

Housing and Economic Development Needs Assessment

Solihull Metropolitan Borough Council

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Prepared by

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Public

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DATE

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EXECUTIVE SUMMARY

1. Solihull Metropolitan Borough Council commissioned GL Hearn and Justin Gardner Consulting supported by Icen Projects to undertake a Housing and Economic Development Needs Assessment (HEDNA) for the 2020-36 plan period. The aim of the Study is to provide robust and sound evidence to support the preparation of Local Plan and particularly planning policies in relation to housing and employment needs.

Demographics

2. Solihull has a population of 214,910 people, which has grown by 7.2% since 1991 which is slower than the rate in the West Midlands and England. Population change has been driven by internal UK migration. Natural change, or the rate of births minus deaths, has also been positive.
3. Solihull's population structure has higher proportions of its population aged over 45 particularly those in retirement age groups (+65). There is a relatively low representation of students or those in the early working age cohorts. However, there is a relatively high level of school children in the area linked to the area's function as a location for families.

Housing Need

4. The three-step Standard Method for assessing local housing need results in the following for Solihull:
 - **Step 1** sees an annual average household growth of 632 households.
 - **Step 2** then adjusts household growth based on local affordability. Applying the formula sees an uplift of 28% which results in a local housing need of 807 dpa.
 - **Step 3** notionally caps the need to a deliverable level however this is not warranted in Solihull. The LHN therefore remains at 807 dpa.
5. **Recommendation: The Council should seek as a minimum the delivery of 807 dwellings per annum across the plan period from 2020 to 2036.**
6. The Local Housing Need would result in a population growth of 23,369 over the same period. This is used to derive need for specific groups in the remainder of the report.

Housing Market Dynamics

7. The average price of one hectare of land is £4.1m in Solihull as compared to £1.8m in the West Midlands and £2.8 in England. The residential land values are the highest in the West Midlands.
8. When comparing median house prices in Solihull to regional and national figures, the mean and median house prices in Solihull are significantly higher. The median prices in Solihull is £275,000 compared to £230,000 in England £190,000 in the West Midlands.
9. The key analysis in this section reveals that median house prices in Solihull stand at 8.42 times the median earnings of those working in the Borough.

10. The average market rent for the Borough is around £898 per month for all dwelling types, which is notably higher than the regional average of £650.
11. **Solihull, relative to the region, has poor and rising affordability issues, however there is no requirement for an increase in housing need as a result of these signals as step 2 of the Standard Method addresses these issues.**

The Economy and Labour Market

12. Solihull has a strong economy. In gross value added (GVA), Solihull's economy produces goods and services valued at £7.5 (bn) (GVA) and supports around 109,000 jobs. The strongest contributor to GVA and employment in Solihull is the manufacturing sector with 13,700 jobs in 2018.
13. Sectors with a high relative representation in the economy include transport & storage, information & communication, financial & insurance, property, professional, scientific & technical, along with business administration & support services.
14. Most enterprises based in the Borough are micro-businesses that employ fewer than 10 people. In terms of the overall population, Solihull Borough has a relatively high employment and economic activity rate compared to the region.
15. Wages are higher for those that live in Solihull than those who work in Solihull. In other words, workers commuting into Solihull earn about £1,179 less per annum than the average Solihull resident. This could be due to a number of higher-earning residents that work in areas such as Birmingham.
16. **Solihull's economy is strong, with key sector strength across a suite of white-collar and technical industries. Its residents earn high wages and have high employment rates relative to the surrounding region.**

Employment Forecasts

17. Experian was used to determine future employment trends in Solihull to 2036. The Experian forecasting suite typically considers a range of national and regional trends which are adjusted on a local level.
18. The baseline forecast produced by Experian indicates that the economy is expected to grow by 1.5% per annum (GVA growth pa) between 2020 and 2036. In addition, the total number of jobs growth forecast is 10,000 which equates to an annual growth rate of 0.5%. This is a much slower predicted level of growth than previous business cycles, reflecting trends across the nation as consumer and public expenditure is predicted to drop.
19. Baseline economic forecasts may not reflect local interventions such as planned investments or growth initiatives.
20. In Solihull two alternative scenarios have been considered, a UK Central scenario, driven by major planned growth; and a more general 'growth' where employment sectors perform more closely in the future to that the recent past in the Borough.

21. The UK Central Growth Hub proposals include expansion at Jaguar Land Rover, Birmingham Airport, the National Exhibition Centre and the HS2 interchange development Arden Cross. These jobs have been considered in terms of gross and net additions to the baseline change, with the net adjustment within the plan period estimated as 12,998 jobs or 22,998 jobs with baseline. Jobs at UK Central are expected to see a different commuting pattern compared to wider jobs in the borough, reflecting location specific past trends and improved accessibility.
22. The 'growth' scenario does not rely on specific interventions but reflects modelled growth where locally high performing sectors of manufacturing, transport & storage, accommodation & food service, information & communication, real estate activities, and professional scientific & technical outperform the baseline forecast. The sectoral adjustments result in an additional employment growth of 5,680 jobs above baseline, resulting in a total increase of 15,680 jobs forecast by 2036.
23. These forecasts were acquired prior to the COVID-19 pandemic and the majority of work was undertaken in March 2020. However, in September 2020 further work reflecting the COVID-19 issues was undertaken. This is reported in Appendix B.
24. **It is recommended that the baseline jobs forecast plus the UK Central Hub growth to 2036 is planned for, a total of 22,998 jobs. UK Central provides a platform for growth and investment that is expected to facilitate a significant employment growth in the borough which better reflects its performance in recent years.**

Economic Led Housing Need

25. This report has examined the potential employment growth in Solihull that the Standard Method would support. In translating this employment growth into housing need, several assumptions have been made in relation to double-jobbing, commuting, economic activity rates and household formation rates.
26. The Standard Methodology requirement of 807 dwelling per annum would support a jobs growth of 13,119 jobs by 2036. This does, however, assume that commuting ratios remain the same as they did in 2011, which are known to have likely changed.
27. Conversely, we have also considered the housing need that would be needed to support the jobs growth forecasts.
28. The baseline jobs growth would require a housing need of 684 dwellings per annum.
29. The recommended employment scenario of baseline plus the UK Central Hub net growth (22,998 additional jobs) results in a housing need of 816 dwellings per annum for Solihull. This is based on commuting assumptions where baseline growth (10,000 jobs) reflects 2011 Census commuting patterns for the Borough and the remaining UK Central Hub jobs reflect local commuting assumptions for that area (as at 2011). This scenario relies on a greater level of in commuting from surrounding local authorities. This is a reasonable assumption given the planned accessibility improvements to the UK Central Hub employment locations around the HS2 interchange.
30. **It is recommended that the Council plan for at least 816 dwellings per annum to support the substantial jobs growth associated with the UK Central Hub proposals.**

31. Given the location of the UK Central proposals and in particular the effects of the HS2 interchange and other accessibility improvements, authority partners in the HMA may experience a higher volume of out-commuting in order to fulfil the level of employment anticipated. Particularly, this may be the case where local employment requirements are lower than the labour supply arising from delivering Standard Method housing numbers in their area.
32. **Recommendation: The council should work with partners in the HMA to consider how additional employment growth needs can be met.**

Affordable Housing Need

33. Analysis has been undertaken to estimate the need for affordable housing in the 2020-36 period. The analysis is split between a need for social/affordable rented accommodation and is based on households unable to buy or rent in the market and the need for affordable home ownership (see 8.2 for definition).
34. The analysis has taken account of local housing costs (to both buy and rent) along with estimates of household income. Additionally, when looking at rented needs, consideration is given to estimates of the supply of social/affordable rented housing. For affordable home ownership, consideration is given to the potential supply (from Land Registry data) of cheaper accommodation to buy.
35. **Recommendation: The analysis identifies a need for 578 affordable homes to rent per annum. This scale of need the Council is justified in seeking to secure as much affordable housing as viability allows.**
36. There is also a need shown in all parts of the Borough apart from North Solihull. However, affordable housing should still be provided in this area where opportunities arise as any housing can be used to meet needs arising across the whole Borough.
37. The analysis suggests that the majority of the rented need is for social rented housing, although it is recognised that there is also a role for affordable rents – particularly for households who are close to being able to afford to rent privately and also for some households who claim full Housing Benefit (as long as the rent is fully covered).
38. On this basis, it is not recommended that the Council has a rigid policy for the split between social and affordable rented housing, although the analysis is clear that both tenures of homes are likely to be required.
39. The analysis suggests that there is a gross need for around 412 affordable home ownership homes (priced for households able to afford to rent but not buy) per annum. This need is particularly focussed on the Urban and Rural sub-areas. However, there is a relatively healthy supply of this type of housing meaning that the net need is just 18 per annum.
40. However it is known that there are many households in Solihull who are being excluded from the owner-occupied sector suggesting that a key issue in the Borough is about access to capital (e.g. for deposits, stamp duty, legal costs) as well as potentially mortgage restrictions (e.g. where employment is temporary) rather than simply the cost of housing to buy.

41. The evidence does not show any basis to increase the provision of affordable home ownership above the 10% figure currently suggested in the NPPF and indeed does provide evidence that the 10% figure could be challenged if the Council wished to do so in favour of more affordable homes to rent.
42. If the Council does seek to provide 10% of housing as affordable home ownership (the default figure suggested in the NPPF), then it is suggested that shared ownership is the most appropriate option. If other forms of affordable home ownership are provided, then these should be discounted by 18% for 1 bed homes to 30% for 4+ bed homes.
43. It does however need to be stressed that this report does not provide an affordable housing target; the amount of affordable housing delivered will be limited to the amount that can viably be provided. The evidence does however suggest that affordable housing delivery should be maximised where opportunities arise.

Family Households and the Appropriate Mix of Housing

44. There is expected to be an increase in households with dependent children by 20% from 2020 to 2036 when considering the Standard Method housing need. This increase will be particularly apparent in households with just one dependent child. These demographic projections will have a range of implications for the future demand of different sizes of homes.
45. In addition, there are several factors determining the demand for different sizes of homes: demographic changes; future growth in real earnings and households' ability to save; economic performance and housing affordability.
46. **The analysis suggests that the following mix should be sought:**

Table 1: Suggested Housing Mix

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	0-10%	20-30%	45-55%	15-25%
Affordable home ownership	10-20%	35-45%	35-45%	0-10%
Affordable housing (rented)	25-35%	30-40%	20-30%	5-15%

Source: GLH Analysis of a Range of Sources

47. The suggested mix identified could inform strategic policies, however a flexible approach should be adopted. In applying the mix to individual development sites, regard should be made to the nature of the site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level.

Older and Disabled Persons Needs

48. Consideration of various data sources and research have been made when assessing the needs of older persons and those with some form of a disability. There is a clear link between the two groups, and thus the analysis presents them together.

49. There is expected to be a growth of over 25% in the population aged 65+ over 2020-2036. Linked to this there is expected to be a 35% increase in the number of people aged 65+ with dementia and a 31% increase in those aged 65+ with mobility problems (2020-36).
50. **Recommendation: The analysis finds that in Solihull there is a need to plan for:**
- **Around 2,000 housing units with support (sheltered/retirement housing) in both the market and affordable sectors – 2020-36;**
 - **Around 620 additional housing units with care (e.g. extra-care), around 35% in the affordable sector (2020-36);**
 - **A need for around 1,250 additional care bedspaces (2020-36); and a need for around 700 dwellings to be for wheelchair users (meeting technical standard M4(3)) – 2020-36.**
51. These findings suggest that there is a clear need for the supply of both accessible and adaptable dwellings over the plan period.
52. **Recommendation: The Council should consider requiring that all dwellings, across all tenures, meet M4(2) standards and that at least 5% meet M4(3) standards. These policies should be applied flexibly as some developments may be subject to viability constraints in the private market.**

Needs of Other Specific Groups

53. In addition, the study has also assessed the housing needs of several specific groups, including: Homeless Households, the Private Rented Sector, Custom and Self-built accommodation, Student households, MOD families. The Council has commissioned a separate study to examine the needs of Gypsies and Travellers.
54. It was determined that there is a higher overall rate (per 1,000 households) that are accepted as being homeless and in priority need in Solihull as compared to the West Midlands and England.
55. There is a total of 374 groups or individuals listed on the self and custom build register.
56. **Recommendation: Based on the current register and the historic trends of entry there is a need to plan for 1,862 over the 16-year plan period or 116 per annum.**
57. It is noted however that the Council will have delivered 21 such homes per annum based on the trends of CIL exempt properties. Should be netted off from this need which would reduce the need to 95 dpa. Furthermore, the Council is also seeking to split their register in two parts with a local connection test. This could potentially reduce the need further.
58. On the 2011 Census there were only 16 all-student households in Solihull. There are no planned higher education facilities in the borough, meaning that this will have little to no impact on future housing needs from students. Therefore, no policy response is required.
59. The MOD do not report any military personnel located in Solihull. Therefore, no policy response is required.

60. Drawing on other data the council, over the plan period, has identified a need of 43 pitches to 2027 and has also allocated or given planning permission for 43 pitches over the same period.

Commercial Market Review

61. An assessment of the office and industrial property market was undertaken to understand key trends and occupier needs in Solihull. It should be highlighted that the data collection and analysis was undertaken prior to the COVID-19 pandemic.
62. An analysis of Valuation Office Agency (VOA) floorspace statistics from 2001 to 2018 revealed that office floorspace in Solihull has increased by 18% over the period and industrial floorspace by 12%.
63. Take-up (the leasing or occupational sale of floorspace) and availability (floorspace advertised for occupation) has shown a large concentration of take-up and speculative availability in Blythe Valley Park (BVP) and Birmingham Business Park (BBP). Agents indicated, however, that there are supply issues apparent in Solihull town centre for occupiers seeking high quality floorspace whilst secondary space is being lost to residential through permitted development.
64. An analysis of take-up of industrial property reveals that deals typically concentrate in existing industrial estates such as Monkspath Business Park, Solar Park, Radial Park and Connexions. There is overall very strong demand in the borough, with rents approaching £8 psf, which is the highest rental rate in the greater “golden triangle” of logistics in the Midlands regions.
- 65. Recommendation: The council seek to ensure provision of higher quality office floorspace in the town centre (such as Homer Road) and to provide additional industrial floorspace as supply is constrained in the Borough.**

Local Employment Land Requirements

66. This section of the report draws on several scenarios to estimate local employment land need over the 2020-36 plan period, with UK Central considered separately. Four scenarios have been developed:
- A labour demand baseline scenario – based on the Experian baseline jobs growth forecast (10,000 jobs).
 - A labour demand growth scenario – based on the growth scenario (15,680 jobs);
 - Consideration of the Standard Method labour supply position (13,119 jobs).
 - Scenarios based on past VOA trends; and
 - Influence of UK Central.

67. The results of the employment needs in Solihull are presented below.

Table 2: Range of Local Employment Land Need (sqm) 2020-36 – Solihull

	Labour Demand Baseline Scenario		Labour Demand Growth Scenario		VOA Trend	
	Forecast	Inc margin	Forecast	Inc margin	2001-19	Inc margin
B1a/b	18,480	26,880	43,548	51,948	45,300	53,700
B1c/B2	-71,820	-69,020	-20,803	-18,003	66,700	72,300
B8	56,800	59,600	83,472	86,272		
Total	3,460	17,460	106,217	120,217	112,000	126,000

Source: GL Hearn based on Experian and VOA

68. The variation in numbers, particularly regarding industrial use classes, reflects that industrial employment trends are increasingly divorced from floorspace needs, the latter being required to deliver productivity gains.

69. Floorspace was converted to estimated land need using an assumed plot ratio by use class. The results of this conversion are presented in the table below.

Table 3: Range of Employment Land Need (Ha) 2020-36 – Solihull

	Labour Demand Baseline Scenario		Labour Demand Growth Scenario		VOA Trend	
	Forecast	Inc margin	Forecast	Inc margin	2001-19	Inc margin
B1a/b	3.7	5.8	10.9	13.0	11.3	13.4
B1c/B2	-14.4	-13.2	-4.2	-3.0	14.8	16.0
B8	14.2	15.4	20.9	22.1		
Total	3.5	8.0	27.6	32.1	23.8	29.4

Source: GL Hearn based on Experian and VOA

70. For office floorspace, it is recommended that the labour demand baseline is planned for, with higher levels of office provision and resulting employment provided for at UK Central.

71. Recommendation: There is a need to plan for and deliver 26,880 sqm of offices to meet local needs or 5.8 ha to 2036.

72. In the baseline scenario, general industrial and manufacturing floorspace requirements are forecast to be negative and warehousing positive. This suggests that there may be future employment site losses however additional floorspace will be required overall and that aggregating needs may be misleading. Reflecting on the strong VOA trends, it is recommended that the Council plan for the warehousing requirements with a margin rather than the net position including industrial losses, alongside JLR requirements. This reflects the high demand in warehousing reported in the commercial market review.

73. Recommendation: There is a need to plan for and deliver 73,200 sqm or 16.0 ha of industrial land to 2036, as well as providing for the specific needs of JLR.

74. A review of Solihull demand and supply balance reveals that there is no need for additional office floorspace supply to meet local needs. The supply and demand balance for industrial floorspace shows a shortfall of 26,300 sqm or around 6.5 ha to 2036.

UK Central Hub

75. GL Hearn has been provided with floorspace assumptions by the lead stakeholders for the UK Central Hub developments. Proposals suggest an exceptionally high rate of potential development generating up to some 32,000 jobs across Birmingham Airport, the NEC Pendigo Quarter, JLR and Arden Cross. B Class floorspace could exceed 400,000 sqm by 2036. Arden Cross and Pendigo Quarter in particular will meet some local needs but is also likely attract regional, national and international inward investment. GL Hearn has considered in detail how these relate to the baseline and historic job creation and concludes that around 13,000 additional jobs are likely to be created in the plan period by the UK Central proposals supporting both local growth above the baseline and inward investment. Much of this employment and floorspace delivery is expected later in the Plan period.
76. **Solihull should plan for the creation of around 13,000 jobs above baseline facilitated by UK Central across all use classes. UK Central will deliver a significant quantum of B Class employment floorspace above the local requirements, which is expected to facilitate local employment growth and inward investment.**

1 INTRODUCTION

- 1.1 Solihull Metropolitan Borough Council has commissioned GL Hearn and Justin Gardner Consulting with Icen Projects to undertake a Housing and Economic Development Needs Assessment (HEDNA) for the 2020-36 plan period.
- 1.2 The aim of the Study is to provide robust and sound evidence to support the preparation of Local Plan and particularly planning policies in relation to housing and employment needs. The intention behind the HEDNA is to provide an integrated evidence base regarding future development needs, recognising the interrelationship between employment growth and housing needs.
- 1.3 The Study has been prepared in compliance to National Planning Policy Framework (NPPF 2019) and the revised Planning Policy Guidance (PPG).

Overview of the Methodology

- 1.4 The methodology used in this report responds to the NPPF (2019) which sets out the Government's objective to significantly boost housing supply, and the current PPG. Chapter 5 of the NPPF (2019) relates to delivering a sufficient supply of homes, with Paragraph 60 setting out that *"to determine the minimum number of homes needed, strategic policies should be informed by a local housing need assessment, conducted using the Standard Methodology"*. This is the purpose of this Study.
- 1.5 Paragraph 61 of the NPPF (2019) sets out that *"within this context, the size, type and tenure of housing needed for different groups in the community should be assessed"*. It adds that specific groups include but are not limited to *"those who require affordable housing, families with children, older people, students, people with disabilities, service families, travellers, people who rent their homes and people wishing to commission or build their own homes"*. This Study aims to respond to these assessment requirements.
- 1.6 The Planning Practice Guidance on *Housing & economic needs assessments*¹ requires that housing need be assessed using the government's Standard Methodology. The Standard Methodology seeks to simplify the approach to housing need and has three components:
- Starting Point or Baseline.
 - Affordability/Market Signals Adjustment; and
 - Cap to ensure deliverability.

¹ Available at: <https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments>

- 1.7 The starting point or demographic baseline continues to be the 2014-based projections as stated in the Standard Method². The approach takes an average annual household growth from these projections over ten years from the current year.
- 1.8 The baseline household growth is then modified to account for market signals. Specifically, it uses a formula which draws on the ratio of local median house prices relative to local workplace-based median earnings. This data is published annually by the DCLG with the most recent data from 2019 as published in March 2020³.
- 1.9 To ensure that the proposed housing need is as deliverable as possible, the housing need calculated in step 2 is capped at 40% above the housing target in adopted local plans where these plans are less than 5 years old. Where local plans are older than five years then the Local Housing Need (LHN) is capped 40% above the higher of either the baseline growth from step 1 or the annual housing requirement figure currently set out in their local plan. Currently, Solihull has a local plan which is more than five years old, adopted in December 2013 so the latter applies.
- 1.10 In Chapter 3 we present in detail the calculation of the Local Housing Need following the Standard Method approach.
- 1.11 As paragraph 12 of the PPG states “The method provides authorities with an annual number, based on a 10-year base line, which can be applied to the whole plan period.” For the purposes of this study we have used applied the calculation to the 2020 to 2036 period.

Affordable Housing Needs

- 1.12 Annex 2 of the NPPF defines affordable housing as “housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers)”. This includes the notable inclusion of affordable home ownership products not previously included within the definition.
- 1.13 Whilst the definition of affordable housing has changed in the new NPPF, it remains the case that the measure of (demand) ‘need’ remains broadly the same, namely: households whose needs are not met by the market. We can confirm our approach will examine the need for both affordable rental and affordable home ownership products. The latter analysis feeds into the Government’s particular interest in increasing home ownership. Our approach is presented in detail in Chapter 8.

² Housing and economic needs assessment Paragraph: 004 Reference ID: 2a-004-20190220, Step 1, available at: <https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments>

³ Available at:

<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoworkplacebasedearningslowerquartileandmedian>

Economic Development Needs

- 1.14 Chapter 6 of the NPPF 2019 focuses on building a strong, competitive economy. It notes that planning policies and decisions should help create the conditions in which businesses can invest, expand and adapt. Planning policies should:
- set out a clear economic vision and strategy which positively and proactively encourages sustainable economic growth, having regard to Local Industrial Strategies and other local policies for economic development and regeneration;
 - set criteria, or identify strategic sites, for local and inward investment to match the strategy and to meet anticipated needs over the plan period;
 - seek to address potential barriers to investment, such as inadequate infrastructure, services or housing, or a poor environment; and
 - be flexible enough to accommodate needs not anticipated in the plan, allow for new and flexible working practices (such as live-work accommodation), and to enable a rapid response to changes in economic circumstances.
- 1.15 Chapter 13 presents the approach adopted herein to translate employment growth into land requirements that have been produced in compliance to NPPF and PPG (2019).

Policy and Evidence Review

- 1.16 The Solihull Local Plan 2013 covers the period 2011 to 2028. Since the Local Plan was adopted, a legal challenge has resulted in the overall housing requirement being deleted and remitted back to the Council for reconsideration.
- 1.17 In addition, HS2 plans were granted Royal Assent in February 2017 and Phase 1 should be running by 2028-31. Due to these reasons the Council has been undertaking a Local Plan Review since July 2015. The Plan is expected to be adopted by Spring/Summer 2021, according to the Council⁴.
- 1.18 We have summarised in this section all the relevant evidence and policy documents that have been produced since the adoption of the Local Plan (December 2013) in reverse chronological order.

Draft Local Plan (Supplementary Consultation), January 2019

- 1.19 The Draft Local Plan Supplementary Consultation took place from January to March 2019.
- 1.20 This confirmed that Solihull falls within the Greater Birmingham Housing Market Area and thus it has a duty to cooperate with the other HMA planning authorities to meet the housing shortfall. In particular, the Draft Local Plan has included a commitment to accommodate 2,000 dwellings from the HMA shortfall.

⁴ Local Development Scheme January 2020 available at:
https://www.solihull.gov.uk/Portals/0/Planning/Local_Development_Scheme_Jan_2020.pdf

- 1.21 When applying this to the Standard Method outcome it would require 15,039 dwelling to be delivered over the period 2018 to 2035 equating to 885 dwellings per year. This rate of development represents a doubling of the average rate achieved over the last 10 years in Solihull. Based on the housing requirement of 15,039 dwellings and considering the land supply identified there is an indicated surplus of 726 dwellings.
- 1.22 However, 66% of the Borough is located within the Green Belt and only 3.5% of the sites promoted are on land outside of Green Belt. Therefore, the Council believes that exceptional circumstances exist for some land to be released from the Green Belt to accommodate the Borough's own needs; let alone those from the HMA.

Greater Birmingham HMA Strategic Growth Study, A strategic Growth Study into the Greater Birmingham and Black Country Housing Market Area, February 2018

- 1.23 The Strategic Growth Study was a study undertaken on behalf of the 14 authorities in the Greater Birmingham Housing Market Area (HMA). The Birmingham functional HMA extends to include the Black Country and parts of Worcestershire, Warwickshire and Staffordshire.
- 1.24 Over the period to 2036, a baseline or minimum level of need for 255,000 dwellings is shown, whilst of the Economy Plus Scenario (aspirational employment growth) could require additional economic-led migration resulting in the need for 310,000 homes.
- 1.25 Based on the then current evidence, provision of between 205,000 to 246,000 homes across the Birmingham HMA to 2031; and 256,000 to 310,000 homes to 2036 (from a 2011 baseline) is required to meet Birmingham HMA's housing need. The analysis on developable land supply shows the current identified supply results in a shortfall of 28,150 dwelling to 2031 and 60,900 dwellings to 2036 across the Birmingham HMA.
- 1.26 However, if densities of 40 dph are achieved in the conurbation (Birmingham and Black Country urban area), with minimum densities of 35dph in other parts of the HMA. This would yield an additional supply of 13,000 dwellings, principally over the period to 2031.
- 1.27 The Strategic Growth study also reiterates the fact that Solihull's Draft Local Plan makes the provision for 2,000 dwellings contribution towards unmet needs within the Birmingham HMA over its plan period to 2033.

Solihull Strategic Housing Market Assessment Part 1 Objectively Assessed Need, November 2016

- 1.28 In April 2014, a legal challenge to Solihull Local Plan caused the withdrawal of Policy P5 from the Local Plan removing the housing target which sought to deliver 11,000 homes over the period 2006 to 2028 (500dpa) from the Local Plan.
- 1.29 The OAN for Solihull at that time was either 13,094 or 14,278 (689 or 751dpa) (2014-based SNPP, 2014-based Household projections). Both figures have been revised upwards to reflect a market signal adjustment and provides sufficient homes for the labour demand (economic-led need).
- 1.30 The higher OAN outcome included a further adjustment because Solihull chose to adopt a different base date for its new plan from its nearest and most relevant HMA neighbour (Birmingham).

Solihull Local Plan Review Draft Local Plan, November 2016

- 1.31 The 2016 Draft Local Plan “Reviewing the Plan for Solihull’s Future” was published in November 2016. This outlined the vision for Solihull over the period 2014 to 2033 to be a place “where everyone has an equal chance to be healthier, happier, safer and prosperous.”
- 1.32 The Draft Local Plan set a provisional target of 791 homes to be delivered per year from 2014 to 2033 (an overall need of 15,029 homes across the 19-year plan period).
- 1.33 Draft Policy P4a Affordable Housing set the affordable housing requirement for Solihull where sites of comprised of 11+ units or had a combined floor space of more than 1,000 sqm had to provide affordable housing.
- 1.34 The Draft Policy also stated that where on-site provision was not feasible or viable a financial contribution towards the provision of affordable housing should be made. This policy is justified on the basis that the ratio of lower quartile house prices to lower quartile earning in 2015 was 8.45, notably higher than England (7.02).
- 1.35 Draft Policy P5, Provision of Land for Housing, estimates land capacity for 15,500 homes in the Borough this ensures an estimated 8% margin on land available to deliver the required 15,029 homes between 2014-2033.

Solihull Strategic Housing Market Assessment Part 2 Objectively Assessed Need for Affordable Housing, November 2016

- 1.36 The second part of the Solihull Strategic Housing Market Assessment focused on calculating the level of affordable housing need and the size and the tenure of dwellings required. The modelling used the OAN determined in Part 1 (751 dpa) in Solihull between 2014 and 2033.
- 1.37 The total annual affordable housing need in Solihull was calculated as 210 households per year representing 28.7% of the annual projected household growth in the Borough between 2014 and 2033.
- 1.38 The profile tenure split determined in the SHMA 2016 was 73.1% market, 20% affordable and social rent and 6.9% shared ownership.
- 1.39 The report also identified a net need for one, 3- and 4- bedroom affordable housing and a surplus of 2-bedroom homes across the Borough. The largest net need is for 1-bedroom flats with 3,627 dwellings needed between 2014 and 2033 and 3-bedroom houses with a need of 3,473.

Solihull Strategic Housing and Employment Land Availability Assessment, November 2016

- 1.40 The Strategic Housing Employment and Land Availability Assessment identified sites through a call for sites exercise in 2015.
- 1.41 A total of 167 sites were assessed for housing which could potentially yield around 31,085 dwellings. Of which 7,205 dwellings could be expected to come forwards in years 1 to 5, 9,262 dwelling in years 6-10, 8,878 in 11-17 years and 6,740 dwelling expected beyond the plan period.
- 1.42 Of the identified supply expected to come forward in years 1 to 5 98.1% of the supply is in the Green Belt (7,071 dwellings of 7,205 dwellings). The percentage of supply in the Green Belt increases to 93.5% in years 6-10 (8,660 dwellings) and 95.5% in years 11-77 (7,524 dwellings)
- 1.43 A total of 27 potential employment sites containing approximately 430 ha of land were put forward in the call for sites exercise. Just over half of the 430 ha were assessed for industrial activity, 9ha was identified for a mix of B1b, B1c and B2 Use Classes and the remainder (178ha) for strategic distribution park use (B8 Use Class). Only 9.5ha of land across four sites were assessed for office use B1a Use Class.

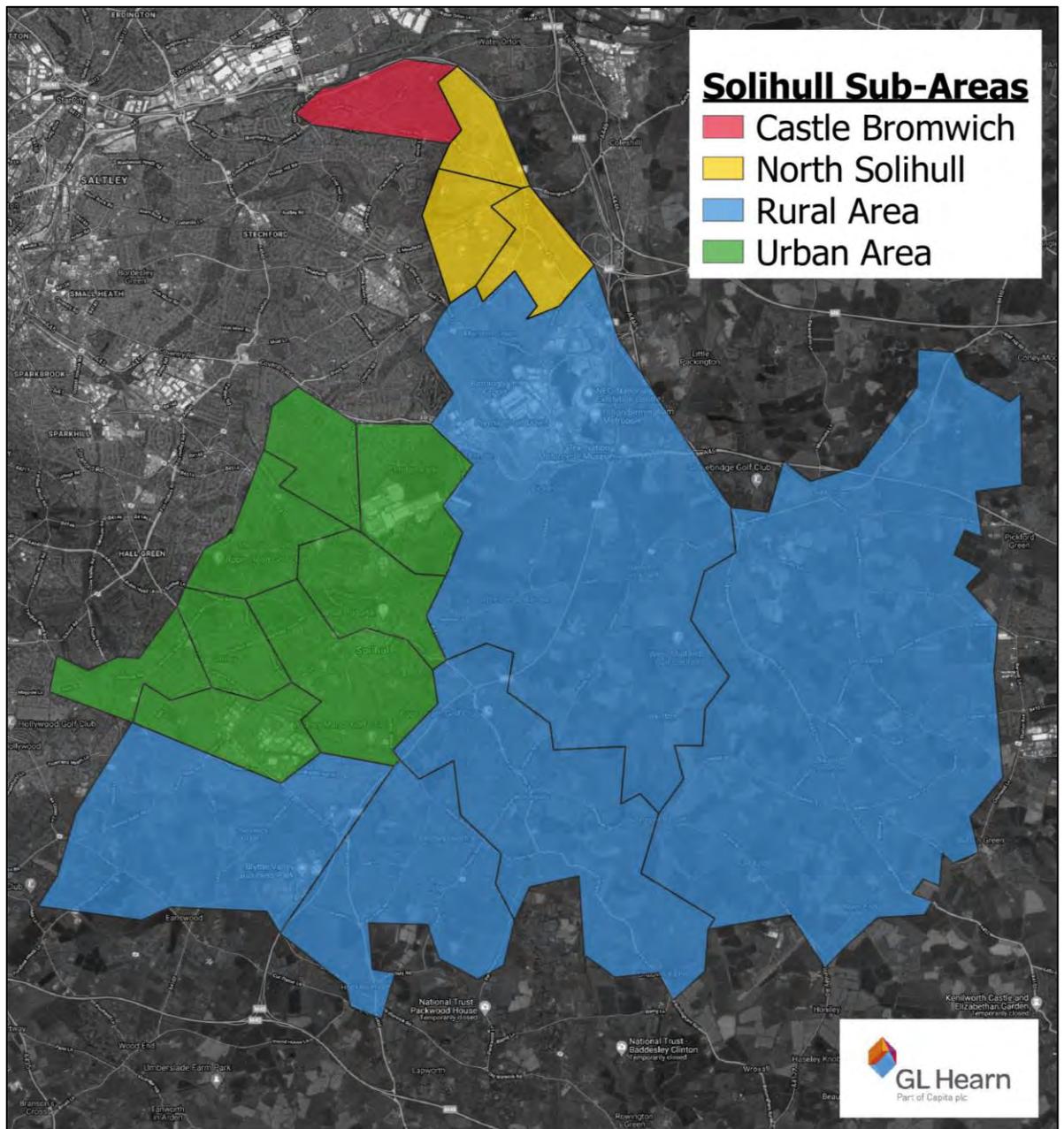
Geographies

1.44 This HEDNA report deals specifically with development needs in Solihull Metropolitan Borough Council's administrative area together with the four Sub Areas identified initially in SHMA 2009 (SLP020)⁵ that supported the Local Development Framework preparation and since then the Council has slightly updated their boundaries with the Castle Bromwich area removed from the wider urban area and the Regeneration Area renamed as North Solihull. The full ward breakdown is as follows and illustrated in Figure 1:

- **Castle Bromwich**, extending on the boundaries of Castle Bromwich ward.
- **North Solihull**, extending on the boundaries of Chelmsley Wood, Kingshurst and Fordbridge and Smith's Wood wards.
- **Urban Area**, extending on the boundaries of Elmdon, Lyndon, Olton, St Alphege, Shirley East, Shirley South, Shirley West and Solihull wards.
- **Rural Area**, extending on the boundaries of Bickenhill, Blythe, Dorridge and Hockley Heath, Knowle and Meriden wards.

⁵ Available at https://www.solihull.gov.uk/Portals/0/Planning/LDF/Solihull_SHMA.pdf - that study identified 3 sub-areas

Figure 1: Solihull Sub Areas



Source: GL Hearn based on Ordnance Survey Data

1.45 The analysis uses local authority level data and compares trends in Solihull Borough with wider areas such as the West Midlands and England. Where possible we also present an analysis of the four Sub-areas together with localised indicators as appropriate based on data availability.

- 1.46 It should be clear that the Study does not examine the needs across the Greater Birmingham HMA, which Solihull falls within.

Structure of the Study

- 1.47 The remainder study is structured as below:
- [Chapter 2](#): Demographic Profile and Housing Need
 - [Chapter 3](#): Housing Market Dynamics
 - [Chapter 4](#): The Economy and Labour Market
 - [Chapter 5](#): Employment Forecasts
 - [Chapter 6](#): Economic Led Housing Need
 - [Chapter 7](#): Affordable Housing Need
 - [Chapter 8](#): Family Households and Appropriate Mix of Housing
 - [Chapter 9](#): Older and Disabled Persons Needs
 - [Chapter 10](#): Needs of Other Specific Groups
 - [Chapter 11](#): Commercial Market Review
 - [Chapter 12](#): Employment Land Requirements

2 DEMOGRAPHIC PROFILE AND HOUSING NEED

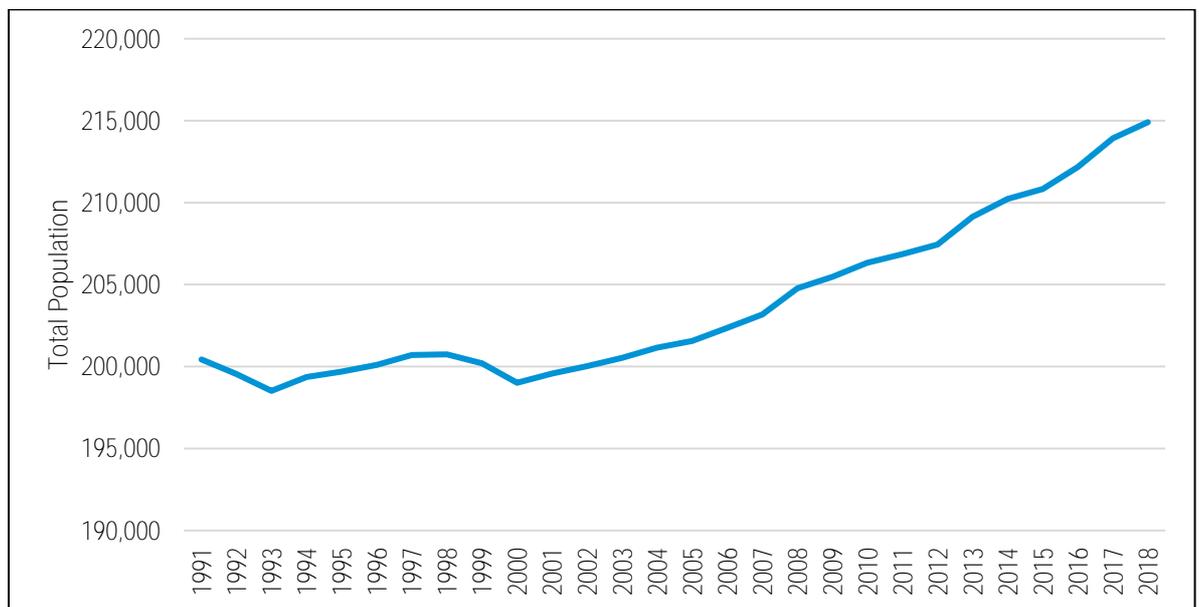
2.1 This section analyses key socio-economic indicators and demographic trends. It also examines local housing need and sets out future projections for population and household growth lined to this. This is a key output of the HEDNA.

Population Trends

2.2 According to the Office for National Statistics (ONS) and their Mid-Year Population Estimates (MYE) as of mid-2018, Solihull's population totals 214,910. Figure 2 indicates how the population has changed since 1991.

2.3 Over this period, the population has grown by 7.2%, with an average annual growth of 0.26%. As the graph shows, the population of Solihull remained stable until 2000 followed by gradual growth since. This can in part be linked increased house building in the Borough as well as migration from the EU which expanded to include several eastern European countries in 2004.

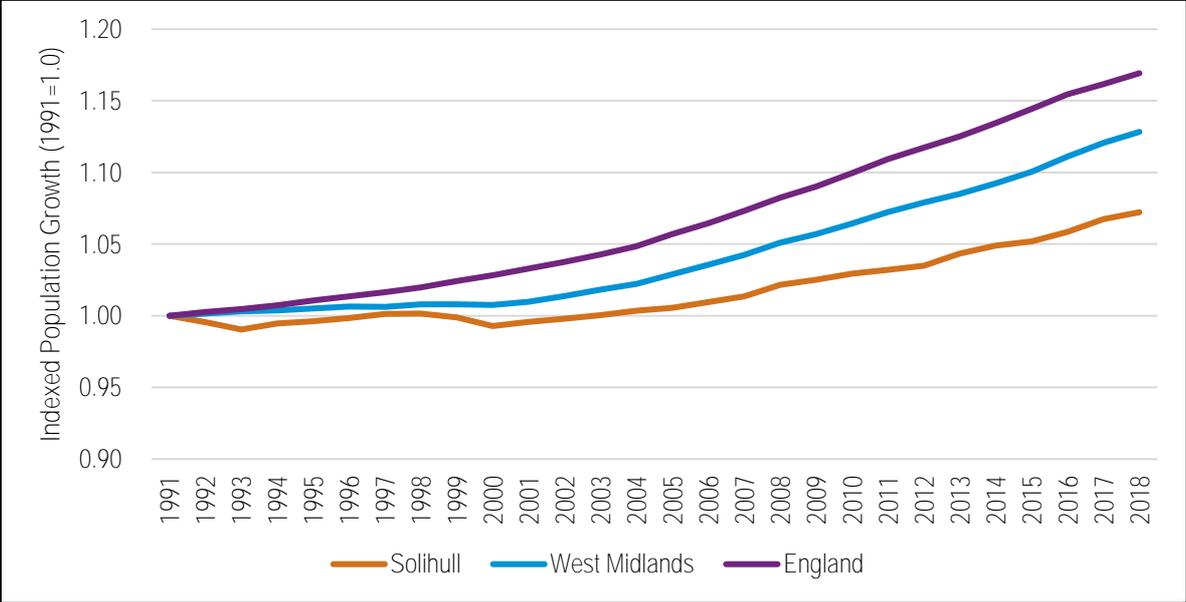
Figure 2: Population change in Solihull, 1991-2018



Source: ONS Mid-Year Population Estimates

2.4 Figure 3 compares the population growth in Solihull to growth in the West Midlands and England. This shows that the Solihull population growth of 7% since 1991 was lower in comparative terms to the West Midlands (13%) and the England (17%).

Figure 3: Benchmarking Population Growth, 1991-2018 (Indexed:1991)



Source: ONS Mid-Year Population Estimates

2.5 Solihull's relative population growth has been consistently slower than those of the wider comparators. This was particularly the case in the period prior to 2000 when population growth in the borough was negative and was flat regionally but growing across the country.

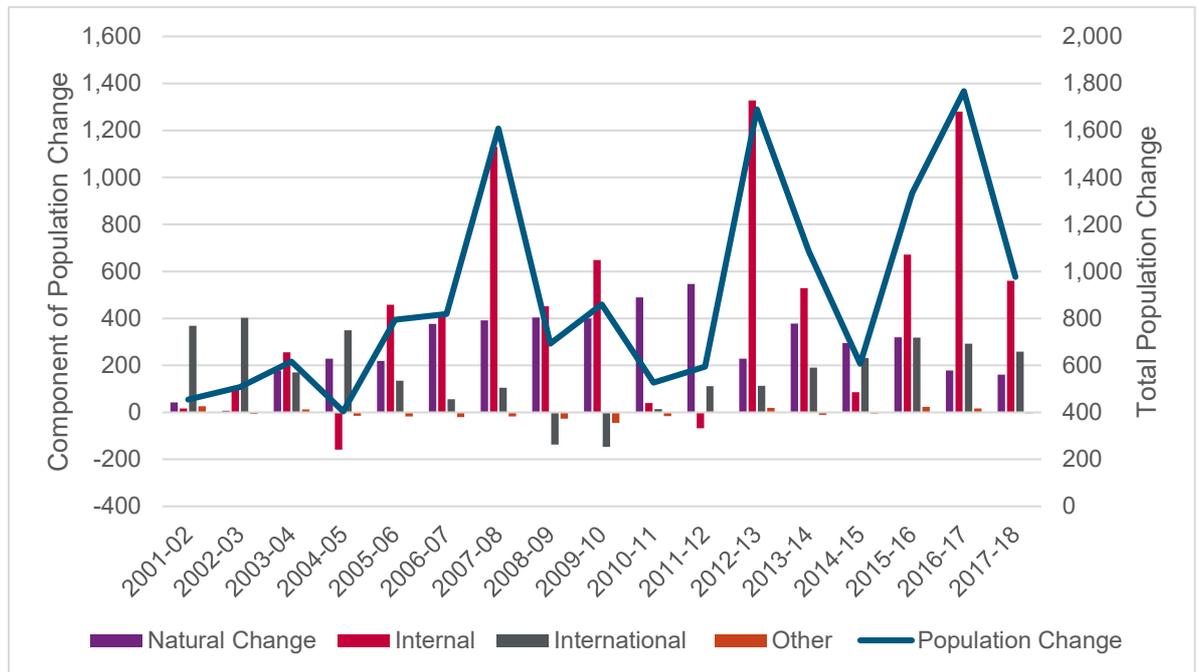
Components of Past Population Change

2.6 The historic drivers of population change in the Borough from 2001 to 2018 (the longest period for which reasonably quality data is available) is presented in Figure 4 overleaf. The population change has been largely driven by Internal migration from elsewhere in the UK.

2.7 Natural change (births minus deaths) and international migration have also been positive although the former has been falling over the last few years. Since 2001 international migration has played a larger role in population growth.

2.8 This is reflected in the experiences of local agents who have indicated that the housing market in Solihull receives interest from a diverse range of people. It is notable that first-time buyers are particularly attracted to the Borough, however, agents noted that the first-time buyer are typically older in Solihull due to the higher price point when compared to the surrounding areas.

Figure 4: Components of Change



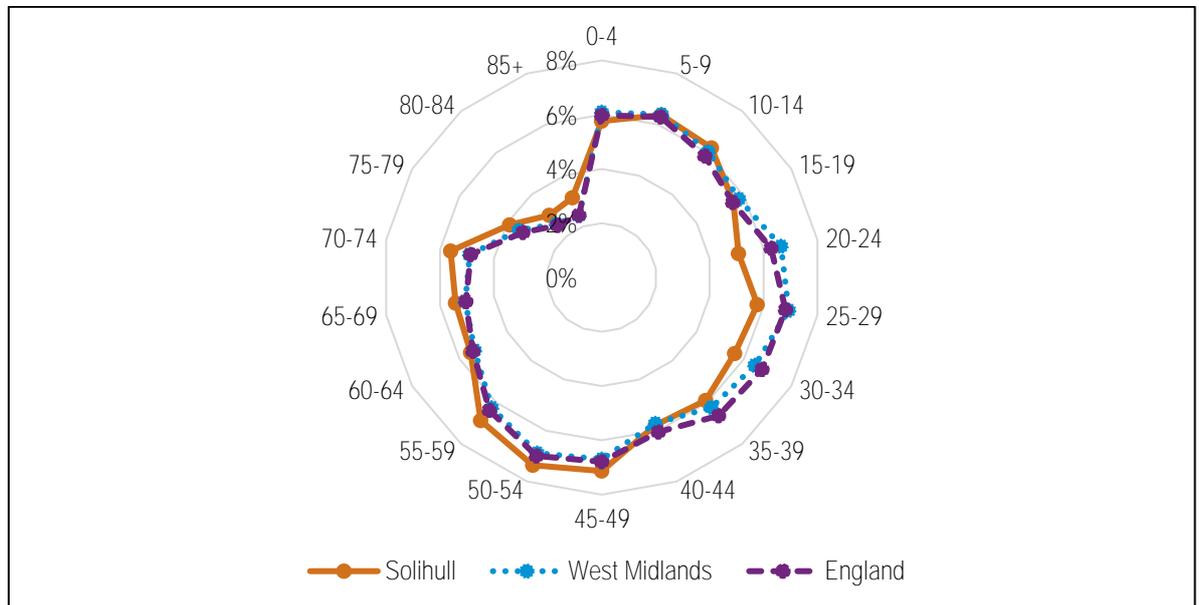
Source: ONS Mid-Year Population Estimates

- 2.9 Within ONS data there is also an ‘other’ changes category and included within this are changes related to armed forces and prison populations and also unattributable population change (UPC).
- 2.10 UPC is an adjustment made by ONS to mid-year population estimates where Census data has suggested that population growth had either been over- or under-estimated in the inter-Census years. As UPC links back to Census data, a figure is only provided up to 2011 and in the case of Solihull indicates that the MYE had been over-estimating population growth.

Age Structure

- 2.11 Compared to the national average, Solihull’s population structure has a slightly higher proportion of people in every age cohort 45 years old and above. Linked to this is the number of families with children which results in a relatively higher representation of the age groups 5 to 14 years of age.
- 2.12 There are three age groups where Solihull has a relatively low percentage of population, these being those their early working age. This tends to be the case in locations which do not have a University. However, it is also indicative that Solihull will have a lower proportion of young working professionals which may reflect the type and cost of housing available.

Figure 5: Population Profile, 2018



Source: ONS 2018 Mid-Year Population Estimates

Objectively Assessed Housing Need

2.13 Our approach below sets out an assessment of housing need for Solihull using the three-step approach as set out in the PPG.

Step 1 – Setting the baseline

2.14 Step 1 sets the baseline using national household growth projections (2014-based household projections). The PPG advises that “the projected average annual household growth over a 10-year period (this should be 10 consecutive years, with the current year being the first year)” should be used. We have interpreted the “current” year as 2020.

2.15 Although step 1 is assessed over the next ten years, the figure can be used across the whole plan period to 2036. This is confirmed in paragraph 12 of the PPG (Reference ID: 2a-012-20190220) which states “The method provides authorities with an annual number, based on a 10-year base line, which can be applied to the whole plan period”.

2.16 The 2014-based projections show the number of households in Solihull are expected to grow from 90,938 in 2020 to 97,259 in 2030. This is a total growth of 6,321 new households over the ten-year period. **Therefore, the annual average household growth is projected to be 632 households which is the core output of step 1.**

Step 2 – An adjustment to take account of affordability

2.17 Step 2 then adjusts the average annual projected household growth figure (as calculated in step 1) based on the relative affordability of housing the area. This draws on the most recent median workplace-based affordability ratios. By this measure, Solihull's affordability ratio is 8.4 (2019).

2.18 For every percentage point the ratio is above 4, the household projections are increased by 0.25%. Four is seen as a reasonable multiple based on standard lending practices. The formula for the adjustment in Solihull is calculated as below:

$$\text{Adjustment Factor} = \left(\frac{8.4 - 4}{4} \right) \times 0.25 + 1 = 0.28 \text{ or } 128\%$$

2.19 Applying the adjustment formula results in an uplift of 28% to Step 1. **This results in a local housing need of 807 dpa and is the core output of Step 2.** This is the uncapped need and if this need cannot be met, the local authority will need to demonstrate why and how they are dealing with it.

Step 3 – Capping the level of any increase

2.20 The third step of the Standard Method is to cap the level of increase to a level which is deliverable. The cap comes in the form of a 40% cap in the increase. However, what figure the cap is placed on depends on the age of the Local Plan and the extent of the housing target within it.

- Where the Local Plan is adopted within the last 5 years (at the point of making the calculation), the local housing need figure is capped at 40% above the existing housing target.
- Where the Local Plan was adopted more than 5 years ago then the cap is placed at 40% above the higher of either the existing housing target or the household forecasts.

2.21 In case of Solihull, the challenge to the Local Plan by Gallagher Homes Ltd. and Lioncourt Homes Ltd led to a High Court judgment on 30th April 2014 and an Order was subsequently made on 15th May 2014 to delete the Plan's housing requirement.

2.22 As there is no up to date housing target the cap is set at 40% above the average annual household growth in Step 1 (632) . This would set a notional cap of 884 dpa.

2.23 As the cap is greater than the minimum annual local housing need figure from step 2 (807 dpa) it therefore does not cap the local authority's minimum annual housing need figure. **The minimum local housing need figure for Solihull is therefore 807 dpa.**

2.24 The approach is based on the 2019 based affordability ratio which is updated each year in March. The housing need is also updated annually in January as the starting point moves on a year. Paragraph 8 of the PPG (Reference ID: 2a-008-20190220) states that:

“local housing need calculated using the standard method may be relied upon for a period of 2 years from the time that a plan is submitted to the Planning Inspectorate for examination”

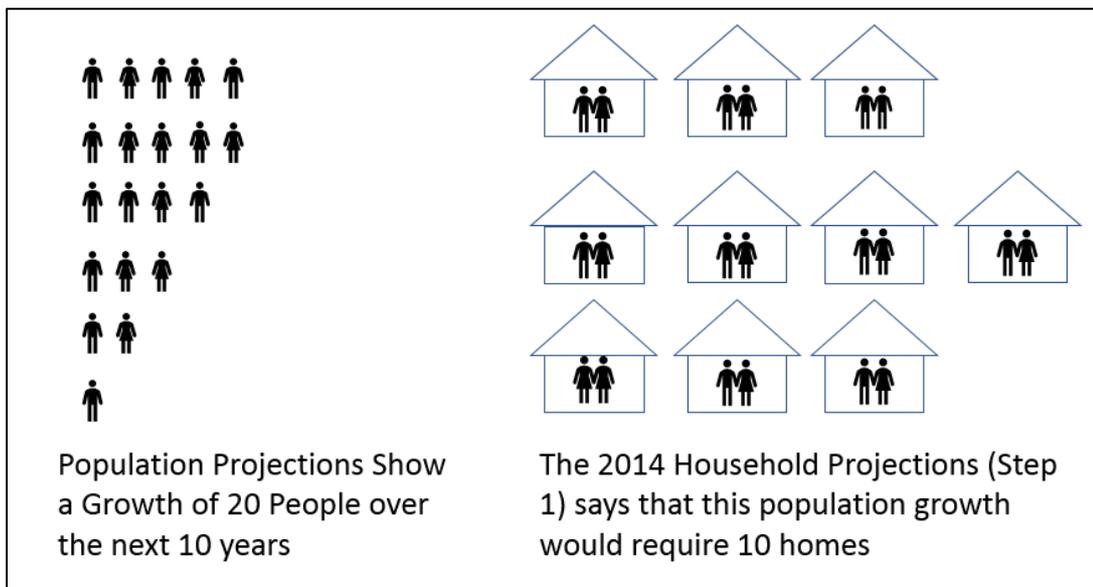
Approach to Population Growth

2.25 As set out above the Standard Method would lead to a housing need of 807 dwellings per annum in Solihull. This is based on a household growth of 632 respectively this equates to an increase of 175 dpa above the official projections. To input into later parts of this study, it is necessary to translate this level of dwelling growth into a population projection.

2.26 In creating this population projection, it is necessary to extend the period examined to cover the period to 2036. We have summarised our approach to developing a population based on 807 dpa and the reason why this is required.

2.27 The 2014-based household projections are used as the starting point (step 1) of the Standard Method and these are based on the 2014-based sub-national population projections (SNPP) (see Figure 6 below).

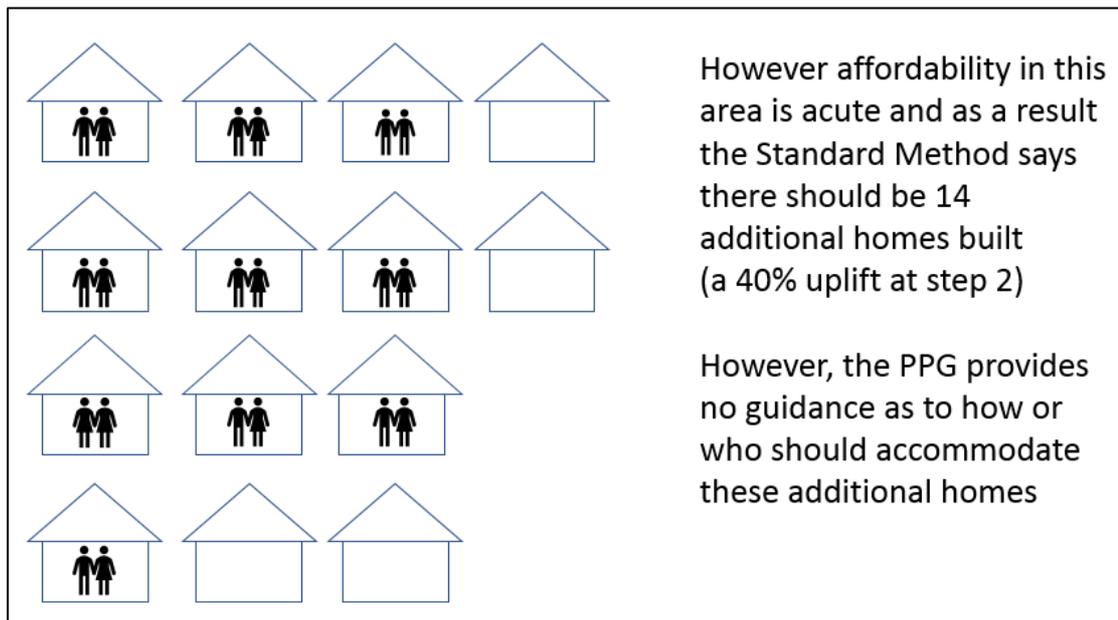
Figure 6: Infographic on Step 1 of the Standard Method



Source: GL Hearn

2.28 However, step 2 and 3 results in an increase in housing need 28% above the household projections in Solihull. However, the PPG does not provide any indication of how and who these additional 175 homes are to be occupied by (see Figure 7).

Figure 7: Infographic on Step 2 of the Standard Method



Source: GL Hearn

2.29 How these additional homes (175 in the case of Solihull) are occupied is crucial for assessing population growth. Paragraph 6 of the PPG (Reference ID: 2a-006-20190220) indicates how MHCLG think these homes should be occupied (assuming they are to be occupied):

“An affordability adjustment is applied as household growth on its own is insufficient as an indicator of future housing need because:

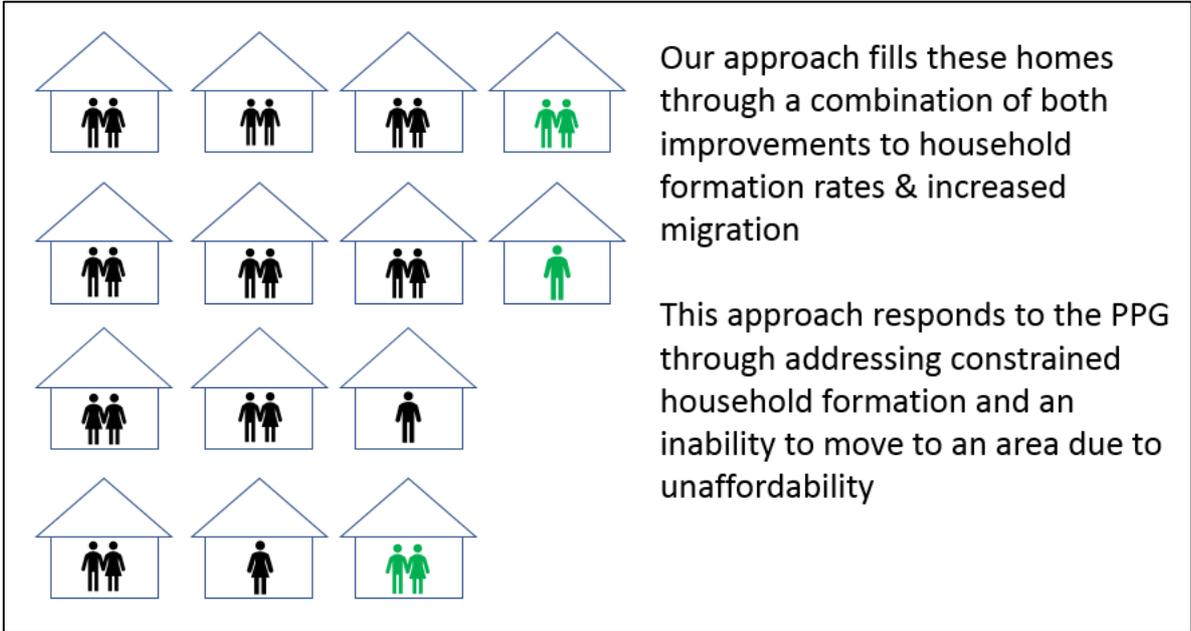
- *household formation is constrained to the supply of available properties – new households cannot form if there is nowhere for them to live; and*
- *people may want to live in an area in which they do not reside currently, for example to be near to work, but be unable to find appropriate accommodation that they can afford.*

The affordability adjustment is applied in order to ensure that the Standard Method for assessing local housing need responds to price signals and is consistent with the policy objective of significantly boosting the supply of homes. The specific adjustment in this guidance is set at a level to ensure that minimum annual housing need starts to address the affordability of homes.”

