Guernsey Housing Needs Study 2001

Executive Summary
for
The States of Guernsey

Opinion Research Services
University of Wales Swansea

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Executive Summary

Introduction

In the last few years there has been a growing interest in local housing needs studies, given the realisation that appropriate strategic planning, based on a comprehensive local housing assessment, is an essential prerequisite for planning for housing and the effective delivery of housing services.

The study has been based upon a postal census of the Island's 22,765 households. 10,113 completed questionnaires were returned yielding a 44% response rate. This response rate was excellent and vastly exceeds those experienced for postal censuses conducted by ORS in England, Wales and Scotland.

The survey data has been interpreted through the ORS model which analyses the whole housing market to compare the match and mismatch of households' needs and demands with likely housing availability to produce outputs in subjective and objective forms. These profile housing requirements, availability, affordability and net excesses or shortfalls.

Key Survey Findings

Current Tenure

Of all those who responded, nearly seven-in-ten (68% or 6,684) households owned their home, 10% (941) rented from the States, and 20% (1,975) were private tenants.

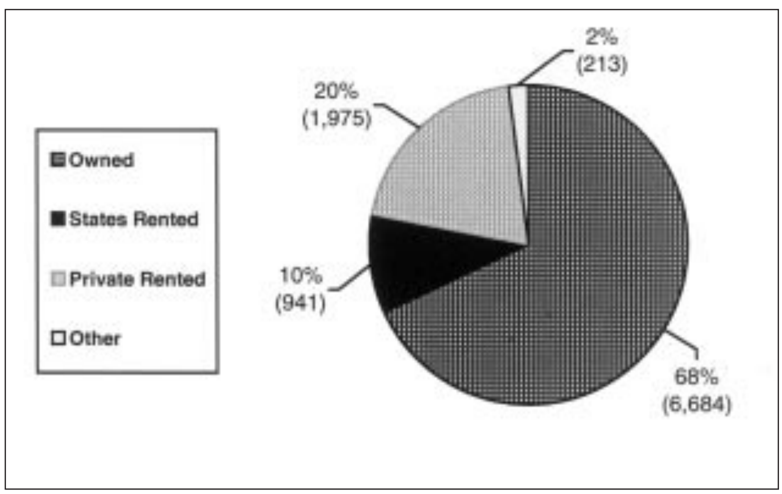


Figure 1: Current Tenure, by all Households

Current Property Values

All households who owned their home (with or without a mortgage) were asked how much they felt their home would be worth if sold in the present market. The following results reflect the generally high property values on the Island:

- Less than £100,000.................................... 1% (84)
- £100,000 to £174,999................................ 19% (1,212)
- £175,000 to £249,999................................ 32% (2,009)
- £250,000 to £349,999................................ 27% (1,706)
- £350,000 to £449,999................................ 10% (621)
- £450,000 or more...................................... 11% (676)

Current Housing Costs

Mortgage Payments

All owner occupiers with a mortgage or loan were asked how much their payments were per month. The results are shown in figure 2.

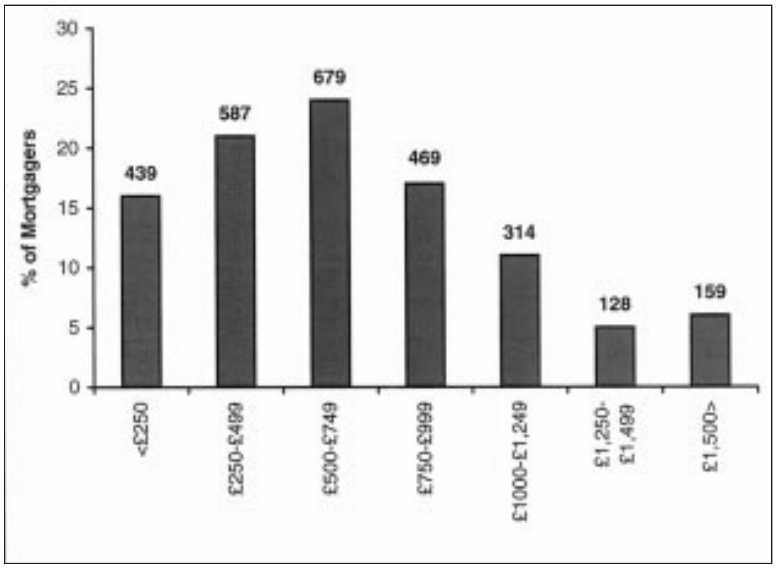


Figure 2: Current Monthly Mortgage Payment, by all Owner Occupier Households with a Mortgage

