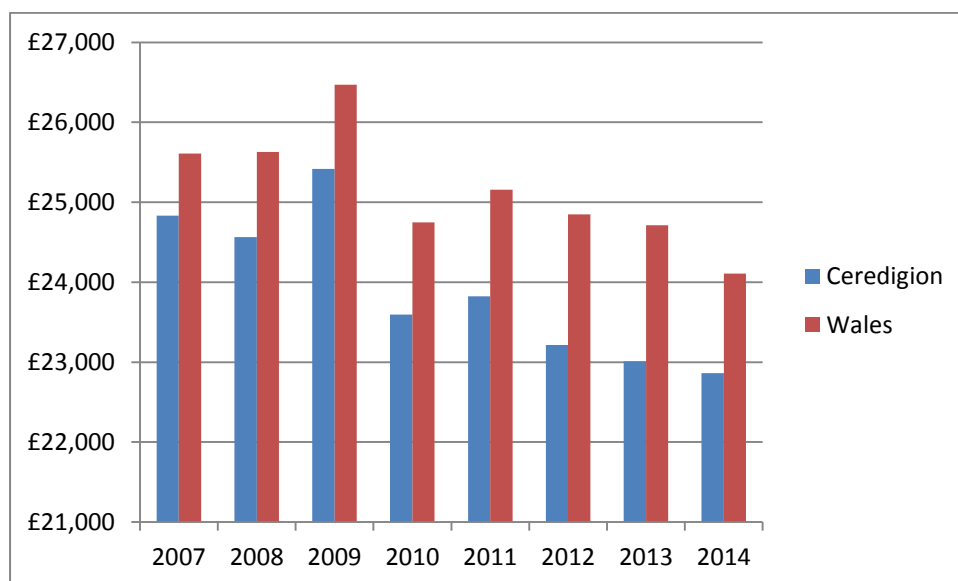
### **3.1.6. Incomes**

Official data show that Ceredigion has a low level of employment earnings compared with other local authority districts. According to the latest Annual Survey of Hours and Earnings (ASHE) in 2014 the median for full-time earnings in Ceredigion was £435 a week. This was the 28<sup>th</sup> lowest of the 415 local authority districts in Great Britain, and 6<sup>th</sup> lowest in Wales, although this represents an improvement on its previous rankings.

Low employment earnings relative to other areas is largely due to the structure of the local economy with few jobs in large scale manufacturing occupations or in the higher-paid service sectors such as finance which provide an underpinning of higher earnings in other areas.

The employment data do not include earnings from self-employment which forms a significant proportion of local employment, nor does it include non-employment earnings such as retirement pensions or investment income. These sources are included in the estimates provided by the Paycheck model. According to the 2013 Paycheck estimates the county mean household income of £28,947 was the 6<sup>th</sup> lowest, and the median household income of £22,864 was ranked the 8<sup>th</sup> lowest of the Welsh authorities (Fig. 4).

**Figure 4 Median household incomes for Ceredigion and Wales 2007 to 2014**



(Source: (Paycheck CACI).

As outlined in Section 3.3.4 below, low incomes are a major factor in relatively low affordability in the local housing market. Low from employment earnings are a particular problem for house buyers and renters and may be seen as both a consequence of and an aggravating factor in poverty in the area.

### **3.1.7 Households and Household Change**

According to 2011 Census there were 31,562 households in Ceredigion with a total of 71,444 household residents. Figure 5 classifies households by structure.

**Figure 5 Ceredigion households by structure**

Household Type	No of Households
<b>All households</b>	<b>31, 562</b>
<b>One person</b>	<b>10,456</b>
One person 65+	4,878
One person other	5,578
<b>One family household</b>	<b>18,144</b>
All aged 65 and over	3,199
Married or same-sex civil partnership couple	9,582
Co-habiting couple	2,860
Lone parent	2,503
<b>Other household</b>	<b>2,962</b>
With dependent children	651
All student	883
All aged 65 and over	184
Other	1,244

(Source 2011 census)

The Ceredigion household structure is close to the average for England and Wales, but differs in two main characteristics. Firstly, as may be expected in an area with a proportionally high number of university students, the proportions of one-person and non-family households are slightly higher than the national average. Secondly, the proportion of household with all residents aged 65 and over (26%) is higher than the national average (21%).

Nationally the period between the 2001 and 2011 censuses was notable for seeing a reversal of the long-term trend towards smaller households, and a

slowing of the increase in single-person households. The national average household size increased slightly between 2001 and 2011; the assumption is that the effects of recession and the continuing rise in house prices and rental costs ahead of earnings have caused individuals to delay formation of new households. It is, however, more difficult to discern the trend in census data for Ceredigion because of the growth in the HE student population which has the effect of already skewing average household size and of providing growth in single person households.

### **Summary: Housing Demand Factors**

The main driver of housing demand is population change. Population growth was high during the period to 2001, driven by net in-migration. Although it is more difficult to assess change in the period since 2001 because of changes to the official measures of population, it can be assumed that growth slowed, particularly in the period since the financial crisis of 2008. Changes in Higher Education (HE) student numbers has been one significant local factor in local population change, with numbers rising steeply in the period 2007 to 2011, which may have masked any fall in non-student in migration.

Changes in the local economy and employment tend to be incremental. The county remains relatively dependent upon the service, retail and public sectors, the importance of the last boosted by the presence of the higher education sector and national institutions.

Low economic activity rates for the working age population can be explained by the high proportion of HE students and early retirees in the local population, and unemployment rates are relatively low. The area, however, does not have a wide offer of employment opportunity, and is an exporter of younger people to employment and education opportunities elsewhere.

Local earnings from employment have been relatively low, largely as a consequence of the structure of local industry with relatively few jobs in the higher earning manufacturing or service sectors, a pattern that is a symptom of rural economies. Aggregate measures also show relatively low levels of household

incomes, due in part to the high proportion of student and retired households. Low income levels are a significant factor in poor housing affordability in the area, which is itself an aggravating factor in the local pattern of poverty.

According to 2011 Census there were 31,562 households in Ceredigion, with a relatively high proportion of single person households including older person households, although HE students will also boost the number of single households.

## 3.2 SUPPLY FACTORS

### 3.2.1 Housing Stock

According to the latest Census there were 34,569 dwellings in Ceredigion in 2011. This represented a rise of around 1,500 since the 2001 Census. However, as with data on population, although recent Census data may be the most comprehensive source of housing information available, it is difficult to reconcile change as measured by differences between the 2001 and 2011 Censuses with local intelligence on factors such as house build completions which indicate a higher level of housing stock growth over that ten-year period.

Census is primarily concerned with households and people, and may be less reliable as a source of information on dwelling stock. However, the data does reconcile the different definitions of dwellings, households, household spaces and occupied household spaces (Figure 6).

**Figure 6 Ceredigion comparison of Census definitions of dwellings (shared and unshared) and household spaces (occupied and unoccupied)**

	Dwellings
All dwellings	34,569
Shared dwelling: total	40
Unshared dwelling: Total	34,529
All household spaces	34,669
Occupied household spaces	31,562
Unoccupied household spaces	3,107

(Source: 2011 Census)

It should be noted that the definition of 'shared dwelling' is limited to separate households in a dwelling with a shared facility, and may not, for example, include a house defined by statute as a 'house in multiple occupation'.

Taking the Census definition of 'household space' (occupied and unoccupied) as the basic unit, the Ceredigion housing stock can be classified under their physical types (Fig. 7).

Although there has been relatively little change since 2001 in the proportions of the different building types, the number of purpose built flats new flats increased by 20%.

### **3.2.2 Housing Condition**

The most recent overall survey of housing stock condition in Ceredigion county was carried out in 2007 (Adamson 2007), the results of which have been summarised in previous LHMA's.

According to Adamson, 7,384 dwellings (21% of stock) were constructed after 1981, although the new dwellings built between 2007 and 2015 will have increased the proportion to around 26%.

The 2007 survey and other work identified cold, damp, and the potential for slips, trips and falls as the major hazards in local housing stock; these were especially apparent in older stock, and in properties under private rented tenure (where fire safety is also a noted potential hazard). The problems of excess cold, and damp and mould in housing are also associated with rural areas that are not supplied with mains gas and where households are reliant on solid fuel or LPG, oil and electrical heating systems which many households may find too expensive for fully effective use.

Further evidence for the poor conditions experienced in certain tenures and types of property comes from successive censuses which show the high association of factors such overcrowding and lack of heating systems with housing in private rental sector. These factors account for the appearance of a number of Ceredigion areas among the most deprived areas in the Housing Domain of the Welsh Index of Multiple Deprivation (WIMD). In the 2014 edition of WIMD, for example, 8 of Ceredigion's 46 Lower Super Output Areas appear in the most deprived 10% of Welsh small areas in the housing domain.

**Figure 7 Ceredigion household spaces by type, number of occupied household spaces, and household population (N.B data not available for all levels)**

Type of dwelling	Household spaces	Occupied household spaces	Resident population
All household spaces	34,669	31,562	71,444
Whole house or bungalow: all	30,009	27,412	64,235
Whole house or bungalow: Detached	17,046	n/a	n/a
Whole house or bungalow: Semi-detached	7,685	n/a	n/a
Whole house or bungalow: Terraced	5,278	n/a	n/a
Flat, maisonette or apartment	4,271	n/a	6,511
Flat, maisonette or apartment: Purpose-built block of flats or tenement	2,273	2,136	n/a
Flat, maisonette or apartment: Part of a converted or shared house (including bed-sits)	1,450	1,181	n/a
Flat, maisonette or apartment: In commercial building	548	N/A	n/a
Caravan or other mobile or temporary structure	389	N/A	483

(Source: 2011 Census)

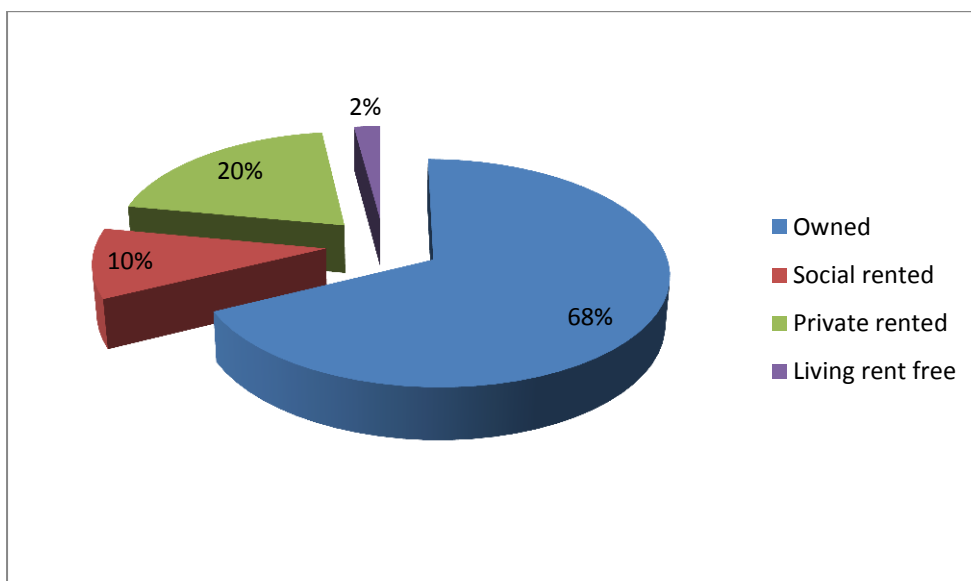
Although these problems still exist in a significant proportion of dwellings, the proportion of dwellings affected will have been reduced by new construction with higher insulation standards as well as by improvements in the energy efficiency of existing properties under the various schemes supported by the local authority, Welsh Government and utility companies (e.g. Nest, Energy Company Obligation). Through the various energy efficiency schemes run in the county over the past

three years, approximately 600 private and housing association dwellings have been improved through measures such as external wall insulation, new boilers and loft insulation. The Council have also used the licensing and regulation of Houses in Multiple Occupation to enforce basic standards in the private rented sector.

### 3.2.3 Tenures

Figure 8 shows the distribution of tenures of private households according to the 2011 Census.

**Figure 8 Ceredigion household by main tenure type**



(Source: 2011 Census)

Nationally the period 2001 to 2011 has seen a fall in the proportion of tenures in owner-occupancy (England and Wales fell from 69% to 64%; Wales 71% to 68%), and in social rental (England and Wales fell from 19% to 17%; Wales 18% to 16%), whilst the proportion of private rental tenancies rose (England and Wales: from 10% to 17%; Wales 9% to 14%). These changes have been seen locally with owner occupancy falling from 70% to 68%, and social rental falling from 12% to 10%. The proportion of households in private rental tenures rose from 16% to 20% (second highest in Wales after Cardiff), although the size of this change may be affected by the way that HE students have been counted in successive censuses.

### **3.2.4 Vacant Dwellings**

As noted above, 2011 Census recorded 3,107 household spaces (9% of all HH spaces) without a household resident.

2011 Census did not record whether unoccupied household spaces were long- or short-term vacant, or whether the household space was considered a holiday or second home of some type. Although these classifications have been recorded in previous census, it was apparent that making these distinctions in Census surveys did not produce reliable information. Data quality problems also compromise the use of alternative administrative data such as Council Tax records where recent rules have reduced the incentive for owners to report vacant property.

Previous studies showed that the local level of actual vacant dwellings was not particularly high, and was about the average level expected due to reasons such as legal processing, legal disputes, etc. The local authority maintains an empty property database on which in 2014, 747 were recorded. These properties vary in size, location and condition with many of them being ready or almost ready for occupation.

### **3.2.5 Special Accommodation**

According to 2011 Census of the 75,922 resident population, 4,478 (6%) were resident in communal accommodation, the vast majority in university residences (Figure 9).

**Figure 9 Ceredigion communal establishments and residents**

	No. of establishments	Residents
Medical and care establishments	34	489
Education residences	40	3,850
Hotel, hostel B&B; staff accommodation, etc. and not stated	110	139
Total	184	4,478

(Source: 2011 Census)

### **3.2.6 Student Halls**

According to 2011 census data there were 3,800 students (2,000 male; 1,800 female) in university residences. These were split between 3,300 in Aberystwyth and 500 in Lampeter.

It can be difficult to reconcile Census data with university information on hall capacity and numbers. In the past Census has used definitions which classified some types of self-catered hall accommodation as private residences, and there are some questions over how to classify privately-owned or managed student accommodation.

#### **Aberystwyth University**

There were approximately 3,800 places available in managed residences for students at AU in the 2014/15 academic year (Fig 10). This represents a net increase in the approximately 3,500 places available in 2010/11.

**Figure 10 Aberystwyth University halls of residence capacity 2014/15**

	Capacity 2014/15	Notes
Traditional halls	1,816	Penbryn, Pantycelyn, Cwrt Mawr, Trefloyne, Bryn Derw, Seafront; some net loss in recent years due to Penbryn places converted to offices
Self-catering flats	696	Rosser, Clarendon, Alexandra Hall
Student village	1,246	Includes Pentre Jane Morgan, and 250 places in Phase 1 of Penglais Farm opened during 2014/15
Non-university	51	Cantref bedsits with covenant on student residents
Total	3,809	

Source: Aberystwyth University and Ceredigion CC

AU's estates strategy is to support recruitment in a more competitive market by meeting demand for better quality accommodation which is seen as an especially important factor in attracting students from outside the UK. The construction of a new accommodation scheme, Penglais Farm, with a capacity of 1,000 places is an essential part of this strategy, the first phase of which (250 places) has been completed and occupied during 2014/15 academic year.

The ownership and management of student residences has become more fragmented over recent years. Many of the university's sea-front halls are owned by private firms and leased back to university management. In addition at least one student residence (Neuadd y Goron) is owned and managed by a local Registered Social Landlord with a stipulation that all tenants must be registered full-time students at AU.

The provision of dedicated university accommodation has not responded smoothly to changes in student numbers, tending to lag behind the growth in student numbers. This was especially the case during the late 2000s when student numbers grew rapidly whilst hall capacity fell. Over the longer-term the failure to keep pace with the growth in student numbers has put significant pressure on the local housing market. As described in Section 3.4.9, student housing needs which are not met by university accommodation must be met in the private market, especially in the private rented sector.

### Lampeter

The Lampeter campus of the new University of Wales Trinity Saint David is far smaller than AU and has a much smaller provision of dedicated accommodation. According to 2011 Census there were around 520 residents in student halls.

### 3.2.7 Other Communal Accommodation

Figure 11 shows the numbers of residents of non-educational communal establishment classified by the type of establishment.

**Figure 11 Ceredigion residents in medical and care communal establishment by management**

	All	Male	Female
NHS	0	0	0
Local authority	117	32	85
Registered Social Landlord/Housing Association	0	0	0
Other (private, third sector and other)	372	111	261
Total medical and care establishment	489	143	346

(Source: 2011 Census)

### 3.2.8 Extracare Housing

A major focus of housing and social care concern in recent years has been the provision of housing suitable to meet needs arising from physical and mental disabilities or frailty. Much, but by no means all, of this need is associated with old age.

In terms of type, design, and management, these needs may be met by a spectrum of housing solutions ranging from fairly low-scale adaptations of existing housing, through specialised housing to residential care and nursing homes of a general or specialist nature.

Low scale adaptations of existing housing to meet the needs of current occupiers is supported by a number of grant and other funding schemes operated by local and national government and by third sector agencies. As outlined in section 4.9, there will be an increasing need for the adaptation of existing stock in all tenures to meet people's demand that they be able to live for as long as possible in their own homes into old age.

This section focusses on the middle range of specialised housing, between simple adaptation of existing stock and dedicated residential care and nursing homes. Within this broad field, issues are complicated by the organisational delivery systems with basic divisions at national and local level between social care, health and housing responsibilities and systems. The issue is further complicated by the sharp dichotomy between individuals or households who are eligible for support by public sector, and those who are ineligible, generally on the basis of their income or assets. Furthermore, classification and definitions can be confusing to a non-specialist with specific labels denoting specific operational or tenure models.

The existing and developing models of housing may be distinguished from general housing by a number of factors, although not all will be present in every instance:

- Design of individual units such as widened doors for easier access for wheelchairs and other care apparatus, placing of services, detailed design of fittings

- The design of the grouping of individual units into, for example, flats or estates of individual detached unit; and their location in relationship to health and care facilities and general facilities
- Management operations to bring additional care support to residents e.g. through an on-site warden or through connections to centrally-located support
- Conditions applied to the tenure of the individual units. These may be a simple condition on a minimum age, or related to more complex assessment of financial and needs eligibility

The most common accommodation designed for people with particular housing needs related to their physical and mental health state is generally labelled as 'sheltered housing'. Further work is underway to identify the full range of the existing stock in the county held under the various ownership and management regimes. At present we can distinguish the following elements in the existing stock:

- Sheltered housing under social housing tenure: approximately 400 separate units (286 1-bed flats; 49 2-bed flats; 65 bungalows) plus 16 bedsits; present in 6 locations throughout the county. In the past 'sheltered housing' has included warden services, although these are now largely provided by remote contact and warning systems.
- Sheltered retirement schemes which include leasehold property: 61 2-bed flats in Aberystwyth. The main distinguishing characteristic is an age-related occupancy condition in addition to the support features found in sheltered housing.
- Housing schemes dedicated to older people, which are owned and managed by third sector or private management organisations in which the distinguishing characteristic is an age-related occupancy condition. These schemes may have particular design features for more elderly occupants and may offer additional support. Exact figures are not known, but there may be up to 100 such units in Aberystwyth alone.

- Housing schemes designed for people with physical and mental needs, which are owned and managed by third sector groups. No information is available on the characteristics of these schemes or the total number of places provided in Ceredigion.
- Extra Care housing is a concept aimed at enabling older people to live independently for longer within their own home. It has been referred to as 'very sheltered' housing in recognition of the additional support available in many schemes, as well as the attention given to the physical accessibility of the buildings themselves. The major difference between Extra Care Housing and other more traditional forms of long term supported accommodation is that it is first and foremost a housing, rather than a 'residential care', solution. Extra Care offers self-contained accommodation giving occupants legal rights to occupy, as outlined in housing law. They are not registered care settings, a distinction acknowledged by the CSSIW. Ceredigion currently has one Extra Care facility in the county, Maes Mwldan, Cardigan which provides 48 apartments with the potential to house 96 people. Currently all apartments are available for rental only. There is no shared ownership/ market offer available in Ceredigion.

