

HIGHLAND COUNCIL

Highland's Housing Need and Demand Assessment Defining Highland's Housing Market Areas

Introduction

This paper describes the approach taken to identify the housing market area (HMA) boundaries for Highland which are being used for Highland's Housing Need and Demand Assessment (HNDA). It asks for feedback.

SPP3 *Planning for Homes*³ sets out the Scottish Government's (SG) policy on the identification of housing requirements, the provision of land for housing and the delivery of homes through the planning system. SPP3 identifies the first stage in the process as the assessment of the requirement for housing of all types. Within this, the first steps are the identification of functional Housing Market Areas (HMAs). It is for local authorities to define the boundaries of housing market areas. SPP3 defines HMAs as:

A housing market area (HMA) is a geographical area where the demand for housing is relatively self-contained, i.e. where a large percentage of the people moving house or settling within the area have sought a dwelling only within that area.

An assessment of housing need and demand is being undertaken in Highland at housing market area (HMA) level. This will provide, for each HMA an estimate of:

- Households living in housing need.
- Households requiring affordable housing now and in the future.
- Households requiring market housing now and in the future.
- The shortfall of affordable housing now and in the future.

These estimates will inform the setting of targets at HMA level for:

- Overall housing supply (covering all tenures).
- Housing land allocations / land release.
- Affordable housing supply.

They will also inform local policy solutions. The targets will be set out in Highland's Local Housing Strategy and the Highland-Wide Development Plan.

HOUSING MARKET AREAS (HMAs)

There is no single method for establishing HMAs and the SG recognise different approaches are required in different areas. The Scottish Government HNDA Guidance refers to their Local Housing Systems Analysis (LHSA) Good

³ SPP3: Planning for Housing, Scottish Government, Revised July 2008
<http://www.scotland.gov.uk/Publications/2008/07/25092557/0>

Practice Guide⁴ which refers in turn to their Guidance on Housing Market Areas⁵ (Report 26). The LHSA lists a number of potential approaches using:

- Analysis of the origin and destination of house buyers.
- Travel to Work Areas, mainly defined using census data.
- Community boundaries such as Community Council areas.
- Pre-defined boundaries such as Structure Plan boundaries.
- Local knowledge or instinct based modelling.

Some of the key features of HMAs are:

- They are a compromise between theoretical appropriateness and practicality in terms of data availability and robustness.
- They must be at a scale which allows quantitative estimates to be made of current and future economic growth, demographic change & migration, and income estimates, and for housing requirement to be demand, rather than supply, led.
- The concept works best in urban areas. Difficult issues in rural areas include low market activity; sales to long distance retirees and second home owners; and highly localised demand, particularly for affordable housing. Rural HMAs "...may be more easily identified using qualitative or predominately consultative approaches, or primary school catchment areas" (LHSA Good Practice Guide).

Analysis has been carried out in line with the suggested methods to identify Highland's HMAs.

HOUSING CONTAINMENT AREAS (Patterns of House Sales)

Analysis of travel to work information from the 2001 Census has shown that:

- 104 people travelled to work from Highland to Argyll & Bute in 2001, with 124 people travelling in the opposite direction; and
- 704 people travelled to work from Highland to Moray, with 960 people travelling in the opposite direction.

The relatively low numbers and balance between inward and outward flows confirms Highland overall as a self contained area for analysis.

Using the containment approach described in Report 26, HMAs are defined through analysis of house sales 'containment' / flows. Main settlements are examined – identifying the wider housing market area they command where 10% of sales, in this wider area, are from buyers from the main settlement. Where the first step is inconclusive, analysis then explores moves in the opposite direction – e.g. the extent to which buyers from the surrounding settlements buy housing in the main settlement. A judgement is then made.

Analysis was carried out for all Highland's larger settlements recognised as providing basic services to the surrounding area. This examined house move

⁴ Local Housing System Analysis Good Practice Guide, Communities Scotland, 2004

http://www.lhs.communitiesscotland.gov.uk/stellent/groups/public/documents/webpages/cs_006031.pdf.

