

## **Highland's Housing Need and Demand Assessment – Summary The Highland Council**

### **Measadh Feum agus Iarrais Chomhairle na Gàidhealtachd – Geàrr-chunntas**

To support our strategic planning, The Highland Council has carried out a Housing Need and Demand Assessment (HNDA). It shows that large numbers of new housing needs to be built over the next 10 years and beyond, to meet the expected growth in Highland's population. It evidences, that as well as new private housing, there continues to be a chronic, acute and substantial need for new affordable (particularly social rented) housing.

The Assessment informs the way we help to make sure that there is enough housing being built and land to build it on. It helps us plan what needs to happen so that people have access to housing, which they can afford, where they want to live. By doing this Highland's economy and communities will grow stronger. These approaches will be set out in the plans which we're currently developing:

- **Highland's Housing Strategy** - it will set out our targets for how much private and affordable housing we want to be built. It also sets out how we will help our targets to be met.
- **The Highland-wide Development Plan** – it will set out how much land needs to be allocated for house building. It informs the allocation of land within Highland's Local Plans. It also sets out our planning policies.

We are currently consulting on Highland's Main Issues Report – the first stage of our Development Plan - which sets out the main planning issues and our preferred approaches to dealing with these. It is based on our Assessment.

Because it provides the evidence for our policies, Highland's Housing Need and Demand Assessment (HNDA) follows Scottish Government guidance. They are also assessing it, to make sure it is reliable. We used existing demographic, economic and housing data to help us. Part of the assessment was undertaken by Heriot-Watt University using an established method which has also been used by the Scottish Government. We worked with our partners through a 'Housing Information Partnership' to make sure that there was widespread agreement with our approach. Our Assessment includes assumptions about what we think might happen. It also includes scenarios – e.g. what if population growth isn't as high. These mean that we can understand and evidence our results and figures better. Our findings will be reviewed every 5 years, linked to the review of our Housing Strategy and Development Plans. We will also regularly monitor key statistics.

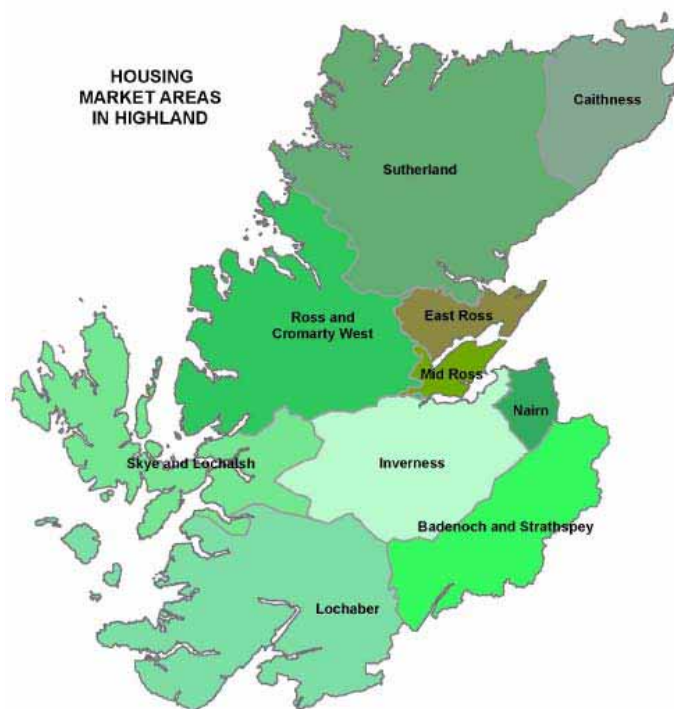
This is a summary of Highland's Housing Need and Demand Assessment. The full report is available from the Highland Council's web-site [www.highland.gov.uk](http://www.highland.gov.uk) or by asking the Council for a copy.

## Our Planning Areas

### Ar Sgìrean Dealbhaidh

Highland covers a very large and diverse area. It has a number of different housing markets which are influenced by and experiencing different issues. We divided Highland up into 10 different 'housing market areas', shown in this map, so that these issues could be explored and the findings were locally relevant.

