LOCAL HOUSING MARKET ASSESSMENT

Torfaen County Borough Council

2020

Contents

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Torfaen sits in the south east corner of Wales, with good access to the M4 motorway and easy access to other transport links. Once a thriving mining community, the decline of this traditional industry inevitably left its mark on the borough, especially in the North, but Torfaen has since diversified and developed its economy, making it a popular and vibrant place to live.

The borough is approximately 15 miles in length from North to South, has a population of circa 92,000 residents (40,000 households) and contains 3 main towns; Blaenavon in the north, Pontypool in the centre and Cwmbran in the South. These 3 towns have their own unique characters and despite the short distances that exist between them, their own distinct housing markets.

Figure 1 Map of Torfaen
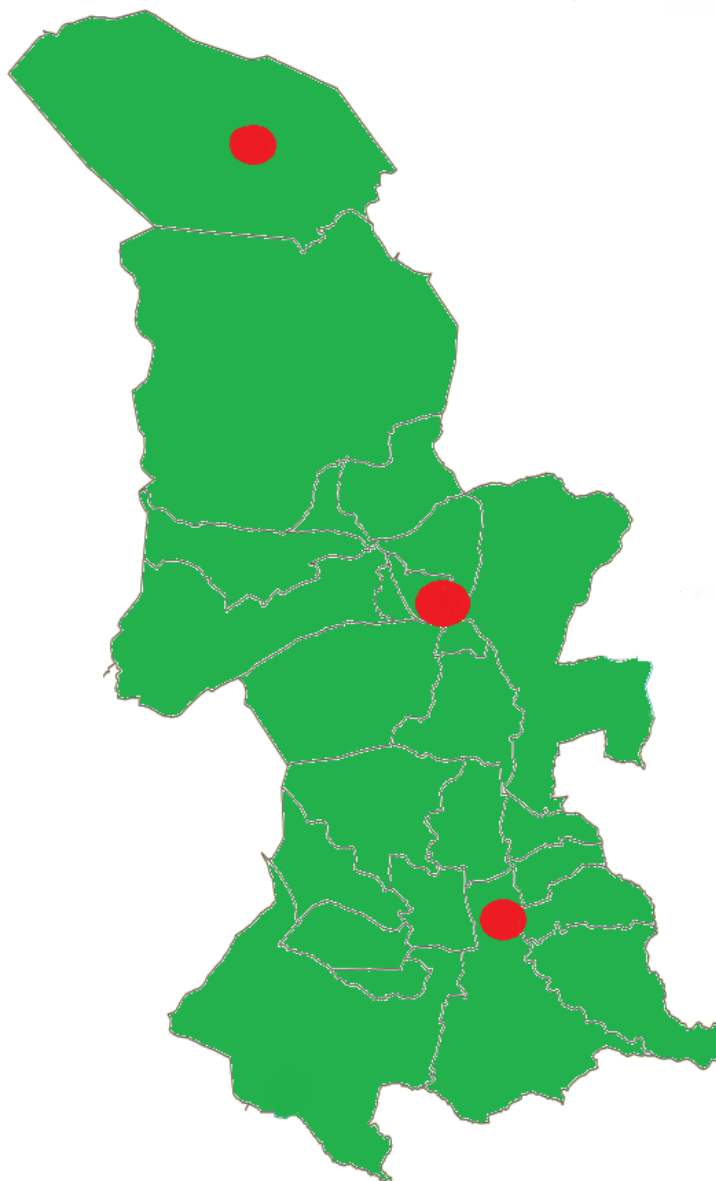
Income and Deprivation

The average income in Torfaen is currently £29,957, compared to a national average of £30,498. [1]

However, Torfaen still contains areas of deprivation and poverty, with 3 of its 60 lower super output areas ranked within the 10% most deprived in Wales and 19 areas ranked within the 20% most deprived in Wales.

Conversely, 5 Lower Super Output Areas are ranked in the top 10% of least deprived areas within Wales, which clearly shows the economic variation that exists between different parts of the borough. As a result, levels of affordability and house prices vary quite significantly, even across very small geographical areas.