Rent Payments

All households who rented their home were asked how much rent they paid each week. The results were as follows:

- No rent 1% (35)
- Less than £75 per week 33% (914)
- £75 to £99 per week.................................. 17% (484)
- £100 to £149 per week 25% (715)
- £150 to £199 per week 12% (327)
- £200 to £299 per week 7% (199)
- £300 per week or more.............................. 5% (137)

Household Income

Only 12% (310) of mortgagers had an income of less than £20,000, while a very large proportion (53% or 1,347) of owner occupiers with a mortgage had an income of £40,000 or more. This data shows that households with a mortgage generally had a high income and it is likely to be very difficult for households with a relatively low income to access home ownership.

Household Income	Tenure				
	Own Outright	Own with Mortgage	States Rented	Private Rented	All HH
£0 - £10,000	20% (411)	3% (85)	41% (225)	16% (244)	15% (1,036)
£10,000 - £20,000	21% (433)	9% (225)	36% (201)	20% (297)	18% (1,225)
£20,000 - £30,000	18% (360)	18% (459)	15% (81)	20% (297)	18% (1,262)
£30,000 - £40,000	11% (216)	17% (419)	7% (38)	16% (236)	14% (945)
£40,000 - £60,000	15% (294)	29% (739)	1% (8)	21% (312)	20% (1,408)
£60,000+	15% (302)	24% (608)	*% (2)	8% (122)	16% (1,086)
Total	100% (2,016)	100% (2,535)	100% (555)	100% (1,508)	100% (6,963)

Figure 3: Household Income, by Tenure of all Households

It should be noted that some States tenants rent accommodation from other States departments apart from the Housing Authority. Therefore it is possible for some States tenants to have a high household income.

Proportion of Income Spent on Housing Costs

Housing costs were gathered in bands, and annual household incomes were also recorded in this way. In order to calculate the average proportion of a household's income spent on housing costs we divided the mid-point of the housing cost band by the mid-point of the income band. From this calculation, on average, 15% (675) of all households were spending 40% or more of their household income on housing costs (see figure 4).

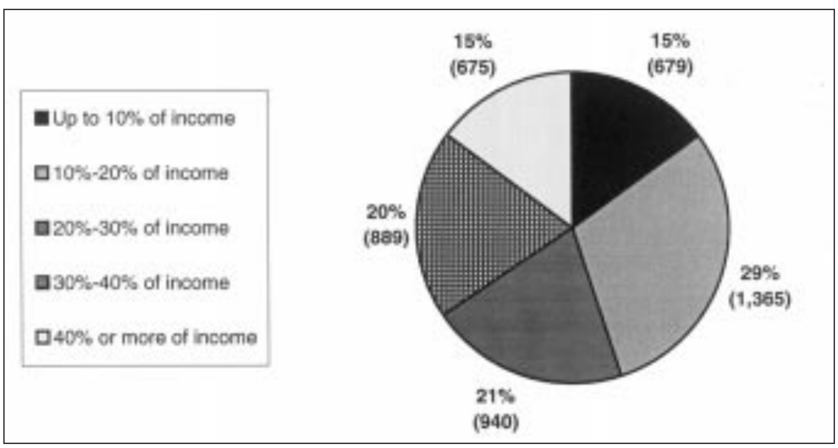


Figure 4: Proportion of Income Spent on Housing Costs by all Households (Using Mid-Points)

Special Needs

19% (1,872) of all households contained someone with a health problem/disability. The most common health problems experienced were:

- Difficulties due to old age
- Other difficulties in walking
- Hearing problems
- Long-term illness

Household Mobility

35% (3,032) of all households felt they were likely to move home in the next five years. Of these households:

- 49% (1,587) expected to move within their current parish, 41% (1,329) expected to move elsewhere in Guernsey and 21% (681) thought they would leave the Island and move to the UK or abroad#.
- 58% (1,439) felt most likely to purchase their next home, while 31% (771) felt most likely to rent from a private landlord at their next home. 10% (257) felt most likely to rent from the States.

Affordability

Due to the extremely high house prices on the Island, affordability is a major issue for likely movers in Guernsey. Whether households can afford their self-assessed tenure and housing costs will depend upon their income and existing equity. These issues are considered in detail within the ORS housing market model.