2.30 In essence, Step 2 is a response to worsening affordability which has reduced household formation rates and reduced migration. However, the PPG does not provide guidance as to the balance of these adjustments to the factors identified.

- 2.31 If it is assumed that the adjustment fills these homes with just the indigenous population, who previously were unable to form, this would result in unprecedented levels of household formation. This would result in greatly reduced household sizes i.e. very many single persons households. However, there is no indication such levels are desired.
- 2.32 If it is assumed that all the homes are to be filled (excluding a small vacancy allowance) with increased migration this would not allow for improvements to local household formation rates. There is also an issue in that by drawing a population from another area this would result in a decreased need in that area they have moved from. However, the Standard Method does not reflect this logic and that potential issue remains unresolved.
- 2.33 As set out in Figure 8 our approach is to make reasonable adjustments (improvements) to household formation rates with the remainder occupied by further in-migration. In relation to alternative approaches to household formation rates, a scenario has been derived which is a mid-way point between the 2014-based HFR and the pre-recession 2008-based figures.

Figure 8: Infographic on Proposed Approach to Population Outputs



Source: GL Hearn

- 2.34 In summary, the approach to filling the additional 175 dwellings above the household projections is through a combination of spreading the current and projected population into a greater number of households i.e. increasing household formation rates and increasing the population growth to fill the remaining dwellings through increased migration.

- 2.35 It should be noted that in coming to a view on the population growth to fill the additional homes the model has taken as a starting point the 2018-based sub-national population projections and using completions from 2018-2020 to model population growth in the interim.
- 2.36 This approach is justified based on it being the most recent available data and considers the Office for National Statistics (ONS) current view on migration, fertility and mortality. This includes the known slowing of improvements to life expectancy.
- 2.37 Within the modelling, migration assumptions have been changed so that across Solihull the increase in households matches the relevant housing need (including a local authority vacancy allowance based on Council Tax Records).
- 2.38 Our two-step process therefore firstly improves household formation rates to a level which might be reasonable based on historic trends. The second step then adjusts migration (link to underlying assumptions in the 2018 Sub-National Population Projections (SNPP alternative internal migration scenario) which utilises more recent data and based on the same methodology as 2014-based) to a point where household growth matches 807 dpa with the exception of a vacancy rate to allow for churn in the market.
- 2.39 We have used the 2018-based SNPP (alternative internal migration) projection as a baseline population growth for two reasons. Firstly, it is considered that the principal projection does not have sufficient data about internal migration to be considered robust, particularly when looking 16-years into the future. This is because the principal projection is only based on 2-years of internal migration data.
- 2.40 Secondly, while we recognise that the 10-year migration projection has more data much of this reflects the lower rate of growth in earlier years. Given the notable upturn in completions in Solihull we therefore do not consider it as robust for Solihull.
- 2.41 In moving forward, it should be stressed that this only impacts the profile of migration and not the overall level of migration which will be linked to 807 dpa. In the case of fertility and mortality assumptions the rates will be identical regardless of the scenario used as a baseline.

Baseline Population

- 2.42 As well as projecting population growth based on the Standard Method there is a more immediate issue of the population starting points. For this we have considered more recent information on

population growth from published sources for the population to 2018 and to project the growth to 2020 based on housing delivery. Specifically, we have:

- Accepted the 2011 MYE as accurate (these were largely based on 2011 Census data)
- Taken an average of the MYE population growth and 71% of the Patient Register growth to represent a reasonable level of population change since 2011 (71% is taken to reflect difference in growth from MYE data at regional and national level.
- The analysis also takes account (in the same way) of age structure changes

2.43 The initial analysis gives an estimated population in 2018 which is marginally lower than the MYE (-449) and also has a marginally different age profile. This is then rolled forward to 2020 using a combination of data about completions, projected completions and past trends. The table below shows the MYE, the revised MYE based on NHS data and our estimation of the 2020 population.

Table 4: Total population estimated in 2018 MYE and by GLH and rolled forward to 2020

	MYE 2018	GLH 2018	GLH 2020
Solihull	214,909	214,460	217,047

Source: Derived from ONS data

Projected Population Change

2.44 After establishing the starting point of the analysis, we are required to build a bespoke population projection which is constrained to 807 dwellings per annum. This model uses the following assumptions:

- Uses the starting point population and age profile set out above
- Initial growth based on the 2016-based SNPP (alternative migration variable) including fertility and mortality assumptions and 2016-based Household Projections however these are:
 - Adjusted the household formation rates to a midpoint between the 2008-based and 2014-based household projections
 - Adjusted the migration assumptions by reducing out-migration and increasing in migration in equal measures to a point where 807 dpa are occupied.

2.45 The table below shows the resultant projected population change in Solihull over the plan period. The projected change in population is around 23,400 people relating to a 10.8% increase across the Borough.

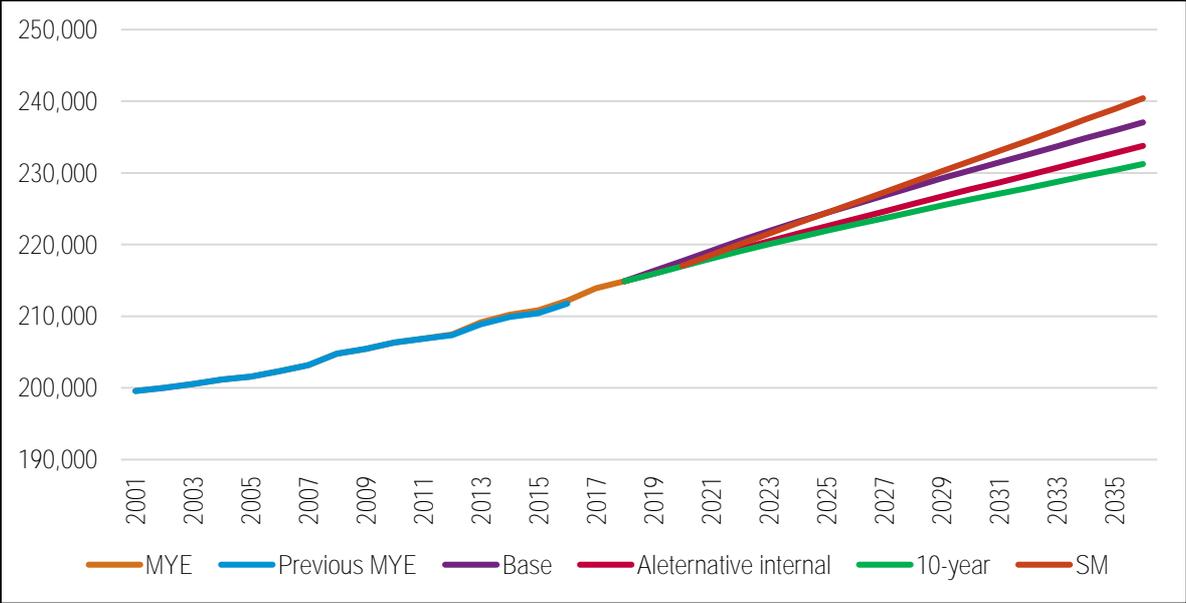
Table 5: Projected population change in Solihull (2020-36) – linked to Standard Method

	Population 2020	Population 2036	Change in population	% change
Total	217,047	240,417	23,369	10.8%

Source: Demographic projections

2.46 As the figure below illustrates the population growth linked to the Standard Method is considerably higher than the official population projections including its variants. By 2036 the population of Solihull is expected to reach just over 240,000. This compares to 237,000 in the base population projection and 231,250 in the 10-year migration variant.

Figure 9: Past and Projected Population Growth – Solihull



Source: Demographic projections

Age Profile

2.47 The growth in population also has a notable impact on the age profile of the Borough. The table overleaf shows the population change by five years age bands across the Solihull. The highest population growth is expected to those 85+ years old with 53%, followed by the 80-84 (26%).

2.48 The growth in the older population reflects the national position with official projections forecasting a significant increase in these age cohorts. The other age bands of 65+ years old also see significant growth.

2.49 This growth also has a significant implication on the demand for specialist housing for older and disabled people. This is explored in more detail within Chapter 9 of this report.

Table 6: Projected population change in Solihull (2020-36) – linked to Standard Method

	Population 2020	Population 2036	Change in population	% change
0-4	12,266	13,441	1,175	9.6%
5-9	13,881	14,553	672	4.8%
10-14	13,594	14,968	1,374	10.1%
15-19	11,803	13,812	2,009	17.0%
20-24	10,695	11,469	775	7.2%
25-29	12,338	13,100	761	6.2%
30-34	12,748	13,188	441	3.5%
35-39	12,986	14,935	1,949	15.0%
40-44	13,035	16,125	3,090	23.7%
45-49	14,448	16,257	1,810	12.5%
50-54	15,716	14,985	-731	-4.7%
55-59	15,268	13,671	-1,597	-10.5%
60-64	12,670	13,103	434	3.4%
65-69	11,326	13,881	2,555	22.6%
70-74	11,765	13,270	1,505	12.8%
75-79	9,022	10,786	1,763	19.5%
80-84	6,599	8,335	1,736	26.3%
85 & over	6,889	10,537	3,648	53.0%
Total	217,047	240,417	23,369	10.8%

Source: Demographic projections

- 2.50 There is also a notable absolute growth in those aged 35-49 which is expected to grow by almost 7,000 people most of whom will be in employment. Of this there is expected to be an additional 3,090 people aged 40-44. Linked to this, school-aged children (0-19) are also expected to grow significantly in Solihull. There is a forecasted growth of 17% for the 15-19 age band, followed by a 10% increase in those aged between 10 and 14 years old.

Household Change

- 2.51 We have also translated the population growth linked to the Standard Method back into a household growth by type. The table below illustrates the outputs of this modelling. This shows a growth of 12,536 households or 13.8% although the number of dwellings is expected to increase slightly more (807dpa x 16 =12,912) as we have made an allowance for some homes to remain vacant.
- 2.52 The largest growth is in households with one dependent child although there is also growth in the number of households with more than one child.

2.53 There is also expected to be a significant growth in single persons households and households comprising of just an older couple. This is in part linked to life expectancy improvements with more couples surviving but also living for longer without their partner.

Table 7: Change in household types in Solihull (2020-36) – linked to Standard Method

	2020	2036	Change	% change
One-person household (aged 65 and over)	12,666	14,223	1,558	12.3%
One-person household (aged under 65)	14,357	17,542	3,184	22.2%
Couple (aged 65 and over)	12,915	16,356	3,440	26.6%
Couple (aged under 65)	9,403	6,787	-2,616	-27.8%
A couple and one or more other adults: No dependent children	8,109	8,700	590	7.3%
Households with one dependent child	13,127	16,737	3,610	27.5%
Households with two dependent children	11,386	13,218	1,832	16.1%
Households with three dependent children	3,950	4,101	151	3.8%
Other households	5,146	5,931	785	15.3%
Total	91,059	103,595	12,536	13.8%
Total households with dependent children	28,463	34,057	5,594	19.7%

Source: Demographic projections

2.54 The only household type which is expected to see a decline are those comprising a couple aged under 65 which are expected to decrease by around 27.8%.

2.55 This information has fed into the analysis looking at the future mix of housing. This is set out in Chapter 9 of this report.

Demographics and Housing Need: Key Points and Recommendations

- As of mid-2018, Solihull's population totals 214,910. The population has grown by 7.2% since 1991 which is a slower rate of growth than the West Midlands or England.
- Solihull's population structure has a slightly higher proportion of people in every age cohort aged 45 years and older. Linked to this is the higher number of families with children which results in a relatively higher representation of the age groups 5 to 14 years of age. Conversely, there is a relatively low representation of those of a student or young working age.
- The population change has been largely driven by Internal migration from elsewhere in the UK. Natural change (births minus deaths) and international migration have also been positive although the former has been falling over the last few years.
- The three-step Standard Method for assessing local housing is as follows
 - Step 1 sees an annual average household growth of 632 households.
 - Step 2 then adjusts household growth based on local affordability. Applying the formula sees an uplift of 28% which results in a local housing need of 807 dpa.
 - Step 3 notionally caps the need to a deliverable level however this is not warranted in Solihull. The LHN therefore remains at 807 dpa.
- **Recommendation: The Council should seek as a minimum the delivery of 807 dwellings per annum across the plan period from 2020 to 2036.**
- The Local Housing Need would result in a population growth of 23,369 over the same period. This is used to derive need for specific groups in the remainder of the report.

3 HOUSING MARKET DYNAMICS

3.1 This section of the report provides an overview of key market signals in Solihull and the different Sub Areas within the Borough where data allows. The analysis uses publicly available datasets along with consultation with local estate and letting agents.

Land Values

3.2 The DCLG report on residential land value estimates in April 2017 (published May 2018) has been used as the latest available release. As it can be seen in Table 8, the residential land values in Solihull are estimated at £4,110,000 per hectare, which is significantly higher than the regional and national (excluding London) values.

Table 8: Land Values, per hectare, December 2017

Area	Land Value
Solihull	£4,110,000
West Midlands average	£1,773,500
England incl. London	£6,220,086
England excl. London	£2,781,966

Source: DCLG, May 2018

3.3 The residential land values are the highest in the West Midlands, only Warwick at £4,005,000 is in excess of £4million per hectare. Indeed, only one other local authority was in excess of £3million (Stratford Upon Avon (£3,715,000)).

House Prices

3.4 The average (mean) house price in Solihull (2019) was £353,366 whilst the median price was less at £275,000. This indicates that there is a small concentration of very expensive properties in the Borough.

Table 9: Average House Prices in the Housing Market Area (2019)

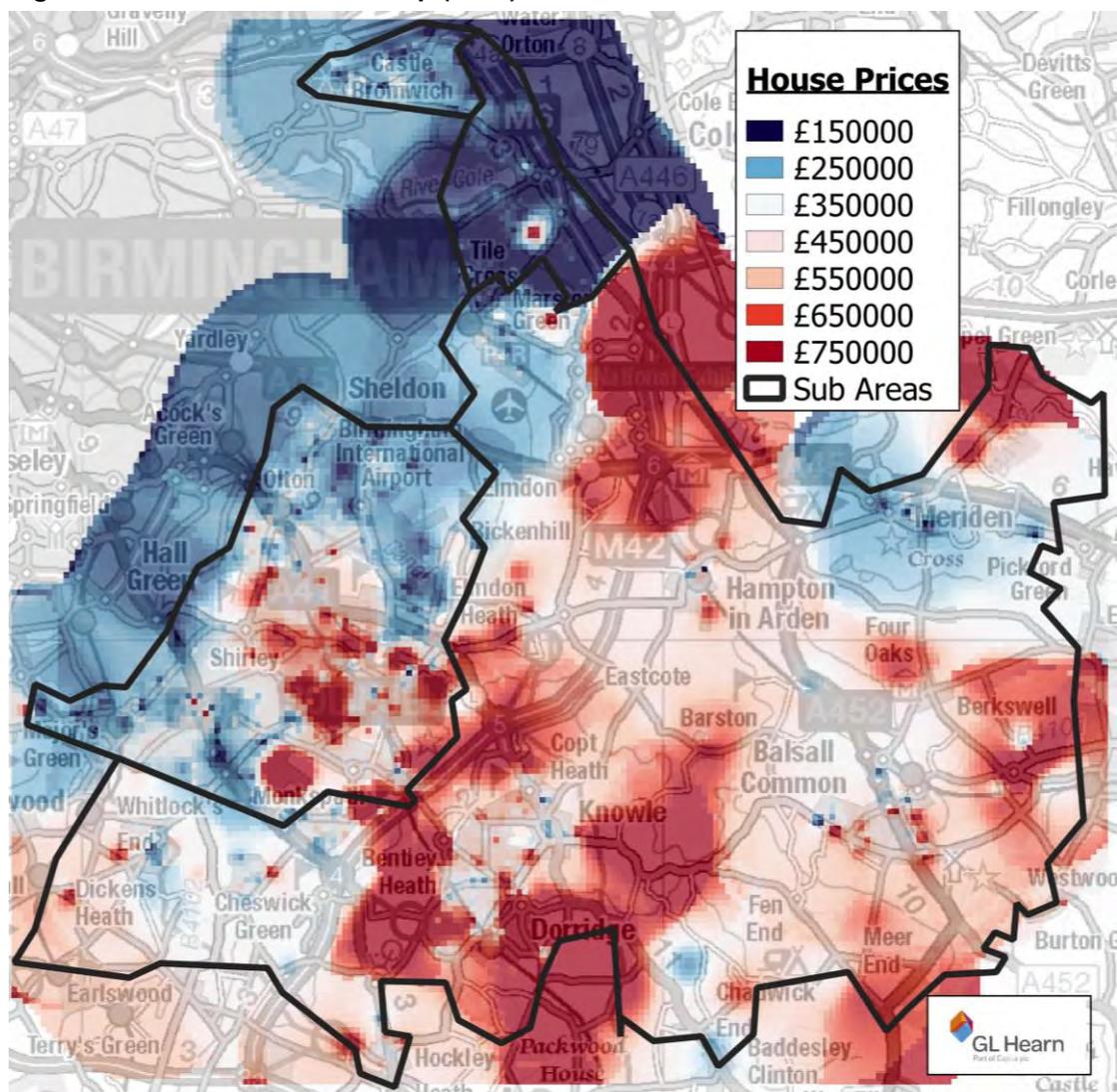
	Median	Mean	Lower Quartile
Solihull	£275,000	£353,366	£197,773
West Midlands	£190,000	£261,693	£139,000
England	£230,000	£351,305	£148,000

Source: Land Registry Price Paid Data 2019 *median, mean and LQ figures are based in the total transactions across Solihull

3.5 As Table 9 illustrates, in comparison to the regional and national equivalents house prices in Solihull are higher. This indicates the strength of the market in Solihull, and also its role meeting a specific housing need on the higher end of the market in an attractive location for the wider housing market areas.

3.6 Figure 10 illustrates the distribution of house paid price across the Borough from 2019 land registry data. A clear pattern emerges for lower priced properties within the Castle Bromwich and North Solihull Sub-area. There is also a concentration of lower housing values in the western edge of the Urban Sub-area in part this relates to proximity to the airport and other industrial uses.

Figure 10: House Price Heat-map (2019)



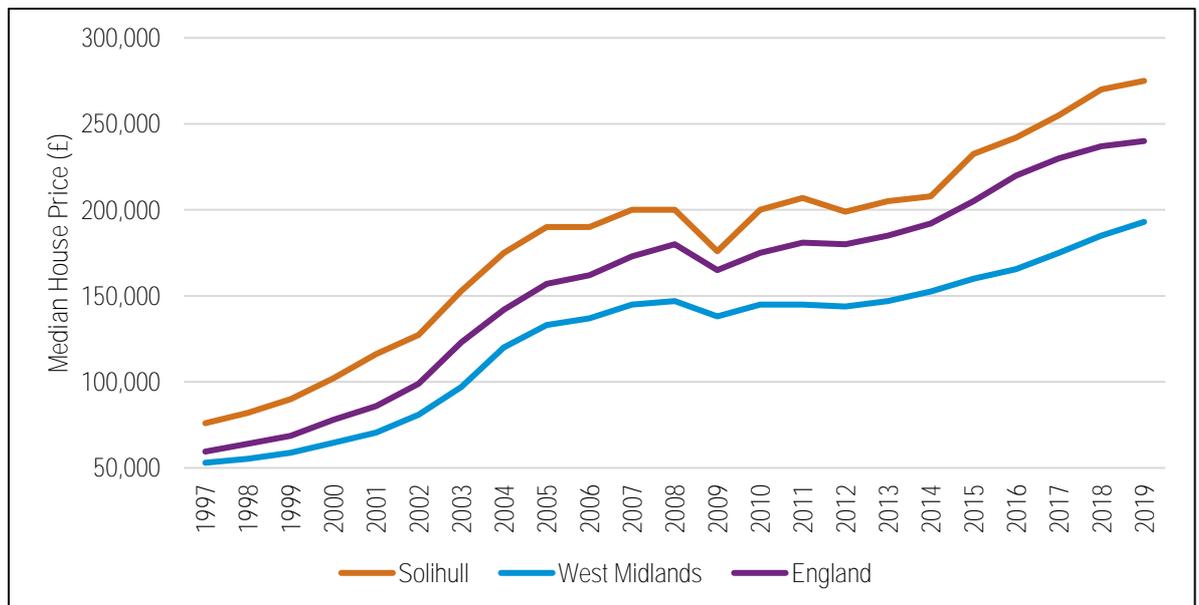
Source: GL Hearn based on HM Land Registry Data, 2019

3.7 Higher priced properties are more common in the Rural sub-area. The map illustrates a concentration of recent high price properties around Dorridge, Bentley Heath and Knowle. This in part reflects the stock with a greater number of sales of detached properties as well as the increased quality of place. The second half of this Chapter includes further sub-area analysis.

House Price Change

3.8 Figure 11 illustrates median house price change in Solihull Borough in comparison to the regional and national equivalents over the last 20 years. This shows that house price in Solihull have persistently been above regional and national averages. It also illustrates how closely prices in Solihull have followed the national trend over this period.

Figure 11: Median House Price Trends, 1999-2019



Source: DCLG Live Tables: Land Registry Data

3.9 Over the pre-recession period (1999-2007), median prices in Solihull increased from £90,000 to £200,000 – an increase of almost £110,000 (122%). Over the same period the West Midlands median house prices rose by £86,000 (147%) and across England prices increased by £105,000 (152%).

3.10 Reflecting the economic backdrop, trends in house prices since 2008 have understandably been very different. Solihull experienced a fall in median prices from early 2008 to 2009 at the onset of the recession, as was the case regionally and nationally although the fall in Solihull was more marked.

- 3.11 House prices subsequently rose during 2009 and as of 2010 Q2, median house prices in Solihull were the same as pre-recession levels. Since this time house prices in Solihull have continued increasing at a faster rate than the national trend with median price paid in the Borough being £275,000 in 2019. In contrast the regional figures only started to rise again in 2013.
- 3.12 The table below shows that the house prices increased in the Borough by 56% over the ten-year period to 2019. This is above both the regional average and national average increase in median house prices. Similarly, over the more recent five-year period to 2019 house prices in Solihull have increased faster than the regional and national average.

Table 10: Median House Price change over time

	% Change over 1-year period	% Change over a 5-year period	% Change over a 10-year period	% change over a 15-year period
Solihull	2%	32%	56%	57%
West Midlands	4%	27%	40%	61%
England	1%	25%	45%	69%

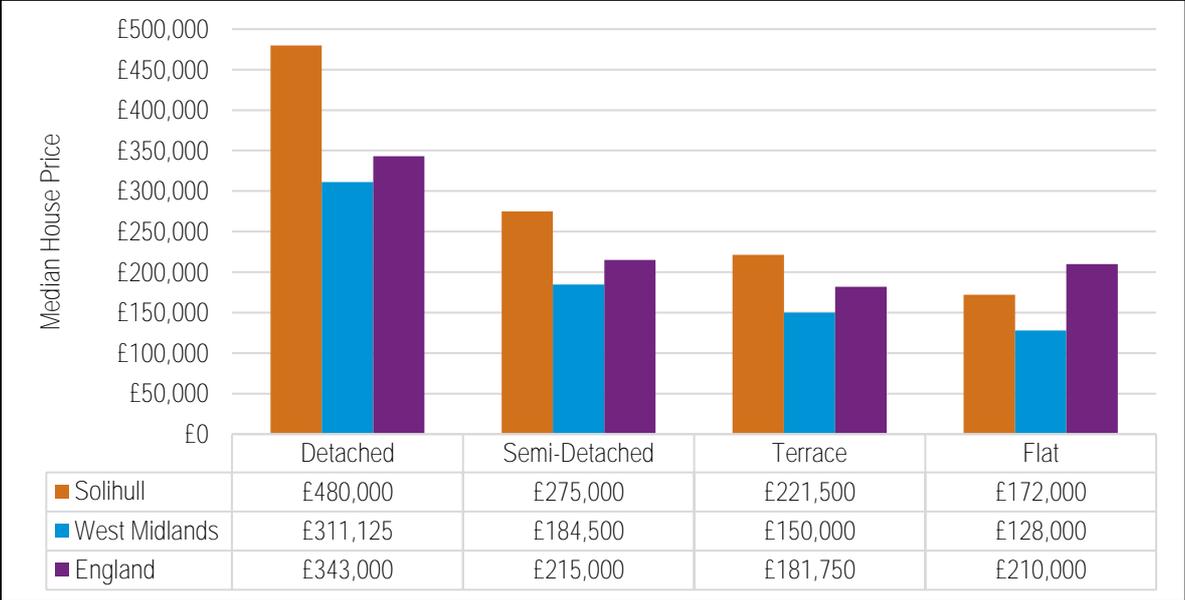
Source: Land Registry Data

- 3.13 However, over the longest period examined, the 15 years to 2019, there was a slightly slower rate of growth in Solihull than elsewhere. This is likely to reflect the extent of the recessionary fall in Solihull and the relatively modest growth in the years immediately preceding it.

House Price by Type

- 3.14 Recognising that the housing stock will have an impact on overall house prices we have examined sales data by type of property for 2019. The figure below shows housing values of detached house, semi-detached and terrace properties in Solihull are significantly higher than the regional and national comparators. However flatted properties in Solihull are priced below the national average.

Figure 12: Median House Prices by Local Authority, 2019

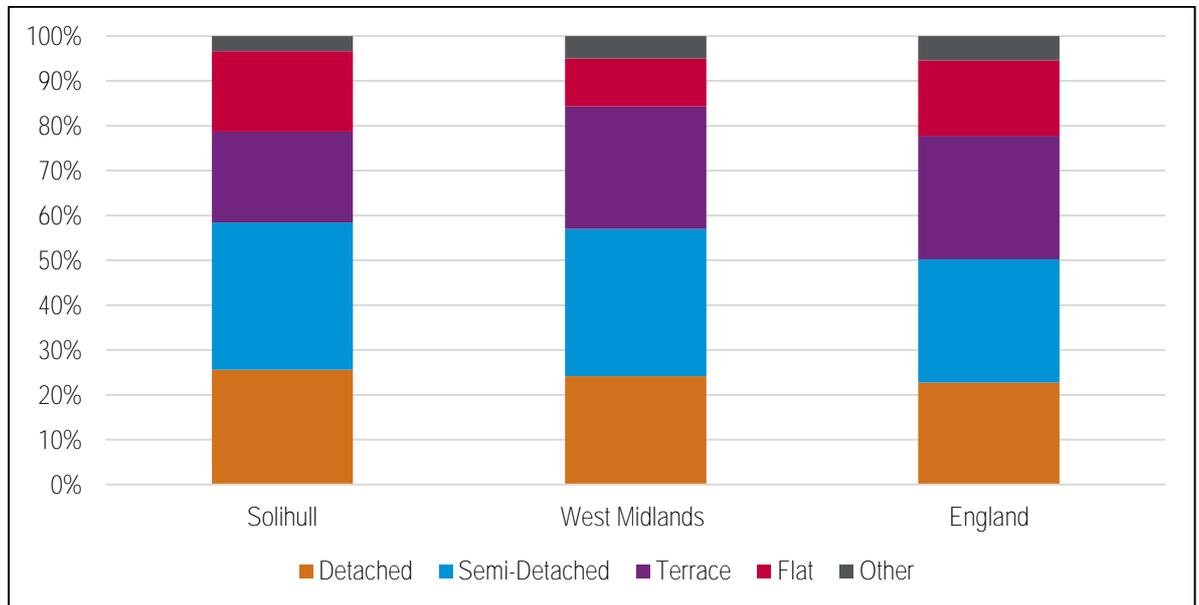


Source: GLH Analysis: Land Registry Price Paid Data

- 3.15 However, flatted properties prices in Solihull are priced below the regional average but above the national average. The London figure is likely in part to be skewed by a high number of flatted developments in prime London markets.

- 3.16 Figure 13 shows the largest number of sales across the Borough have been in semi-detached properties (959 or 33%), followed by detached (749) and terraced (595) according to Land Registry 2019 data. The proportion of semi-detached dwellings is the same proportion as the West Midlands and above England.

Figure 13: Sales by Dwelling Type (2019)



Source: GLH Analysis: Land Registry Price Paid Data

3.17 The percentage of sales in Solihull that were flats (18%) was higher than the regional (11%) and national (15%) equivalents. This would normally result in lower overall prices, but this is offset by the high percentage of detached sales.

3.18 Table 11 shows how sales rates in the Borough have changed over different time period. It is notable that the number of sales is still down across all times from the pre-recession levels of 15 years ago.

Table 11: Change in sales volume in Solihull over time, by type (2019)

	2019 Sales	% Change Since 2018	% Change Since 2014	% Change Since 2009	% Change Since 2004
Detached	874	-8%	-10%	59%	-26%
Semi-detached	1,160	1%	-3%	63%	-25%
Terrace	638	0%	-3%	48%	-25%
Flats	651	-8%	31%	33%	-46%

Source: HPSSA Dataset 6. Number of residential property sales for administrative geographies

3.19 There has however been some growth across all types since 2009 which was the height of the recession. Over the last 5 years the number of flats being sold has increased substantially but the number of sales of all other types has fallen. This is likely to reflect the type of dwellings being delivered.

Rental Trends

3.20 Median rents in the Borough at £800 per calendar month (pcm) are notably higher than both the regional (£615 pcm) and national figure (£695 pcm). This is also the case for lower quartile rents which are key input into the calculation of affordable housing need.

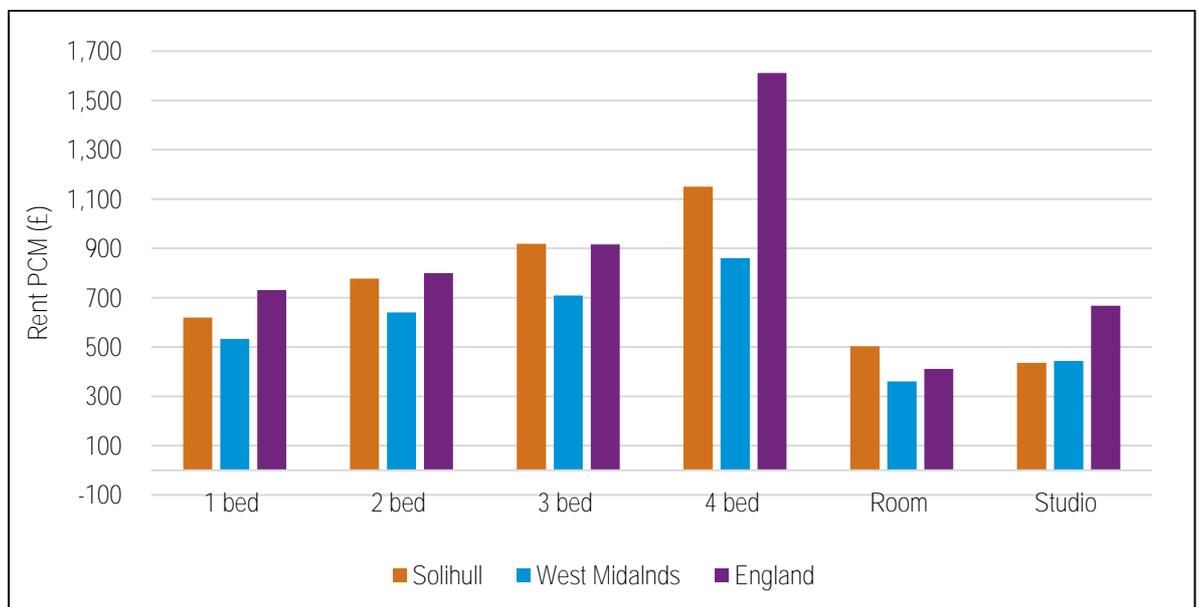
Table 12: Average and Median Rental Prices (Year to March 2019)

	Median Rent (pcm)	Lower Quartile (pcm)
Solihull	£800	£695
West Midlands	£615	£500
England	£695	£525

Source: VOA Private Rental Data – Table 2.7, June 2019

3.21 Despite this an analysis of median rents by number of bedrooms (see Figure 14) indicates that rents in Solihull are in line with or below the national average for size of homes. For the largest (+4-bedroom) and smallest homes (studios) there is a notable difference between Solihull and England. However, the higher percentage of transactions of larger homes in Solihull and conversely the lower number of 1-bedroom homes result in the differences at the overall level.

Figure 14: Rental Costs by Size, 2019

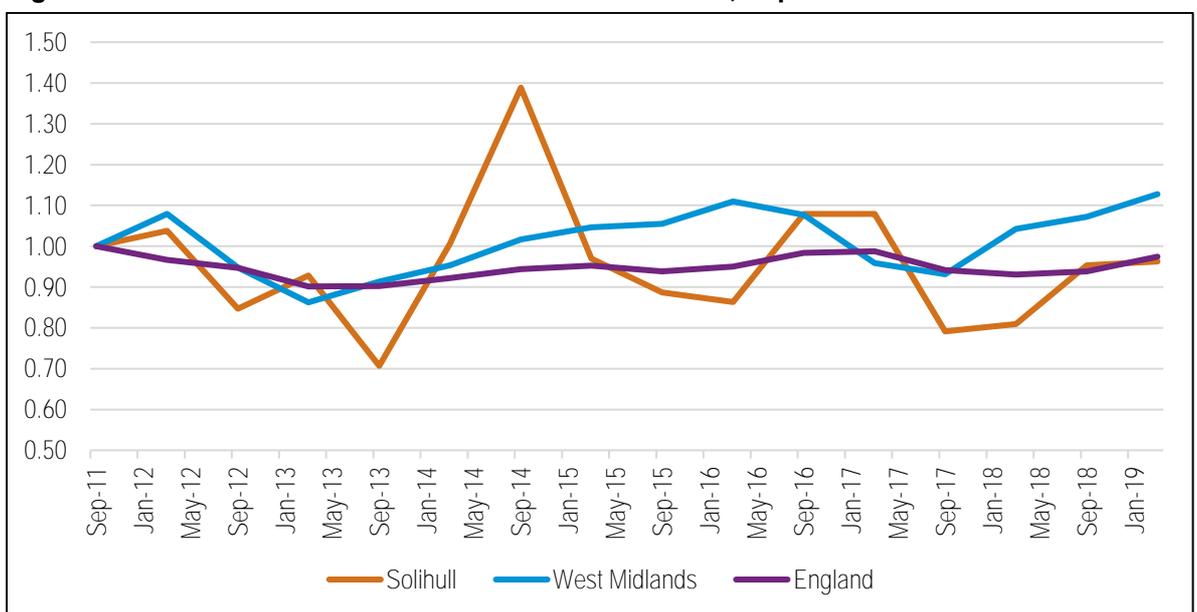


Source: VOA Private Rental Data

3.22 In contrast Solihull rents are consistently above the West Midlands average across almost all size of homes. The only exception to this is studios which make up only a very small number of transactions in the Borough (10 transactions).

3.23 Figure 15 shows the indexed trend (since 2011) in the number of rental transactions recorded by the VOA. This illustrates that Solihull rental transactions vary from the regional and national average which follow a broadly similar pattern. This is reflective of the scale with larger markets not being as prone to percentage fluctuations.

Figure 15: Indexed trends in Private Rental Transactions, September 2011 to March 2019



Source: VOA Private Rental Data

3.24 The count of rental transactions falls to its lowest recorded point in Solihull in September 2013 at 786 and then again peak in the following year at 1,119 recorded transactions. Despite the change in rental transactions across the time period, rental transactions in Solihull have decreased by -3% which is in line with England but lower than the West Midlands where rents have increased by 13%.

3.25 Over the last 8 years, median rental values in Solihull have grown by 19% which is close to both the regional increase of 20% and national growth of 21%.

Affordability

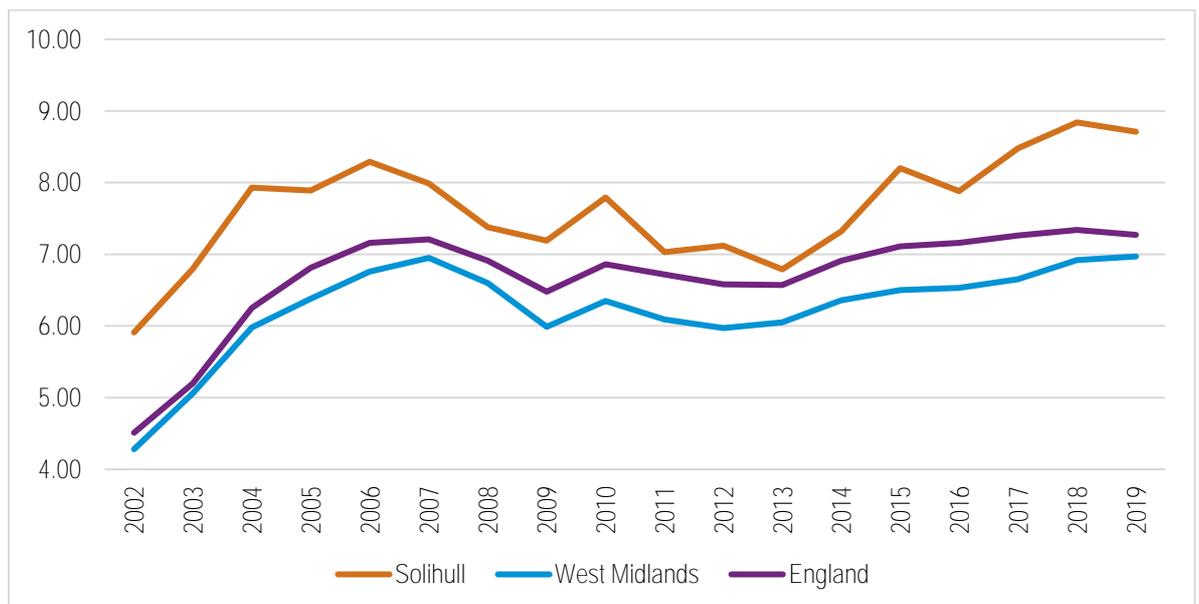
3.26 We have considered evidence of affordability by looking specifically at the relationship between house prices and incomes. We have done this for lower quartile values, which represent entry level house

prices, and for median values. For both we have also examined the ratio based on residents' earnings (residents based) and the earning of those working in the Borough (workplace based). A higher affordability ratio indicates deteriorating affordability in the borough.

3.27 As shown in Figure 16, nationally, the ratio of residence-based earnings peaked in 2007 and then declined as a result of the economic downturn. The affordability ratio remained stable until 2013 where the rate begins to deteriorate surpassing the pre-recessional ratio peak in 2017. The current national residential-based earnings ratio is 7.27 which represents a 61% increase since 2002.

3.28 Solihull broadly follows the national trend, albeit at a higher level with a notably stronger deterioration since 2013. Despite the improvement to in affordability in 2016 and 2019 Solihull still has a residence-based affordability ratio (8.71) that remains significantly higher than the regional average in 2018 (6.97).

Figure 16: Lower Quartile Residence-based Affordability Ratio, 2002-2018



Source: ONS, 2019

3.29 We have also considered and compared the lower quartile affordability ratios to the median affordability ratios (Residence Based) to identify whether affordability is an issue across the market or within a particular segment.

Table 13: Lower Quartile and Median Residence Based Affordability Ratios 2019

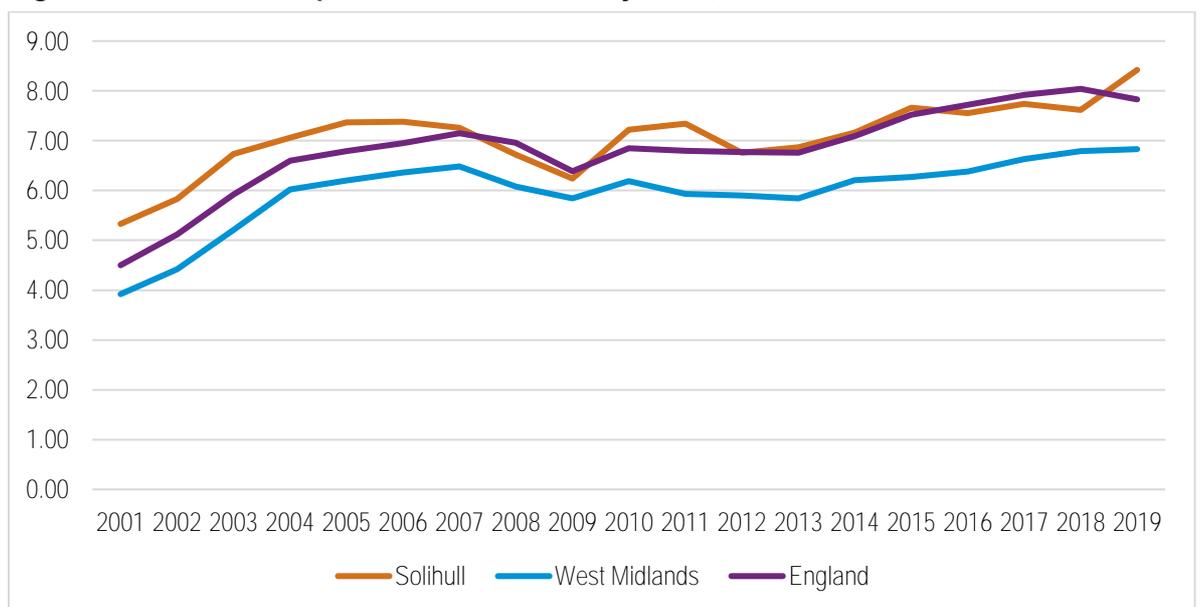
	Lower Quartile Ratio	Median Ratio	Difference
Solihull	8.71	8.13	0.58
West Midlands	6.97	6.90	0.07
England	7.27	7.83	-0.56

Source: ONS Ratio of house price to residence-based earnings (lower quartile and median),

3.30 In Solihull the median ratio at 8.13 is slightly lower than the lower quartile ratio at 8.71. This illustrates that affordability is particularly an issue for the lower end of the market and impacts the ability for locals to access the housing ladder rather than move up it.

3.31 The 2019 median workplace-based affordability ratio is the key affordability metric as it feeds into the Standard Method. In Solihull, the ratio is 8.42 which is slightly higher than the regional (6.83) and national equivalents (7.83). Figure 17 shows that ratio for different areas.

Figure 17: Median Workplace-based Affordability Ratio, 2002-2018



Source: DCLG Workplace Based Affordability Ratio

3.32 As illustrated the ratios have worsened particularly since 2012 in all comparators. Solihull has closely followed the national trends post 2009. However, the Borough’s median workplace-based affordability ratio has been higher than the West Midlands’ equivalent throughout the period of analysis. The sharp deterioration in the last year in Solihull has been brought about by an increase in prices (+2.8%) and decrease in earnings (-7.0%).

3.33 Table 14 presents the 2019 workplace-based affordability ratios. This again shows that the median ratio in Solihull is lower than the lower quartile workplace-based ratio. This indicates a more pressing issue of those seeking to enter the market compared to those seeking to move upwards.

Table 14: Lower Quartile and Median Workplace-based Affordability Ratio 2019

	Lower Quartile Ratio	Median Ratio	Difference
Solihull	9.02	8.42	0.60
West Midlands	6.92	6.83	0.09
England	7.27	7.83	-0.56

Source: ONS, 2018

3.34 Although this is also the case across the West Midlands region, the difference is less marked compared to Solihull’s equivalent. In contrast lower quartile workplace-based ratio in England is below the median equivalent.

Change in Tenure

3.35 A combination of deteriorating affordability, restricted access to mortgage products and a lack of social housing supply over the 2001-11 decade has resulted in fewer households being able to buy and therefore increased pressures on the existing affordable housing stock. These factors have also resulted in strong growth in the private rented sector as households are being forced to rent longer or cannot secure alternative accommodation.

3.36 As illustrated in Table 15, the percentage of all households who own their house with a mortgage fell significantly between 2001 and 2011 across all comparators. Over this same period there has been a substantial growth in the private rented sector in Solihull, although to a lesser extent than the regional and national comparators.

Table 15: Change in Households by Tenure, 2001-11

	Owned Outright	Owned with mortgage	Shared Ownership	Renting: RP	Renting: Council	PRS	Living Rent Free
Solihull 2001	34.30%	43.80%	0.50%	2.60%	13.60%	3.60%	1.60%
Solihull 2011	37.40%	36.40%	0.60%	3.10%	11.90%	9.90%	0.70%
Solihull Borough	3.10%	-7.40%	0.10%	0.50%	-1.70%	6.30%	-0.90%
West Midlands	2.10%	-6.00%	0.00%	1.80%	-3.40%	7.60%	-2.00%
England	1.40%	-6.10%	0.10%	2.20%	-3.80%	8.00%	-1.90%

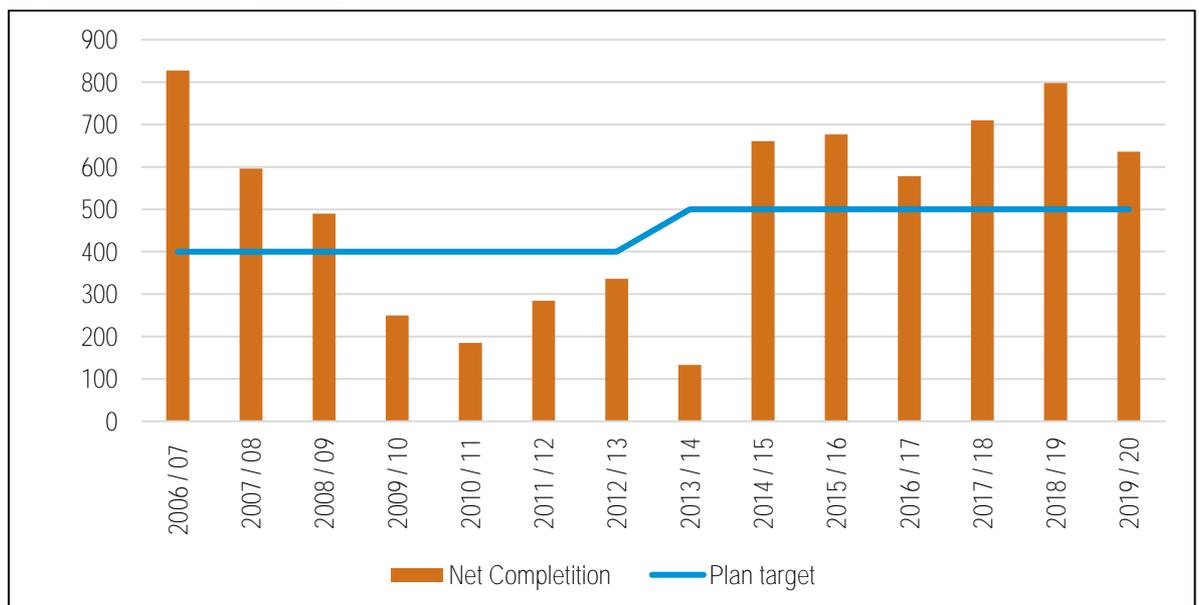
Source: Census 2001 and 2011

- 3.37 The inverse correlation between the growth in renting from registered providers (affordable and social) and the decline in renting from the Council typically reflects the transfer of housing stock to Housing Associations.

Housing Supply Trends

- 3.38 Figure 18 shows the net housing completions in Solihull from 2006/07 to 2019/2020 compared to the Solihull Plan target of 400 dwellings per year from 2006/07 to 2012/13 and 500 dwellings per year thereafter, although we recognise this figure is no longer compliant and indeed could have been back dated to 2006.

Figure 18: Housing Supply, 2006-20



Source: Solihull Five Year Housing Land Supply

- 3.39 From 2006/7 to 2012/13 saw an over-delivery of 168 dwellings against the plan target of 400 dwellings per year in the Borough. Although this again is based on the withdrawn housing target.
- 3.40 Regardless of whether there has or hasn't been an under-delivery paragraph 2 of the PPG (Reference ID: 2a-002-20190220) states that "The Standard Method uses a formula to identify the minimum number of homes expected to be planned for, in a way which addresses projected household growth and historic under-supply". There is therefore no need for further adjustments to the need to address this.
- 3.41 Completions over the two years from 2018 to 2020 have been used to develop the baseline population from the 2018 Mid-Year Population Estimates to the 2020 start point of the Standard Method.

Overcrowded and Shared Housing

- 3.42 Over-crowding is defined as the number of properties which have fewer rooms than their households require. The requirement is calculated based on the size, age and relationship of household members. Under-occupied properties, on the other hand, are those with more bedrooms than the household needs. For instance, an under-occupied property can relate to a couple with no children living in a 2 or more-bedroom property.
- 3.43 At the national level, there has been a notable increase in overcrowded households (including young people living with their parents for longer) and houses in multiple occupation. This has been a symptom of the affordability pressures identified above; restrictions on access to mortgage finance; and increased housing under-supply.
- 3.44 There has also been a notable increase in the number of households which are under-occupying their home. This is largely linked to the aging population remaining in the family home which at one stage would have been suitable for their needs but as their children move out becomes too big.
- 3.45 This national trend in over-crowding has also manifested to a lesser extent in Solihull where the proportion of residents living in over-occupied properties increased by 21.9% between 2001 and 2011. This compares to an increase of 29.1% in the West Midlands and 32.3% nationally.
- 3.46 Conversely the number of under-occupied properties in Solihull (5.8%) has increased at a greater rate than the West Midlands (4.9%) and England (4.9%). As with the national trend this is in part linked to a growth in older population who tend to remain in their family homes after their children have left. Providing suitable and attractive accommodation for the older group would reduce the need for additional large properties across the area.

Table 16: Changes in Under- and Over-Occupied households (2001-2011)

	Under-Occupied			Over-Occupied		
	2001	2011	% Change	2001	2011	% Change
Solihull	65,391 (80.8%)	69,160 (80.4%)	3,769 (5.8%)	3,183 (3.9%)	3,881 (4.5%)	698 (21.9%)
West Midlands	1,659,354 (77.0%)	1,740,954 (75.9%)	81,600 (4.9%)	121,130 (5.6%)	156,344 (6.8%)	35,214 29.1%
England	15,274,290 (74.7%)	16,027,853 (75.9%)	753,563 (4.9%)	1,457,512 (7.1%)	1,928,569 (8.7%)	471,084 32.3%

Source: 2001 & 2011 Censuses

- 3.47 Over-crowding can manifest in a number of ways including multi-generational households, concealed households and HMO. Providing affordable accommodation will allow over-crowded households to move into accommodation which meets their need including allowing households to form better. This issue is addressed by the Standard Method when the uplift at step 2 address unaffordability within the local population and therefore by delivering a higher number of homes would theoretically allow for better household formation.

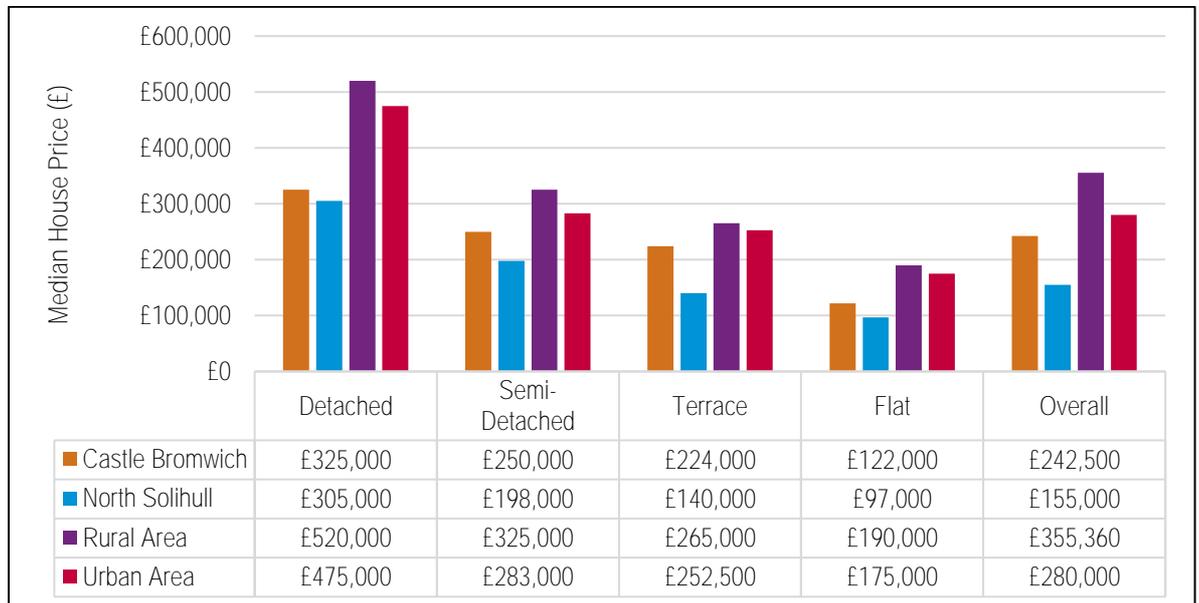
Sub-area analysis

- 3.48 More localised market signals analysis can be used to develop local policy responses within the Council's housing strategy and Local Plan review.

House Prices in the Sub-Areas

- 3.49 Figure 19 illustrates the median house prices by type of dwelling for 2019. The overall median house prices in the Rural Area is £355,360 which is some 129% higher than those in the North Solihull area (£155,000). The Urban Area has the second highest median price at £280,000, this is slightly higher than Castle Bromwich £242,500. This pattern is repeated for all the different dwelling types.

Figure 19: Median House Prices by Type, 2019



Source: Land Registry Price Paid Data, 2019

3.50 Table 17 shows median price paid change over time for the sub-areas of Solihull. Over the last year all the areas have seen an increase between 6.1% and 8.4% apart from Castle Bromwich that saw a fall in housing values of -6.7%.

3.51 However, the annual change cannot be reflective of general market conditions therefore we have examined the medium- and longer-term change. Over the last five years, prices increased in Urban Area by 12.75%. Rural Area and Castle Bromwich have seen a moderate 5-6% increase. North Solihull on the other hand has seen a decrease of 10.6%.

Table 17: Price Paid for Sub-Areas over time

	Price Paid 2019	% Change since 2018	% Change since 2014	% Change since 2009
Castle Bromwich	£242,500	-6.7%	5.4%	42%
North Solihull	£155,000	8.4%	-10.6%	-6%
Rural Area	£355,360	6.1%	6.1%	28%
Urban Area	£280,00	6.5%	12.75%	7%

Source: Land Registry

3.52 Over the longer ten-year period, the Castle Bromwich Sub-Area house price have increased by 42% showing the highest increase across the Sub-areas. North Solihull on the other hand have seen a decrease of 6% in the housing values.

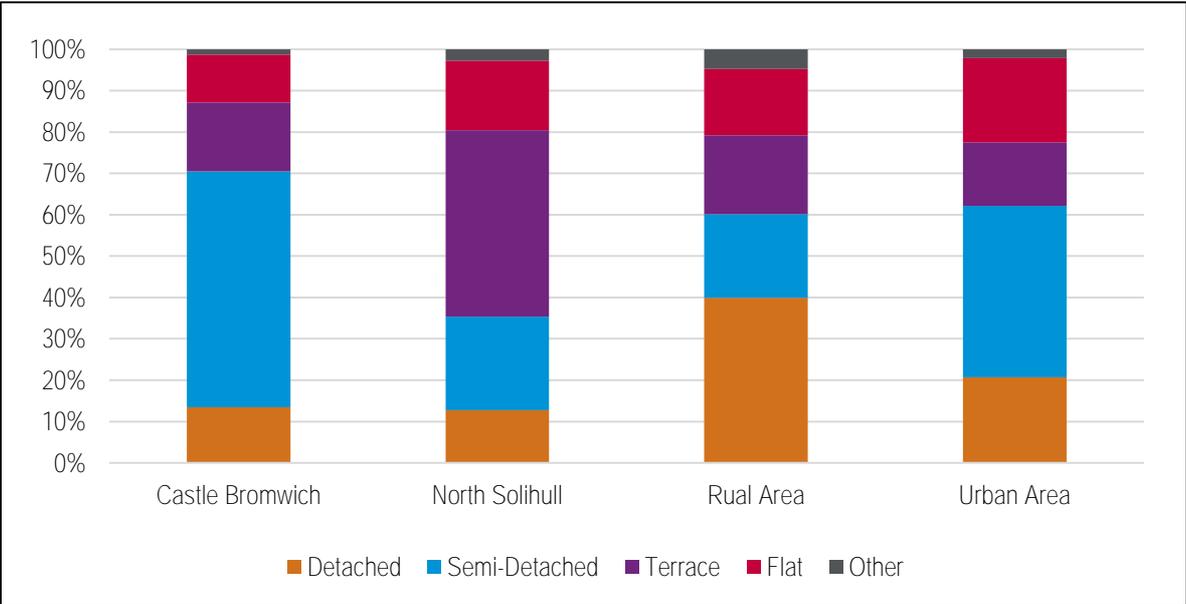
3.53 Notwithstanding the increase over the last year this would indicate a level of market failure and or issues with the quality of stock within the North Solihull sub-area. This can be addressed through further delivery of affordable housing or for the Council to deliver homes directly.

Sales Volumes in the Sub-Areas

3.54 The Urban sub-area was the location of almost half of the Borough’s sales volumes in 2019 with over 1,400 properties being sold out of 2,920. The sales in Rural Sub-area (970 sales) follow and equated to 33% of the total sells across Solihull. North Solihull (13%) and Castle Bromwich (5%) had significantly fewer sales however this is also influence by the different scale of these Sub-areas.