House Prices and Turnover

House prices in Torfaen have been rising steadily in the last 10 years, from circa £130,000 in 2010 up to over £172,000 in 2019.
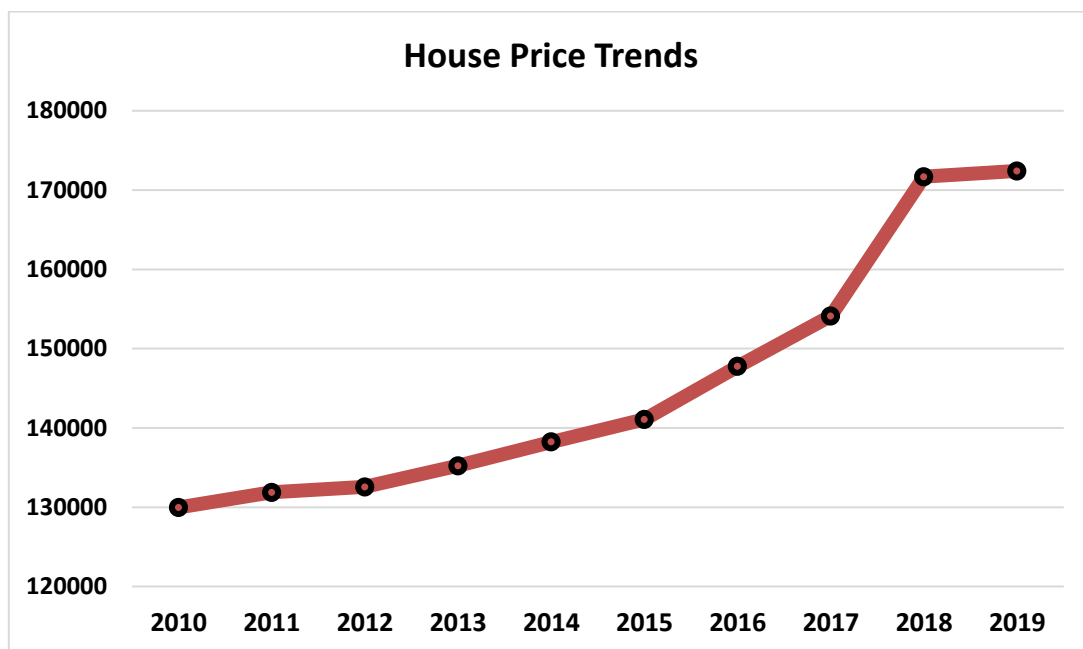
Figure 2 Average House Prices since 2010 based on all sales [Land Registry]

Closer analysis of these figures, however, highlight that localised averages are often very different, with property type and location often having a significant effect on prices.

The chart below shows the average price of properties sold in 2019 for each postcode area in Torfaen.