Of all households likely to move in the next five years:

- Considering only those likely to buy their next home, 35% (750) believed they could afford between £100K and £175K. 25% (543) believed they could afford £175K to £250K, and 18% (377) could afford £250K to £350K. 12% (266) felt they would be able to afford £350K or more.
- 10% (213) could only afford up to £100K – it is unlikely that these households will achieve owner occupation as there are few dwellings on the Island in this price range.
- Considering only those likely to buy a home with a mortgage/loan, 28% (457) stated they could afford up to £499 per month. 23% (378) felt they would be able to repay £500-£749 each month, and 18% (292) could afford to pay back £750 to £999 per month. 15% (250) could afford to repay £1,000 to £1,249 per month, and 16% (259) would be able to repay £1,250 or more each month.
- Considering only those that would rent their next home, 2% (27) felt they would not be able to afford any rent. 23% (351) would expect to pay less than £75 per week, 22% (339) would expect to pay £75 to £99 each week, and 25% (393) would anticipate making weekly payments of £100 to £149. 14% (219) would be able to afford £150 to £199 per week in rent, and 14% (216) would be able to afford £200 or more each week.

Likely movers were able to select more than one likely destination.

Current Local Market Housing Requirements (Over the Next Year)

Introduction

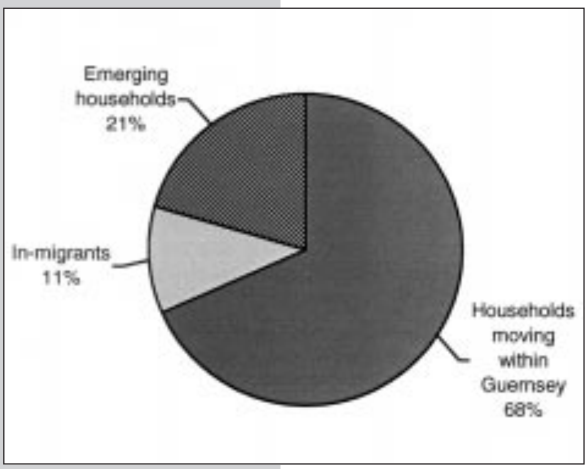
To assess the *Local Market* housing requirements for Guernsey, we have modelled the data gathered in the household census.

The ORS housing market model interprets the housing market dynamically by likening the interchange between households and vacancies to 'musical chairs'. As some households move, others take up the released vacancies, and the extent to which the market will clear depends upon the match or mismatch between the available stock (housing supply) and households seeking housing (demand for housing). The main components of the model are demand and supply.

Local Market Housing Demand

Components of Demand in Guernsey

It can be seen in figure 5 that there is a demand for 1,814 dwellings over the next year in the Island. In-migration accounts for 11% of the demand for housing. Established households moving within the Island constitute more than two-thirds (68%) of the total demand, while hidden households account for about a fifth (21%) of the demand. The figure for hidden households forming is based upon trend information from the census on the households that have newly formed in the last two years.



Source of Demand	Households
Established households moving to another home in Guernsey	1,239 (68%)
In-migrant households to the area	200 (11%)
Hidden households emerging into market	375 (21%)
TOTAL DEMAND (over the next year)	**1,814**

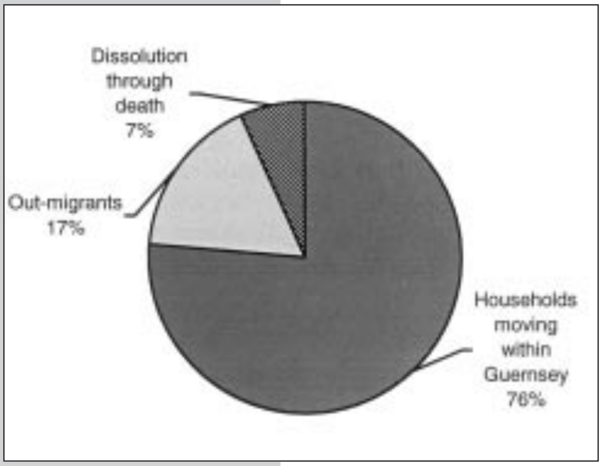
Figure 5: Source of Demand, by Housing Market Elements

Available Local Market Housing Supply

Components of Supply in Guernsey

Figure 6 shows the number of households producing each source of housing supply from the existing housing stock and also shows this figure as a percentage of the total housing supply.

It can be seen that there will be a supply of 1,635 available dwellings over the next year in the Island. Out-migration will provide 17% of the supply over the next year. Established households moving within the Island constitute over three-quarters (76%) of the total supply, while household dissolution due to death will account for 7% of the total supply of available housing.



