

**The influence of economic and social factors in determining housing outcomes in North Devon 2001-2011**

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## **The influence of economic and social factors in determining housing outcomes in North Devon 2001-2011**

### **ABSTRACT**

This research was commissioned to provide an evidenced based analysis of housing need in North Devon to assist in identifying key housing priorities and challenges.

The study examined selected economic, social, housing and health secondary data sources with the aim of identifying key housing and health challenges in the area.

Key findings of the research:-

- The substantial growth of the private rented sector which is increasingly housing those in greatest need and those who cannot afford to buy- for whom social housing is no longer a realistic option.

- High tenancy turnover caused by ending shorthold tenancies places considerable strain on households and an unsustainable demand for housing advice and options services.

- There are persistent problems of poor housing condition and non-decency associated with the private rented stock particularly in the most deprived Middle super output areas where the highest concentration of privately rented housing is located.

- An ageing population, rural deprivation and geography contribute to social isolation and an increasing incidence of unpaid care.

- Significant health inequalities between the more deprived and least deprived wards

This paper indicates that in identifying and influencing complex housing and health deficits it is important to understand these outcomes in the context of the underlying structure of the economy, income patterns and demographic changes.

**Key words: Housing need, privately rented, demographic, economic, social factors**

## **INTRODUCTION**

Strategic Housing Market Assessments have traditionally played a key role in identifying key economic and demographic drivers of demand and supply for new housing in a geographical context.

These factors, however, shape not only the demand and supply for new housing but will also determine the tenure mix, stock condition, affordability and accessibility of the existing housing stock.

This study proposes that in order to effectively address traditional private sector housing issues and related adverse health impacts on occupants, it is important to understand the underlying structure of the economy, income patterns and demographic changes.

The factors identified as of interest were demographic drivers of demand (people and households), economic drivers (jobs and incomes), the existing housing stock and new supply (homes and places), the expectations of households and investors and the availability of finance - in the form of home loans and development finance.

These factors exist across the country but the way in which they operate differs considerably between different areas.

North Devon District is characterised by the predominantly rural nature of the area and a relatively low wage economy.

Overall levels of deprivation are low but masked by significant variation at smaller geographical scales in both urban and rural areas.

Five urban LSOA's are in the 10% most deprived areas in England (CLG 2011) representing the areas of worst housing condition, deprivation, greatest health inequalities and the highest concentration of privately rented dwellings.

The private rented sector has doubled since 1981 but with two thirds of the growth happening since 2001 and now represents 20% of all housing but with much higher concentrations in the deprived MSOA's.

Affordability constraints mean that households that cannot afford to buy may move outside the District with consequences for the labour market, public services and community cohesion, whereas those that cannot afford to rent may have fragile living arrangements in poor quality accommodation, with little prospect of access to the limited supply of social housing.

Insecurity and lack of control of home environment associated with high tenancy turnover is often cited by commentators as a factor affecting mental health and well-being (Page 2002; Dunn 2002; Blackman et al, 2001)

As is the case nationally (Rugg and Pleace 2013) the ending of a shorthold tenancy is the predominant cause of homelessness cited by households in North Devon.

There are implications for housing type demand, turnover and maintenance associated with the growth in the aged population and the increase in single person households under the age of 65.

The purpose of this study was to analyse the data underlying those key drivers which contribute to housing deficits in order to better understand historical and current market performance.

## **METHODS**

This study uses published secondary demographic, economic and housing data from a variety of national sources including ONS; Census; DCLG; ASHE; DWP; the English Housing Survey and DECC.

Additional search facilities used were NOMIS; CACI Paycheck; ONS migration indicators tool; DWP statxplore.

Local data sources included the North Devon House Condition Survey 2009 and The North Devon Strategic Housing Market Assessment (2012). The latter contained thorough analysis in many themes but the opportunity was taken in this study to include the 2011 Census data thereby permitting analysis of change over the 10 year period since 2001.

The data sets were selected following the construction of a conceptual framework of demand (people and households/jobs and incomes) and supply (new supply/existing stock/conversions) drivers.

Further data sets were selected based on those criteria directly influenced by the demand/supply drivers, including prices and rents, affordability criteria, homelessness and temporary accommodation, tenure change, stock condition, overcrowding, fuel poverty and housing related health status.

Some key data sets permitted analysis at the localised level (Middle Super Output Area, Super Output Area and Ward) enabling comparison between 2001 and 2011 Census data.