Torfaen House Prices 2019
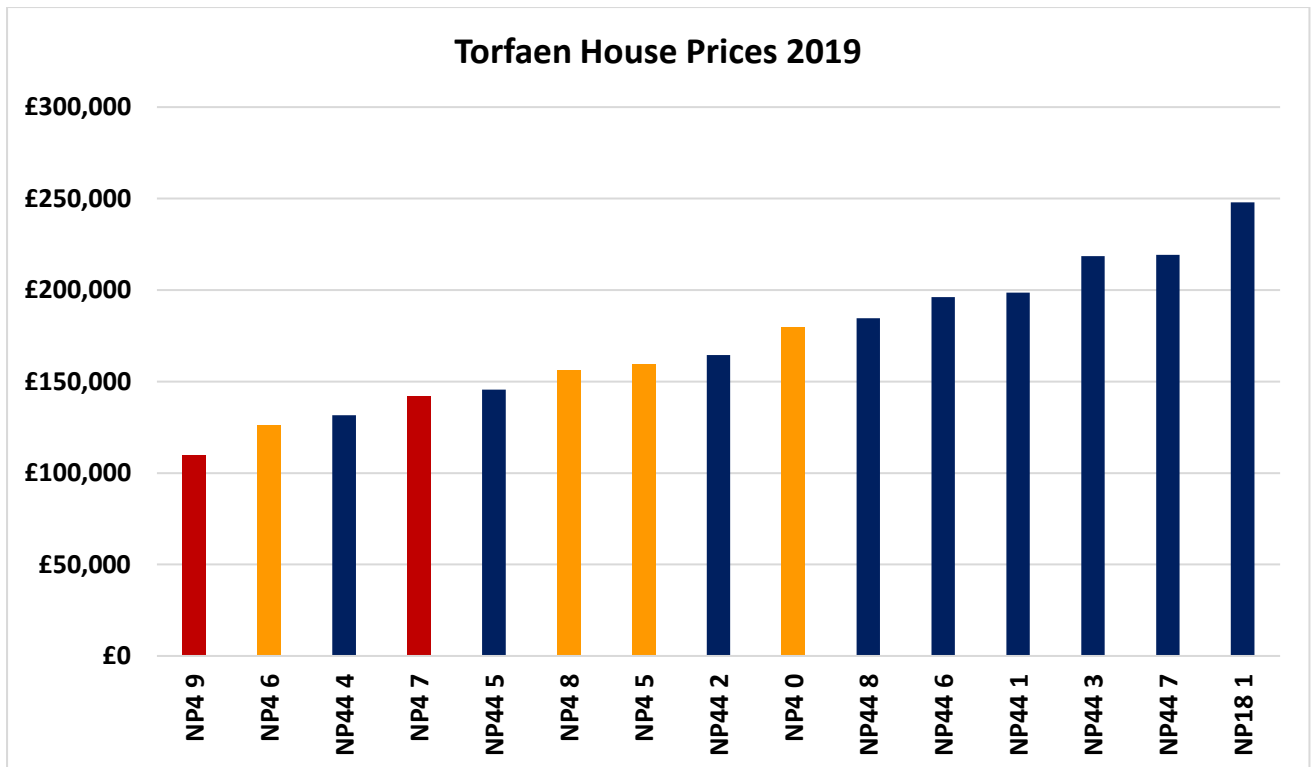
Figure 3 House Price Sales by Postcode Area in 2019

■ North Torfaen

■ Mid Torfaen

■ South Torfaen

Some marked differences occur between the different postcodes, especially when comparing prices between North and South Torfaen. The average property in NP4 9 (Blaenavon) during 2019 was circa £110,000, less than half the price of an average property in NP18 1 (Ponthir), which was approximately £250,000.

Differences in price are not solely based on a North / South divide. A range of prices can be seen within South Torfaen alone, with NP44 4 & NP44 5 having a much lower average house price than NP18 1 and NP44 7.

So adequately addressing housing needs in Torfaen will inevitably vary depending on the location of residents and their levels of affordability.

Private Sector Rents

The following chart shows the average rents in Torfaen by bed size, compared to the Local Housing Allowance (LHA) rates.