Source of Demand	Households
Established households vacating properties by moving to another home in Guernsey	1,249 (76%)
Out-migrant households vacating properties	275 (17%)
Household dissolution due to death	111 (7%)
TOTAL SUPPLY (over the next year)	**1,635**

Figure 6: Source of Supply, by Housing Market Elements

Current Overall Local Market Housing Shortfall

By comparing the total demand for housing against the total supply likely to become available over the next year from the existing housing stock, the excess or shortfall in the housing market can be calculated (figure 7). There will be a shortfall of 179 Local Market dwellings over the next year in the Island.

Element of Market	Number of Units
Total demand for housing	1,814
Total supply of housing	1,635
NET SHORTFALL (over the next year)	**179**

Figure 7: Shortfall of Local Market Housing in Guernsey, by Housing Market Elements

Current Local Market Housing Requirements by Tenure

The shortfall of housing over the next year in Guernsey is mainly for owner occupied dwellings (-459) with a smaller shortfall of social rented sector (-38) homes. The modelling shows a surplus (+317) of private rented accommodation (see figure 8). It should be noted that the surplus of private rented accommodation will only occur if the take up of owner occupied accommodation is fulfilled, and it is likely that some who are unable to afford home ownership will occupy the surplus of private rented homes.

Tenure	Number of Units
Owner Occupied	-459
Social Rented	-38
Private Rented	+317
NET SHORTFALL (over the next year)	**179**

Figure 8: Excess/Shortfall of Housing in Guernsey, by Tenure

Owner Occupied Housing Requirements by Price and Size

While there is a general match between supply and demand of properties in the price range £250K+, there are significant shortfalls of properties below this price – in particular priced from £100K up to £250K. When considering the shortfalls by property size, most of the requirements are for two and three bed properties (showing shortfalls of 170 and 165 units respectively), with smaller shortfalls of one and four bed properties (36 and 87 units).

Figure 9a: Excess/shortfall of Owner Occupied Housing, by Purchase Price Band and Property Size

In considering the actual supply of owner occupied housing, it is unlikely that any properties could be secured for less than £100K, and on the basis of survey data, the lowest quartile price for a one-bed dwelling is in the range £100-125K, for a two-bed home in the range £125-175K, a three bed-home in the range £175-250K, and the lowest quartile for four-bed accommodation is no less than £250K. These price bands are the size-price entry levels or minimum threshold prices for different sized dwellings. Figure 9b highlights (in black) those properties unlikely to be available through new developments for outright ownership.

Figure 9b: Excess/shortfall of Owner Occupied Housing, by Purchase Price Band and Property Size

In total, the shortfall of properties below the appropriate access thresholds amounts to 279 of the 459 owner-occupied shortfall. For the households seeking these homes, there would be a number of options to consider:

- Some households could objectively afford to spend a little more than they assess themselves likely to spend, thereby increasing demand for more expensive properties. Nevertheless, households' subjective assessment of the amount that they are likely to spend takes account of all of their resources and also their existing commitments. An objective assessment may not take account of all their resources or commitments.
- Some households do not currently need a property of the size that they are seeking, and therefore could purchase a smaller property that may be available for the amount they intend to spend. However, once again we have to defer to subjective assessments, for a household that currently requires one bedroom may be expecting to need space for additional household members in the near future – and the reason for their move is in readiness for their requirements.
- Other households do actually need a property of the size that they indicate, and cannot objectively afford to spend any more than they expect to. Most of the households identified as seeking housing of a size-price mix that is unlikely to become available fall into this category, and many of these households would not qualify for States rented housing. Currently their only alternative is to rent from a private landlord.

In the survey, all likely movers over the next five years were asked whether they would be likely to consider Low Cost Home Ownership (LCHO). Less than a third (32%) of all likely movers would consider LCHO. However, of the households highlighted in dark blue in figure 9b, who were seeking owner occupied housing of a size-price match unlikely to be available in the market at the prevailing minimum thresholds, 46% who answered the question on LCHO would consider some form of low cost ownership scheme.

Less than 10% of the households who are seeking properties below the size-price entry level for the owner-occupied sector of the market can afford full ownership at the minimum threshold price. This would increase to 30% if they were to opt for purchasing a 75% share in the equity (and paying rent on the balance), 61% on a 50-50 owning/renting basis, and 89% could afford a share of at least 25% of the equity.