3.55 A detailed analysis by Sub-area reveals that most sales in Castle Bromwich relate to semi-detached properties (57%) which reflects the stock offer across the area. Semi-detached properties (40%) have also been the most popular type to be sold in the Urban Sub-area.

Figure 20: Sub-area Sales Type, 2019



Source: Land Registry, 2019

3.56 Terraced properties (45%) in North Solihull and detached properties (40%) in Rural Sub-area have been the key types of property purchases reflecting the available stock offer across these areas. North Solihull and the Rural Area both have a notable number of other sales. This includes other non-commercial properties and land.

3.57 The volumes of sales are generally related to the available stock and we have sought to analyse the 2011 dwelling stock by Sub-area to highlight this relationship. Table 18 shows that there is a concentration of detached properties in the Rural Sub-area which has also been reflected in sales volumes. Additionally, the higher median house prices across this sub-area that have mainly been driven by the size of purchase stock.

Table 18: Number of sales (%) by type, 2019

	2011 Stock				2019 Sales			
	Detached	Semi-Detached	Terraced	Flats	Detached	Semi-Detached	Terraced	Flats
Castle Bromwich	24%	60%	8%	7%	21 (24%)	89 (60%)	26 (8%)	18 (7%)
North Solihull	5%	29%	42%	24%	47 (5%)	83 (29%)	166 (42%)	62 (24%)
Rural Area	56%	24%	12%	9%	385 (56%)	195 (24%)	184 (12%)	155 (9%)
Urban Area	31%	50%	9%	10%	296 (31%)	592 (50%)	219 (9%)	291 (10%)
Borough	32%	40%	16%	12%	32%	23%	21%	17%

Source: 2011 Census and Land Registry Price Paid Data, 2018

3.58 On a similar basis, Castle Bromwich and Urban Sub-areas have a higher concentration of semi-detached properties and this has also been revealed in the sales volume analysis. Finally, North Solihull's stock has a concentration in terraced properties, followed by an almost even split in semi-detached and flat properties.

Private Rental Sector by Sub-area

3.59 Analysis of rental asking prices by sub-area has been calculated by using data from Zoopla (January 2020) and aligning this to the Solihull data produced by the VOA (year to March 2019). Notably, there is limited data available to depict the value of a room and studio accommodation given the nature of housing in the Borough.

3.60 Across all properties, the asking rental price of 1-bedroom properties at the Borough level is £620 per month, £777 for 2-bedroom, £918 for 3-bedroom and £1,150 for 4-bedroom properties.

- 3.61 Similar to the findings of the housing values, the overall rental cost is higher in the Rural Sub-area driven by the size of the available stock. The asking rents of family size properties (3+ bedrooms) are higher in the Rural Sub-area followed by those in the Urban sub-area.
- 3.62 Smaller size properties are more popular in the Urban sub-area and this has been reflected into the asking rental values being the highest in the Borough. This is in part reflective of the demand from younger households seeking to live in urban areas with good access to services and transport

Table 19: Median Market Rents by Sub-Area (2019)

	Castle Bromwich	North Solihull	Rural Area	Urban Area	Solihull Borough
Room only	-	-	£525	£380	£503
Studio	-	-	-	£550	£436
1-bedroom	£463	£550	£475	£750	£620
2-bedrooms	£689	£695	£850	£850	£777
3-bedrooms	£795	£750	£1,350	£875	£918
4-bedrooms	£1,200	£1,100	£1,495	£1,425	£1,150
All properties	£746	£723	£1,100	£863	£848

Source: GL Hearn Analysis of Zoopla and VOA data

- 3.63 North Solihull has the lowest rental values being sought for larger properties. However, for smaller properties Castle Bromwich has the lowest rents being sought for 1- and 2-bedroom properties.

Qualitative Analysis – Local Agent Consultation

- 3.64 This sub-section outlines the key findings of consultation with local housing agents in Solihull. The aim of this engagement exercise is to supplement the quantitative findings of the above analysis and understand better the profile of market drivers and local market dynamics.
- 3.65 Discussions were held with 6 local estate agents across the Borough to understand the state of the local housing market around January 2020. As such this reflected the market prior to the Covid-19 impact.
- 3.66 It should be stressed that the consultation findings are anecdotal and may contradict the empirical evidence set out elsewhere in this report. This may be because, for example, the agent only deals with the very top or bottom of the market and their responses might reflect this.

- 3.67 Consultation with agents identified that the housing market in Solihull is very active despite earlier concern around political uncertainty (Brexit) which had reduced buyer's confidence. However, this was now less of an issue in comparison to the year before.
- 3.68 There is a strong perception of Solihull as an aspirational place to live according to all responses. People tended to relocate from Birmingham's for more space and a more family friendly and greener environment. According to agents this drives up the prices of family homes.
- 3.69 In addition, the good reputation of Solihull's schools influences the demand for family sized properties. The agents highlighting that the catchment areas to the schools attract strong demand for properties from both families already living in Solihull and young families hoping to move to the area.
- 3.70 The first-time buyer market was noted to be very active with cheaper properties selling quickly. However, agents did highlight a lack of properties for first time buyers due to the fact that new developments in Solihull predominantly aim to cater for larger family homes and consequently the asking prices are out of the first-time buyers' budgets.
- 3.71 Housing options for new and younger households seeking to live in the Borough remains a challenge, particularly for those who cannot afford buying a property. Engagement with local agents indicated that these households seeking affordable housing or to rent in the private sector remain outstrip the available supply.
- 3.72 Solihull is experiencing high volumes of in migration from a variety of places but most notably from Birmingham and this influence both the housing and private sector markets. The preference of potential tenants to locate in Solihull is driven, similarly to the first-time buyers, by larger homes and better schools. As a result, rental demand is increasing which restricts the sector from meeting the needs of people receiving benefits according to agents.
- 3.73 Buy to let is popular in Solihull Town Centre mainly with investor activity looking to get a return on the high demand properties across the area.
- 3.74 In response to the discussion for specific groups, local agents detailed that there has been a recent increase in purpose built elderly accommodation in the Borough, particularly in Shirley, which has been very popular. Agents also confirmed that there are very few students who live in the Borough.
- 3.75 Opinions on how HS2 is impacting the housing market in Solihull are mixed with some agents commenting that it is deterring buyers in the rural parts of the Borough due to the perceived noise of

the trains. Conversely, agents commented that demand closer to the interchange station is also increasing.

3.76 To conclude although there are significant affordability pressures in the Borough particularly in relation to the wider West Midlands, these issues are addressed through the Standard Method. There is therefore no need to make further adjustments to the housing need based on the information set out in this chapter.

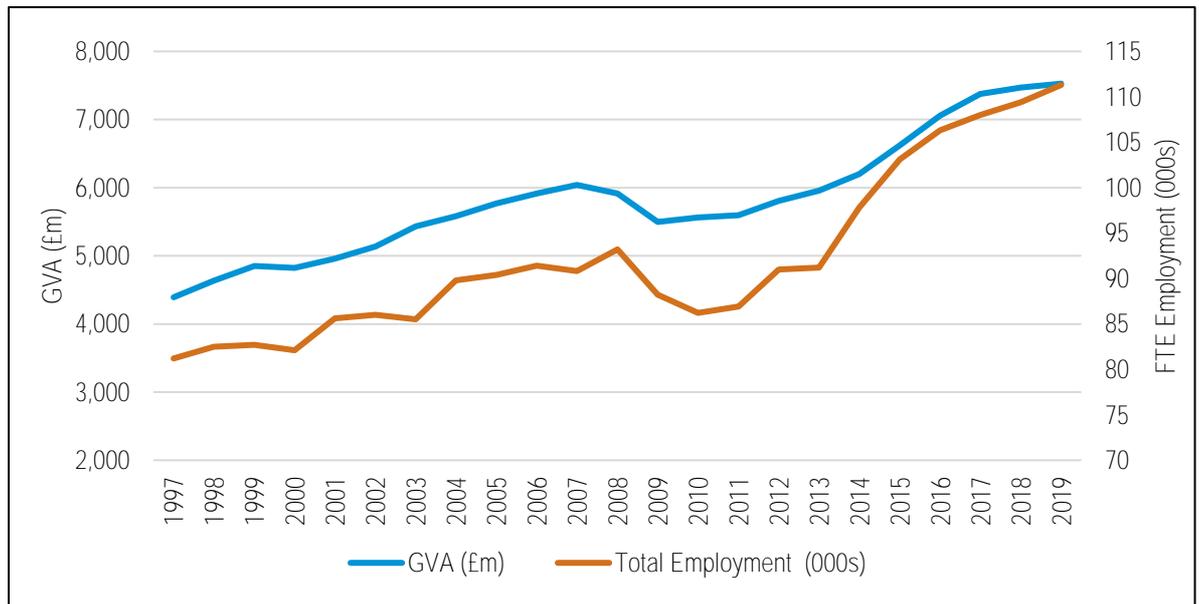
Housing Market Dynamics: Key Points and Recommendations

- The key analysis in this section reveals that median house prices in Solihull stand at 8.42 times the median earnings of those working in the Borough.
- Land values in Solihull are significantly higher than the values of all the rest comparable areas including West Midlands and England.
- In comparison to regional and national figures, the mean and median house prices in Solihull are significantly higher. For example, median prices in Solihull (at £275,000) are £85,000 higher than West Midlands region.
- In 2018, lower quartile house prices in the Borough stood at 8.89 times lower quartile resident earnings, indicating notable affordability pressures at the lower end of the market.
- The average market rent for the Borough is around £898 per month for all dwelling types. This is significantly higher than the regional average of £650.
- Between 2001 and 2011 the private rented sector increased notably whereas properties owned with a mortgage saw a notable decline.
- Since 2006 there has been a potential over-delivery of housing. Although this is in part based on the now removed housing target.
- Solihull has seen the proportion of residents living in over-occupied properties increase by 21.9%, although in comparison to the West Midlands (29.1%) and national trends (32.3%) this growth is lower.
- The Sub-area analysis reveals that the Urban and Rural sub-areas have stronger rental and purchase markets compared to Castle Bromwich and in particular North Solihull.
- **Solihull has a strong and resilient housing market, which can outpace growth seen in the wider region. However, rental and house price increases could indicate rising affordability issues, particularly those seeking housing at the lower end of the market.**

4 THE ECONOMY AND LABOUR MARKET

4.1 Figure 21 illustrates the growth in GVA and Employment since 1997 in Solihull using the latest Experian data (2020). Both employment and GVA display a similar overall pattern experiencing a fall over the recessionary period from 2008 and both rising again from 2011. Post recessionary years, GVA increases at a faster rate than employment rate with Solihull's GVA in 2018 (last historic data year) finishing at £7.5bn and employment at 109,400.

Figure 21: Employment and GVA Trend (1997-2019) – Solihull Borough



Source: Experian, 2020

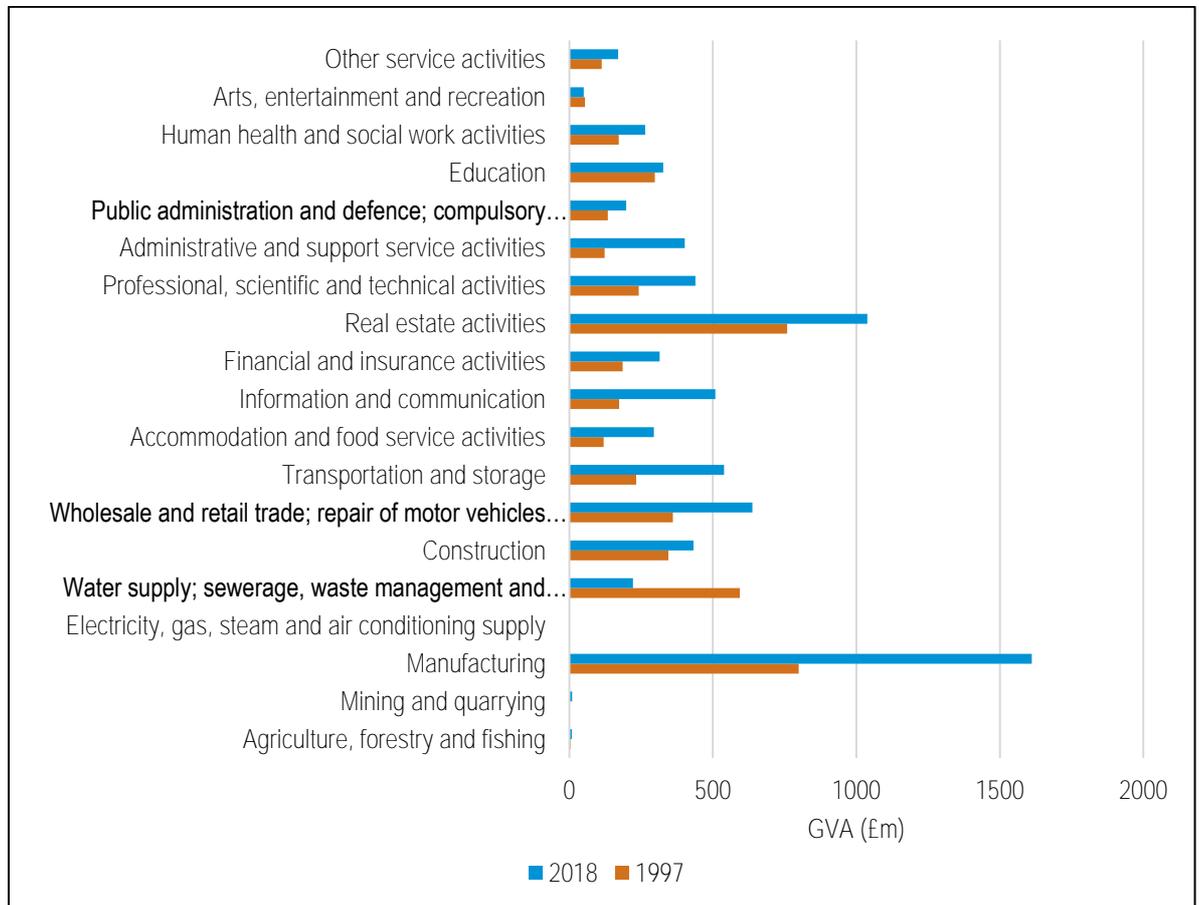
Employment and Economic Growth

GVA Growth by Sector

4.2 The figure below shows the breakdown of Solihull's GVA by sector in 2018 and 1997. In 2018 the strongest contributors to GVA in Solihull were manufacturing, real estate and wholesale trade.

4.3 In both absolute and proportionate terms, the largest increases in GVA during this time were Manufacturing (102% or £812m pa), Information and communication (194% or £335m pa), and Transportation and storage (131% or £306m pa). Most sectors have seen a growth in GVA over this period, the exception being Water supply, Sewage and waste management (-63% or -£372.4 pa) and Arts, entertainment and recreation (-8% or £4.6m pa).

Figure 22: GVA by Sector (1997-2018) – Solihull



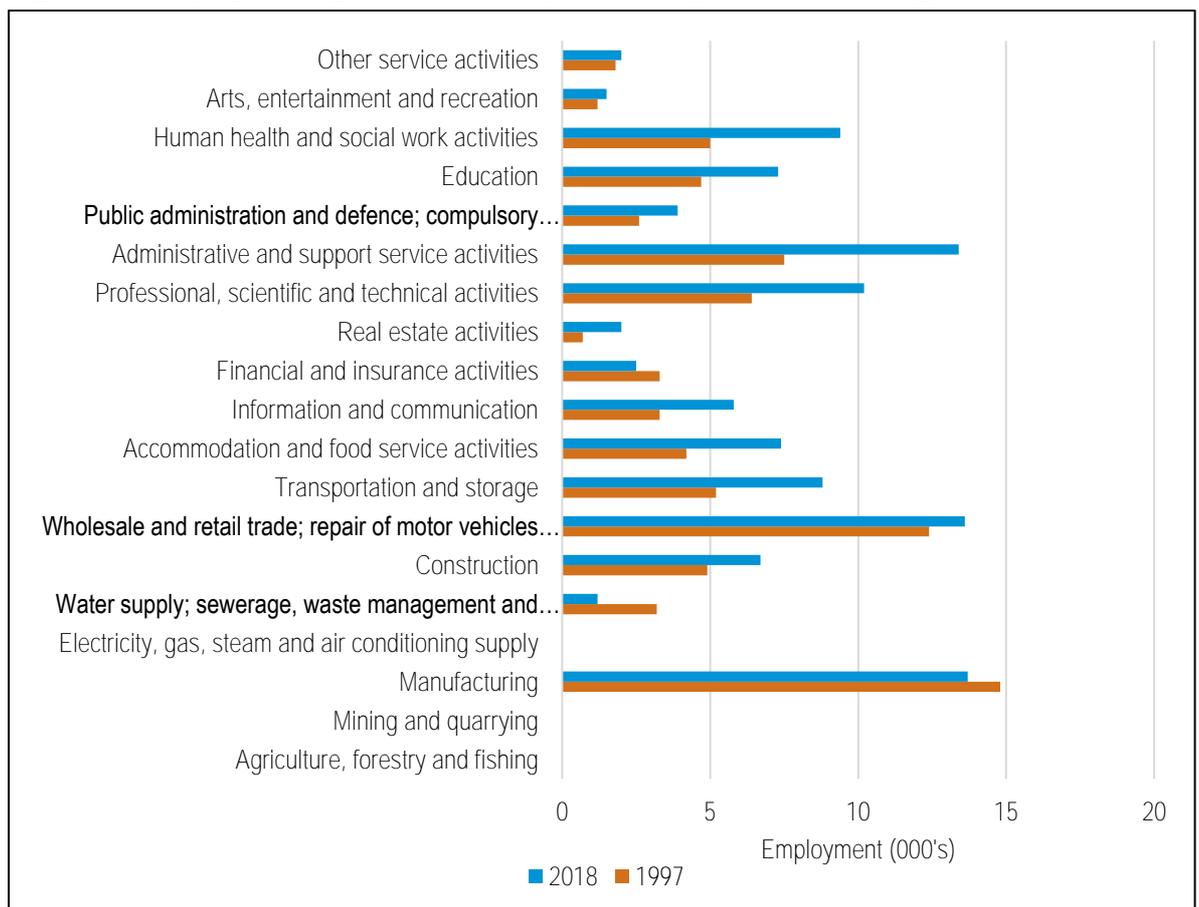
Source: Experian Data, 2020

Employment Structure

- 4.4 The Borough’s largest sector in terms of total employment numbers is Manufacturing with 13,700 jobs in 2018, strongly influenced by JLR, followed by 13,600 jobs in the Wholesale and Retail sector. There are also large numbers employed in Administrative and support services (13,400), Professional services (10,200) and Human health and social work (9,400) sectors.
- 4.5 The Administrative sector has seen the largest jobs growth since 1997, with a growth of 5,900 jobs. Other sectors which have seen large growth in the Borough over this period are Human health and social worker activities (4,400 jobs) and Administrative and support (1,700 jobs). In percentage terms the largest growth was in the Real estate sector (186%) followed by Human health and social worker activities (88%), and Administrative and support services (79%).

4.6 Conversely, the Water supply, sewerage and waste management sector has seen the greatest relative loss of employment (-63%) losing 2,000 jobs. Financial and insurance activities lost 800 jobs since 1997, a decline of 24%.

Figure 23: Employment by Broad Sector⁶ (1997 - 2018) – Solihull Borough



Source: Experian Data, 2020

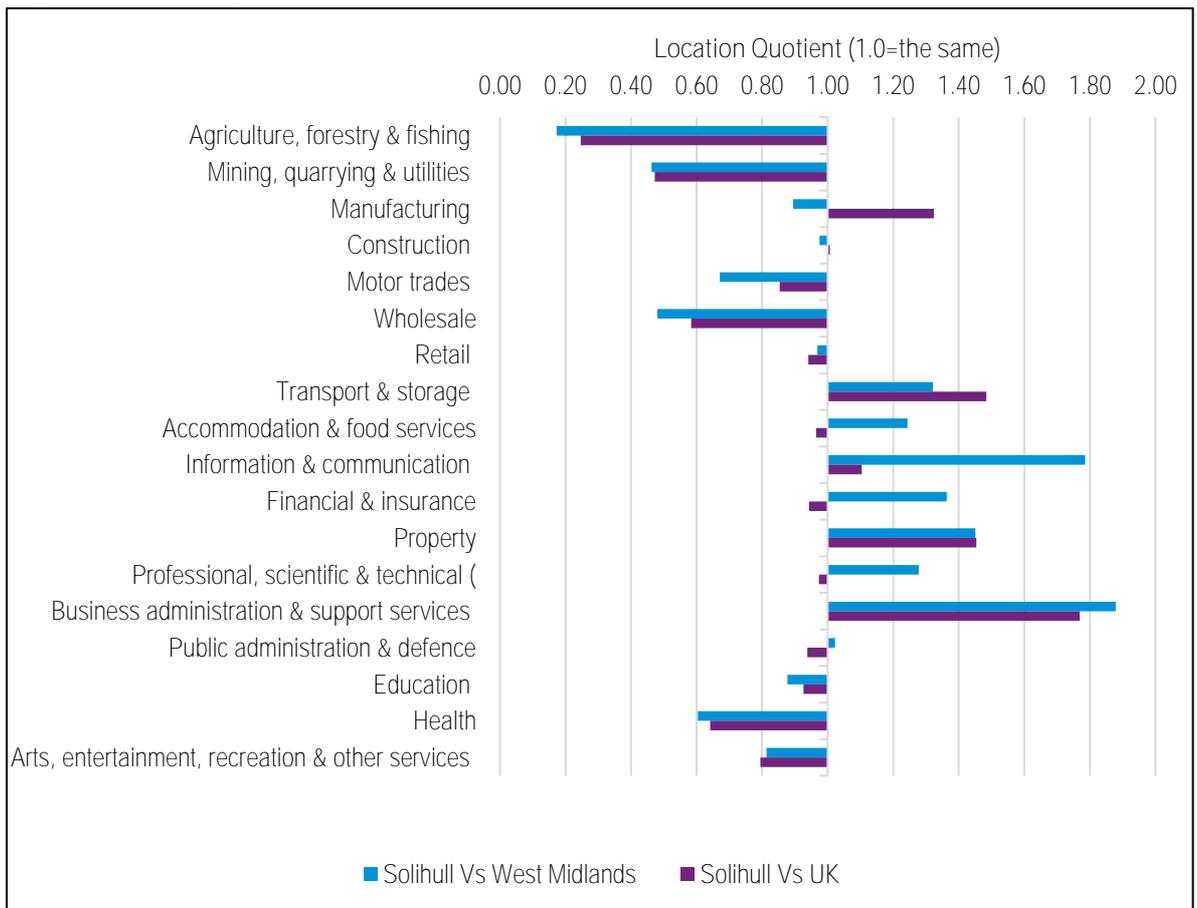
Location Quotient

4.7 Figure 24 shows the location quotient analysis of Solihull Borough’s employment structure compared to the structures at regional and national levels. In relative terms, key sectors of strength in Solihull are Business administration and support services, Property, Information and communication and Transport and storage, all of which have a higher representation than the national and regional trends.

⁶ A schedule showing the breakdown of each broad sector by 2-digit sectors is included in Appendix C

4.8 Against the West Midlands, Solihull Borough also has a strong representation in the categories of Public administration & defence, Professional, scientific & technical, Financial & insurance, and Accommodation & food services. Compared to the nation, Solihull has a stronger representation in the manufacturing sector as a percentage of the total economy. Compared to the region, Solihull has a stronger representation in the ICT and Finance & insurance sectors.

Figure 24: Employment Location Quotient (2018)



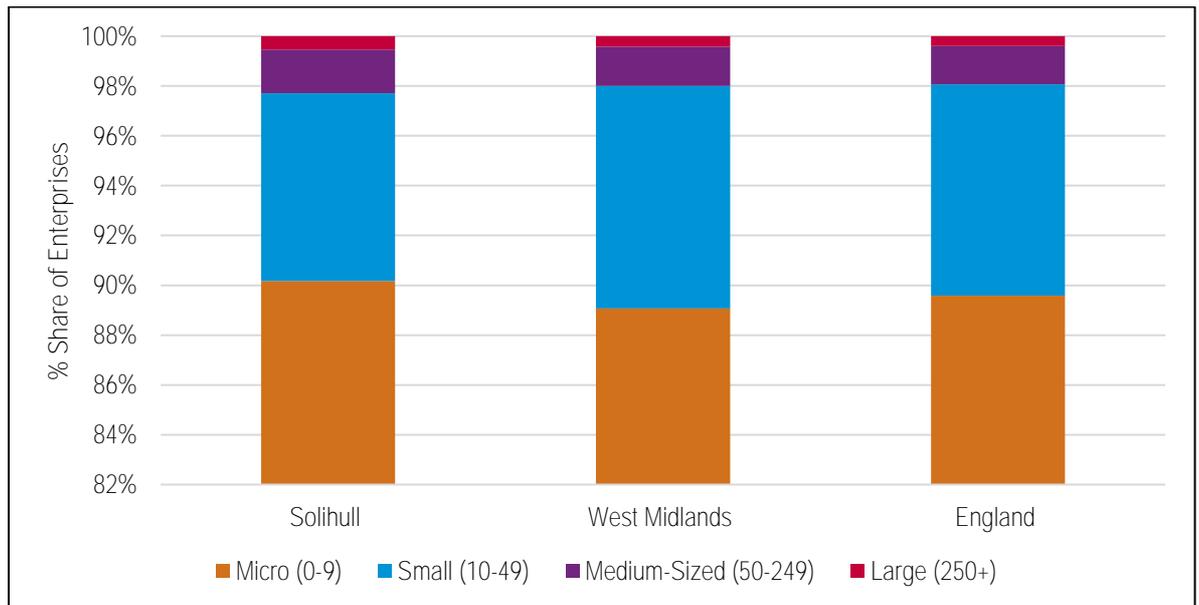
Source: Business Register and Employment Survey (2018)

4.9 There are several sectors in the Borough which have a lower employment representation in comparison to the West Midlands regional and national comparators. Of particular note the sectors of Agriculture, Mining, Motor trades, Wholesale trade, Health, and Arts have a lower overall representation in the Solihull economy when compared to the West Midlands and the nation.

Business Base

- 4.10 The vast majority (90.2%) of the enterprises based in the Borough are micro businesses: that is, they employ fewer than 10 people. This is slightly higher than the West Midlands (89.1%) or national (89.6%) rates indicative of a level of local entrepreneurship.

Figure 25: Enterprises by Size, 2019 – Solihull Borough



Source: UK Business Counts, NOMIS 2019

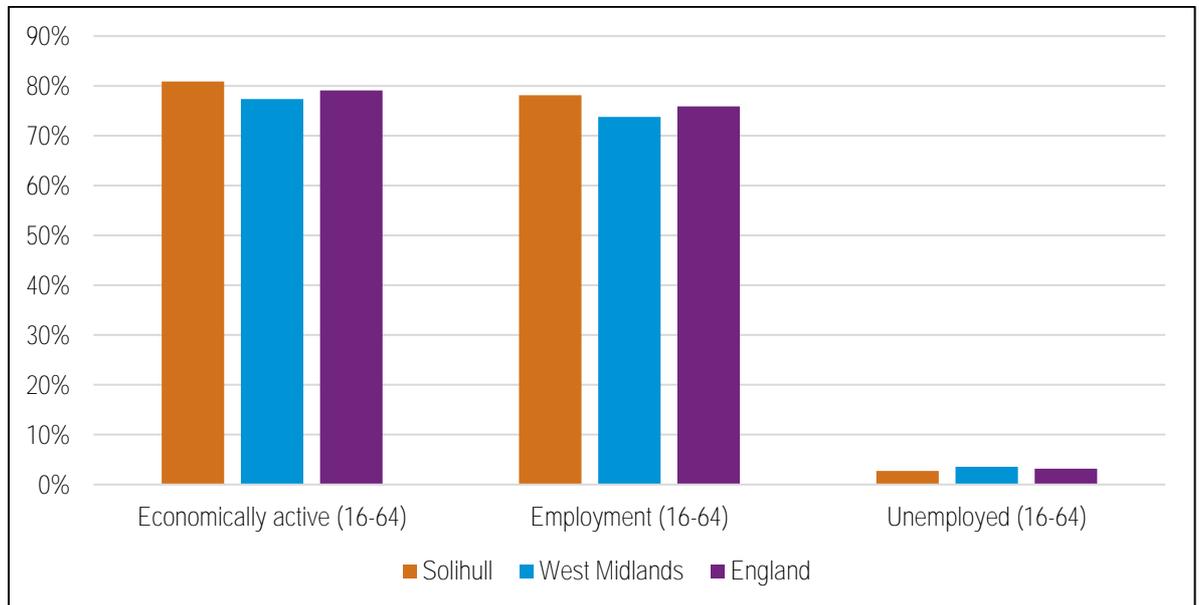
- 4.11 As with the regional and national picture employment, within Solihull is not overly reliant on a small number of major employers. However, it does have several major employers including JLR, Birmingham Airport and the NEC. JLR in particular generates a high volume of supply chain requirements.

Labour Market

Economic Participation

- 4.12 Figure 26 shows employment and unemployment as a percentage of the working age population (defined by ONS to be the population aged 16-64 years). The figure also shows economic activity as a percentage of those aged over 16.
- 4.13 The figures show that the employment rate in Solihull Borough is 78.1%. This is above the regional rate (73.8%) and national rate (75.9%).

Figure 26: Economic Activity Rates (2019) ⁷

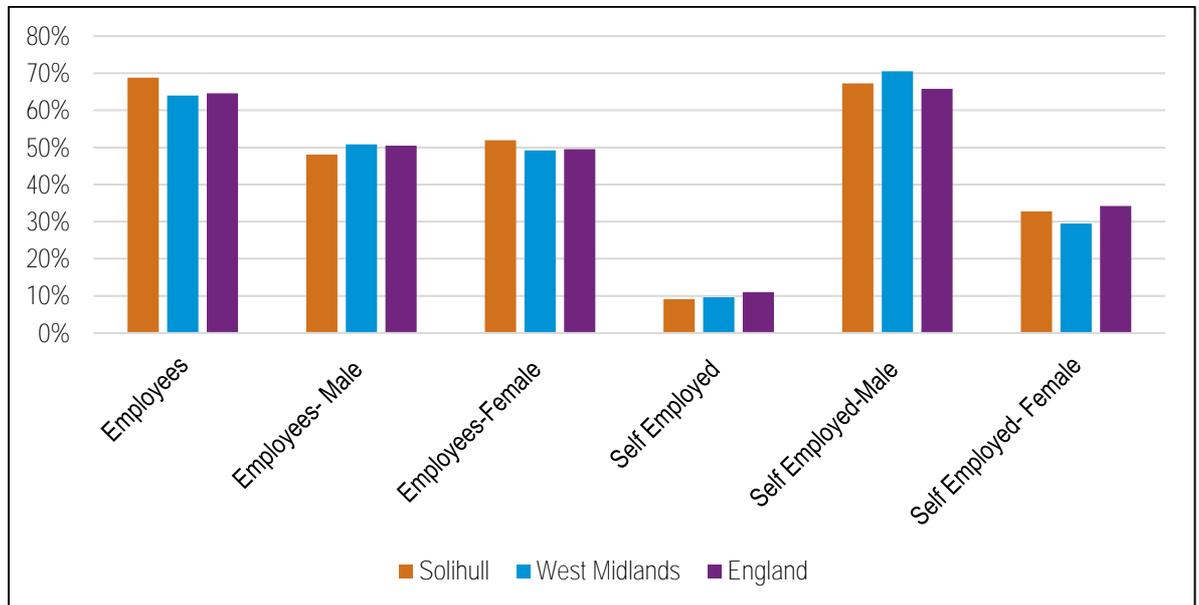


Source: Annual Population Survey (2019)

- 4.14 The economic activity rate describes the percentage of working-age adults (16-64) who are working or looking for work. The economic activity rates in Solihull (80.9%) are slightly higher than the other comparators.
- 4.15 Unemployment within Solihull (2.7%) is slightly lower with what seen in the West Midlands region and UK (3.6% and 3.2% respectively). The level of self-employment in Solihull (9%) is also in line with the comparators to the regional (9.6%) and national trends (11.0%).
- 4.16 Within the people who are self-employed, there are more males that are self-employed (67%) than females (33%) in Solihull which is in line with the national and regional representation.

⁷ Employment as % of people aged 16 -64 who did some paid work in the reference week (whether as an employee or self-employed); those who had a job that they were temporarily away from (e.g. on holiday); those on government supported training and employment programmes; and those doing unpaid family work (i.e. working in a family business).; Economic Active people, who are economically active, expressed as a percentage of all people; Unemployment as % is a proportion of economically active population.

Figure 27: Employment by Type (2018)



Source: Annual Population Survey (2018)

4.17 This analysis indicates that Solihull has higher than typical economic activity and lower unemployment when compared to the wider West Midlands and country.

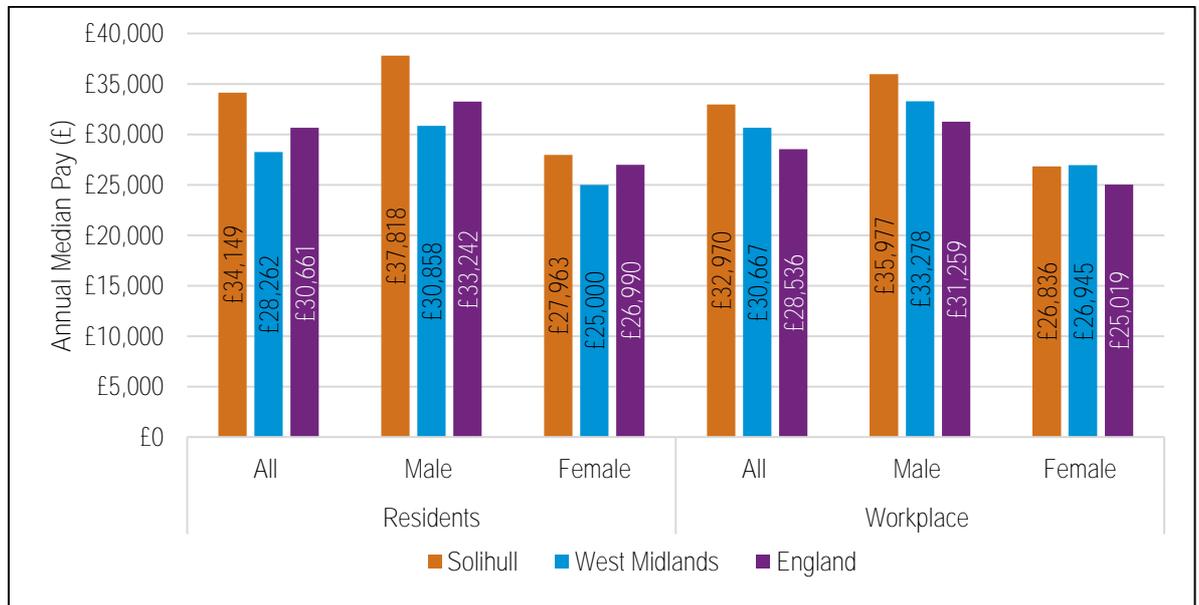
Earnings

4.18 Solihull workers in full-time employment earn a median gross annual pay of just over £34,100. This is higher than the median for West Midlands (£28,968) and England as a whole (£30,641 per annum).

4.19 GL Hearn use median values in preference to mean values for earnings data. This is because median values are less influenced by extreme values and because of the skewed distribution of earnings data.

4.20 The figure bellows shows that overall men in Solihull are earning more than females, this pattern is seen in both the West Midlands and England.

Figure 28: Earnings – Annual Median Pay of Full-Time Workers (2018)



Source: ONS Annual Survey of Hours and Earnings, 2018

- 4.21 Those working full-time in the Borough typically earn around £1,179 less than those living in the borough suggesting that higher paid jobs are being supplied outside of Solihull for residents – most likely in central Birmingham which is a major office and professional services centre.
- 4.22 This is supported by Census data showing distance travelled to work by occupation which shows a similar proportion of workers in the managerial, professional, and technical occupations commute both less than 10km and over 10km to work.

Table 20: Distance Travelled to Work by Occupation, Solihull Residents (2011)

Occupation	Less than 10km	10km and over	Work mainly at or from home	Other
1. Managers, directors and senior officials	39%	40%	17%	4%
2. Professional occupations	44%	41%	10%	5%
3. Associate professional and technical occupations	42%	39%	14%	6%
4. Administrative and secretarial occupations	63%	27%	8%	2%
5. Skilled trades occupations	38%	22%	14%	26%
6. Caring, leisure and other service occupations	70%	16%	8%	6%
7. Sales and customer service occupations	73%	20%	4%	3%
8. Process, plant and machine operatives	58%	24%	7%	11%
9. Elementary occupations	69%	17%	6%	8%

Source: Census 2011

- 4.23 Also notable is the fact that the earnings of both male residents and male workers are higher than the wider regional and national equivalent whereas female residents and workers earning are more in line with the regional and national equivalents.

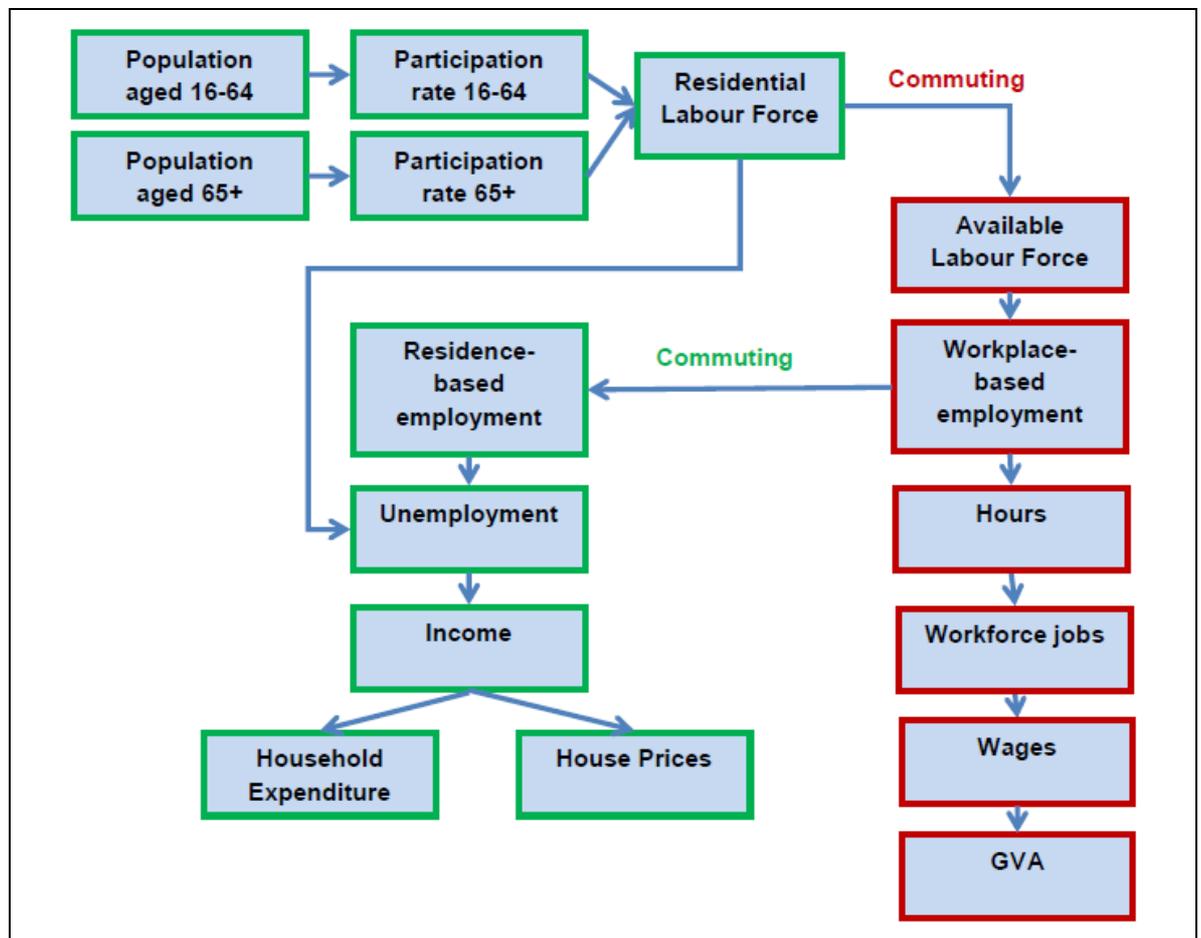
The Economy and Labour Market: Key Points and Recommendations

- Solihull's economy produces goods and services valued at £7.5 (bn) (GVA) and supports around 109,000 jobs. The strongest contributor to GVA in Solihull is the manufacturing sector.
- The Borough's largest sector in terms of total employment numbers is the Manufacturing with 13,700 jobs in 2018 along with 13,600 jobs in the Wholesale and Retail sector.
- Sectors with a high location quotient include transport & storage, information & communication, financial & insurance, property, professional, scientific & technical, along with business administration & support services.
- The vast majority of the enterprises based in the Borough are micro businesses: that is, they employ fewer than 10 people. Solihull Borough has a relatively high employment and economic activity rate compared to the region.
- Unemployment in the Borough, recorded at 2.7% by the Annual Population Survey, is below that in most of the comparator geographies considered. The England average is 3.2%.
- Those working full-time in the Borough typically earn around £1,179 less than those who reside out of the Borough and Work in Solihull. This is indicative of a notable number of higher-earning residents that work outside of Solihull in areas like Birmingham.
- **Solihull's economy is strong, with key sector strength across a suite of white-collar and technical industries. Its residents earn high wages and have high employment rates relative to the surrounding region.**

5 EMPLOYMENT FORECASTS

- 5.1 Experian was commissioned by GL Hearn to provide labour demand forecasts for the HEDNA. The Experian forecast is dated January 2020.
- 5.2 The baseline model is the lowest hierarchical level of the Experian framework of forecasting models. Such a modelling framework ensures that global and national factors (such as developments in the Eurozone and UK Government fiscal policy) have an appropriate impact on the forecasts at the local authority level. This framework ensures that the forecasts are much more than just an extrapolation of historical trends. Rather, the trends in the Experian national and sectoral forecasts have an impact on the local area forecasts alongside the sectoral structure and past sector performance locally.
- 5.3 The forecasts are produced within a fully integrated system, which makes assumptions about migration, commuting and activity rates when producing employment and population forecasts. Note that these are different assumption from the population assumptions set out earlier in this report and therefore different from the demographic growth assessment. The main internal relationships between variables are summarised in Figure 29.

Figure 29: Employment Forecasting Main Relationships



Source: Experian, 2020

5.4 The baseline forecasts for Solihull are essentially shaped by three factors:

- International, national and regional outlooks - all the local area forecasts produced by Experian are fully consistent with broader regional, national and international models and forecasts. This ensures global events that impact on the performance of UK local economies, such as the strength of global trade are fully captured in the forecasts for a local area. So too are national level growth and policies, whether that be the impact of monetary policy on consumer spending or government spending on locally provided public services;
- Historical trends in an area, which implicitly factor in supply side factors affecting demand, combined with the Experian knowledge of local areas and the patterns of local economic development. This ensures for example, that we recognise and factor into the forecasts any evidence of particularly high/low levels of competitiveness that local economies have in particular activities. It also means national policy programmes that have a particular local impact and that are very likely to happen; and
- Fundamental economic relationships which interlink the various elements of the outlook. Experian's models ensure full consistency between variables in a local area. For example, employment, commuting, migration and population are all affected by one another.

- 5.5 Within the Experian model migration is expected to grow or decline in parallel with the employment total. If the employment total within an area is falling too fast, migration also falls as the model assumes that people would not be attracted into this area to live, given that the employment prospects are weak. A similar response is triggered in reverse with employment growth. This ensures that the relationship between the labour market outlook and the population outputs are inter-linked.

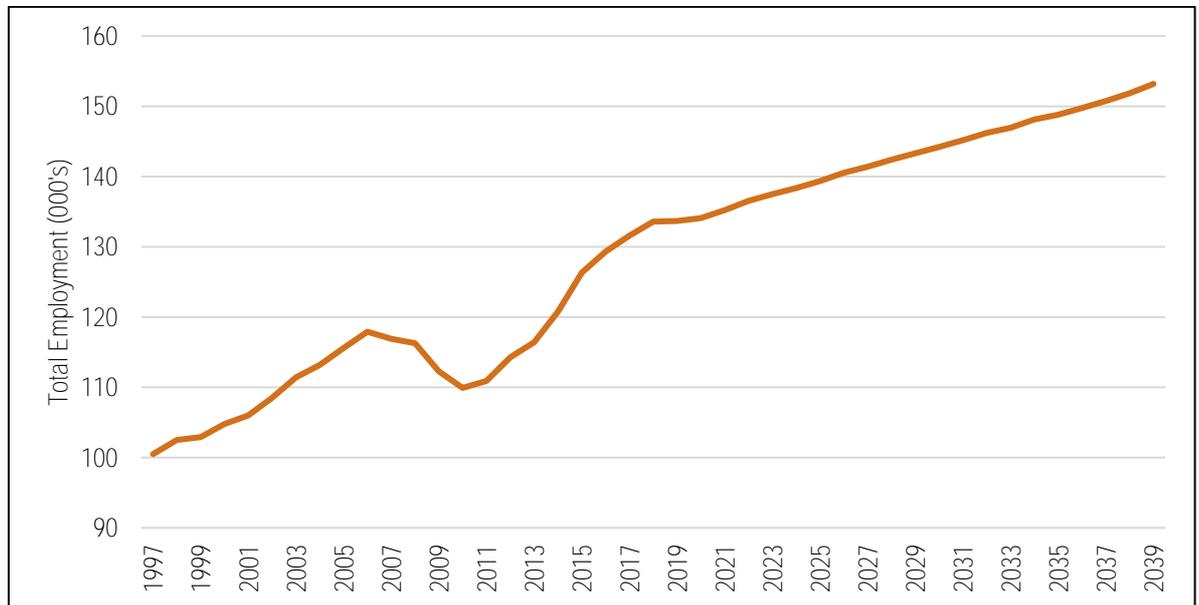
Disaggregating Growth

- 5.6 The Experian forecasts are based on a view of UK growth which is then translated to the West Midlands region and then each local authority within the region. Within the hierarchy the growth in the lower level in the hierarchy must add up to that of the level above within the baseline forecast.
- 5.7 How the national level of growth is translated to a regional and local authority level differs from sector to sector. Some of the sectors are driven predominantly by population estimates, others by total employment in the area and the remainder by the sector's performance relative to the regional performance (largely exporting sectors).
- 5.8 Because of the way national forecasts are disaggregated, the baseline growth in any given local authority largely reflects the relative strength of the sectors expected to grow nationally. In practice this means that local authorities with a particular strength in their professional, scientific and technical sector and/or the administrative and support sectors (as the drivers of growth nationally) will see notable growth.

Baseline Forecast

- 5.9 In this section we have provided the baseline forecast between 2020 and 2036. Experian indicate that Solihull's economy is expected to grow by 1.5% per annum (GVA growth).
- 5.10 Experian show that the total number of workforce jobs in Solihull is expected to grow from approximately 135,000 in 2020 to 144,600 in 2036 which equates to an annual growth rate of 0.5%.

Figure 30: Solihull Jobs Growth, Baseline Forecast (1997-2039)



Source: Experian, 2020

5.11 The baseline employment and FTE employment figures are shown below.

Table 21: Baseline Employment and Job Growth - Solihull

Type	2020	2036	Change
Workforce jobs	135,000	144,600	9,600

Source: Experian (2020)

5.12 As with GVA growth, the total jobs growth (0.5% per annum from 2020-36) in Solihull is much slower than the level of jobs growth over the previous economic cycle (compared to 1.34% per annum from 1997-2008 and 1.4% pa from 2001-2018). The slower rate of growth going forward as compared to previous economic cycles is not confined to Solihull but is expected regionally and nationally. It is due to a weaker global outlook with increased protectionism and a weaker national outlook reflecting Brexit uncertainties as well as more constrained public sector spending.

Local Growth Scenario

5.13 While the baseline forecast provides a good indication of the direction of growth, it may not reflect the progression of some specific sectors locally which remain constrained to the regional and national outlook. We have considered the Baseline forecast and reviewed the historic trends and future forecasts for the borough in each sub sector. This is effectively a modelled scenario that does not rely

on any particular development but indicates how the Solihull economy might grow assuming an optimistic position and reflecting on the historic past performance.

- 5.14 It is also of note that since the purchase of the Experian data (Jan 2020) the COVID19 pandemic has altered the economic outlook for the UK and globally. This remains dynamic at the time of analysis (April 2020) with further commentary set out in Appendix B as of September 2020.
- 5.15 The Compound Annual Growth Rate (CAGR), or average annual rate of change, of employment is below compared to the long-term historic period of 2001-18 and the more recent 2007-18 period for all sectors. In addition, midpoints between the baseline and both long-term and recent historic rates were presented, along with a lower quartile position between recent historic and the baseline. These help to reveal specific patterns for individual industries and identify alternative future scenarios. This is set out in Appendix A. For several sectors the forecasts significantly diverge with past employment growth rates.
- 5.16 One important criterion for making applying an uplift is by reviewing the sector's overall significance in the local economy. The location quotient analysis in Chapter 4 reveals that sectors with a high location quotient in Solihull are:
- Manufacturing
 - Transportation and storage
 - Accommodation and food service
 - Information and communication
 - Real estate activities
 - Professional, scientific and technical
 - Administrative and support service
- 5.17 In addition, the West Midlands Industrial Strategy references key assets in:
- Transport innovation
 - Health and life sciences
 - Modern services – high-value business and professional services
 - Creative content, techniques and technologies
- 5.18 And sector strengths in:
- Low carbon technology
 - Aerospace
 - Logistics / transport technology
 - Metals & materials
 - Life sciences
 - Professional skills
 - Rail
 - Construction
 - Creative

- Food and drink
- Automotive
- Tourism

5.19 The historic CAGR's of a number of particular sectors have been analysed to generate a local growth perspective, which better reflects local assets and opportunities as well as historic performance.

Table 22: Significant Sector CAGR Analysis

Industry	2020-36 Baseline CAGR	2020-36 Adjusted CAGR	Justification
Manufacturing	-0.6%	-0.3%	Return to midpoint of long-term Historic Trend and baseline, reflects a neutral position of manufacturing employment change accounting for overall projected losses but local strengths.
Transportation and storage	0.5%	1.0%	Lower quartile between baseline and long-term historic. Recent uptick in employment, along with stakeholder consultation indicate that this sector is going to continue to see growth in the medium term.
Accomm & food service	0.5%	1.3%	Lower quartile between baseline and recent historic. to better reflect growth ambitions and relative importance of the sector.
Info & comm	0.2%	0.9%	Lower quartile between baseline and long-term historic rate. High representation relative to region. The WEM LIS identifies technology as a key growth sector.
Real estate activities	0.3%	1.4%	Lower quartile between baseline and recent historic to reflect relative importance of sector and account for strong historical growth.
Prof, sci & tech	0.4%	1.1%	Lower quartile between baseline and long-term historic rate to reflect relative importance of sector. Professional services are listed as a key growth sector in the WM LIS.
Administrative & support	0.0%	0.8%	Lower quartile between baseline and recent historic trends to reflect relative importance of sector and account for strong historical growth.
Total	0.5%	0.7%	Across all sectors (including those not listed above)

Source: GLH Analysis of Experian Data

5.20 These adjustments were applied to the 2020-36 period. This resulted in a higher employment forecast, from an increase of 5,700 jobs over the period compared to the baseline.

5.21 The table below sets out the difference between the baseline forecasts and the adjusted position which indicates the influence of historic trends locally. The uplift is particularly apparent in administration and support activities along with manufacturing.

Table 23: Job uplift from Baseline to Adjusted

Industry	Baseline	Adjusted	Uplift	Method
Agriculture	-100	-100	0	
Mining	0	0	0	
Manufacturing	-1,600	-200	1,400	Midpoint of long-term historic trend and baseline
Utilities	0	0	0	
Water	0	0	0	
Construction	1,100	1,100	0	
Wholesale and retail trade	-700	-700	0	
Transportation and storage	1,200	1,700	500	LQ long-term historic trend and baseline
Accommodation and food service	1,800	2,300	500	LQ recent historic trend and baseline
Information and communication	800	1,100	300	LQ long-term historic trend and baseline
Financial and insurance activities	100	100	0	
Real estate activities	300	700	400	LQ recent historic trend and baseline
Professional, scientific and technical	1,400	2,300	900	LQ long-term historic trend and baseline
Administrative and support service	1,700	3,400	1,700	LQ recent historic trend and baseline
Public administration and defence	100	100	0	
Education	800	800	0	
Human health and social work	2,800	2,800	0	
Arts, entertainment and recreation	200	200	0	
Other service activities	100	100	0	
Total	10,000	15,700	5,700	

Source: Experian (2020) GLH adjustments (Figures may not sum due to rounding)

5.22 Whilst the growth scenario provides a useful indication of the trend-based potential of the local economy, it is less well evidenced than proposals that may provide more specific job creation justification, as below.

UK Central Scenario

- 5.23 Solihull's Urban Growth Company (UGC) is driving growth for the UK Central Hub orientated around the new HS2 Interchange Station. UK Central Hub comprises the areas of Birmingham Airport (BHX), the National Exhibition Centre (NEC), Jaguar Land Rover (JLR), Birmingham Business Park and Arden Cross (including the HS2 Interchange). The UGC is a special purpose vehicle created by the Council to deliver key employment sites in conjunction with Council growth aspirations. In February of 2018 UGC released The Hub Framework Plan outlining the strategic growth objectives of the Borough, and also reported the floorspace proposals across UKC.
- 5.24 The report outlined the floorspace provisions of Core Development Areas (CDAs) which include those listed above.
- 5.25 GL Hearn engaged with key stakeholders at Arden Cross, JLR, BHX, NEC and BBP to update the employment and floorspace assumptions in the Framework to latest data of early 2020.
- 5.26 Where floorspace was provided by stakeholders it has been converted to a use class and then estimated in terms of employment numbers using the HCA Additionality Guide 2015 (3rd Edition) or where applicable, other assumptions on future employment densities as detailed in the table below.

Table 24: Employment Density Assumptions by Use Class, Solihull

Use Class	Density (Sqm/Job)	Note
B1a/b (Office/R&D)	12	B1a office density ranges from 8 sqm / job (call centres) to 13 sqm / job (Corporate). It is likely that additional B1a floorspace will be more corporate in nature. There is not likely to be a significant amount of R&D space constructed.
B1c (Light Industrial)	47	There is no range on employment densities for these use classes however a blend has been used where relevant.
B2 (Manufacturing)	36	
B8 (Warehouse)	80	The guidance provides a range of 70 sqm / job (final mile distribution) to national distribution centres. A Midpoint was chosen to reflect the strategic positioning of B8 along the M42 and M6.
A1/A3/D2 (Mixed Leisure)	70	Restaurants, Cafes and retail have employment densities around 15-20 sqm/ employee whereas cinemas and cultural attractions can have much higher densities (300). An approximate midpoint is assumed.
A1/A3 (Retail / Food & Beverage)	17	Where Leisure was categorised further, a retail/café density was used (range 15-20 sqm/employee).
C1 (Hotels)	1 per 2 beds	It is assumed that the hotel(s) at Arden Cross will be of 4-star accommodation (upscale).
Educational	50	Education floorspace is highly variable and thus a generalised density was assumed.

Source: GLH / HCA Additionality Guide (2015)

- 5.27 The floorspace figures as confirmed by the stakeholders is presented and collated by use class below, with a total of 633,652 sqm including 425,916 sqm of B Class employment floorspace potentially being constructed by 2036.

Table 25: Employment Floorspace by Use Class, UK Central Growth Hub

Use Class	2020-25	2025-30	2030-36	2020-36
B1a/b (Office/R&D)	20,429	41,071	140,102	201,602
B1c/B2 (Industrial)	19,764	68,745	42,906	131,414
B8 (Warehouse)	92,900	0	0	92,900
A1/A3/D2 (Mixed Leisure)	6,667	43,781	0	50,448
A1/A3 (Retail/ F&B)	15,333	30,667	0	46,000
C1 (Hotels)	0	22,176	19,536	41,712
Educational	7,000	14,000	48,576	69,576
Total	162,092	220,440	251,119	633,652

Source: GLH Analysis of UK Central Hub Stakeholder Data

- 5.28 The employment floorspace was then divided by each employment density to arrive at an indicative employment number presented in the table below.

Table 26: FTE Employment Growth by Use Class, UK Central Growth Hub

Use Class	2020-25	2025-30	2030-36	2020-36
B1a/b (Office/R&D)	1,702	3,423	11,675	16,800
B1c/B2 (Industrial)	549	1,910	1,192	3,650
B8 (Warehouse)	1,161	0	0	1,161
A1/A3/D2 (Mixed Leisure)	95	625	0	721
A1/A3 (Retail/ F&B)	902	1,804	0	2,706
C1 (Hotels)	0	53	47	100
Educational	140	280	972	1,392
Birmingham Airport	80	200	120	400
Total	4,630	8,295	14,005	26,930

Source: GLH Analysis of UK Central stakeholder data using the HCA Additionality Guide (2015)

- 5.29 It is assumed that an additional 26,930 FTE jobs will be provided by 2036 across the UK Central Growth Hub.
- 5.30 In order to convert to total jobs, which reflect the number of persons that would be employed, Experian data was referenced to understand the ratio of full-time equivalent jobs to total jobs by sector. Full time equivalent assumptions also over time between the sectors according to Experian; thus, this was annualised to give a more realistic and localised understanding of employment. The totals by use class are presented below.

Table 27: Total Employment Growth by Use Class, UK Central Growth Hub

Use Class	2020-25	2025-30	2030-36	2020-36
B1a/b (Office/R&D)	2,045	4,163	14,421	20,629
B1c (Light Industrial)	0	0	0	0
B2 (Manufacturing)	498	1,768	1,113	3,379
B8 (Warehouse)	1,339	0	0	1,339
A1/A3/D2 (Mixed Leisure)	134	887	0	1,021
A1/A3 (Retail/ F&B)	1,228	2,482	0	3,710
C1 (Hotels)	0	74	65	138
Educational	195	395	1,401	1,990
Birmingham Airport	99	253	157	509
Total	5,536	10,022	17,157	32,715

Source: GLH Analysis of UK Central Data using the HCA Additionality Guide (2015)

- 5.31 Whilst the floorspace figures indicate a potential 32,715 jobs could be created by 2036, GL Hearn considers this to overestimate the potential jobs growth. There are two main reasons for this:

- Double counting with the baseline forecasts, which already include some growth in the sectors reported above reflecting trends in the Borough, with UKC being a facilitator of growth.
- The rate of growth, particularly in B1a/b employment, being unrealistically high for a compressed period.