Average Rents in Torfaen

	1 Bed	2 Bed	3 Bed
Torfaen Average	£436.00	£543.00	£654.00
Local Housing Allowance	£378.34	£458.73	£523.55

Figure 4 Average Private Sector Rents versus Local Housing Allowance Rates

Average rental values in Torfaen are higher than the LHA rates, which would make access to the private rented sector harder for low income households or those in receipt of housing allowance. The gap between rent values and LHA rates also becomes wider, as the property size increases, with a circa £60 shortfall for an average 1 bed property in Torfaen, rising to £130 shortfall for a 3 bed property.
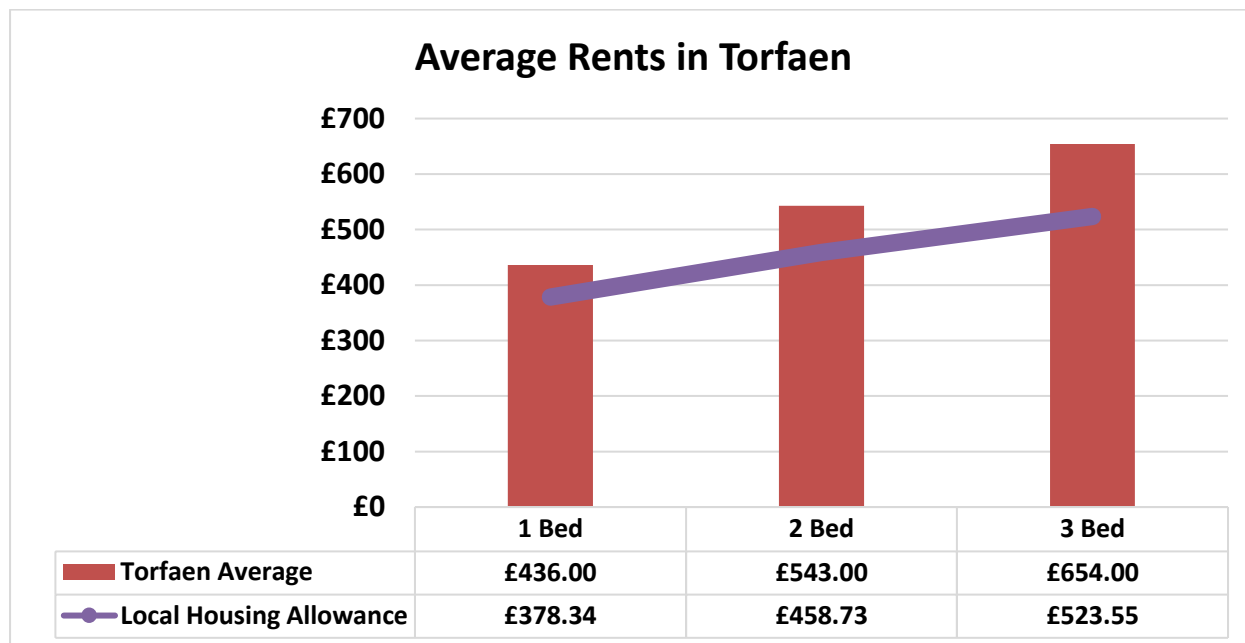
However, marked differences exist across different parts of Torfaen, with the average rent for a 1 bed property in Blaenavon currently estimated at £330, whilst in Llantarnam it is approximately £465. As a result, some households in receipt of LHA could adequately satisfy their housing need in the North of the borough via the private rented sector, whilst households in similar circumstances in the South, would be required to find a substantial amount of additional income to meet the shortfall between the rent and the LHA rates.

	1 Bed	LHA	Difference	2 Bed	LHA	Difference
Blaenavon	£323.00	£378.34	£55.34	£457.00	£458.73	£1.73
Pontypool	£351.00	£378.34	£27.34	£473.00	£458.73	-£14.27
Llantarnam	£465.00	£378.34	-£86.66	£579.00	£458.73	-£120.27

Figure 5 Monthly Rents versus LHA Rates

This shortfall between rents and LHA rates means that some households looking to rent in the South of the borough, would only be able to afford social housing or intermediate rental options.

Local Housing Market Assessment

Background

This Local Housing Market Assessment (LHMA) has been developed using the Welsh Government (WG) quantitative housing assessment model, which advocates the use of local data sources and housing registers, to determine the average number of properties that are needed on an annual basis. This can often be a complex process, with different elements influencing where people aspire to live and the type of housing required.

Methodology

It is important to acknowledge that housing need is continually changing and so any assessment will only ever provide an indication of demand at a given time. However, it can still assist local authorities to gain a better understanding of current levels of demand and those areas where demand is likely to be greatest.

The methodology for determining housing need follows a simple process:

Backlog of Need

Definition

Backlog refers to the number of households who are currently unable to satisfy their housing need via the open market and have applied to the local authority for assistance. This was determined by collating data from the two housing registers; Homeseeker (social housing) and Help2Own Plus (low cost home ownership).

This data has been disaggregated by the areas where the applicant has indicated that they wish to live, the property size they need and the property type required (general needs, adapted or older persons').