Housing market areas are defined as areas which are relatively self-contained in terms of where people are looking for, and buying, housing. They also need to be large enough to provide useful data for planning purposes. We know that in rural areas, because communities can be far from each other, people tend to seek housing across much smaller areas. Because of this, we also analyse some information at community level to help inform our policies.



## Population and Households in Highland

### Àireamh-sluaigh agus Taigheadasan sa Ghàidhealtachd

Highland's population has grown over the past ten years<sup>1</sup> at a higher rate than Scotland's (5.1% compared to 1.8%). It is estimated to be around 219,400. Most growth is due to migration, as more people move to Highland than leave. This growth hasn't been spread evenly across Highland. It has been greater in the Inner Moray Firth area (i.e. Inverness, Nairn and Mid Ross), Skye & Lochalsh and East Sutherland. The population is falling in some areas, notably Caithness. This growing population, and the trend towards households being smaller, means that there has also been significant household growth (growing by 13% in the 10 years before 2007). There are now around 98,000 households.

Whilst Highland has generally grown in prosperity over the past 10 years, economic growth has been uneven. Prosperity has been concentrated in the Inner Moray Firth area. Some of the more fragile rural and urban areas have continued to suffer from out-migration of young people and a lack of economic opportunity. These trends are expected to continue. It is not clear how the current recession will impact but there are a number of key developments across Highland which are being taken forward to strengthen Highland's economy.

The largest sectors of the Highland economy are: the public sector (including health services) accounting for up to one third of jobs; agriculture and fishing which feature strongly in Skye, West Ross and Lochaber; tourism related jobs are important in all areas; "energy, water and manufacturing" feature in Caithness

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<sup>1</sup> Between 1998 and 2008

and Sutherland while “construction, banking and finance” is stronger in the Inverness area. Although unemployment is low, much of Highland’s economy, particularly in the rural areas, is dominated by low wage industries and those vulnerable to down-turns. Many people are self-employed and / or have seasonal jobs. This means that incomes tend to be low. They also vary considerably across Highland. Incomes influence the need and demand for housing.

A strong and growing economy means that people will be less likely to leave - and others will be more likely to move into Highland. Making sure that there is enough housing is vital to achieving this.

## **Housing in Highland**

### **Siostam Taigheadais na Gàidhealtachd**

There has been a steady increase in the number of houses in Highland and there are now around 109,000 dwellings. A small but significant number of these are ‘in-effective’ because they are being used as second homes or are empty. Second home ownership is more common in Highland than in Scotland and is far higher in the areas of Badenoch & Strathspey, West Ross, Sutherland, Skye & Lochalsh and Lochaber. Rural communities are particularly affected – in 36 out of 184 communities<sup>2</sup>, over a quarter of homes were second or holiday homes. This has added pressure onto local housing markets and house prices.

Nearly 8 out of 10 homes are privately owned (including privately rented). Home ownership has grown substantially over the last 20 years mainly through speculative building in larger communities; self build in smaller rural communities and Right-to-Buy sales. On average since 2003, 1,200 new private houses have been built each year – almost half in Inverness. In recent years, Badenoch & Strathspey, Skye & Lochalsh, Inverness and Caithness have seen the largest increases. Growth is expected to continue, particularly around the Inner Moray Firth.

There are fewer housing choices for people on lower incomes in Highland compared to other parts of Scotland. The social rented sector (i.e. from the Highland Council and housing associations) is small and declining and makes up only around 18% of housing. It provides housing for around 19,500 households. Its availability varies as the table below shows.

On average since the start of Highland’s Housing Strategy in 2003, 216 new social rented houses and 95 new low-cost-houses-for-sale (e.g. LIFT<sup>3</sup> shared equity housing) have been built each year across Highland. Most of this new ‘affordable housing’ - a third – has been built in Inverness with the rest broadly spread evenly across communities in another 6 areas of Highland. The proportion of low-cost-housing-for-sale being built each year has grown. Maps showing where new affordable housing has been built are on the Highland Council’s website. This ‘affordable housing’ has been mainly funded using a mix of Government grant, Highland Council resources and investment from banks. It is significantly more than was provided before. It is anticipated, however, that far less will be built in coming years because less financial support will be available.