5.32 As a result of the above matters, GL Hearn has considered an adjusted UK Central job position which considers the potential growth across a number of employment sectors as follows. These adjustments replace assumptions around displacement and multiplier effects by taking into account a reasonable view on what is likely to occur in the Solihull economy overall in the longer term. It is recognised that as time progresses and the proposals become clearer, it will be possible to develop a more accurate assessment of growth.

Offices:

5.33 Historically from 2001-18 (which was a high growth period) Solihull saw an average additional gain of c670 jobs per annum in Professional Services and Administration, principle employment sectors for office employment. There are forecast to be less than 200 jobs per annum going forwards in the baseline scenario across these sectors (2,000 jobs to 2036) and there is already some office supply / vacancy outside of UKC which would be able to accommodate these baseline jobs. CoStar forecast that whilst net absorption (take up after new vacancies) 2001-19 was around 50,000 sqft per annum in Solihull going forwards it could around 5,000 sqft.

5.34 The unadjusted NEC and Arden Cross proposals would generate some 20,000 jobs above the baseline by 2036. Whilst these provide a new inward investment location and one of greater accessibility (with HS2 and other infrastructure) than the previous strategic sites at BVBP / BBP, the scale of growth and timescales appear over estimated. Key adjustments are therefore:

- A 2-year delay on NEC Pendigo Quarter delivery i.e. 2025 occupancy not 2023
- Constraint in employment take up for years when NEC Pendigo Quarter delivery takes place at Arden Cross due to competition
- A reduction in take up of space vs delivery, assuming that each programmed year 50% of delivered space is occupied, which leads to an extension in the time taken to occupy in full

5.35 Overall, this reduces average office-based job growth at UKC to c690 jobs per annum above the baseline, leading to a comparable rate of growth to that seen historically, one which is considered reasonable. UKC unadjusted office growth over the plan period falls from 20,629 to 7,601.

Manufacturing:

5.36 The baseline forecasts decline of 1,700 jobs across the period but UKC forecasts 3,379 jobs growth unadjusted driven particularly by JLR. JLR report that an estimated 50% of employment growth at

new floorspace displaces existing employment. It is therefore assumed that half this forecast UKC growth occurs net.

Distribution:

- 5.37 Gains in distribution are forecast at the JLR distribution centre of around 1,339 jobs compared with 1,000 jobs forecast in the baseline growth. Given growth already forecast in this sector and the potential for displacement within the JLR business, around half of JLR gains are assumed to be absorbed into the baseline.

Leisure:

- 5.38 Around 500 jobs are forecast in the baseline. 1,000 jobs are expected at NEC UKC. We therefore only add the additional difference of 500 net and assume other jobs are absorbed into the baseline.

BHX (Birmingham Airport):

- 5.39 Assume all jobs built into the baseline as a continuation of past trends.

Retail / Accom / Food (A Class):

- 5.40 The baseline assumes essentially no retail growth but c,2000 jobs in accommodation / food. Of the 3,700 jobs forecast at NEC it is assumed that around half are therefore covered in the baseline and half are net additional.

Education:

- 5.41 Around 2,000 jobs are forecast at NEC / Arden Cross as planned growth. These are considered as additional as they are expected to reflect an institutional investment rather than one linked to population growth.

Hotel

- 5.42 Jobs generated are assumed to be captured in baseline.

Summary

- 5.43 This section has considered three future employment scenarios to 2036.

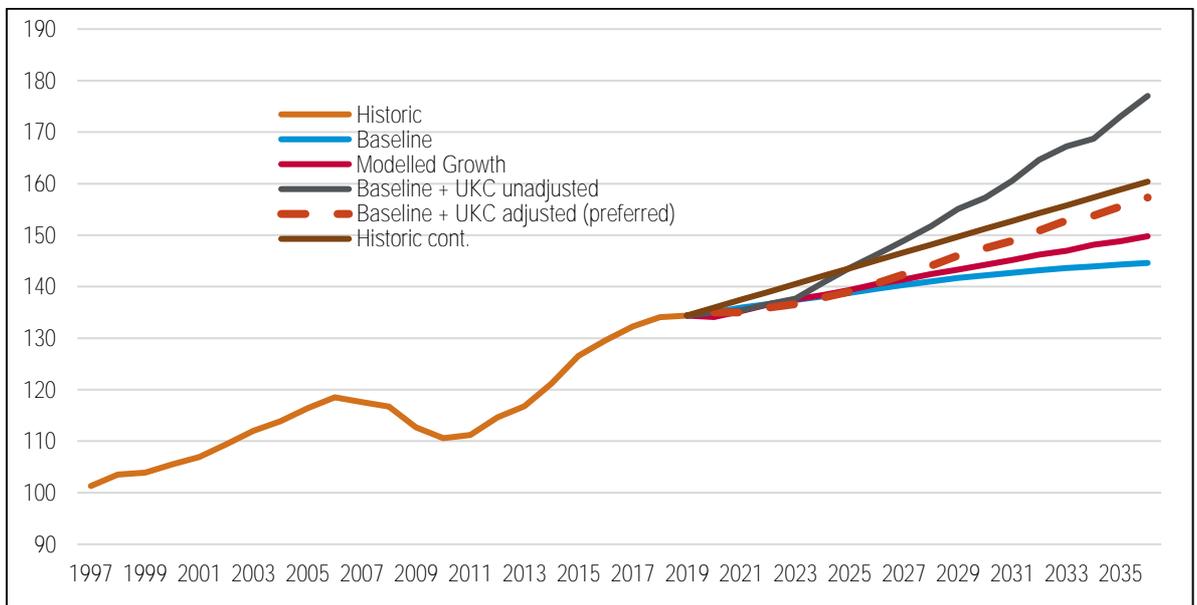
- Experian Baseline: Jan 2020

- Adjusted local scenario, allowing for a greater influence of Solihull's past trends on future growth.
- UK Central: employment driven by proposed developments and latest floorspace figures from stakeholders, adjusted to a net position.

5.44 These scenarios are set out below, with UKC occurring in addition to the baseline. A continuation of past year on year growth from 2001-18 is also included as a benchmark.

5.45 Based on the analysis undertaken, **GL Hearn recommends planning for employment growth at the rate of baseline with UK Central adjusted to a net position.** This is a total growth of 22,998 jobs overall.

Figure 31: Solihull Job Scenarios



Source: GL Hearn / Experian

Employment Forecasts: Key Points and Recommendations

- The baseline forecast produced by Experian indicates that the economy is expected to grow by 1.5% per annum (GVA growth pa) between 2020 and 2036. The total number of jobs growth forecast is 10,000 which equates to an annual growth rate of 0.5%.
- As with the national forecasts this is a slower level of growth compared to the previous business cycle. However, this is justified as both consumer and public sector expenditure is expected to fall.
- However, these baseline forecasts are largely trend based and may not reflect local investment or planned growth. We therefore considered adjustments to the forecasts to reflect this.
- The modelled growth scenario results in an additional employment growth of 5,680 jobs from the Baseline Scenario (2020-36) taking the total jobs growth to around 15,680, with notable increases in Manufacturing and Administrative and Support Services. This is an increase from 0.5% pa in the baseline to 0.7% pa in total jobs growth.
- It is estimated that unadjusted, an additional 32,715 jobs will be required by 2036 to support the UK Central Growth Hub proposals. GL Hearn has examined the potential employment growth compared with the baseline and potential of individual sectors and concluded that around 12,998 jobs nete additional to the baseline could be expected by 2036
- **It is recommended that the baseline plus UK Central net additional jobs of being 22,998 overall is planned for, with UK Central delivering substantial growth above the baseline but still achieving a lower rate overall compared to the last economic cycle.**

6 ECONOMIC LED HOUSING NEED

Introduction

- 6.1 Paragraph 10 of the PPG (Reference ID: 2a-010-20190220) states that the Standard Method “does not attempt to predict the impact that future government policies, changing economic circumstances or other factors might have on demographic behaviour. Therefore, there will be circumstances where it is appropriate to consider whether actual housing need is higher than the Standard Method indicates.”
- 6.2 This section tests whether the housing need identified through the Standard Methodology is enough to meet the “changing economic circumstances” in Solihull, specifically the different levels of planned economic growth as set out in the previous chapter and if not what level of housing need would be appropriate.
- 6.3 To do this one must recognise the complex relationship between economic growth and housing need and how this is influenced by several factors including:
- The inter-relationship between jobs and people, recognising that some people hold down more than one job;
 - Levels of economic participation, with employment rates a function of several factors including age profile and the pensionable age and the availability of jobs and skills;
 - Commuting patterns and ratios, which can influence the balance between residents in employment and jobs in an area. These are influenced by transport connections, investment, the availability of employment opportunities and earnings levels.
- 6.4 The complexity of these factors, coupled with the inevitable uncertainties associated with predicting long-term economic performance, makes accurate modelling of the numbers of homes needed to support future economic growth inherently difficult to accurately predict. However, Planning Practice Guidance requires consideration of the relationship between changing economic circumstances and housing need.

Jobs Supported by the Standard Method

- 6.5 There are a few assumptions that need to be made when examining the links between housing and employment. These assumptions are set out in the following sub-sectors in relation to Solihull.

Economic Activity Rates

- 6.6 Not all the population growth will be actively seeking employment; some will be retired others will be home makers while others will be ill for example. The calculations, therefore, applied economic activity rates to the population growth to understand the level of employment growth they will support.
- 6.7 Economic activity rates, however, are not constant and there is a range of factors such as changes to the pensionable age and the changing propensity of women to be in the workforce etc that need to be considered.
- 6.8 For this study, the future rates of change for economic activity are based on data provided by the Office of Budget Responsibility (OBR) produced in the summer of 2018. These are national rates and have been rebased and applied to Solihull based on 2011 census data.
- 6.9 Overall, the economic activity rates assume a slight decline in economic activity from 2020 to 2036 – this is due to demographic change and an increasing proportion of older people in the population. Although, the activity rates of older people are forecast to increase; it remains the case that these will remain below those seen in other (younger) age groups but will become an increasing proportion of the workforce.
- 6.10 The table below illustrates the projected changes in economic activity for Solihull by age and sex. As shown the largest growth is in women aged 65-69 reflecting longer term structural change and changing of the pensionable age.

Table 28: Projected changes to economic activity rates (2020 and 2036)

	Males			Females		
	2020	2036	Change	2020	2036	Change
16-19	44.7%	44.0%	-0.7%	46.9%	46.3%	-0.6%
20-24	91.0%	91.7%	0.7%	82.4%	83.3%	0.9%
25-29	93.8%	93.7%	0.0%	85.7%	85.7%	0.0%
30-34	93.8%	93.6%	-0.2%	84.3%	84.7%	0.4%
35-39	93.9%	93.2%	-0.6%	85.6%	88.0%	2.3%
40-44	95.0%	93.7%	-1.3%	86.5%	90.0%	3.4%
45-49	93.3%	92.9%	-0.4%	86.1%	90.5%	4.4%
50-54	92.5%	91.5%	-1.0%	83.0%	85.3%	2.3%
55-59	86.2%	86.3%	0.2%	77.9%	78.7%	0.8%
60-64	65.1%	70.7%	5.7%	59.2%	66.2%	7.1%
65-69	32.6%	41.9%	9.3%	22.4%	36.0%	13.6%
70-74	15.1%	17.2%	2.2%	9.8%	16.3%	6.5%
75-89	5.5%	6.2%	0.8%	2.4%	4.9%	2.5%

Source: OBR and Census 2011

- 6.11 Applying these rates to population growth and age profile changes set out in Chapter 3 of this report results in a 12,466 increase in the number of economically active residents in the Borough. As the table below sets out this is substantially higher than the growth in economically active residents that would result from either the official population projections, as published, and particularly those when adjusted to take account of the latest mid-year population estimates.

Table 29: Estimated change to the economically active population (2020-36) – Solihull

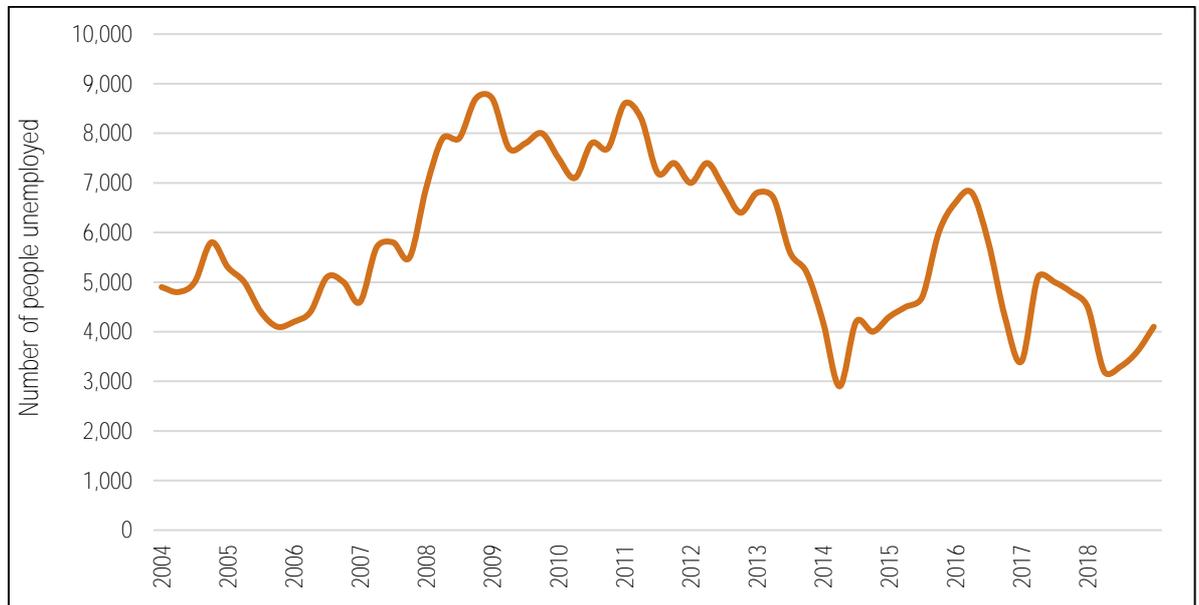
	Economically active (2020)	Economically active (2036)	Total change in economically active
2018-SNPP	110,984	120,323	9,339
SNPP (rebased)	111,684	120,555	8,872
Standard Method	111,684	124,150	12,466

Source: GLH Analysis of a range of sources

Unemployment Rates

- 6.12 The methodology assumes that the number of people that are unemployed in Solihull remains the same moving forward to 2036. This means that the proportion of people who are unemployed (e.g. as a proportion of those who are economically active) would be projected to decrease very slightly over the forecast period.

Figure 32: Number of people unemployed (2004-2019) – Solihull



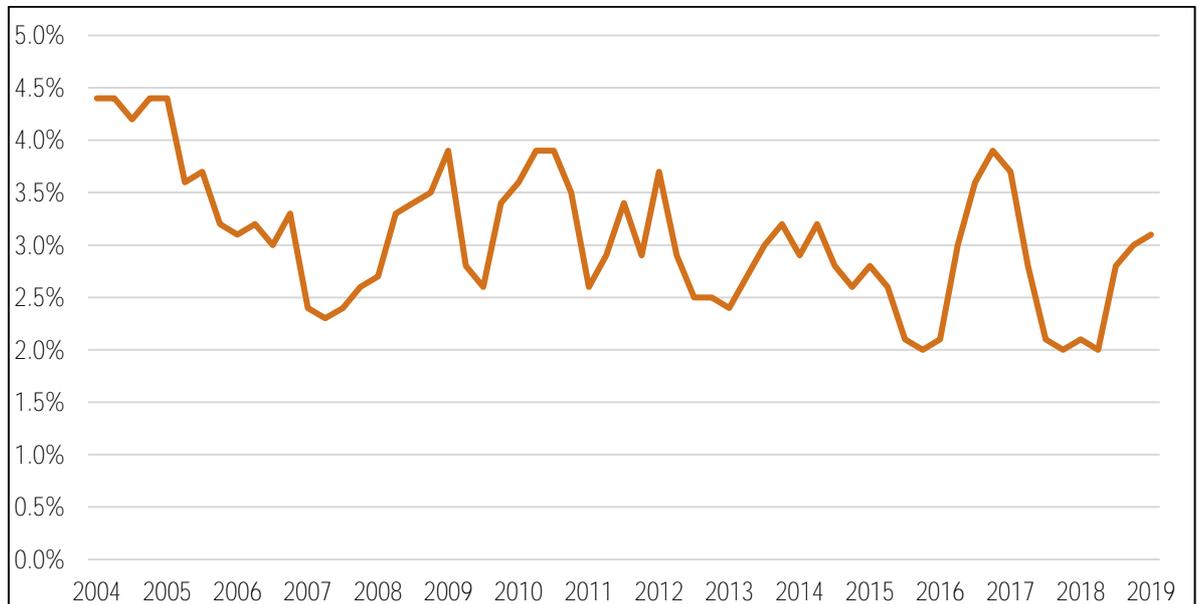
Source: Annual Population Survey

- 6.13 While the reality is that some improvements to unemployment would be made given the increased number of jobs, it is not possible to accurately predict to what extent. Furthermore, for Solihull the unemployment rates are already very low (see Figure above) in which case further improvements may not be possible.
- 6.14 However, it is recognised that in some areas, such as North Solihull, there are higher levels of unemployment which the Local Plan and Draft Review are seeking to address, therefore a lower rate across the Borough are aspired to but not modelled.

Double Jobbing

- 6.15 Our calculation also needs to reflect the fact that some people have more than one job. The result of which is a reduction in the population required to support a certain level of jobs growth. This is referred to as double-jobbing.

Figure 33: Percentage of all people in employment who have a second job (2004-2019) – Solihull



Source: Annual Population Survey

6.16 The assumed rate of double jobbing for Solihull is 3.1% or 96.9% of people have only one job. This means that for every economically active person in Solihull the job count will be 1.031. This was based on the proportion of people with more than one job – using data from the Annual Population Survey. The average data over the 2004-16 period has been used to take account of the higher error margin associated with individual years’ data at local authority level has been used.

Commuting Patterns

6.17 The analysis also takes account of commuting patterns. In an area such as Solihull where more people in-commute for work than out-commute it may be the case that a lower increase in the economically active/working population would be required to provide enough workforce for a given number of jobs than if the reverse is true (and vice versa where there is net out-commuting).

6.18 For this initial scenario it has been assumed that the ‘commuting ratio’ is held constant to 2011 levels. The commuting ratio is calculated as the number of economically active people living in an area (and working anywhere) divided by the number of people working in the area (regardless of where they live).

6.19 This means that the balance between the number of people living and working in an area remains constant. In Solihull, the commuting ratio is 0.98 in 2011 which is a broad balance. This assumes that for every 98 new economically active residents 100 jobs could be supported.

Table 30: Commuting Ratio (2011)

		Solihull
A	Live and work in Local Authority (LA)	32,114
B	Home workers	10,163
C	No fixed workplace	6,847
D	In-commute	51,403
E	Out-commute	49,415
F	Total working in LA (A+B+C+E)	100,527
G	Total living in LA (and working anywhere) (A+B+C+D)	98,539
H	Commuting ratio (G/F)	0.98

Source: 2011 Census

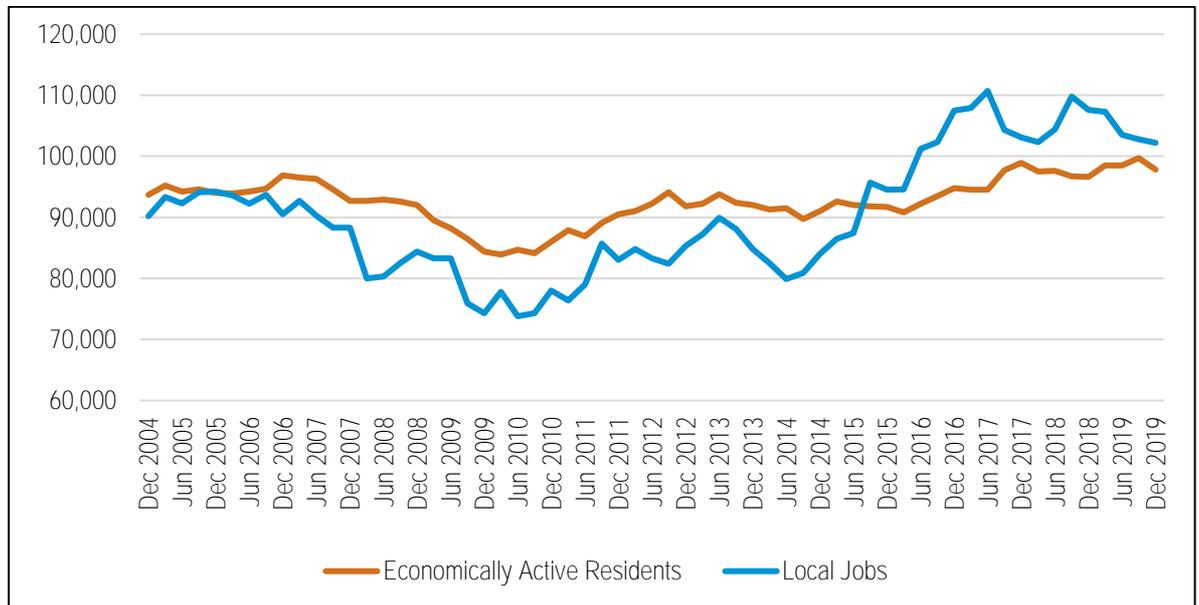
6.20 In reality, there are likely to have been changes to commuting patterns since 2011 and there are likely to be further changes as a result of the anticipated level of growth set out herein. This can be demonstrated by the fact that the number of jobs has increased significantly in Solihull since 2011 (see Figure 31) while the number of economically active residents has only increased modestly.

6.21 In theory this could have been met through a combination of increased number of people with more than one job or a decrease in unemployment. However, as illustrated above neither change has occurred to the same extent as employment has growth, other factors are therefore at play.

6.22 The most likely explanation would be a significant increase in the level of in-commuting into the borough. However, there is no robust dataset between the Censuses which establish the exact scale or nature of this.

6.23 This can be further illustrated by annual population survey data which likely indicates a long-term reversal in commuting pattern. As the Figure below illustrates the number of economically active residents in the Borough was up until 2015 higher than the number of jobs in the Borough. However, since 2015 there has been a significant increase in jobs to the point that even if every economically active resident in the Borough also worked in the Borough there would still be a need for in-commuting.

Figure 34: Comparison of Economically Active residents to Local Jobs (2004-19) – Solihull



Source: Annual Population Survey, 2019

6.24 While the evidence suggests that the economic growth in the Borough is likely to have resulted in significant in-commuting we have assumed continuation for the baseline scenario and the growth scenario. This is again because there is no robust data on the scale of these likely changes.

Conclusions

6.25 The total change in economic activity is divided by the commuting ratio (0.98) and then multiplied by the double jobbing rate (1.03) to get to the change in local jobs.

6.26 Applying this calculation to Solihull and the increase in economically active population supported by the housing and population growth indicated by the Standard Methodology results in around 13,199 additional jobs over the 2020 to 2036 period.

Table 31: Jobs supported by labour supply scenario – Solihull (2020-36)

	Total change in economically active	Allowance for net commuting	Allowance for double jobbing (= jobs supported)
2018-SNPP	9,339	9,528	9,829
SNPP (rebased)	8,872	9,051	9,337
Standard Method	12,466	12,717	13,119

Source: GLH Analysis of a range of sources

6.27 This is around 4,000 jobs higher than that which would be supported by the population growth set out in the official projections. It is also around 3,000 higher than the jobs growth set out in the baseline economic growth.

Table 32: Forecast job change (2020-36)

	2020	2036	Change
Standard Method/Labour Supply	134,100	147,219	13,119
Baseline	134,100	144,100	10,000
Growth	134,100	149,780	15,680
Baseline + UK Central (net)	134,100	156,098	22,998

Source: GLH Analysis of a range of sources

6.28 However, as the table above sets out, it would not be enough to support the growth or UK Central (net) scenario. The next section of this report examines the housing need associated with the levels of jobs growth for the higher scenarios.

Economic Led Housing Need

6.29 This methodology is identical to that set out above but completed in reverse to get to a population growth. This level of population growth is then applied to the household formation rates developed earlier in this report to get to a household growth. A final adjustment to reflect a level of vacancy in the housing stock is applied to the household growth to get to a dwelling's growth.

Commuting Sensitivities

6.30 As mentioned above the increase in employment is likely to have resulted in a significant shift to commuting patterns within Solihull. In response, we have run sensitivities examining different levels of commuting and jobs growth in the borough. These are:

- Baseline – 10,000 jobs at 2011 Ratios
- Growth A – 15,680 jobs at 2011 Ratios
- Growth B – 10,000 jobs at 2011 Ratios and 5,680 jobs assuming 38.5% taken up by local residents
- Growth C (UKC) – 10,000 jobs baseline jobs at 2011 Ratios and 3,250 UKC jobs assuming 25% taken up by local residents

6.31 Both the Growth B and Growth C scenarios are intended to inform duty to cooperate discussions with neighbouring authority. In the Growth B scenario only the first 10,000 jobs (baseline job growth) will be based on the 2011 ratio (see Table 31). Of the remaining 5,680 jobs only 38.5% of these are

assumed to be taken up by Solihull residents. This is again based on the 2011 census the location of residence of those working in Solihull (see table below).

Table 33: Location of Residence of Solihull Workforce

Location of Residence	Commuters	% of Commuters
Solihull	32,114	38.5%
Birmingham	26,479	31.7%
Coventry	3,072	3.7%
Bromsgrove	1,896	2.3%
Warwick	1,800	2.2%
North Warwickshire	1,697	2.0%
Sandwell	1,511	1.8%
Stratford-on-Avon	1,387	1.7%
Redditch	1,282	1.5%
Tamworth	1,077	1.3%
Dudley	1,075	1.3%
Elsewhere	10,098	12.2%

Source: ONS, Census 2011

6.32 However, for the Growth C scenario we have assumed that only 25.3% of the 3,250 jobs above the baseline (10,000 jobs) will be taken up by Solihull residents. Again, this is based on the location of residence of those working in and around the area as of 2011 data. The area has been defined as the middle layer super output areas⁸ which contains the major employment sites including the NEC, BHX and JLR (see table below). This location is more accessible and has a higher level of in commuting compared to the rest of the Borough which tends to be more self-contained.

⁸ The area is defined as the following MSOA Solihull 009, Solihull 011 and Solihull 015

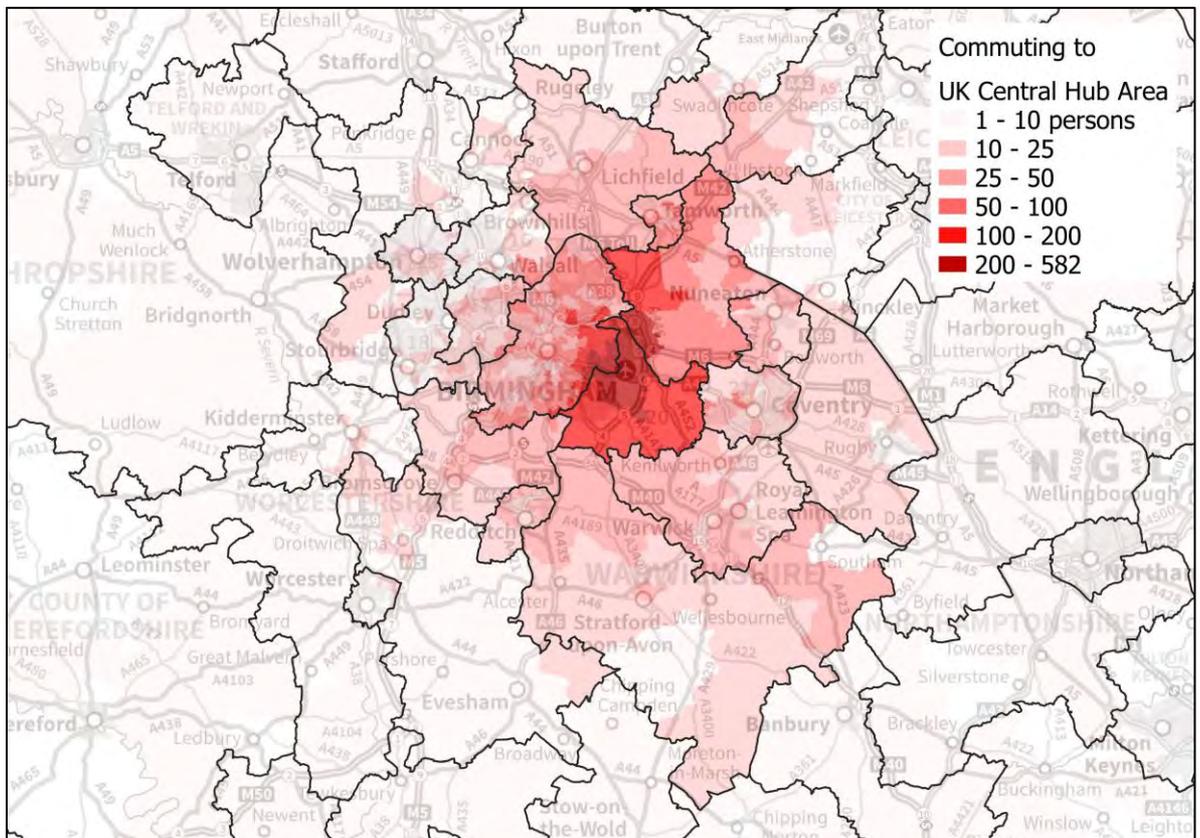
Table 34: Location of Residence of UK Central Hub MSOAs Workforce

Location	Commuters	% of Commuters
Birmingham	9,565	36.5%
Solihull	6,624	25.3%
Coventry	1,106	4.2%
North Warwickshire	783	3.0%
Sandwell	737	2.8%
Tamworth	564	2.2%
Walsall	490	1.9%
Dudley	465	1.8%
Nuneaton and Bedworth	464	1.8%
Bromsgrove	460	1.8%
Warwick	416	1.6%
Redditch	392	1.5%
Stratford-on-Avon	319	1.2%
Lichfield	307	1.2%
Elsewhere	3,498	13.4%

Source: ONS, Census 2011

- 6.33 The exact location of residence of those working in the UK Central Hub area (as of 2011) is illustrated in the map below. This figure shows that the largest numbers are drawn from Solihull Borough as well as the Lyndon Green, Gilbertstone and Yardley areas of Birmingham and Coleshill in North Warwickshire.

Figure 35: Location of Residence of UK Central Hub Area Workforce



Source: ONS, Census 2011 data based on OS boundaries

- 6.34 The purpose of these scenarios is to aid duty to cooperate discussion with neighbouring authorities. Whilst the existing in-commuting ratio is maintained for areas outside of Solihull, proportionately the number of jobs in the UK Central Hub area is increasing, drawing more workers in.
- 6.35 Some parts of the HMA may already have an excess of labour supply to support this but others may have a more balanced position between labour supply and economic growth, therefore they may have to provide some additional workforce and therefore homes to support the UK Central Hub.
- 6.36 Given that the Census remains the only available data source and that further accessibility improvements will be made to the UK Central Hub area in terms of HS2, the Birmingham Metro and road improvements connecting the area to Coventry, using the localised Census based approach is considered a reasonable and robust first step in approaching duty to cooperate discussions.
- 6.37 The table below shows the estimated change in the number of economically active workers for each of the four scenarios. This shows that the forecast jobs growth in Solihull requires a lesser growth

economically active residents due to both in-commuting and the number of people with more than one job.

Table 35: Change in economically active population needed to meet job forecasts (2020-36)

	Forecast job change	Allowance for net commuting	Allowance for double jobbing (=change in economically active)
Baseline	10,000	9,802	9,502
Growth A	15,680	15,370	14,899
Growth B	15,680	11,989	11,622
Growth C (Baseline +UKC)	10,000+12,998	9,802+3,288	9,502+3,188

Source: GLH Analysis of a range of sources

6.38 The following table takes the growth in economically active population and translates this into household growth and dwellings need. The table also compares this level of growth to that supported by the Standard Method.

6.39 As shown in the table shows the baseline growth would only require 684 dwellings per annum to support 10,000 jobs. This is considerably lower than the Standard Method (807 dpa). However, there is no recourse to reduce housing need below the standard method to align with economic growth.

Table 36: Projected housing need – range of job growth forecasts – Solihull

	Households 2020	Households 2036	Change in households	Per annum	Dwellings (per annum)
Baseline	91,059	101,691	10,632	664	684
Growth A	91,059	105,157	14,098	881	908
Growth B	91,059	103,053	11,994	750	772
Growth C (UKC)	91,059	103,738	12,697	792	816
Standard Method	91,059	103,595	12,536	783	807

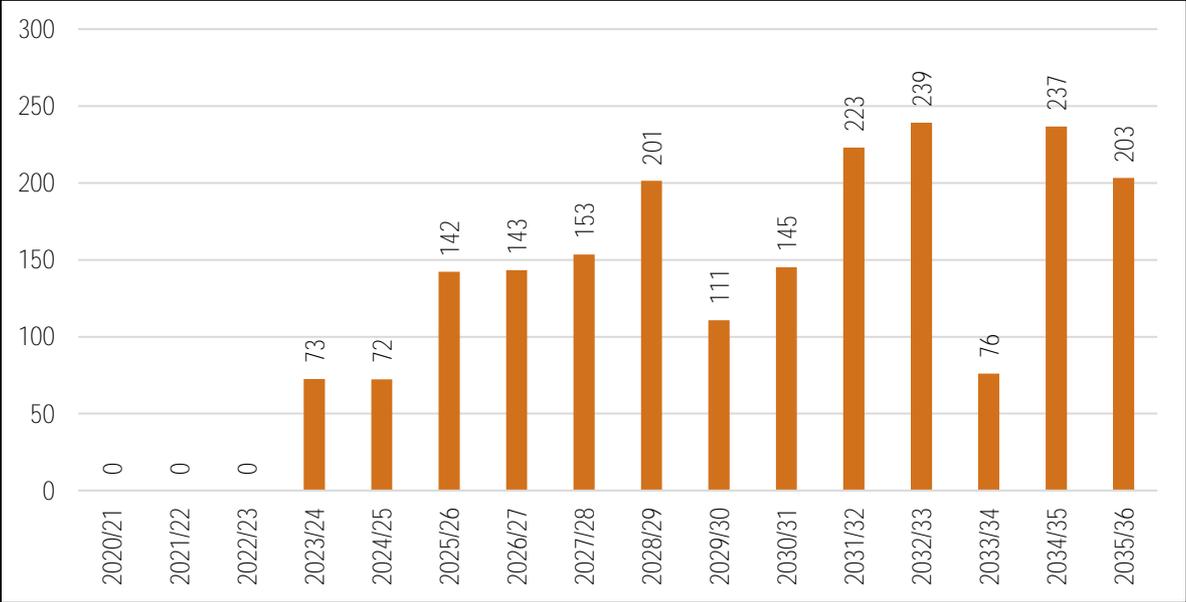
Source: GLH Analysis of a range of sources

6.40 Using the 2011 Census ratio results in a housing need from the growth scenario which is around 100 dpa higher than the Standard Method. However, if we are to use the adjusted commuting scenario, the housing need associated with the growth scenario falls below the Standard Method.

6.41 While this would draw more workers from outside the Borough based on the census, there is justification for this. Furthermore, this issue would be part mitigated by continued use of the Standard Method as there is again no justification for reducing the housing need to below the Standard Method.

- 6.42 To conclude there is no requirement for the Council to increase housing need based on the baseline economic growth. However, there may be some justification to do so based on the growth scenario, but this would only be the case if we assume commuting ratios from 2011 remain true, which as demonstrated is unlikely to be the case.
- 6.43 The UK Central scenario (Growth C), which is the recommended growth scenario, results in a housing need 9 dwellings per annum above the Standard Method, under the commuting assumptions set out above. There is, however, an unmet need 379 dwellings per annum required to fulfil the 75% of in-commuting jobs associated with UK Central.
- 6.44 The Council should as far as possible strive to achieve delivery of new housing where the jobs are to reduce the mismatch between the location of new houses and jobs in Solihull. The Council should also work through the duty to cooperate with neighbouring authorities to ensure there is enough housing to meet regional growth.
- 6.45 It is also worthwhile considering the fact that the UK Central Hub will be a phased development. The table below shows how housing need changes when it is linked to the phasing of development (updated to the net position). As illustrated much of the highest levels of growth will be towards the latter stages of the Local Plan with very little housing associated with the employment growth with the first three years.

Figure 36: Phasing of Housing Need in Solihull Linked to UK Central Hub



Source: Demographic Projections

6.46 Part of this need will be met on-site as the development is expected to deliver around 3,241 dwellings at Arden Cross and NEC in the period to 2036. This number has been confirmed by stakeholders, although the exact phasing over the plan period is subject to change (as have assumptions relating to employment floorspace delivery). However, as stated, there will be other housing needs associated with this site in the wider HMA. This should be dealt with through the duty to cooperate.

Economic Led Housing Need: Key Points and Recommendations

- This report examined the potential employment growth in Solihull which the Standard Method would support drawing on a range of datasets and reports.
- In translating this into housing need the calculations have made several assumptions relating to double-jobbing, commuting, economic activity rates and household formation rates.
- The Standard Methodology (807dpa) would help support a considerably higher rate of job growth (13,119). However, this is based on maintaining commuting ratios from 2011 which are known to have changed.
- We have also calculated the housing need linked to economic growth scenarios. The baseline scenario results in a housing need of 684 dpa. The growth scenario results in a housing need of between 908 and 772 dpa depending on the commuting assumptions. The upper end of this range is based on the 2011 census ratios which are likely to have altered significantly with the bottom end based on larger levels of in-commuting.
- The UK Central Hub scenario, which is the recommended growth scenario, results in a housing need slightly higher the Standard Method at 816 dpa. This is based on adjusted commuting patterns for those jobs above the baseline reflecting localised rates to the growth area. In-commuting within the HMA would be required to support full employment growth at UK Central.
- **Recommendation: The Council should consider increasing housing need to 816 dpa to meet UK Central requirements and should work with HMA partners to meet employment potential at UK Central in full.**

7 AFFORDABLE HOUSING NEED

7.1 This section provides an assessment of the need for affordable housing in Solihull and the 4 sub-areas. The analysis follows the PPG (Sections 2a-018 to 2a-024) to provide an assessment of the annual need for affordable housing. The section provides two main outputs, linked to Annex 2 of the NPPF – this is firstly an assessment of the need for social/affordable rented housing and secondly to consider the need for affordable home ownership products.

Introduction

7.2 Affordable housing is defined in Annex 2 of the NPPF (2019). The new definition is slightly wider than the previous NPPF (2012) definition; in particular, a series of ‘affordable home ownership’ options are considered to be affordable housing. The full definition is as follows:

“Affordable housing: housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers); and which complies with one or more of the following definitions:

*a) **Affordable housing for rent:** meets all of the following conditions: (a) the rent is set in accordance with the Government’s rent policy for Social Rent or Affordable Rent, or is at least 20% below local market rents (including service charges where applicable); (b) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme (in which case the landlord need not be a registered provider); and (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision. For Build to Rent schemes affordable housing for rent is expected to be the normal form of affordable housing provision (and, in this context, is known as Affordable Private Rent).*

*b) **Starter homes:** is as specified in Sections 2 and 3 of the Housing and Planning Act 2016 and any secondary legislation made under these sections. The definition of a starter home should reflect the meaning set out in statute and any such secondary legislation at the time of plan-preparation or decision-making. Where secondary legislation has the effect of limiting a household’s eligibility to purchase a starter home to those with a particular maximum level of household income, those restrictions should be used.*

*c) **Discounted market sale housing:** is that sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households.*

*d) **Other affordable routes to home ownership:** is housing provided for sale that provides a route to ownership for those who could not achieve home ownership through the market. It includes shared ownership, relevant equity loans, other low-cost homes for sale (at a price equivalent to at least 20% below local market value) and rent to buy (which includes a period of intermediate rent). Where public grant funding is provided, there should be provisions for the homes to remain at an affordable price for future eligible households, or for any receipts to be recycled for alternative*

affordable housing provision, or refunded to Government or the relevant authority specified in the funding agreement.”

- 7.3 The PPG relating to the measurement of affordable housing need was updated in February 2019, although it is similar to that set out in draft in March 2018. The PPG describes the calculation of affordable housing need as relating to *“the current number of households and projected number of households who lack their own housing or who cannot afford to meet their housing needs in the market”*.
- 7.4 The methodology set out in the PPG to look at affordable need does not address the additional (affordable home ownership) definition, other than to identify “the number of households from other tenures in need and those that cannot afford their own homes, either to rent or to own, where that is their aspiration”.
- 7.5 Due to the lack of any detailed guidance the analysis below is therefore split between the current definition of affordable need and the additional definition. This section of the report below deals with the existing definition of affordable need with the following section considering the revised/expanded NPPF definition.

Key Definitions

Housing Need

- 7.6 Housing need is defined as the number of households who lack their own housing or who live in unsuitable housing and who cannot afford to meet their housing needs in the market.

Newly Arising Need

- 7.7 Newly arising (or future) need is a measure of the number of households who are expected to have an affordable housing need at some point. As per paragraph 25 of the PPG, this is made up of newly forming households and existing households falling into need.

Supply of Affordable Housing

- 7.8 An estimate of the likely future supply of affordable housing is also made (drawing on secondary data sources about past lettings). The future supply of affordable housing is subtracted from the newly arising need to assess the net future need for affordable housing.

Affordability

- 7.9 Affordability is assessed by comparing household incomes against the cost of suitable market housing (to either buy or rent). Separate tests are applied for home ownership and private renting and are summarised below:
- a. *Assessing whether a household can afford home ownership: A household is considered able to afford to buy a home if it costs 3.5 times the gross household income – CLG guidance suggests using different measures for households with multiple incomes (2.9×) and those with a single income (3.5×), however (partly due to data availability) we have only used a 3.5 times multiplier for analysis. This ensures that affordable housing need figures are not over-estimated – in practical terms it makes little difference to the analysis due to the inclusion of a rental test (below) which tends to require lower incomes for households to be able to afford access to market housing;*
 - b. *Assessing whether a household can afford market renting: A household is considered able to afford market rented housing in cases where the rent payable would constitute no more than a particular percentage of gross income. The choice of an appropriate threshold is an important aspect of the analysis, CLG guidance (of 2007) suggested that 25% of income is a reasonable start point but also notes that a different figure could be used. Analysis of current letting practice suggests that letting agents typically work on a multiple of 40% (although this can vary by area). Government policy (through Housing Benefit payment thresholds) would also suggest a figure of 40%+ (depending on household characteristics). Consideration of a reasonable proportion of income to use in analysis can be found later in this section.*
- 7.10 It should be recognised that a key challenge in assessing affordable housing need using secondary sources is the lack of information available regarding households' existing savings. This is a key factor affecting the ability of young households to purchase housing particularly in the current market context where a deposit of at least 10% is typically required for the more attractive mortgage deals. In many cases, households who do not have sufficient savings to purchase have sufficient income to rent housing privately without support, and thus the issue to do with households experiencing difficulties with raising a deposit has a limited impact on this element of affordable housing need i.e. affordable need to rent.

Methodology

- 7.11 The method for studying the need for affordable housing has been enshrined in Government practice guidance for many years, with an established approach to look at the number of households who are unable to afford market housing (to either rent or buy). The methodology considers the following:
- **Current affordable housing need:** an estimate of the number of households who have a need now, at the point of the assessment, based on a range of data modelled from local information – this figure is then annualised so as to meet the current need over a period of time;
 - **Projected newly forming households in need:** using demographic projections to establish gross household formation, and then applying an affordability test to estimate numbers of such households unable to afford market housing;

- **Existing households falling into need:** based on studying past trends in the types of households who have accessed social/affordable rented housing; and
 - **Supply of affordable housing:** an estimate of the likely number of lettings that will become available from the existing social/affordable housing stock.
- 7.12 The first three bullet points above are added together to identify a gross need, from which the supply of relets of existing properties is subtracted to identify a net annual need for additional affordable housing. For the purposes of this assessment, this analysis is used to identify the overall (net) need for social/affordable rented housing.
- 7.13 This approach has traditionally been used to consider the needs of households who have not been able to afford market housing (either to buy or to rent). As the income necessary to afford to rent homes without financial support is typically lower than that needed to buy, the ability of households to afford private rents has influenced whether or not they are in need of affordable housing.
- 7.14 The NPPF and associated guidance has expanded the definition of those in affordable housing need to include households who might be able to rent without financial support but who aspire to own a home and require support to do so. Such households are now considered to have an affordable housing need. The PPG includes households that “*cannot afford their own homes, either to rent, or to own, where that is their aspiration*” as having an affordable housing need.
- 7.15 This expanded definition has been introduced by national Government to support increased access to home ownership, given evidence of declining home ownership and growth in private renting over the last 10-15 years. PPG does not however provide specific guidance on how the needs of such households should be assessed and so this study adopts a broadly consistent methodology to that identified in the PPG, and consider a current need; a newly-arising need on an annual basis; existing households falling into need; and an annual estimate of supply.
- 7.16 For some of the analysis in this section it has been necessary to draw on other sources of data (applied to local information) to make estimates of the need. The approach is consistent with the PPG (Housing and economic needs assessment – see 2a-020 for example) and includes linking local Census data to national changes (as evidenced in national surveys such as the English Housing Survey).
- 7.17 Additionally, information drawn from local surveys previously undertaken by JGC across the country have been used to look at potential prevalence rates for some elements of need where comprehensive local data is lacking. This includes considering what proportion of households in the

private rented sector might have a need due to potential loss of accommodation (e.g. tenancies ending) although again such rates are applied to local information about the size of the sector.

- 7.18 This approach is considered to provide a reasonable view about likely local needs and is an approach that has been accepted through a range of Local Plan Examinations over the past five or more years. Our analysis of affordable housing need is therefore structured to consider the need for rented affordable housing, and separately the need for affordable home ownership. The overall need is expressed as an annual figure, which can then be compared with likely future delivery (as required by 2a-024).
- 7.19 Whilst the need for social/affordable rented housing and affordable home ownership are analysed separately, there are a number of pieces of information that are common to both assessments. This includes an understanding of local housing costs, incomes and affordability. The sections below therefore look at these factors.

Local Prices and Rents

- 7.20 An important part of the affordable needs model is to establish the entry-level costs of housing to buy and rent. The affordable housing needs assessment compares prices and rents with the incomes of households to establish what proportion of households can meet their needs in the market, and what proportion require support and are thus defined as having an 'affordable housing need'. For the purposes of establishing affordable housing need, the analysis focuses on overall housing costs (for all dwelling types and sizes).
- 7.21 The analysis below considers the entry-level costs of housing to both buy and rent across the Council area. The approach has been to analyse Land Registry and ONS data to establish lower quartile prices and rents. Using a lower quartile figure is consistent with the PPG and reflects the entry-level point into the market recognising that the very cheapest properties may be of sub-standard quality.
- 7.22 Data from the Land Registry for the year to September 2019 (i.e. Q4 of 2018 and Q1-Q3 of 2019) shows estimated lower quartile property prices in the Borough by dwelling type. The data shows that entry-level costs to buy are estimated to start from about £85,000 for a flat in North Solihull and rising to over £400,000 for a detached home in the Rural area. Looking at the lower quartile price across all dwelling types the analysis shows a lower quartile 'average' price of £197,000.

Table 37: zLower Quartile House Prices by Type (year to September 2019)

	Castle Bromwich	North Solihull	Urban	Rural	Borough
Flat/maisonette	£104,000	£85,000	£140,000	£164,000	£130,000
Terraced	£196,000	£126,000	£216,000	£178,000	£151,000
Semi-detached	£224,000	£174,000	£242,000	£256,000	£231,000
Detached	£289,000	£249,000	£386,000	£414,000	£381,000
All Dwellings	£202,000	£124,000	£220,000	£230,000	£197,000

Source: Land Registry

- 7.23 It is also useful to provide estimates of property prices by the number of bedrooms in a home. Analysis for this draws together Land Registry data with an internet search of prices of homes for sale (using sites such as Rightmove). To some extent the prices should be seen as indicative, in particular the supply of 1-bedroom homes to buy was quite small in many areas.

Table 38: Estimated Lower Quartile House Prices by Size (year to September 2019)

	Castle Bromwich	North Solihull	Urban	Rural	Borough
1-bedroom	£103,000	£81,000	£124,000	£128,000	£114,000
2-bedrooms	£150,000	£118,000	£181,000	£187,000	£166,000
3-bedrooms	£207,000	£162,000	£248,000	£257,000	£228,000
4-bedrooms	£327,000	£257,000	£393,000	£406,000	£361,000
All Dwellings	£202,000	£124,000	£220,000	£230,000	£197,000

Source: Land Registry and Internet Price Search

- 7.24 A similar analysis has been carried out for private rents using ONS data – this covers a 12-month period to September 2019. For the rental data, information about dwelling sizes is provided (rather than types); the analysis shows an average lower quartile cost (across all dwelling sizes) of £695 per month.

Table 39: Lower Quartile Market Rents (year to September 2019) – figures for sub-areas estimated

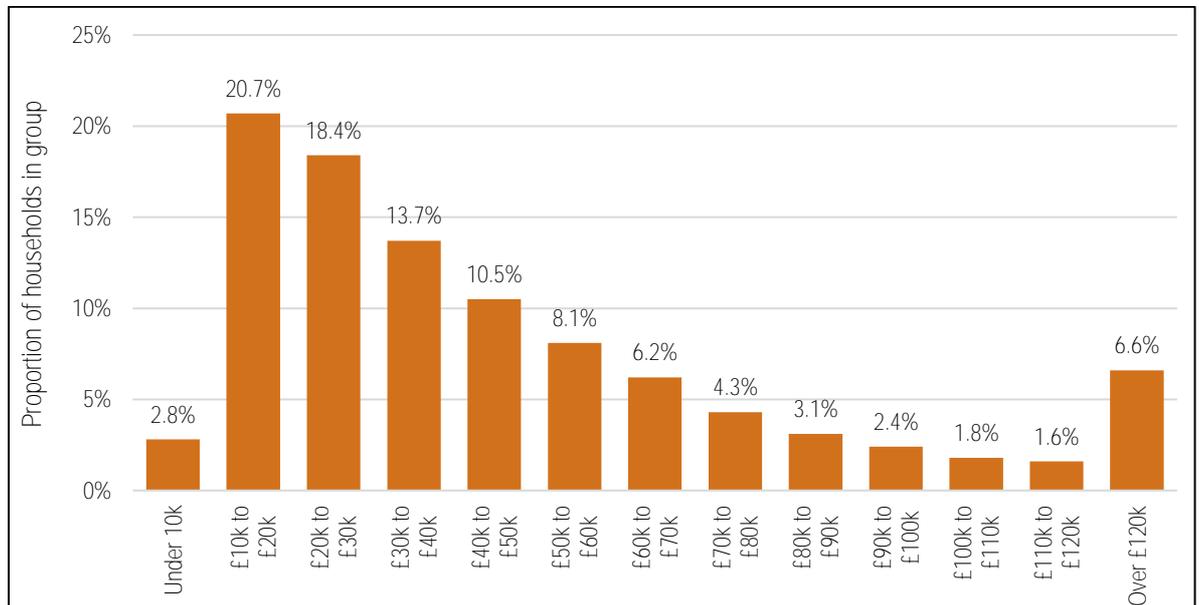
	Castle Bromwich	North Solihull	Urban	Rural	Borough
Room	-	-	-	-	£480
Studio	-	-	-	-	£370
1-bedroom	£515	£445	£550	£560	£525
2-bedrooms	£685	£585	£725	£740	£695
3-bedrooms	£760	£640	£815	£835	£775
4-bedrooms	£1,100	£920	£1,185	£1,215	£1,125
All Dwellings	£705	£535	£745	£770	£695

Source: ONS and Internet Rental Cost Search

Household Incomes

- 7.25 Following on from the assessment of local prices and rents it is important to understand local income levels as these (along with the price/rent data) will determine levels of affordability (i.e. the ability of a household to afford to buy or rent housing in the market without the need for some sort of subsidy). Data about total household income has been based on ONS modelled income estimates, with additional data from the English Housing Survey (EHS) being used to provide information about the distribution of incomes.
- 7.26 Drawing all this data together an income distribution for the whole Council area has been constructed for 2019. The figure below shows that around a quarter of households have incomes below £20,000 with a further third in the range of £20,000 to £40,000. Overall, the average (mean) income is estimated to be around £47,700, with a median income of £35,800; the lower quartile income of all households is estimated to be £20,700.

Figure 37: Distribution of household income (2019) – Solihull



Source: Derived from a range of data as discussed

7.27 Analysis has also been undertaken to estimate how incomes vary by sub-area, with the table below showing the estimated mean, median and lower quartile household income in each area. As with other analysis, some caution should be attached to figures for smaller areas. There is quite a wide range in the estimated incomes by area, median incomes ranging from £25,800 in North Solihull, up to in excess of £40,000 in Rural areas.

Table 40: Estimated Household Income by sub-area, 2019

	Mean	Median	Lower Quartile
Castle Bromwich	£43,800	£33,300	£19,300
North Solihull	£33,900	£25,800	£14,900
Urban	£49,700	£37,800	£21,900
Rural	£55,500	£42,200	£24,400
Borough	£47,700	£35,800	£20,700

Source: Derived from a range of data as discussed

Affordability Thresholds

- 7.28 To assess affordability two different measures are used; firstly to consider what income levels are likely to be needed to access private rented housing (this establishes those households in need of social/affordable rented housing) and secondly to consider what income level is needed to access owner occupation (this, along with the first test helps to identify households in the 'gap' between renting and buying). This analysis therefore brings together the data on household incomes with the estimated incomes required to access private sector housing. Additionally, different affordability tests are applied to different parts of the analysis depending on the group being studied (e.g. recognising that newly forming households are likely on average to have lower incomes than existing households).
- 7.29 A household is considered able to afford market rented housing in cases where the rent payable would constitute no more than a particular percentage of gross income. The choice of an appropriate threshold is an important aspect of the analysis – the PPG does not provide any guidance on this issue. CLG SHMA guidance prepared in 2007 suggested that 25% of gross income is a reasonable start point, it also noted that a different figure could be used. Analysis of current letting practice suggests that letting agents typically work on a multiple of 40%. Government policy (through Housing Benefit payment thresholds) would also suggest a figure of 40%+ (depending on household characteristics).
- 7.30 The threshold of income to be spent on housing should be set by asking the question '*what level of income is expected to be required for a household to be able to access market housing without the need for a subsidy?*' The choice of an appropriate threshold is therefore judgement based. The key consideration to understand here is that local income levels are not setting the threshold but are simply being used to assess how many can or cannot afford market housing. It is important to consider what residual income is left, after households have paid for housing.
- 7.31 At £695 per calendar month, lower quartile rent levels in Solihull are relatively high in comparison to those seen nationally (lower quartile rent of £550 for England in the year to September 2019). This would suggest that a proportion of income to be spent on housing could be higher than the bottom end of the range (the range being from 25% to 40%). Across England the lowest lower quartile rents are around £400 per month (areas with rents at or below this level include Hull and Liverpool and there were a total of 20 local authorities with lower quartile rents not exceeding £400 per month). If these areas are at the bottom end of the range (i.e. 25% of income to be spent on housing) then this would leave a residual income of £1,200 per month. With the same residual income applied to Solihull, the gross household income required to afford a £695 PCM lower quartile rent would be £1,895 and so the percentage spent on housing would be 37%.

- 7.32 However, it needs to be considered that the cost of living in different areas will vary, and it is likely that areas where rents are higher will also generally have higher living costs. Therefore, a pragmatic approach to determining a reasonable proportion of income has been to take a midpoint between the bottom (25%) and the equivalent residual income figure (37% if looking at Solihull). In this example a threshold of 31% would therefore be considered as reasonable.
- 7.33 There are however differences in housing costs in different parts of the Borough and so this analysis has been carried out for locations individually. Below are the affordability thresholds used in analysis for each location:
- Castle Bromwich – 31%
 - North Solihull – 28%
 - Urban – 32%
 - Rural – 32%
 - Borough average – 31%
- 7.34 In reality, many households may well spend a higher proportion of their income on housing and therefore would have less money for other living costs – for the purposes of this assessment these households would essentially be assumed as ideally having some form of subsidised rent so as to ensure a sufficient level of residual income.
- 7.35 Generally, the income required to access owner-occupied housing is higher than that required to rent and so the analysis of the need for social/affordable rented housing is based on the ability to afford to access private rented housing. However, local house prices (and affordability) are important when looking at the need for affordable home ownership.
- 7.36 For the purposes of this assessment, the income thresholds for owner-occupation assume a household has a 10% deposit and can secure a mortgage for four and a half times their salary. These assumptions are broadly in line with typical lending practices although it is recognised that there will be differences on a case by case basis.
- 7.37 The table below shows the estimated incomes required to both buy and rent (privately) in each sub-area. This shows a notable 'gap' in Rural areas and a much narrower spread of incomes required for North Solihull – the figures reflect the varying housing costs in different locations.

Table 41: Estimated Household Income Required to Buy and Privately Rent by sub-area

	To buy	To rent (privately)	Income gap
Castle Bromwich	£40,400	£27,300	£13,100
North Solihull	£24,800	£23,000	£1,800
Urban	£44,000	£28,200	£15,800
Rural	£46,000	£28,800	£17,200
Borough	£39,400	£27,000	£12,400

Source: Based on Housing Market Cost Analysis

Need for Social/Affordable Rented Housing

- 7.38 The sections below work through the various stages of analysis to estimate the need for social/affordable housing in each sub-area. Final figures are provided as an annual need (including an allowance to deal with current need). As per 2a-024 of the PPG, this figure can then be compared with likely delivery of affordable housing.

Current Need

- 7.39 In line with PPG paragraph 2a-020, the current need for affordable housing has been based on considering the likely number of households with one or more housing problems. The table below sets out the categories in the PPG and the sources of data being used to establish numbers. The PPG also includes a category where households cannot afford to own despite it bring their aspiration – this category is considered separately in this report (under the title of the need for affordable home ownership).