**Figure 12 Summary of all supported and specialised housing available in Ceredigion**

	Tenures	Management	Locations	Units
Sheltered	Social rent	Registered Social Landlords	Aberystwyth, Aberaeron, Cardigan, Lampeter, Llandysul Llannon	286 1-bed flat 49 2-bed flat 65 bungalow
Sheltered retirement	Social rent Leasehold	Registered Social Landlords	Aberystwyth	2 1-bed flat 61 2-bed flat
Age-restricted housing	Leasehold Private rent	Private management companies	Aberystwyth (as far as is known)	Not available
Specialist housing	Not known	Third sector	Possible in Aberystwyth but not identified with certainty	Not available
Extracare housing	Social rent	Registered Social Landlords	Cardigan	16 1-bed flat 32 2-bed flat

(Source: Ceredigion County Council)

Some issues have been identified with the current range of specialised and supported housing available in Ceredigion.

- Based on the numbers of people known to suffer from conditions of later life and the age structure of the local population, the current stock seems inadequate to cater for the needs of the current population of Ceredigion. It seems likely that many elderly people and people with physical and mental needs are living in unsuitable accommodation or in locations which make

obtaining care and support difficult. This is borne out by evidence from earlier reports on housing condition and hazards.

- In many cases older people may be living in the family home which is now unsuitable due to maintenance expense, heating difficulties.
- Much of the specialised housing in Ceredigion is relatively old stock built to lower specification than would be thought suitable today. The schemes and individual units may not be best designed to provide for the needs of households in the very elderly age groups.
- Owners of leasehold flats have reported difficulties with sales of flats with age-related occupancy conditions, although this may be a matter of failing to temper hope for price growth with realistic expectations of this sort of housing.
- Although a number of new models of housing for older people are possible, these have been fairly slow to be adopted in Ceredigion

The future prospects for this particular housing sector are discussed further in Section 4.9.

### **3.2.9 Gypsy and Traveller Accommodation**

The 2011 Census identified only 74 individuals who described their ethnicity as 'Gypsy and Irish Traveller', with the majority living in conventional housing rather than in caravans. According to project workers in the area, this may be a significant underestimate of actual numbers and the new Welsh Government guidance now requires that a survey of housing need for this group, plus New Travellers and Showmen, should be undertaken at least every five years, with the in February 2016.

The Gypsy and Traveller Accommodation Assessment 2015-6 (GTAA) found that, at this time, there is only one small privately-owned site occupied by a single family in the county. There are no council-provided gypsy and traveller sites although there is also one semi-permanent encampment which has been tolerated for a number of years, but whose residents have recently applied for social housing. There are usually a few brief seasonal encampments during the summer

months which are captured in the biannual caravan count. It proved very difficult to contact members of the target communities and no evidence of accommodation need was established.

The GTAA confirmed the findings of a study commissioned in 2011 for the Ceredigion LDP (ORS 2011) which was also unable to evidence sufficient demand for a permanent or a transit site to be created in Ceredigion.

### **3.2.10 Second Residences**

The 2011 Census does not separately classify dwellings as 'second homes', Papers prepared for the Unitary Development Plan (Ceredigion 2004) have provided an analysis of available information from 2001 Census and other sources on 'second and holiday homes', the main points of which still apply and can be summarised as follows:

- Depending on definition and data sources, Ceredigion was ranked as 4<sup>th</sup> or 5<sup>th</sup> of local authority areas in Wales on the proportion of second residences of all types. Definitions and sources differ but 'second homes' appear to constitute between 3% and 5% of the total stock. This is about half the level seen in areas such as Gwynedd, Isle of Anglesey or Pembrokeshire.
- The data on 'second homes' will be skewed by the high proportion of HE students that are resident in the area, and second residence definitions will include many types of dwelling use apart from that of a conventional 'holiday home'.
- The proportion of housing stock that could be described as 'second homes' varies greatly across the county.
- Aberystwyth may have a slightly higher proportion than the county average because of its student population and because it is a base for a number of professional workers in health, government and education.
- The high proportion of second residences reported in 2001 Census in New Quay (ca 25%) and Borth (ca 11%) are associated with a long-standing pattern of 'holiday home' ownership in older seaside settlements (and some in custom-built park developments).

- Some rural inland areas have small pockets of a higher proportion of second residences; these may be associated with particular historical patterns such as abandoned small holdings in upland areas associated with metal mining being acquired from the 1930s onwards. Some pockets may also be found in small coastal villages and inland areas close to the coast as seen in some areas of south Ceredigion.

### **3.2.11 Housing Land Supply**

In the regulatory planning system housing land supply consists of three major overlapping elements:

1. Land specifically allocated in the Local Development Plan where there is a policy presumption that permission will be granted.
2. Sites with existing permission for residential development
3. Land where there is a high probability that permission would be granted providing policy requirements are met (e.g. 'windfall' sites such as small in-fill in an existing settlement)

Types 1 and 2 may overlap (i.e. some of the allocated land will have existing permissions for development). The potential number of dwellings from type 1 and 2 housing land can also be given with some precision, whilst estimates of supply over any future period from windfall sites are less certain.

The Ceredigion LDP allows for up to 6,000 dwellings in the plan period 2007 to 2022, the LDP providing the overall planning policy framework for the County. The LA is required to annually monitor progress in delivering these units.

As an overall estimate, the Joint Housing Land Availability Study (JHLAS) which assesses the supply and availability of land for housing from allocations and consents identified a 6.5 year supply in Ceredigion in 2013 based on a past completion rates, a supply above the usual 5-years' supply benchmark. The results of the 2014 study, which uses a different supply calculation methodology, were published in June 2015 and show a drop in the supply to 3.3 years. This change is as a result of the methodology applied with the 2014 study using the

housing figure set out in the LDP as the benchmark to aim for (6,000). The LA is currently looking at various options to improve the future delivery rate.

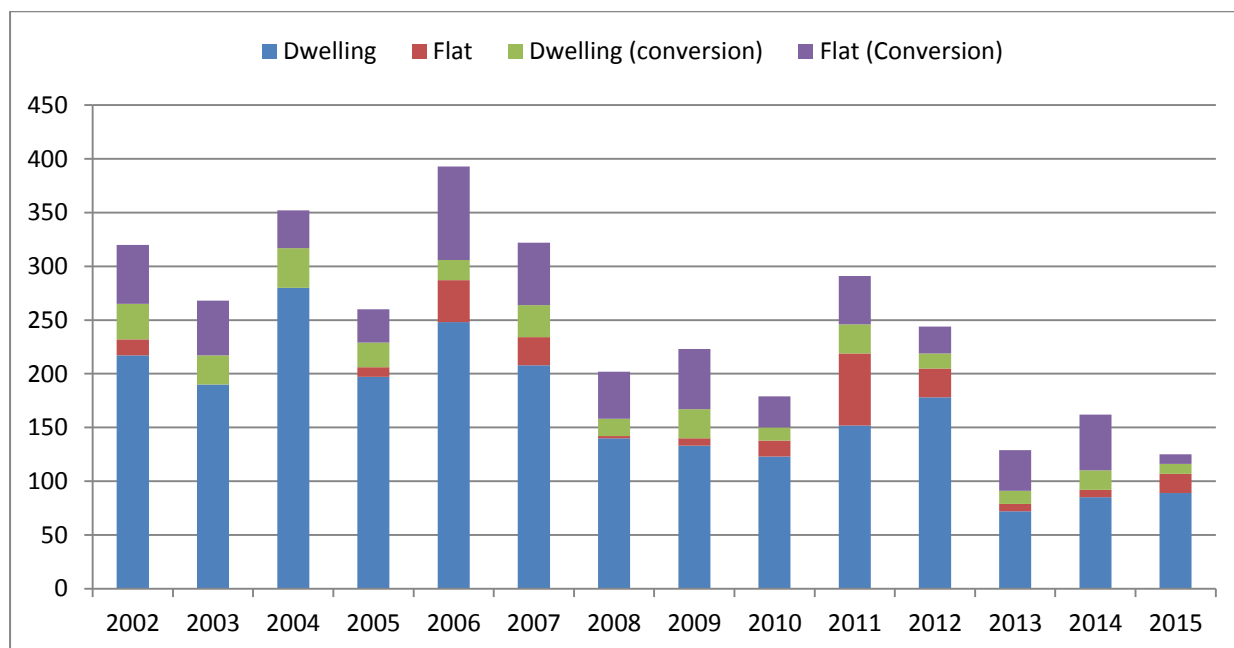
The local planning system, therefore, appears to allocate sufficient land for housing to meet the requirement for the county in the future period.

A further broad indication of the state of affairs can be given by comparing the number of completions in any year with the outstanding completions at the end of the year. Overall, at the end of the latest year 2014/15, for example, for each house built during the year there were outstanding consents for 12.3 dwellings; this represented a significant growth in the ratio between consents and completions since 2011 when the corresponding ratio was 1 to 5.8.

### 3.2.12 House Building

Fig 13 shows recent rates of additional housing supplied by new build and conversion in Ceredigion between 2002 and 2015.

**Figure 13 Housing completions by type Ceredigion 2002 to 2015**



(Source Ceredigion CC)

Although there was some variation in the number of completions on an annual basis, house building rates between 2002 and 2007 were generally above 250 units per year. The numbers declined in 2008 at the time of the financial crisis and

remained low in 2009 and 2010, The number of completions rose in 2011 and 2012 (bolstered by a number of flats being completed in those years), but has fallen again in recent years to a level lower than that seen during the financial crisis, and less than half the number seen in the early 2000s.

A full account of the delivery of housing designated as Affordable Housing (AH) under the various systems outside the general market is included below in section 3.3.7. In the period 2007 to 2015 AH comprised 292 completed units (19% of all completions) against 1,254 general market dwellings (81% of all completions).

Comparison of housing land supply (i.e. land with consent for development from the statutory planning system) and rates of house building would appear to indicate a market failure to deliver local housing in recent years. As noted in Section 3.2.11 above, the local planning framework allows for sufficient land to meet the housing requirement in Ceredigion. An analysis of housing delivery in Ceredigion in 2014/15 shows that significantly more consents are granted compared to completions achieved. This indicates that there is no issue in obtaining most planning permissions and that at present there does not appear to be any shortage of consents ready for implementation in any of the LDP settlement categories.

The reasons for these low rates of delivery are complex, and involve factors intrinsic to local land ownership and the local construction industry, as well as the effect of larger-scale outside factors. The factors behind poor local housing delivery were explored in the survey of local house builders and agents. It is apparent that the availability and price of building land to developers is one element of this market failure. Among the land supply factors cited by developers were:

- Much of the local land supply is owned by private individuals and families who have traditionally regarded land, and especially land with development potential, as a family asset. They take a long-term view of the asset and their private needs, and so are unwilling to make shorter-term adjustments such as price reduction.

- Land with planning permission may be regarded as an asset which worth protecting by maintaining planning consent, especially on 'windfall' sites where renewal of consent may be more difficult once it is allowed to lapse.
- Agricultural land has held its value as an investment, and, although prices are far lower than development land prices, this is seen as a disincentive for the disposal of land.

The current single plot prices of around £80k to £100k are regarded as too high by developers in the current market who argue that a reduction of £20k to £30k is needed to improve their viability.

Local developers also indicate that, although smaller plots on estate developments are less expensive at around £35k, this level is still too high for financially viable development given the additional costs of estate development and the lower end sale price.

Some local developers have indicated that, according to their understanding, the majority of development coming forward at present is on land that was either acquired via private connections at little cost, or was bought 10 to 15 years ago or so when individual plots were selling at £20k to £30k.

There are no major national or regional building firms at work in Ceredigion. The majority of builders are small-scale (even in a local context) with a very different business model from volume builders. The scale of local building firms and their capacity and capability is a consistent factor in the issues identified by local developers. These include:

- Small local firms in general not able to work in a regulatory system that they see as based on the business model and capacity of larger firms with high volume and relatively small margins
- Lack of capacity and capability to meet an increasingly complex regulatory system which requires developers to implement financial viability and other assessments in order to proceed on work

- Local developers prefer work on smaller sites that do not incur the additional costs and time delays of providing infrastructure such as adopted highways on larger estates
- Smaller firms work to avoid problems with cash flow and other elements of financial risk by seeking more certain saleability (including building only when buyers are secured) and avoiding the risk of speculative developments with a less certain cash flow
- Decline in the local skilled workforce as the local house building sector retracts concerns that local skilled labour is being lost to large scale contractors outside Ceredigion; low numbers of skilled entrants into the industry when many existing skilled craftsmen/women are reaching retirement age
- Delays within the regulatory system have a detrimental effect on cash flow and the overall viability of the business
- Smaller firms experience more problems with securing finance and may be subject to more stringent checks and loan conditions. Many local developers are only able to operate by using their own financial resources and are dependent upon sales to fund work

House builders also cited other additional factors which they see as factors contributing to poor delivery in Ceredigion.

- General economic and financial conditions: Developers and agents report problems with finance to fund work and to finance to house purchasers as a block to delivery in a local industry that relies on certain cash flow
- Changing demand factors: Developers and agents report a down turn in the local market since 2008 with noticeable reduction in the numbers of enquirers
- Affordable Housing policy: Some developers see this as an additional financial and regulatory block to housing delivery. According to developers, the additional cost of providing affordable housing has not fed back to land values, and is borne by the developer. Although this may be offset by higher prices on open-market elements of the development there is a limit

on asking prices. The additional requirements for financial evidence and other regulatory requirements have an impact on the business model. Business cash flow will also be affected by the requirement on estate developments to complete affordable housing elements in the first phase of construction. Finally, developers and agents report reluctance by some lenders to finance purchasers of properties with affordable housing restrictions.

Some of the measures to resolve the issues raised by local developers are outlined in Section 4.4.

It is recognised that the construction sector have a significant contribution to make to the local economy and employment. Average prices of new property would suggest that new residential build turnover is over £40M p.a., even following the slowdown in completions. The sector can also count on work in repair and maintenance, and in commercial construction projects, although local involvement in this latter area may be relatively limited given the size of the local sector. In fact it is apparent that domestic work and residential development have over the years given a local base level of work for the sector, and there must be concern over the effects of a prolonged period of lower residential building on the local construction industry. The numbers of Ceredigion residents employed in the sector grew from around 2,300 (8% of employed) in 2001, to 2,800 (8.5% of employed) in 2011.

### **Summary: Housing Supply Factors**

According to 2011 Census there were some 34,500 dwellings in Ceredigion.

Surveys of housing conditions have shown that the county has a high proportion of older housing stock, and have also identified the range of problems associated with older stock such as cold and damp, and fall and trip hazards. Many of these problems have been particularly associated with housing in private rental tenures. These issues also contribute to the county's areas being ranked among the more deprived on the housing domain of the Welsh Index of Multiple Deprivation. Current programmes of work aim to improve the heating and energy characteristics of older housing.

Cold and damp problems may be exacerbated in rural areas which do not have access to mains gas systems and may be in more exposed conditions. High fuel costs contribute to rural poverty and may also be a contributing factor to local health deprivation.

A high proportion of households in the county are in private rental tenancies (19% second highest in Wales after Cardiff); conversely the county has the lowest proportion of households in social rent (10%) of the Welsh local authority areas. The high proportion of private rental tenancies can be largely attributed to the high proportion of HE students in the local household population.

Special attention is given to the definition of issues surrounding the supply of accessible and other specialised housing supply, especially to meet the requirements of older people. The current provision of such housing under social rental tenancies appears small in relation to the expected needs of a proportionally large population of older people, and the assumption is that the majority of people meet their needs through private means. The overall need is expected to rise on coming years with an increase in that population group.

The main contribution to housing supply of the regulatory planning system is to ensure a supply of land for housing through the allocation of particular sites and the granting of consents for development. An analysis of the data on consents and housing completions shows an increasing number of consents in relation to the number of completions. Overall, current allocations and consents at March 2015 amount to 3.3 years' supply of land for housing, below the normally required 5 years' supply.

Building completions vary on an annual basis, but there is a noticeable difference between completion rates before the financial crisis and rates since 2008; building rates in the more recent period are about half of those seen before 2008.

The local construction sector has been dominated by small-scale developers with limited capacity to plan or carry out developments of a size that would be regarded as small schemes in other areas where they would form the majority of supply.

Developers and housing market agents have identified a number of factors behind the fall in building rates including general uncertainty over demand, problems in financing business models, the high price of building land and the viability of schemes under the intermediate affordable housing planning policy requirements.

The construction sector makes a significant contribution to the local economy and employment, with new residential development alone having a turnover of over £40M p.a., even following the slowdown in completions. In fact it is apparent that domestic work and residential development have over the years given a local base level of work for the sector, and there must be concern over the effects of a prolonged period of lower residential building on the capacity of the local construction industry. Although numbers of Ceredigion residents employed in the sector have increased and now stand at around 2,800 (8.5% of employed) in 2011.

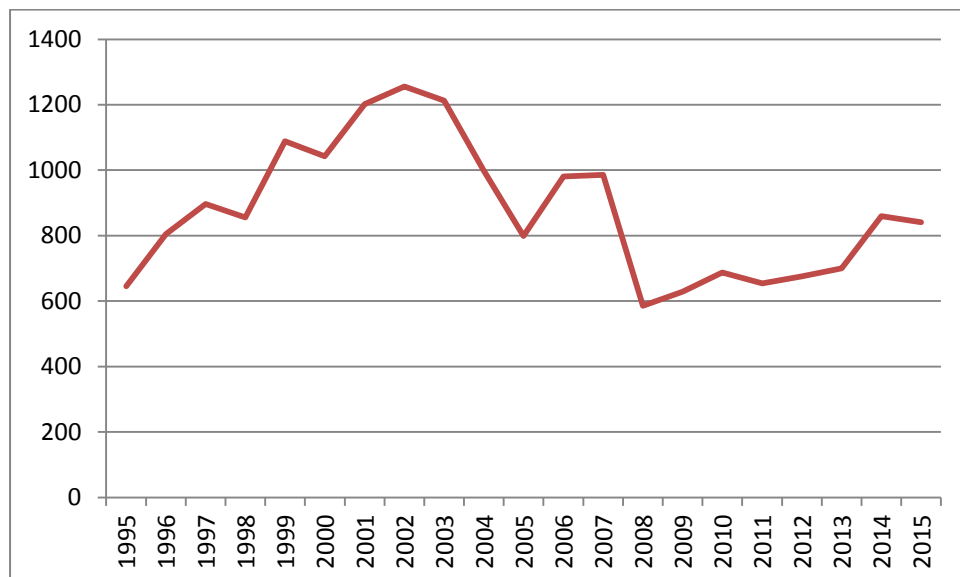
### 3.3 LOCAL MARKET WORKING

Having outlined some of the issues that can be broadly described as demand side or supply side factors, this section examines various aspects of the working of the local housing market system in bringing together housing demand and supply, including marketing, housing costs and management in the various housing sectors.

#### 3.3.1 Housing Market Activity

Land Registry data provides a view of housing market activity in Ceredigion as indicated by the total volume of house sales (Fig 14).

**Figure 14 Number of all house sales annual data Ceredigion 1995 to 2015**



(Source: Land Registry)

Sales grew from the mid-1990s to a peak of around 1,200 sales per annum (ca 4% of all dwellings) in 2002.

It is noticeable that sales volumes had started to fall well before the 2007 peak in house prices and that the start of the fall corresponds with the start of steep price rises in Ceredigion from around 2002 onwards. Further falls followed the financial crisis so that by 2009 the annual volume of sales was half that of the peak in 2002.