Differences in spatial scale between 'Health' and 'Housing' data sources hindered analysis at lower level geographies.

Neighbourhood level local Health Reports proved useful at ward (adjusted) and MSOA level for mapping current health and housing data for 2011.

The self-reported health and care and housing and living environment Census indicators permitted some useful comparisons between 2001 and 2011 data.

Health profiles of indicators in the Public Health Outcomes Framework enabled analysis of some key indicators in the period 2006-2011.

There were no ethical constraints to the use of the data as all original data is published and publicly available.

## FINDINGS AND DISCUSSION

### People and Households

The population of North Devon has grown by 22% over the last 30 years (Census 1981- 2011) – an increase of around 17,000 people indicating significant potential for demographic change in the next 30 years.

The strongest growth in population over the last decade has been in the older age groups, particularly the 45-59 age group and the North Devon SHMA predicts population growth of over 50% in the 65+ group by 2031 (from 2001), with a doubling of those aged 85 and over.

There are a range of implications for housing as a result:

- older people are less likely to move home than those of working age
- there are higher levels of outright home ownership amongst older household
- increased levels of ‘under occupation’ and possibly reduced turnover of larger properties
- **but** reduced ability to maintain and repair homes either because of mobility or low incomes
- government policy of providing care in the home implying increased demand for domiciliary care
- the increasing need for housing with care for those unable to remain in their own homes (eg extra care, residential care and nursing)

Although the ageing of the population has had a significant impact on the characteristics of the population it is migration that has been the key driver in population growth rather than natural change. The North Devon SHMA of 2012 indicates that net in-migration has contributed around 380 households per annum in recent years.

Broadly, there has been net out migration of younger people in their early 20s and net in migration of older age groups and families.

This migration pattern has implications for the local economy by reducing the working population and increasing demand for social care.

Since 2001, the largest absolute and percentage growth in households has been single person households (17% increase since 2001). Single households account for almost two thirds of the growth in all households over the last 10 years. This has largely been driven by growth of single adults who are under the age of 65 rather than single older people living alone. This kind of growth may have implications for housing, though the type and size of homes required is largely dependent on household income.

## Jobs and Incomes

In 2013, levels of unemployment recorded by the numbers on job seekers allowance on NOMIS are low at between 2-3%, which is broadly consistent with the average for the 2001-2011 period. Data from the North Devon Economic Strategy 2013-2017 suggests there are more jobs within North Devon than there are people in employment, representing a net in-commuting of workers.

Most of those working age people who are not in employment are not seeking work (15% of the working age population). However, 8% of the working age population 'would like a job' and are not currently in employment. This percentage is higher than both the regional and national level and suggests there may be barriers to employment for a significant proportion of the workforce. Typically, factors such as unaffordable childcare make it difficult for some people to find suitable employment even when jobs are available.

North Devon is not under-represented by employment in managerial, directors and senior officials roles compared with the region and England as a whole.

There is, however, an underrepresentation in other occupations associated with higher pay and requiring higher level qualifications. There is an overrepresentation of those in skilled trades and elementary occupations – the latter particularly associated with lower wages.

There are very high levels of self-employment at around 17% of the adult population, compared to 11% in the South West as a whole and just under 10% nationally. This may be indicative of the entrepreneurship of local people, but the prevalence of self-employment and micro business has a significant impact upon earnings and household incomes. It does not automatically imply low earnings but may introduce a greater uncertainty to some household budgets.

Despite low levels of unemployment, earnings are low within North Devon (Annual survey of Hours and Earnings). In part, this reflects the structure of the economy and types of jobs available but also the high prevalence of part time work and 'under-employment' ie people who would like to work more hours if they were available.

Median household income is not significantly higher than individual earnings, suggesting there may not be large numbers of households with two earners.

This may be consistent with possible barriers to employment discussed above. That the majority of households have incomes of less than £23,600 has obvious implications for the housing market, particularly in terms of the affordability of home ownership and also larger, family sized private rented properties.

DWP data indicates that there are over 7,000 individuals claiming one or more benefits because they are out of work or unable to work. This is 14% of the working age population and is in line with rates at the national level.

## Homes and Places

68% of North Devon households own their homes but the proportion of owner occupiers has fallen over the last 10 years and is now broadly at the level last recorded by the 1981 Census (67% of households).

There has been a significant shift in tenure over the last 10 years in particular, with households moving into or entering the private rented sector rather than home ownership or social renting.