Limitations

When applicants apply for social housing via Homeseeker, they can choose multiple areas where they would like to live, without giving a first preference area. This leads to double counting, so to overcome the problem, the **number of selections** made for each area and the total **number of households** on the register is used to produce a proportionate level of demand across different localities. This provides a more accurate indication of the number of households seeking accommodation in each area.

Torfaen operates a choice based lettings scheme for social housing, so whilst applicants are asked for their areas of preference, they still have the freedom to apply for housing in any part of the borough. It is therefore important to acknowledge that areas of preference can only ever be seen as an indication of where there is a housing need and not a definitive list of where more housing is required. In addition, whilst demand for property may be higher in some parts of Torfaen, land availability means that the ability to deliver properties in specific areas is inevitably limited and applicants may have to meet their housing need in alternative areas.

Further considerations

Non Torfaen Residents

There are currently 2750 applicants on the Homeseeker register, but 305 (11%) are located outside of the borough. Most are living in neighbouring local authority areas, but some are from further afield. It is assumed that there will inevitably be residents within Torfaen who have applied to join other social housing registers, so this demand from outside Torfaen will be offset by residents seeking housing in other areas.

North	Mid	South	Outside	Unknown / NFA
12.77%	28.48%	46.23%	11.46%	1.05%
351	783	1271	315	29

Figure 6 Demand for Social Housing by area

However, demand from other areas does have a role in the housing market within Torfaen and following the removal of toll charges on the M4, there has been anecdotal evidence that residents from the Bristol area have started to move to South Wales.

Gypsy and Traveller Accommodation

Torfaen has a long established Gypsy and Traveller community and a number of settlements that provide accommodation. There are 2 local authority sites; Shepherds Hill and Lower Shepherds Hill, in addition to a couple of private and tolerated sites.

The draft Gypsy and Traveller Accommodation Assessment which was submitted to Welsh Government in 2020, identified that based on current household growth, it is likely that the Lower Shepherds Hill site, which currently has planning for an additional 21 pitches, will need to be developed in the next few years to meet the expected demand.

Any members of the community who identified that they or their children were looking to move into bricks and mortar accommodation, were assisted to join the Homeseeker register and their housing needs will be assessed as part of the social housing backlog within this LHMA.

Retirement and Adapted Housing

Torfaen maintains one register for social housing and allocates general needs, adapted and retirement housing through the same choice based lettings scheme.

Retirement housing is identified at the point of advert and will include minimum age requirements, to ensure that only eligible applicants are accessing these properties. However, older applicants still have the option to apply for any property that meets their housing needs, whether this is retirement or general needs.

For the purposes of this assessment, all applicants over the age of 60 have been identified as requiring retirement housing, but it is important to recognise that this may not be the case in every situation and so demand for general need housing and retirement housing may differ slightly to the estimates provided in this assessment.

Only applicants who have been verified as requiring adaptations can apply for an adapted property, however, the levels of adaptations in properties can vary quite considerably from a simple grab rail to fully wheelchair accessible. So whilst Torfaen currently has a stock of circa 560 adapted properties, it is important to note that not all of these existing properties will necessarily be able to adequately meet the needs of adapted applicants.

Total Backlog

In August 2020 there were over 3000 households with an active application for affordable housing.

Closer analysis of this data identified some duplicate applications across the two registers (Homeseeker and Help2Own Plus), as well as some applicants who were not in immediate housing need i.e. those that were accruing waiting time but were not actively seeking housing, or those that could adequately purchase a home via the open market.