Sales have risen slowly since 2009, and, although there was a noticeably steeper rise in 2014, this rise was not sustained in 2015.

### 3.3.2 House Prices

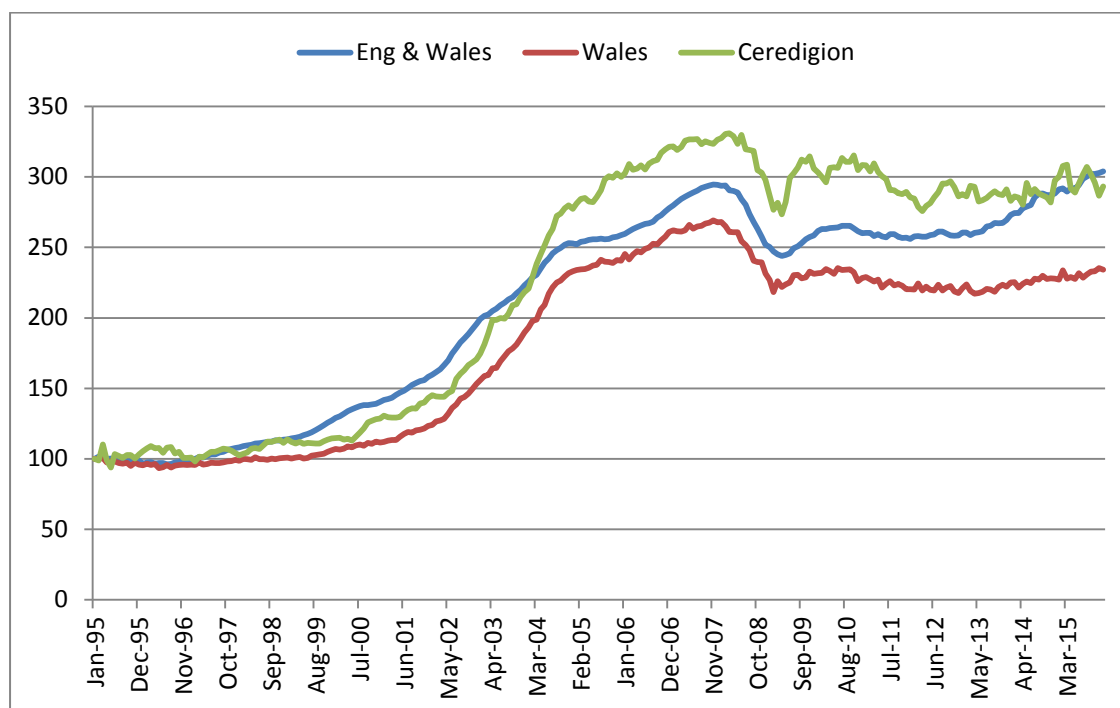
UK house prices rose steeply in the 2000s, supported by easily available finance and relatively low interest rates, and continuing under-supply. Although prices showed a steep fall in the period following the financial crisis, this merely returned prices to a level seen in the years immediately before the crisis. More recently national prices have resumed their growth. The Halifax index shows annual growth of 8.5% (Jan 2014 to Jan 2015), and house sales activity at a level only previously seen in the pre-crisis period, whilst the Nationwide report a 'softening' of house price rises at around 6.8% over the same period, down slightly on more recent annual rises.

There are a number of different house price indicators which can be used at a local level<sup>1</sup>. One of the most useful general views of relative changes in price between different areas is provided by Land Registry's House Price Index (Fig 15) based on prices in Jan 1995. The Index shows that Ceredigion prices broadly followed national trends up until the early 2000s when local prices started to rise more steeply than in Wales or in England and Wales; by the mid-2000s Ceredigion was ahead of England and Wales on the Index. Local prices fell after the 2008 financial crisis, but maintained their position relative to national prices. The period since 2010, however, has seen a broadly static local pattern (with some short-term variability) whilst national prices have shown a steady rise.

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<sup>1</sup> Several key series have been discontinued by Land Registry and UK Government in recent years. The analysis here therefore uses the latest available data

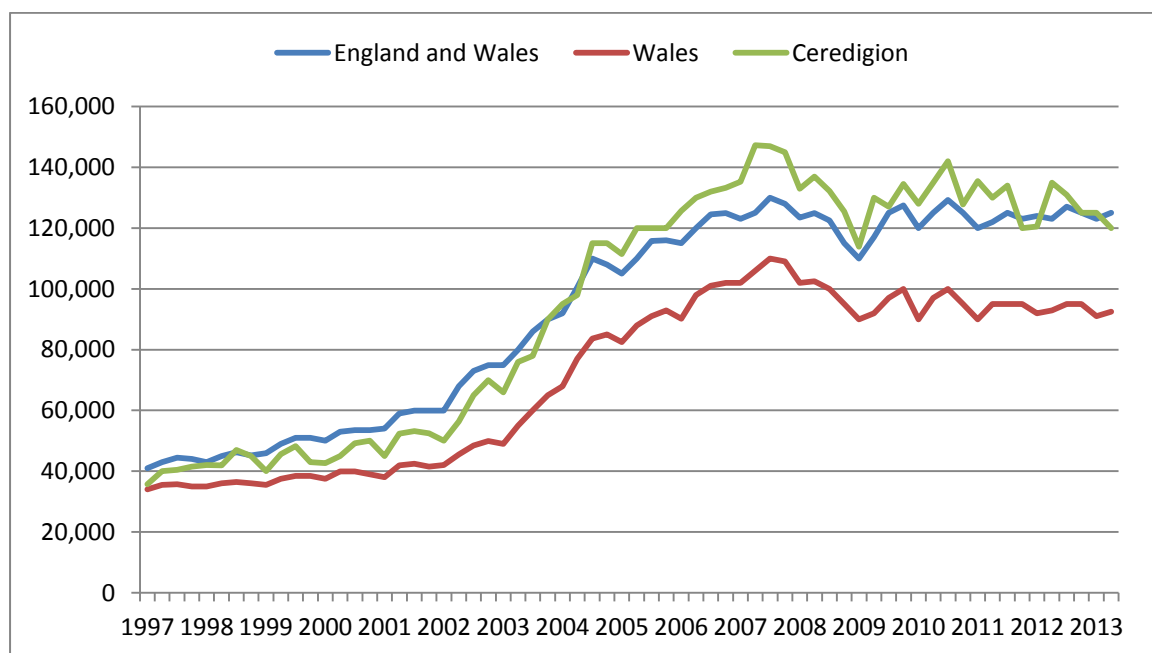
**Figure 15 Land Registry House Price Index Ceredigion, Wales, England and Wales, monthly data 1995 to Dec 2015 (smoothed and seasonally adjusted)**



(Source: Land Registry HPI Tables Data produced by Land Registry © Crown copyright 2015.)

Of all the aggregate house price measures available, the 'lower quartile' price (i.e. the point at which 75% of houses will be more expensive, and 25% of houses will be less expensive than the level shown) is particularly useful in assessing the general state of housing affordability in an area, as it may be expected that the lower quartile price is close to the price of property sought by first-time buyers and other households seeking relatively inexpensive ownership.

**Figure 16 Ceredigion lower-quartile house prices quarterly data 1997 to Q2 2013**

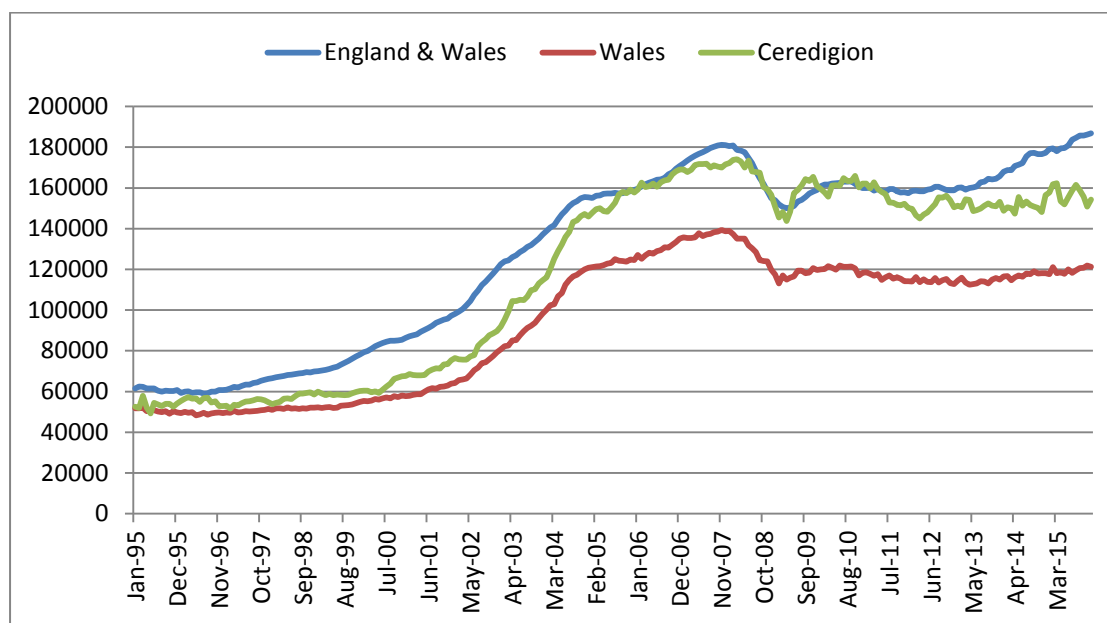


(Communities and Local Government from Land Registry data)

The lower quartile data series (Fig 16) shows a similar pattern to the overall Index. In 1997 the Ceredigion lower quartile price was between that for England and the Wales. In the decade from 1997 to 2007 the local price rose more quickly than either of the national figures, so that by 2007 the local lower quartile price was significantly above that of Wales and England. Between 2007 and mid-2013 although the local lower quartile price has fallen back, was significantly above the Wales figure, and was about the same as the England and Wales price at the end of the data series.

Finally, the average price is often taken as a basic measure for comparing different areas. The mean house price in Ceredigion at the end of 2015 was around £155,000. It is apparent that, monthly variation apart, the local average house price has been more or less static since 2011/12. This is similar to the trends for Wales as a whole; the England and Wales average, on the other hand has shown a significant and sustained rise since early 2013.

**Figure 17 Land Registry Average House Prices Ceredigion, Wales, England and Wales, monthly rolling data 1995 to Dec 2015 (smoothed and seasonally adjusted)**



(Source: Land Registry HPI Tables Data produced by Land Registry © Crown copyright 2015.)

### 3.3.3 Rents and Rental Activity

Unlike house prices there is no reliable series of data on rental costs at a local level. Discussion with local letting agents and landlords indicate a series of typical rents for local rental properties.

**Figure 18 Ceredigion typical monthly rents 2015 (Source: Ceredigion CC)**

	Aberystwyth	Cardigan	Lampeter
Bedsit/studio	300 to 350	300	No data
1 bed flat	450-550	320 – 350	400
2 bed flat	600-650	400-425	425-450
2 bed house	600-650	420-450	500
3 bed house	700-750	500-600	550-650

There are relatively few properties outside of the towns in the villages or open countryside, but agents indicate that rents on comparable properties would tend to be lower than those seen in towns.

There is no comprehensive data on rental activity. It may be expected, however, that the number of new tenancies and the turnover of tenancies in the general private rental market will be masked by the regular annual pattern of HE student moves into and out of rental tenancies.

The 2015 survey of estate and letting agents largely reinforced the view that the greatest rental activity is seen in Aberystwyth. The student market largely determines the market for all private rental tenancies in the area; its effects are no longer restricted to particular types of housing or to particular locations within the town.

The rise in the private rental sector in terms of number and proportion of all tenures and other indications such as the number of letting agents and associated property maintenance companies all point to a rise in activity in the rental market. Not all this increase is attributable to student tenancies. We may expect that activity in the local PRS has increased as ownership becomes financially out of the reach of many until later life, and as access to social housing is impossible except for a small number of eligible households.

### **3.3.4 Housing Affordability: Incomes and Housing Costs**

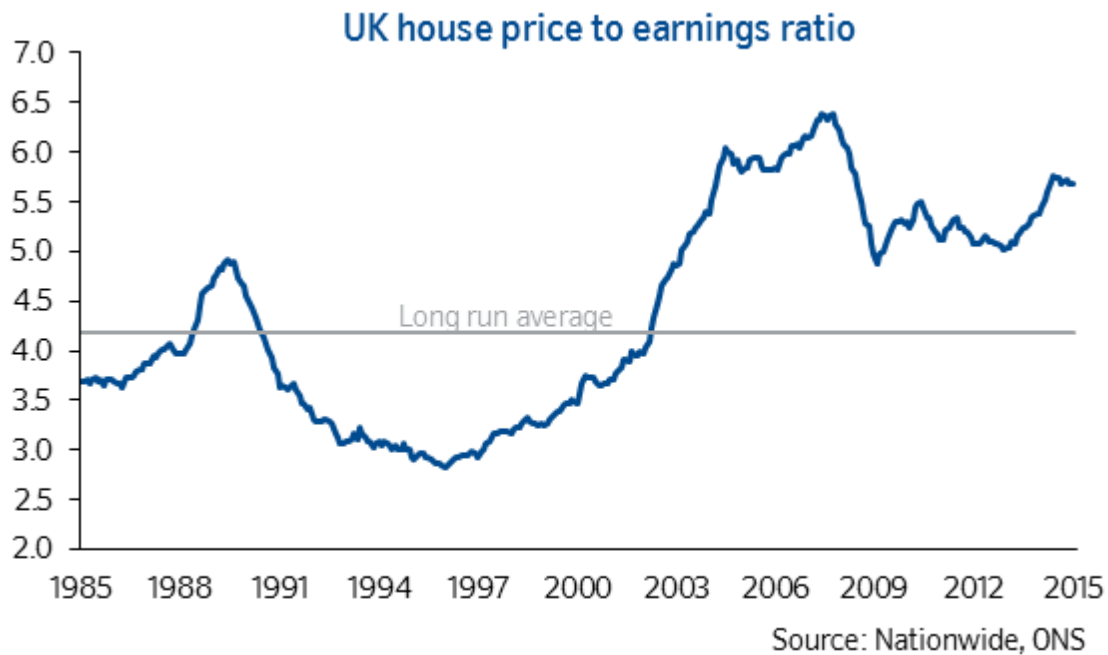
General ratios for incomes against housing costs indicate affordability problems in Ceredigion. These have been further defined by more sophisticated modelling of data on local housing need and demand in a series of studies carried out for Ceredigion County Council (ORS 2004, 2008, 2015).

These studies have indicated both a backlog of households in housing need, and an on-going housing need, both largely resulting from affordability problem and the inability of households to enter general market housing at current level of price or rent

The basic aggregate measures of affordability compare incomes with house costs.

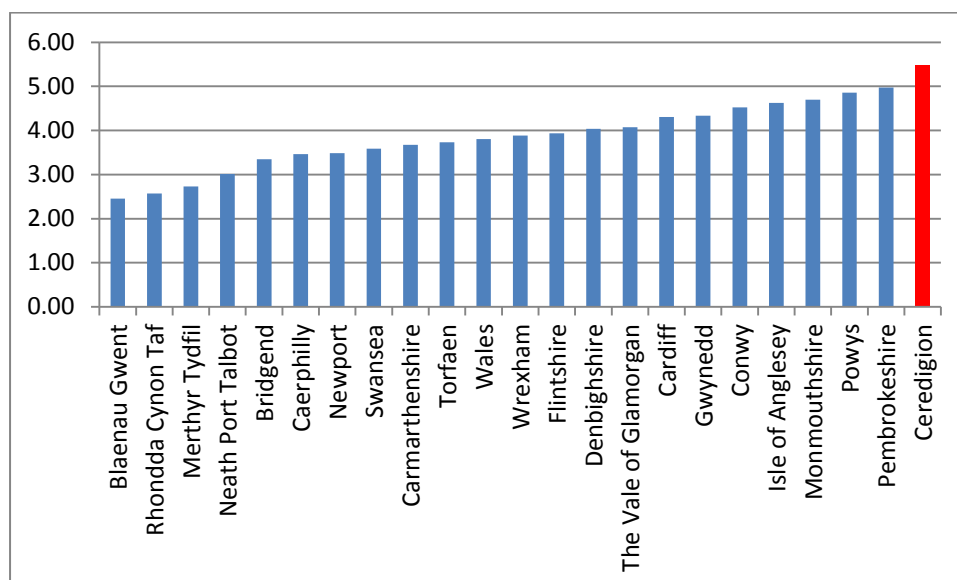
Nationally, the period 2002 to 2008 saw income to price ratios at a level significantly above the long-term average. According to some lender analyses the fall in national house prices has seen the ratio reduce, although it still remains above the long-term average (Fig 19).

**Figure 19 Long-term UK House price to earnings ratio 1985 to 2015**



The basic measure of affordability at the aggregate county level is the ratio between median household incomes and the lower quartile house price. In 2012 the ratio in Ceredigion was 1 to 5.47. This was the highest of the Welsh unitary authority areas (Fig 20).

**Figure 20 Ratio of median income to lower-quartile house price for unitary authorities in Wales 2012**



(Source: income data Paycheck; house prices CLG data)

Relatively high income to price ratios have been a characteristic of the local housing market for some time, but have grown especially over the period from the early 2000s. Since local incomes have remained in at a fairly constant level relative to national incomes, this high ratio can largely be attributed to the steep rise in local house prices that started in the early 2000s.

The lack of reliable and consistent data on rents means that similar ratios cannot be easily calculated for rental affordability. The information that is available (see 3.3.3 above) indicates that a rent of around £600 pcm which may be typical of a two bedroom house or flat, would be equal to 26% of local gross median household income of £23,000 p.a., this is higher than the 25% of household income (after some deductions) that Welsh Government use as an official measure to indicate an affordable level of rent for any household.

Housing costs for both owner-occupiers and renters in the private rental sector can account for a significant proportion of disposable income in a rural area with generally low wages, and few opportunities for earnings growth over time. The cost of housing, therefore, can be a significant factor in rural poverty.

### 3.3.5 Areas of Demand

The 2015 survey of local developers and agents collected views on general demand for housing in Ceredigion. Among the points noted were:

- The highest areas of demand for property for sale are in the coastal and rural locations. There is also higher demand for property in larger settlements with a range of facilities including Aberaeron, Lampeter, and Cardigan. Aberaeron has been specifically identified as a so called 'hot spot' or high demand area.
- Coastal Towns, villages and rural properties attract a premium in terms of house prices, and the demand for holiday homes and those retiring to the area is inflating prices.
- Greatest buyer demand is for 3 bedroom properties, it is harder to sell a 2 bedroom. Little demand for flats, only the occasional buyer.
- One agent highlighted the difference between a town and its surrounding area in terms of demand. The town is generally restricted to local buyers, whereas the surrounding areas are experiencing demand from buyers from outside of Wales.
- It is considered that although in-migration to the area was higher before the 2008 financial crisis, there is still in-migration of retirement age households who benefit from a price differential from selling property in England.
- The County's aging population results in a continued demand for retirement properties in the form of 2-3 bedroom bungalows, ideally within service centres or within a 10-15 mile radius of a service centre.
- Agents have also witnessed a change in demand from larger more expensive homes, 5 bed executive homes with a value of £280-300,000, to an increase in households looking for a 3-5 bedroom property with a value of up to £250,000.

These views are, of course, partial and related to the geographical area or sorts of properties that particular agents cover; they also largely relate to buyers looking

for properties to occupy as owner-occupants, and in many cases seem most applicable to the aspirations of retirees from within and outside the area.

It can be expected that a number of competing demand factors will be at play across the entire housing system including social housing. Despite the relatively high number of retirees in the county, the greatest demand will be from economically active households for whom access to employment will be an important demand side factor. Employment accessibility may be less of a factor for retiree households, but access to services may be expected to be a high priority, especially in later life.

Against these factors it may be also expected that 'lifestyle' motives will play a more or less important role in individual decisions. Commuting into centres may be a voluntary choice for some, but a necessity for those unable to afford to rent or buy housing close to employment and service centres.