Census 2011 indicates that there are just over 8,000 households living in the private rented sector (including those living 'rent free'). This number has almost doubled since 1981 but with two thirds of the growth in this sector happening since 2001. The private rented sector now accounts on average for 20% of all housing in the District, but some Middle Super Output areas have much higher concentrations of private renting such as MSOA001 Ilfracombe (36% private rented) and MSOA 008 in Barnstaple (27% private rented).

By contrast, the social rented sector has fallen in size over the last 30 years as a proportion of all households and also represents an absolute loss of around 800 homes from the sector.

As well as the growth of the private rented sector, the clearest development over the last decade has been the fall in the number and proportion of households entering home ownership.

In the early part of the decade the fall in home ownership was driven by declining affordability house prices significantly out stripped the growth in earnings and household incomes. However, since 2007 and the onset of the credit crunch, affordability as measured by the relationship between earnings and prices has improved, yet the accessibility of home ownership has continued to decline because of the contraction of the mortgage market.

There are fundamentally different dynamics in operation within the owner occupied, private rented and social rented sectors which impact on the nature of properties in these three sectors.

Demand for different types and sizes of homes in the subsidised rental market is more closely driven by demographics since local authority allocation policies and housing benefit levels are related to household size. In the social sector, households are allocated a property that meets their minimum requirements.

The owner occupied sector is driven by income and wealth not demographics. Owners buy or occupy the size of home they can afford.

Although the owner occupied sector is the dominant tenure, only 5% of the stock (around 1,300 properties) is sold each year. There is no publically accessible data available on the size of properties traded – though it is likely that smaller properties are traded more frequently. The social rented sector has a similar turnover to the owner occupied sector – just 5% of homes are re-let each

year, around 220 per annum according to the North Devon SHMA. Data shows that 1 and 2 bedroom properties are re-let more frequently.

In contrast, turnover in the private rented sector is estimated at 33% (North Devon SHMA). That is, one third of all PRS properties are let each year. In North Devon, this amounts to around 2,600 properties and therefore exceeds all supply in the owner occupied and social sectors and represents around two thirds of all supply each year. Research by the Residential Landlords Association suggests that average tenancies are 18 months long, implying that private rented properties are re-let every other year on average representing an annual stock turnover of 50%.

These figures correspond closely with the increasing demand for advice and assistance on housing issues provided by the Council's Housing Options team and are an indication of the fragility of many private sector tenancies.

Total transactions by the team, in the form of requests for advice and assistance are recorded as 1,900 in 12/13 and predicted to rise to 2,250 in 13/14 and to 3,750 by 16/17.

Overcrowding at 2% of all dwellings compares favourably with the average of 4% nationally but there are higher rates of overcrowding in the social and private rented sectors.

There is a serious shortage of social rented housing so as families grow they often spend a long time waiting to be housed or re-housed and many will never be housed on a secure basis because of the lack of larger social rented properties available.

44% of all private rented properties are occupied by households supported by housing benefit (the local housing allowance). Over half of those who receive housing benefit live in the PRS. Housing benefit is awarded on the basis of household size. In this way it is rationed in the same way as social rented housing. Consequently, households tend to fully occupy properties because their housing benefit will only support the size of property that meets their basic needs.

The Census 2011 recorded 44,400 dwellings in North Devon. This is an increase of 7,700 since 2001, around 770 net increase in dwellings each year over the decade. The data on net additions to the housing stock, collated by CLG from local authority planning departments, records only around 380 net new dwellings each year over the same period. This suggests that only half of the actual increase in dwellings has been captured by planning. This is true for England as a whole. It suggests that conversion and subdivision of existing dwellings has been happening on a much larger scale than official figures record.

This carries a risk of poor quality housing lacking regulatory compliance, particularly in respect of thermal insulation representing a higher risk of fuel poverty and Cold hazard health risks.

Over the study period there were consistently 450-500 long term empty homes and approximately 1,600 second homes in the District representing almost 4% of the housing stock – around double the national level.

The District is a popular holiday destination.

These second homes are concentrated in a number of locations in the District where they have a significant local impact accounting for more than 20% of homes.

### Prices, Rents and Affordability

Although house prices have fallen in North Devon on average over last 5 years they still remain 65% higher than 10 years ago.

Lower quartile properties in the District have followed the same path but the gap between lowest quartile earnings and house prices is now double what it was 15 years ago.