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<sup>2</sup> At the time of the 2001 Census

<sup>3</sup> LIFT - Low Cost Initiative for First Time Buyers

## Number & Percentage of Houses in Each Area

### Àireamh & Ceudad Thaighean anns gach Sgìre

Area	All Dwellings	Social Rented Housing	%age Privately Owned or Rented*	%age Social Rented	%age 'Ineffective' Housing
Badenoch & Strathspey	6,952	977	72	14	14
Caithness	12,747	2933	72	23	5
East Ross	9,678	2735	70	28	2
Inverness	34,800	5678	82	16	2
Lochaber	9,655	2133	71	22	7
Mid Ross	9,609	1376	84	14	2
Nairn	5,669	893	81	16	3
Skye & Lochalsh	6,778	1087	72	16	12
Sutherland	7,809	1183	72	15	13
West Ross	5,112	511	74	10	16
<b>Highland</b>	<b>108,809</b>	<b>19506</b>	<b>76%</b>	<b>18%</b>	<b>6%</b>

Source 2009 Council Tax and Housing & Property data; housing associations, 2008

\* includes small number owned by institutions such as NHS Highland and MOD etc.

Council Right-to-Buy (RTB) sales are continuing to fall. This is expected to continue, partly because of new restrictions. Nonetheless more social rented housing continues to be sold than built. For every 2 Council houses sold through the RTB since 2002/03, only 1 has been replaced by a housing association.

The private rented sector is relatively large within Highland – in 2001 it made up 13% of Highland's housing compared to 10% in Scotland. Its availability also varies across Highland. It is an important source of housing particularly in rural and remote rural areas. There has been a larger increase in private renting through buy to let in places like Inverness in recent years.

The size of Highland's housing is generally larger than typical in Scotland – particularly in the rural areas. Whilst this means that the housing might better meet peoples' need through their lifetime, it can also lead to affordability problems as there is less smaller, and consequently cheaper, housing available to buy or rent. Flats are far less common than in other parts of Scotland. The condition of housing tends to be poorer with, in particular, poorer energy efficiency.

## Highland's Current Housing Market

### Margaidh Thaigheadais na Gàidhealtachd An-dràsta

Up until 2008, house sales have been steadily increasing – almost doubling in the last 10 years. Turnover is highest in Inverness (7% of households bought housing in 2007) followed by Badenoch & Strathspey and Nairn.

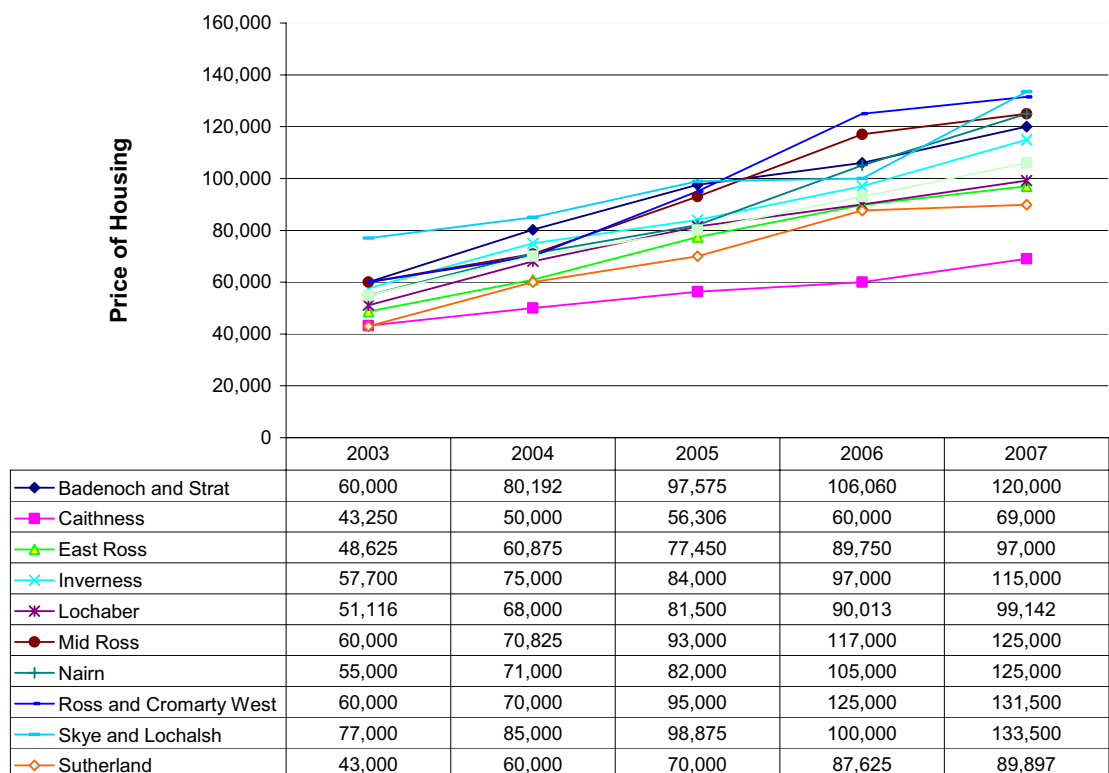
House prices dramatically increased after 2001. Although this was similar to trends across the country, prices increases have been steeper in many parts of Highland. Reasons for increases include: the availability of cheaper finance;