It can be expected, therefore, that the vast majority of housing choices will in some way be conditioned by access to larger centres, and that in many cases this may mean a fairly broad area of housing choice. More local factors such as closeness of family and friends, however, will be a factor in many decisions, and may be regarded by some households as one of the prime factors in choice. In rural areas, with relatively few houses in the local stock and little turnover of tenures, this may mean that individual households are faced with very little housing choice at the time of key decisions. This has led to frustration with the lack of housing option in local areas as well as the perceived problems of affordability. The establishment in late 2014 of local group 'Ble ti'n myd i fyw', specifically for young people seeking housing is indicative of the concern that these issues generate.

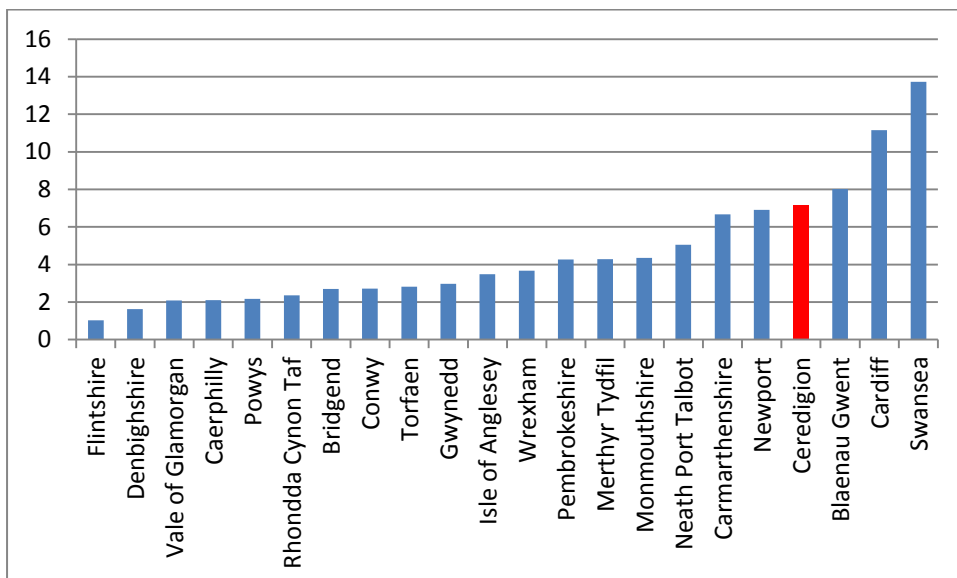
### **3.3.6 Acute Housing Need and Homelessness**

Homelessness represents an acute manifestation of housing need, although it can be difficult to assess how much homelessness in any local area is related to local housing issues rather than social issues such as family estrangement or relationship breakdown.

Measurement of homelessness at the local level is largely dependent upon information from the statutory housing services of the local authority, measures which are focussed on the statutory process and definition of homelessness. It can be assumed both that not all households in housing crisis approach the local authority (or other organisations), and that not all households who start the statutory process follow it through to the end.

On the basic measure of a comparison of homeless ‘presentations’ against resident population, Ceredigion seems to have a rate higher than that experienced by many other local authority areas in Wales (Fig. 21).

**Figure 21 Wales UAs number of homeless presentations per 1,000 of household population 2014**



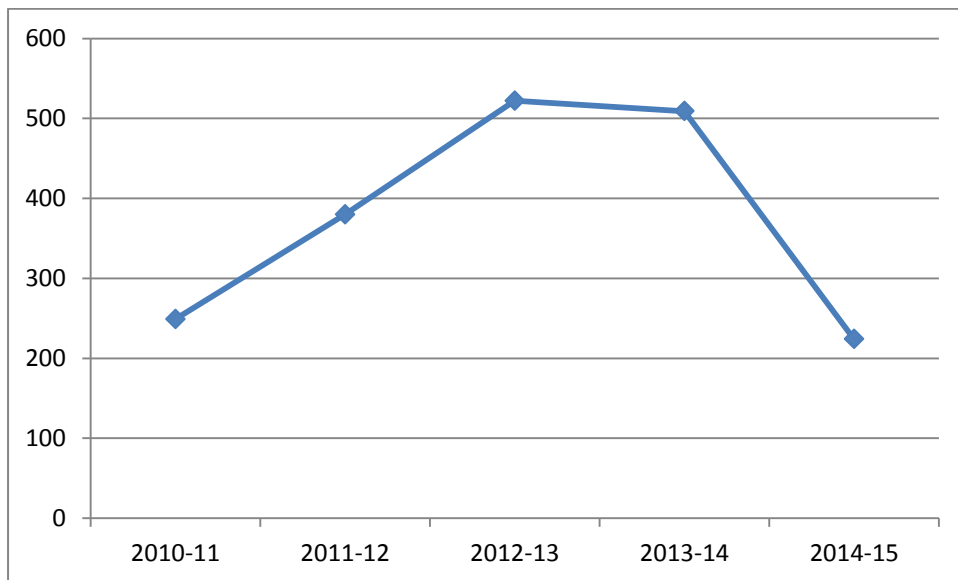
(Source Stats Wales)

The recent experience of homelessness in Ceredigion has mirrored trends in homelessness and housing crisis across the UK. In recent years absolute numbers of homeless households measured in the process have been relatively small; the numbers making a ‘presentation’ to the local authority for consideration for a full ‘homelessness declaration’ rose from 2010/11 to a peak in 2012-2013, at around 500 homelessness declarations per annum. Ceredigion has a relatively high rate of homelessness presentation compared with other local authorities with 7.1 presentations per 1,000 household population, the fourth highest rate in Wales

after Cardiff, Swansea and Blaenau Gwent. A number of factors, not least changes to Welfare Benefits, and the after effects of the economic downturn can be seen to have had an impact on the number of households presenting to the Local Authority.

However, the official measures such as ‘presentation’ may be affected by differing practice among local authority housing services. During 2013/14, for example, Ceredigion, anticipating changes from the Housing (Wales) Act taking force in 2015, directed effort to focus on preventing homelessness and, the need for statutory homelessness applications.

**Figure 22 Ceredigion homelessness ‘presentations’ 2010/11 to 2013/14**



(Source: Ceredigion CC, Housing Options Services)

### **3.3.7 Affordable Housing System**

The affordable housing system is outlined here as it can be considered a particular type of government-designed market intervention. In general Affordable Housing (AH) is provided by two routes:

- housing built directly for (or purchased by) social landlords to be available at rents determined as social rents or as tenure neutral;

- housing built by general market developers which is subsidised by the general market element of development, and which may be deemed affordable because of reduced purchase price or rent level.

Both systems involve some test on the eligibility of individuals for their tenure, and conditions are applied to the property to maintain the 'affordable' designation.

The Ceredigion Local Development Plan (LDP) for 2007 to 2022 further developed the AH policy approach of the Unitary Development Plan that preceded it. Policy S05 of the LDP requires 20% of all housing development to be Affordable Housing. Where the affordable element is not provided in the form of housing, the equivalent of 10% of the Gross Development Value is taken as the cash contribution toward affordable housing. Where affordable housing provision is negotiated on-site, rather than in the form of a financial contribution, the affordable homes can take three forms:

- Discounted for sale - 30 or 50% discount of the open market value
- Intermediate Rent – a rent set within the relevant Local Housing Allowance and less than 80% of open market rents
- Social Rent – Benchmark rents set by WG

The mix of affordable tenures is negotiated on a site by site basis subject to evidence of housing needs and viability. The policy also supports the provision of Rural Exception Sites for 100% affordable housing. The Affordable Housing Supplementary Planning Guidance 2015 and associated help sheets set out how the policy is implemented in practice. It also provides guidance on the tenures listed above.

### **3.3.8 Affordable Housing Supply**

Measurement of affordable housing (AH) delivery is complicated by the different focus of monitoring bodies and their differing definitions of AH itself. As well as new build and other additional dwellings, measures of AH can also include transfers of existing dwellings into affordable housing (e.g. through acquisition by RSLs); measures may also be presented by types of provider, by general sector type, or by the individual AH 'products' used. The following is largely based on

data collated for the Annual Monitoring Report of the Ceredigion LDP, which collates information on activity since the start of the LDP period in 2007.

In the period since 2007 overall AH accounted for around 19% of all completed homes (Fig. 23). Data from LDP monitoring surveys and other official sources show annual variation in the figures for AH delivery which can be explained in part by the completion of larger social housing schemes, especially blocks of flats, but which is also related to changes in the rate of general housing delivery discussed in Section 3.2.12.

**Figure 23 Overall completions and permissions for general market and Affordable Housing in period 2007 to 2015**

Dwelling Type	Permitted	Completed
Affordable Homes	686	292
General Market Homes	2,395	1,254
Total	3,081	1,546

(Source: Ceredigion CC LDP Annual Monitoring Review measure AMR H10)

Figure 24 presents a more detailed breakdown of the types of AH completions and permissions over the period since 2007 in terms of the type of AH ‘product’.

**Figure 24 Ceredigion types of Affordable Housing from 2007 to 2015**

Affordable Type	Completions	Commitments
Discounted For Sale 70%	150 (52% of all AH)	366 (55% of all AH)
DFS 50% and Intermediate Rent	2 (1% of all AH)	5 (1% of all AH)
DFS Other	0	2 (1% of all AH)
Social Rent (conveyed to RSLs)	22 (8% of all AH)	37 (6% of all AH)
Social Rent (100% commissioned by RSLs):	114 (39% of all AH)	261 (39% of all AH)
<b>Total</b>	<b>288</b>	<b>671</b>

(Source: Ceredigion CC LDP Annual Monitoring Review 2105 measure AMR H12<sup>2</sup>)

To April 2015 just under half of the 288 Affordable Housing homes completed in Ceredigion was delivered as social rented housing built by or acquired by RSLs with the help of Social Housing Grant; the other half of completed AH dwellings was largely provided as Discount for Sale (DFS) at a 70% of the market value and secured through the planning system.

Discount for Sale has been a popular AH product with a section of the market unable to access social housing, who cannot afford to buy at full market prices, but are willing to take the additional financial commitment required by owner-occupancy over rental tenures. Discount for Sale therefore has attracted key workers, young professionals, and retirees looking to downsize to smaller property.

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<sup>2</sup> N.B these figures differ slightly from the data presented in AMR H10 above due to adjustment to exclude double counting in a previous official return

The option for intermediate rental AH products was introduced into the local planning system with the adoption of the LDP in April 2013. For the purposes of LDP monitoring both intermediate rental and Discount for Sale at 50% are regarded as 'intermediate affordable housing'. The relative newness of the option presumably accounts for the relatively small proportion of intermediate AH recorded in the year to April 2015. However, RSLs in particular have recognised the value of IR as part of a broadening business model which seeks to meet the needs of tenants who whilst unlikely to be able to access social rental tenancies, are increasingly unable to afford open market rents.

Other 'products' aimed at households experiencing difficulties in buying houses on the open market have been introduced as national or local policies e.g. the Local Authority Mortgage Scheme (LAMS). However, these comprise only a minor element of the local housing market (27 LAMS in 2013/14) and do not of themselves provide additional housing stock, although they may stimulate demand for owner-occupancy tenures.

The LDP Affordable Housing policy aims to aid the delivery of 70 AH dwellings per annum, however, as can be seen from Fig. 24, actual completions fall short of this target. The available supply of AH consents shows that there is the potential to deliver a far higher number of affordable homes. As of March 2015, there were 362 affordable units with full planning permission and 71 units with outline planning permission (see Fig 25).

**Figure 25 Affordable Housing Outstanding consents at March 2015**

	RSL	Not RSL	Total
Full and reserved matters	176	186	362
Outline	18	53	71
Total	194	239	433

(Source: Ceredigion County Council)

The 2015 AMR attributes this low delivery to: 'the general slowdown in the economy, experienced across the UK'. Therefore, although the annual average currently achieved is 42 AH units and below the target of 70 units per annum, the LDP target for 20% of all housing to be affordable is being met.

One factor behind the low delivery of AH, therefore, must be the failure of delivery of general housing which is expected to provide the cross-subsidisation of Discount for Sale products in particular.

### **3.3.9 Housing Management: Registered Social Landlords**

There are currently three main Registered Social Landlords operating in Ceredigion: Tai Ceredigion, Cantref, and Mid-Wales Housing. In addition Family Housing Association owns and manages the Maes Mwldan Extra Care scheme in Cardigan. As a Stock Transfer Authority, Ceredigion County Council does not own or manage housing stock.

Currently there are 3,330 units of accommodation in the Social Rented Sector in Ceredigion, 9% of the total housing provision, the smallest proportion of social housing stock of the Welsh unitary authorities. The social housing stock is spread across 96 settlements in the county, with the greatest amount based in and around Aberystwyth, and in Cardigan town.

As is the case nationally, demand for social housing in Ceredigion is high. As of 5th March 2015 there were 1,841 active applications on the Common Housing Register, with new applications being received at an average of 76 per calendar month. Whilst demand is high, stock turnover is comparatively low. In the year 1<sup>st</sup> April 2014 – 5<sup>th</sup> March 2015 only 202 allocations of social housing were made in the County.

Traditionally RSLs have funded their development programme through Social Housing Grant and additional private finance. In more recent years a number of RSLs in Wales have used more innovative finance mechanisms to augment the SHG programme, and dependent on their risk appetite, including cross subsidy via market home development. This has not yet been evidenced in Ceredigion, but it remains a possibility depending on the future direction that RSLs chose to take.

### **3.3.10 Housing Management: Private Rental Sector**

There is no definitive data on the number of Private Rental Sector (PRS) landlords in Ceredigion. Ceredigion CC Public Protection section note 27 local letting agents and 2395 private landlords identified from surveys and internal Council systems, which may account for 60+% of the PRS tenures.

The data from Census and a study of university numbers over the past years indicate that the local private rental sector saw a large increase in the 1990s with the increase in university student numbers. Anecdotally at least, this period also saw an increasing number of landlords from outside the more established model of locally-based families renting property, with the arrival of, for example, families of students buying and renting out property, as well as the involvement of more professional landlords with more extensive property holdings.

Although the majority of Private Rental Sector (PRS) tenancies are perfectly well-managed, there are some areas for concern as regards both the physical conditions of some properties and the management of tenancies. Data from successive censuses has shown that the indicators of poor housing such as overcrowding or lack of heating systems are associated with households in PRS tenancies, an issue which is further evidenced by the appearance of some areas of Ceredigion among the most deprived areas in Wales on the Housing Domain of the Welsh Index of Multiple Deprivation. There is also some evidence of tenancy management practices being an issue in the local private rented sector, with some 68% of homelessness enquiries to the local authority being related to the threat of evictions or from receiving notice to quit.

Housing condition, tenancy management and associated problems have been particularly identified with Houses in Multiple Occupation (HMOs) which are defined and regulated by the local authority through the instruments available under the Housing Act Wales (2004).

Although the Adamson report estimated a total of around 1,400 HMOs dwellings in 2007 (Adamson 2007) the local authority currently estimates a probable total of around 770 licensable HMOs in Ceredigion (i.e. around 2% of all stock and 12% of

stock in the PRS), of which at March 2015 there are currently 693 premises licenced or with licensing pending. The majority of these premises are to be found in Aberystwyth and suburbs, with smaller concentrations in Lampeter and Cardigan.

Generally buildings identified as HMOs (e.g. buildings where multiple households share facilities, or where units are not self-contained) are subject to a mandatory licencing regime operated by the local council with the aim of improving physical state of property in aspects such as maintenance of gas and electrical systems and other safety factors, as well as ensuring minimum standards of management, such as ensuring maximum limits on occupancy.

A county-wide Additional Licensing Scheme for all HMOs has also been introduced and was recently amended so that up to 2019 it will cover all HMO properties known as Section 257 flats (poorly converted flats not compliant with the 1991 Building Regulations) across the county, and will also apply to other 'basic' HMOs (housing 3 or more people forming 2 or more households) in areas around in and around the university towns of Aberystwyth and Lampeter.

There is evidence that the licensing regime has had a positive effect on the physical standard of housing and its general management. A local authority evaluation of the recent schemes noted a fall in the overall hazard rating of licensed HMOs, and a fall in complaints related to housing conditions, management or tenant behaviour in HMOs that had been licensed.

### **Summary: Local Housing Market System**

The local housing market is driven by national factors such as the finance market and national economy, as much as by local factors, and generally follows trends in national indicators such as house prices.

Using house prices as the main market indicator shows that local prices broadly followed the steep rises seen nationally from 2003 onwards, and accelerated ahead of the national rate of increase to peak around 2007 at a level above the national measures. Following the financial crisis local prices fell less steeply than the national pattern, but whilst nationally prices have risen since 2010, local price

measures have shown great short-term variability in the most recent period around a generally static pattern.

The standard ratios of local incomes to house prices or to rents indicate affordability issues in Ceredigion; the key income to lower quartile house price ratio of around 5.2 is the highest in Wales. Affordability problems can also be seen in the private rental market particularly in areas such as Aberystwyth where rents are driven by high general demand in addition to demand from students. These problems have been recognised in the series of local housing needs studies carried out since 2004. In an area with few opportunities to increase earnings housing costs can be a significant factor in the pattern of local poverty.

The Affordable Housing regulatory framework is a major central and local government intervention in the local housing market system, the delivery of 'Intermediate Affordable Housing' being dependent on cross-subsidy from the general market and the supply of land from the land planning system. Lower levels of house building in the general market has affected the provision of affordable housing, but, although annual rates of supply in terms of units is below the Local Development Plan aim of 70 dwellings per annum, it has achieved the target of providing 20% of all housing as AH.

Other concerns are apparent over the future level of affordable housing provided as social rental tenures. The local RSLs directly commission or buy on completion around half of all new-build affordable housing; as such they are significant agents in the local housing construction sector. Their business model, however, has been heavily dependent upon conventional supply and marketing using Welsh Government Social Housing Grant which is under continuing funding pressure.

Management of the private rental sector has changed considerably over recent years with an increased role for professional agents and landlords. This has led to a rise in standards of housing conditions and in tenancy management. The use of regulatory powers particularly licensing of Houses in Multiple Occupation has also proven effective in raising standards in the private rental sector.

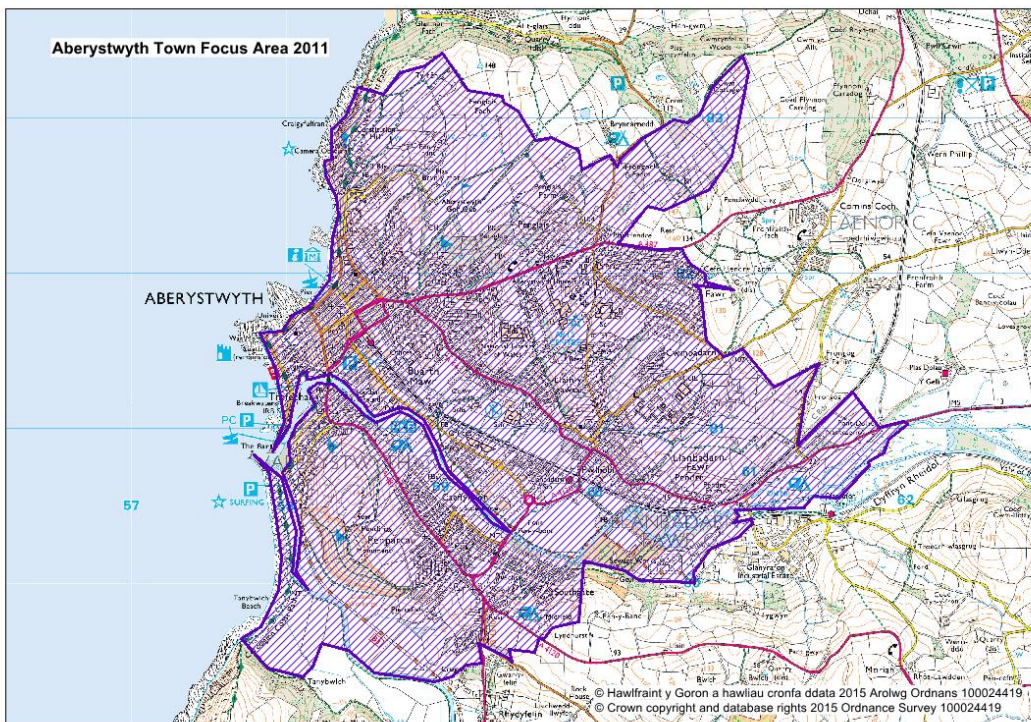
### 3.4 ABERYSTWYTH SUB MARKET AREA

As noted in the introduction, this latest edition of the Local Housing Market Assessment does not make a separate analysis of sub-county areas based on employment commuting areas. The Assessment, however, does recognise that Aberystwyth town (including its suburban area) constitutes a distinct housing sub-area, with intrinsic characteristics very different from those seen in the rural area and small towns in the rest of the county. The town also exerts a strong influence in the local area as an employment and service centre and as a preferred destination for shorter migration moves from the rural area.