Although home ownership has become more affordable over the last 5 years, mortgages have become less accessible because of higher deposit requirements and tightening of lending criteria.

In order to afford to buy one of the lowest quartile priced properties in North Devon a household would need an income of £39,500. This assumes they have a 10% deposit (£15,300) and will borrow the remaining £138,150 on a multiple of 3.5 times household income. This is significantly above the average household income in North Devon. PayCheck data, CACI 2012 shows that on the basis of income, 73% of households in the District would be unable to afford to buy a LQ property.

Although existing home owners will generally have equity in their homes, thereby satisfying deposit and borrowing requirements, the distribution of household incomes implies few new households will be able to purchase. The problem is obviously more acute for larger properties or family sized homes. A household income of £59,500 is required to purchase an average priced property based on the same deposit (10%) and income multiplier (3.5 times). Only 10% of North Devon households have incomes this high.

Households need an income of between £17-20,000 to afford one of the smallest, average priced, private rented properties in North Devon (SHMA 2012). Around 30-40% of North Devon households have incomes lower than this threshold and on this basis would be unable to afford even one of the smallest private rented properties.

The relationship between private rents and households incomes gives an indication of the difficulty for new households entering the market. English Housing Survey data at the national

level also shows that the incomes of new households are on average lower than households as a whole. So it is likely that more than 40% of new households will struggle to afford to access a property on the open market.

Although these households may find cheaper properties, competition will be keen as there is little difference between the average price of property and those in the cheapest 30% bracket according to rental data collected by the Valuation Office Agency for the calculation of local housing allowance.

Some households may be spending more than a third of their income on rent with implications for their disposable income and ability to pay other essential bills.

Others may be forced to occupy less space than they need, living in overcrowded conditions or sharing properties with other households.

Many households will remain 'concealed' by living with family or friends because they are unable to afford to move out and a proportion may move some distance to access much cheaper rents.

### [Housing Need and Affordability](#)

The relationship between housing costs and incomes means that a proportion of residents are unable to meet their needs in the market:

**Households that cannot afford to rent** are either living in existing social housing or supported by housing benefit in the PRS, with fragile living arrangements in poor quality accommodation or with friends or family on a temporary and insecure basis.

**Households that cannot afford to buy** are stretching their finances to pay rents in the District. This group may have the option of moving outside of the District but losing this segment of the community has potential implications for the labour market, public services and community cohesion.

North Devon SHMA (2012) provides comprehensive evidence on housing need, evidenced by data from the Devon Home Choice 'waiting list' and lettings of social rented properties. In summary, over 2,700 households wish to access affordable housing, primarily social rented accommodation, of which, around half have an identified priority need.

The scale of need for affordable housing far outweighs the supply of affordable housing in the District.

This is a key tension that the Council and registered providers have to manage. On the one hand, they have a duty to respond to households in crisis, including the homeless, those with health needs and multiple needs. On the other hand, there is the desire that affordable housing supports a range

of people with differing needs- from the vulnerable to those on the margins of the market who provide a vital role in the economy and health of the local community.

Approximately 220 properties are available for letting each year in the District (SHMA 2012). This means that there are 6 households in need for every property that becomes available but in reality, almost half of all properties that are re-let are in sheltered accommodation and therefore unsuitable to most households.

Homelessness is an acute indicator of housing need. Levels have increased sharply over the last 2 years having fallen significantly since 2001 due largely to increased prevention activities by the Council (CLG Homelessness statistics live tables). This pattern is broadly reflected across England. Since homelessness remained low throughout the economic recession and the peak of housing repossessions it is possible that the recent upturn is explained by recent changes to housing benefit and other welfare reforms.

Local housing allowance has been reduced to the 30<sup>th</sup> percentile property price since early 2010. Some households will have experienced a reduction in their housing benefit and as a result some may have fallen into arrears leading to eviction.

There is anecdotal evidence that some landlords have withdrawn from the housing benefit sector because of the reduction in benefit payments, reducing the supply available overall and impacting on individual households where their property is affected.

Housing benefit paid to those in social rented homes with dependents aged 18+ has been reduced, with the expectation that grown up children will be able to contribute to the rent.

Some households may have experienced a reduction in their benefits, leading to arrears and possible eviction and others may have taken the difficult decision to 'evict' family members leading to these individuals presenting to the Council as homeless.