Of the identified annual shortfall of 459 owner-occupied dwellings, 279 households are seeking properties below the appropriate size-price threshold. As identified above, 10% of these households could actually afford an appropriately sized dwelling, but the remaining 252 households would realistically be unable to compete in the market for full ownership. Discounting these 252 households from the annual shortfall of 459 reduces the annual requirement of housing for full owner-occupation to 207 units.

Of the 252 households discounted from the shortfall of full owner-occupation, shared ownership could be a realistic solution for as many as 221 of them. 57 of these households could afford a 75% equity share; a further 86 would be suited to a 50-50 equity split; and 78 would be able to afford at least 25% of the equity (and rent on the remaining 75% share of the property). The final 31 households are unlikely to be able to afford access to any form of partial owner-occupation, and are therefore likely to require rented accommodation.

Social Rented Housing Requirements by Price and Size

The issue of affordability for States accommodation would be taken account of through application of the rent rebate scheme, and therefore we shall not look at affordability here.

In considering the overall mismatch in the social rented sector, there are overall shortfalls of one (-31) and two bedroom (-23) properties, offset by marginal surpluses of three (11) and four bedroom (7) homes.

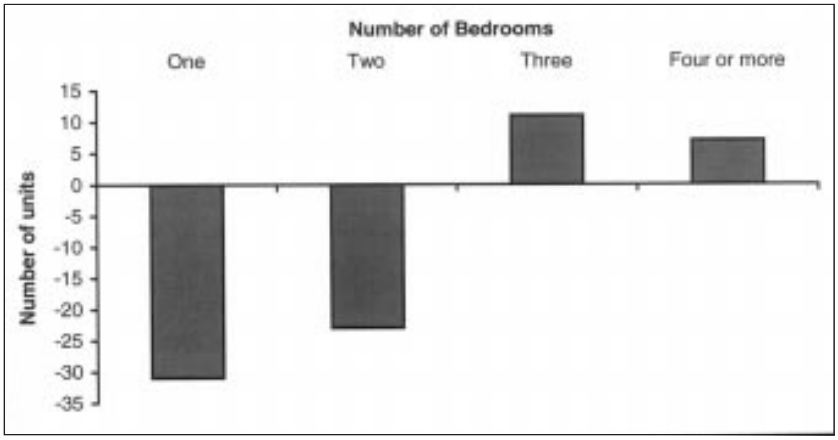


Figure 10: Excess/shortfall of Social Rented Housing, by Property Size

Private Rented Sector Housing Requirements by Price and Size

In the private rented sector, overall, there is almost a balance of three and four bedroom homes (surpluses of +1 and +23 units respectively) but there is a significant surplus of smaller homes – a total of 138 one bed and 156 two bedroom homes. Most of the surpluses are concentrated around the £100-£149 and £150-£199 weekly rent bands. It should be noted that the surplus of private rented accommodation will only occur if the take up of owner occupied accommodation is fulfilled, and it is likely that some who are unable to afford home ownership will take up the surplus of private rented homes.

Figure 11: Excess/shortfall of Private Rented Housing, by Weekly Rent Band and Property Size

Longer-term Local Market Housing Requirements (Next Five Years)

Having considered how each element of the housing market is likely to change over time, we can progressively year-on-year apply the housing market model to the Island's housing market (figure 12). This shows that there will be a net shortfall of 911 dwellings over the next five years in the Island yielding an average requirement of 180 dwellings per year.

Elements of the Market	2000	2001	2002	2003	2004	Total for 2000-2004
Total demand for housing	1,814	1,829	1,844	1,859	1,874	9,220
Total supply of housing	1,635	1,648	1,663	1,675	1,688	8,309
NET EXCESS-SHORTFALL	**-179**	**-181**	**-181**	**-184**	**-186**	**-911**

Figure 12: Summary of Housing Demand and Supply in Guernsey, by Year and Housing Market Elements

Five Year Local Market Housing Requirements by Tenure

Figure 13 provides the overall demand and supply by tenure, including the gross excess/shortfall in each of the tenure categories.

Element of Market	Owner Occupied	Private Rented	Social Rented
Total demand for housing	5,398	2,834	973
Total stock vacated	3,070	4,444	779
EXCESS-SHORTFALL	**-2,328**	**1,610**	**-194**

Figure 13: Excess/shortfall of Local Market Housing in Guernsey Over the Next Five Years, by Housing Market Elements

Planning Implications and Main Conclusions

The Housing Shortfall

The study has shown a likely demand for housing from 1,814 households in Guernsey over the next year. The majority of this requirement (68%) is from likely mover households, with a further 21% as a result of hidden households emerging into the market, and 11% as a result of in-migration. This overall requirement is off-set by a projected supply of 1,635 dwellings, as vacancies are created by households moving within Guernsey, out-migration from the island and household dissolution.