This section sets out some of the characteristics that are particularly important in considering the Aberystwyth housing market.

Aberystwyth town is defined here as the old town area plus the suburbs of Llanbadarn Fawr, Waun Fawr and Penparcau (Fig 26)

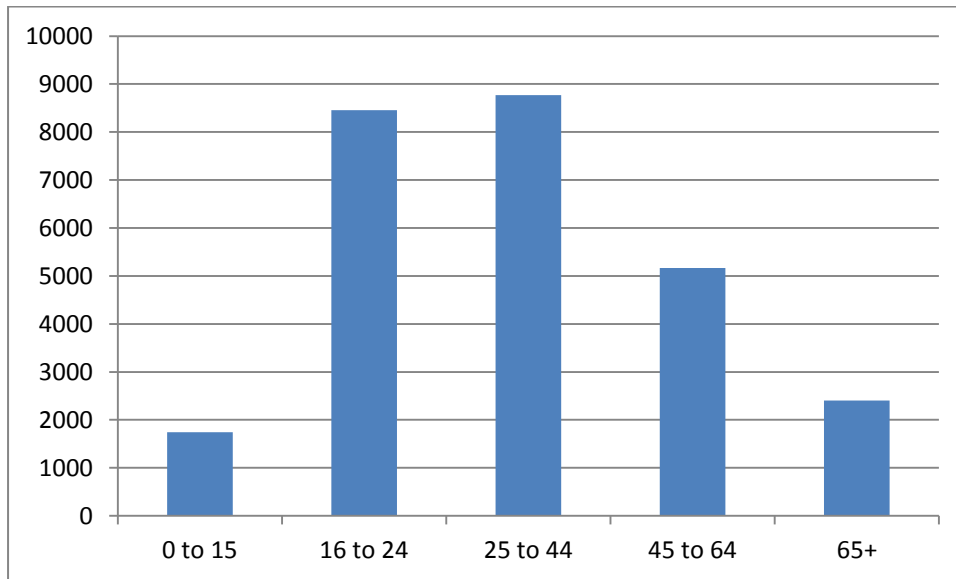
**Figure 26 Aberystwyth town area**



### 3.4.1 Population and Households

According to 2011 Census the population of Aberystwyth was 18,965 (15,474 in private households and 3,491 in communal establishments). As would be expected the population structure by age is heavily skewed by the presence of university students (Fig 27).

**Figure 27 Aberystwyth population age structure 2011**

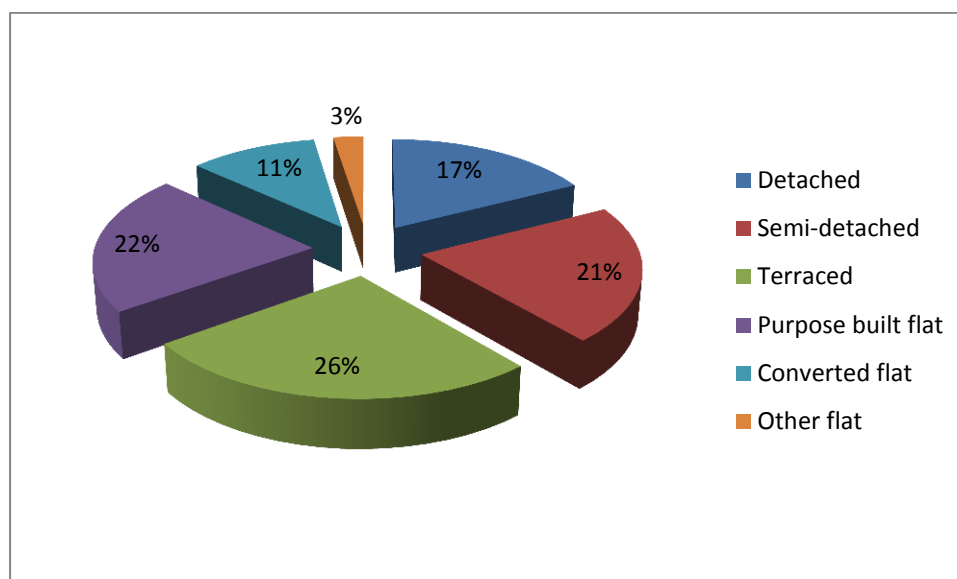


(Source 2011 Census)

### 3.4.2 Housing Stock and Condition

There are about 6,700 private household spaces or dwellings in Aberystwyth (Fig 28). In comparison with the Ceredigion average Aberystwyth has a higher proportion of terraced houses (Aberystwyth 26%; Ceredigion 15%), purpose built flats (22% and 7%), and converted flats (13% and 4%); and lower proportion of detached houses (15% and 49% respectively).

**Figure 28 Aberystwyth Housing Stock by dwelling type 2011**



(Source: 2011 Census)

According to the 2007 Adamson housing condition survey, Aberystwyth town has a high proportion (56%) of stock built before 1919. Although, there was a relatively low proportion of buildings with 'Category 1' hazards on the Housing Health and Safety Rating system, levels of disrepair were relatively high, with 28% of all dwellings not compliant with the overall Welsh Housing Quality Standard<sup>3</sup>.

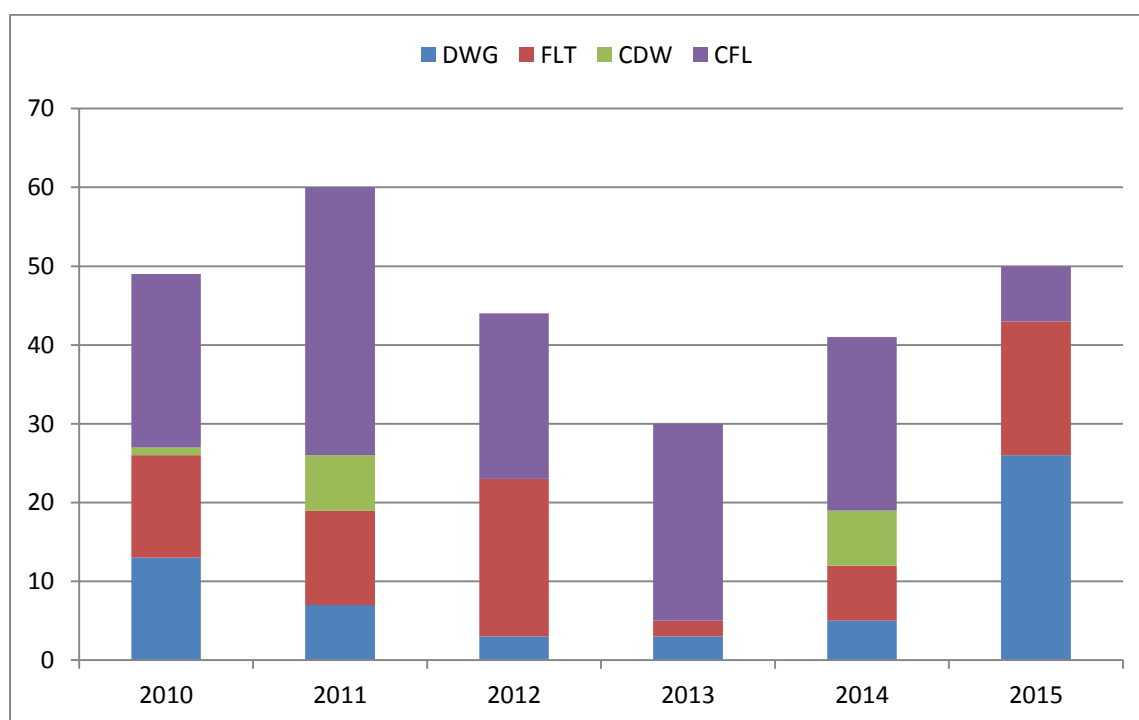
### **3.4.3 Housing Supply**

Housing completions in Aberystwyth since 2010 are shown in Figure 29. It is noticeable that a large proportion of the supply comes from conversions to flats and only a small amount from new individual dwellings. In some years purpose-built flats make a significant contribution to the supply, although numbers vary on an annual basis since many are provided as larger apartment blocks. In contrast to the trend in the rest of the county, housing completions in Aberystwyth have risen since a recent low point in 2013.

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<sup>3</sup> i.e. a benchmark estimate applying the WHQS social housing standard to all dwellings.

**Figure 29 Aberystwyth town housing completions by type 2010 to 2015**

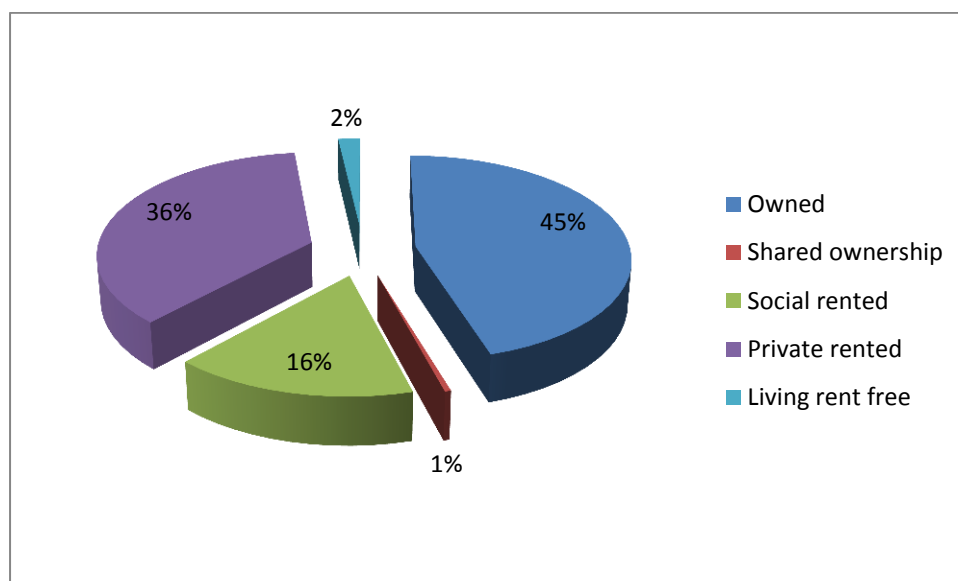


(Source: Ceredigion County Council) FLT = purpose built flats; DWG = new dwellings; CFL = Conversion to flats; CDW = conversion to dwellings.

### 3.4.4 Housing Tenures

There were 6,389 households recorded at the 2011 Census (Fig 30). In contrast to the Ceredigion average Aberystwyth has a high proportion of households with a private rented tenure (Aberystwyth 38.2%; Ceredigion 22%), and a high proportion of social rented housing (15.7% and 10.1% respectively).

**Figure 30 Aberystwyth housing tenures 2011**



(Source: 2011 Census)

### **3.4.5 Private Rental Sector**

Aberystwyth as a major town and employment centre in the area would be expected to have a significant private rental sector (PRS) meeting the need of people moving to the town from within and outside the area. Significant demand from professionals moving to posts in the university, hospital and other major institutions is reported by local letting agents.

Rents in the town are generally significantly higher than those in the surrounding areas, or in other towns in Ceredigion (Fig 18).

In addition to general demand, two particular characteristics of the Aberystwyth PRS are discussed further here: the number of Houses in Multiple Occupancy in the town; and the role of Higher Education students (see 3.4.9).

### **3.4.6 Houses in Multiple Occupation**

Although there are HMOs in all areas of Ceredigion, by far the greatest number and greatest concentration is found in Aberystwyth, (around 650 or 95% of all licensed HMOs), where, in addition to general demand, they are also strongly associated with student tenancies.

Section 3.3.10 outlines general points on HMO licencing and management regulation and the Additional Licencing scheme. At the time of the Additional Licencing review it was seen that there was a particular need for the scheme in the Aberystwyth area where there is high demand for rented accommodation, and a high level of complaints on housing condition, tenancy management and tenant behaviour. As well as issues related to the town areas more usually associated with HMOs and with student residents, these complaints also related to buy to let dwellings in the newer residential estates which had led to tensions related to parking, household waste issues, and general concern that the 'balance' of the neighbourhood had been altered due to the high number of rented units.

As noted below in Section 3.4.9, there have been changes in the student and PRS market in Aberystwyth. A net increase of University accommodation, and a recent fall in student numbers has resulted in a surplus of PRS accommodation in Aberystwyth town and the surrounding wards.

The impact of this change was assessed in early 2015 by a rapid survey of a sample of Aberystwyth town centre residential streets with high concentration of Licensed HMOs. Of the 202 properties assessed, 132 (65%) were HMOs. A total of totally 26 vacant properties were noted (13% of properties), all but two being HMOs. An appraisal of the condition and management assessments of the licensed HMOs suggested that vacancies were more likely to occur in the poorer managed, equipped or maintained properties

### **3.4.7 House Prices**

There is an obvious premium on the price of housing in Aberystwyth town compared with prices elsewhere in the county. Direct comparison of prices however is difficult as the available price data is not adjusted for the mix of stock type and size being sold, and broad categories are misleading (e.g. terraced houses in Aberystwyth are more likely to be larger town houses and therefore more expensive than terraced houses elsewhere).

A rapid analysis of data available through property comparison websites shows that for all types of housing Aberystwyth is more expensive than for the rest of

Ceredigion, although the amount of differential reported by the various agents varies considerably. As a further example, a typical small reference property, a two bedroom house, may be around £20,000 more expensive in town than outside. Furthermore, there is differentiation within the town area; prices in the suburbs and town fringe may be lower than those in residential areas nearer the town centre, but may decrease in the more cramped, and less desirable, areas in the town centre.

### **3.4.8 Rental Costs**

Rental costs in Aberystwyth are likely to be higher than the rents for similar properties outside the town. It is difficult to provide robust data as there is no regularly collated data on private sector rents. Figure 18 shows some typical values established by survey of letting agents.

Some of the largest effects of the UK Government's welfare reform programme are likely to be felt in Aberystwyth town in the application of new housing benefit rules for the private as well as social rental sectors, for example through lowering the acceptable rent level for housing benefit support to the lower 30% point of the Local Housing Allowance rates.

### **3.4.9 Higher Education Students and Housing**

Recent trends in the number of full-time students at Aberystwyth University and the supply of university accommodation have been described in Section 3.2.6 above.

Any students not in university accommodation have to be accommodated in the local open market housing, the majority, but not all, in the private rental sector. Some full-time students will live outside the town, but the majority live in the town where they form a significant proportion of resident population and households.

According to 2011 Census (taken in the academic year 2010/11) there were 7,760 students in Aberystwyth aged over 18 and not living with parents which can be

taken as roughly the equivalent of the HE student population<sup>4</sup>. Of these 4,459 (57%) lived in private households: 3,666 in all-student households; 292 in single person households; and 501 in other households with a mix of students and non-students.

There were 1,284 households where the Census household reference person was a full-time student: 1,128 all-student or single student households and a further 156 other mixed households. That is 20% of Aberystwyth households are 'student households' in some form. This is one of the highest, if not the highest, proportion of student households of any town in the UK.

Student households have historically been associated with particular parts of the town and with houses with particular characteristics. The main areas have been in streets in the older parts of town (e.g. High Street/South Road; Cambrian Street and other town centre streets; etc.) where there was a supply of larger, older houses for which there was low demand from non-student households. More recently the rise of student numbers and student housing expectations and spending ability has seen student tenants moving outside these traditional areas, into suburban areas and new build estates.

As outlined above, the number of students in Aberystwyth University reached a recent peak in the 2011/12 academic year (i.e. the year after the 2011 Census), fell back in 2012/13 and 2013/14, and in 2014/15 may have fallen lower still, probably to the level recorded in the 2011 Census. This would mean a net loss of around 750 full-time students between 2011/12 and 2014/15. There have been no further losses of university accommodation over the period, and most recently there has been an increase in university accommodation with 250 places in Penglais Farm Phase 1.

The net effect of lower student numbers and increased university hall capacity has been a reduction in the number of students in private households relative to the peak of 2011/12 of the order of 1,000 persons or around 200 to 250 households.

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<sup>4</sup> This is the best proxy for estimating HE students as Census does not classify students according to type of institution

In 2014/15 therefore it is estimated that the private household student population is around 3,500 in around 1,000 households.

It is apparent that the reduction in student numbers and student private households has had an effect on the overall level of vacant property in the private rental sector. In such circumstances it likely that proportionally more vacancies are found in the traditional areas of student housing noted above, whilst better properties in terms of location, layout or facilities may be less likely to be vacant. As discussed in Section 3.4.6, it also seems likely that in the town centre areas vacancies are greater in the worse maintained and managed properties.

### **3.4.10 Housing Demand**

Aberystwyth is a significant employment centre for north Ceredigion and adjacent areas of other counties. According to the latest 2011 Census in addition to the residents of the Aberystwyth town area who work in the town, over 5,200 people commute into the town to work<sup>5</sup>, the majority from within 30km of the town. It may be assumed that a proportion of those would wish to live closer to their employment but are prevented from doing so by lack of affordable housing.

Similarly Aberystwyth is a centre for a full range of personal, retail, administrative, education, health and other services. As such it is also an attractive and practical location for many households not in employment including retiree households.

Local agents report high demand for housing within Aberystwyth from both owner-occupancy and private rental tenants. Aberystwyth is also noted as the preferred location for a significant majority of households on the social housing register. This may be because Aberystwyth has the largest concentration of social housing stock, and that several dwelling types and sizes are only available in any number in Aberystwyth. However, it is also undoubtedly a reflection of the demand for housing with easy access to the services and facilities offered in the town.

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<sup>5</sup> The statistical area of Aberystwyth town does not include the Glanyrafon Industrial Estate

## **Summary: Aberystwyth Sub Market Area**

Aberystwyth is recognised as a market sub-area by virtue of its significant role as a regional centre, and therefore as a major focus of demand, and for its particular housing characteristics, especially a strong private rental sector, and features associated with high student demand.

Thirty-eight percent of households in the town live in private rental tenures. There has been some association between poorer housing conditions and tenancy management and the private rental sector in the town, especially with Houses in Multiple Occupation of which the vast majority in the county are located in Aberystwyth; the town, therefore has been the main focus of the local authority's regulatory work to improve standards.

The town is an area of high demand from all sectors. Prices and rental values are significantly higher than seen in surrounding areas and also vary between different areas of the town with a premium on the more desirable areas within easy reach of the town centre.

In contrast to the rest of the county, the overall supply of new property has shown an increase in recent years. However, given the potential demand across household types, new supply may have been disproportionately provided by conversions of larger property to flats, rather than by new build houses.

Taken together the twin factors of annual changes in student numbers and time lags in university accommodation provision have an immediate and often unpredictable effect on demand for housing, and make forecast and planning a difficult matter for the commercial sector as well as the local planning authority. The provision of dedicated university accommodation has lagged behind the steep growth of student numbers in the late 2000s, creating a year on year increase in demand for rental property. Conversely, the expansion of university accommodation coupled with falls in student numbers in the period since 2011 has seen demand for private rental property fall, with vacancies in some of the harder to let property.