Households in the social rented sector with a spare bedroom have faced a reduction in their housing benefit since April 2013. The Government expects these households either to downsize to smaller properties or to top up their rent. Some households will have been unable to fill the gap between their housing benefit and rent and may have fallen into arrears.

### Housing Condition

The shortage of housing overall in relation to demand, and in particular the increasing demand for private rented properties in recent years, has provided limited incentive to landlords to improve the quality of the stock.

There are over 2,000 dwellings within North Devon that lack central heating – equating to 5% of all dwellings (Census 2011). This figure represents a significant population at risk to health and safety arising from Cold hazard.

In comparison with the figures for 2001, the condition survey of 2009 and Census 2011 there has been a marked reduction in the number and percentage of dwellings lacking central heating. The number of dwellings lacking central heating has halved between 2001 and 2011. Despite the reduction over the decade the percentage of dwellings lacking central heating remains significantly higher than the national average as evidenced by The National Rank Indoors Living Sub-Domain indicators 2001 and 2011.

English Housing Survey 2011 confirms that the decline in category 1 hazards and in non-decent homes has mirrored the national picture since the extension of PSA 7 to the private sector in 2005. The incidence of Category 1 hazards and non-decency in the private rented sector remains a concern.

DECC low-income/high cost measure of fuel poverty 2013 records the highest incidences (>20%) of fuel poverty in rural areas without a gas grid connection where widespread development has been limited and where properties are older and are of predominately solid wall construction. Additionally, there is a high percentage of rural households with lower than average levels of income.

Although the percentage of fuel poor households is higher in rural areas, overall numbers are lower than in the urban centres because of sparsity/density factors. The urban centres of Barnstaple and Ilfracombe predominantly comprise older dwellings with solid brick external walls. Within these 2 urban centres are located 5 lower Super output areas ranking in the 10% most deprived areas in England.

There are clear links between fuel poverty and tenure. North Devon Council's most recent house condition survey indicated that although the average SAP rating for dwellings in North Devon compares favourably with the national average, this masks significant differences in tenure of occupancy.

The social housing stock is most energy efficient whereas the least energy efficient homes are in the private rented sector. The lowest mean SAP rating is for dwellings constructed pre-1919 particularly those which have been converted into flats. These types of dwellings are typically privately rented, often in multiple occupation and located in the most deprived LSOA's in the 2 urban centres.

North Devon Council's house condition survey of 2009 indicates that 59% of privately rented properties were likely to be in a SAP banding below D and that as many as 28% were in F or G category

## CONCLUSIONS

The growth in the private rented sector in the period 2001-2011 has been largely driven by economic rather than 'lifestyle' factors.

A proportion of privately renting households are 'reluctant renters' who either cannot afford to buy or who cannot afford to rent because of deteriorating affordability criteria or the lack of social housing.

In the latter category of 'those who cannot afford to rent' are households with fragile living arrangements, often living in sub-standard accommodation and spending more than a third of their income on rent with implications for their disposable income and ability to pay bills for other essentials such as fuel and food.

The developing tensions in the private rented sector in the period 2001-2011 have been reflected in the increasing demand for housing advice and assistance arising from the high tenancy turnover following the termination of Assured Shorthold tenancies.

Changes in population and the age structure of the population have made an important contribution to the demand for housing and the type and size of homes required.

The growth of the ageing population and the expansion in single person households have implications for tenure, housing turnover and occupancy levels and the need for provision of domiciliary care or housing with care for those unable to remain in their own homes.

ONS Neighbourhood statistics indicate that there has been an average 23% increase in the number of households providing in excess of 50 hours unpaid care per week, with a number of Middle Super Output Areas displaying increases in excess of 40%. This compares with regional and national increases of 16% and 13% respectively.

The population growth in the last 30 years indicates that there is significant potential for further and similar demographic change in the next 30 years.

The findings and conclusions may have resonance with other low income, rural, coastal areas where high housing demand is influenced by inward migration of high net worth households for retirement purposes.

Analysis of Local Health profiles and Census data against the key housing indicators supporting these conclusions has been instructive and will form the basis of a second paper.

It is intended that a third and final paper in the series may assist in identifying appropriate interventions to address the key challenges and the alignment of those interventions with the Public health Outcomes Framework.

## ACKNOWLEDGEMENTS

The authors are grateful for the assistance provided by Public Health England and Officers at North Devon Council.

The support of colleagues at the CIEH South West Public Health Research Group has been invaluable and we are particularly grateful for the assistance provided by Mark Hardwick, University of Plymouth

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