⁵ Housing Market Areas in Scotland: Definition and Review; Volume 3: Guidance on Market Area Definition, Communities Scotland Research Report 26

records (both new and 2nd hand but excluding RTB and company sales), for the 5 years from 2003 to 2007. The results are shown on the map below.

This analysis identified 12 'containment areas' (i.e. areas covering more than one settlement) over which more than 10% of sales in the area were to people originating from the main settlement. Interestingly, it found that there were few flows between some main settlements which are relatively close in distance e.g. Golspie and Dornoch; Invergordon and Alness and some communities appear to have very low self containment.

The analysis, shown in Table 1, showed that the Inverness city has a market area which spreads widely across the larger Inverness area and into Mid Ross; the Black Isle and Nairn-shire. Beyond that there appear to be links between Inverness and the more rural communities e.g. Evanton and Ardrross (although sales numbers are very low) which likely reflects people's aspirations to move to rural settlements. This is confirmed by the limited sales to other, more urban, parts of East Ross.

Flows out to, and back, into the other main settlements in the neighbouring areas e.g. Nairn, Dingwall, Alness and Invergordon are less strong. Moves to Inverness from buyers originating in these settlements are between 11% and 19% indicating that there are some links. Given the importance of the job market in Inverness city, it is likely that moves are indicative of relation to changing work patterns rather than aspirational buyer search patterns. When the lower end of the market was examined this indicated that buyers of cheaper houses have much more localised buying patterns.

This analysis indicates that the Inverness city region should not automatically encompass its neighbouring settlements into one large housing market area. Rather it indicates that there is value in considering them as separate market areas. Nonetheless the links do indicate that there is, to a limited extent, a housing market area encompassing Mid Ross, Black Isle and Nairn-shire. For HNSA purposes, this will be referred to as the Inner Moray Firth area.

This confirms earlier research for Communities Scotland which considered there to be an Inverness Housing Market Area which centred on Inverness and extended to Fort Augustus to the south; Nairn to the east; Achnasheen to the west; Cromarty and Dingwall to the north but didn't extend to Alness, Invergordon and Tain⁶.

The results confirm that there are problems in defining HMAs in rural areas which are polycentric. It is not possible to identify housing market areas covering the whole of Highland. As some areas have very low numbers of sales it's not possible to identify whether they have links with any of the neighbouring communities. Using settlement zones or their aggregations to make up HMAs across Highland is also problematic as they are too small for population projections to be made, and many economic indicators and other statistical data are not available at this level.