momentum from buyers themselves (including because of investment reasons) and; in-migration as Highland was increasingly seen as an attractive place to live by those selling up elsewhere. Although the rate of new house building in many areas of Highland increased - particularly in recent years - it hasn't been at a rate to satisfy demand. This is likely to have added to price increases.

Prices at the bottom end of the housing market (i.e. 'entry level' housing) experienced a much bigger increase than the rest of the housing market. This varied across Highland as the graph below shows. These increases meant that first time buyers and families on more modest incomes in particular were increasingly unable to buy. In 2003 it cost around £57,000 to buy 'entry level' housing and by 2007 the equivalent cost was £110,500. It is most difficult to find cheaper housing in Skye & Lochalsh, West Ross and Nairn. This is followed by Mid Ross, Badenoch & Strathspey then Inverness. Housing in Caithness is far cheaper than other parts of Highland.

Average house prices have fallen slightly in recent months because of the 'credit crunch' and the current recession. This 'price correction' is expected to continue.

**'Entry Level' House Prices 2003-2007**



Source: Register of Scotland Sasine Data

## Assessing the Need and Demand for Housing

### A' Measadh an Fheum agus an Iarrtais airson Taigheadas

Comparing local house prices with local incomes, shows that Highland is consistently amongst one the least affordable places in Scotland to buy. The situation has deteriorated in recent years. Our Assessment showed that only around a third of younger households (aged under 35), including those with access to savings etc., have enough income to buy housing. The affordability of



housing varies greatly across Highland. Housing is most affordable in Caithness where over half of younger households could afford to either buy or rent privately. Housing is most unaffordable in West Ross, Mid Ross and Skye & Lochalsh.

Information on affordability is very important to help us understand how many new affordable houses need to be built for households in 'housing need'. These are households who lack their own housing, or who are living in unsuitable housing, and who can't afford to meet their needs in the housing market without help. To measure this, we also looked at information including: applicants on Highland's Housing Register; households' moving patterns; population change and the availability of housing. We estimated how much housing was needed to house everyone who was currently in need over the next 10 years<sup>4</sup> (i.e. the 'backlog'). As well as understanding how much affordable housing is currently required, we can predict how much needs to be built in the future.

### **Measuring the Overall Demand for Housing**

#### **A' Tomhas an Iarrais Iomlan airson Taigheadas**

Our Assessment first estimated how many houses overall need to be built (and land needs to be allocated in development plans for) across Highland to meet the demand for housing in the future. This mainly depends on the number of new households we think that there will be in the future. In Highland, this is mostly driven by demographic and migration changes such as: people moving into the area; people living longer and the number of households increasing e.g. because more people are living alone.