Table 42: Main sources for assessing the current unmet need for affordable housing

	Source	Notes
Homeless households (those in temporary accommodation)	MHCLG Statutory Homelessness data (September 2019)	Household in temporary accommodation at end of quarter.
Households in overcrowded housing	Census table LC4108EW	Analysis undertaken by tenure and updated by reference to national changes (from the English Housing Survey (EHS))
Concealed households	Census table LC1110EW	Number of concealed families
Existing affordable housing tenants in need	Modelled data linking to past survey analysis	Excludes overcrowded households – tenure estimates updated by reference to the EHS
Households from other tenures in need	Modelled data linking to past survey analysis	

Source: PPG [2a-020]

- 7.40 It should be noted that there may be some overlap between categories (such as overcrowding and concealed households, whereby the overcrowding would be remedied if the concealed household moved). The data available does not enable analysis to be undertaken to study the impact of this and so it is possible that the figures presented include a small element of double counting (although this is likely to be small). Additionally, some of the concealed households may be older people who have moved back in with their families and might not be considered as in need.
- 7.41 The table below shows the initial estimate of the number of households within the study area with a current housing need. These figures are before any ‘affordability test’ has been applied to assess the ability of households to meet their own housing needs; and has been termed ‘the number of households in unsuitable housing’. Overall, the analysis estimates that there are currently some 5,700 households living in unsuitable housing (or without housing).

Table 43: Estimated Number of Households Living in Unsuitable Housing

	Homeless/ concealed household	Households in over- crowded housing	Existing affordable housing tenants in need	Households from other tenures in need	Total
Castle Bromwich	54	89	9	77	229
North Solihull	205	1,058	162	216	1,642
Urban	590	994	78	839	2,501
Rural	289	459	39	506	1,294
Borough	1,138	2,600	290	1,638	5,666

Source: GLH Analysis of a range of sources

- 7.42 In taking this estimate forward, the data modelling next estimates housing unsuitability by tenure. From the overall number in unsuitable housing, households living in affordable housing are excluded (as these households would release a dwelling on moving and so no net need for affordable housing will arise). The analysis also excludes 90% of owner-occupiers under the assumption (which is supported by analysis of survey data) that the vast majority will be able to afford housing once savings and equity are considered.
- 7.43 A final adjustment is to slightly reduce the unsuitability figures in the private rented sector to take account of student-only households – such households could technically be overcrowded/living in unsuitable housing but would be unlikely to be allocated affordable housing (student needs are essentially assumed to be transient). Once these households are removed from the analysis, the remainder are taken forward for affordability testing.
- 7.44 The table below shows it is estimated that there were 2,600 households living in unsuitable housing (excluding current social tenants and most owner-occupiers).

Table 44: Unsuitable Housing by Tenure and Number to Take Forward into Affordability Modelling (Solihull)

	In Unsuitable Housing	Number to Take Forward for Affordability Testing
Owner-occupied	1,716	172
Affordable housing	1,481	0
Private rented	1,331	1,328
No housing (homeless/concealed)	1,138	1,138
Total	5,666	2,638

Source: GLH Analysis of a range of sources

- 7.45 Having established this figure, it needs to be considered that a number of these households might be able to afford market housing without the need for subsidy. To consider this, the income data has been used, with the distribution adjusted to reflect a lower average income amongst households living in unsuitable housing – for the purposes of the modelling an income distribution that reduces the average household income to 88% of the figure for all households has been used to identify the proportion of households whose needs could not be met within the market (for households currently living in housing). A lower figure of 42% has been used to apply an affordability test for the concealed/homeless households who do not currently occupy housing.
- 7.46 These two percentage figures have been based on a consideration of typical income levels of households who are in unsuitable housing (based mainly on estimates in the private rented sector) along with typical income levels of households accessing social rented housing (for those without accommodation).
- 7.47 The figures have been based on analysis of the English Housing Survey (mainly looking at relative incomes of households in each of the private and social rented sectors) as well as consideration of similar information collected through household surveys across the country by JGC. These modelling assumptions are considered reasonable and have not been challenged through the Local Plan process in other locations (where the same assumptions have been used).
- 7.48 Overall, over half of households with a current need are estimated to be likely to have insufficient income to afford market housing and so the estimate of the total current need is of 1,050 households in the study area. The table below also shows how this is estimated to vary by sub-area.

Table 45: Estimated Current Affordable Housing Need (for social/affordable rented housing)

	In unsuitable housing (taken forward for affordability test)	% Unable to Afford Market Housing (without subsidy)	Revised Gross Need (including Affordability)
Castle Bromwich	106	63.9%	68
North Solihull	448	65.8%	294
Urban	1,378	57.1%	787
Rural	706	52.6%	371
Borough	2,638	57.7%	1,521

Source: GLH Analysis of a range of sources

- 7.49 The estimated figure shown above (1,521) represents the number of households with a need currently. For the purposes of analysis, it is assumed that the local authority would seek to meet this need over a period. Given that this report typically looks at needs in the 2020-36 period, the need is annualised

by dividing by 16 (to give an annual need for 95 dwellings across all areas). This does not mean that some households would be expected to wait 16-years for housing as the need is likely to be dynamic, with households leaving the current need as they are housed but with other households developing a need over time.

- 7.50 The estimated current need from 1,521 households can be compared with information from the Council's Housing Register. An analysis carried out from information provided by the Council (dated March 2020) showed 2,568 households on the Register, of which 1,603 were not transferring from another affordable home. This figure of 1,603 is broadly similar to the modelled estimate and suggests that the figure derived above is of the right order.
- 7.51 It should however be noted that the Housing Register did show a higher proportion of households as in need in the North Solihull area than the modelled estimates above. This may in part be due to the availability of affordable housing in different locations, with households in North Solihull being more likely to register for housing as there is a greater supply of such housing. In areas with lower supply, households may not register if they perceive that there is little chance of being rehoused. For these reasons, the modelled outputs have been preferred to take forward into the rest of the analysis.

Newly Forming Households

- 7.52 The number of newly forming households has been estimated through demographic modelling with an affordability test also being applied. This has been undertaken by considering the changes in households in specific 5-year age bands relative to numbers in the age band below, 5 years previously, to provide an estimate of gross household formation.
- 7.53 The number of newly-forming households is limited to households forming who are aged under 45 – this is consistent with CLG guidance (from 2007) which notes after age 45 that headship (household formation) rates 'plateau'. There may be a small number of household formations beyond age 45 (e.g. due to relationship breakdown) although the number is expected to be small when compared with formation of younger households.
- 7.54 The number of newly forming households has been estimated through demographic modelling (linked to 2018-based SNPP and 2014-based SNHP). This is considered to provide the best view about trend-based household formation, but without building in any additional constraints to household formation.

- 7.55 In assessing the ability of newly forming households to afford market housing, data has been drawn from previous surveys undertaken nationally by JGC. This establishes that the average income of newly forming households is around 84% of the figure for all households. This figure is remarkably consistent across areas (and is also consistent with analysis of English Housing Survey data at a national level).
- 7.56 The analysis has therefore adjusted the overall household income data to reflect the lower average income for newly forming households. The adjustments have been made by changing the distribution of income by bands such that average income level is 84% of the overall household average. In doing this it is possible to calculate the proportion of households unable to afford market housing. For the purposes of the need for social/affordable rented housing this will relate to households unable to afford to buy OR rent in the market.
- 7.57 The assessment suggests that overall, just under half of newly forming households will be unable to afford market housing (to rent privately) and this equates to a total of 805 newly forming households having a need per annum on average. The table below provides a breakdown by sub-area.

Table 46: Estimated Need for Social/Affordable Rented Housing from Newly Forming Households (per annum)

	Number of new households	% unable to afford	Annual newly forming households unable to afford to rent
Castle Bromwich	74	48.8%	36
North Solihull	307	53.1%	163
Urban	887	44.0%	391
Rural	536	40.2%	215
Borough	1,804	44.6%	805

Source: Projection Modelling/Affordability Analysis

Existing Households Falling into Affordable Housing Need

- 7.58 The second element of newly arising need is existing households falling into need. To assess this, information about past lettings in social/affordable rented has been used. The assessment looked at households who have been housed in general needs housing over the past three years – this group will represent the flow of households onto the Housing Register over this period. From this, newly forming households (e.g. those currently living with family) have been discounted as well as households who have transferred from another social/affordable rented property. An affordability test has also been applied.

7.59 This method for assessing existing households falling into need is consistent with the 2007 SHMA guide which says on page 46 that *‘Partnerships should estimate the number of existing households falling into need each year by looking at recent trends. This should include households who have entered the housing register and been housed within the year as well as households housed outside of the register (such as priority homeless household applicants)’*.

7.60 Following the analysis through suggests a need arising from 315 existing households each year. The table below breaks this down by sub-area.

Table 47: Estimated Need for Social/Affordable Rented Housing from Existing Households Falling into Need (per annum)

	Total Additional Need	% of Total
Castle Bromwich	6	2.0%
North Solihull	205	65.1%
Urban	70	22.3%
Rural	34	10.7%
Borough	315	100.0%

Source: Derived from a range of sources as described in text

Supply of Social/Affordable Rented Housing Through Relets

7.61 The future supply of affordable housing through relets is the flow of affordable housing arising from the existing stock that is available to meet future need. This focusses on the annual supply of social/affordable rent relets.

7.62 The Practice Guidance suggests that the estimate of likely future relets from the social rented stock should be based on past trend data which can be taken as a prediction for the future. Information from CoRe and Local Authority Housing Statistics (LAHS) has been used to establish past patterns of social housing turnover along with information provided by the Council. The figures are for general needs lettings but exclude lettings of new properties and also exclude an estimate of the number of transfers from other social rented homes. These exclusions are made to ensure that the figures presented reflect relets from the existing stock.

7.63 On the basis of past trend data it has been estimated that 637 units of social/affordable rented housing are likely to become available each year moving forward for occupation by newly forming households and existing households falling into need from other tenures. The table below shows the estimated supply of affordable housing from relets in each sub-area. The sub-area figures have been

based on turnover data provided by the Council and consideration of the size of the stock in each sub-area as of 2011 (Census data).

Table 48: Estimated Future Supply of Relets from Existing Stock – based on data for 2016/17 – 2018/19 (per annum)

	Lettings to New Tenants	% of Total
Castle Bromwich	13	2.0%
North Solihull	401	63.0%
Urban	148	23.3%
Rural	75	11.7%
Borough	637	100.0%

Source: CoRe/LAHS/Solihull Council/Census (2011)

- 7.64 The PPG model also includes the bringing back of vacant homes into use and the pipeline of affordable housing as part of the supply calculation. These have however not been included within the modelling in this report. Firstly, there is no evidence of any substantial stock of vacant homes (over and above a level that might be expected to allow movement in the stock). Secondly, with the pipeline supply, it is not considered appropriate to include this as to net off new housing would be to fail to show the full extent of the need, although in monitoring it will be important to net off these dwellings as they are completed.

Net Need for Social/Affordable Rented Housing

- 7.65 The table below shows the overall calculation of affordable housing need. The analysis shows that there is a need for 578 dwellings per annum to be provided with an affordable need being seen in most sub-areas within the Borough. The exception to this is the North Solihull area where the analysis suggests a small surplus of affordable housing to rent; this finding arises due to the relatively high projected level of relet supply (as a result of the high proportion of social stock) rather than due to this area being more affordable – indeed, whilst prices and rents are lowest in the North Solihull area, it is also the case that this location showed the lowest average incomes. This finding does not mean that affordable housing should not be provided in the North Solihull area as any additional homes can be used to meet needs arising across the Borough. The net need is calculated as follows:

$$\text{Net Need} = \text{Current Need (allowance for) + Need from Newly-Forming Households + Existing Households falling into Need} - \text{Supply of Affordable Housing}$$

Table 49: Estimated Need for Social/Affordable Rented Housing by local authority (per annum)

	Current need	Newly forming households	Existing households falling into need	Total Gross Need	Relet Supply	Net Need
Castle Bromwich	4	36	6	47	13	34
North Solihull	18	163	205	386	401	-15
Urban	49	391	70	510	148	362
Rural	23	215	34	272	75	197
Borough	95	805	315	1,215	637	578

Source: GLH Analysis of a range of sources as discussed

7.66 Given the different sizes of sub-areas, it is also useful to look at a standardised measure. The table below does this by comparing the estimated annual level of affordable need with the population in 2018 (with figures expressed as a per 1,000 population figure). This shows the highest need to be in the Urban area (standardised as 3.54 dwellings per 1,000 people), although the other two areas with a positive level of need also have standardised figures of over 3 per 1,000 population.

Table 50: Annual need for Social/Affordable Rented Housing standardised by population in 2018

	Net affordable need (per annum)	Population (2018)	Affordable need per 1,000 population
Castle Bromwich	34	11,333	3.01
North Solihull	-15	39,171	-0.39
Urban	362	102,349	3.54
Rural	197	62,056	3.18
Borough	578	214,909	2.69

Source: GLH Analysis of a range of sources as discussed

The Relationship Between Affordable Need and Overall Housing Need

7.67 In interpreting the estimate of affordable housing need it should be recognised that this figure includes a number of households who are already living in housing and therefore should not be directly compared with the overall housing need (in this case determined by the Standard Method) which is the overall need for additional homes (in all tenures).

7.68 The affordable housing needs modelling contains a current need which includes many households already living in accommodation (e.g. where they are overcrowded) as well as a category in the projection of 'existing households falling into need'. Both of these categories of household already

have accommodation and hence if they were to move to alternative accommodation, they would release a dwelling for use by another household – there is no net need to provide additional homes.

7.69 It is possible to investigate this in more detail by re-running the model and excluding those already living in accommodation. This is shown in the table below which identifies that meeting these needs would lead to an affordable need for 224 homes per annum. This figure is theoretical and should not be seen to be minimising the need (which is clearly acute). It does however serve to show that there is a substantial difference in the figures when looking at overall housing shortages.

Table 51: Estimated Need for Affordable Housing (social/affordable rented) excluding households already in accommodation – Solihull

	Excluding existing households	Including existing households
Current need	55	95
Newly forming households	805	805
Existing households falling into need	0	315
Total Gross Need	860	1,215
Re-let Supply	637	637
Net Need	224	578

Source: Range of data sources as described

7.70 It is also relevant to consider the role played by the Private Rented Sector (PRS) in providing housing for some households who are unable to access market housing without some form of subsidy. Whilst the PRS does not fall within the types of affordable housing set out in the NPPF (other than affordable private rent which is a specific tenure separate from the main ‘full market’ PRS), it has evidently been playing a role in meeting the needs of households who require financial support in meeting their housing need. Government recognises this, and indeed legislated through the 2011 Localism Act to allow Councils to discharge their “homelessness duty” through providing an offer of a suitable property in the PRS. As such the role played by the private rented sector should be recognised – it is evidently part of the functioning housing market.

7.71 Data from the Department of Work and Pensions (DWP) has been used to look at the number of Housing Benefit supported private rented homes. As of March 2020, it is estimated that there were over 3,500 benefit claimants in the private rented sector in the study area (Housing Benefit and Universal Credit with a housing entitlement). From this it is clear that the PRS contributes to the wider delivery of ‘affordable homes’ with the support of benefit claims and further complicates any attempts to find a relationship between affordable need and overall housing need.

7.72 Regardless of the discussion above, the analysis identifies a notable need for affordable housing, and it is clear that provision of new affordable housing is an important and pressing issue in the Borough. It does however need to be stressed that this report does not provide an affordable housing target; the amount of affordable housing delivered will be limited to the amount that can viably be provided. The evidence does however suggest that affordable housing delivery should be maximised where opportunities arise.

Split Between Social and Affordable Rented Housing

7.73 The analysis above has studied the overall need for social and affordable rented housing with a focus on households who cannot afford to rent in the market. These households will therefore have a need for some form of rented housing at a cost below typical market rate. Typically, there are two main types of rented affordable accommodation (social and affordable rented) with the analysis below initially considering what a reasonable split might be between these two tenures.

7.74 An analysis has been undertaken to compare the income distribution of households with the cost of different products. For affordable rented housing it has been assumed that this would be available at a cost which is 80% of the established lower quartile costs set out earlier in this section. Any household able to afford a rent between 80% of the market and the full market cost is assumed able to afford an affordable rent, with other households only able to afford a social rent; which would therefore be households paying less than 80% of the lower quartile market rent.

7.75 The analysis identifies that 16% of the group of households unable to afford market housing to rent would fall in the gap between the market and 80% of the market – there is some limited variation by sub-area. The table below also shows the rent levels assumed; it is quite possible that (for example) 80% of market rent would be higher than the figures modelled below and if that were the case then a lower proportion of households would be able to afford.

Table 52: Estimated need for affordable rented housing at 80% of market rents and the assumed relevant rent levels (per month)

	% of need for affordable rented	Assumed cost of affordable rented housing for analysis			
		1-bedroom	2-bedrooms	3-bedrooms	4-bedrooms
Castle Bromwich	15%	£412	£548	£608	£880
North Solihull	14%	£356	£468	£512	£736
Urban	17%	£440	£580	£652	£948
Rural	19%	£448	£592	£668	£972
Borough	16%	£420	£556	£620	£900

Source: Affordability analysis

- 7.76 The finding that 16% of households can an affordable rent does not automatically lead to a policy conclusion on the split between the two types of housing. For example, many households who will need to access rented accommodation will be benefit dependent and as such could technically afford an affordable rent (as long as the full rent is covered by Housing Benefit) – hence a higher proportion of affordable rented housing might be appropriate. On the flip side, providing more social rents might enable households to return to work more easily, as a lower income would potentially be needed to afford the lower social (rather than affordable) rent.
- 7.77 There will be a series of other considerations both at a strategic level and for specific schemes. For example, there may be funding streams that are only available for a particular type of housing, and this may exist independently to any local assessment of need. Additionally, there will be the consideration of the balance between the cost of housing and the amount that can be viably provided, for example, it is likely that affordable rented housing is more viable, and therefore a greater number of units could be provided. Finally, in considering a split between social and affordable rented housing it needs to be considered that having different tenures on the same site (at least at initial occupation) may be difficult – essentially if tenants of the same home are paying a different rent for the same property and services.
- 7.78 On this basis, it is not recommended that the Council has a rigid policy for the split between social and affordable rented housing, although the analysis is clear that both tenures of homes are likely to be required in all areas.
- 7.79 For information, the table below shows average social and affordable rents (taken from the Regulator of Social Housing (RSH)) and compares these with lower quartile and median market rents. This analysis shows that social rents are slightly lower than recent affordable rents; the analysis also shows that affordable rents are generally less than 80% of a lower quartile market rent and less than

70% of median rents. Whilst the prices of affordable rents may be influenced by factors such as location and built form, it is the case that the affordable rents currently being charged do look to be fairly affordable in a local context.

Table 53: Comparison of rent levels for different products – Solihull

	Social rent	Affordable rent (AR)	Lower quartile (LQ) market rent	Median market rent	AR as % of LQ	AR as % of median
1-bedroom	£397	£413	£525	£600	79%	69%
2-bedrooms	£444	£482	£695	£775	69%	62%
3-bedrooms	£486	£546	£775	£895	71%	61%
4-bedrooms	£584	£661	£1,125	£1,450	59%	46%

Source: RSH and ONS

Establishing a Need for Affordable Home Ownership

- 7.80 The Planning Practice Guidance confirms a widening definition of those to be considered as in affordable need; now including *‘households which can afford to rent in the private rental market but cannot afford to buy despite a preference for owning their own home’*. However, at the time of writing, there is no guidance about how the number of such households should be measured.
- 7.81 The methodology used in this report therefore draws on the current methodology, and includes an assessment of current needs, and projected need (newly forming and existing households). The key difference is that in looking at affordability an estimate of the number of households in the ‘gap’ between buying and renting is used. There is also the issue of establishing an estimate of the supply of affordable home ownership homes – this is considered separately below.

Gross Need for Affordable Home Ownership

- 7.82 The first part of the analysis seeks to understand what the gap between renting and buying means in the study area – in particular establishing the typical incomes that might be required. The information about incomes required to both buy and rent in different locations has already been provided earlier in this section and so the discussion below is a broad example.
- 7.83 Using the income distributions developed (as set out earlier in this section) along with data about price and rents, it has been estimated that of all households living in the private rented sector, around 39% already have sufficient income to buy a lower quartile home, with 18% falling in the rent/buy ‘gap’. The final 43% are estimated to have an income below which they cannot afford to rent privately (i.e. would need to spend more than the calculated threshold of their income on housing costs) although in reality it should be noted that many households will spend a higher proportion of their

income on housing. These figures have been based on an assumption that incomes in the private rented sector are around 88% of the equivalent figure for all households (a proportion derived from the English Housing Survey) and are used as it is clear that affordable home ownership products are likely to be targeted at households living in or who might be expected to access this sector (e.g. newly forming households).

7.84 The table below shows an estimate of the proportion of households living in the private rented sector who can afford different housing products by sub-area. This shows a particularly high proportion of households in the rent/buy gap in Urban and Rural areas, with a much lower figure for North Solihull.

Table 54: Estimated proportion of households living in Private Rented Sector able to buy and/or rent market housing

	Can afford to buy OR rent	Can afford to rent but not buy	Cannot afford to buy OR rent
Castle Bromwich	35%	19%	46%
North Solihull	45%	4%	51%
Urban	37%	22%	42%
Rural	40%	22%	38%
Borough	39%	18%	43%

Source: Derived from Housing Market Cost Analysis and Affordability Testing

7.85 The finding that a significant proportion of households in the private rented sector are likely to have an income that would allow them to buy a home is also noteworthy and suggests that for many households, barriers to accessing owner-occupation are less about income/the cost of housing and more about other factors (which could for example include the lack of a deposit or difficulties obtaining a mortgage (for example due to a poor credit rating or insecure employment)). However, some households will choose to privately rent, for example as it is a more flexible option that may be more suitable for a particular household's life stage (e.g. if moving locations with employment).

7.86 To study current need, an estimate of the number of household living in the Private Rented Sector (PRS) has been established, with the same (rent/buy gap) affordability test (as described above) then applied. The start point is the number of households living in private rented accommodation; as of the 2011 Census there were some 8,500 households living in the sector across the Borough. Data from the English Housing Survey (EHS) suggests that since 2011, the number of households in the PRS has risen by about 22% - if the same proportion is relevant to the Borough then the number of households in the sector would now be around 10,400.

7.87 Additional data from the EHS suggests that 60% of all PRS households expect to become an owner at some point (6,200 households if applied to the study area) and of these some 25% (1,600

households) would expect this to happen in the next 2-years. The figure of 1,600 is therefore taken as the number of households potentially with a current need for affordable home ownership before any affordability testing.

- 7.88 As noted above, based on income it is estimated that around 18% of the private rented sector sit in the gap between renting and buying (depending on location). Applying this proportion to the 1,600 figure would suggest a current need for around 300 affordable home ownership units (19 per annum if annualised over a 16-year period).
- 7.89 In projecting forward, the analysis can consider newly forming households and the remaining existing households who expect to become owners further into the future. Applying the same affordability test (albeit on a very slightly different income assumption for newly forming households) suggests an annual need from these two groups of around 393 dwellings (337 from newly forming households and 56 from existing households in the private rented sector).
- 7.90 Bringing together the above analysis suggests that there is a need for around 412 affordable home ownership homes (priced for households able to afford to rent but not buy) per annum. This is before any assessment of the potential supply of housing is considered. This need is particularly focussed on the Urban and Rural sub-areas.

Table 55: Estimated Gross Need for Affordable Home Ownership by sub-area (per annum)

	Current need	Newly forming households	Existing households falling into need	Total Gross Need
Castle Bromwich	1	14	2	17
North Solihull	1	12	2	14
Urban	11	192	32	235
Rural	7	120	20	147
Borough	19	337	56	412

Source: GLH Analysis of a range of sources as discussed

Potential Supply of Housing to Meet the Affordable Home Ownership Need

- 7.91 As with assessing the need for affordable home ownership, it is the case that at present the PPG does not include any suggestions about how the supply of housing to meet these needs should be calculated. The analysis below therefore provides a general discussion.
- 7.92 By definition, a quarter of all homes sold will be priced at or below a lower quartile level. According to the Land Registry, there were a total of 3,063 resales (i.e. excluding newly built homes) in the last

year (year to September 2019) and therefore around 766 would be priced below the lower quartile. This is 766 homes that would potentially be affordable to the target group for affordable home ownership products and is a potential supply that is well in excess of the level of need calculated.

7.93 However, it is the case that market housing is not allocated in the same way as social/affordable rented homes (i.e. anyone is able to buy a home as long as they can afford it and it is possible that a number of lower quartile homes would be sold to households able to afford more, or potentially to investment buyers). In the absence of any guidance about how to deal with the supply of affordable home ownership, a broad further assumption has been used that around half of the lower quartile homes would be available to meet the needs of households with an income in the gap between buying and renting – this amounts to around 383 dwellings per annum. The broad assumption is also that the other half would include poor quality homes and age-restricted homes which would not be suitable for all.

7.94 In addition, data from CoRe about resales of affordable housing (likely to mainly be shared ownership) shows an average of around 11 resales per annum (based on data for the 2015-18 period). These properties would also potentially be available for these households and can be included within the potential supply. Therefore, a total supply of 394 dwellings per annum is estimated.

7.95 The table below therefore brings together an estimate of the need for affordable home ownership, across the study area and for the sub-areas. This suggests that there is a modest potential need for affordable home ownership across the Borough (18 units per annum), but within this there is a surplus of housing in Castle Bromwich and North Solihull and shortfalls in the Urban and Rural areas.

Table 56: Estimated Need for Affordable Home Ownership by local authority (per annum)

	Total Gross Need	Resale Supply (half of LQ)	LCHO supply	Total supply	Net Need
Castle Bromwich	17	23	1	24	-7
North Solihull	14	44	2	46	-32
Urban	235	196	4	201	34
Rural	147	120	3	123	24
Borough	412	383	11	394	18

Source: GLH Analysis of a range of sources as discussed

Implications of the Analysis

7.96 Given the analysis above, it would be reasonable to conclude that there is a limited need to provide housing under the new definition of 'affordable home ownership' – whilst there are clearly some

households in the gap between renting and buying, there is also a potential supply of homes within the existing stock that can make a contribution to this need. The finding of a limited need should also be understood in the context of the level of need shown for social/affordable rented housing.

- 7.97 However, it does seem that there are many households in Solihull who are being excluded from the owner-occupied sector (including in those areas where the cost of housing is lowest). This can be seen by analysis of tenure change, which saw the number of households living in private rented accommodation increasing by 150% from 2001 to 2011 (with the likelihood that there have been further increases since). Over the same period, the number of owners with a mortgage dropped slightly by 12%. That said, some households will choose to privately rent, for example as it is a more flexible option that may be more suitable for a particular household's life stage (e.g. if moving locations with employment).
- 7.98 On this basis, and as previously noted, it seems likely in Solihull that access to owner-occupation is being restricted by access to capital (e.g. for deposits, stamp duty, legal costs) as well as potentially some mortgage restrictions (e.g. where employment is temporary) rather than simply being due to the cost of housing to buy.
- 7.99 Hence, whilst the NPPF gives a clear direction that 10% of all new housing (on larger sites) should be for affordable home ownership, it is not clear that this is the best solution in the study area. The NPPF does provide some examples of where the 10% might not be required (paragraph 64), most notably that the 10% would be expected unless this would '*significantly prejudice the ability to meet the identified affordable housing needs of specific groups*'. In Solihull, the clear need for additional rented housing would arguably mean that providing the affordable home ownership would 'prejudice the ability' to meet the needs of the 'specific group' requiring rented accommodation.
- 7.100 Given the analysis above, it would be reasonable to conclude, based on the evidence, that in general terms there is no substantive need to provide housing under the new definition of 'affordable home ownership.' Overall whilst there are clearly some households in the gap between renting and buying, they in many cases will be able to afford homes below lower quartile housing costs. This said, it is important to recognise that some households will have insufficient savings to be able to afford to buy a home on the open market (in terms of the ability to afford both a deposit and stamp duty) and low cost home ownership homes – and shared ownership homes in particular – will therefore continue to play a role in supporting some households in this respect.
- 7.101 The evidence points to a clear and acute need for rented affordable housing from lower income households, and it is important that a supply of rented affordable housing is maintained to meet the

needs of this group including those to which the authorities have a statutory housing duty. Such housing is notably cheaper than that available in the open market and can be accessed by many more households (some of whom may be supported by benefit payments). Notably, social rents also enable access to employment for lower income families.

How Much Should Affordable Home Ownership Homes Cost?

- 7.102 The analysis and discussion above suggest that there are a number of households likely to fall under the new PPG definition of affordable housing need (i.e. in the gap between renting and buying) but that the potential supply of housing to buy makes it difficult to fully quantify this need. However, given the NPPF, it seems likely that the Council may need to consider some additional homes on larger sites as some form of home ownership.
- 7.103 This report recommends shared ownership as the most appropriate form of affordable home ownership and encourages consideration of other packages such as providing support for deposits. However, it is possible that some housing would come forward as other forms of housing such as Starter Homes or discounted market sale. If this is the case, it will be important for the Council to ensure that such homes are sold at a price that is genuinely affordable for the intended target group. The analysis below considers the potential costs (in a Solihull context) of Discounted Market Sales Housing and Shared Ownership – it is considered that these are the two products most likely to be offered or made available.

Discounted Market Sales Housing

- 7.104 On this basis, it is worth discussing what sort of costs affordable home ownership properties should be sold for. The Annex 2 (NPPF) definitions suggest that such housing should be made available at a discount of at least 20% from Open Market Value (OMV). The problem with having a percentage discount is that it is possible in some locations or types of property that such a discount still means that housing is more expensive than that typically available in the open market.
- 7.105 The preferred approach in this report is to set out a series of affordable purchase costs for different sizes of accommodation. These are based on current lower quartile prices and also consideration of the income required to access the private rented sector and then estimating what property price this level of income might support (assuming a 10% deposit and a 4.5 times mortgage multiple). Below is an example of a calculation based on a 2-bedroom home:
- Previous analysis has shown that the lower quartile rent for a 2-bedroom home in the Borough is £695 per month;

- On the basis of a household spending no more than 31% of their income on housing, a household would need an income of about £2,250 per month to afford (695/0.31) or £27,000 per annum (rounded);
- With an income of £27,000, it is estimated that a household could afford to buy a home for around £135,200. This is based on assuming a 10% deposit and a four and a half times mortgage multiple – calculated as $27,000 \times 4.5 / 0.9$; and
- The lower quartile price to buy a 2-bedroom home is estimated to be £166,000 and the midpoint of the two figures (£135,200 and £166,000) is £150,600;
- £150,600 is a suggested purchase price to make discounted home ownership affordable for around half of the group of households in the rent/buy gap;
- To estimate what level of discount this might represent, it has been assumed that the Open Market Value (OMV) of a home would be 15% above the overall lower quartile price (15% is a typical national newbuild 'premium')
- In this instance the price of £150,600 would be around 79% of an estimated newbuild OMV (£190,900, calculated as $£166,000 \times 1.15$) and therefore a 21% discount would be appropriate.

7.106 Therefore, it is suggested that for a 2-bedroom affordable home ownership property to be affordable to households able to rent but not buy it should be priced at £150,600. This sale price will meet the needs of around half of households in the gap between buying and renting. Setting higher prices would mean that such housing would not be available to many households for whom the Government is seeking to provide an 'affordable' option.

7.107 The table below therefore sets out a suggested purchase price for affordable home ownership in the Borough. The table also shows an estimated OMV and the level of discount likely to be required to achieve affordability. For 1- and 2-bedroom homes the is around 20% (and so 20% would be appropriate). For larger homes, a discount of 30% seems likely to be required. It should be noted that these calculations are based on a specific set of data for prices and rents. Any individual scheme proposing discounted market housing would need to be tested to ensure that it is reasonably affordable in a local context.

Table 57: Affordable home ownership prices – data for year to September 2019 – Solihull Borough

	Affordable Price	Estimated newbuild OMV	Discount required
1-bedroom	£108,000	£131,000	18%
2-bedrooms	£151,000	£191,000	21%
3-bedrooms	£189,000	£262,000	28%
4+-bedrooms	£290,000	£415,000	30%

Source: Derived from a range of sources as described

Shared Ownership

7.108 For shared ownership, a buyer will buy a share in a property (typically between 25% and 75%) and then pay rent on the remaining share. One advantage in affordability terms is that a lower deposit is likely to be required than for full or discounted purchase, whilst the rental part of the cost will typically be subsidised by a Registered Provider. For shared ownership to be affordable, it is considered that total outgoings should not exceed that needed to rent privately.

7.109 Because shared ownership is based on buying part of a property, it is the case that the sale will need to be at open market value. Where there is a large gap between the typical incomes required to buy or rent, it may be the case that lower equity shares are needed for homes to be affordable (at the level of renting privately). The analysis below therefore seeks to estimate the typical equity share that might be affordable for different sizes of property. The key assumptions used in the analysis are:

- OMV at LQ price plus 15% (reflecting likelihood that newbuild homes will have a premium attached and that they may well be priced above a LQ level)
- 10% deposit on the equity share
- Rent at 2.75% pa on unsold equity
- Repayment mortgage over 25-years at 4%
- Service charge of £100 per month for flatted development (assumed to be 1- and 2-bedroom homes)
- It is also assumed that shared ownership would be priced for households sitting towards the bottom end of the rent/buy gap and so the calculations assume that total outgoings should be no higher than the equivalent private rent (lower quartile) cost for that size of property.

7.110 The table below shows that to make shared ownership affordable, equity shares of in excess of about 35%-40% could work for 1- and 2-bedroom homes but that lower shares are likely to be required for larger homes (particularly with 4+-bedrooms). The analysis does suggest that it may be quite difficult to make shared ownership 'work' for homes with 4+-bedrooms.

7.111 It should also be noted that the analysis below is predicated on a particularly set of assumptions (notably about likely OMV). In reality costs do vary across the Borough and will vary from site to site. Therefore, this analysis should be indicative with specific schemes being tested individually to determine if the product being offered is genuinely (or reasonably) affordable.

Table 58: Estimated Affordable Equity Share by Size – Solihull.

	1-Bedroom	2-Bedrooms	3-Bedrooms	4+-Bedrooms
OMV	£131,100	£190,900	£262,200	£415,150
Share	39%	34%	27%	17%
Equity Bought	£50,736	£64,142	£70,794	£70,576
Mortgage Needed	£45,662	£57,728	£63,715	£63,518
Monthly Cost of Mortgage	£241	£305	£336	£335
Retained Equity	£80,364	£126,758	£191,406	£344,575
Monthly Rent on Retained Equity	£184	£290	£439	£790
Service Charge per month	£100	£100	£0	£0
Total Cost per month	£525	£695	£775	£1,125

Source: Data based on Housing Market Cost Analysis

- 7.112 If the Council do seek for some additional housing to be in the affordable home ownership sector (whether Discounted Market Sale or Shared Ownership), it is additionally recommended that they set up a register of people interested in these products (in a similar way to the current Housing Register). This will enable any properties to be ‘allocated’ to households whose circumstances best meet the property on offer.

Affordable Housing Need: Key Points and Recommendations

- In order to estimate affordable housing need from 2020 to 2036, the analysis has been split to arrive at a need for social/affordable rented accommodation and affordable home ownership. Affordable home ownership products are for those who can rent in the private market but cannot buy.
- Need was understood by analysing local housing and rental market costs and comparing them to household income. In terms of rent, **there is suggested to be a need for 578 affordable homes per annum**. The council is justified in seeking to secure additional affordable housing. There is less of an acute need in North Solihull due to lower property values, however additional housing should be provided across the borough to meet overall need.
- Most of the rented need is for social rented housing, however there is a role for affordable rents, in particular for households that claim full housing benefit. It is not recommended that the council has a rigid policy split between social and affordable rented policy as there is often crossover.
- In analysing the need for affordable homeownership products, key issues are access to capital for deposits as well as mortgage restrictions as opposed to the overall cost to buy housing. If the council seeks 10% of housing as affordable (the minimum suggested in the NPPF) then shared ownership products would be the most appropriate option due to lower deposit requirements.
- It is recommended that the council consider setting prices at a midpoint between the income needed to access the PRS and the level to buy housing, ensuring that many more households could afford housing. **The evidence does not suggest further increases beyond 10% and that the 10% figure could be challenged if the council were wishing to do so.**
- The provision of new affordable housing is an important and pressing issue in the Borough. It does however need to be stressed that this report does not provide an affordable housing target; the amount of affordable housing delivered will be limited to the amount that can viably be provided. The evidence does however suggest that affordable housing delivery should be maximised where opportunities arise.

8 FAMILY HOUSEHOLDS AND APPROPRIATE MIX OF HOUSING

8.1 This section draws together analysis in the preceding main sections to consider the appropriate mix of housing across the study area having due regard to opportunities for larger and more aspirational housing, family housing and smaller units to diversify the market. This section looks at a range of statistics in relation to families (generally described as households with dependent children) before moving on to look at how the numbers are projected to change moving forward. The analysis considers the mix of housing across the whole of Solihull (covering all household groups and tenures); before providing some commentary about how this might vary across different sub-areas.

Background data

8.2 The number of families in the Borough (defined for the purpose of this assessment as any household which contains at least one dependent child) totalled 26,000 as of the 2011 Census, accounting for 30% of households. This proportion is similar to that seen across the region and nationally. There are also some notable differences across sub-areas with North Solihull having a particularly high proportion of households with dependent children, and in particular a very high proportion of lone parent households.

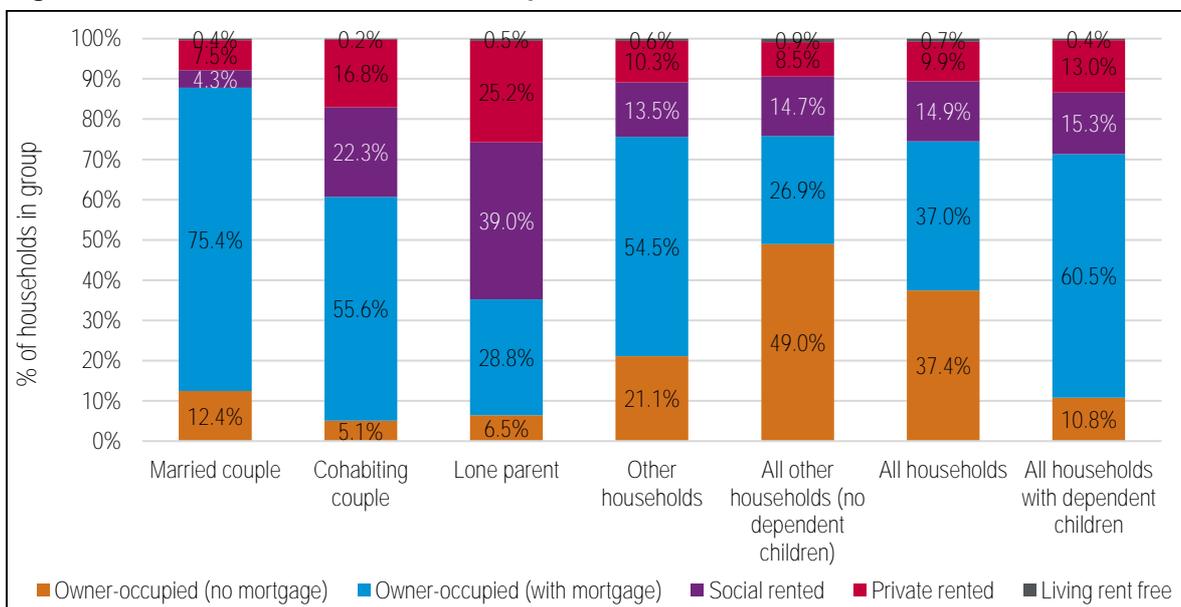
Table 59: Households with dependent children (2011)

		Married couple	Cohabiting couple	Lone parent	Other households	All other households	Total	Total with dependent children
Castle Bromwich	%	13.6%	4.0%	4.9%	2.0%	75.5%	100.0%	24.5%
North Solihull	%	9.8%	6.2%	15.5%	2.7%	65.7%	100.0%	34.3%
Urban	%	18.7%	2.9%	5.3%	2.3%	70.8%	100.0%	29.2%
Rural	%	20.4%	2.8%	5.1%	2.0%	69.8%	100.0%	30.2%
Solihull	No.	14,852	3,020	6,136	1,951	60,097	86,056	25,959
	%	17.3%	3.5%	7.1%	2.3%	69.8%	100.0%	30.2%
West Midlands	%	15.4%	4.3%	7.5%	2.9%	69.8%	100.0%	30.2%
England	%	15.3%	4.0%	7.1%	2.6%	70.9%	100.0%	29.1%

Source: Census (2011)

8.3 The figure below shows the current tenure of households with dependent children. There are some considerable differences by household type with lone parents having a very high proportion living in the social rented sector and also in private rented accommodation. Only 35% of lone parent households are owner-occupiers compared with 88% of married couples with children.

Figure 38: Tenure of households with dependent children – Solihull



Source: Census (2011)

8.4 Household projections have been developed, linked to the Standard Method to estimate growth in family households over the period to 2036. The detailed profile of these is set out in the table below; and show growth of 20% equal to around 5,600 family households. The proportional projected increase in family households is above the overall level of household growth projected and accounts for 45% of all projected growth. Much of the increase in family households is projected to be smaller households (with one dependent child).

Table 60: Projected Change in Family Households in Solihull, 2020-36

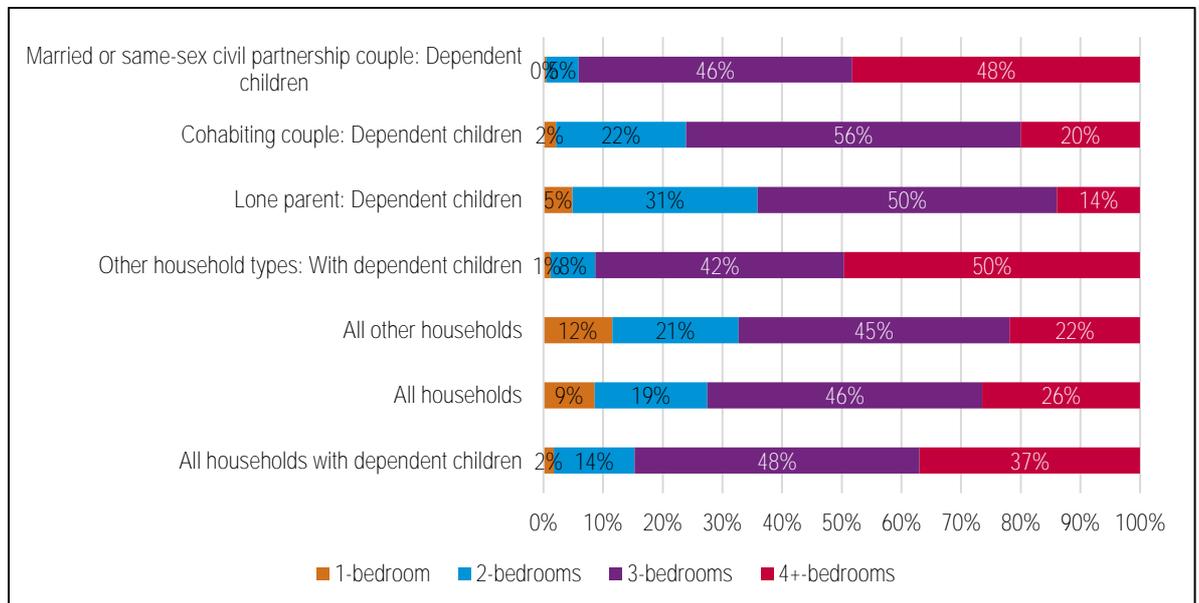
	2020	2036	Change in households	% change
Households with one dependent child	13,127	16,737	3,610	27.5%
Households with two dependent children	11,386	13,218	1,832	16.1%
Households with three dependent children	3,950	4,101	151	3.8%
All other households	62,596	69,538	6,942	11.1%
Total Households	91,059	103,595	12,536	13.8%
Total households with dependent children	28,463	34,057	5,594	19.7%

Source: Demographic Projections

8.5 The level of growth in family households does not automatically translate into an equivalent need for family-sized accommodation, not least as many older households will continue to live in family-sized properties that offer space for friends and relatives to come and stay.

8.6 The figure below shows the number of bedrooms for family households at the point of the 2011 Census. The analysis shows the differences between married, cohabiting and lone parent families. Across the Borough, the tendency is for family households (irrespective of household composition) to occupy 3+-bedroom housing with varying degrees of 2-bedroom properties depending on the household composition. The data also, unsurprisingly, highlights the small level of 1-bed stock occupied by families across the board. As a result, we could expect continued demand for 3+-bedroom properties; although, given the affordable housing need profile, and the projected growth in smaller family households, a greater balance of homes of medium sized properties should also be factored into any recommendations.

Figure 39: Number of Bedrooms by Family Household Type, 2011 – Solihull



Source: 2011 Census

8.7 Delivery of family sized housing remains a requirement in both urban and rural locations of the Borough. This includes providing family housing in the widest possible choice and mix of housing locations including town centres, and through the sustainable expansion of rural and smaller settlements (particularly helping to support economic and social vitality).

8.8 It is important to deliver a range of housing sizes and to actively promote this through appropriate planning policies and consideration of the operation of the market. There may still be limitations as to the affordability of larger properties in the context of continued growth in sales prices evident across the Borough in recent years.

- 8.9 In more rural areas, the opportunity to broaden and secure a choice and mix of family sized accommodation alongside smaller accommodation should be explored in order to diversify the market and provide for local housing demand. Whilst in towns, subject to the availability of land, the provision of family-sized accommodation should be supported.

The Mix of Housing

- 8.10 A model has been developed that starts with the current profile of housing in terms of size (bedrooms) and tenure. Within the data, information is available about the age of households and the typical sizes of homes they occupy. By using demographic projections linked to the local housing need calculated through the Standard Method, it is possible to see which age groups are expected to change in number, and by how much.
- 8.11 On the assumption that occupancy patterns for each age group (within each tenure) remain the same, it is therefore possible to assess the profile of housing needed is over the assessment period to 2036 (from 2020).
- 8.12 An important starting point is to understand the current balance of housing in the area. The table below profiles the sizes of homes in different tenure groups and how this compares with the regional and national position. Some key points regarding Solihull include:
- Owner-occupied stock in the Borough is relatively large with a notably higher proportion of homes with 4+-bedrooms and relatively few 2-bedroom properties;
 - The social stock conversely is relatively small with a particularly high proportion of 1-bedroom units; and
 - The private rented sector is considered to be fairly balanced; whilst the proportion of 1-bedroom homes looks to be low in a national context it should be noted that the figures for England are to some degree influenced by the stock profile of London.
- 8.13 The finding of a low proportion of a particular size of home in a particular tenure does not necessarily point towards a shortage of that type of housing. To some extent the profile of stock will reflect the role and function of different areas. For example, the extent to which Solihull has traditionally been an area that is attractive to family households (potentially moving from Birmingham) may partly explain the larger stock in the owner-occupied sector. Observations about the current mix feed into conclusions about future mix later in this section.

Table 61: Number of Bedrooms by Tenure, 2011

		Solihull	West Midlands	England
Owner-occupied	1-bedroom	2%	2%	4%
	2-bedrooms	13%	20%	23%
	3-bedrooms	51%	54%	48%
	4+-bedrooms	33%	24%	25%
	Total	100%	100%	100%
Social rented	1-bedroom	38%	29%	31%
	2-bedrooms	32%	34%	34%
	3-bedrooms	27%	33%	31%
	4+-bedrooms	3%	4%	4%
	Total	100%	100%	100%
Private rented	1-bedroom	12%	18%	23%
	2-bedrooms	39%	37%	39%
	3-bedrooms	38%	36%	28%
	4+-bedrooms	11%	10%	10%
	Total	100%	100%	100%

Source: 2011 Census

Overview of Methodology

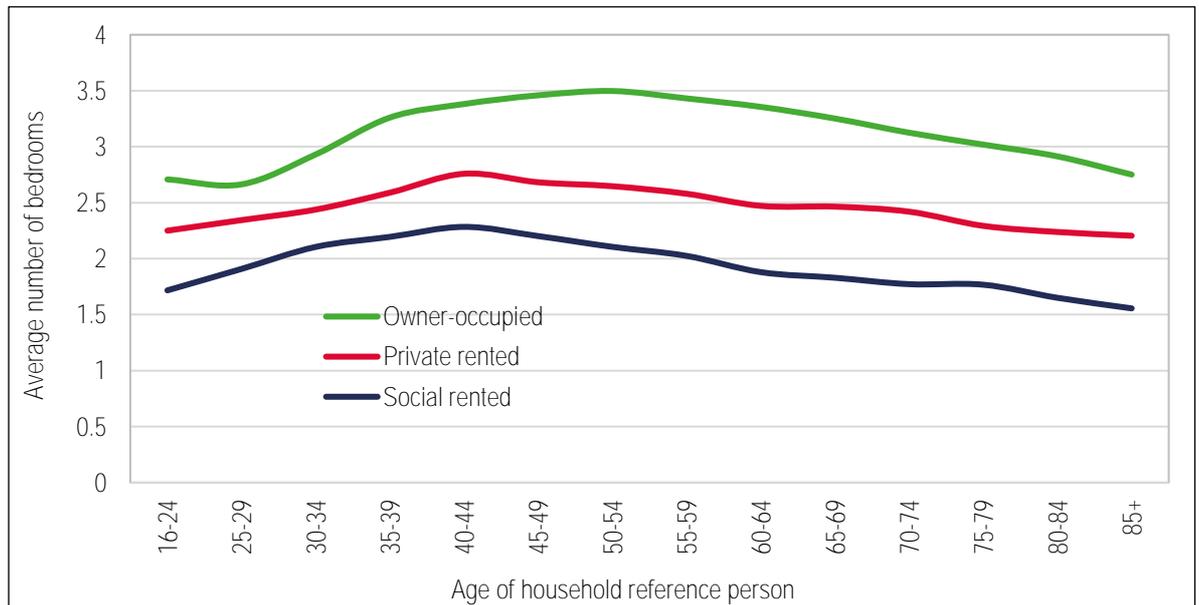
- 8.14 The method to consider future housing mix looks at the ages of the Household Reference Persons and how these are projected to change over time. The sub-sections to follow describe some of the key analysis.

Understanding how Households Occupy Homes

- 8.15 Whilst the demographic projections provide a good indication of how the population and household structure will develop, it is not a simple task to convert the net increase in the number of households into a suggested profile for additional housing to be provided. The main reason for this is that in the market sector, households are able to buy or rent any size of property (subject to what they can afford) and therefore knowledge of the profile of households in an area does not directly transfer into the sizes of property to be provided.
- 8.16 The size of housing which households occupy relates more to their wealth and age than the number of people they contain. For example, there is no reason why a single person cannot buy (or choose to live in) a 4-bedroom home as long as they can afford it, and hence projecting an increase in single person households does not automatically translate into a need for smaller units.

- 8.17 That said, issues of supply can also impact occupancy patterns, for example it may be that a supply of additional smaller bungalows (say 2-bedrooms) would encourage older people to downsize but in the absence of such accommodation these households remain living in their larger accommodation.
- 8.18 The issue of choice is less relevant in the affordable sector (particularly since the introduction of the social sector size criteria) where households are allocated properties which reflect the size of the household, although there will still be some level of under-occupation moving forward with regard to older person and working households who may be able to under-occupy housing (e.g. those who can afford to pay the 'bedroom tax').
- 8.19 The approach used is to interrogate information derived in the projections about the number of household reference persons (HRPs) in each age group and apply this to the profile of housing within these groups. The data for this analysis has been formed from a commissioned table by ONS (Table CT0621 which provides relevant data for all local authorities in England and Wales from the 2011 Census).
- 8.20 The figure below shows an estimate of how the average number of bedrooms varies by different ages of HRP and broad tenure group for Solihull. In the owner-occupied sector the average size of accommodation rises over time to typically reach a peak around the age of 50; a similar pattern (but with smaller dwelling sizes and an earlier peak age group) is seen in both the social and private rented sector. After peaking, the average dwelling size decreases – as typically some households downsize as they get older.

Figure 40: Average Bedrooms by Age and Tenure in Solihull



Source: Derived from ONS Commissioned Table CT0621

8.21 Replicating the existing occupancy patterns at a local level would however result in the conclusions being skewed by the existing housing profile. On this basis a further model has been developed that applies regional occupancy assumptions for the West Midlands region. Assumptions are applied to the projected changes in Household Reference Person by age discussed below.

8.22 The analysis has been used to derive outputs for three broad categories. These are:

- **Market housing** – which is taken to follow the occupancy profiles in the owner-occupied sector
- **Affordable Home Ownership** – which is taken to follow the occupancy profile in the private rented sector (this is seen as reasonable as the Government’s desired growth in home ownership looks to be largely driven by a wish to see households move out of private renting); and
- **Rented Affordable Housing** – which is taken to follow the occupancy profile in the social rented sector. The affordable sector in the analysis to follow would include social and affordable rented housing.

Changes to Households by Age

8.23 The table below presents the projected change in households by age of household reference person, this clearly shows particularly strong growth as being expected in older age groups (and to some extent some younger age groups e.g. 40-44). Households headed by someone aged 50-59 are projected to see a decrease in household numbers.

Table 62: Projected Change in Household by Age of HRP in Solihull

	2020	2036	Change in Households	% Change
16-24	2,095	2,464	369	17.6%
25-29	4,431	4,897	466	10.5%
30-34	5,693	6,779	1,086	19.1%
35-39	6,970	8,361	1,392	20.0%
40-44	7,246	9,248	2,001	27.6%
45-49	8,070	8,965	895	11.1%
50-54	8,968	8,448	-520	-5.8%
55-59	9,175	8,338	-837	-9.1%
60-64	7,689	7,905	216	2.8%
65-69	7,022	8,662	1,640	23.3%
70-74	7,631	8,806	1,175	15.4%
75-79	6,152	7,272	1,120	18.2%
80-84	4,813	5,860	1,046	21.7%
85 & over	5,104	7,590	2,486	48.7%
Total	91,059	103,595	12,536	13.8%

Source: Demographic Projections

Modelled Outputs

- 8.24 By following the methodology set out above and drawing on the sources shown, a series of outputs have been derived to consider the likely size requirement of housing within each of the three broad tenures at a local authority level. Two tables are provided, considering both local and regional occupancy patterns. The data linking to local occupancy will to some extent reflect the role and function of the local area, whilst the regional data will help to establish any particular gaps (or relative surpluses) of different sizes/tenures of homes when considered in a wider context.
- 8.25 The analysis for rented affordable housing can also draw on data from the local authority Housing Register with regards to the profile of need. The data has been taken from a spreadsheet provided by the Council that dates from March 2020. This shows a pattern of need which is focussed on 1- and 2-bedroom homes but also showing over a quarter of those registered as requiring 3+- bedroom homes (including 8% in the 4+-bedroom category – analysis of current stock suggested only 3% of socially rented homes in the Borough have 4- or more bedrooms).

Table 63: Size of Social/Affordable Rented Housing – Housing Register Information – Solihull

	Number of households	% of households
1-bedroom	1,196	45%
2-bedrooms	731	28%
3-bedrooms	516	19%
4+-bedrooms	215	8%
Total	2,658	100%

Source: Local Authority Housing Statistics, 2019

8.26 The tables below show that for most tenures the modelled outputs of need are similar regardless of the choice of modelling assumptions. Key differences include a lower need for 4+-bedroom market accommodation when using regional data and a lower need for 1-bedroom rented affordable housing. This data is used, along with a general understanding of the current stock (and the Housing register information) to draw conclusions about a suitable mix of housing for the Borough.

Table 64: Modelled Mix of Housing by Size and Tenure in Solihull (linked to local occupancy patterns)

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	3%	18%	53%	25%
Affordable home ownership	14%	38%	39%	10%
Affordable housing (rented)	40%	31%	26%	3%

Sources: Housing Market Model

Table 65: Modelled Mix of Housing by Size and Tenure in Solihull (linked to regional occupancy patterns)

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	3%	24%	54%	18%
Affordable home ownership	18%	36%	37%	9%
Affordable housing (rented)	33%	33%	32%	3%

Sources: Housing Market Model

Indicative Targets for Different Sizes of Properties by Tenure across Solihull

Social/Affordable Rented Housing

8.27 Bringing together the above, several factors are recognised. This includes recognising that it is unlikely that all affordable housing needs will be met and that it is likely that households with a need for larger homes will have greater priority (as they are more likely to contain children). There is also

a recognition that the Borough currently has a relatively high level of 1-bedroom social housing (although this is also the largest category on the Housing Register).

8.28 Furthermore, the Housing Register data is based on a strict determination of need based on a bedroom standard and there will be some households able to afford a slightly larger home or who can claim benefits for a larger home than they strictly need (i.e. are not caught by the 'bedroom tax' – this will include older person households).

8.29 In taking account of the modelled outputs, the Housing Register and the discussion above, it is suggested that the following mix of social/affordable rented housing would be appropriate:

- 1-bedroom: 25-35%
- 2-bedrooms: 30-40%
- 3-bedrooms: 20-30%
- 4+-bedrooms: 5-15%

Affordable Home Ownership

8.30 In the affordable home ownership and market sectors a profile of housing that more closely matches the outputs of the modelling is suggested. It is considered that the provision of affordable home ownership should be focused on delivering smaller family housing for younger households. Based on this analysis, the following mix of affordable home ownership would be appropriate:

- 1-bedroom: 10-20%
- 2-bedrooms: 35-45%
- 3-bedrooms: 35-45%
- 4+-bedrooms: 0-10%

8.31 Whilst the need for affordable home ownership properties is focused on younger households, the conclusions also recognise the affordability challenges for family housing.