## **4. LOOKING AHEAD: TRENDS AND PROSPECTS**

Building on the assessment of past trends, this section summarises the prospects for the Ceredigion local housing market in the short- to medium-term. The section is arranged broadly into the main areas of demand and supply side factors, and the working of the local market system. Central to the assessment of future of the local housing market is the modelling of future housing need and overall housing requirement carried out by Opinion Research Services on behalf of Ceredigion County Council.

### **4.1 Population**

The main method of estimating future population at a local level is through the use of population projections. This method essentially projects into the future past historical trends in the main components of birth and death rates and changes through migration. A similar process of applying projected trends in household formation to a projected population can be used to project household numbers. As such this is a mechanistic process; whether a projection is a reasonable indicator of the future depends upon how well the period of historic trend is a guide to future changes.

For some years now Welsh Government (WG) has produced a series of population and household projections for local authorities. The 'principal' projection of the latest 2011-based WG projections shows the population Ceredigion increasing by only 4,000 (to 79,246) in the 25 years from 2011 to 2036. The number of households is projected to increase by 2,600 over this period, including an additional 2,300 single-person households. Over the shorter term, by 2018 the population is projected to increase by 1,200 and the number of households by 1,000, including 700 more single-person households.

However, as noted above projections are very dependent upon the trend data upon which they are based. It is obvious from a comparison of past official WG projections that changes in data collection methodology have had a great effect on the results of recent projections for Ceredigion. Major reviews of official data including the Improvement of Migration and Population Statistics (IMPS) as well as

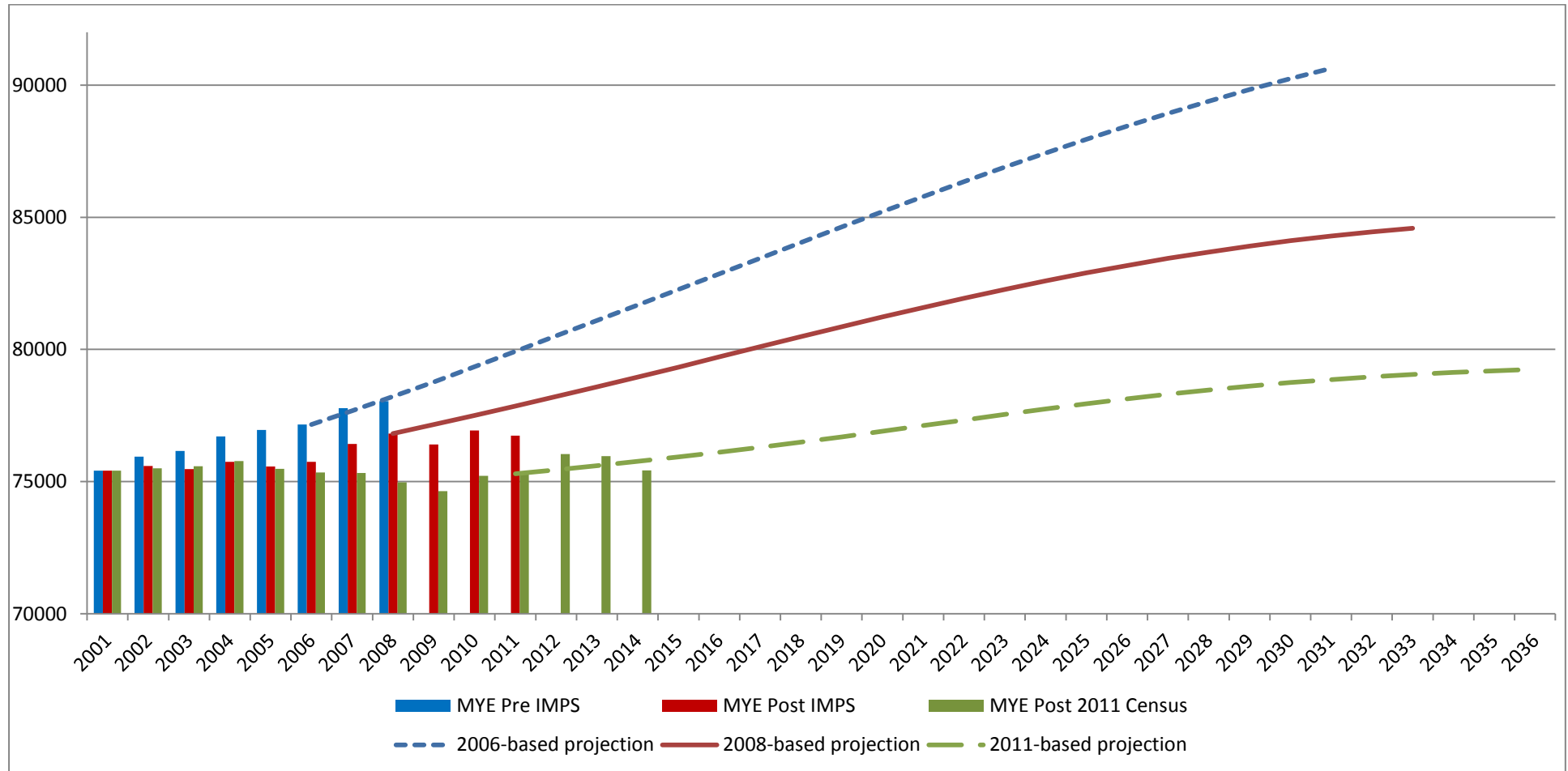
regular post-Census adjustments have had the effect of reducing the estimates of migration and population growth in Ceredigion over recent years. Incorporating these changes in the successive 2006-, 2008- and 2011-based population projections has had the effect of reducing the projected population (Fig 31).

It should be stressed that although recent years have undoubtedly seen a slowing in the rate of net in-migration to Ceredigion compared with previous periods, there are still questions over the effect of changes to official data estimates on the latest sets of population and household projections. The more recent post-2011 Census estimates may be regarded as more reliable and so future series of projections may indicate a different rate of growth. Planners and policy makers are therefore advised to regard the most recent set of population and household projections with caution until the data have stabilised and the direction and size of the underlying population change is better understood.

Questions over data apart, the 2008 financial and economic crisis has had a deep effect on many of the factors behind migration; economic and financial uncertainty tends to depress the inclination for large changes and some specific factors have the potential to impact on local population change. These factors, however, may not always work in consistent ways in all areas, or for all population groups and their net effect on any one small area, such as a county, may be difficult to predict with any certainty.

In addition to the local economic factors outlined below, one important factor is change in retirement and pension arrangements. These changes may delay retirement and reduce the amount of money available to retirees, and thus reduce the ability for moves to areas such as Ceredigion in later life. On the other hand, it is anticipated that the freeing of defined contribution pension funds will lead to a general increase in migration to desirable areas from fund-holders. Ceredigion may also be seen as a more affordable area for retirement when compared with areas such as SW England or Pembrokeshire.

**Figure 31 Comparison of recent official population estimates and projections data**



Source: Welsh Government and Office for National Statistics

A further factor is that, following a relatively lengthy period of rising local property prices relative to other parts of the country, increasing property values in other areas of the UK especially SE England and an increased price differential may increase the attractiveness and pull of Ceredigion as a life-style migration destination to retirees and to a wider population.

## **4.2 Higher Education Students**

Higher Education (HE) students are a distinct element of the local population, and of population change, especially migration; annual moves to and from university form around a half of all migration moves in and out of Ceredigion. Changes due to HE students present a number of problems for population modelling and for making estimates of the current and future population. Student population change is also highly dependent upon the specifics of developments in the HE sector at a local, national and, increasingly, an international level.

For these reasons it is difficult to make an estimate of the future numbers of HE students and student housing demand. It is thought that overall numbers in Ceredigion will stabilize and start to grow over the short- to medium-term following the falls resulting from the moving through of the exceptionally large cohort of the 2011/12 intake.

The development of student numbers resident at the Lampeter campus of UWTSD is uncertain and will depend on the overall plans of that larger institution. Some of the factors to consider in the development of student numbers at Aberystwyth University are outlined in Section 4.13.3 below.

## **4.3 Economy, Employment and Incomes**

Ceredigion's economic development is the subject of Ceredigion economic strategy, which will also be supported by the establishment of the 'Growing Mid-Wales' regional economic strategy supported by Welsh Government as an element of their regionally-based strategy for Wales. Even if successfully implemented, any strategy would not see a large-scale change in the local economy over the short-term period, and only incremental change in terms of employment, aggregate business viability and aggregate earnings over the medium-term.

A high proportion of local employment is in the public sector which has experienced pressure on its funding and employment capacity through UK Government policies in the wake of the financial crisis. The universities are primary among local public sector organisations. Although relatively large falls in student numbers in recent years can be attributed to the moving through of a large 2011/12 student cohort, and prospects for growth remain good, the sector is highly competitive and further falls are may continue over the short-term. Further decreases in student numbers and uncertainty over the business models of the local institutions would have an effect on their contribution to the local economy, and to the range of employment opportunities offered.

Public sector organisations other than the universities, including local government, have experienced cuts to funding which currently appear set to continue into the medium-term future with an effect on employment and on additional recruitment over this period.

Against these negative indicators, however, may be counted a number of specific proposed developments in the local area which would work to increase employment prospects.

The most significant specific economic development in the county is the proposed large-scale investment in bio-science and agricultural product research at Aberystwyth University's Gogerddan campus outside Aberystwyth. This is expected to provide both direct employment opportunities and to generate further opportunities from associated private business investment.

Over the next few years work will continue on a number of private and publically supported projects around Aberystwyth to strengthen the appeal of the town as a retail and service centre, including the Mill Street retail park and further retail developments within and on the edge of the town centre, and to enhance its attraction for visitors and residents through transport and townscape infrastructure projects. The town's service role in the future is further bolstered by the local health board's stated wish to develop the role of Bronllais hospital in the wider mid-Wales area. Other, smaller scale public projects such as the building of an area school at

Llandysul, or the Cylch Caron integrated health scheme at Tregaron, may also affect demand for housing in particular areas.

Given the uncertainty over future development of the important public sector and other areas of the local economy, and the general expectation that any improvement in the local economy resulting from local and regional economic strategy is likely to be incremental, it is not expected that local employment earnings will show any dramatic improvement over the period to 2018.

#### **4.4 Housing Supply and Delivery**

Section 3.2.12 summarised some of the issues which the development industry considered to affect the delivery of housing in Ceredigion. Those issues can be summarised as:

- Continuing high land acquisition prices
- Viability of small builders in a system designed around lower margins and higher volume building than is usual in the Ceredigion building sector
- Ability of small firms to negotiate demands of a complex planning system
- Difficulties over obtaining funding and finance for development
- Loss of local house builders and skilled workforce
- Need for improving skills in industry
- Stigma of Affordable Housing

Some of the issues raised by the industry are recognised by the Local Planning Authority (LPA) and others who, where possible address, or attempt to address those issues. Other issues may be beyond the influence of the LPA itself. The following gives an overview of the LPA's response in relation to these issues.

##### *High Land Acquisition Cost*

Welsh Government's planning policy view is that the financial viability of a development should be taken into account when valuing and negotiating the sale of building land. The price of sites that are difficult and costly to develop would be less

than that of site that was easy to develop. Factors such as the need to provide affordable housing, the need for landscaping, remediation works etc. should be factored into the development costs together with the cost of the build itself. In rural areas, however, although developers factor in viability considerations in making their purchase offers, local landowners will often refuse lower prices, tending instead to take a long term view of their asset, and willing to hold land until they achieve the price they deem acceptable. Landowners are not generally put off by the fact that this life changing sum may never happen, and may be happy to continue using land for agricultural purposes until that change occurs.

In extreme cases a LPA can use compulsory purchase procedures in order to secure the delivery of development, but such an approach is generally only employed for large scale development where there is significant wider need for the land to be developed (e.g. new schools, large employment developments).

There are, however, other measures the LPA can use to assist in the release of land, first of which is the Local Development Plan (LDP) process which seeks to identify genuinely available sites.

- The site allocation process in the LDP means that the LPA has greater control, dialogue, and engagement with developers and landowners before their land gets included in the LDP. Furthermore, the LDP allocation process works as a bargaining tool; the landowner must 'use it or lose it'. If it cannot be shown that sufficient effort is being made to bring allocated land forward (including offering the land for sale at a reasonable value), a site may be de-allocated during the plan review process. Site allocation applies to the towns and larger villages, the settlements designated as Service Centres in the LDP, which account for 75% of development opportunities allowed for by the LDP.
- In other locations, that is Linked Settlements and Other Locations, where development is of a much lower scale, there are no specific land allocations, and, as far as possible, housing should be shown to be required to serve local needs. In the absence of specific allocations, the LPA has at its disposal other means of encouraging the delivery of consents to completed units. In

practice, the LPA is issuing shorter permissions and completion dates aimed at stimulating the housing building industry and getting houses built swiftly to aid supply. The LDP does not generally support further permissions on sites that have lapsed. This gives a finite time for landowners to take advantage of the greater value of land with planning consent, and puts pressure on landowners to dispose of their land at a reasonable price whilst it has consent.

### *Viability of Small-scale Builders*

The small-scale developers that are so prevalent in Ceredigion have traditionally operated on lower margins through self-financed developments, in contrast to the model of volume house builders which requires sufficient profit margins to be costed out and guaranteed in order to obtain development finance.

Affordable housing requirements, and the rising cost of land acquisition, materials, professional fees and labour mean that profit margins are being squeezed tighter and affecting local developers' ability to access finance. However, all of the above were factored into a strategic viability assessment which informed the preparation of the LAs affordable housing requirements contained within the LDP.

The examination of the LDP, and its supporting evidence, including the strategic viability assessment, concluded that there is local market viability sufficient to sustain the affordable housing requirements in the plan (LDP Policy S05). The LDP is committed to monitoring delivery, and according to its Annual Monitoring Report (AMRH10), affordable housing delivery to date has achieved 20% of development permitted and completed, although the overall housing delivery numbers (open market and affordable housing) are below predicted delivery as a reflection of the slump in the national housing market.

Where affordable housing delivery is believed by developers to be a prohibitive factor in a specific development, the requirement can be challenged on a site-by-site basis. This has been the case on a few building conversion developments which

have resulted in a reduced or zero contribution. This practice demonstrates flexibility within the LDP requirements.

The LPA monitors the number and frequency of challenges on site-specific viability in the Annual Monitoring Report (AMRH11). To date this monitoring has not triggered a need to review the affordable housing policy. The LPA will consider the basis of the strategic viability assessment as part of LDP review process (due currently in 2017).

More generally, the LPA recognises that the factors which affect viability are numerous, hence the need to consider the matter on a case by case basis if viability appears to be an issue.

The LPA have acknowledged in the last few years that a change to the drafting Section 106 agreements regarding affordable housing provision was one aspect the LPA could influence to assist with certain viability factors. In response the latest Section 106 agreement already provides for; tenure flexibility between DFS and IR; wider eligibility criteria for Affordable Housing under LDP Policies; and has amended the cascade period and has also relaxed the occupancy restrictions to capture a wider audience as called for by lenders. The LPA will continue to consider the validity of further amendments to S106 agreements if or when new evidence comes forward.

There are no volume house builders operating in Ceredigion therefore historically, the delivery of large sites in Ceredigion has not been experienced. This does not however preclude the industry from adapting to deliver larger sites in Ceredigion in the future. The LPA recognises that it needs more dialogue with the industry to see how best to achieve this, for example one approach could be through the phasing or breaking up of sites or inclusion of alternative sites in some Service Centres which will be considered through the review of the LDP.

#### *Ability of small firms to negotiate demands of a complex system*

As it has developed in recent years the planning system has become more complex. The majority of additional requirements such as Design and Access Statements, bat surveys, new application validation criteria, etc. come from national policy

requirements beyond the control of the LPA. This situation is unlikely to change with the implementation of the new Positive Planning Bill.

Given the complexities of the regulatory system it is essential that those involved in housing supply and delivery seek the advice on early on. The LPA has produced Affordable Housing Supplementary Planning Guidance and Help Sheets to help a variety of stakeholders to navigate the affordable housing elements of the LDP. The LPA's Development Management Service offers a pre-application advice service which brings together expert advice from across the local authority including highways and ecology, as well as planning expertise, in order to assist developers by ensuring they are appraised of all requirements at the start of the application process.

In this context there is an increasing educational role for all involved in the industry, including professional representative bodies such as the HBF, RICS, RTPI and local business forums, to build local capacity and understanding.

In a complex system good professional representation is the key to carrying through development proposals. The need for information from various branches of technical expertise means that it is less likely than in the past that developers can compile an application without external input or agent representation (even if the development is for only single dwellings). The cost of such advice needs to be borne into calculations right from the outset.

#### *Development Finance Difficulties*

There is little the LPA can do on its own to ease the challenge of the new finance and lending criteria introduced in the wake of the financial crisis that started in 2008. The LPA will continue to contribute to nationally led work investigating this issue and will seek views from the lending industry regarding any issues specific to Ceredigion.

#### *Reduction of local industry capacity and the need to improve skills*

The linked concerns over declining numbers of building firms, the loss of skilled workforce to larger contractors outside Ceredigion, replacement for the retiring workforce and the need to increase skills in line with technical developments, require further detailed investigation by development industry representatives; particularly as

skilled construction labour is linked to a variety of other sectors, and not just the house building industry.

From a planning perspective, The LPA have on occasion negotiated contracts and training for local people on large scale developments to ensure that investment is recycled locally as a form of planning gain. The LPA is also aware that some of the RSLs operating in the area are attempting to secure their sub-contractors from the local area and are helping them through the paperwork and administrative requirements attached to delivering social housing.

The apprenticeships system is currently undergoing transformation at the national level to which the construction industry training board and other development industry representatives will have the opportunity to feed into. A contract to deliver Construction skills apprenticeships is provided through Ceredigion Training. Apprenticeships are also provided through Coleg Ceredigion.

#### *Perceived Stigma of Affordable Housing*

The LPA recognises that a culture change is not going to happen overnight. However, the LPA have been seeking to secure the provision of affordable homes in Ceredigion for almost 10 years and is aware of numerous examples where this policy has provided homes of local people and enable young people to live in their home community. As the term 'Affordable Housing' becomes more widely used in housing and public policy, it is increasingly recognised that the term encompasses a range of housing tenures, and is not confined to social housing and its associated issues. The LA continues to raise awareness and offer guidance, advice and support through, to cite some recent examples, the publication of the 'Housing for All' magazine and attendance at events such as 'Ble wyt ti'n mynd i fyw?' roadshows.

#### **4.5 Vacant Properties**

Properties can become empty for a variety of reasons, deteriorating condition, difficulties in finding tenants, death of the occupier, family living away from the area. Nevertheless, such properties are seen as a wasted opportunity for provision of housing accommodation in a county where there is shortage of affordable houses.

The local authority is able to assist empty property owners in bringing the property back into use through a number of ways:

- Financial assistance by way of loans (interest free) to renovate the dwelling
- Assistance in identifying works required to make sure the property is habitable
- Advice on how best to organise any works needed to the property
- Help to find tenants for the property including availability of leasing or management schemes
- Help to arrange the sale of the dwelling.

## **4.6 Housing Costs**

Local house prices and rental costs are part of a national market, and national, as much as local factors, will continue to be a major determinant of local costs.

### **4.6.1 House Prices**

According to the latest Halifax outlook on the UK market (Halifax 2015), house prices are expected to rise at around 3% to 5% in 2015 (compared with growth of around 8.5% in 2014). Other lenders differ as to the level of recent price growth, but agree that prices will continue to rise in line with growth in real incomes over the longer term.

Industry commentators expect that real economic growth accompanied by higher employment and growth in incomes will increase housing demand. It is expected that interest rates will eventually rise from their current historic low, but the decision may be delayed by concerns over the strength of the recovery and the global economy, and by the prospect of deflationary pressures. On the other hand, although national supply has grown, house building remains significantly below the level seen before 2008.