When these applicants were removed from the assessment, this reduced the overall backlog to circa 2500 applicants. To effectively meet this need and clear the existing backlog, it would be necessary to allocate 500 units of accommodation every year for

the next 5 years. The following chart shows the breakdown of properties by size and type that would need to become available in the next 5 years to enable this to occur:
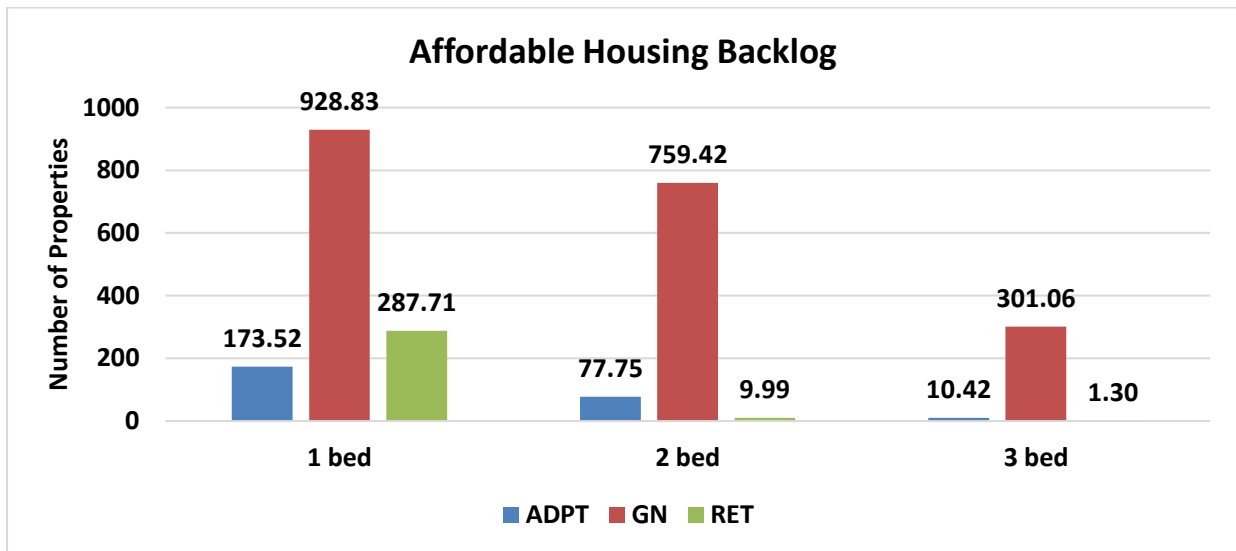
Figure 7 Affordable Housing Backlog by Type & Size

The chart highlights that based on current household composition, the greatest level of need is for smaller properties. However, approximately 20% of these applicants are under 35, so are likely to form larger households in the next few years, so their housing needs are likely to change quite quickly.

Finally, when demand for housing is considered by area of preference, it shows that the greatest need is currently in the South, where prices are generally higher and population levels are greater, creating more competition for properties.

Figure 8 Affordable Housing Backlog by Area

Newly Arising Need

Once the backlog for affordable housing has been determined, it is necessary to factor in newly arising need, by calculating how many new households will form in the next five years and estimating how many of them will require affordable housing.
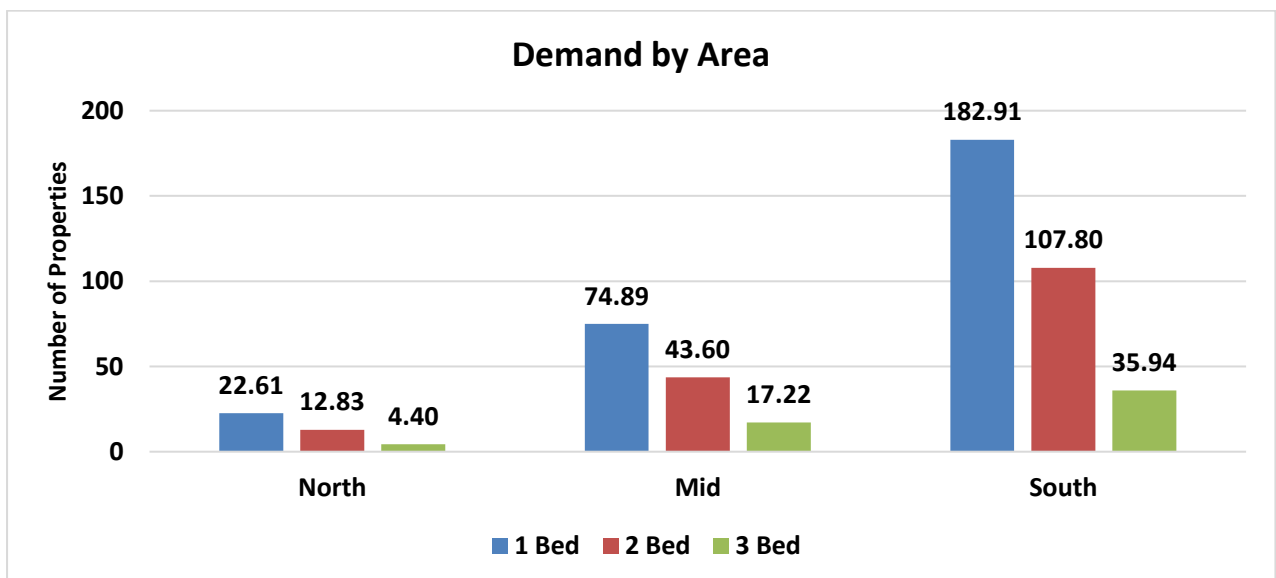
This is calculated by looking at population projections, the number of first time buyers who are unable to buy on the open market and existing households who have fallen into need through homelessness.