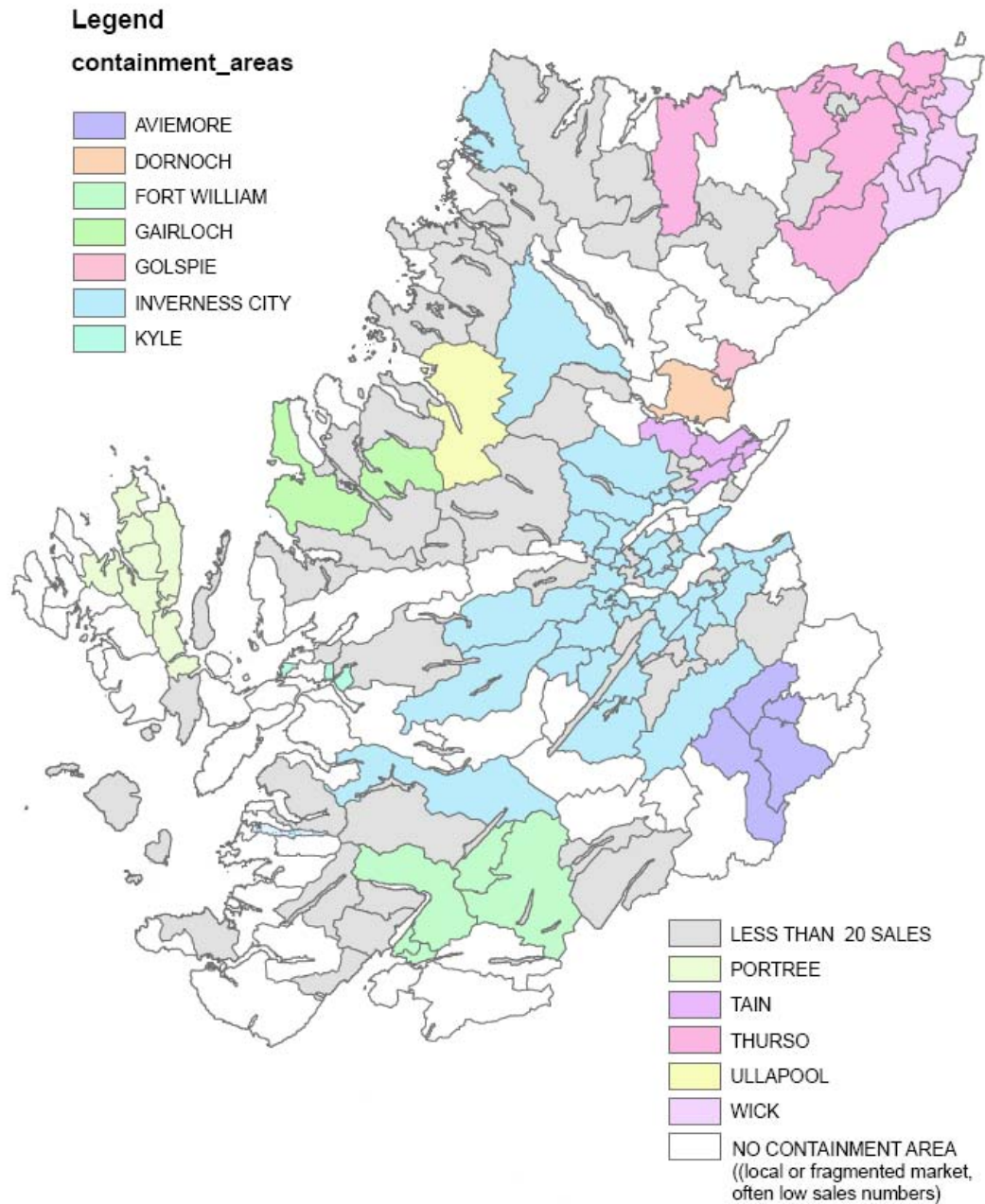
⁶ Communities Scotland / DTZ Pineda based on sales between 1996 & 1999.

As however there are clearly indications of house search / purchase areas extending outwith main settlements in some parts of Highland, this approach provides useful detail of component markets within areas.

Table 1

Open Market House Sales by Settlement Zone 2003 to 2007: Sales to Buyers from Inverness			
	Total sales in settlement	% sales in each settlement from Inverness buyers	No. to Inverness buyers
INVERNESS CITY	9,266	63.6	5895
CULLODEN MOOR	59	54.2	32
DAVIOT	38	47.4	18
BUNCHREW	30	40.0	12
CROY	38	26.3	10
KIRKHILL	88	26.1	23
DORES	20	25.0	5
NORTH KESSOCK	90	23.3	21
FOYERS	48	22.9	11
CULBOKIE	146	22.6	33
ARDERSIER	133	22.6	30
MONIACK	27	18.5	5
MUNLOCHY	70	17.1	12
CAWDOR	84	16.7	14
STRATHERRICK	25	16.0	4
KILTARLITY	109	15.6	17
DRUMNADROCHIT	259	15.1	39
CONON BRIDGE	167	14.4	24
TORE	21	14.3	3
MARYBURGH	116	13.8	16
BEAULY	197	13.7	27
EVANTON	168	13.7	23
TOMATIN	37	13.5	5
CANNICH	45	13.3	6
FORTROSE	254	12.6	32
AVOCH	116	12.1	14
MUIR OF ORD	286	11.9	34
ARDROSS	26	11.5	3
STRATHPEFFER	136	10.3	14
CROMARTY	101	9.9	10
NAIRN	1,486	9.2	137
STRUY	22	9.1	2
ALNESS	451	8.4	38
DINGWALL	524	8.4	44
BALNAIN	37	8.1	3
INVERGORDON	335	7.5	25
Source: Communities Scotland / LVIU			