At least one factor behind the recent 'softening' of house price rises has been the dampening effect of changes in the conditions and availability of mortgage finance following the financial crisis of 2008. Although, more recently, some withdrawn mortgage products have been re-introduced (including high loan to value products)

and the most restrictive lending conditions appear to have been eased, the introduction of new financial tests will mean that individual applicants will be subject to more stringent affordability tests, which a higher proportion of loan applications are expected to fail.

Help for buyers has also been available through schemes such as the UK Government's Help to Buy scheme which may be expected to further stimulate UK house price growth. The Help to Buy – Wales scheme requires purchasers to provide a 5% deposit, whilst the Welsh Government provides a 20% shared equity loan, and the remaining 75% is secured through a mortgage. However, the scheme only applies to New Builds homes with an open market value of up to £300,000. This scheme is being promoted by a number of large scale developers in South Wales, however the scheme is unlikely to be taken advantage of widely in Ceredigion if new build rates remain low.

These national prospects form the background to local changes which will also be affected by local factors. The most important of these are: demand from households moving into the area for work and lifestyle reasons; fluctuations in numbers of HE students; growth in local incomes; general economic and employment prospects. The most recent indicators from actual sale prices appear to show a rise in the level of average house prices in the period late 2014 to early 2015, and steepening of the year on year rate of increase to around +8.5% in March 2015. It remains to be seen whether this marks the start of a sustained change in local house price measures.

#### **4.6.2 Rent Levels**

There are no general surveys or market reviews of rental values comparable to those available for house prices. Locally there is some evidence of reduced pressure on rents in Aberystwyth in particular, which is attributable to the special circumstance of a fall in students in the local PRS. There may, in addition, be a more general reduction in demand if the level of net non-student migration has also continued to fall. Given the continuing financial obstacles to house ownership experienced by many on medium as well as low incomes, and the under-supply of social housing, it would seem that rents for non-student accommodation in the local PRS would be under-pinned by continuing demand.

As outlined below, in the particular case of Aberystwyth, it seems certain that there will be reduced demand from students in the local PRS over the short-term, although demand could rise in line with any increase in student numbers over the longer term.

#### **4.7 Housing Needs**

Central to the market assessment is a view on the level of housing need and the overall housing requirement for the years ahead.

Estimates of overall housing requirements and the components of demand and need can be produced by a number of ways. In the 2000s both the DETR and Welsh Government guidance proposed that local housing market assessments use a balance sheet approach largely using data on need from housing register sources and combining it with official demographic and household data to estimate newly arising demand.

Most recently this approach has been further developed by Welsh Government and the Wales Local Government Association as a further guidance for those beginning local housing market assessments (WLGA 2012).

However, it has been apparent that the balance sheet approach is not particularly suited to the assessment of demand and need in Ceredigion:

- Social housing only a small proportion of tenures
- Doubts over how well housing register reflects overall need and especially how it reflects need for affordable housing

Given these limitations, when it came to preparing evidence for the Local Development Plan Ceredigion County Council commissioned consultants Opinion Research Services to apply their tested 'whole market model', based on extensive interview survey, to estimating overall housing requirement and housing need for the county. ORS produced a complete report in 2004 and updated it in 2008 using a refined model and secondary data.

Ceredigion County Council commissioned ORS to carry out a further study for this edition of the LHMA. The study was based on the ORS Housing Mix Model, a

development of their previous work which is structured around defining demand from households and supply from existing stock to identify the requirement for additional housing. The Housing Mix Model, defines the balance of the requirement between Market Housing and Affordable Housing, and further analyses the Affordable Housing element in terms of social rent or intermediate affordable housing (see description in Appendix 2).

### Summary of 2015 Housing Needs Study

The results of the ORS Housing Mix Model for Ceredigion can be summarised in two tabulations. Figure 32 shows the tenure mix of the Ceredigion housing requirement for three periods from 2011.

**Figure 32 Tenure Mix of Housing Requirement for Ceredigion over the 15-year period 2011-26**

	Number of dwellings required			Total	%age
	2011-16	2016-21	2021-26		
Market Housing					
Owner occupied housing	113	148	22	283	13.8%
Private rented housing	175	191	178	544	26.5%
Affordable Housing					
Intermediate affordable housing	266	287	273	825	40.1%
Social rented housing	133	144	126	403	19.6%
Total housing requirement	687	770	599	2,056	100%

(Source ORS, 2015) (Note: The “Social” category would include Social Rented Housing as well as any other forms of Affordable Housing for rent which would be eligible for housing benefit support)

The ORS study further classifies the requirement for the period 2011 to 2016 on the basis of dwelling size (Fig. 33).

**Figure 33 Size Mix of Housing Requirement 2011-16**

(Note: The “Social” category would include Social Rented Housing as well as any other forms of Affordable Housing for rent which would be eligible for housing benefit support)

Housing size	Market Housing	Affordable Housing		Total
		Intermediate	Social	
1 bedroom	-69	+85	-3	+13
2 bedrooms	-119	+149	+70	+100
3 bedrooms	+387	+55	+64	+506
4+ bedrooms	+90	-23	+1	+68
<b>Total</b>	<b>+288</b>	<b>+266</b>	<b>+133</b>	<b>+687</b>

(Source: ORS, 2015)

ORS summarize the key points of their findings as follows:

1. Based on the Welsh Government 2011-based household projections, the study has identified a requirement for 687 dwellings over the 5-year period 2011-16 and 2,056 dwellings over the 15-year period 2011-26. Nevertheless, the household projections are based on a period when very little population growth was recorded in Ceredigion, and longer-term trends suggest that this projection may underestimate future growth. A larger number of households will inevitably lead to a higher number of homes being required over this period.
2. The ORS Housing Mix Model has identified a need for 398 affordable homes during the initial 5-year period 2011-16, an annual average of 80 dwellings per year. This includes 133 social rented homes and a further 266 intermediate affordable homes (including intermediate rent or Discount for Sales) for

households able to afford more than social rent but unable to afford private rent. Together, these represent over half (58%) of the overall housing requirement.

3. If there was a larger increase in households, the percentage of affordable housing required would reduce as the scale of dwelling delivery increases. This is because affordable housing need is disproportionately generated locally while migrant households are more likely to require market housing.
4. The Model also identified 175 households who are likely to afford market rented housing, but unable to afford home ownership, and many of these households will add to the demand for intermediate home ownership products.
5. Of all households unable to afford home ownership, the model identified that at least a quarter (23%) would need social rent – but this proportion would need to be higher if intermediate affordable rented housing was notably more expensive than social rent (as any households allocated by the Model to intermediate affordable rented housing but unable to afford the rent needed would increase the need for social rented housing). Considering the Model's outputs, we would conclude that there is a clear role for intermediate housing helping to meet the identified housing requirements; and that future affordable housing provision in Ceredigion should be based on a third social rent, a third intermediate affordable rent and a third intermediate home ownership.

#### **4.8 Impact of Welfare Reform**

At the time of writing the UK Government are in the middle of a long-term review and reform of the state welfare system. The reform programme touches all elements of the system apart from state pension provision, including out of work and in-work benefits, disability benefits, and may continue to review universal benefits; it will therefore have an impact on a large proportion of the population, and the general economic status of households.

The most immediate impact to housing will be in the way in which housing benefit (HB) is determined and paid. The programme is still in progress and so the impact will encompass changes which have already been put in place, and further proposed changes such as withdrawal of automatic right to HB for people aged 18 - 21. Apart from the direct housing related conditions attached to HB payments, HB is also being used as the mechanism for implementing a cap on the total amount of benefit that any single household can receive.

In the social sector the main change has been the introduction of penalties for households that under-occupy social housing in the shape of a reduction in HB for the any bedrooms regarded as surplus to their needs. Apart from the impact on individual households, this may lead to a re-arrangement, a balancing of social housing tenancies with more larger stock becoming available to larger households currently in over-crowded housing as smaller households downsize to smaller units. However, whether such a balancing is feasible will depend upon the mix of housing available at the local level, as well the questions of individual wishes to remain in their established homes.

Other major changes to HB payments will impact upon tenants and landlords in the in the local private rental sector:

- Capping of the allowable rent for HB support at the 30<sup>th</sup> percentile of local rents, a reduction from the previous 50<sup>th</sup> percentile cap.
- Raising the age limit for Shared Accommodation Rate so that single people aged under 35 will only be entitled to a HB rate based on shared accommodation rather than a self-contained dwelling such as a one-bedroom flat

These changes have had, and will continue to have a significant effect on the private rental sector in Ceredigion, placing downward pressure on rents, reducing demand for self-contained single person dwellings and increasing demand for HMO accommodation. Whether these effects will be limited to certain small sub-groups of tenants and locations, or whether they will have more widespread effects depends upon the characteristics of future PRS tenants and their financial need.

ORS in considering the issues summarised the potential impact on private rented sector as follows:

- Potentially, there could be reduced household formation rates which may reduce the number of households seeking affordable housing. However, some changes in the LHA could see formation rates rise.
- The supply of private rented dwellings may change significantly, especially for households on lower incomes.
- The total number of housing benefit claimants in the private rented sector is unlikely to fall, but their locations will change to lower priced areas.
- Alternatively, where landlords do not accept the lower rents, more properties may return to 'pure' market housing and out of reach to households on Housing Benefit.
- Local authorities may be pressed to find housing solutions for increasing demand from households who cannot resolve their own needs - homelessness presentations and overcrowding may also rise further.

#### **4.9 Housing Requirements of Older People**

Population projections at local as well as national level consistently show that the number of elderly and very elderly will increase and that these groups will form a greater proportion of the population than ever before. In Ceredigion the population aged 64 to 84 is projected to rise from around 14,900 in 2011 to 17,400 in 2021 (+17%), and to 18,300 by 2031 (+23%), whilst the number of those aged 85 and over will double over those twenty years from around 2,150 in 2011 to 4,300 in 2031.

It is to be expected that future generations of the elderly and very elderly will be healthier, and healthier for longer into old age, than previous generations. It may also be expected that developments in medical science may reduce the effects of many age-related conditions on future generations. However, for all of that it is also to be expected that the number of people with age-related conditions will increase correspondingly with the increase in the elderly population, and that longer lives may also mean longer lives living with conditions such as dementia.

The challenge to social care and to health services is considerable, as is the challenge of meeting the housing requirements of a more elderly population. Although some form of more intensive care will always be required for those with higher than average and acute needs, it is expected that many people, even the very elderly, will be able to meet their care needs whilst living in their own home, especially if this is a home designed and managed with care needs in mind. The future housing demands of older people will also be shaped by rising expectations and aspirations for later life, including greater freedom of choice for housing, and greater control over financial affairs.

It is also obvious that this is cannot be regarded solely as a 'social housing issue'. Although social housing solutions might be expected to meet the needs of people with very limited ability to contribute financially to housing and care, this will only form a small proportion of the population with care needs, the majority of whom will be at present in owner occupancy tenancies or tenants within the private rental sector. In these latter cases, although likely to have both care needs and limited financial resources, it is unlikely that the social housing sector will be able to meet their requirements and needs; innovative approaches combining public, private and third sector support will be required to meet their housing and care needs in later life.

Three broad issues in older persons housing may be identified as providing a local as well as a national focus:

New models of housing for Older People: There is considerable national policy interest in increasing the supply of housing for older people including models such as Extracare as well as 'lifestyle' schemes. Evidence shows that to make this an attractive choice, housing for care needs to be flexible in terms of tenure and type of dwelling, in addition to meeting needs through physical elements such as access and build details, the design of clusters or groups of houses, and location in relation to existing or planned services and settlements.

It also to be expected that future generations of the elderly will demand greater control of their financial assets and the necessary choices over financing of housing and longer-term care. This will particularly apply to the very large proportion of the

population who are not housed within the social sector, who will require well-designed and sustainable models of tenure.

At present there is only one Extracare scheme in Ceredigion which is only available as social rented tenures, but there is clear potential to develop further schemes with a wider range of tenancy options.

Housing Standards: In addition to the provision of new (and potentially specialist housing), planning policy and building regulations should be used to ensure that there is more choice of housing available in the general (i.e. non specialised) stock across all tenures that can respond to the changing needs of households as they age, for example, in design standards, disabled living (e.g. a proportion of housing is built to wheelchair standard), and location (near to appropriate services and facilities).

New provision for Older People to release family housing: Some Older People occupy housing that is too large for them and is also unsuitable given their health, relative low income and vulnerability to cold and tripping hazards. Many of these older households are owner-occupiers with low incomes and unable to carry out improvements to their properties, or may rely on care and repair schemes and other third sector support, or on equity release and shared ownership plans to make necessary improvements.

Although a Housing Strategy response may bring benefits (for example, incentive schemes for social housing tenants, such as assisted moves and cash payments, to release family homes), appropriate new housing delivery also plays a role to meet this requirement and bring additional benefits by providing increased housing choice for older people, and by releasing second hand family homes to the market as older people choose to move into smaller houses.

#### **4.10 Policy Response to Meet Housing Requirements of Older People**

The policy response to meet the housing requirements of older people must develop in partnership across the range of individual specialisms in the social care, health, housing strategy and planning roles of public bodies. A local example of such a partnership policy response is provided by the Cylch Caron project which brings

together health, social care and housing in a single integrated facility to serve the community of Tregaron. Other approaches may include a greater role for third sector and private contributions supported by the public sector.

In terms of planning policy, according to the recent ORS study the estimated requirement for various types of specialist housing for the older population, may be a significant part of the overall housing requirement. Furthermore, the requirements of older people should be considered in the provision of the general housing requirement in matter such as design and location, to provide new housing which can respond to the changing needs of ageing occupiers.

ORS suggests that the local authority could review the contribution planning policy may make to address these issues by posing questions such as: should developers be encouraged to include older persons' housing in design proposals? Alternatively should the local authority rely solely on the market and concepts such as 'lifetime homes' to effect change? The local authority may also wish to consider guidance on their expectation for addressing the needs of older people through new development, including design requirements for new developments and how to ensure that schemes are able to meet the long-term care needs of residents under a financially sustainable model.

#### **4.11 Higher Education Students and Accommodation**

As outlined above, the two local universities have shown rather different patterns of development over the past decade.

On the basis the available information it is difficult to assess the prospects for the Lampeter campus of UWSDT, although it may be expected that the university will aim to consolidate and to increase numbers of students at Lampeter, which appears to have seen a decline in full-time students relative to the numbers seen in the early to mid-2000s.

More information is available on Aberystwyth University which is assessed in Section 4.13.3 below.

## **4.12 Gypsy and Traveller Accommodation**

Despite the best efforts of the research team, it proved extremely difficult to engage with the Gypsy Traveller and Showmen target groups for the 2015-16 GTAA. While our neighbouring counties all have a mixture of council-run and private sites, it would appear that the single private Gypsy site is currently meeting the needs of the community in Ceredigion. Efforts will continue to establish better communication with the target population by all means open to us including, for example, the regional community cohesion forum, in order to gain a fuller understanding of the needs of this particular population group.

## **4.13 Aberystwyth Future Prospects**

### **4.13.1 Local Economy and Employment**

Reference has been made above to the important role of Aberystwyth as a service and employment centre, and to some of the specific initiatives underway that will revitalise and strengthen this role. A note has also been made of the downside factors such as pressure on the public sector which is an important employer and business generator in the area.

It is expected that the net effect of these factors over the next five years will be a consolidation of the regional service and employment role with incremental growth in employment in the town area.

### **4.13.2 General Housing Demand**

Given its continuing role as an important local and regional centre it is expected that general demand for housing of all types and tenures in the Aberystwyth area will remain strong. This basic assumption should underlie the implementation of the Local Development Plan and be considered at any subsequent review.

### **4.13.3 Aberystwyth University**

As described above, the recent academic years 2012/13, 2013/14 and 2014/15 have seen falling student numbers at Aberystwyth University. To some extent this fall was an inevitable and expected return to more normal conditions following a sharp spike in university entry in 2011/12. There is, however, some evidence that that there has been a halt to the growth in student numbers seen in the years 2007/08 to 2011/12.

There has been some concern over the University's position in the major indices and rankings of UK HE institutions. Between 2014 and 2016 Aberystwyth moved from 88 to 110 on the Guardian university league table; from 70 to 86 on the Complete University Guide rankings; and from 276/300 to 301/350 on the TES World University ranking. In a globalised and increasingly crowded HE market, these widely published rankings play an important role in guiding students' choice, and although the university's ranking on some indices shows improvement in the past year, the relatively poor performance of Aberystwyth University will have an effect on student recruitment.

On the other hand, several university developments will support the maintenance or growth of student numbers over the short- to medium-term. The university are pursuing a policy of consolidation and expansion based on increasing international as well as UK and EU students. The new Penglais Farm residences are intended to support this through the provision of high quality, university-managed accommodation adjacent to the academic campus. Investment in academic and other activities will continue especially work on the Gogerddan campus where new bio-science and food research will be boosted by a £40M investment programme.

It is not possible to make a firm forecast of the number of students at local HE institutions over the short- to medium-term. Over the short-term student numbers have shown themselves to be liable to annual variation, and whilst there are some indications of a slowing growth or even a decline in student numbers, the university strategy is to increase the attractiveness of its teaching and research institutions. It may be reasonable to assume that over time the university will recover from any short-term reduction in numbers and that total student numbers in late 2010s will show some growth compared with 2013/14 or 2014/15.

A more certain forecast can be made of university accommodation. The first phase of 250 places in the Penglais Farm development was completed in January 2015, and it is expected that all 1,000 places will be available by the start of 2015/16 academic year. On the other hand there may be some loss of existing capacity as the university estate is reviewed and older residential halls are refurbished or converted to other uses. Allowing for a small loss of around 200 places, there would be around estimated total of around 4,500 places in dedicated university accommodation by the 2016/17 academic year. This represents a net gain of around 1,000 places on the total in 2011.

Assuming that full-time student numbers stabilise at around 8,000 (i.e. slightly up on the current level) and that all hall capacity is taken up, then the local general housing market would have to supply accommodation for around 3,500 students. This compares with a Census total of around 4,500 students in private households in Aberystwyth in April 2011 (i.e. in the 2010/11 academic year), and probably a larger private household population in 2012/13 and 2013/14 when the peak cohort was in its 2<sup>nd</sup> and 3<sup>rd</sup> year and more likely to be in private housing.

#### **4.13.4 Private Rental Sector**

The expected student numbers and university accommodation capacity indicate a reduction in demand for private rental property in Aberystwyth from HE students in the period from 2014. The reduction is estimated at around 1,000 people or around 250 to 300 households fewer than at the peak of student private households.

There are obvious indications of this reduction in demand in the number of vacant rental properties in and around Aberystwyth town. As the rapid survey of a selection of Aberystwyth town centre streets showed, there is an expectation that vacancies will be more likely in the larger 'student rent' properties and may be more likely in poorer quality properties.

This fall in demand may only be short-lived and student numbers may recover or grow substantially, fill the new university stock and lead to a rise in demand in private housing. Furthermore, the peak period of demand must be seen as atypical created by a spike in admissions in a single year, and a better question is perhaps whether,

as seems likely, demand in the PRS will return to a level of some point in the period from 2007/08 when numbers rose steadily.

The response of individual landlords in the PRS to a period of low demand especially for larger town centre properties may take a number of forms: landlords may refurbish existing property and market it more competitively as student accommodation; landlords may try and fill the properties as they are but with different tenants to take advantage of the opportunity provided by changes to housing benefit that encourage young single person household claimants to occupy shared accommodation; property may be sold onto open market; property may be refurbished as alternative types of accommodation (e.g. flats) for sale or rent.

The local authority and other private and public bodies may wish to consider how to respond to this issue and the possible options for these properties.

### **Summary: Looking Ahead, Trends and Prospects**

Although it is possible to see a slowing of local population growth over the past decade, and especially in the period after the financial crisis of 2008 and its effect on general mobility, the true picture is masked by a series of adjustments to official population and migration data. Caution should be taken therefore in using the Welsh Government 2011-based population and household projections which are based on change in the period 2006 to 2011; these may not be a good reflection of actual change over the short- to medium-term which may be higher than the projected +4,000 people, and +2,600 in the period 2011 to 2036.