Market Housing

8.32 Finally, in the market sector, a balance of dwellings is suggested that takes account of both the demand for homes and the changing demographic profile (as well as observations about the current mix when compared with other locations). This sees a slightly larger recommended profile compared with other tenure groups. The following mix of market housing is suggested:

- 1-bedroom: 0-10%
- 2-bedrooms: 20-30%
- 3-bedrooms: 45-55%
- 4+-bedrooms: 15-25%

- 8.33 Although the analysis has quantified this based on the market modelling and an understanding of the current housing market, it does not necessarily follow that such prescriptive figures should be included in the plan making process. The 'market' is to some degree a better judge of what is the most appropriate profile of homes to deliver at any point in time, and demand can change over time linked to macro-economic factors and local supply. Policy aspirations could also influence the mix sought.
- 8.34 Whilst this report does not suggest that prescriptive figures necessarily need to be included within the Local Plan, it is the case that the figures can be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by demographic change in the area.
- 8.35 The recommendations can also be used as a set of guidelines to consider the appropriate mix on larger development sites, and the Council should expect justification for a housing mix on such sites which significantly differs from that modelled herein. Site location and character are also relevant considerations the appropriate mix of market housing on individual development sites.
- 8.36 Within this mix a range of homes should be provided. For example, within the 4-bedroom+ allocation this would include basic accommodation for larger families as well as executive homes. Similarly, the 1- and 2-bedroom developments should include flats for young professionals as well as older people. The design and location of each is likely to be distinct.
- 8.37 This can be achieved by providing a wide portfolio of allocated sites. Even within these sites, particularly the larger sites, areas can be zoned for different uses and densities. This can help achieve a wide variety of homes which would also assist in absorption of new homes.

Smaller-Area Housing Mix

- 8.38 The analysis above has focussed on overall Borough-wide needs; given clear spatial differences between locations it is however worth considering the potential mix at a smaller-area level. Table 67 below shows the profile of housing by tenure for the four sub-areas.

Table 66: Number of bedrooms by tenure and sub-areas (2011) – Solihull

		Castle Bromwich	North Solihull	Urban	Rural	Solihull
Owner-occupied	1-bedroom	3%	3%	2%	2%	2%
	2-bedrooms	9%	11%	14%	14%	13%
	3-bedrooms	67%	76%	53%	34%	51%
	4+-bedrooms	21%	10%	31%	50%	33%
	Total	100%	100%	100%	100%	100%
Social rented	1-bedroom	26%	33%	46%	43%	38%
	2-bedrooms	45%	35%	25%	29%	32%
	3-bedrooms	27%	28%	27%	25%	27%
	4+-bedrooms	2%	3%	2%	3%	3%
	Total	100%	100%	100%	100%	100%
Private rented	1-bedroom	17%	14%	12%	12%	12%
	2-bedrooms	34%	20%	40%	47%	39%
	3-bedrooms	37%	59%	39%	26%	38%
	4+-bedrooms	11%	8%	9%	15%	11%
	Total	100%	100%	100%	100%	100%

Source: 2011 Census

- 8.39 Focussing on the owner-occupied sector, the analysis shows very strong concentrations of 3-bedroom homes in Castle Bromwich and North Solihull with a particularly large proportion of 4+-bedroom homes in the Rural area – North Solihull seeing a very low proportion of 4+-bedroom homes. Arguably this might suggest that areas with fewer larger homes have a greater need for that size of accommodation to help balance the stock. However, as previously noted, it should also be remembered that the current mix is likely to some extent reflect the role and function of different areas (e.g. areas with higher proportions of larger homes may traditionally be areas more highly sought by family households and/or slightly wealthier households).
- 8.40 On this basis, whilst there are clear differences in the current stock, and indeed the profile of the population it is not considered that these are sufficient to suggest a different mix of housing at a sub-area level. If developments were provided in-line with the suggested mix in this report, then over time there would be some degree of balancing the stock across areas, whilst still recognising the general role and function of different locations.
- 8.41 In the social rented sector, the differences between areas mainly focus on the balance between 1- and 2-bedroom homes, with 26% of homes in Castle Bromwich having 1-bedroom, compared with 46% in the Urban area. As with the owner-occupied sector, it is the case that the current profile may

to some extent reflect the role of different areas and the extent to which certain household groups might seek housing in different types of location (e.g. young single people without access to a car might be most suited to living in locations such as the Urban area, but this area already has the highest proportion of smaller (1-bedroom) homes). Therefore, as with market housing, it is not suggested that the finding of a different profile of housing should necessarily lead to suggestions of a different local housing mix.

8.42 Finally, the table did consider the profile of private rented accommodation for the purposes of completeness. Again, there are some differences between areas, but it is not considered that this leads to a need to consider the future mix of housing in this tenure (this report does not recommend any 'targets' for increasing the size of this sector in the future).

8.43 Overall, therefore, the analysis does not suggest that a different mix should be proposed for smaller areas although there may be a case on a site-by-site basis, or at a specific point in time for some minor adjustments. This is summarised below:

- a. Whilst there are differences in the stock profile in different locations this should not necessarily be seen as indicating surpluses or shortfalls of particular types and sizes of homes;
- b. As well as looking at the stock, an understanding of the role and function of areas is important. For example, higher priced rural areas are typically sought by wealthier families and therefore such areas would be expected to provide a greater proportion of larger homes;
- c. That said, some of these areas will have very few small/cheaper stock and so consideration needs to be given to diversifying the stock;
- d. The location/quality of sites will also have an impact on the mix of housing. For example, brownfield sites in the centre of towns may be more suited to flatted development (as well as recognising the point above about role and function) whereas a rural site on the edge of an existing village may be more appropriate for family housing. Other considerations (such as proximity to public transport) may impact on a reasonable mix at a local level;
- e. Overall, it is suggested that Council should broadly seek the same mix of housing in all locations but would be flexible to a different mix where specific local characteristics suggest. The Council should also monitor what is being built to ensure that a reasonable mix is provided in a settlement overall. For example, if a recent housing site has provided nothing but 4+-bedroom 'executive' homes, then it could be expected that the next site to come along might provide a mix which includes more homes for younger/smaller family households and childless couples;
- f. Additionally, in the affordable sector it may be the case that Housing Register data for a smaller area identifies a shortage of housing of a particular size/type which could lead to the mix of housing being altered from the overall suggested requirement

Need/Demand for Bungalows

- 8.44 A final issue is a discussion of the need/demand for bungalows. The sources used for analysis in this report make it difficult to quantify a need/demand for bungalows in the Borough as Census data (which is used to look at occupancy profiles) does not separately identify this type of accommodation. However, it is typical (where discussions are undertaken with local estate agents) to find that there is a demand for this type of accommodation.
- 8.45 Bungalows are often the first choice for older people seeking suitable accommodation in later life and there is generally a high demand for such accommodation when it becomes available. This is different from specialist accommodation for older people (see chapter 10 which provide a level of care or support is provided).
- 8.46 As a new build option, bungalows are, however, the case that bungalow accommodation is often not supported by either house builders or planners (due to potential plot sizes and their generally low densities). There may, however, be instances where bungalows are the most suitable house type for a particular site; for example, to overcome objections about dwellings overlooking existing dwellings or preserving sight lines.
- 8.47 There is also the possibility of a wider need/demand for retirement accommodation. Retirement apartments can prove very popular if they are well located in terms of access to facilities and services, and environmentally attractive (e.g. have a good view). However, some potential purchasers may find high service charges unacceptable or unaffordable and new build units may not retain their value on re-sale.
- 8.48 Overall, the Council should consider the potential role of bungalows as part of the future mix of housing. Such housing may be particularly attractive to older owner-occupiers (many of whom are equity-rich) which may assist in encouraging households to downsize. However, the downside to providing bungalows is that they are relatively land intensive.
- 8.49 In addition, many modern older persons accommodation come in multi-storey development. If there is an operational lift and units are across a single storey such development would meet the same need.
- 8.50 Further information on the need for specialist accommodation for older people is set out in Chapter 10 of this report.

Family Households and the Appropriate Mix of Housing: Key Points and Recommendations

- The proportion of households with dependent children is similar to the regional and national average. Projecting forward, there is expected to be an increase in the number of households with dependent children – increasing by 20% over the 2020-36 period when linking to the Standard Method housing need – the majority of this increase is projected to be within smaller family households (with just one dependent child).
- There are a range of factors which will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households’ ability to save; economic performance and housing affordability. The analysis linked to long-term (16-year) demographic change concludes that **the following represents an appropriate mix of affordable and market homes, this takes account of both household changes and the ageing of the population:**

	1-bedroom	2- bedrooms	3- bedrooms	4+- bedrooms
Market	0-10%	20-30%	45-55%	15-25%
Affordable home ownership	10-20%	35-45%	35-45%	0-10%
Affordable housing (rented)	25-35%	30-40%	20-30%	5-15%

- The strategic conclusions in the affordable sector recognise the role which delivery of larger family homes can play in releasing a supply of smaller properties for other households. Also recognised is the limited flexibility which 1-bed properties offer to changing household circumstances, which feed through into higher turnover and management issues. The conclusions also take account of the current mix of housing in the Borough (by tenure) which conversely recognises that Solihull currently has a high stock of 1-bedroom social rented homes.
- The mix identified above could inform strategic policies although a flexible approach should be adopted. In applying the mix to individual development sites, regard should be had to the nature of the site and character of the area, and to up-to-date evidence of need such as the housing register as well as the existing mix and turnover of properties at the local level. The Council should also monitor the mix of housing delivered.
- Based on the evidence, it is expected that the focus of new market housing provision will be on 2- and 3-bed properties. Continued demand for family housing can be expected from newly forming households. There may also be some demand for medium-sized properties (2- and 3-beds) from older households downsizing and looking to release equity in existing homes, but still retaining flexibility for friends and family to come and stay.
- Analysis also considered the population profile and the current mix of housing at a smaller-area level. Whilst there were some differences between areas, it is not considered that they are substantial enough to suggest a different mix of housing as being needed in different areas. That said, the mix on any specific site could be influenced by site characteristics, and any localised evidence of need, such as that drawn from the Housing Register.

9 OLDER AND DISABLED PERSONS NEEDS

Introduction

- 9.1 This section studies the characteristics and housing needs of the older person population and the population with some form of disability. The two groups are taken together as there is a clear link between age and disability. It responds to Planning Practice Guidance on *Housing for Older and Disabled People* published by Government in June 2019. It includes an assessment of the need for specialist accommodation for older people and the potential requirements for housing to be built to M4(2) and M4(3) housing technical standards (M4(3) being related to wheelchair users and further split into (a) 'wheelchair adaptable' and (b) wheelchair accessible').

Understanding the Implications of Demographic Changes

- 9.2 The population of older persons is increasing, driven by demographic changes including increasing life expectancy. This is a key driver of the need for housing which can meet the needs of older persons.

Current Population of Older People

- 9.3 The tables below provide baseline population data about older persons in the Borough and compares this with other areas. The population data has been taken from the published 2018 ONS mid-year population estimates (MYE). The first table shows that Solihull has a relatively old age structure in terms of older people (for the purposes of this report generally considered to be people aged 65 and over), with 21% of the population being aged 65 and over in 2018. This compares with 18% regionally and nationally.

Table 67: Older Persons Population, 2018

	Solihull	West Midlands	England
Under 65	79.0%	81.5%	81.8%
65-74	11.0%	10.0%	9.9%
75-84	6.9%	6.1%	5.8%
85+	3.1%	2.4%	2.4%
Total	100.0%	100.0%	100.0%
Total 65+	21.0%	18.5%	18.2%
Total 75+	10.0%	8.5%	8.3%

Source: ONS 2018 Mid-Year Population Estimates

9.4 The table below shows the same information for sub-areas, this shows some considerable variation in the proportion of people aged 65 and over, ranging from 15% in North Solihull, up to 25% in Castle Bromwich.

Table 68: Older Persons Population, 2018 – sub-areas

	Under 65	65-74	75-84	85+	Total	Total 65+	Total 75+
Castle Bromwich	75.3%	14.0%	6.9%	3.8%	100.0%	24.7%	10.7%
North Solihull	84.5%	8.9%	5.1%	1.5%	100.0%	15.5%	6.6%
Urban	78.0%	10.8%	7.4%	3.8%	100.0%	22.0%	11.2%
Rural	77.6%	12.3%	7.1%	3.0%	100.0%	22.4%	10.1%
TOTAL	79.0%	11.0%	6.9%	3.1%	100.0%	21.0%	10.0%

Source: ONS 2018 Mid-Year Population Estimates

Projected Future Change in the Population of Older People

9.5 Population projections can next be used to provide an indication of how the numbers of older persons might change in the future compared with other areas.

9.6 Solihull is projected to see a notable increase in the older person population, with the total number of people aged 65 and over projected to increase by 25% over the 16-years to 2036. This compares with overall population growth of 11% and a more modest increase in the Under 65 population of 7%.

9.7 In total population terms, the projections show an increase in the population aged 65 and over of 11,200 people. This is against a backdrop of an overall increase of 23,400 – population growth of people aged 65 and over therefore accounts for 48% of the total projected population change.

Table 69: Projected Change in Population of Older Persons, 2020 to 2036 – Solihull (based on delivery of 807 dwellings per annum)

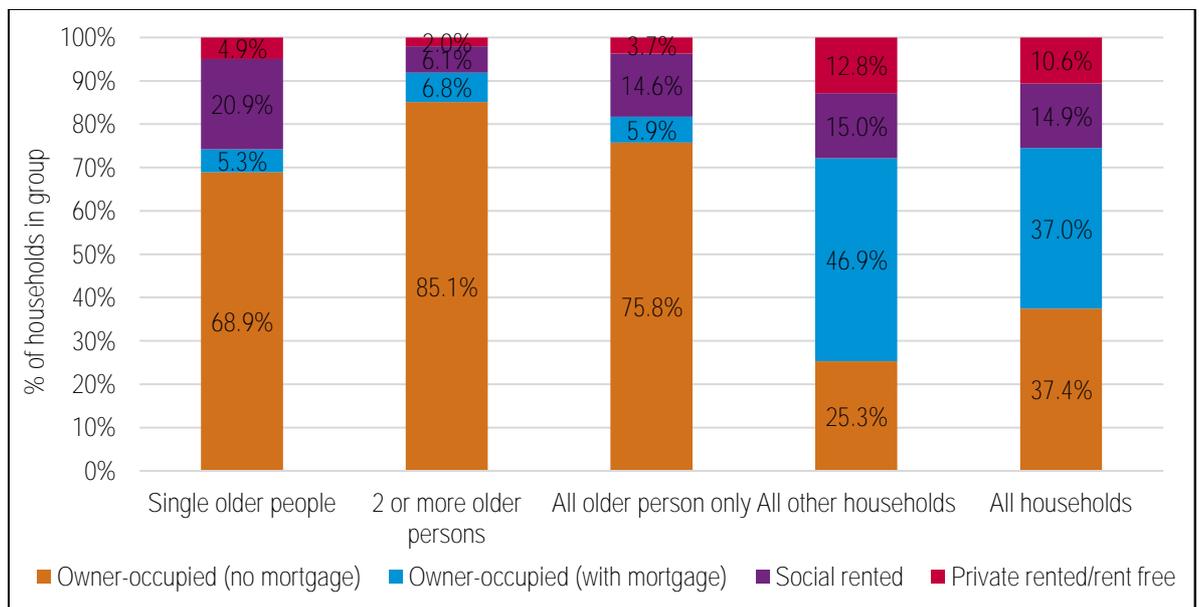
	2020	2036	Change in population	% change
Under 65	171,446	183,609	12,162	7.1%
65-74	23,091	27,150	4,060	17.6%
75-84	15,622	19,121	3,499	22.4%
85+	6,889	10,537	3,648	53.0%
Total	217,047	240,417	23,369	10.8%
Total 65+	45,601	56,808	11,207	24.6%
Total 75+	22,510	29,657	7,147	31.8%

Source: Demographic Projections

Characteristics of Older Person Households

- 9.8 The tenures in which older persons currently live provides a useful indication of the potential tenure profile of demand for new-build development.
- 9.9 The figure below shows the tenure of older person households. The data has been split between single older person households and those with two or more older people (which will largely be couples). The data shows that the majority of older persons households (82%) are owner occupiers, and indeed 76% are owner occupiers with no mortgage and thus may have significant equity which can be put towards the purchase of a new home. Some 15% of older persons households across the study area live in the social rented sector. The proportion of older person households living in the private rented sector is relatively low (about 4%).
- 9.10 There are also notable differences for different types of older person households with single older people having a lower level of owner-occupation than larger older person households – this group also has a much higher proportion living in the social rented sector.

Figure 41: Tenure of Older Persons Households in Solihull, 2011

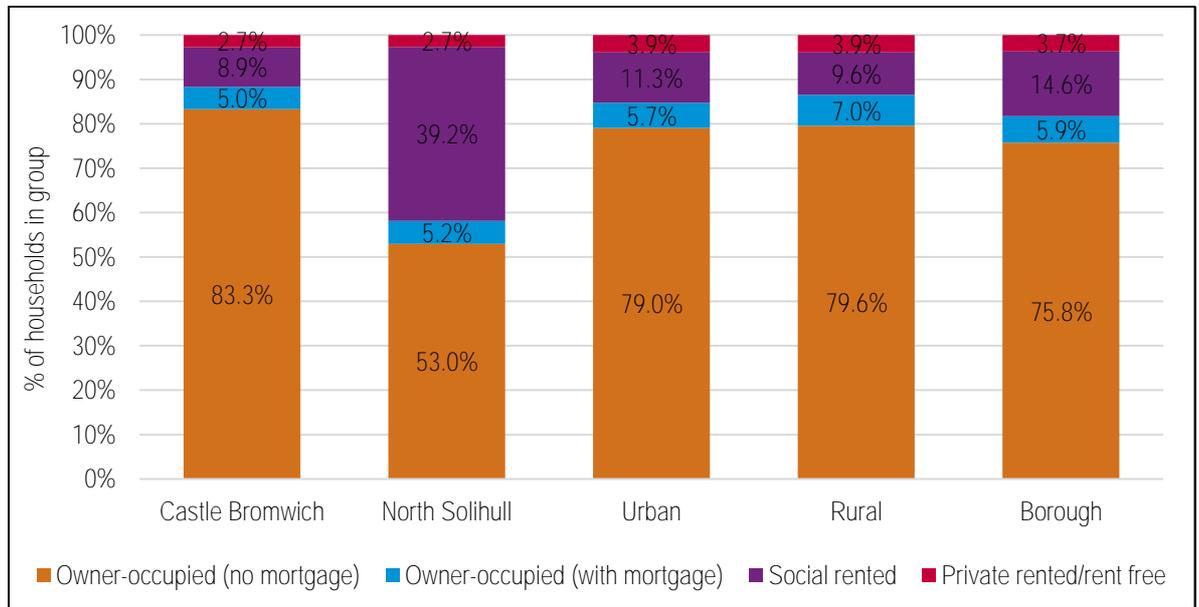


Source: 2011 Census

- 9.11 The figure below shows the same information for sub-areas – the data is provided for all older person households. The data shows that the tenure profile of older person households is similar across much of the study area; the main notable difference is the low level of owner-occupation amongst older

people in North Solihull – this area was previously notable for the low proportion of older people in the population.

Figure 42: Tenure of Older Persons Households in Solihull, 2011



Source: 2011 Census

Prevalence of Disabilities (all ages)

9.12 The table below shows the proportion of people with a long-term health problem or disability (LTHPD) drawn from 2011 Census data, and the proportion of households where at least one person has a LTHPD. The data suggests that some 33% of households contain someone with a LTHPD. This figure is similar to that seen in other areas (including a 33% figure for the whole of England). The figures for the population with a LTHPD again show a similar pattern in comparison with other areas (an estimated 18% of the population of the study area having a LTHPD).

9.13 The analysis also shows some differences between different parts of the study area, with North Solihull seeing a notably higher proportion of the population with a LTHPD, and lower figures being seen in the Rural area.

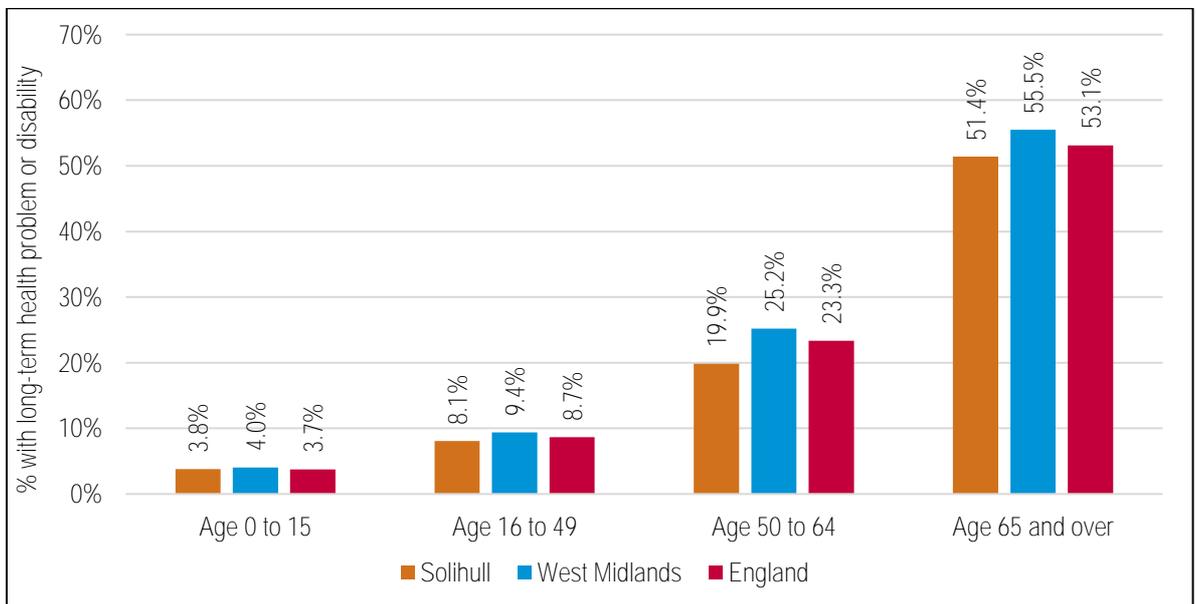
Table 70: Households and People with a Long-Term Health Problem or Disability, 2011

	Households Containing Someone with a Health Problem		Population with a Health Problem	
	No.	%	No.	%
Castle Bromwich	1,740	37.0%	2,214	19.7%
North Solihull	6,480	39.9%	8,224	21.8%
Urban	13,634	33.3%	17,672	17.9%
Rural	6,774	28.1%	8,817	15.0%
Borough	28,628	33.3%	36,927	17.9%
West Midlands	810,722	35.3%	1,062,064	19.0%
England	7,217,905	32.7%	9,352,586	17.6%

Source: 2011 Census

9.14 It is likely that the age profile will impact upon the numbers of people with a LTHPD, as older people tend to be more likely to have a LTHPD. The figure below shows the age bands of people with a LTHPD. It is clear from this analysis that those people in the oldest age bands are more likely to have a LTHPD. The analysis also shows lower levels of LTHPD in most age bands within Solihull when compared with other areas.

Figure 43: Population with Long-Term Health Problem or Disability by Age



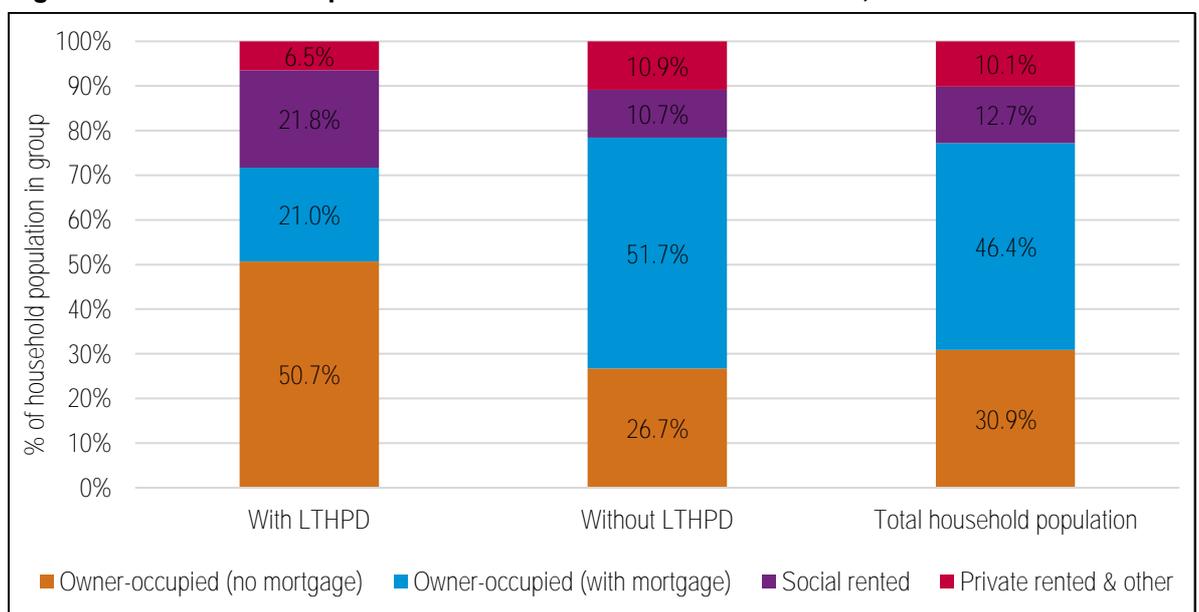
Source: 2011 Census

9.15 The figure below shows the tenures of people with a LTHPD – it should be noted that the data is for 'population living in households' rather than 'households'. The analysis clearly shows that people with

a LTHPD are more likely to live in social rented housing or are also more likely to be outright owners (this will be linked to the age profile of the population with a disability).

9.16 Given that typically the lowest incomes are found in the social rented sector, and to a lesser extent for outright owners (many of whom are retired), the analysis would suggest that the population/households with a disability are likely to be relatively disadvantaged when compared to the rest of the population in terms of income levels and therefore the ability to afford goods and services (as well as to access the housing market in many instances).

Figure 44: Tenure of People with LTHPD vs those without a LTHPD, 2011 – Solihull



Source: 2011 Census

9.17 In addition, data taken from the same source as above suggests that 30% of all people living in the social rented sector have a LTHPD, compared with 16% of people in other tenures.

Health Related Population Projections

9.18 The incidence of a range of health conditions is an important component in understanding the potential need for care or support for a growing older population.

9.19 The analysis undertaken covers both younger and older age groups and draws on prevalence rates from the PANSI (Projecting Adult Needs and Service Information) and POPPI (Projecting Older People Population Information) websites. In all cases the analysis applies the relevant prevalence rates to estimates of population growth linked to the Standard Method.

9.20 Of particular note are the large increases in the number of older people with dementia⁹ (increasing by 35% from 2020 to 2036) and mobility problems (31% increase over the same period). Changes for younger age groups are smaller, reflecting the fact that projections are expecting older age groups to see the greatest proportional increases in population. When related back to the total projected change to the population, the increase of 2,700 people with a mobility problem represents 11% of the total projected population growth.

9.21 It should be noted that there will be an overlap between categories (i.e. some people will have both dementia and mobility problems). Hence the numbers for each of the illnesses/disabilities should not be added together to arrive at a total.

Table 71: Projected Changes to Solihull Population with a Range of Disabilities

Disability	Age Range	2020	2036	Change	% Change
Dementia	65+	3,379	4,545	1,166	34.5%
Mobility problems	65+	8,713	11,377	2,664	30.6%
Autistic Spectrum Disorders	18-64	1,219	1,302	83	6.8%
	65+	418	529	111	26.5%
Learning Disabilities	15-64	3,214	3,440	226	7.0%
	65+	948	1,174	226	23.8%
Challenging behaviour	15-64	59	63	4	6.8%
Impaired mobility	16-64	7,170	7,349	179	2.5%

Source: POPPI/PANSI and Demographic Projections

9.22 The growth shown in those with disabilities provides clear evidence justifying delivering 'accessible and adaptable' homes as defined in Part M4(2) of Building Regulations. The Council should ensure that the viability of doing so is also tested as part of drawing together its evidence base.

Need for Specialist Accommodation for Older Persons

9.23 Given the ageing population and higher levels of disability and health problems amongst older people, there is likely to be an increased requirement for specialist housing options moving forward. The box below considers different types of older persons housing which are considered.

⁹ The prevalence rates for dementia (from POPPI) are drawn from Dementia UK: Update (2014) prepared by King's College London and the London School of Economics for the Alzheimer's Society. In reality it may be difficult to estimate the prevalence of dementia due to the nature of the condition and the range of stages sufferers may go through (dementia is usually considered as three stages: mild (or "early"), moderate (or "middle"), and severe (or "late")).

Definitions of Different Types of Older Persons' Accommodation

Age-restricted general market housing: This type of housing is generally for people aged 55 and over and the active elderly. It may include some shared amenities such as communal gardens but does not include support or care services.

Retirement living or sheltered housing (housing with support): This usually consists of purpose-built flats or bungalows with limited communal facilities such as a lounge, laundry room and guest room. It does not generally provide care services but provides some support to enable residents to live independently. This can include 24-hour on-site assistance (alarm) and a warden or house manager.

Extra care housing or housing-with-care (housing with care): This usually consists of purpose-built or adapted flats or bungalows with a medium to high level of care available if required, through an onsite care agency registered through the Care Quality Commission (CQC). Residents can live independently with 24-hour access to support services and staff, and meals are also available. There are often extensive communal areas, such as space to socialise or a wellbeing centre. In some cases, these developments are known as retirement communities or villages - the intention is for residents to benefit from varying levels of care as time progresses.

Residential care homes and nursing homes (care bedspaces): These have individual rooms within a residential building and provide a high level of care meeting all activities of daily living. They do not usually include support services for independent living. This type of housing can also include dementia care homes.

Source: Planning Practice Guidance [63-010]

- 9.24 The need for specialist housing for older persons is typically modelled by applying prevalence rates to current and projected population changes and considering the level of existing supply. There is no standard methodology for assessing the housing and care needs of older people. The current and future demand for elderly care is influenced by a host of factors including the balance between demand and supply in any given area and social, political, regulatory and financial issues. Additionally, the extent to which new homes are built to accessible and adaptable standards may over time have an impact on specialist demand (given that older people often want to remain at home rather than move to care) – this will need to be monitored.

- 9.25 There are a number of 'models' for considering older persons needs, but they all essentially work in the same way. The model results are however particularly sensitive to the prevalence rates applied,

which typically describe the proportion of people aged over 75 who could be expected to live in different forms of specialist housing.

- 9.26 Whilst there are no definitive rates, the PPG [63-004] notes that *'the future need for specialist accommodation for older people broken down by tenure and type (e.g. sheltered housing, extra care) may need to be assessed and can be obtained from a number of online tool kits provided by the sector, for example SHOP@ for Older People Analysis Tool'*. The PPG does not specifically mention any other tools and therefore seems to be indicating that SHOP@ would be a good starting point for analysis. Since the PPG was published the Housing Learning and Information Network (Housing LIN) has removed the Shop@ online toolkit although the base rates used for analysis are known and can be used alongside demographic projections to provide an indication of the potential level of additional specialist housing that might be required for older people in the future.
- 9.27 This report therefore uses the SHOP@ rates as a start point, but it is of interest to briefly set out other sources for comparative purposes. As the table below shows, different sources use different rates and, in some cases, do not provide estimates for particular types of housing. Overall, the SHOP@ figures tend to fit in the middle of the range shown although it is notable that Housing LIN work carried out for the Council in 2018 does typically suggest lower rates than the baseline SHOP@ figures.
- 9.28 For specific types of housing there are also other estimates that have been seen; for example at a Planning Appeal in Solihull in early 2020 (Oak Farm) a figure of 43 per 1,000 was suggested for extra-care housing along with a figure of 81 per 1,000 for residential and nursing care bedspaces – this latter figure was based on the 'Laing Buisson' distribution and has been applied in other areas.

Table 72: Range of suggested baseline prevalence rates from several tools and publications

Type/Rate	SHOP @ (2008) ¹⁰	Housing in Later Life (2012) ¹¹	2016 Housing LIN Review	2018 Solihull Housing LIN study	HOPSR (2017) ¹²
Age-restricted general market housing	-	-	25	-	55
Retirement living or sheltered housing (housing with support)	125	180	100	80	153
Extra care housing or housing-with-care (housing with care)	45	65	30-40 ('proactive range')	35	20
Residential care homes	65	(no figure apart from 6 for dementia)	40	29.2 falling to 25	111
Nursing homes (care bedspaces), including dementia	45		45	40	

Source: Range of sources as identified

9.29 As noted, this report uses the SHOP@ figures as a starting point. However, through discussions with Housing LIN it is however clear that:

- Housing LIN consider that the prevalence rates used should be assessed taking account of an authority's strategy for delivering specialist housing for older people. The degree for instance which the Council want to require extra care housing as an alternative to residential care provision would influence the relative balance of need
- The Housing LIN model has been influenced by existing levels of provision and their view on what future level of provision might be reasonable taking account of how the market is developing, funding availability etc. There is a degree to which the model and assumptions within it do not fully capture the growing recent private sector interest and involvement in the sector.

¹⁰ Based on the More Choice Greater Voice publication of 2008 (https://www.housinglin.org.uk/assets/Resources/Housing/Support_materials/Reports/MCGVdocument.pdf). It should be noted that although these rates are from 2008, they are the same rates as were being used in the online toolkit when it was taken offline in 2019.

¹¹ https://www.housinglin.org.uk/assets/Resources/Housing/Support_materials/Toolkit/Housing_in_Later_Life_Toolkit.pdf

¹² <https://www4.shu.ac.uk/research/cresr/news/housing-older-people-supply-recommendations-hopsr>

9.30 The baseline rates applied in this assessment are discussed below and it should be noted that Solihull commissioned Housing LIN in 2018 and agreed some prevalence rates (so these are also relevant in the context of any adjustments made) – specific local adjustments are considered following the setting of baselines in the bullet points below.

- Age-restricted housing – The SHOP@ tool does not provide rates for this type of housing and it is unclear if new provision is to be expected. For this study, the modelling takes forward overall national prevalence rates to provide some indication of what the need might be (essentially showing the position in Solihull compared with other parts of the county). The baseline rates applied are a need for 25 units per 1,000 population aged 75 and over in the affordable sector and 5 per 1,000 in market housing. No further adjustments have been made to these prevalence rates. Figures for age-restricted housing are to some extent included to be consistent with the PPG and it should be noted that as housing provision for older people has changed, the need for further provision in this category may not be required. That said, it is possible that certain types of housing (e.g. bungalows) would meet some of this need (i.e. bungalows only available to older people but which do not have any related care or support package);
- Housing with Support (retirement/sheltered housing) – Housing LIN suggests a base level of 125 units per 1,000 population aged 75 and over and it is considered that this is a reasonable starting point. Adjustments are made to this figure to reflect local levels of health in the older person population. The suggested tenure split is for 50% of homes to be market housing in more deprived areas up to 67% in less deprived locations;
- Housing with Care (enhanced sheltered and extra-care housing) – Housing LIN suggests a base level of 45 units per 1,000 population aged 75 and over. It is considered that this level of provision is a reasonable longer-term aim but that this is quite a high figure in the context of current supply (estimated nationally to be around 18 units per 1,000 population aged 75 and over. Therefore, the baseline modelling sets a need figure of 25 units per 1,000 initially, rising to 45 by the end of the projection period (with this increase modelled to be in a linear fashion, such that by 2028 it would be a provision of 35 units per 1,000). Again, adjustments are made to this figure to reflect local levels of health in the older person population. The tenure split is taken to be the same as for housing with support (again adjusted depending on levels of deprivation; and
- Residential care bedspaces – Housing LIN suggests a base level of 65 units (bedspaces) per 1,000 population aged 75 and over. This figure is a reasonable start point. However, given that the analysis seeks to increase the need for extra-care housing it seems reasonable to expect that there might be some reduction in the need for residential care. Therefore, the analysis looks at reducing the need for this accommodation type down to 45 per 1,000 by the end of the projection period (again adjusted in a linear fashion in the modelling). Again, adjustments are made to this figure to reflect local levels of health in the older person population. Residential care bedspaces do not have an associated tenure; and
- Nursing care bedspaces – Housing LIN suggests a base level of 45 units (bedspaces) per 1,000 population aged 75 and over and this is considered reasonable as both a current need estimate and projecting forward. Again, adjustments are made to this figure to reflect local levels of health in the older person population and there is no associated tenure. The figures for nursing care bedspaces would be expected to include some for dementia care and whilst not separated out in this report a typical figure for dementia bedspaces would be around 6 per 1,000 people aged 75 and over.

- 9.31 In considering the rates for residential and nursing care it should be noted that the needs assessment is fee neutral and some care would be provided at local authority rates. The actual delivery of such housing could therefore be impacted by financial issues rather than any known need for these types of home.
- 9.32 Following the Housing LIN methodology, an initial adjustment has then been made to these rates to reflect the relative health of the local older person population (applied to all groups apart from age-restricted housing). This has been based on Census data about the proportion of people aged 65 and over who have a long-term health problem or disability compared with the England average. In Solihull, the data shows slightly better health in the older person population and so the prevalence rates used have been decreased slightly (by an average of about 3%) – this figure is based on comparing the proportion of people aged 65 and over with a LTHPD in Solihull (51.4%) with the equivalent figure for England (53.1%).
- 9.33 A second local adjustment has been to estimate a tenure split for the housing with support and housing with care categories. This again draws on suggestions in the Shop@ toolkit which suggests that less deprived local authorities could expect a higher proportion of their specialist housing to be in the market sector. Using 2019 Index of Multiple Deprivation (IMD) data, the analysis suggests Solihull is the 206th most deprived local authority in England (out of 317). This suggests a higher need for market homes for older people in Solihull than would be assumed in an area sitting more in the middle of the deprivation index. To be clear this is market housing within the categories described above (e.g. housing with support and housing with care).
- 9.34 The table below shows estimated needs for different types of housing linked to the population projections. The analysis is separated into the various types and tenures although it should be recognised that there could be some overlap between categories (i.e. some households might be suited to more than one type of accommodation. Below is a brief summary of the findings:
- Age-restricted – the analysis suggests a potential surplus of accommodation both currently and by 2036 – this is driven by a large current supply of such accommodation in the affordable sector. Indeed, the analysis does suggest a potential modest shortfall of market accommodation in this sector.
 - Housing with support (sheltered/retirement housing) – the analysis suggests a shortfall in both the affordable and market sectors with a total shortfall by 2036 of 2,100 units – 60% of this being in the market sector.
 - Housing with care (e.g. Extra-care housing) – a total shortfall of 469 units is estimated by 2036, of which 70% is in the market sector. It is estimated that the current supply of housing in this category (in both tenures) is sufficient, with the shortfall emerging in the future (in part due to the assumptions made about a need to increase the prevalence rate of this accommodation type).

- Residential/nursing care bedspaces – the analysis estimates a total need for an additional 1,035 bedspaces by 2036 (including a current shortfall of around 850).

9.35 Where market housing is shown in the table below, it is considered that this could include an element of leasehold shared ownership – this would particularly help older owner-occupiers who have lower levels of equity. The analysis in this report does not attempt to estimate the need for shared ownership and the exact proportions of the market housing delivered as shared ownership will depend on several factors (including viability). At a national level, less than 5% of all market housing with care is of a shared ownership tenure and it is considered that the Council might consider a higher figure than this (say 10%) where opportunities arise.

Table 73: Specialist Housing Need using adjusted SHOP@ Assumptions, 2020-36 – Solihull

Type ¹³		Housing demand per 1,000 75+		Current supply	Current demand	Current shortfall/surplus (-ve)	Additional demand to 2036	Shortfall/surplus by 2036
		Start	Finish					
Age-restricted	Market	5	5	100	113	13	36	48
	Affordable	25	25	1,175	563	-612	179	-434
Total (age-restricted)		30	30	1,275	675	-600	214	-385
Housing with support	Market	74	74	936	1,661	725	528	1,253
	Affordable	47	47	555	1,061	506	337	843
Total (housing with support)		121	121	1,491	2,722	1,231	864	2,096
Housing with care	Market	15	27	461	332	-129	456	327
	Affordable	9	17	361	212	-149	291	142
Total (housing with care)		24	44	822	544	-278	747	469
Residential care bedspaces		63	44	880	1,416	536	-124	411
Nursing care bedspaces		44	44	667	980	313	311	624
Total bedspaces		106	87	1,547	2,396	849	187	1,035

Source: Derived from Demographic Projections and Housing LIN/EAC (Numbers may not sum due to rounding)

9.36 The prevalence rates for housing with care and residential care bedspaces are modelled to change over time. This is to reflect the possibility that models such as extra-care will meet some of the need that would previously been in care homes. In addition, the assumptions reflect (at least at a national level) that the current supply of housing with care is quite low (and residential care provision is quite high). For Solihull, this latter point is less notable with the current supply of housing with care being above the national average (as a proportion of the 75+ population) and residential care bedspaces being below the national average. This might suggest that an alternative approach to the modelling would be to use constant rates throughout. A further table has been modelled below.

¹³ Planning Practice Guidance [63-010])

9.37 Were the modelling to assume no change in these rates (and starting with the recommended provision by 2036) then the analysis would show a current shortfall of housing with care (of about 160 units across all tenures) whilst the current shortfall of residential care bedspaces would drop notably (from 536 to around 100). This further emphasises the different outputs that can be derived from different assumptions about prevalence. It should be noted that estimated needs by 2036 would be unaffected.

Table 74: Specialist Housing Need using adjusted SHOP@ Assumptions, 2020-36 (constant prevalence rates) – Solihull

Type		Housing demand per 1,000 75+		Current supply	Current demand	Current shortfall/surplus (-ve)	Additional demand to 2036	Shortfall/surplus by 2036
		Start	Finish					
Age-restricted	Market	5	5	100	113	13	36	48
	Affordable	25	25	1,175	563	-612	179	-434
Total (age-restricted)		30	30	1,275	675	-600	214	-385
Housing with support	Market	74	74	936	1,661	725	528	1,253
	Affordable	47	47	555	1,061	506	337	843
Total (housing with support)		121	121	1,491	2,722	1,231	864	2,096
Housing with care	Market	27	27	461	598	137	190	327
	Affordable	17	17	361	382	21	121	142
Total (housing with care)		44	44	822	980	158	311	469
Residential care bedspaces		44	44	880	980	100	311	411
Nursing care bedspaces		44	44	667	980	313	311	624
Total bedspaces		87	87	1,547	1,960	413	622	1,035

Source: Derived from Demographic Projections and Housing LIN/EAC (Numbers may not sum due to rounding)

9.38 As well as the current supply shown in the tables above, at the time of writing the Council had several schemes in the pipeline that would be expected to deliver additional housing in the near future. These have not been added to the supply but are listed below for reference:

- Housing with care: 108 units (all market)
- Residential care: 296 bedspaces
- Nursing care: 7 bedspaces

9.39 The provision of a choice of attractive housing options to older households is a component of achieving good housing mix. The availability of such housing options for the growing older population may enable some older households to downsize from homes which no longer meet their housing needs or are expensive to run. The availability of housing options which are accessible to older people

will also provide the opportunity for older households to 'rightsize' which can help improve their quality of life.

- 9.40 It should also be noted that within any category of need there may be a range of products. For example, many market extra-care schemes are towards the 'top-end' of the market and may have significant service charges (due to the level and quality of facilities and services). Such homes may therefore only be affordable to a small proportion of the potential market, and it will be important for the Council to seek a range of products that will be accessible to a wider number of households if needs are to be met.
- 9.41 The tables above should be considered as providing an indicative view of need based on a single set of prevalence rates (which have drawn on a range of sources). The ultimate level of provision the Council seeks to support will be influenced by its broader strategy for older persons housing and care and in addition it should be noted that the prevalence rates used in this report are typically higher than those used by Housing LIN in a 2018 study for the Council.
- 9.42 The analysis has not attempted to break these figures down into the four sub-areas. However, the data previously provided in this section would help to indicate how needs might vary across locations. It is notable that the population of older persons does vary across the Borough, with those areas with higher proportions potentially expected to see a higher demand for older person accommodation.

Needs over the Period to 2026

- 9.43 As well as providing a needs assessment for the 16-year period to 2036, the tables below look at a more short-term position (for the 6-years to 2026). This suggests the main need to be for housing with support (i.e. retirement living/sheltered housing) and also residential and nursing care bedspaces. That said, it does still need to be remembered that these figures are based on a specific set of prevalence rates and use of alternative figures would show a different pattern of need.

Table 75: Specialist Housing Need using adjusted SHOP@ Assumptions, 2020-26 – Solihull

Type		Housing demand per 1,000 75+		Current supply	Current demand	Current shortfall/surplus (-ve)	Additional demand to 2026	Shortfall/surplus by 2026
		Start	Finish					
Age-restricted	Market	5	5	100	113	13	18	31
	Affordable	25	25	1,175	563	-612	91	-521
Total (age-restricted)		30	30	1,275	675	-600	110	-490
Housing with support	Market	74	74	936	1,661	725	270	995
	Affordable	47	47	555	1,061	506	172	678
Total (housing with support)		121	121	1,491	2,722	1,231	442	1,673
Housing with care	Market	15	19	461	332	-129	170	41
	Affordable	9	12	361	212	-149	108	-40
Total (housing with care)		24	31	822	544	-278	278	1
Residential care bedspaces		63	56	880	1,416	536	40	576
Nursing care bedspaces		44	44	667	980	313	159	472
Total bedspaces		106	99	1,547	2,396	849	199	1,048

Source: Derived from Demographic Projections and Housing LIN/EAC (Numbers may not sum due to rounding)

9.44 The table below provides an alternative analysis where it is assumed that the need for housing with care and residential care bedspaces are already at the suggested 2036 position. This shows a higher need for housing with care and a lower need for residential care bedspaces.

Table 76: Specialist Housing Need using adjusted SHOP@ Assumptions, 2020-26 (constant prevalence rates) – Solihull

Type		Housing demand per 1,000 75+		Current supply	Current demand	Current shortfall/surplus (-ve)	Additional demand to 2026	Shortfall/surplus by 2026
		Start	Finish					
Age-restricted	Market	5	5	100	113	13	18	31
	Affordable	25	25	1,175	563	-612	91	-521
Total (age-restricted)		30	30	1,275	675	-600	110	-490
Housing with support	Market	74	74	936	1,661	725	270	995
	Affordable	47	47	555	1,061	506	172	678
Total (housing with support)		121	121	1,491	2,722	1,231	442	1,673
Housing with care	Market	27	27	461	598	137	97	234
	Affordable	17	17	361	382	21	62	83
Total (housing with care)		44	44	822	980	158	159	317
Residential care bedspaces		44	44	880	980	100	159	259
Nursing care bedspaces		44	44	667	980	313	159	472
Total bedspaces		87	87	1,547	1,960	413	318	731

Source: Derived from Demographic Projections and Housing LIN/EAC (Numbers may not sum due to rounding)

Older Persons' Housing, Use Classes and Affordable Housing Policies

- 9.45 The issue of use classes and affordable housing generally arises in respect of extra care/ assisted living development schemes. The Planning Practice Guidance defines extra care housing or housing with care as follows:
- 9.46 “This usually consists of purpose-built or adapted flats or bungalows with a medium to high level of care available if required, through an onsite care agency registered through the Care Quality Commission (CQC). Residents can live independently with 24-hour access to support services and staff, and meals are also available. There are often extensive communal areas, such as space to socialise or a wellbeing centre. In some cases, these developments are known as retirement communities or villages - the intention is for residents to benefit from varying levels of care as time progresses”.
- 9.47 There is a degree to which different terms can be used for this type of development inter-changeably, with reference sometimes made to extra care, assisted living, continuing care retirement communities, or retirement villages. Accommodation units typically include sleeping and living accommodation,

bathrooms and kitchens; and have their own front door. Properties having their own front doors is not however determinative of use.

- 9.48 The distinguishing features of housing with care is the provision of personal care through an agency registered with the Care Quality Commission, and the inclusion of extensive facilities and communal space within these forms of development, which distinguish them from blocks of retirement flats.

Use Classes

- 9.49 Use classes are defined in the Town and Country Planning (Use Classes) Order 1987. Use Class C2: Residential Institutions is defined as “*use for the provision of residential accommodation and care to people in need of care (other than a use within class C3 (dwelling houses)).*” C3 (dwelling houses) are defined as “*use as a dwelling house (whether or not as a sole or main residence) a) by a single person or by people living together as a family; or b) by no more than 6 residents living together as a single household (including a household where care is provided for residents).*”
- 9.50 Care is defined in the Use Class Order as meaning “personal care for people in need of such care by reason of old age, disablement, past or present dependence on alcohol or drugs or past or present mental disorder, and in class C2 also includes the personal care or children and medical care and treatment.”
- 9.51 Personal care has been defined in Regulations¹⁴ as “the provision of personal care for persons who, by reasons of old age, illness or disability are unable to provide it for themselves, and which is provided in a place where those persons are living at the time the care is provided.”
- 9.52 Government has released new Planning Practice Guidance of *Housing for Older and Disabled People* in June 2019. In respect of Use Classes, Para 63-014 therein states that:
- “It is for a local planning authority to consider into which use class a particular development may fall. When determining whether a development for specialist housing for older people falls within C2 (Residential Institutions) or C3 (Dwelling house) of the Use Classes Order, consideration could, for example, be given to the level of care and scale of communal facilities provided.”*
- 9.53 The relevant factors identified herein are the level of care which is provided, and the scale of communal facilities. It is notable that no reference is made to whether units of accommodation have separate front doors. This is consistent with the Use Class Order, where it is the ongoing provision of care which is the distinguishing feature within the C2 definition. In a C2 use, the provision of care is an essential and ongoing characteristic of the development and would normally be secured as such through the S106 Agreement.

¹⁴ Schedule 1 of the Health and Social Care Act 2008 (Regulated Activities) Regulations 2010.

9.54 A range of appeal decisions have addressed issues relating to how to define the use class of a development. These are fact specific, and there is a need to consider the nature of the scheme. What arises from this, is that schemes which have been accepted as a C2 use commonly demonstrate the following characteristics:

- Occupation restricted to people (at least one within a household) in need of personal care, with an obligation for such residents to subscribe to a minimum care package. Whilst there has been debate about the minimum level of care to which residents must sign-up to, it is considered that this should not be determinative given that a) residents' care needs would typically change over time, and in most cases increase; and b) for those without a care need the relative costs associated with the care package would be off-putting.
- Provision of access to a range of communal areas and facilities, typically beyond that of simply a communal lounge, with the access to these facilities typically reflected in the service charge.

NPPF Policies on Affordable Housing

9.55 Use Class on its own need not be determinative on whether affordable housing provision could be applied. In all cases we are dealing with residential accommodation. But nor is there a clear policy basis for seeking affordable housing provision or contributions from a C2 use in the absence of a development plan policy which seeks to do so.

9.56 The 2019 NPPF sets out in Para 34 that Plans should set out the contributions expected from development, including levels of affordable housing. Such policies should not undermine the deliverability of the Plan. Para 62 states that where a need for affordable housing is identified, planning policies should specify the type of affordable housing required, and expect it to be met on-site unless off-site provision or a financial contribution can be robustly justified; and the agreed approach contributes to the objective of creating mixed and balanced communities.

9.57 Para 63 states that affordable housing should not be sought from residential developments that are not major developments. Para 64 sets out that specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students) are exempt from the requirement for 10% of homes (as part of the affordable housing contribution) to be for affordable home ownership. But neither of these paragraphs set out that certain types of specialist accommodation for older persons are exempt from affordable housing contributions.

9.58 The implication for Solihull is that:

- The ability to seek affordable housing contributions from a C2 use at the current time is influenced by how its current development plan policies were constructed and evidenced; and
- If policies in a new development plan are appropriately crafted and supported by the necessary evidence on need and viability, affordable housing contributions could be sought from a C2 use through policies in a new Local Plan.

9.59 Within any review of the local plan, it would be possible to craft a policy in such a way that affordable housing could be sought on extra care housing from both C2 and C3 use classes and it should be noted that in July 2020 the High Court rejected claims that 'extra care' housing should not contribute affordable homes because it falls outside C3 use (CO/4682/2019). It is however important to recognise that the viability of extra care housing will differ from general mixed tenure development schemes, and there are practical issues associated with how mixed tenure schemes may operate.

Viability

9.60 There are several features of a typical extra care housing scheme which can result in substantively different viability characteristics relative to general housing. In particular:

- Schemes typically include a significant level of communal space and on-site facilities, such that the floorspace of individual units might equate to 65% of the total floorspace, compared to 100% for a scheme of houses and perhaps 85% for typical flatted development. There is a significant proportion of space from which value is not generated through sales;
- Higher construction and fit out-costs as schemes need to achieve higher accessibility requirements and often include lifts, specially adapted bathrooms, treatment rooms etc. In many instances, developers need to employ third party building contractors are also not able to secure the same economies of scale as the larger volume housebuilders;
- Sales rates are also typically slower for extra care schemes, not least as older residents are less likely to buy 'off plan.' The combination of this and the limited ability to phase flatted schemes to sales rates can result in higher finance costs for a development.

9.61 There are a few implications arising from this. Firstly, there is a need for viability evidence to specifically test and consider what level of affordable housing could be applied to different forms of older persons accommodation, potentially making a distinction between general market housing; retirement living/sheltered housing; and extra care/housing with care. It may well be that a differential and lower affordable housing policy is justified for housing with care.

9.62 Secondly, developers of extra care schemes can struggle to secure land when competing against mainstream housebuilders or strategic land promoters. One way of dealing with this is to allocate sites specifically for specialist older persons housing, and this may be something that the Councils wish to consider through the preparation of new Local Plans. There could be benefits of doing this through achieving relatively high-density development of land at accessible locations, and in doing so, releasing larger family housing elsewhere as residents move out.

Practical Issues

9.63 In considering policies for affordable housing provision on housing with care schemes, there is one further factor which warrants consideration relating to the practicalities of mixed-tenure schemes. The

market for extra care development schemes is currently focused particularly on providers at the affordable and higher ends of the market, with limited providers currently delivering within the 'mid-market.' At the higher ends of the market, the level of facilities and services/support available can be significant, and the management model is often to recharge this through service charges.

- 9.64 Whilst recognising the benefits associated with mixed income/tenure development, in considering whether mixed tenure schemes can work it is important to consider the degree to which service charges will be affordable to those on lower incomes and whether Registered Providers will want or be able to support access to the range of services/facilities on site. In a range of instances, this has meant that authorities have accepted off-site contributions to affordable housing provision.

Wheelchair User Housing

- 9.65 The final analysis in this section concerns the need for accommodation for wheelchair users – in terms of new dwellings this will be covered by Building Regulations M4(3) Category 3: Wheelchair user dwellings M4(3), of which there are two standards: adaptable and accessible. M4(3) 'wheelchair user adaptable dwellings' are to be constructed to be adjustable for occupation by a wheelchair user, whereas accessible dwellings should be constructed for immediate occupation.
- 9.66 The analysis is mainly focussing on what proportion of new homes would need to meet the M4(3) standard although it should be noted that through the Council's Disabled Adaptation Works there will be some homes being brought up to the standard (or equivalent) each year – numbers are however likely to be fairly small.
- 9.67 Information about the need for housing for wheelchair users is difficult to obtain (particularly at a local level) National data within a research report by Habinteg Housing Association and London South Bank University (Supported by the Homes and Communities Agency) entitled *Mind the Step: An estimation of housing need among wheelchair users in England* (2010) has therefore been used. This report provides information at a national and regional level although there are some doubts about the validity even of the regional figures; hence the focus herein is on national data.
- 9.68 The report identifies that around 84% of homes in England do not allow someone using a wheelchair to get to and through the front door without difficulty and that once inside, it gets even more restrictive. Furthermore, it is estimated, based on English House Condition Survey data, that just 0.5% of homes meet criteria for 'accessible and adaptable', while 3.4% are 'visitable' by someone with mobility problems (information from the CLG Guide to available disability data (taken from the English Housing Survey) puts the proportion of 'visitable' properties at a slightly higher 5.3%).

- 9.69 Overall, the report estimates that there is an unmet need for wheelchair user dwellings equivalent to 3.5 per 1,000 households¹⁵. Moving forward, the report estimates a wheelchair user need from around 3% of households.
- 9.70 Applying both figures to the demographic projections (as set out in the table below) suggests a need for around 700 wheelchair user homes in Solihull in the period to 2036. Comparing the need for wheelchair dwellings shown to the local housing need, the need for wheelchair user dwellings equates to about 5% of the total housing need. This would therefore be a suitable policy benchmark for the level of provision required. This level of provision is considered to be appropriate for general needs dwellings and is therefore additional to the delivery of housing for older people (where it would be expected that a higher proportion would be at the M4(3) standard).

Table 77: Estimated Need for Wheelchair User Homes, 2020 to 2036

	Current Need	Projected Need (2020-36)	Total
Solihull	319	376	695

Source: Derived from Demographic Projections and Habinteg Prevalence Rates

- 9.71 Information in the CLG Guide to available disability data also provides some historical national data about wheelchair users by tenure (data from the 2007/8 English Housing Survey). This showed around 7.1% of social tenants to be wheelchair users, compared with 2.3% of owner-occupiers (there was insufficient data for private renting, suggesting that the number is low).
- 9.72 This may impact on the proportion of different tenures that should be developed to be for wheelchair users (although it should be noted that the PPG (56-009) states that '*Local Plan policies for wheelchair accessible homes should be applied only to those dwellings where the local authority is responsible for allocating or nominating a person to live in that dwelling*'). For market housing, policy can however require delivery of wheelchair-adaptable dwellings, this being a home that can easily be adapted to meet the needs of a household including wheelchair users.