Housing Containment Areas Based on Open Market House Sales between 2003 and 2007 Using Report 26 Methodology



TRAVEL TO WORK AREAS (TTWA)

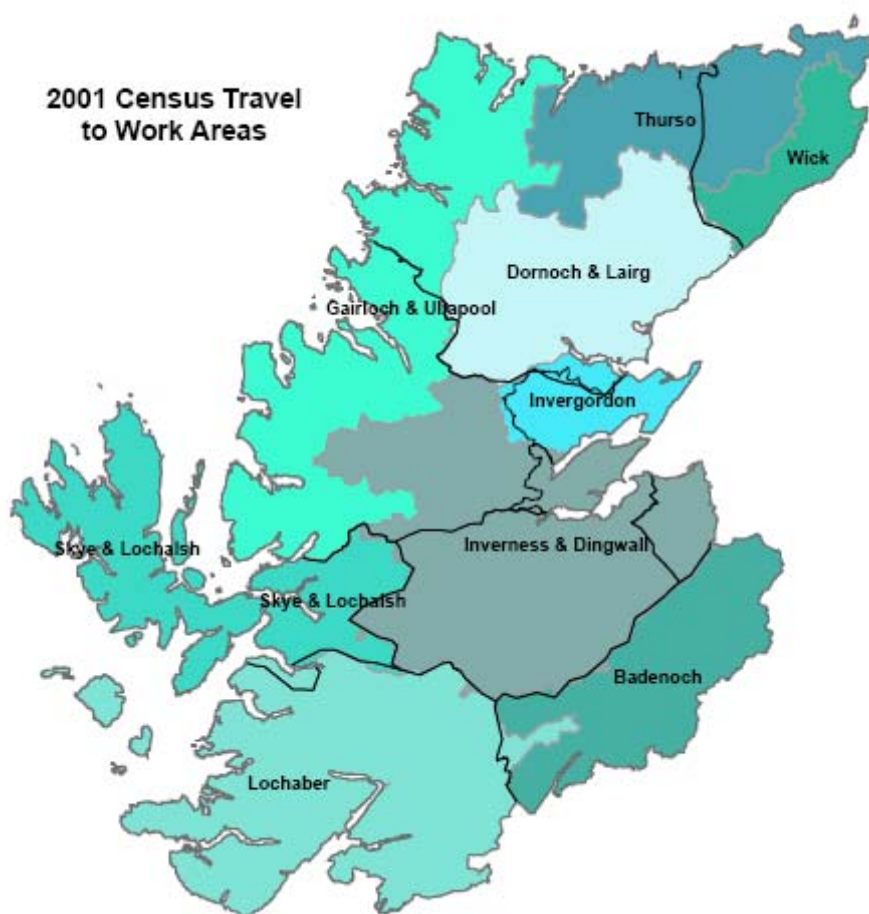
In September 2007 ONS⁷ published its revised travel to work areas based on an analysis of the 2001 Census returns. The results are shown in the map below (Highland's proposed ten HMAs are overlain as black outlines). Highland's 9 TTWAs have, in terms of households living and working in an

⁷ ONS 2001-based Travel-To-Work Areas published Sept 2007: <http://www.statistics.gov.uk/geography/ttwa.asp>

area, a particularly high level of self-containment on both the “supply”⁸ and “demand” side and, as such, form robust areas.

The TTWAs are reasonably large and, in principle, population projections are feasible but in many cases they either cut across larger areas for which socio-economic data is available or are sub-sets of them. The lack of suitable data means that, like containment areas, their main use will be to build understanding of patterns in areas and give local detail e.g. for component markets.

Note that the TTWA analysis uses datazones as the geographical building block and the north western extension of the Inverness & Dingwall TTWA is the result of a single datazone (Garve, Achnasheen and Kinlochewe) being assigned to the east. A small number of people living in the east of the zone do travel east to work but over the datazone as a whole the majority of people are either self employed or work locally in estate work, forestry, transport and hydropower. In terms of work location and most socio-economic characteristics the datazone should probably be assigned to the Gairloch and Ullapool TTWA.



⁸ Self-containment is the number of people living and working in an area divided by the number of residents in the area (supply side) or jobs in the area (demand side).