Definition

Torfaen commissioned Edge Analytics to estimate population projections, using its POPGROUP (PG) technology. The starting point of the scenario analysis was the WG 2018-based population and household projections, with alternative scenarios using variant migration assumptions and past housing completion rates.

These demographics and population projections were used to determine the number of newly forming households over the next 5 years.

New Households

To calculate the overall number of new households arising in the next five years, the total projected figures for 2021 were subtracted from the projected figures for 2026, leaving a total net growth figure of circa 800 households.

Using 2011 Census data, as a guide, these figures were then disaggregated to calculate the proportion of new households residing in each ward.

New Households priced out of the Market

Not all new households will require affordable housing, but it is necessary to calculate how many will be priced out of the housing market and will require affordable housing solutions.

Using a 3.5 ratio; the standard earning to house price calculator for most mortgage lenders, and comparing available income data (CACI Paycheck) and House Price data (Rightmove), an estimate has been achieved.

The findings show that 800 new households are likely to form over the next 5 years and approximately **550** households will be priced out of the market (**110** per annum).

Existing Households Falling into Need

A further area of demand comes from existing households who experience difficulties and become homeless.

Data collated between 2015/16 and 2019/20 showed that there was an average of **230** households a year who experience homelessness in Torfaen and contact the Local Authority for assistance[2]. This is a slight reduction since the previous LHMA, but it is still a substantial number of households requiring suitable and affordable housing and recent economic changes following Covid 19 are anticipated to increase demand from existing households who may fall into housing need.

The table below shows an average figure based on the last 5 years of homeless presentations, broken down by bed size, to give an indication of expected annual demand for housing from homeless households.

	1 Bed	2 Bed	3 Bed	4 Bed	Total
Number	149	57.6	15.2	8.6	230.4
%	64.67%	25%	6.6%	3.73%	

Figure 9 Average Households Experiencing Homelessness

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[2] These are the numbers who were owed a duty and assisted as homeless duty. The numbers contacting the Housing Service for overall are significantly higher.

Supply of Affordable Housing

To accurately predict future housing demand, it is essential to take into consideration current supply via the local authority's social housing register; Homeseeker, coupled with turnover rates and the number of new build affordable properties that the local authority is committed to build in the next five years.

New Affordable Units

To identify the number of affordable housing units that will be built in Torfaen over the next five years, data about existing and future sites is analysed to estimate the number of affordable housing units that each site may provide.

Details of committed supply across Torfaen is identified in the table below.

Committed Supply of New Affordable Units (5 years)

	1 bed	2 bed	3 bed	4 bed	Total
Torfaen	162.41	120.90	61.35	16.24	**360.90**

Figure 10 Committed Supply Over 5 Years

Through analysis of projected housing delivery, **360** new affordable housing units could potentially be delivered across the different tenures. This includes candidate sites identified in the Local Development Plan (LDP) and potential windfall sites.