We looked at 3 different scenarios:

- (1) Past birth and migration trends continuing ('central projection').
- (2) Stronger economic growth, because of (for example) the success of Highland's on-going development initiatives, which attract more people to move into Highland which would be a continuation of very recent trends.
- (3) In-migration less than recent years but similar to trends in the early 2000's.

Up until 2031, under all the scenarios, the populations of Badenoch & Strathspey, Inverness, Nairn, Skye & Lochalsh and Mid, East and West Ross are expected to increase. However Caithness and Sutherland populations are expected to fall. Lochaber's population is expected to increase except under scenario 3.

Household numbers are expected to increase by over 24,000 by 2031 – this is 25% more. This means that at least 25% more houses need to be built to accommodate these households.

To help us plan for the short and long term we looked in more detail at 2 time-periods. We expect, on average, there to be around 1,100 new households each year up to 2021.<sup>5</sup> Most of these new households (around 670 each year) will be in Inverness; Mid and East Ross. Similar numbers are expected in Badenoch & Strathspey; Skye & Lochalsh, Lochaber and Nairn (66-79 households each year). Less are expected in West Ross, Caithness and Sutherland (around 55-44 each

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<sup>4</sup> This is set by the Scottish Government

<sup>5</sup> This is under the central population projection scenario.

year). Compared to the other areas, Nairn, Inverness, West Ross and Mid Ross are expected to grow the most.

After 2021, the household numbers are expected to fall each year in Caithness whilst Sutherland will have very little growth. Inverness, Nairn, West Ross and Mid Ross will continue to see the greatest growth.

Single person households are expected to increase the most. An increase is also expected in couple-only households. This suggests that there will be more of a demand for smaller (rather than family sized) housing. Because there will also be increases in the number of older person households and single parent families, it also indicates that more people are likely to have difficulties affording housing.

### **Measuring the Need for New Affordable Housing**

#### **A' Tomhas an Fheum airson Taigheadas Ùr aig Prìs Ruigsinneach**

After measuring the future number of households, we assessed:

- how many of these new households are likely to be in housing need, then:
- how many could get their needs met through existing housing and, from this,:
- how many new 'affordable houses' require to be built.

Our study found that there is a very large shortage of affordable housing. In 2007, almost 1,000 new affordable houses were required across Highland. Almost half of these are required in Inverness. With the exception of Caithness, all the other areas had shortages and needed more affordable houses built – mostly between 50 – 90 new affordable houses in that year. Most of the households in need are those setting up home on their own for the first time. The vast majority of housing need can only be met by providing social rented housing. Low cost housing for sale can help only a small fraction of people.