PRE-DEFINED BOUNDARIES

Key statistical information used to assess housing needs, demand and patterns is available for the eight former District Council areas making up Highland. The General Register Officer (GROS) provide detailed information on:

- population and households (most recent 2007);
- inward and outward migration by gender and five year age band (most recent 2003 to 2006);
- population and household projections (most recent 2006 based);
- Also, the three NUTS3 economic areas use it as their basis - giving economic data for Caithness, Sutherland and Ross & Cromarty; Inverness, Nairn, Moray and Badenoch & Strathspey; and Lochaber, Skye & Lochalsh and Argyll & the Islands.

These eight areas are, broadly, geographically distinct, and generally focused on one large settlement which supplies a comprehensive range of local services to the area including secondary schooling. Some are separated by exposed terrain with difficult winter travel conditions. They form natural areas which are broadly aligned with travel to work areas and within which people will often prefer to move as their life circumstances change and they move through the housing market. They are therefore considered to be helpful geographies on which to base the proposed HMAs.

Based on analysis of purchase patterns and local knowledge Ross and Cromarty former district has been divided into 3 parts – East Ross, Wester Ross and Mid Ross / Black Isle. The boundaries for this division are based on multi member ward boundaries which allow robust estimates to be made of current and future populations.

In conclusion, whilst, mainly because of rurality issues, distinct housing market areas are not evident across the whole of Highland, geographies have been developed which allows The Highland Council to take a strategic view of housing requirements. For ease of reference these are called Housing Market Areas. The HMA boundaries chosen were selected as: they provide meaningful geographies within which at least one distinct housing market (based on house purchases) has been identified; they exhibit some degree of self containment in terms of house purchase / migration and travel to work patterns; secondary data is readily available at these geographies. In addition, taking rurality into account, these boundaries also reflect the similarity of issues within them, based on local knowledge.

This approach also enables a larger Inverness city region to be built up – the ‘Inner Moray Firth’ - using these HMAs, based on purchaser patterns.

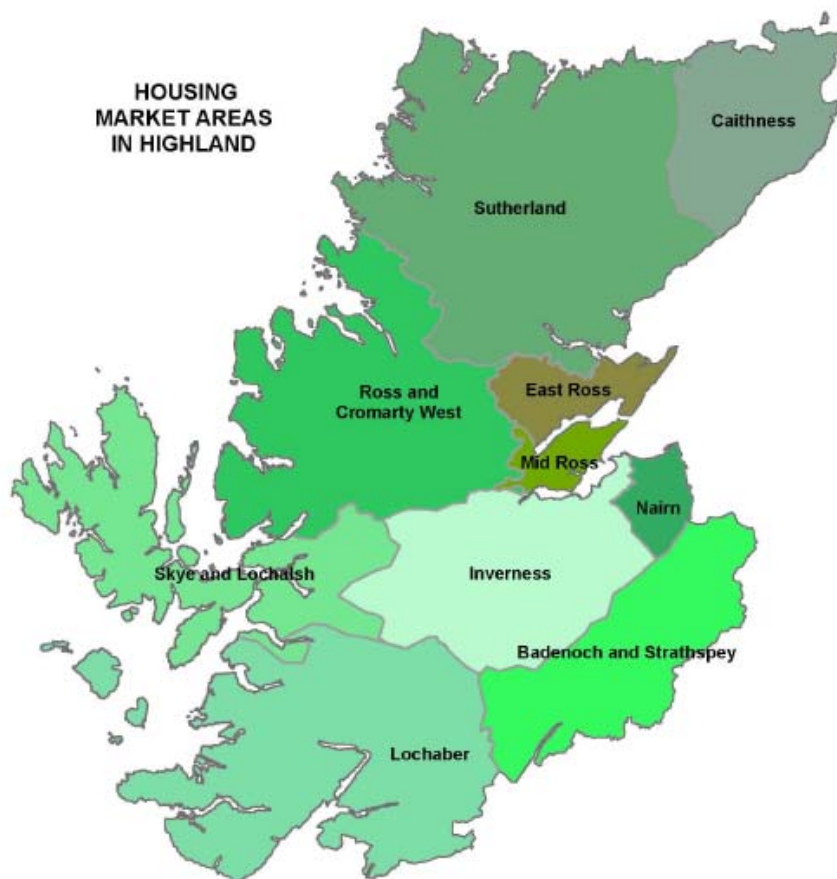
The 10 proposed boundary areas, also shown in the map below, are:

1. Inverness
2. Nairn

3. Badenoch and Strathspey
4. East Ross
5. Mid Ross / Black Isle
6. Caithness
7. Sutherland
8. Wester Ross
9. Skye and Lochalsh
10. Lochaber

Purchase and travel to work patterns indicate that there appear to be some, but limited, links between Highland and Moray which will be considered in housing planning and policy development.

The 10 proposed boundary areas were discussed with partners via Highland's Housing Strategy Housing Development Group who agreed that the boundaries provided a sensible geography for the housing needs and demand assessment. They had concerns, nonetheless, that using these HMA geographies meant that housing need and demand issues at more local levels, e.g. communities, would be hidden. Combining this HMA approach with community level analysis (below) should ensure that this is not the case.



“COMMUNITY BOUNDARIES” - SETTLEMENT ZONE ANALYSIS

An understanding of very local housing systems / component markets is essential if the housing needs of people in many parts of Highland are to be understood. Many households live in rural communities - of the 215,310 people who lived in Highland in 2006⁹:

- 50,234 lived in remote small towns;
- 24,784 lived in accessible rural areas; and
- 85,607 lived in remote rural areas.

Over half the population live in areas where travel times to a large centre of population (e.g. Inverness) are in excess of 30 minutes. Public transport is limited. For people on low or modest incomes who cannot to commute, and /or where there is little public transport, the effective housing market is often limited to the settlement in which they currently live and work (or seek work).

The LHSA Good Practice Guide gives examples of the use of Community Council areas, primary school catchment areas and settlement zones to define HMAs. Within Highland, there are 183 well established settlement zones in which each zone is defined around a town, village or settlement and includes its hinterland: in rural areas they are closely aligned to primary school catchments which were originally used to help define them. The Highland Council has developed an analytical approach which looks at the relative (qualitative) pressure on affordable housing in each of the 183 settlement zones across Highland, based on:

- the balance between supply and demand for affordable rented housing;
- the affordability of private housing;
- the weight of external pressures for 2nd / holiday homes, commuting and from in-migrants (to enable understanding of the context); and
- review in the light of local expert knowledge.

Along with the housing market containment areas, these 183 settlement zones form component markets of the larger HMAs with conterminous boundaries. Both will be recognised within Highland’s Housing Need and Demand Assessment. As well as building up understanding of local component markets and patterns – including housing related flows and links between communities - analysis at this level influences housing investment and activity within the HMA including affordable housing investment and, if necessary, variations on aspects of the Council’s Affordable Housing Policy to reflect local pressures.

Local Development Plan Boundaries

The Highland Council has issued a Development Plan Scheme¹⁰ describing how we will prepare our Highland-wide local Development Plan. The Council has set boundaries for the Council’s three proposed Local Development Plans. These are based largely on Wards which were themselves defined by

⁹ 2006 GROS Small Area Population Estimates and Scottish Government Urban-Rural Classification 2007/08

¹⁰ <http://www.highland.gov.uk/yourenvironment/planning/developmentplans/developmentplanscheme.htm>

the Boundaries Commission to meet population targets rather than, in some cases, reflect natural or historic boundaries.

The Inner Moray Firth Plan area recognises that there are strong housing market and economic links between the communities within it, particularly those within commuting distance of Inverness such as Nairn, Black Isle and Dingwall.

Badenoch & Strathspey is covered by the Cairngorm National Park Authority and forms part of the Cairngorm Local Plan.

The map below shows the boundaries for the three proposed Plans overlain with the ten draft HMAs overlain as black outlines. It illustrates that the HMAs broadly build up to the 4 Local Plan areas.