¹⁵ This is described in the Habinteg report as the number of wheelchair user households with unmet housing need

Older and Disabled Persons Needs: Key Points and Recommendations

- A range of data sources and statistics have been accessed to consider the characteristics and housing needs of the older person population and the population with some form of disability. The two groups are taken together as there is a clear link between age and disability. The analysis responds to Planning Practice Guidance on *Housing for Older and Disabled People* published by Government in June 2019 and includes an assessment of the need for specialist accommodation for older people and the potential requirements for housing to be built to M4(2) and M4(3) housing technical standards (accessibility and wheelchair standards).
- The data shows in general that Solihull has an older age structure and similar levels of disability compared with other areas (although age-specific rates are lower). The older person population is projected to increase notably in the future and an ageing population means that the number of people with disabilities is likely to increase substantially. Key findings include:
 - Over 25% increase in the population aged 65+ over 2020-2036 (potentially accounting for around half of total population growth);
 - A 35% increase in the number of people aged 65+ with dementia and a 31% increase in those aged 65+ with mobility problems (2020-36);
 - A need for around 2,100 housing units with support (sheltered/retirement housing) in both the market and affordable sectors – 2020-36;
 - A need for around 470 additional housing units with care (e.g. extra-care), around 30% in the affordable sector (2020-36);
 - A need for additional care bedspaces (2020-36); and
 - a need for around 700 dwellings to be for wheelchair users (meeting technical standard M4(3)) – 2020-36 – this would be in addition to any wheelchair user housing provided within specialist schemes.
- This would suggest that there is a clear need to increase the supply of accessible and adaptable dwellings and wheelchair user dwellings as well as providing specific provision of older persons housing. **Given the evidence, the Council could consider (as a start point) requiring all dwellings (in all tenures) to meet the M4(2) standards (which are similar to the Lifetime Homes Standards) and at least 5% of homes meeting M4(3) – wheelchair user dwellings.**
- Where the authority has nomination rights M4(3) would be wheelchair accessible dwellings (constructed for immediate occupation – M4 (3 2b)) and in the market sector they should be wheelchair user adaptable dwellings (constructed to be adjustable for occupation by a wheelchair user – M4 (3 2a)). It should however be noted that there will be cases where this may not be possible (e.g. due to viability or site-specific circumstances) and so any policy should be applied flexibly.
- The Council should also consider if a different approach is prudent for market housing and affordable homes, recognising that Registered Providers may already build to higher standards, and that households in the affordable sector are more likely to have some form of disability.
- In seeking M4(2) compliant homes, the Council should also be mindful that such homes could be considered as 'homes for life' and would be suitable for any occupant, regardless of whether or not they have a disability at the time of initial occupation. Over time this might have an impact on specialist demand (given that older people often want to remain at home rather than move to care) and will need to be monitored.

10 NEEDS OF OTHER SPECIFIC GROUPS

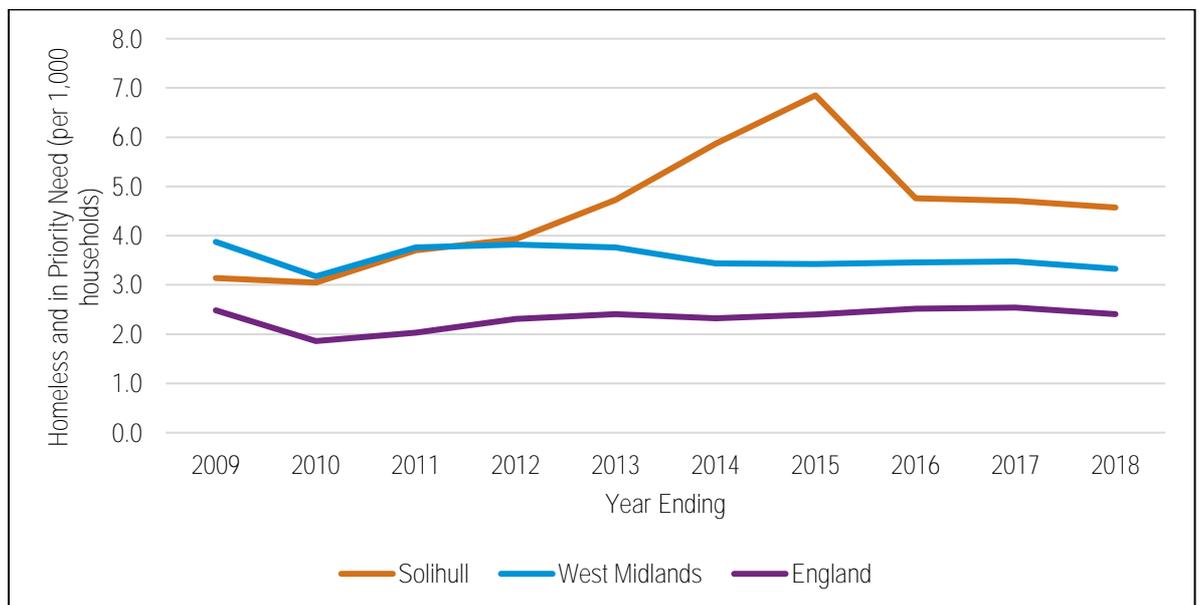
10.1 This section of the report draws on a range of statistics, including those suggested in the PPG, for the needs of other specific groups.

Homeless Households and Temporary Housing

10.2 The lack of delivery of affordable housing may also impact on the demand for temporary homes. Solihull typically has a higher proportion of the population being accepted as homeless when compared to the West Midlands and England.

10.3 As shown in the figure below, in the year ending 2009 approximately 3.1 households/persons were accepted as being homeless for every 1,000 households. By the year ending 2015 6.9 households per 1,000 whereas the West Midlands maintained between 3 and 4 households per 1,000 and England maintained between 1.9 and 2.5 households per 1,000. Since 2015 this figure dropped from 6.9 households to 4.6 households in the year ending in 2018.

Figure 45: Numbers accepted as being homeless and in priority need per 1,000 Households



Source: DCLG 2018, Live Table 784

10.4 A range of accommodation types have been utilised by the Council to temporarily accommodate homeless households. As set out in the table below, since 2010/11, most homeless households have been placed in vacant local authority or housing association stock with any shortfall taken up by local bed & breakfast accommodation.

Table 78: Type of Temporary Accommodation – Solihull

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Bed and breakfast (inc. shared annexe)	0%	0%	0%	40%	41%	28%	10%	0%
Hostels	36%	10%	0%	0%	0%	0%	0%	0%
LA/HA stock	64%	90%	100%	13%	54%	51%	68%	56%
Private sector leased (by LA or HA)	0%	0%	0%	0%	0%	20%	21%	43%
Other types (including private landlord)	0%	0%	0%	48%	0%	0%	0%	0%

Source: DCLG 2018, Live Table 784 (Note numbers may not add to 100% as some figures are suppressed due to being less than 5 or to prevent calculation)

- 10.5 In addition, the DCLG provides detailed data for the past year collected on the number of households that are homeless or threatened with homelessness. Of an initial assessment of 270 households, 255 were assessed as owed a homeless duty. Factors attributing to loss or threat of loss for these households are presented in the table below.

Table 79: Reason for loss, or threat of loss, of last settled home – Solihull

Reason for loss or threat of loss	#	%
Family or friends no longer willing or able to accommodate	112	43.9%
End of private rented tenancy - assured shorthold	31	12.2%
Domestic abuse	29	11.4%
Non-violent relationship breakdown with partner	21	8.2%
End of social rented tenancy	5	2.0%
Eviction from supported housing	9	3.5%
End of private rented tenancy - not assured shorthold	2	0.8%
Other violence or harassment	13	5.1%
Left institution with no accommodation available	2	0.8%
Required to leave accommodation provided by Home Office as asylum support	0	0.0%
Other reasons / not known	31	12.2%
Total	255	100%

Source: DCLG 2020, Detailed local authority level tables: July to September 2019

- 10.6 Of those eligible for homelessness assistance, 97.6% are British or Irish Citizens. Typical needs of the main applicant or household members requesting homelessness assistance include a history of

mental health problems (28.2% of applicants), young people aged 18-25 requiring support to manage independently (19%) and those at risk of /has experienced domestic abuse (12.5%).

- 10.7 Other reasons cited are being physically ill in health and disability (7.8%) and drug dependency needs (5.5%). 21.5% are single females with dependent children, and another 33.6% are single adult women. It is likely that these are related to those who are at risk for domestic abuse.

Private Rented Sector

- 10.8 This section looks at a range of statistics in relation to the private rented sector (PRS) in Solihull. Where possible, comparisons are made with other tenures (i.e. owner-occupied and social rented) as well as contrasting data with other areas. The aim is to bring together a range of information to inform the need for additional private rented housing in the local authorities.

- 10.9 The table below shows the tenure split of housing in 2011 in Solihull the West Midlands region and England. The data identifies approximately 8,502 households in Solihull living in private rented housing or 9.9% of all households. This proportion is notably lower than the West Midlands region and nationally.

Table 80: Households by Tenure (2011)

Tenure	Solihull	West Midlands	England
Owens outright	32,227	740,899	6,745,584
Owens with a mortgage/loan	31,859	763,425	7,403,200
Social rented	12,834	435,170	3,903,550
Private rented	8,502	321,670	3,715,924
Other	634	33,745	295,110
Total	86,056	2,294,909	22,063,368
% private rented	9.9%	14.0%	16.8%

Source: Census (2011)

- 10.10 There are approximately 634 households in Solihull recorded as living in 'other' PRS accommodation which is likely to be housing linked to employment.
- 10.11 As well as looking at the current tenure profile, it is of interest to consider how this has changed over time. The table below shows change in tenure for the two local authorities between 2001 and 2011 Census.

- 10.12 There has been significant growth in the number of households living in privately rented accommodation (188%) as well as a notable increase in outright owners (16%). This increase will be due to mortgages being paid off, which may have been assisted by a period of low-interest rates.
- 10.13 There has been a decline in the number of owners with a mortgage, linked to access to mortgage restrictions and a decrease in the number of other households.

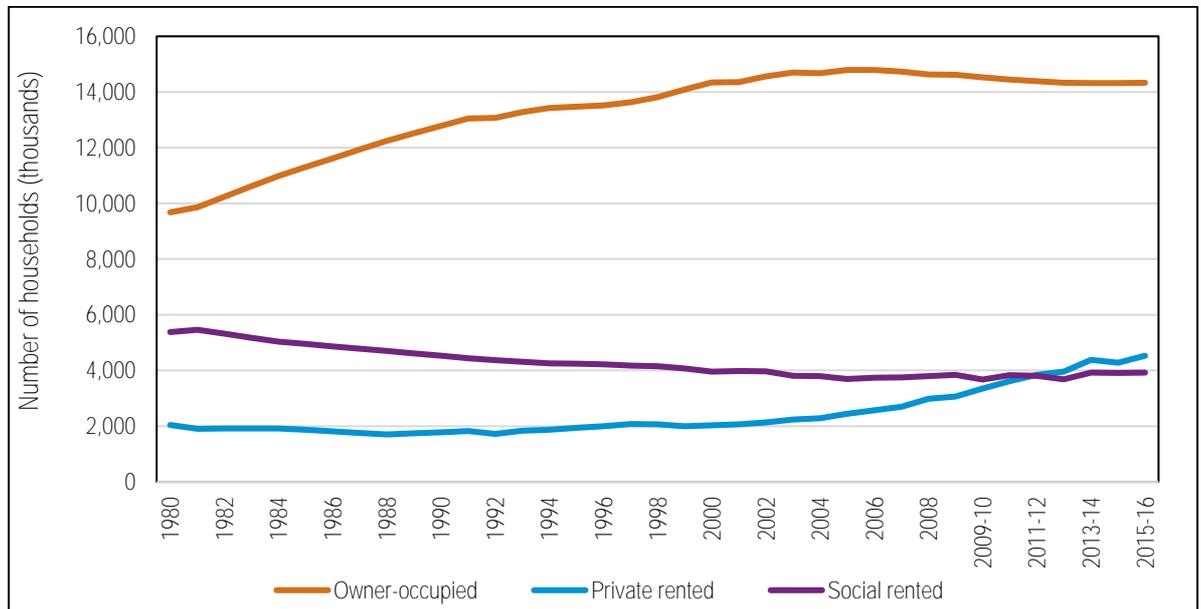
Table 81: Change in tenure (2001-11) – Solihull

	2001 households	2011 households	Change	% change
Owens outright	27,784	32,227	4,443	16%
Owens with mortgage/loan	35,802	31,859	-3,943	-11%
Social rented	13,094	12,834	-260	-2%
Private rented	2,951	8,502	5,551	188%
Other	1,299	634	-665	-51%
Total	80,930	86,056	5,126	6%

Source: 2001 and 2011 Census

- 10.14 The PRS has clearly been growing rapidly over time, in the local authorities, the West Midlands region and the rest of the nation. It is also worth considering what further changes may have occurred since 2011.
- 10.15 Unfortunately, robust local data on this topic is not available, however, a national perspective can be drawn from the English Housing Survey (EHS) which has data up to 2016. The figure below shows changes in three main tenures back to 1980.

Figure 46: Trends in tenure, 1980 to 2015-16 – England



Source: English Housing Survey

- 10.16 This clearly shows the increase in the number of households living in private rented accommodation from about 2001 and also a slight decrease in the number of owners. Since 2011, the EHS data shows that that PRS has risen by a further 25%.

Build to Rent sector

- 10.17 The PPG defines the 'build to rent' sector as purpose-built housing that is typically 100% rented out. It can form part of a wider multi-tenure development comprising either flats or houses but should be on the same site and/or contiguous with the main development. Schemes usually offer longer tenancy agreements of three years or more and will typically be professionally managed stock in single ownership and management control.
- 10.18 Build to rent schemes can be important in supporting housing delivery across all parts of the economic cycle as investors base their investment decisions on the long-term prospects for housing demand.
- 10.19 Unlocking the Benefits and Potential of Build to Rent (British Property Federation, 2017) identifies that the build to rent model offers an additional sales outlet from the build to sell model. It provides more certainty of an end-buyer for housing developments which helps de-risk schemes.

- 10.20 It is particularly helpful on larger sites, where there are multiple phases of development. Often build to rent sites require substantial capital commitment and without substantial third-party investment, they do not progress.
- 10.21 Build to rent can accelerate delivery because a developer or house builder can deliver stock for both open market sale and market rent concurrently. However, barriers to build to rent scheme include:
- Access to suitable stock for conversion or land;
 - Low risk-adjusted yields in the form of capital growth rather rental income;
 - As an emerging sector there is a lack of investor experience in the sector; and
 - The need for scale with around 250-unit scheme minimum likely.
- 10.22 The British Property Federation reports build to rent schemes across the UK every quarter. Currently, there is 152,071 build to rent units either completed or planned across the UK, including 40,181 completed, 35,415 under construction and a further 75,663 with planning permission. In London, there are 76,404 units and outside of London, there are 75,633 units. Built to rent is a growing market for several large hedge funds although at present the focus is on major urban locations.
- 10.23 However, according to the British Property Federation none of these schemes are located within Solihull. Although there are nearby developments in Birmingham the majority of which are in the City Centre.
- 10.24 This may change, as it is expected to do in elsewhere in the country as the Government has been targeting financial backing for purpose-built Private Rented Sector (PRS) schemes since 2012. This has helped to expand this sector in a range of cities and towns across the country. Further policy might also be put in place through the recently announced Renters Reform Bill.
- 10.25 To conclude, there is no need for the Council to allocate land for build to rent accommodation, but it should develop a policy for any development being proposed. The policy should judge the proposed development on its merits including the proportion of affordable private rent being provided (seeking a minimum 20%) alongside a local assessment of demand.

Self and Custom Build

- 10.26 Custom and self-build housing is defined as housing commissioned and built by individuals or groups for their own use, either by building it themselves or working with builders. "Custom build" is used to include self-build, which is a particular type of custom build where a person organises all the works themselves. Custom build may be undertaken by an individual, a group, or a builder.

10.27 On the most recent custom and self-built register, a total of 77 individuals and 4 associations were listed. This is an increase in 78 listed in total from the previous year.

Table 82: Solihull Self and Customer Housebuilding Register at 1st November 2019

Year	Individuals	Associations	Total
Pre 31 October 2016	95	0	95
1 November 2016 to 31 October 2017	101	1	102
1 November 2017 to 31 October 2018	97	2	99
1 November 2018 to 31 October 2019	77	1	78
Total	370	4	374
Average per annum (2016-19)	92	1	93

Source: SMBC

10.28 In the past three years there were 93 average additions made to the register. If trend continues over the 16-year period, there will be an additional 1,488 listed on the register. Including the backlog need this would give a total need of 1,862 by 2036. This means that Council should seek to deliver 116 self and custom build plots per annum to the register over the plan period.

10.29 The Council may also wish to address this need as it does through windfall development. This averages around 21 per annum based on CIL relief applications. This would give a net need of 95 per annum.

10.30 Furthermore, the Council is also seeking to split their register in two parts with a local connection test. This could potentially reduce the need further.

10.31 Several policy options exist to fulfil this objective. Listed below are examples of policies used by other local authorities, for example:

- Teignbridge District Council - 5% of plots on development sites of more than 20 dwellings with plots marketed for a minimum of 12 months.
- Mid Devon District Council - 5% of plots on development sites of more than 20 dwellings
- Torbay Council -5% of plots on development sites of more than 30 dwellings
- East Cambridgeshire District Council - 5% of plots on development sites of more than 100 dwellings
- Stroud District Council - 2% of plots on strategic housing sites

10.32 Other local authorities have developed a policy of encouragement without defining exact percentages. For example, North Tyneside Council and Daventry District Council will 'encourage', rather than require, a proportion of plots to be set aside on sites of over 200 and 500 units, respectively.

10.33 As a first step, the Council should seek to adopt a general encourage policy for larger sites (10+ units) but also implement a further policy on strategic sites. The exact level should be determined in

reference to the number and capacity of strategic sites and the overall local need. This should also consider the committed supply and viability consideration.

- 10.34 The Council may also wish to adopt an affordable housing policy specifically for qualifying self-build and custom-build sites, to meet affordable housing needs for this type of housing. Alternatively, specific reference could be included within overall affordable housing policy, outlining the requirements for self-build and custom-build proposals in relation to affordable housing provision.

Students

- 10.35 As of the 2011 Census, there are only 16 all-student households in Solihull. Student households represent 0.02% of the total number of households in the borough. This is compared to 0.50% of all households in the West Midlands and 0.56% across England.

Table 83: Average All Student Household Size, Households (2011)

Area	Other household types: All full-time students	All categories: Household composition	% of All Households
Solihull	16	86,056	0.02%
West Midlands	11,397	2,294,909	0.50%
England	124,285	22,063,368	0.56%

Source: Census 2011

- 10.36 Further examination of 2011 Census data reveals that within Solihull, the average household size for all student households is around 3.38 persons which is lower than the national average (3.7). Therefore, for every 3.38 bedspaces created in the Borough, the OAN can be reduced by one home or the supply increased by one. This assumes student numbers will plateau. If the number of students increases aligned with growth in the number of student households, then the same trend would be expected moving forward.

Table 84: Average All Student Household Size (2011)

	Solihull	West Midlands	England
All student households - Households	16	11,397	124,285
All student households - Persons	54	42,654	465,663
Average All Student Household Size	3.4	3.7	3.7

Source: Census 2011

- 10.37 With no additional higher-education facilities planned on being provided in the borough, there will not be any significant housing implications for this group.

Service Families

- 10.38 The MOD statistics do not report the number of military personnel in Solihull. It can, therefore, be assumed that there are none in the Borough.
- 10.39 There is no immediate need for accommodation for this particular group the Allocation of Housing (Qualification Criteria for Armed Forces) (England) Regulations ensure that Service personnel (including bereaved spouses or civil partners) are allowed to establish a 'local connection' with the area in which they are serving or have served.
- 10.40 This means that ex-service personnel would not suffer disadvantage from any 'residence' criteria chosen by the Local Authority in their allocations policy. Although as mentioned, MOD data suggests this is not relevant for East Sussex. That said any ex-armed forces personnel with mental health issues who present themselves to the Council as homeless would be assisted as a vulnerable group and will be given priority need for housing. In 2018-19, 0 people were recorded as having served in the armed forces as a reason for being homeless or threatened with homelessness.

Gypsies and Travellers

- 10.41 This assessment does not deal with the needs of Gypsies and Travellers as the Council has commissioned a separate needs study to look at this. Solihull Council monitors the number of Gypsy sites and caravans in the local authority and projects overall future supply in its authority monitoring reports.

Table 85: Identified Need and Supply for Pitches

	Identified Need	No. Pitches Allocated and/or Permitted
2012-2016	26	28
2017-2021	8.5	15
2022-2027	8.5	
Total	43	43

Source: Solihull Authority Monitoring Report (2018-19)

- 10.42 Since 2012 a cumulative 35 pitches across 7 different sites have been granted planning permission with a total of 31 identified pitches of predicted need. At the same time, an additional 51 unauthorised encampments have been constructed. In 2018 the council obtained a civil injunction prohibiting illegal encampments in 2018. Since then, the number of new unauthorised encampments has reduced.

Needs of Other Specific Groups: Key Points and Recommendations

- There is a higher rate per 1,000 households that are accepted as being homeless and in priority need in Solihull as compared to the West Midlands and England. Typically, any surplus need has been housed in LA/HA stock but in times of surplus they have been housed in Hostels, Bed & Breakfasts and Private landlord accommodation.
- The majority of those determined as homeless and in priority need (97.6%) are British or Irish citizens. 21.5% of applicants are single women with children and a further 33.6% are single women. Reasons for homelessness include mental health problems, being young and struggling to live independently, and those at risk of domestic violence amongst others.
- The percent of privately rented households was 9.9% of all households in Solihull at the 2011 census. This is much lower to the rates in the West Midlands (14%) and England (16.8%). From 2001 to 2011 there was a 188% increase in the total number of PRS households, which is in line with regional and national trends.
- Self-Build accommodation registration list total 77, including 1 association and 10 plots were listed. This is an increase by 88, up from the 307 that were listed on the previous register in October 2018.
- As of the 2011 census there were only 16 student households in Solihull. As there are no planned HE facilities, there is not anticipated to be great increases in student household need.
- The MOD do not report on military personnel in Solihull. It can therefore be assumed that there are none in the Borough.
- Gypsy and Traveller sites are monitored in the AMR, which has reported an identified need of 43 pitches to 2027 and allocations/permissions of 43 pitches over the same period.
- **It is recommended that the council should consider the specific needs of the private rented sector and homeless households over the plan period.**

11 COMMERCIAL MARKET REVIEW

11.1 This section provides an assessment of the office and industrial property market in Solihull Borough. This assessment has been undertaken using a variety of sources including take-up and availability data from the Estates Gazette Interactive (EGi) database and the CoStar commercial property database, a review of the latest commercial property literature and stakeholder/property agent consultation.

11.2 The Valuation Office Agency (VOA) data is only available at a local authority level and thus is presented for the entirety of the Solihull Borough. CoStar and EGi analysis is transaction-based and thus can be mapped across the borough. The data will be further categorised to understand activity taking place in both Birmingham Business Park and Blythe Valley Business Park.

Office Market Review

11.3 This section provides an assessment of the Solihull office market compared with regional and national benchmarks. The quantitative analysis for the Borough itself in terms of past take-up has been based on transactions recorded on EGi and CoStar¹⁶. This has been augmented through engagement with commercial agents.

11.4 The amount of office floorspace in Solihull Borough in 2018-2019 was 495,000 sqm.

Table 86: Office Floorspace, 2018-2019

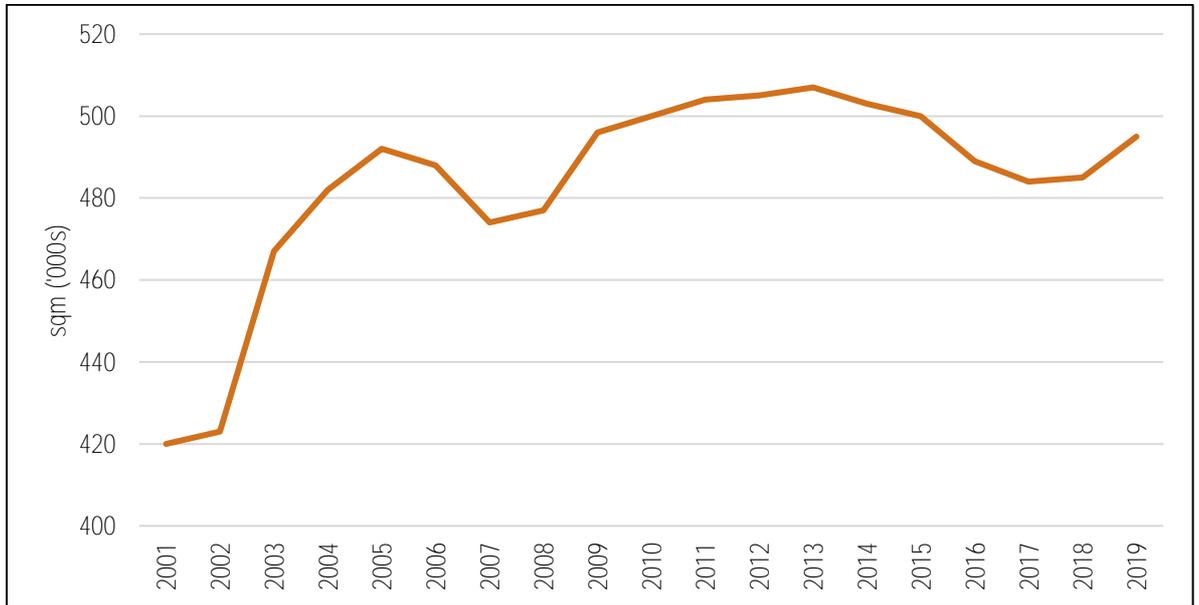
Geography	Office Floorspace ('000 sqm)
Solihull Borough	495
West Midlands	6,669
England	85,461

Source: VOA Business Floorspace Statistics

11.5 Over the 2001-19 period, office floorspace increased by 18% in Solihull Borough. This increase in floorspace is driven by significant growth of office floorspace from 2002 to 2005 of 16%. Just before and during the recessionary period there was a fall in office floorspace. From 2008 this bounced back and there was growth again which increased to a peak in 2013 at 507,000 sqm. Since 2013, the office floorspace began to fall again, with the trend reversing in 2017 and increasing to current levels 2019.

¹⁶ Although these are the most comprehensive lists available, not all transactions are included. In some cases, transactions or availability is applied to the nearest postal town which may be in a different local authority to the transaction. GL Hearn have used Geographic Information System (GIS) to accurately present the analysis at a local authority level.

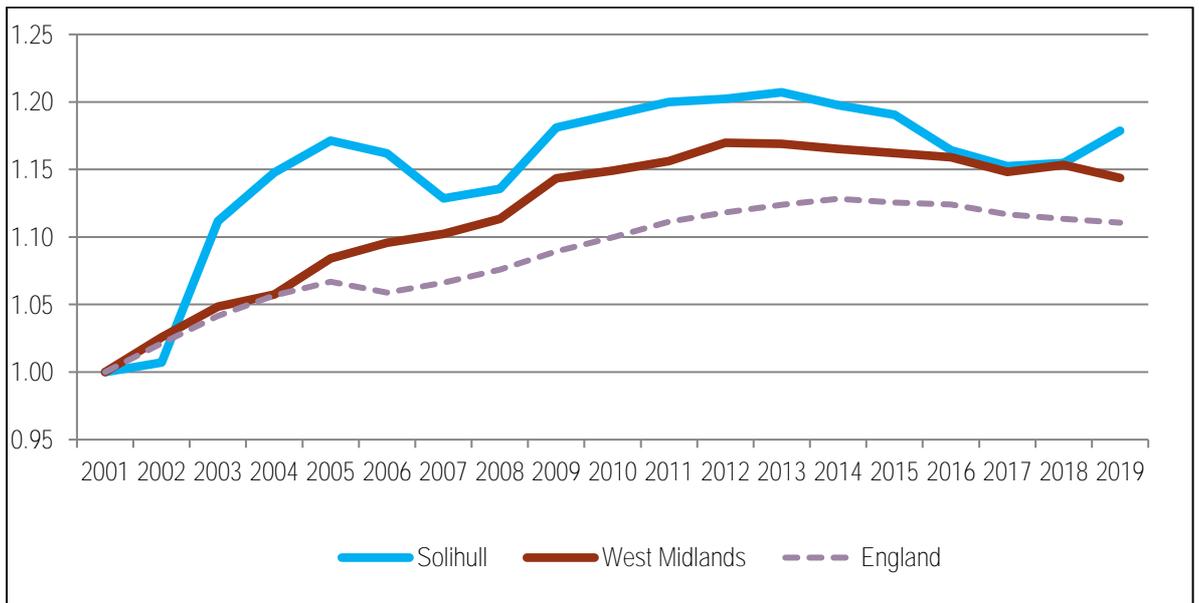
Figure 47: Office floorspace (Solihull Borough)



Source: VOA

11.6 When comparing the indexed office floorspace in Solihull to the West Midlands and England, Solihull outperforms both comparators increasing the most over the time period by 18% compared with the West Midlands where office floorspace increased by 14% and England by 11%.

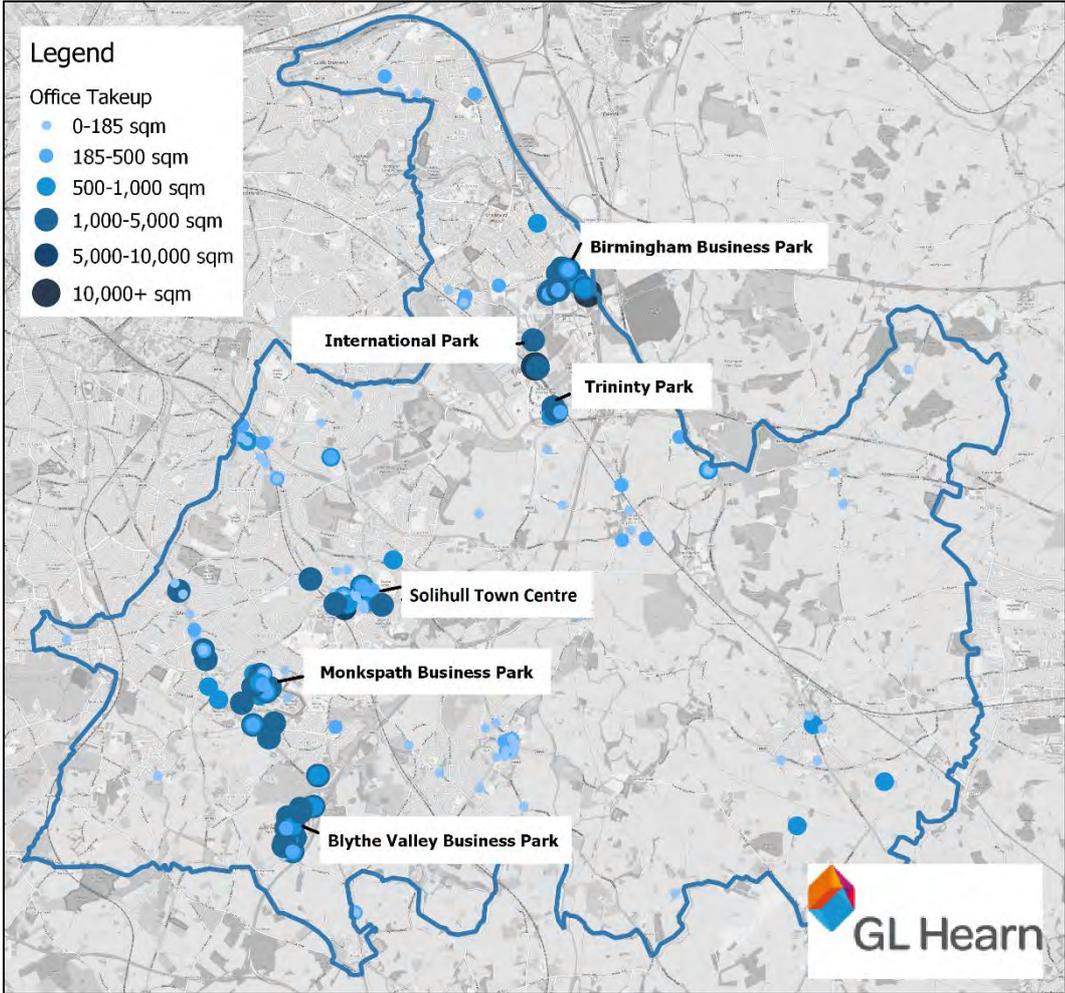
Figure 48: Indexed Office Floorspace (Percent Change from 2001)



Source: VOA (2019)

11.7 The map below maps the office take-up (occupations) across the Solihull Borough from 2012 to 2019. There is a clear cluster of office take up to the south west of the Borough at Blythe Valley Business Park and Monkspath Business Park. In addition, the north of the Borough has a high cluster of office take-up around the Birmingham Business Park and International Park.

Figure 49: Map of Office Take-up in Solihull from 2012 to 2019



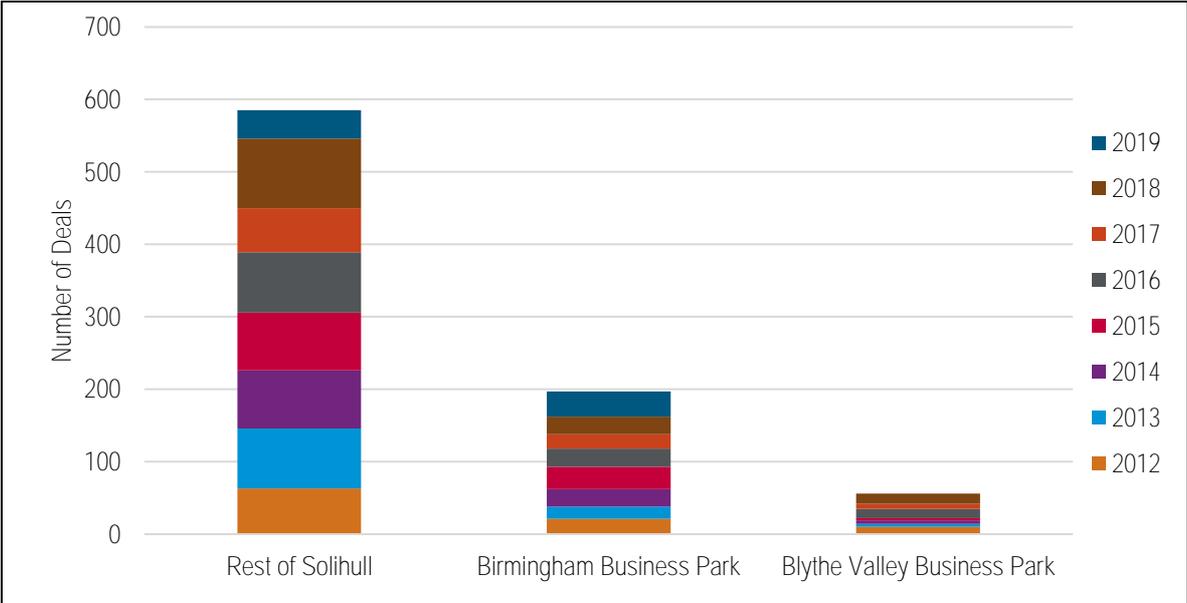
Source: GL Hearn, 2020 (from CoStar data)

11.8 The figure below illustrates the number of deals within Blythe Valley Business Park and Birmingham Business Park along with the rest of Solihull over the 8-year period to 2019. The rest of Solihull (excluding the two business parks) had 585 recorded transactions. This is followed by Birmingham Business Park (197) and Blythe Valley Business Park (56).

11.9 Across all of Solihull, the market was most active in 2016 when 121 deals were recorded. The lowest number of transactions was recorded in 2019 when 74 transactions were made.

11.10 On average 105 office transactions are made per annum across the Borough. This breaks down to 73 deal per annum being completed in the rest of Solihull, 25 deals in the Birmingham Business Park and 8 in Blythe Valley Business Park.

Figure 50: Number of Office Transactions by Year across Solihull, 2012-2019

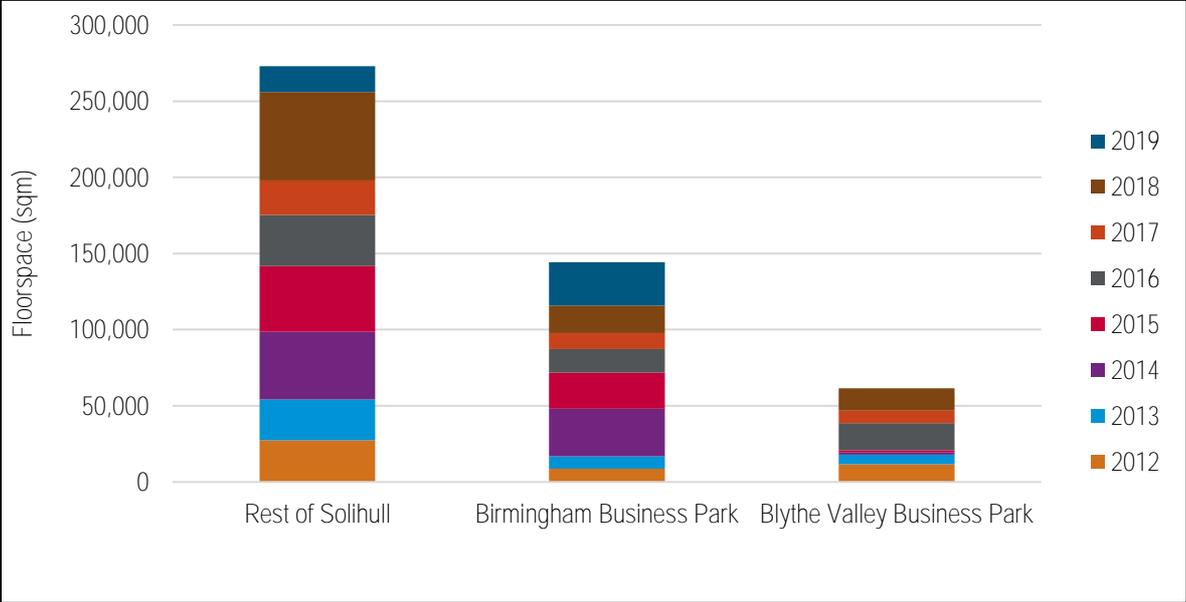


Source: GL Hearn Analysis of EGi and CoStar Data

11.11 Over the 2012-19 period, 57% or the majority of office floorspace was transacted in the rest of Solihull (272,887 sqm), this is followed by Birmingham Business Park (144,311 sqm) at 30% and then Blythe Valley Business Park (61,519 sqm) at 13%.

11.12 Over the 2012-2019 period, the average annual floorspace take-up was around 59,840 sqm. The highest volume of transactions in a single year was recorded in 2018 with 90,787 sqm of office floorspace transacted across the Borough.

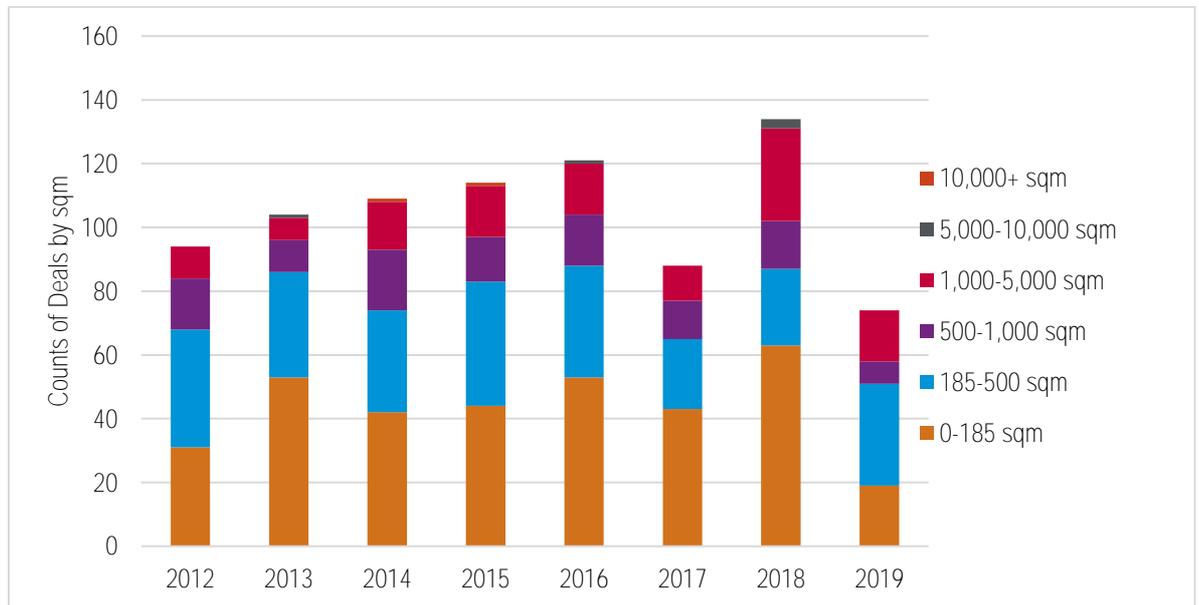
Figure 51: Office Floorspace Take-Up by Location, 2012-18 (sqm)



Source: GL Hearn Analysis of EGi and CoStar Data

- 11.13 Over the time period, proportionally more transactions in Solihull Borough involved units with sizes less than 185 sqm at 41.5%. A further 30.3% of transactions across Solihull are for offices spaces between 185 and 500 sqm. Transactions of 500-1,000 sqm and 1,000-5,000 sqm are similar at 13.0% and 14.3% respectively. Very few transactions are for larger office spaces with 0.6% and 0.2% for all transactions being for 5,000-10,000 sqm and over 10,000 sqm. Deals over 1,000sqm are more common in Blythe Valley Business Park and Birmingham Business Park.
- 11.14 From the figure below, it shows that there has been a steady increase in transactions since 2012 to 2016. In 2017 and 2019 there was a fall in the number of transactions made across the Borough most notably within the less than 185 sqm office space in 2019.
- 11.15 Since 2014 there has however been an increase in the number of larger transactions recorded on EGi/CoStar, likely reflecting in part improvements to data; together with a partial recovery in the office market.

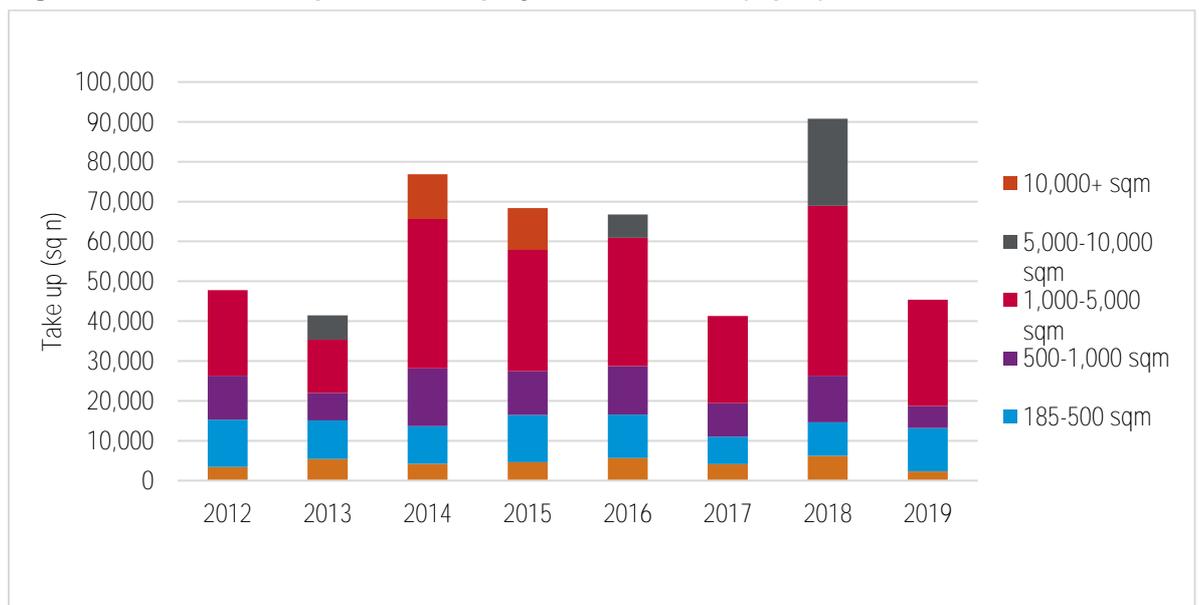
Table 87: Profile of Office Deals by Size in Solihull Borough (sqm), 2012-2019



Source: GL Hearn Analysis of EGi and CoStar Data

11.16 The figure below profiles take-up over time and by floorspace in each size band in Solihull over the last 8 years. The highest volume of office floorspace take-up was in the middle size band of 1,000 – 5,000 sqm. Floorspace transactions peaked in 2018 at just over 90,000 sqm, but subsequently dipped to around 45,000 sqm in 2019.

Figure 52: Office Floorspace Take- Up by Size in Solihull (sq. m), 2012-2019



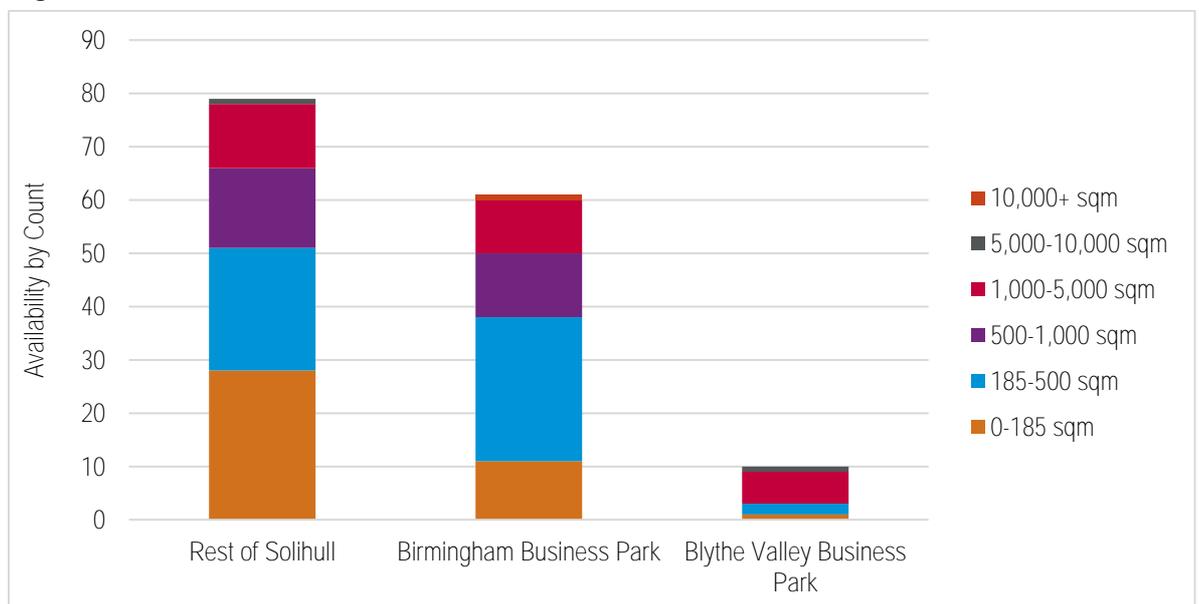
Source: GL Hearn Analysis of EGi and CoStar Data

Office Availability

11.17 Availability, or floorspace advertised on CoStar and EGi, was collected in Solihull Borough and analysed according to locations, size and type.

11.18 Within the Borough, the highest number of office spaces available is in the rest of Solihull (79) followed by Birmingham Business Park (61) and then Blythe Valley Business Park (10). There is a roughly even split of available office space ranging from 0 to 5,000 sqm, however very few office spaces are available that are 5,000sqm and over.

Figure 53: Number of Available Office Units in Solihull

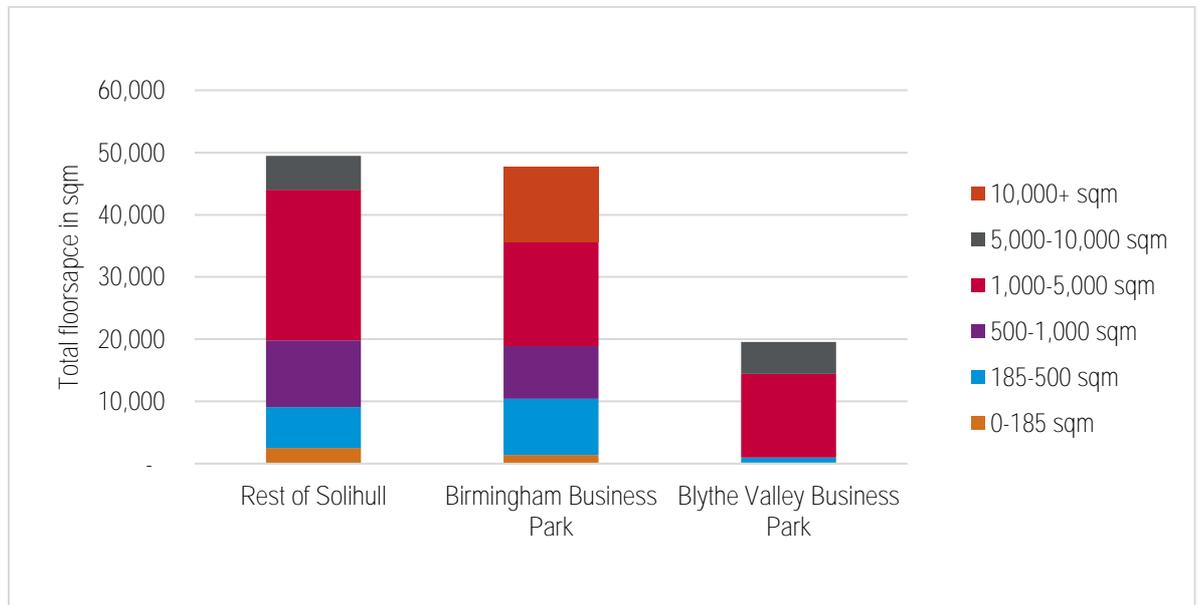


Source: GL Hearn Analysis of EGi and CoStar Data

11.19 Figure 54 displays the amount of available office floorspace located within the Borough by the selected business parks and rest of Solihull. There was a total availability of floorspace totalling 116,635 sqm across the Borough. This is split with 47,643 sqm being available in the Birmingham Business Park, 19,543 sqm in Blythe Valley Business Park and the remaining 49,449 sqm in the rest of Solihull.

11.20 The highest amount of available office floorspace is held within offices of between 1,000 and 5,000 sqm in size (47%). This is followed by 500-1,000 sqm (16%). The largest single available office unit is a speculative unit in at 1720-1760 Solihull Parkway in Birmingham Business Park for 12,077 sqm.

Figure 54: Office Availability by Location and Size (sqm)



Source: GL Hearn Analysis of EGi and CoStar Data

11.21 As shown in the table below, the year's supply of office floorspace has been calculated for Solihull and the business parks. This has been calculated by taking the available office floorspace and dividing the average annual take-up to get an idea of the supply position for Solihull.

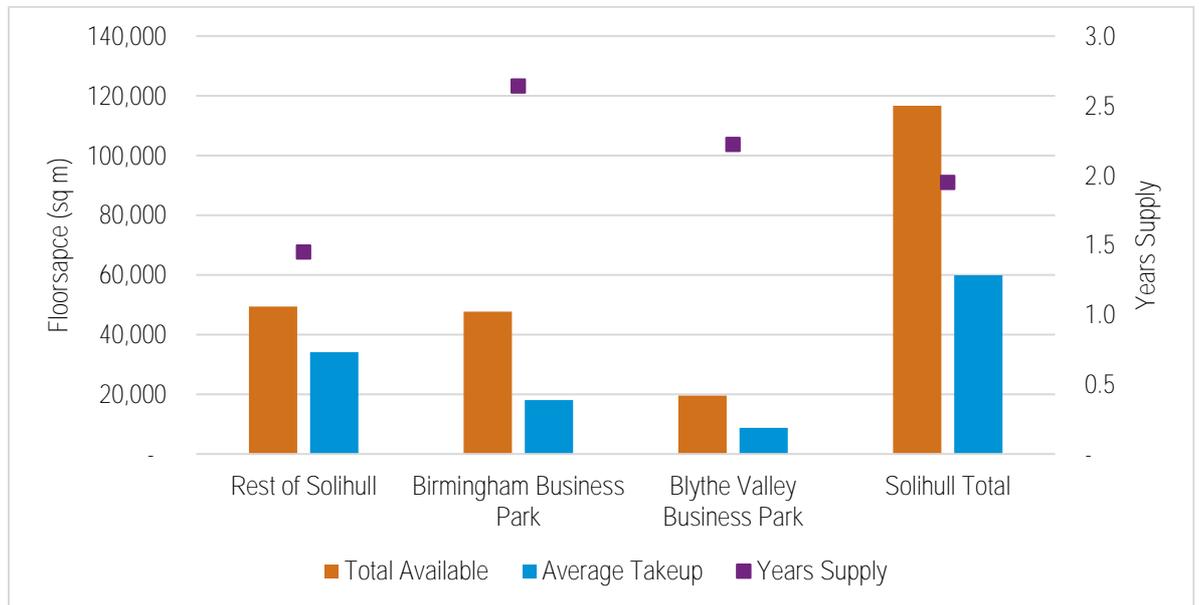
Table 88: Years Supply of Office Floorspace in Solihull

	Total Availability	Average Take-up	Years Supply
Rest of Solihull	49,449	34,111	1.4
Birmingham Business Park	47,643	18,039	2.6
Blythe Valley Business Park	19,543	8,788	2.2
Solihull Total	116,635	59,840	1.9

Source: GL Hearn Analysis of EGi and CoStar Data

11.22 The analysis suggests that there are 1.9 years of supply of office floorspace in Solihull. This includes more than 2 years supply in Blythe Valley and Birmingham Business Parks and 1.4 years in the rest of the Borough.

Figure 55: Years Supply Calculation for Office Floorspace



Source: GLH Analysis of CoStar Data

- 11.23 This could indicate that some demand could be met with supply in the two parks.
- 11.24 When analysing the breakdown of available commercial space, it becomes apparent that a large proportion, or 27% of all available floorspace advertised, has not been completed and is seeking pre-lets. This advertised supply distorts the market position.
- 11.25 35% of the available floorspace is renovated older stock or stock that is aged but in prime locations (such as Birmingham Business Park) which in some cases can meet the need of larger occupiers. Secondary space, which tends to congregate in older buildings in and near Solihull Town Centre, could meet the needs of smaller occupiers seeking non-prime rents.

Table 89: Breakdown of Available Office Floorspace by Type

Use	Sqm	% of Total
Secondary Stock, Prime Location	41,089	35%
Secondary	43,574	37%
Speculative	31,972	27%
Total	116,635	100%

Source: GL Hearn Analysis of CoStar and EGI

Office Agent Engagement

- 11.26 Solihull is one of the best performing office submarkets in the Birmingham area due to high occupier demand and low vacancies. The submarket is known for its automotive, transport and engineering industries, serving as an out-of-town hub. There has been consistent positive net absorption since 2011, with vacancy at less than 10% for more than four years. There also has been a lack of speculative construction despite demand which has kept the vacancy rate low.
- 11.27 Agents noted that the Solihull demand profile is different to the Birmingham City Centre, stating that firms with a regional or national presence depend on either access to the motorways or the airport and thus would not choose to occupy Birmingham City Centre.
- 11.28 Large recent leases include Taylor Wimpey, taking up 9,000 sqft (836 sqm) in Fore Business Park and GKN Aerospace taking up 11,000 sqft (1,022 sqm) in Blythe Valley Park in early 2019. IM Group, a motor vehicle distribution company with property development subsidiaries, announced in April 2018 plans to move from Coleshill to build a 60,000 sqft (5,574 sqm) HQ called the Gate in Fore Business Park. In Birmingham Business Park, MSO Workspaces, a national short-term serviced office rental firm, occupied 27,500 sqft (2,554 sqm) of floorspace. They advertise connectivity to the airport as an asset for business travellers. These examples of take-up further evidence the notion that Solihull's occupiers service a larger geography than Solihull / Birmingham alone.
- 11.29 Consultations with agents confirmed that vacancy is extremely low in the Solihull office Market. Solihull's connectivity to the motorway, Birmingham Airport and the NEC make it particularly well connected hence the continued strong occupier demand.
- 11.30 Rent growth has been slightly higher in Solihull as compared to Birmingham City Centre. It is expected that some Government Property Unit (GPU) floorspace may move to central Birmingham in 2020-21, which could push up vacancies in older stock.
- 11.31 There is also a plan from Solihull Metropolitan Borough Council to build Westgate at 21 Homer Rd, a 10,000 sqm office development in Solihull Town Centre next to the train station, which could help to satisfy demand for prime office space. The 7-storey office with collaborative workspace is going to be completed in Summer 2022.
- 11.32 Agents around the Town Centre indicated that there continue to be supply pressures despite an overall high advertised supply. They indicated that in areas such as Birmingham Business Park there is a large amount of latent supply in smaller floorplates (under 500 sqm) because occupiers searching

for space in the park typically have larger floorplate requirements. Much of the stock Solihull Town Centre was cited to require a significant amount of refurbishment. Despite demand pressures, rents would have to be relatively significant to justify the refurbishment of spaces in existing town centre stock.

Industrial and Warehousing Market Review

11.33 This section provides an assessment of the Solihull Borough industrial and warehousing market with regional and national comparisons. The quantitative analysis for the Borough itself in terms of past take-up has been based on transactions recorded on EGi and CoStar.¹⁷ This has been augmented through engagement with commercial agents.

11.34 As noted in the beginning of this chapter, the VOA data is only available at a local authority level and thus is presented for the entirety of the Solihull Borough. The CoStar and EGi data, has been analysed according to sub-area. Neither VOA or CoStar differentiate industrial and warehousing however where possible a narrative explains how these markets differ.

11.35 The amount of industrial floorspace in Solihull in 2019 was 494,000 sqm.

Table 90: Industrial Floorspace, 2019

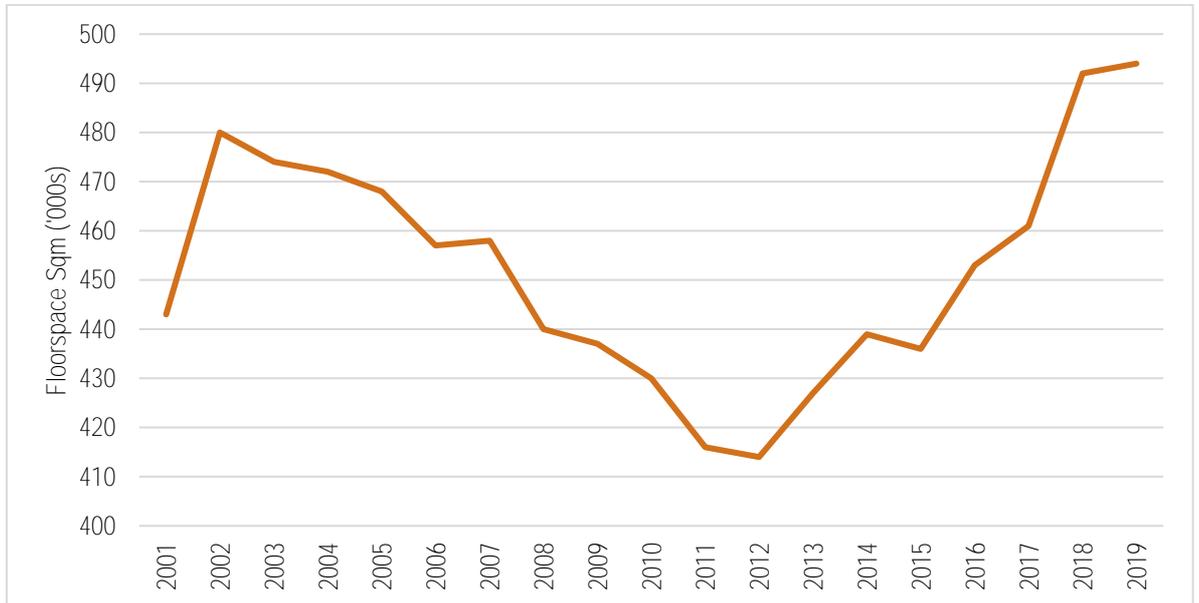
	Industrial Floorspace ('000 sqm)
Solihull Borough	494
West Midlands	45,317
England	309,771

Source: VOA Business Floorspace Statistics

11.36 From 2002-12, industrial floorspace fell by 14% in Solihull. However, since falling to the lowest level of industrial floorspace in 2012 at 414,000sqm there has been an ongoing increase in industrial floorspace by 19% by 2019.