Whilst there is a general match between supply and demand for housing in the Local Market owner-occupied sector at prices above £250,000, there are significant shortfalls of homes below this threshold, and particularly of two and three bedroom properties at prices of up to £175,000. The small shortfall in the social rented sector is primarily of one and two bedroom properties. The evidence of surplus homes in the private rental sector is mainly of one and two bedroom homes at rents of between £100 and £200 per week.

Similar trends are evident over a five year period, with an overall projected shortfall of 911 dwellings over such a period; an annual housing requirement of an additional 180 homes. However, this shortfall masks differences across individual tenures.

The housing market model estimates a shortfall of over 2,300 homes in the owner-occupied sector of the local housing market (a requirement for more than 460 additional owner-occupied homes each year), together with a shortfall of almost 200 homes in the social rented sector. Although these shortfalls are, to some extent off-set by projected surpluses of accommodation in the private rented sector, the survey evidence suggests that this is unlikely to satisfy longer-term housing requirements. Thus, whilst in the absence of sufficient affordable home ownership, the private rented sector may provide a valuable source of relatively easy access to the local housing market, if the very significant shortages in the owner-occupied sector are not addressed then some households may feel trapped in rented accommodation frustrated by their inability to realize their aspirations for home ownership, or remain involuntarily sharing with family or friends.

Affordability Issues

The survey has provided evidence of significant problems of affordability for many of those seeking access to home ownership in the Guernsey housing market. A small number of households are seeking to access one bedroom accommodation at prices below £100,000, which represents the most they can afford. However, such housing is unlikely to be available. Of those who are seeking two bedroom owner-occupied housing, where we have estimated the minimum quartile to be in the range £125,000-£175,000, almost two thirds are unable to afford access to this price banding, whilst a further 25% can only afford property between £125,000 and £175,000. Where households have a requirement for three-bedroom property, then we have estimated that 85% cannot afford to access properties in the minimum quartile of between £175,000 and £250,000.

Meeting the Housing Shortfall

The identifiable problems of affordability within the owner-occupied sector of Guernsey's local housing market suggest that there is a strong case for additional intervention, both to provide extra social rented homes (above and beyond those identified above), as well as forms of shared ownership, whereby households are able to part buy and part rent their homes.

The study has shown that of those households who are likely to be seeking home ownership of a size-price match unlikely to be available in the market at the prevailing minimum thresholds, 46% (who answered the LCHO question) said they would be likely to consider shared ownership as a housing option.

Our analysis has shown that 10% of households seeking property below the price-size threshold could pay more for an appropriate property, which they could objectively afford without shared ownership assistance. A further half could afford to purchase at least a 50% share in the equity of a shared ownership home (paying rent on the balance) – almost a fifth of the total being able to afford 75% or more of the required equity. Therefore, shared ownership is not only identified as a realistic tenure option by some of Guernsey's residents, but is also an achievable and affordable alternative for them.

The States of Guernsey 2001 Strategic and Corporate Plan makes it clear that the Strategic Land Use Plan, contained within it, needs to consider the amount and location of future housing requirements for Guernsey. In particular, it sets a benchmark target figure of 250 additional homes each year over the period 2001-2016 to meet latest and future demand for extra housing. However, it recognises that this target may require adjustment in future years, and that better evidence is needed to consider these future housing requirements in terms of housing type, size and tenure.

This study of Guernsey's housing needs and demands begins to provide this. Whilst the study would suggest on first analysis, that such a target is sufficient to meet the overall shortfall in housing requirements, more detailed analysis suggests that this is unlikely to be the case. The survey highlights significant shortages in the owner-occupied sector, particularly of two and three bedroom properties at more affordable prices.

It will thus be important for housing and planning policies not only to consider how they might respond to these levels of expressed demand, but also how the housing and planning systems can deliver the appropriate amounts of affordable new housing, either in the form of full home ownership, social rented housing, or through schemes of shared ownership. It may well be appropriate for the States of Guernsey to consider what policy instruments it needs to introduce to ensure the local provision of elements of affordable housing in different parts of the Island, and how this might vary across individual development sites.

What is evident is that, to address future housing needs and demands, policies will need to specifically encourage a wider mix of market and subsidised social housing, and to ensure that these are successfully integrated into the existing built environment.

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