The boundary between Wester Ross and Ross & Cromarty East was defined before detailed information from the 2001 census was available and is based on 1991 census travel to work patterns. At present, part of the Wester Ross, Strathpeffer and Lochalsh Ward is within the Inner Moray Firth Plan area and a reconciliation will be required, either through a reconsideration of the Local Plan boundaries so that it is included in the West Highlands and Islands Local Plan (WHILP) Plan area or (and, until any changes are made) adjustment of Mid Highland HMA's housing requirement figures on the basis of the socio-economic characteristics of the constituent areas and component markets.

Conclusion

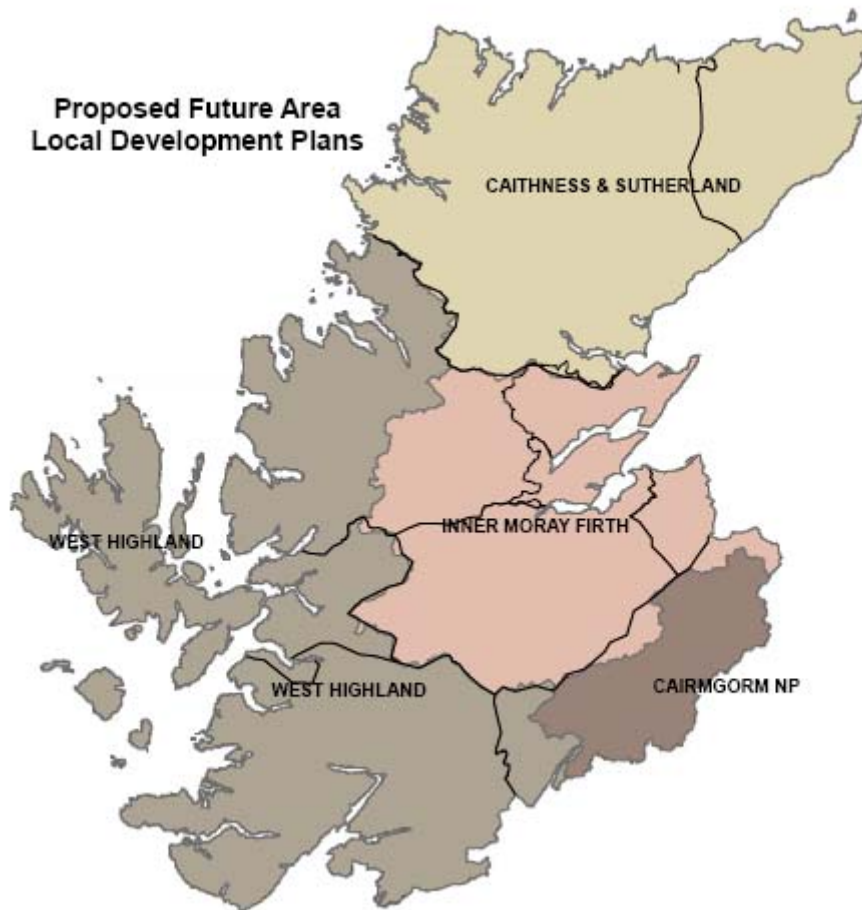
Based on this analysis, the boundaries which will be used for Highland's HNDA are the 10 HMAs described above. It is felt that these provide a fit for purpose basis on which housing and planning policies can be developed. Component markets within the HMAs are recognised and will help inform analysis and policy. A larger Inner Moray Firth is also recognised which will inform policy.

Feedback Questions

1. Do you agree that the 10 proposed housing market areas should be considered for the purposes of Highland's housing need and demand assessment as 'housing market areas', in that they group together communities with similar characteristics whilst being distinctive from their neighbouring areas, reflect the situation in Highland and that therefore provide a fit for purpose basis on which housing and planning policies can be developed?
2. Please give any views on the approaches taken to defining Highland's HMA boundaries e.g. can they be considered to be well-founded; are there alternative approaches which could be used?
3. Please give any views whether amendments to the HMAs and boundaries are needed and why?
4. Based on your knowledge e.g. of householders moving and search patterns, do you have any comments on the relationship between settlements, component markets, the proposed HMAs, the definition of the

IMF etc. which should be taken account of in the housing need and demand assessment and / or policy decisions?

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