¹⁷ Although these are the most comprehensive lists available, not all transactions are included. In some cases, transactions or availability is applied to the nearest postal town which may be in a different local authority to the transaction. GL Hearn have used Geographic Information System (GIS) to accurately present the analysis at a local authority level.

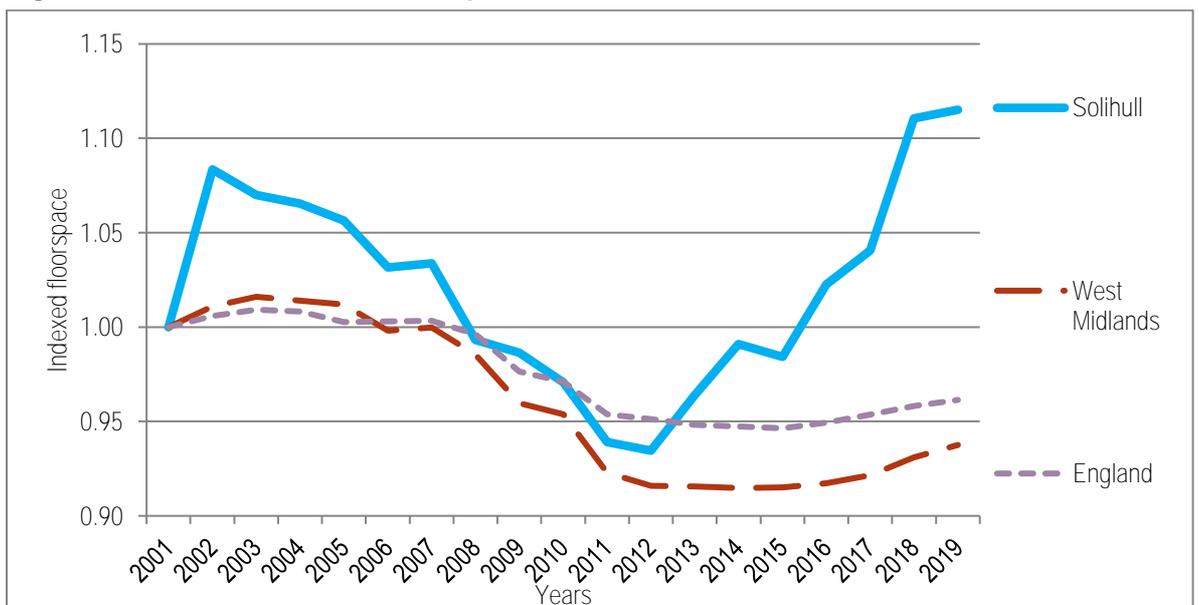
Figure 56: Solihull Industrial Floorspace



Source: VOA

11.37 When comparing the indexed industrial floorspace of Solihull to the wider region and national comparators, the extent relative of the industrial growth the borough experienced since 2012 can be seen. Industrial floorspace in Solihull over the time period increased by 12%, while in the West Midlands it fell by 6% and England's floorspace also fell by 4%.

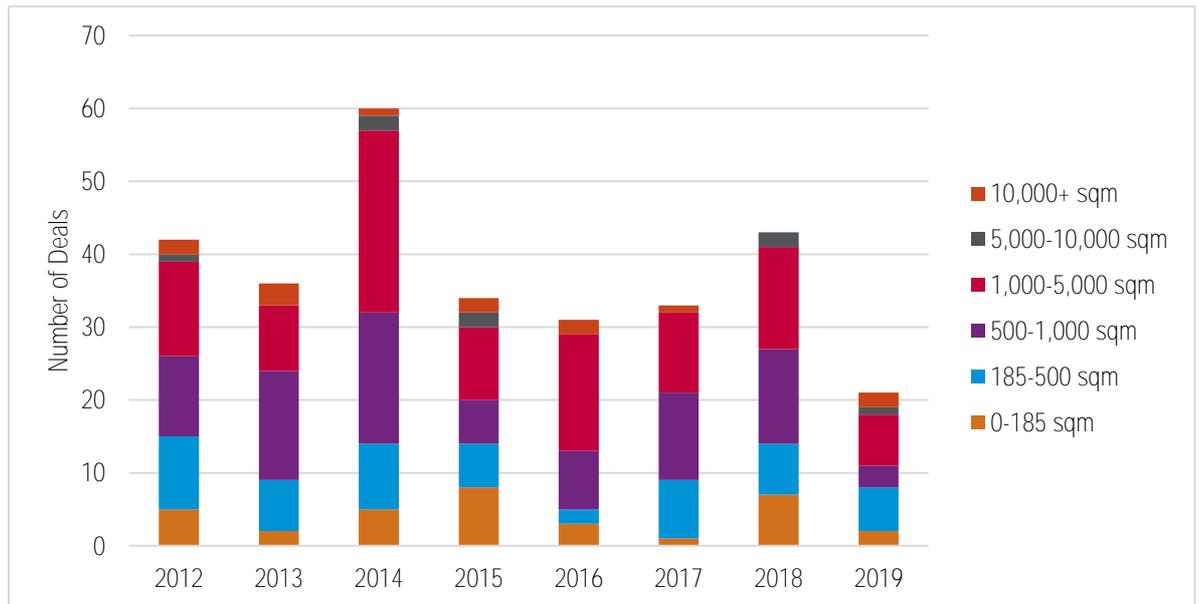
Figure 57: Indexed Industrial Floorspace



Source: VOA

11.38 The figure below presents the number of industrial deals by size and year in Solihull Borough. On average 38 deals were recorded per annum in the Borough. The highest number of deals were made on premises 1,000-5,000 sqm at 35% of total deals. The lowest number of deals was for units between 5,000 and 10,000 sqm at only 3% of total deals.

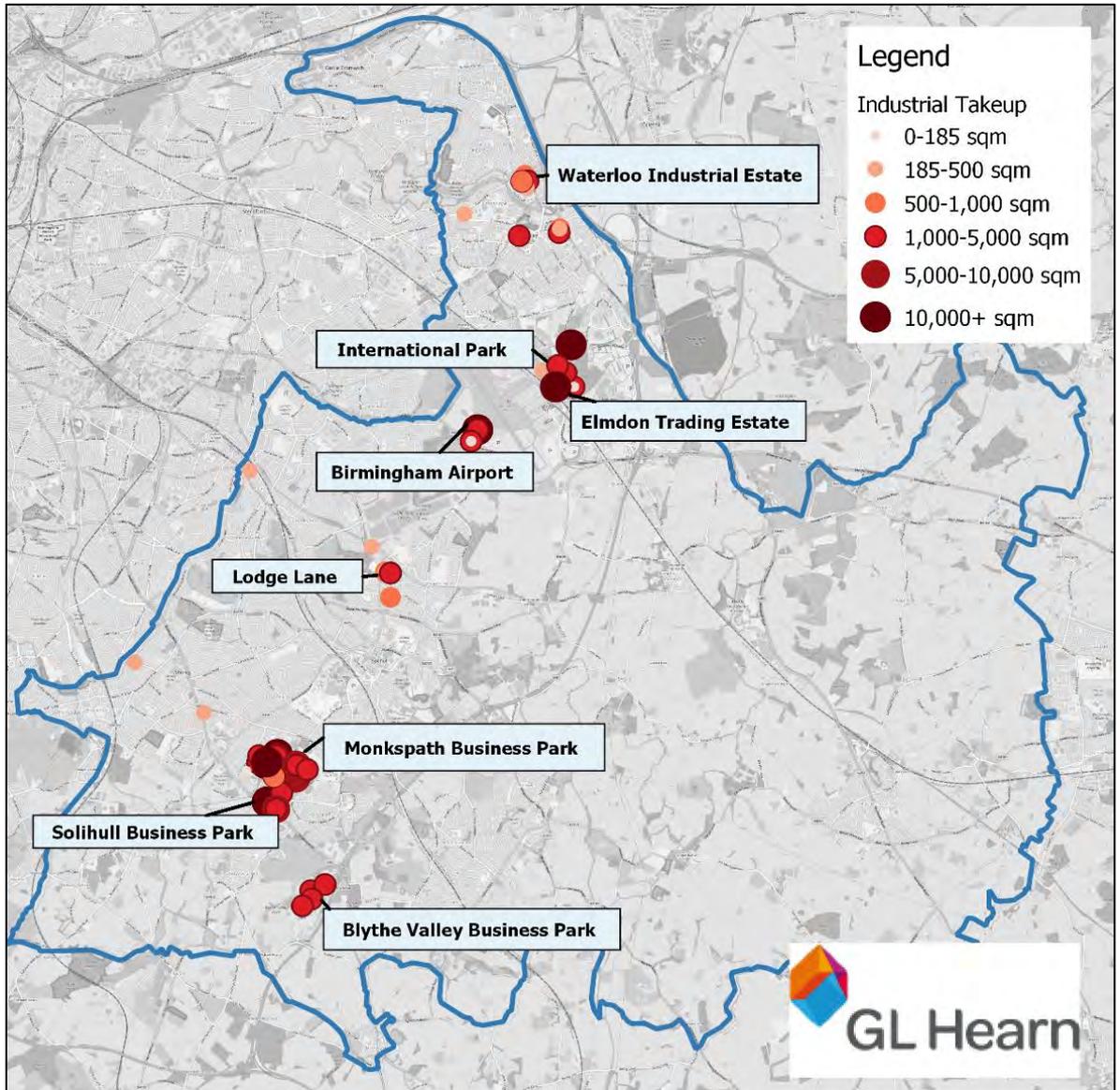
Figure 58: Number of Industrial deals by size and year in Solihull Borough, 2012-19



Source: GL Hearn Analysis of EGi and CoStar Data

11.39 The map below shows the location of deals completed across the Borough from 2012 to 2019. From the map there is a clear clustering of industrial sites to the north of the Borough and in the south-west. Notably the Monkspath Business Park, Blythe Valley Business Park and International Park are sites where there has been a high level of industrial take-up.

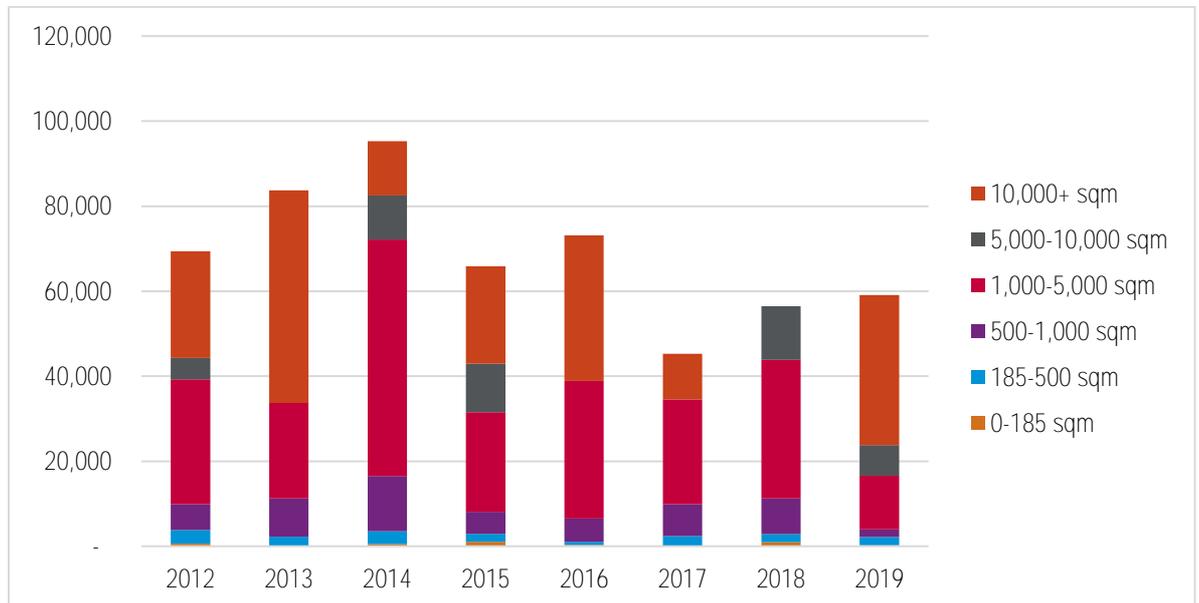
Figure 59: Map to show the Industrial Land Take-up in Solihull



Source: GL Hearn, 2020

11.40 Figure 60 presents the industrial floorspace take-up by size band. Over the 8-year period, the highest volume of floorspace was recorded for units between 1,000 and 5,000 sqm (42%), followed by units over 10,000 sqm (35%). Only 4% of units were taken-up for units between 0 and 500 sqm.

Figure 60: Industrial floorspace by year and size in Solihull Borough, 2012-19 (sqm)



Source: GL Hearn Analysis of EGi and CoStar Data

11.41 This means that Solihull tends to have an industrial market characterised by take-up of larger floorplates.

Available Industrial Floorspace

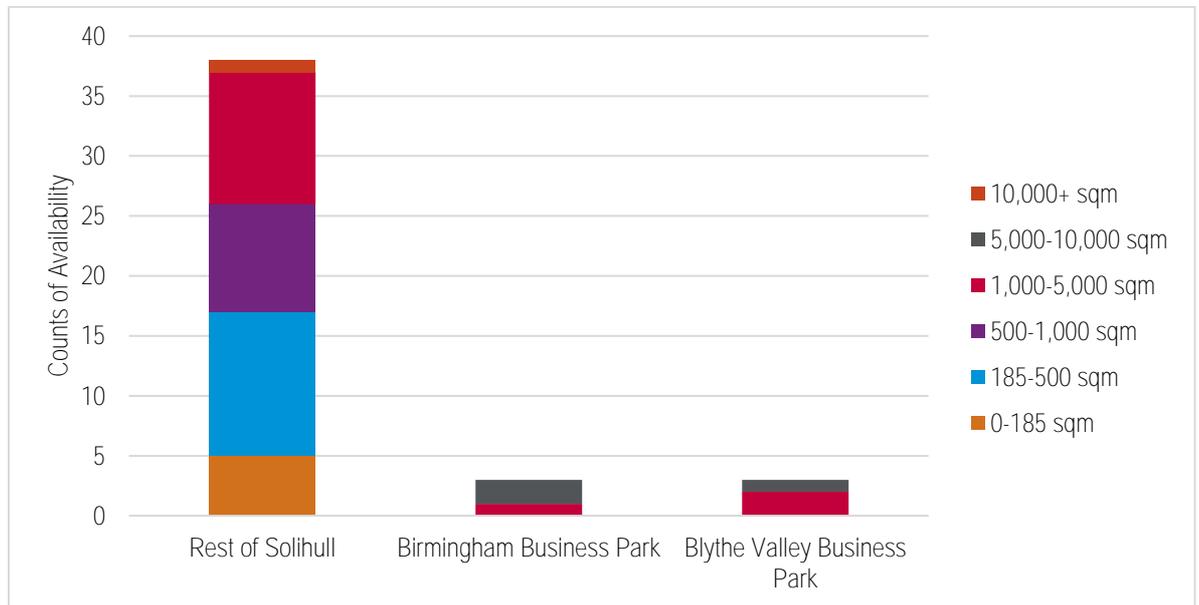
11.42 Availability data been analysed by looking at what is currently being advertised on both EGi and CoStar databases. This provides and indicative ‘point in time’ snapshot of availability across the area as of February 2020.

11.43 There was a total 75,218 sqm of industrial floorspace available in Solihull equivalent to less than 5% of total floorspace. This suggests a tight industrial market with 5-10% vacancy a typical healthy rate enabling choice and churn. As a result, the Solihull market is at the bottom end of a preferred vacancy rate and some additional supply may be beneficial.

11.44 The figure below presents the available industrial properties by size and the selected areas within the Borough. The highest number of available industrial properties is in the rest of Solihull (86%), followed by the business parks at 7% each. Within the rest of Solihull, estates with availabilities included Monkspath Business Park, Solar Park along with Birmingham Airport (aircraft hangar).

11.45 Of the available industrial space 32% is for units sized between 1,000-5,000 sqm this is followed by 27% of units being sized between 185 and 500 sqm.

Figure 61: Number of available industrial properties by size and sub-area



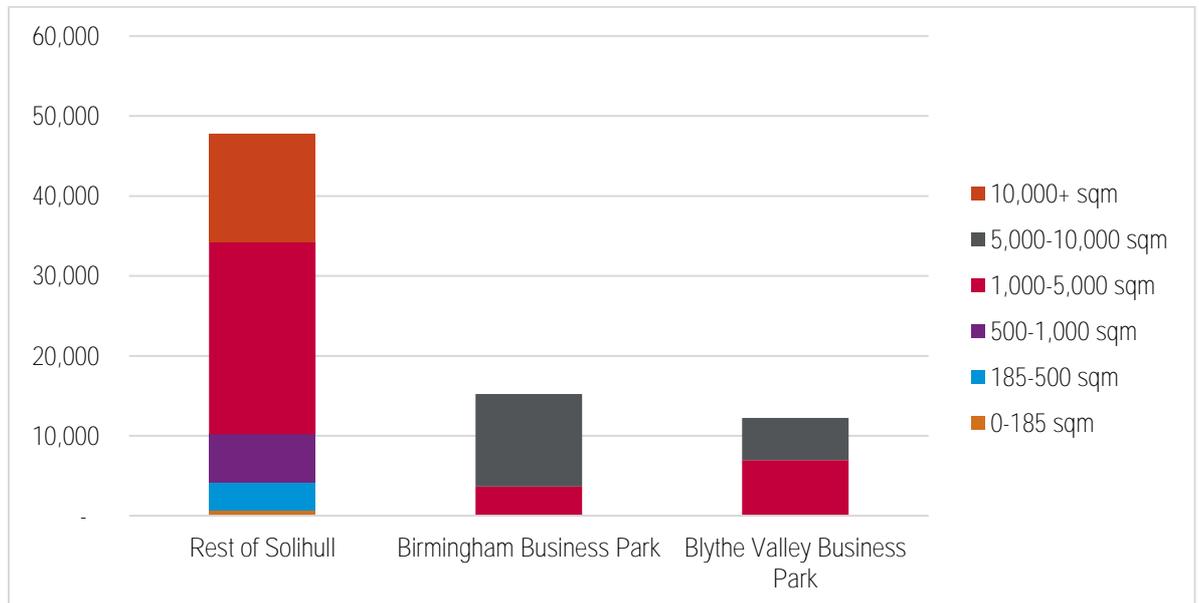
Source: GL Hearn Analysis of EGi and CoStar Data

11.46 Figure 62 shows the available industrial floorspace by size and by the three areas of analysis. According to data recorded by EGi and CoStar in February 2020, the highest amount of available industrial floorspace was located in the rest of Solihull (63%) which comprises Monkspath Business Park and other locations, followed by Birmingham Business Park (20%) and Blythe Valley Business Park (16%).

11.47 It should be noted that both business parks only provide availability for industrial units sized between 1,000-5,000 sqm and 5,000-10,000sqm. However, the rest of Solihull provides a variety unit sizes comprising a mix of older warehouses and smaller secondary workshops.

11.48 Availability equates to 47,758 sqm in the rest of Solihull, 15,211 sqm in Birmingham Business Park and 12,249 sqm in the Blythe Valley Business Park. The largest industrial development which is advertised as available is the Monarch Aircraft Hangar at the Birmingham Airport at 13,517 sqm, which is not a traditional let.

Figure 62: Industrial Floorspace Availability by size and sub-area (sqm)



Source: GL Hearn Analysis of EGi and CoStar Data 2019

11.49 As demonstrated in the two tables above, Birmingham Business Park and Solihull Business Park have larger available units with no spaces under 1,000 square metres in size. This is indicative of these parks being new developments on M42 direct access as compared to established industrial parks nearer the urban area.

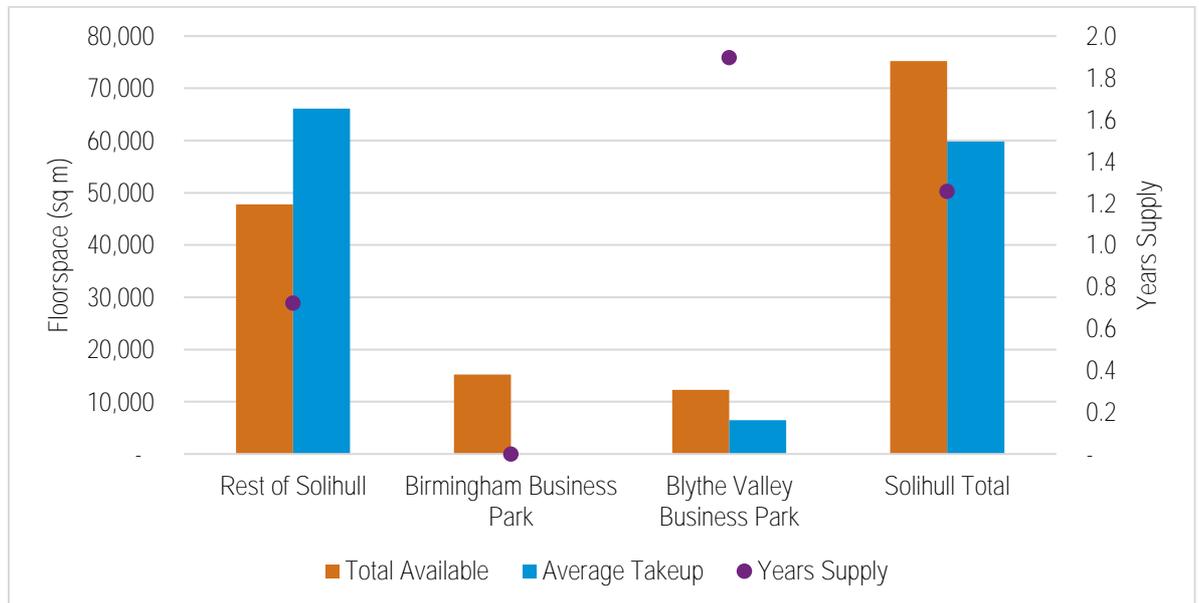
11.50 As shown in the table below, the year's supply of industrial floorspace has been calculated for Solihull and the business parks. This has been calculated by taking the available industrial floorspace and dividing the average annual take-up to get an idea of the supply position for Solihull.

Table 91: Years Supply of Industrial Land in Solihull

	Total Availability	Average Take-up	Years Supply
Rest of Solihull	47,758	66,111	0.7
Birmingham Business Park	15,211	-	-
Blythe Valley Business Park	12,249	6,457	1.9
Solihull Total	75,218	59,840	1.3

11.51 The analysis suggests that 1.3 years of supply of industrial land in Solihull. There is no past take-up within Birmingham Business Park, but the industrial Warehouses in Radial Park in the South Western corner of the park will help to supply much-needed warehouse demand.

Figure 63: Years Supply for Industrial Floorspace



Source: GLH Analysis of CoStar Data

11.52 Whilst the years supply calculation can be a useful metric, it can overstate true availability in the marketplace (that which can be occupied immediately). An exercise which categorises the types of floorspace available reveal that there is no prime floorspace in the borough, only speculative space being advertised in areas such as Radial Park adjacent to Birmingham Business Park and Connexions in Blythe Valley Business Park.

Table 92: Breakdown of Available Office Floorspace by Type

Use	Sqm	% of Total
Airport Hangar	13,517	18%
Non-prime Manufacturing	10,243	14%
Non-prime Warehouse	23,812	32%
Speculative Warehouse	27,646	37%
Total	75,218	100%

Source: GL Hearn Analysis of CoStar and EGI

Agent Consultation

11.53 Compared to the wider Birmingham submarket, Solihull is smaller in size, particularly in terms of units with over 100,000 sqft (9,290) being only 9 of more than 300 industrial buildings. The market has specialisms in the automotive supply chain industry along with logistics, mixed with local smaller businesses. Occupants are attracted to the area because of the quality of road connections such as the M42 and M6.

- 11.54 Agents have confirmed that there has been and continues to be significant supply pressures for good quality industrial space, particularly for floorplates between 50,000 to 100,000 sqft (4,645 to 9,290 sqm). When asked about the role of say, warehouses in or near Blythe Valley or Birmingham Business Park, agents noted that particular parks fail to have regional or local specialisms because occupiers will take up any space that becomes available.
- 11.55 There is not noted to be a particular size requirement for what classifies a “local” versus a “strategic” business. Agents noted that even local businesses require spaces sometimes above 200,000 sqft, and thus there is no set threshold for occupier needs. Likewise, Gymshark is a national brand and has recently taken up 30,000 sqft of warehouse space (and 20,000 sqft of office space) in Blythe Valley Business Park. Although smaller in footprint, they have a strategic market outlook.
- 11.56 International Automotive Components Group took up 235,00 sqft (23,225 sqm) of floorspace in early 2020 and could be classified as a strategic business with links to the strong automotive supply chain industry present, but take-up of this size is also occurring for more local businesses. Spectrum for Arcadia, DHL and Link Logistics all have space over 100,000 sqft (9,290 sqm) and would be classified as strategic due to their national and regional linkages.
- 11.57 Whilst CoStar reports an increase in vacancy levels and shows a rather healthy number of years supply, agents indicated that despite recent developments there are still supply pressure in the market with occupiers demanding more floorspace.
- 11.58 Because of increasing demand, high net absorption and a lack of enough supply coming forward, rent growth has been very strong. For mid-sized prime floorspace at around 50,000 sqft (4,645 sqm), rents typically average £8-£8.20 psf (£86-£88 psm) in areas such as Blythe Valley and Solar Park. Even secondary warehouse space, in areas such as Monkspath Business Park, has seen rental growth now averaging in the high end of £6.5-£7 psf (£70-£75 psm).
- 11.59 In terms of future demand, agents noted that they are not seeing a shift in requirements, such as a movement towards solely larger or smaller floor plates. In fact, there is going to be demand for both smaller “last-mile” delivery depots as customers require faster deliveries along with larger spaces as overall demand for goods increases. Currently, vacant property rarely is advertised for longer than a few months.

Commercial Market Review: Key Points and Recommendations

- A property market review was undertaken to reveal key trends in both the office and industrial markets in Solihull.

Offices

- Office floorspace has increased by 18% in the Borough since 2001, due to a building boom in 2002 and 2003, since then, office floorspace has remained relatively stable in the borough.
- Most of the borough's availability is in secondary floorspace in and around Solihull town centre.
- Constraint on office supply is confirmed by agent consultations as Solihull remains an attractive market for occupiers, however there is a lack of prime office space available to be occupied as the only advertised prime floorspace in prime areas such as Birmingham Business Park is speculative.
- **It is recommended that the council continue to provide high quality floorspace in the town centre to meet demand, and account for larger floorplate need in Birmingham Business Park and Blythe Valley Park.**

Industry/Warehousing

- Industrial floorspace has increased by 12% in the borough since 2012, indicating a strong growth trajectory in recent years.
- Take-up typically concentrates in industrial estates such as Monkspath Business Park, Solar Park, Radial Park and Connexions. Estates along the M42 are seen to be as more strategic.
- Overall, there is very strong demand and occupiers continue to see constraints in supply. As a result, the area commands high rents of close to £8 psf.
- There is demand across all size bands of industrial units as demand for logistics and warehouse space is seen to be increasing.
- **It is recommended that the council provide for an additional amount of industrial floorspace in order to meet acute supply need.**

12 EMPLOYMENT LAND REQUIREMENTS

12.1 In this section we consider demand for employment land and floorspace over the period from 2020-36. The section considers requirements for employment land in the B1, B2 and B8 use classes.

12.2 When considering the scale of future needs the Planning Practice Guidance (PPG, 2020) requires consideration of quantitative and qualitative need. This entails estimating the scale of future needs broken down by different market segments, such as different B use classes. The PPG recommends the use of a number of different techniques to estimate future employment land requirements, namely assessments based on:

- Labour Demand;
- Labour Supply; and
- Past Take-Up.

12.3 There are relative benefits of each approach. For Labour Demand scenarios and Labour Supply Scenarios, econometric forecasts take account of differences in expected economic performance moving forward relative to the past, overall, with regard to the sectoral composition of growth. However, a detailed model is required to relate net forecasts to use classes and to estimate gross floorspace and land requirements.

12.4 In contrast, past take-up is based on actual delivery of employment development; but this does not take account of the implications of growth in labour supply associated with housing growth nor any potential differences in economic performance relative to the past. It is also potentially influenced by past land supply policies.

12.5 The quantitative evidence here is also supplemented by the wider analysis of market and economic dynamics.

12.6 Scenarios are presented on a Solihull Borough level, as econometric models are only readily available at a local authority level. Supply and demand considerations from key parks and employment sites will be considered when making recommendations.

12.7 A number of employment land scenarios have been considered as part of the study which relate in part to the future economic forecasts (chapter 6).

- Labour Demand Baseline
- Labour Demand Adjusted
- Labour Supply
- UK Central Solihull Growth Ambitions

- Completions Trend / VOA Trends

Labour Demand Scenarios

12.8 This section takes forward the economic growth forecasts set out in Chapter 6. This includes a scenario based on the baseline Experian Economics forecast and a second scenario based on the adjusted forecast factoring in recent local trends.

Baseline Scenario

12.9 The Baseline Scenario considers the quantum of employment land required to support the growth of 10,000 jobs from 2020-36 shown in the Experian baseline forecast.

12.10 The baseline Experian forecasts show a net growth of 4,200 FTE over the period 2020-36. This indicates that Experian expect a higher level of part time jobs occurring in the future. Analysis of the sector relationships between FTEs and jobs forecast in Experian indicates that whilst strong employment growth is forecast in some sectors such as Accommodation & food and Admin & support, the total FTEs see less growth, which indicates a significant increase in part time working

12.11 GLH has considered the proportion of employment in each of these sectors which is likely to take place in office or R&D floorspace (Use Classes B1a and B1b), light industrial floorspace (Use Classes B1c), general industrial floorspace (Use Class B2), and warehouse / distribution floorspace (Use Class B8).

12.12 To do this we have calibrated our standard model which relates sectors and use classes for the Solihull economy through interrogation of the current composition of employment in key sectors. This provides an estimate of the proportion of FTE jobs in each sub-sector which are currently located on each type of employment land (or other use class) in Solihull Borough. The modelling assumes that this proportion will hold true moving forwards which in reality will change. As noted below most of the job growth is in sectors that do not require B-class floorspace.

12.13 This approach has been used to derive the following forecasts of net growth in FTE employment by use class over the plan period, relating to the Borough as a whole.

Table 93: Broad Sector Percent of B-Class Floorspace, Solihull

	B1a	B1b	B1c	B2	B8	NON-B
Agriculture & forestry						100%
Mining						100%
Manufacturing		10%		90%		
Utilities	5%		10%			85%
Water & waste	5%		10%			85%
Construction	5%				5%	90%
Wholesale & retail					20%	80%
Transport & storage					60%	40%
Hospitality						100%
Info and comms	100%					
Finance & insurance	100%					
Real estate	100%					
Prof, sci and tech	100%					
Admin & support	55%					45%
Public admin & defence	70%					30%
Education	5%					95%
Healthcare	5%					95%
Arts & recreation	15%					85%
Other services	25%					75%

Source: GL Hearn Analysis

- 12.14 This apportionment is then multiplied by the jobs growth in each sector, showing growth by class of employment. The table below sets out the 5-year band requirements.

Table 94: Baseline Scenario – FTE Job Growth by B-Class Sector, 2016-36 – Solihull Borough

	2020-25	2025-30	2030-36	2020-36
B1a/b	585	165	790	1,540
B1c/B2	-285	-665	-1,045	-1,995
B8	320	145	245	710
NON-B	1,780	1,055	1,110	3,945
Total	2,400	700	1,100	4,200
B-Class Total	620	-355	-10	255

Source: Experian / GL Hearn analysis

- 12.15 To these figures we have applied employment densities taking account of the *HCA Employment Densities Guide: 3rd Edition* (Drivers Jonas Deloitte, 2015). We have converted figures to provide employment densities for gross external floor areas on the following basis:

Table 95: Employment Density Assumptions

Use Class	Area Per FTE
B1a/b	12
B1c	47
B2	36
B8	80

Source: HCA Density Guide 2015

12.16 Applying these employment densities to the forecasts of net growth in jobs in B-class activities, we can derive forecasts for net changes in employment floorspace. This forecasts a net requirement for B-Class floorspace of 3,460 sqm for the Borough with growth in office and particularly warehouses exceeded by losses in manufacturing. The breakdown by use class is shown below.

12.17 Floorspace is converted to land area by using the following plot ratios: for B1a/b office space a plot ratio of 0.4 is used (i.e. it is assumed that total floorspace will comprise 40% of the site area); for B1c/B2 industrial space a plot ratio of 0.5 is used; for B8 warehouse/distribution space a plot ratio of 0.4 is used.

Table 96: Baseline Labour Demand Scenario – Net Requirements, 2020-2036 – Solihull Borough

	Employment Floorspace Requirement (sq. m)	Employment Land Requirement (Ha)
B1a/b	18,480	4.62
B1c/B2	-71,820	-14.4
B8	56,800	14.2
Total B Class	3,460	4.5

Source: GL Hearn based on Experian data

Adjusted Local Growth Scenario

12.18 The Adjusted Local Growth Scenario considers the quantum of employment land required to support the growth of 15,680 jobs (2020-36) shown in the adjusted growth forecast discussed in Chapter 6, allowing for a greater influence of recent trends. This equates to an additional increase in 9,164 FTE employment from the baseline scenario.

12.19 Using the same modelling assumptions as the Baseline scenario, the Adjusted Scenario results in the following forecasts of net growth in FTE employment by use class over the period 2020-2036:

Table 97: Adjusted Scenario – FTE Job Growth by B-Class Sector, 2020-36 – Solihull Borough

	2020-25	2025-30	2030-36	2020-36
B1a/b	1,096	688	1,846	3,629
B1c/B2	-294	-227	-57	-578
B8	392	281	370	1,043
NON-B	1,976	1,370	1,723	5,069
Total	3,170	2,112	3,881	9,164
B-Class Total	1,194	743	2,158	4,095

Source: GL Hearn based on Experian data (2020)

- 12.20 Applying the employment densities to the forecasts of net growth in jobs in B-class activities, we can derive forecasts for net changes in employment floorspace. This forecasts a net requirement for additional B-Class floorspace of 106,217 sqm or 27.6 ha across Solihull Borough. The breakdown by use class is shown below. The requirements for office and manufacturing floorspace are significantly higher than the baseline scenario.

Table 98: Adjusted Labour Demand Scenario – Net Requirements, 2020-2036 – Solihull Borough

	Employment Floorspace Requirement (sq. m)	Employment Land Requirement (Ha)
B1a/b	43,548	10.9
B1c/B2	-20,803	-4.2
B8	83,472	20.9
Total B Class	106,217	27.6

Source: GL Hearn based on Experian data

- 12.21 As reported earlier, the growth scenario represents a modelled scenario for Solihull but fails to take account of the effects of UK Central Hub developments.

Labour Supply Scenarios

- 12.22 Section 2 of this report sets out the situation in relation to forecast housing needs and associated population growth.
- 12.23 The table below sets out the associated change in employment for the Standard Method housing scenarios. It also reflects the position of preceding labour demand scenarios and UK Central.

Table 99: Jobs by Housing Scenario (2020-2036)

Scenario	Jobs 2020	Jobs 2036	Jobs Change
Labour demand baseline	134,100	144,100	10,000
Labour demand growth	134,100	149,780	15,680
Baseline plus UKC (net)	134,100	157,098	22,998
Labour supply: Standard Method	134,100	147,219	13,119

Source: GL Hearn / Justin Gardner / Experian 2020

12.24 The population generated by the Standard Method leads to a higher provision of workforce than the baseline but not the adjusted growth scenario or with UK Central requirements. This would suggest that a calculation of employment land needs separately for this position is not necessary.

VOA Trends

12.25 Chapter 12 provides an overview of the property market including VOA trends on total industrial and office floorspace. In order to provide a ‘real world’ sense check to the labour demand forecasts it is appropriate to consider the VOA records. This provides data on total net change including gains and losses. Industrial stock includes warehousing, factories and workshops.

12.26 The tables below look at different rates of historic change in VOA data and project these forward across the period to 2036.

12.27 For industrial stock, warehousing and general industrial / manufacturing, there has been overall growth since 2001 and rapid growth since 2011. The data masks a decline since between 2002 and 2012.

12.28 For offices there has been overall growth however a decline between 2013 and 2017 is considered to have been driven by the implementation of permitted development rights, which has now arrested, and growth seen since 2017. 2001 to 2005 was a particularly fast growth period for offices.

12.29 For the two categories the longer run datasets are likely to better represent a suitable period for testing future requirements.

Table 100: Solihull VOA Trends: Office and Industrial ('000s sqm)

	2001-19		2011-19		2020-36	
	Total	Per Annum	Total	Per Annum	2001-19 data	2011-19 data
Industrial	51	2.8	78	11.1	45.3	178.3
Office	75	4.2	-9	-1.3	66.7	-20.6

Source: GL Hearn based on VOA data

Flexible Margin

12.30 Although not PPG stipulated, it is considered good practice to include a margin of employment land need in addition to floorspace modelling. The flexible margin is included to account for:

- The potential error margin associated with the forecasting process;
- Providing a choice of sites to facilitate competition in the property market;
- Allowance for sites lost to alternate uses; and
- Providing flexibility to allow for any delays in individual sites coming forward and the time it takes to deliver individual sites.

12.31 In this instance it is considered appropriate to use the long run VOA floorspace data, avoiding a negative effect influence by permitted development on offices, using a 2-year margin:

- B1a/b: 8,400 sqm (2.1 ha)
- B1c/B2/B8: 5,600 sqm (1.2 ha)¹⁸

Summary of Quantitative Needs

12.32 The tables below summarise the forecast employment land floorspace and area positions.

Table 101: Range of Employment Land Need (sqm) 2020-36 – Solihull

	Labour Demand Baseline Scenario		Labour Demand Growth Scenario		VOA Trend	
	Forecast	Inc margin	Forecast	Inc margin	2001-19 trend	Inc margin
B1a/b	18,480	26,880	43,548	51,948	45,300	53,700
B1c/B2	-71,820	-69,020	-20,803	-18,003	66,700	72,300
B8	56,800	59,600	83,472	86,272		
Total	3,460	17,460	106,217	120,217	112,000	126,000

Source: GL Hearn based on Experian and VOA

¹⁸ Assuming a midpoint between industrial and warehousing plot ratios

Table 102: Range of Employment Land Need (Ha) 2020-36 – Solihull

	Labour Demand Baseline Scenario		Labour Demand Growth Scenario		VOA Trend	
	Forecast	Inc margin	Forecast	Inc margin	2001-19	Inc margin
B1a/b	3.7	5.8	10.9	13.0	11.3	13.4
B1c/B2	-14.4	-13.2	-4.2	-3.0	14.8	16.0
B8	14.2	15.4	20.9	22.1		
Total	3.5	8.0	27.6	32.1	23.8	29.4

Source: GL Hearn based on Experian and VOA

- 12.32 The 2017 Solihull ELR reported a baseline requirement of 12.0 ha industrial / warehousing and 10.6 ha office (reference was made to a margin, but no calculation applied). The comparable figures for the 2020 baseline are 3.7 ha of office and -0.2 industrial warehousing net but 14.2 ha gross. This shows an overall slowing of the baseline forecasts which reflect a weaker global trading environment as well as the domestic impact of Brexit. The adjusted growth scenario and VIA trends are closer to the 2017 position which is to be expected as it has greater level of influence from historic local performance rather than a wider economic slowdown.
- 12.33 In terms of office floorspace, the adjusted growth scenario and VOA trends are very similar. However, these fail to take account of the additional provision of UK Central floorspace which will meet both local and wider needs. GL Hearn recommend that the baseline position is planned for in order to meet local needs. **As a result, this would be 26,880 sqm of 5.8 ha of office floorspace.** The forecasts do not take account of the current COVID19 pandemic however commentary is provided separately in Appendix B.
- 12.34 Manufacturing and general industrial floorspace requirements are negative under the baseline and to a lesser degree under the growth model. However warehousing needs are positive in both labour demand models. The VOA data is not disaggregated by type but overall shows a pattern aligned to the growth model, considering manufacturing losses and warehouse gains. There is an increasing disconnect between floorspace needs and employment densities, as reflected by JLR discussions who consider displacement at least at 50%. GL Hearn recommends that the VOA trend modelling of **72,300 sqm or 16.0 ha is planned for** including a margin.
- 12.35 It is of note that the long run 2001 to 2019 data rather than short run 2011-19 model is used, the latter would be considerably higher. GL Hearn consider the longer run cycle to be a more reasonable dataset. It is also of note the VOA model will include historic JLR developments which generates a concern of double counting with the floorspace delivery at JLR through the UKC proposals, considered separately. Whilst this is the case, there is a known strong market demand for general

warehousing which is likely to make up a significant proportion of future floorspace need. This is emphasised in both of the labour demand models with the baseline (including margin) comparable to the VOA trend and this reflecting requirements in the wider economy.

Supply Position and Balance

- 12.36 GL Hearn has engaged with SMBC officers to determine the latest land supply position considering both monitoring data to March 2019 and developments since that time.

Table 103: Employment Land Supply / Demand excluding UK Central Hub

Site	Land (Ha) Approx.	Office SQM	Ind and Ware SQM	Tot SQM	Notes
Land North of Clock Interchange	1	4,000		4,000	Estimated sqm
Birm Bus Park 6700	2.4	3,000	9,000	12,000	Estimated sqm -Lapsed Permission
Blythe Valley Bus Park	7	7,000	21,000	28,000	Estimated sqm
Fore	2.1	10,900		10,900	Permitted
Chep/ Higginson, Bickenhall Lane	4		16,000	16,000	Estimated – possible delivery issues
Homer Road	c.1	10,000		10,000	
Other				Gains 20,391*	Mar '19 monitoring
				Losses TBC	TBC
Vacancy		25,000 – 35,000		25,000 – 35,000	See discussion
Total	17.5	59,900 - 69,900	46,000	105,900 – 115,900	
Demand		26,880	72,300	147,136	
Balance (sqm)		33,020 – 43,020	(26,300)		
Balance (ha)		8.3 – 10.8	6.5		

Source: GL Hearn based on Experian and VOA

* Gains excluded as losses unknown at time of writing

- 12.37 A quantitative review of the Solihull demand balance suggests a surplus of office space, subject to the nature of vacancies, and a shortfall in future industrial needs which in itself will be warehousing driven. The supply has reduced significantly since the 2017 report with take up of supply at Blythe

Valley and Birmingham Business Parks and the loss of the TRW (Green) site. There is some concern about the deliverability of the Bickenhall Lane site, as it remains operational for current use, and this puts further pressure on the industrial / warehousing portfolio. As explored below, it may be possible for some of the JLR allocation to be used for general warehousing however this is uncertain at the present time.

- 12.38 The shortfall in requirements for particularly industrial floorspace aligns with the industry engagement and market review, reporting a constrained supply position for certain types. The figures reported assume a 25:75 ratio of office to industrial at the two larger business parks which may be subject to change most likely towards a greater industrial component.
- 12.39 In this model a limited allowance is made for industrial market vacancy. Industrial vacancy rates are low at the time of writing with only one significant new unit at Radial Park unlet (6,000 sqm).
- 12.40 For office, there is higher vacancy reported including secondary and refurbished space, as set out in the property market review chapter. Analysis and market feedback suggest that much of the reported available secondary space is concentrated in and around the town centre and.
- 12.41 Take up of this space is expected to continue as the market tightens although there is a general market preference for Grade A space, particularly larger units out of town. GL Hearn has allowed for a range of vacancy to contribute to supply. The ability of current vacancy to meet future needs evidently effects the balance of needs. At present rents are rising in the town centre as supply tightens and demand continues, although rents are not always sufficient to achieve full refurbishment.
- 12.42 At Birmingham Business Park vacancies tend to be for units or partial lets not meeting demand requirements for larger floorplates. There remains reported demand for Grade A office floorspace, particularly around the north of the Borough with M42 access. Therefore, there may be a need for new office developments later in the plan period which can be met through the UK Central proposals.
- 12.43 Given the level of vacancy and the balance of requirements for offices, more challenging schemes may be slow to come forward or that permissions at Birmingham Business Park or Blythe Valley Bus Park are repurposed towards industrial requirements. this may improve the town centre position in meeting demand and viability.
- 12.44 A further factor is the current COVID19 pandemic, considered in Appendix B.

Blythe Valley and Birmingham Business Parks

- 12.45 GL Hearn has engaged with the managers / owners of both business parks in considering future supply.
- 12.46 **Birmingham Business Park** was established in the 1980s and designated a Regional Investment Site in 2006. In a practical sense this role continues today attracting large scale units and occupiers benefitting from the park facilities, accessibility and labour pool. There are 3 serviced offices including Regus providing flexible business space. Of the c10,000 employees the majority are medium and some larger business although SMEs are supported in the serviced offices. The Park is essentially built out, with one plot recently constructed and part let, the final plot anticipated to come forward in the short – medium term. Ownership in some areas is fragmented and there is some availability of older office stock. More recent developments such as Radial Park (adjacent to the Park) and Granite 40 have re focused on warehousing / industrial. Demand remains and enquiries reportedly continue as of April 2020, including through the COVID19 pandemic for both office and industrial larger units.
- 12.47 **Blythe Valley** developed out from the mid-1990s. The original concept was business only development (B1 uses) initially based on large statement buildings for specific occupiers. The occupiers of the Park include: ARUP, Balfour Beatty, BAM PPP UK, Enzen Global, Regus, Siemens Industry Software and Zenith. In 2006 Blythe Valley Park was allocated as a Regional Investment Site and planning permission was granted to extend the business park to the west by 21ha (17ha developable). In July 2018, a planning application was approved for a mixed-use development that included housing and business use in response to a need to reinvigorate the business park, in line with the Local Plan. The estimated amount of business class development to come forward in the masterplan is about 13ha of which about 6ha has been successfully developed for warehousing / industrial.
- 12.48 Blythe Valley is particularly attractive to technology related investment firms with requirements across the B Class spectrum. B8 with mixed B Class ancillary or B8 led mixed use B Class development with R&D, offices and studios, is considered to have opportunities around 100,000 sqft but potentially to 200,000 sqft. Whilst attracting regional and national investment, it is considered appropriate for local employment growth forecasts to be fulfilled by the Park's further development.

UKC

- 12.49 As set out in Chapter 6, UKC is a major growth focus for Solihull incorporating JLR, BHX, NEC and Arden Cross. It is driven by the HS2 Interchange, with the HS2 'Notice to Proceed' being confirmed in April 2020.
- 12.50 GL Hearn has revisited floorspace and employment assumptions with the lead stakeholders for the developments and set out potential employment requirements. UKC will provide a significant element of B Class floorspace within the plan period and beyond (NB: BHX is not planning direct provision of B Class uses). This is summarised below

Table 104: B Class floorspace, UK Central Growth Hub

Use	Location	2020-25	2025-30	2030-36	2020-36
B1a/b	JLR	4,000	0	0	4,000
	NEC	16,429	41,071	49,286	106,786
	Arden Cross	0	0	90,816	90,816
	Total	20,429	41,071	140,102	201,602
B1c / B2	JLR	19,764	38,209	42,906	100,878
	Arden Cross	0	30,536	0	30,536
	Total	19,764	68,745	42,906	131,414
B8	JLR	92,900	0	0	92,900
Total B Class		133,093	109,816	183,008	425,916

Source: GLH Analysis of UK Central Hub Stakeholder Data

- 12.51 As set out in chapter 6, these proposals have not been considered uncritically. Whilst GL Hearn is not in a position to challenge floorspace proposals, judgements have been made about the ability of the UK Central developments to achieve net employment growth above the baseline,
- 12.52 **JLR:** the initial phases of development are focused on the implementation of the logistics operations centre and associated ancillary floorspace, dedicated to JLR. These are not suited for general industrial needs. Later phases of development relate to expansion of land allocated at Damson Parkway not likely to come forward before 2025. JLR as of March 2020 remains positive about its market position and the expectation of future expansion that the site will facilitate. Short term car market business cycles make strategic land planning challenging however long-term expectations particularly around electric vehicles are optimistic. JLR do not control the full allocation and in GL Hearn's view there maybe potential for some elements to be used for supply chain providers or the wider market industrial needs. GL Hearn broadly estimates that up 10% - 25% or 10,000 sqm to 25,000 sqm might be delivered as general industrial / warehousing floorspace for the market post

2025 or beyond. This will be subject to change but could assist in absorbing some unmet local warehousing needs as forecast.

- 12.53 **NEC:** At the time of writing NEC has been revising its masterplan from that published in 2018 and shared emerging figures with GL Hearn. They remain positive about the delivery of future floorspace including Pendigo Quarter. Office floorspace coming forward will contribute to the local supply position potentially achieving growth above the baseline as well as meet future regional investment. HS2 will potentially be operational in 2029 thus altering the demand profile.
- 12.54 **Arden Cross:** delivery is anticipated in earnest from around 2026/27 although uncertainties remain regarding the availability of land release timings from HS2's operational requirements. Notwithstanding, it is expected that a significant volume of floorspace is likely to be delivered within the back end of the Plan Period, even allowing for some slippage. Given that the new HS2 Interchange will be operational, the office demand profile is expected to be regional / national and where contributing to local needs these are considered above the baseline position.. The industrial component of Arden Cross is reportedly targeted at advanced manufacturing, light industry and R&D reportedly to be associated with investment potential of the HS2 Interchange accessibility and inward investment. It is reasonable to expect that it will contribute to local requirements arising at the time and facilitated by growth and investment, particularly as reflecting some of the strong sectors in the Solihull economy.

Supply Demand Balance Recommendations

Offices

- 12.55 Market reported demand remains positive across unit sizes with a tightening supply position and rising rents, particularly in the town centre. There is still vacancy in the town centre and Birmingham Business Park, the latter related to some reported mismatches between supply (smaller stock) and demand (Grade A / larger floorplates). In the town centre a continued trend towards rising rents can enable refurbishment of stock. There is some potential for the Homer Road development to deflate local rents albeit whilst providing quality town centre floorspace. Overall, there is a reported need for further Grade A larger footprint space in the north of the Borough in particular. More recent development opportunities have focused on warehousing industrial (for example at Birmingham Business Park) due to the strength of viability.
- 12.56 Quantitatively, the recommended baseline position for local needs reports a limited requirement. . Therefore, there is no need for additional land to meet immediate requirements. Later phases of the

plan period may see demand outstrip supply. However, this is when accommodation in the UK Central Hub is expected to come on-stream which will be a growth driver. There may be a role for NEC's Pendigo Quarter in boosting local supply here particularly if it can deliver larger Grade A units. Anticipating the future office markets for NEC and Arden Cross is not straightforward but in GL Hearn's view whilst the latter will be particularly focused, but not exclusively so, on yet unreported inward investment, it will also serve to accommodate local demand.

Warehousing and Industrial

- 12.57 Market feedback and intelligence shows a very strong demand for warehousing and industrial needs across the spectrum but focused on mid to larger units rising from 10,000 sqft and notably at 50,000 sqft to 100,000 sqft. This is concentrated on the M42 reflecting the national rise in e-commerce and the connectivity of the Midlands. This is not solely B8 but also a range of technology related and supported B Class employment uses that also seek the Solihull skilled labour offer.
- 12.58 Quantitatively the forecasts expect a contraction in manufacturing labour and potentially floorspace but growth in warehousing. Increasingly the manufacturing floorspace and labour demand model is weakening, with forecast GVA growth suggesting productivity gains despite contracting labour needs. JLR is an example where large-scale development is planned but the business expects much of this to be replacement, advising that typical jobs based on floorspace increases should be halved. Forecasts point to a clear need for additional warehousing floorspace which is reinforced by the market feedback. It is of note that the West Midlands Strategic Employment Sites (SES) study (part 2) is ongoing at the time of writing. Notwithstanding any outcomes of that work, it is recommended SMBC consider meeting forecast needs identified here of around 6 ha.

Policy Matters

- 12.59 SMBC has asked GL Hearn to consider Plan Policy 3(a):

To ensure that an adequate supply of land remains available for employment purposes, sites will be protected for their allocated purposes. Non-allocated employment sites will also be protected for employment use (Classes B1, B2, B8 and, where appropriate, waste management). Alternative uses may be allowed where the following criteria are met:

- i) The site is relatively isolated from other business premises or is out of place in the context of other neighbouring uses, such as residential; or*
- ii) It is clearly demonstrated that there is no longer a need to retain the site/premises for their intended business class purpose; or*
- iii) In the case of vacant premises, there is no longer a reasonable prospect of attracting business development in market terms;*
- iv) The alternative use will support sustainable development principles and will directly support employment locally;*
- v) There is no conflict with other policies of the Local Plan or National Planning Policy.*

12.60 Broadly the policy is considered sound.

Employment Land Requirements: Key Points and Recommendations

- This section of the report draws on several scenarios covering labour demand, supply and trends, to estimate employment land need over the 2020-36 plan period and balance this with land supply. The demand models result in the following floorspace and land need.

Range of Employment Land Local Need (sqm) 2020-36 – Solihull

Scenario	Labour Demand Baseline		Labour Demand Growth		VOA Trend	
	Forecast	Inc margin	Forecast	Inc margin	2001-19	Inc margin
B1a/b	18,480	26,880	43,548	51,948	45,300	53,700
B1c/B2	-71,820	-69,020	-20,803	-18,003	66,700	72,300
B8	56,800	59,600	83,472	86,272		
Total	3,460	17,460	106,217	120,217	112,000	126,000

Source: GL Hearn based on Experian and VOA

Range of Employment Land Need (Ha) 2020-36 – Solihull

Scenario	Labour Demand Baseline		Labour Demand Growth		VOA Trend	
	Forecast	Inc margin	Forecast	Inc margin	2001-19	Inc margin
B1a/b	3.7	5.8	10.9	13.0	11.3	13.4
B1c/B2	-14.4	-13.2	-4.2	-3.0	14.8	16.0
B8	14.2	15.4	20.9	22.1		
Total	3.5	8.0	27.6	32.1	23.8	29.4

Source: GL Hearn based on Experian and VOA

- For office floorspace, it is recommended that the labour demand baseline is provided for with additional floorspace needs met by the UK Central developments. **There is a recommended need of 26,880 sqm or 5.8 ha of additional office floorspace to 2036. It is recommended that the VOA trend be used for industrial floorspace, which is 72,300sqm or 16.0 ha to 2036.**
- A review of Solihull demand and supply balance reveals a potential over-supply in offices influenced by the amount of advertised secondary office stock currently available that can be used for future supply.
- The supply and demand balance for industrial and warehouse floorspace is a shortfall of 26,300 sqm or around 6.5 ha to 2036, taking into account need of 72,300 sqm and estimated supply of 46,000 sqm. No allowance for vacancy was added because there is limited current supply.
- Additionally, GL Hearn has reviewed floorspace and employment assumptions with the stakeholders for the developments and set out potential employment requirements. UKC will provide a significant element of B Class floorspace within the plan period and beyond.

- It is advised, however, that the council continue to provide supply according to the demand figures supplied in this study, as the floorspace provided in the UK Central Growth Hub will be more regional in focus although is expected to facilitate some local employment growth above the baseline.

APPENDIX A: Employment Compound Annual Growth Rate Time Period Comparison by Industry

Industry	Baseline (2020-36)	MP Baseline + LT Historic	LQ Baseline + LT Historic	LT Historic (2001-18)	MP Baseline +Rec Historic	LQ Baseline +Rec Historic	Rec Historic (2007-18)
Agriculture	-2.5%	-1.3%	-1.9%	0.0%	-1.3%	-1.9%	0.0%
Mining	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Manufacturing	-0.8%	-0.28%	-0.5%	0.2%	1.2%	0.2%	3.1%
Utilities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Water	0.0%	-3.0%	-4.4%	-5.9%	-0.8%	-1.1%	-1.5%
Construction	0.6%	1.1%	0.8%	1.6%	-0.7%	-1.3%	-1.9%
Wholesale & retail trade	-0.3%	0.0%	-0.2%	0.2%	0.0%	-0.1%	0.2%
Transportation & storage	0.7%	1.3%	1.0%	2.0%	1.5%	1.1%	2.4%
Accommodation & food service	1.0%	1.8%	1.4%	2.6%	1.5%	1.3%	2.0%
Information & comms	0.7%	1.1%	0.9%	1.5%	0.6%	0.5%	0.4%
Financial & insurance	0.2%	-0.8%	-1.2%	-1.7%	-0.7%	-1.2%	-1.7%
Real estate activities	0.7%	3.4%	2.0%	6.2%	2.1%	1.4%	3.6%
Prof, sci & tech	0.7%	1.5%	1.1%	2.4%	1.6%	1.2%	2.6%
Admin and support service	0.7%	2.2%	1.4%	3.7%	1.9%	1.3%	3.1%
Public administration & def	0.1%	0.8%	0.5%	1.4%	0.8%	0.5%	1.4%
Education	0.5%	1.1%	0.8%	1.7%	0.9%	0.7%	1.4%
Human health & soc work	1.4%	1.4%	1.4%	1.4%	1.0%	0.8%	0.7%

Arts, ent & rec	0.5%	0.8%	0.7%	1.1%	0.9%	0.7%	1.3%
Other	0.2%	0.2%	0.2%	0.2%	-0.3%	-0.5%	-0.7%
Total	0.5%	0.9%	0.7%	1.4%	0.8%	0.6%	1.2%

Source: Experian (2020)

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