It should be noted that the figures identified will depend on sites coming forward and delivering the full amount of planning gain.

Social Housing

To estimate the supply of social housing, the number of allocations over the last three years has been averaged to provide an annual estimate.

Based on the number of allocations between 2017/18 and 2019/20, it is anticipated that approximately **757** properties will become available each year.

1 Bed	2 Bed	3 Bed	4 Bed	Total
301.00	287.67	159.67	8.33	**756.67**

Figure 11 Estimated Annual Supply of Social Housing

Empty Properties

There are currently **340** empty properties in Torfaen and the Housing service continues to work closely with empty property owners, to consider options to help bring these properties back into use and increase the availability of housing locally. However, as a source of additional new affordable housing, this remains limited, with many properties being sold on the open market or rented privately, once they are available for occupation.

Overall Shortfall of Affordable Housing

To determine the overall shortfall of affordable housing, the total backlog is added to the newly arising need, before the anticipated annual supply is subtracted.

However, it would be inaccurate to assume that some of the lets will only be occupied once over the next five years. In order to take account of this, the current levels of turnover are also calculated, by dividing average lets by existing social housing stock.

However, demand varies across different parts of Torfaen and property size and type will also influence the availability of housing.

Demand by Tenure

Social Housing
Following an analysis of stock turnover, committed supply and existing demand on the social housing register, approximately **162** additional social housing units across Torfaen are required each year to meet projected demand and clear the backlog. However, an additional 22 properties from the Intermediate Rental calculations need to be added to this figure, bringing the total figure for social housing to **184**.

Low Cost Home Ownership
Newly arising need is determined by looking at population projections, income data and property prices. Committed supply is then subtracted to reach an annual figure of **46** units.

It should be noted that other influencing factors such as requiring a deposit of the open market value of a property a coupled with personal circumstances (e.g. existing debt) are not factored into the assessment.

Intermediate Rent (IR)
The initial findings of this LHMA indicate that there is a need for **33** Intermediate Rent properties to be delivered per annum in Torfaen. However, analysis of the rental market, showed that in many areas of Torfaen, Intermediate Rent is not currently viable. To asses viability (based on the 'Rent First Model'), the intermediate rent level must be below Local Housing Allowance (LHA), but above benchmark rent.

When this analysis was carried out, it showed that only certain parts of Torfaen were viable, which reduced the overall need for Intermediate Rental properties to **10.** The remaining 22 properties were then added to the social housing need.

Conclusion

Torfaen, in line with the rest of the UK, has seen house prices and rental values continue to rise, often outpacing increases in income. This has resulted in continued levels of high demand for assistance accessing housing, especially is the South of the borough, with applications for Low Cost Home Ownership and Intermediate Rent in particular having increased significantly since the previous LHMA.

The findings from the assessment suggest that there is currently a significant demand for smaller units of accommodation, however, analysis of past allocations has shown that more 1 bed properties are allocated each year in Torfaen than other property sizes, indicating a high level of turnover, whilst the local authority aims to provide 50% of all social housing as 1 bed units on new sites, thereby continuing to deliver substantial levels of provision for smaller accommodation.

It is also important to recognise that many of these smaller households are young and are likely to form larger households in the next 5 years, so despite a perceived need for more 1 bed properties, a continued supply of properties across all tenures and sizes will be necessary if Torfaen is to effectively address current and future housing needs.

The final table brings together the different levels of housing need by tenure, based on the principles and findings outlined in this LHMA and estimates that Torfaen needs to continue to provide **240** affordable housing units per annum if it is to meet the backlog for housing and adequately address future levels of demand.

Total Housing Need per annum

Area	Social	Low Cost Home Ownership	Intermediate Rent	Torfaen
Torfaen	184	46	10	**240**

This assessment has been undertaken using data sets available at the present time to project future demand, However to ensure that appropriate housing need projections are maintained, the assessment will be subject to regular reviews.