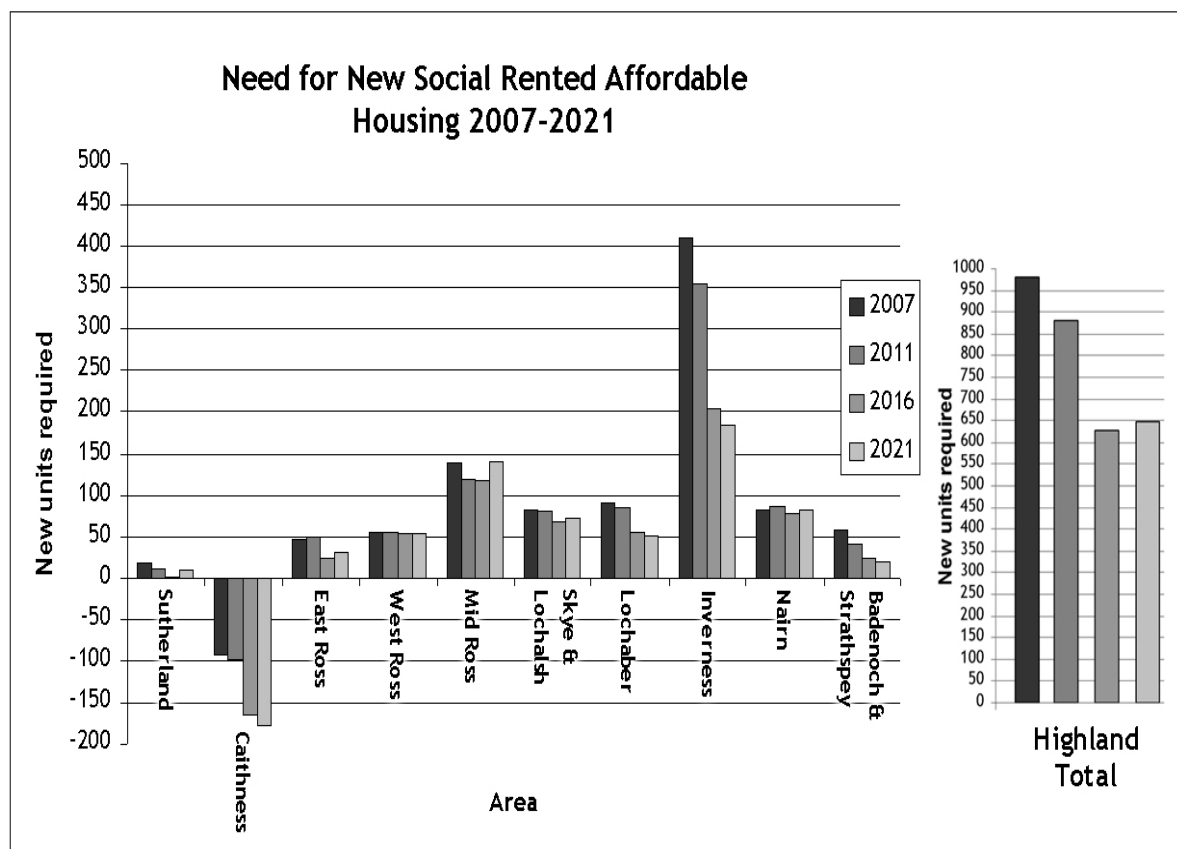
We compared this need for affordable housing against the number of houses, both private and affordable, which have been built. We found that the need in, at least, four areas (West and Mid Ross, Lochaber and Nairn) was so high that, even if all the housing built was 'affordable', it wasn't possible to meet it. This indicates that these areas almost certainly require more housing of all types to be built. Moreover, the need for affordable housing is so acute that there is a clear case for asking private housing developers to provide at least 25% of their new housing as affordable. This applies to all areas except Caithness.

To plan for the future, we also estimated how much new affordable housing was needed in these years - 2011, 2016 and 2021 – which helps us assess how much is required over the whole planning period. This graph below shows the number of new affordable houses that are needed in each year in the different areas. It shows that the substantial level of need for new affordable housing is expected to continue across all areas, except Caithness. Only a small decrease is expected – falling to a need for around 882 new affordable houses to be built overall in 2011. Further in the future, 2016 to 2021, it is estimated that 600-650 new affordable houses are needed each year.

Inverness continues to need the most number of affordable houses. Relatively speaking, the intensity of housing need is greatest over the period as a whole in Nairn, Skye & Lochalsh, West Ross and Mid Ross. This is followed by Lochaber,

Inverness and Badenoch & Strathspey. Caithness shows a persistent and growing modelled 'surplus' of affordable housing. In reality this suggests that applicants for social rented housing here will get housed quicker than elsewhere.

Our projections assume, based on what we know, that in the next few years, housing will become relatively cheaper to buy and that, due to the types of industries in Highland and the recession, there will be low growth in incomes and increasing unemployment. This will affect areas differently because of, for example, some housing markets will still be very pressured. We assume this will be followed by 'normal' house price growth. If reality proves to be different, for example if house prices rise more than assumed, then the need for affordable housing could increase or decrease.



## Calculating the Number of Houses Required

### A' Tomhas na h-Àireimh Thaghean a tha a Dhìth

Understanding each area's need and demand for new housing helps calculate how much housing requires to be built and how much land needs to be allocated. Because we know that a) some new houses will be 'ineffective' as they will be used for examples as second homes; and b) there is a backlog of households currently needing housing, we add these figures into our calculation which indicates how many houses are required. We show these figures as a range depending on our 3 different population scenarios. Our calculations indicate that the number of houses shown below require to be built in each planning period



across Highland<sup>6</sup>. From this we calculate how much land requires to be allocated for housing within development plans.