Economic and employment prospects in Ceredigion are difficult to forecast particularly given the uncertainty over the impact on the public sector of continuing austerity measures and questions over areas such as higher education and health. On the other hand some aspects of local economic policy and initiatives will work to increase the range of employment prospects. Change, however, will be incremental and small rather than large scale or rapid.

The housing delivery system may remain under pressure. Many of the underlying factors such as high land prices and difficulties in securing business finance remain,

and there is still uncertainty over economic and other confidence factors which will affect how local demand responds to the slow recovery from recession.

Local prices changes may continue to show the variability noted in the years since 2010 although it is expected that they will start to show steadier (if relatively small) growth over the next few years. Stronger affordability tests and other changes introduced following the Mortgage Market Review may have dampened house buyers' ability to meet high asking prices, but continuing under supply against pent-up and new demand (e.g. stimulated by Government initiatives) indicate upward pressure on national (and consequently) local prices over the short- to medium-term.

The most recent Housing Needs Study indicates an overall housing requirement in 2011 to 2016 of 687 dwellings, of which 399 (58%) would be affordable housing (133 social housing and 266 intermediate affordable housing). However this requirement is based on the lower population growth indicated in official projections. It is possible that actual growth in the period will be higher.

Welfare reform may be expected to have some impact upon local housing markets. In addition to the changes in social housing and overall changes to housing and other benefits, the planned changes will have a particular impact on younger tenants in the private rental sector with the withdrawal of automatic housing benefit for people aged 18 to 21, a move to lower guide rents for housing benefit payments, and people under 35 only being eligible for shared accommodation rent allowances.

There will be a particular policy focus upon housing for older people in the coming years. As the number and proportion of elderly in the population rises and people live more healthily into old age, conventional models such as social sector 'sheltered housing' will be inadequate to meet the population's needs and aspirations. Innovative design and financing in housing need to be explored alongside the changes in the provision of health and social care.

Aberystwyth will continue to consolidate its role as a regional centre, although there are some questions over the prospects for growth at local institutions such as the University, and for the public sector in general.

Changes in university student numbers and university accommodation have seen a fall in demand for private rental property in Aberystwyth. It remains to be seen whether this will be short-term and whether demand will return with rises in student numbers, or whether it is a longer-term issue. The options for landlords would include attracting other tenant groups such as young single people in shared households or conversion of property to meet the demand for self-contained flats. Conversion of HMOs to flats is already supported in principle by local planning policies, but given the practical problems of conversion of many older properties, the general policy may require support from wider public and private initiatives to boost housing supply from this source.

## 5. SECTOR SUMMARY

This section summarises the issues discussed in the assessment under the main conventional housing market sectors.

### 5.1 Owner Occupancy

Although the proportion of households in owner-occupancy tenure has fallen in line with national trends, it remains the main tenancy type in Ceredigion, accounting for 68% of all households. The recent national and local decline in owner-occupancy appears directly linked to increasing affordability problems, due to high earnings-to-price ratios, and to more stringent lender criteria, as well as general economic uncertainty for individual households.

House prices in Ceredigion did not decline as steeply as they did nationally following the financial crisis in 2008; however since 2010 local prices have not followed the steady rises seen in England and Wales. Although there have been periods of strong growth (e.g. the +8.4% change in average prices to Mar 2015), local price changes show a very variable pattern. With the prospect of rising prices nationally and possibly locally (in some cases boosted by government support for owner-occupancy tenures), and only incremental rises in local incomes, affordability is unlikely to improve for house buyers.

The ORS study of housing requirement based on official Welsh Government population and household projections estimates that only 113 open market owner-occupancy dwellings would be required in the period 2011 to 2016, out of a total of 687 dwellings. However, both the ORS study and work by Ceredigion County Council show that the latest official projections are based on a historically low period of population change and should be treated with caution. ORS indicate that should actual population and household change be closer to longer-term trends then the majority of the additional requirement would be for market housing.

Net in-migration has been one factor behind the demand for owner-occupancy housing in Ceredigion, part of a long-term trend of 'counter-urbanisation'. Although the majority of moves may be associated with employment, 'lifestyle' factors will be important in many individual motivations. As expected, one effect of the financial

crisis and recession was to dampen household mobility. It remains to be seen whether this will affect 'counter-urbanisation' trends over the longer-term.

A number of specific factors have been cited that may act to dampen future in-migration to areas such as Ceredigion, including the general reduction in early retirement pension schemes and a reduction in employment recruitment in the public sector. However, against that can be cited a number of factors such as the impact of freer regulation of defined contribution pension funds on retirement migration, the prospect of people living longer, healthier lives beyond the increased statutory pension age, or the relative affordability of housing in comparison with areas such as SW England or Pembrokeshire, which may act to increase migration to Ceredigion. Decisions on migration may also be influenced by the re-establishment of a significant price differential between Ceredigion and many areas of the UK over the years since 2010.

## **5.2 Private Rental Sector**

The Private Rental Sector has a significant role in the local housing system, comprising 20% of all tenures. Although Aberystwyth is by far the most important area, PRS tenures are found in all areas of the county. Although HE students are a major component, especially in Aberystwyth, the sector also meets the requirements of a growing number of households unable to access owner-occupancy or social rented tenancies. This move to the PRS has been seen as a national trend although its exact effect locally tends to be masked by the large student sub-sector.

Rents in the largest market, Aberystwyth, are high in comparison with local incomes, driven by demand from transient professionals as well as student demand. However, over the short-term there are a number of specific factors which may soften rents generally (e.g. welfare reform changes) as well as in the Aberystwyth area in particular (reduced student demand for private rental property).

Changes to the payment of Housing Benefit to PRS tenants, including changes to the Local Housing Market Allowance, the raising of the age limit for 'Shared Accommodation Rate' and the payment of HB directly to tenants, would suggest a softening of rent levels. However, if other sectors of demand remain high, landlords may be reluctant to take on tenants who depend on HB payments.

Changes in the numbers of students at local universities and the provision of university accommodation will have a large impact on the PRS, especially in Aberystwyth. An increase in university accommodation and a decrease in overall numbers of students have reduced demand in local PRS by around 250 to 300 households between 2012/13 and 2014/15, and demand may reduce further in coming years. This change is indicated by a relatively high number of vacant properties, especially, but not exclusively, large properties in areas that are traditionally regarded as student areas.

It is not certain whether the recent fall in demand from students is a long-term trend, or a shorter-lived blip, or how other areas of demand may make up for the decline in students. However, many of the vacant properties will be those most suited to the student market by virtue of their size, internal layout or location and there may be limited demand from other parts of the market. Options for the local PRS may include conversion to flats that would be attractive to a wider market, or continuing use as multi-occupancy dwellings for occupation by other groups, such as single young people dependant on housing benefit.

Demand for PRS tenures from the wider market are expected to grow in response to continuing affordability barriers to owner-occupancy and under-supply in the social rented sector. There are indications that an increased role for the PRS will be a long-term trend nationally and locally. If this is so we can expect to see an increasing number of people remaining in PRS for some time. At present 7% of people aged 65 and over live in the private rental sector, and the sector may have an increasing number of older tenants some with age-related needs.

Property condition and management standards have been identified as problems in the PRS. Statutory licencing schemes appear to be successful in addressing these problems, as has been the introduction of more professional management standards into the local sector.

There is no evidence to date that the PRS has played a significant role in commissioning new build houses (most private rental business is based on second hand properties), although private landlords will take a proportion of new build schemes. The role of private landlords in commissioning or guaranteeing sales of

new build could change. One area to consider is whether there is a greater role for the PRS in the management of intermediate rental properties provided under affordable housing policy framework, or whether these will be mainly managed by social sector landlords.

### **5.3 Social Rental Sector**

The social rental sector is a small sector in the local housing market, as a proportion of all households (10%) the smallest in Wales, and locally the sector has shown a long-term decline in importance (the sector accounted for 12% of tenures in 2001, and 13% in 1991).

General social housing in Ceredigion is managed by three Registered Social Landlords (RSLs); one other RSL manages the Maes Mwldan Extracare scheme. RSLs represent some of the very few relatively large-scale developers at work in the county; through direct commissioning or conveyance shortly after completion they account for half of all affordable housing provision. RSLs have capacity and a range of skills in many aspects of housing development and management unavailable to private sector developers and agents.

Although Welsh Government has been clear that it supports social housing, there are indications of continuing pressure on social housing finances in Wales as in the rest of the UK which may see further reductions in direct government funding of social housing development, although some aspects such as improvement of existing stock may receive more funding.

To date RSLs in Ceredigion have followed a fairly conventional business model in largely concentrating on maintenance of existing stock and small new build developments for social rent. More recently local RSLs have investigated new market sectors, such as student rentals, and have started to design schemes around intermediate rental and other affordable housing products.

As a smaller proportion of households are found in the conventional social rental sector, and as funding pressure on the conventional social rental business model continues, RSLs may need to re-assess their role in the local housing system, by, for

example, further development of new markets and new funding and business models including partnership working with private and third sector agents.

A particular case is that of specialist housing for older people. Although the social rental has played a significant role in the past, only 8% of people aged 65 and over live in social housing, and it is probable that the majority of people with age-related housing needs are not found within the social sector. The growing older population, and the expected increase in the number and proportion of people with age-related housing needs but changing aspirations and demands, are a challenge to the traditional model of 'sheltered housing', the main supply response of the social rental sector. Again, new models of design, tenure and management are required which present a challenge the role of social landlords.

The UK Government appears ready to approve a further wave of right to buy sales to Housing Association tenants in England. The present Welsh Government have criticised right to buy in Wales in the past, and so seem unlikely to follow suit. However, circumstances might change leading to an introduction of a similar initiative in Wales.

#### **5.4 Intermediate Sector**

Affordability remains a problem for households even though prices in 2015 are below their level in 2008. According to the 2015 ORS housing needs study over half of the housing requirement in 2011 to 2016 (399 dwellings of the 687 required) should be affordable housing, and of these 266 should be in the 'intermediate housing' sector.

Major changes to the delivery mechanism of intermediate housing are not anticipated in the short- to medium-term, although changes to the policy may follow from any change in government following the 2016 Welsh Assembly elections.

In the current model intermediate housing delivery will, in effect, continue to be cross-subsidised by general market housing. The downturn in general housing activity has had its effect on the delivery of intermediate housing. Any improvement in the financial basis of the local construction sector should lead to a corresponding rise in the delivery of intermediate housing.

To date most 'intermediate housing' has been provided as Discount for Sale housing. Compared with Discount for Sale housing, the option for supply of housing for discounted rent (Intermediate Rent) is relatively recent, but has seen some interest from developers including Registered Social Landlords with some schemes reaching completion in 2014/15. It remains to be seen how much RSLs and other local developers will adopt Intermediate Rent options in their business model, and how well it will be received in the local housing market.

Developers and others have expressed some concerns that the regulatory environment in general, and the requirements of the intermediate housing supply model in particular, are a challenge to the local construction sector and an obstacle to viable local housing delivery. The overall national regulatory framework is unlikely to change in the immediate future, but the local planning authority does consider evidence on the viability of individual schemes if this is an issue. In the longer-term the local market could benefit from increased capacity and capability in dealing with the requirements and demands of the regulatory system.

## **5.5 Housing Delivery and Marketing**

The pattern of house building shows a clear decline in construction in the period since 2008, with annual completion rates about half of those seen in the years before 2008.

The survey of developer and agents' views identified a number of factors thought to lie behind this decline in the sector including difficulties financing the business model, high land prices, loss of local building trade skills and capacity, and additional burdens from the affordable housing regulatory framework. A major underlying factor, however, is uncertainty over the financial basis of the market, with stagnating or falling local house prices and a decline in demand.

Strengthening house prices should encourage higher delivery rates in a local construction sector that is geared toward small-scale developments and is sensitive to indicators of housing demand. Recent price data, however, shows continuing variability with in local annual price changes ranging between small annual falls and larger annual rises.

## **5.6 Strategies and Policy**

The local Ceredigion housing market will be affected by a range of national legislation and local strategies and policies.

As one of responsibilities where the Welsh Government has a full range of devolved powers, housing has been a major area for National Assembly legislation. A review of recent legislation and emerging policy is given in (Chartered Institute of Housing 2015).

The key piece of legislation in housing in Wales is the Housing (Wales) Act 2014, which among others includes provisions for:

- Compulsory registration and licensing of private landlords and letting agents
- A strong duty on local authorities to prevent homelessness including use of private rental sector

The most relevant local policies and strategies are:

### **Ceredigion Local Development Plan 2007 to 2022**

The Ceredigion LDP (Ceredigion 2012) was adopted in April 2013 and includes policies on the location of residential development, the provision of affordable housing through planning obligations and other special policies. The LDP is supported by local Supplementary Planning Guidance on specific matters such as design, and by technical guidance on aspects of development proposals such as affordable housing viability assessments.

### **Housing for All: a local housing strategy for Ceredigion 2013 to 2017**

Housing for All sets out a strategy for stakeholders in the Ceredigion housing market. Among the main policy issues it addresses are:

- Enabling affordable housing provision
- Responsibilities in preventing homelessness and other aspects of acute need
- Improving housing standards and management including private rental sector
- Meeting the challenge of providing housing for independent living

## **Ceredigion for All: the Ceredigion Single Integrated Plan**

The Single Integrated Plan (SIP) is the strategy of the Ceredigion Local Service Board, the partnership of local public services. Housing issues feature in a number of the main themes of the SIP

- Independent Living
- Economy and Place
- Supporting families

## **Ceredigion Well-being Assessment and Well-being Plan**

The production of a Local Well-being Assessment and a Plan will be major initial stages in the implementation of the Well-being of Future Generations Act. The Act will be the responsibility of individual public bodies, including the local authority, and of the local Public Service Board, a development of the Local Service Board approach.

The availability of good housing in the right locations will be a basic requirement for improving well-being of individuals and areas.

## 6 CONCLUDING REMARKS

The LHMA is not itself a statement of policy of the Council or other bodies or a set of specific policy recommendations; it is, however, intended to set out evidence for particular issues that should be addressed by public policy.

The evidence in the LHMA may be used to inform policy-making in a number of areas, including those beyond the narrower field of housing policy. Evidence in the LHMA will particularly support a number of strategic plans for Ceredigion:

- The Review of the Local Development Plan (scheduled for 2017)
- Housing Strategy
- Public Service Board Local Well-being Assessment (April 2017) and Well-being Plan (to be completed by April 2018)
- Ceredigion County Council Well-being Plan (to be completed by April 2017)

The LHMA investigated a number of housing market issues. From these the following seem to be most important issues in the local housing market:

### 6.1 Housing Requirement

Based on the most recent population and household projections, the housing requirement model indicates that around 2,100 additional houses will be required in the period 2011 to 2026. Dividing this period into five-year periods indicates a requirement for 690 dwellings in 2011 to 2016; 770 in 2016 to 2021; and 600 in 2021 to 2026.

The LHMA and the report by consultants Opinion Research Services, however, stress that there are serious questions over the usefulness of forecasts derived from the recent 2011-based population and household projections; these are based on a five-year historical trend from 2006 to 2011 which period includes the start of the financial crisis in 2008 and the subsequent dampening effects of recession on population mobility and household formation.

In addition to these national factors, the view of recent local population and household change has been affected by a revision of demographic data, and by particularly local population factors such as fluctuations in higher education student numbers.

It is hoped that the next round of population and household projections may be less affected by the most acute effects of the early crisis and recession on population and household behaviour, and will also be based on more certain data for the local area.

## **6.2 Housing Affordability**

Aggregate measures that compare local incomes with house prices or rental costs show that housing affordability in Ceredigion is relatively poor. Sharp rises in the cost of housing over the period from 2005 seem to have slowed in more recent years, but without any significant growth in local incomes affordability is still an issue in the local housing market.

Using information on incomes and household financial resources, the ORS housing model includes an assessment of housing need based on the ability of households to finance a range of housing options.

In the period 2011 to 2026 around 830 dwellings, 40% of the total housing requirement, can be met by 'market housing' in either owner-occupancy tenure (208) or private rental sector (540) tenures. The majority of housing requirement in this period (60%), therefore, needs to be provided as 'affordable housing', whether as social rental (one-third of AH) or intermediate housing (two-thirds of AH).

This mix of tenures is based on the relatively low level of growth forecast by population projections. Should actual population and household growth be greater it will be due to higher in-migration than that seen in in the recent past. Since in-migrating households are more likely to meet their housing demand in the open market, it would be expected that a higher level of growth would see a greater proportion of the overall housing requirement in 'market housing'.

## **6.3 Housing Implications of an Older Population**

Providing a range of housing that will serve people throughout their life for a large and growing population, is one of the key challenges for public policy locally as well as nationally.

Meeting the challenge requires exploring a range of new models of design and supply that provide greater choice beyond the traditional public sector provision such as 'sheltered housing', options which will need to meet a more discerning as well a greater demand in coming years. The new models of supply should include housing in the right location which will provide a home through life capable of gradual and low-impact adaptation to meet changing needs. As well as factors such as location and design, housing options need to cover a range of financial models, and to be designed and managed around the wider provision of support and care for later life.

The challenge is to plan and implement new models now in order to effect a profound and long-term change in meeting future demand. Conventional models of public and private housing supply are gradually being supplemented by new models of design and development, but, as yet, these new models have only limited reach. A major local challenge will be to overcome the problems posed by adapting and implementing such models in a rural area with a relatively small population.

#### **6.4 Private Rental Sector in Aberystwyth**

Concerns have been raised about the rise in the number of vacant private rental properties in the Aberystwyth town area, a result of a fall in student numbers combined with an increase in university-managed accommodation.

Student numbers may stabilise and will probably grow over the medium-term, and so the present situation may only be temporary. It is probable, however, that there will be some adjustments to the local private rental market in the short-term, and these may have a longer-term effect.

Longer-term vacancies are more likely to be found in less desirable student market property such as larger houses in multiple-occupation, or other housing in relatively poor condition or with layout or management problems.

One option for these properties may be refurbishment or conversion to a more marketable design such as self-contained flats. Opportunities for these conversions, however, may be limited, or may be financially unviable given physical build constraints and planning costs.

Given the costs of conversion or other development some landlords may instead market to other tenant groups seeking multiple occupancy housing. Recent changes to housing benefit payments will raise demand for multiple-occupancy tenancies among young adults with low-incomes. This may pose a new set of challenges for inspection and regulation of housing conditions and management.

## **6.5 Housing Implications of Welfare Reform**

The UK Government's programme to reform the welfare system will continue to have an impact on the housing market at local and national level.

The surplus bedroom subsidy (or spare bedroom tax) has a direct impact on social housing sector. Although the reform may in time lead to a more rational matching of house size to household size, the changes will cause some problems for individual households over the medium-term. Furthermore, in areas such as Ceredigion the general shortage of social housing and of smaller size social housing in particular, means that social landlords will need to re-assess their property portfolio and their new housing requirements.

The reduction of the allowable payments for housing benefit to private rental tenants are intended to have a stabilising effect on rental costs, but they may disadvantage benefit recipients in areas where there is competition from, for example, students.

The raising of the age threshold of the rule to pay only a 'bedsit allowance' so that it now applies to tenants up to the age of 35 will have the effect of raising demand for multiple-occupancy housing. The higher age threshold may change the nature of tenants and potentially change the type of supply and management of tenancies, or could have a greater potential for disputes between tenants.

## **6.6 Using the Ceredigion LHMA**

Although this LHMA document has a reference date of January 2016, the evidence presented in Ceredigion LHMA will be kept under review and updated in line with new data and analyses. In this way it is hoped that the LHMA provides a framework

for considering the local housing market in its entirety and that it acts as a starting point for the more detailed consideration of particular issues in local housing.

We would welcome feedback and comment on this edition of the LHMA, and any suggestions for future study.

## APPENDICES

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