#### Highland's Housing Requirement (Ranges based on 3 population scenarios)

Planning Period	New Affordable Houses Required	Total New Houses Required
2010 to 2014	Between 4,332 – 4,718 (mid 4,507)	Between 6531 – 8607
2015 to 2019	Between 3,780 – 3,065 (mid 3,395)	Between 6003 – 8333
2020 to 2029	<i>From 2021, 225 – 361 each year</i>	Between 5388 - 10,344

The Scottish Government want all local authorities to take into account their aspirations for greater economic and population growth across Scotland. To help do this they expect us to help increase the rate of house-building by allocating a generous supply of land. This will make sure that, by providing flexibility so that building can continue even when some development sites are delayed, new houses are delivered. To take into this national policy into account and - as we want to make sure that our calculations are based on figures we are confident in - we use the scenario 2 which projects forward strong economic growth. Our resulting housing requirement in each area is shown below.

#### Highland's Housing Requirement over Planning Periods in Each Area covered by a Highland Council Local Plan<sup>7</sup>

	2010 to 2014	2015 to 2019	2020 to 2029
Caithness	321	269	110
East Ross	894	850	965
Inverness	3,780	3,784	5,332
Lochaber	708	612	627
Mid Ross	906	863	1,123
Nairn	652	653	751
Skye & Lochalsh	559	549	709
Sutherland	405	379	278
West Ross	382	374	449
<b>Total</b>	<b>8,607</b>	<b>8,333</b>	<b>10,344</b>

When calculating how much land needs to be allocated we also add an allowance in line with Government guidance. This increases the requirement in each area by 25% so that there is flexibility e.g. for developers have choice etc. about which land they build on. Land allocation figures are shown in the main report.

#### Implications of the Assessment Findings

##### Seaghan nan Toraidhean Measaidh

As well as providing us with figures, our assessment findings indicate that:

- New housing, both private and social rented, is needed in communities right across all areas of Highland to meet the high levels of anticipated demand. This is mainly due to population changes.

<sup>6</sup> These are the planning periods which the Government expects us to work to.

<sup>7</sup> We do not include figures for Badenoch and Strathspey here as the Cairngorm National Park Authority draw up the development plan covering this area.

- There needs to be an increase in the number of private and affordable houses built each year. On average around 1,700 houses require to be built each year to meet need and demand. This is an increase of around 370 more each year (almost half in the Inner Moray Firth).
- This requires enough building land to be available. There are several pressure points, including Nairn, Inverness, Mid and West Ross, where it appears that much more land needs to be allocated so that enough housing is built.
- If not enough housing is built to meet demand, the impacts are likely to be: house prices increases; more pressure on social rented housing; people will not be able to, or will be discouraged from, moving to take up jobs; people will move to places where housing is available. Highland's communities and economy will suffer.
- There are very large and acute shortages of affordable housing to meet the needs of households in housing need. These shortages are expected to persist in the future. We need to enable more affordable houses to be built particularly housing association and council housing. To do this we need to make sure that we are investing housing subsidy where there is the largest need for affordable housing and also where the need is most intense. It also includes asking housing developers to provide a proportion of the housing they are building as 'affordable' housing.

Highland's Housing Need and Demand Assessment is available from:

[www.highland.gov.uk/yourenvironment/planning/developmentplans/localplans/HighlandHousingNeedandDemandAssessment.htm](http://www.highland.gov.uk/yourenvironment/planning/developmentplans/localplans/HighlandHousingNeedandDemandAssessment.htm)

If you have any questions, would like further information or if you would like to comment on the Assessment, please contact Hilary Parkey or Cameron Thomas, The Highland Council on: 01463 702000 or by emailing: [housingandproperty@highland.gov.uk](mailto:housingandproperty@highland.gov.uk)