



Greater Norwich Housing Market Assessment

UPDATE

November 2009

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EXECUTIVE SUMMARY

This report updates the Greater Norwich Housing Market Assessment published by the Greater Norwich Housing Partnership in September 2007. It is based on the findings focus groups held in April 2009 and on re-calculating housing need using the same methodology as Opinion Research Services (published in June 2006).

The construction of new homes peaked in 2007/08, and developers are wary of building in the current housing market.

By quarter 2 of 2009 house prices had fallen by 18% since their peak in quarter 3 of 2007, leaving them back at their 2006 level. Future prices will be influenced by market confidence and the availability of mortgages, especially for first time buyers.

Private sector rents fell by 7.2% between 2006 and 2009. There is a surplus of some property types, especially flats near Norwich City Centre.

715 affordable homes were completed in Greater Norwich in 2008/09. It is likely that completions will be fewer in 2009/10 and 2010/11. Between April 2008 and April 2009 there was a significant increase in the number of applicants for affordable housing.

Overall 5 year housing requirement across the sub-region has increased by 9.97% from 9,691 to 10,659 across the sub-region. Only once in the last 5 years has the number of dwellings completed exceeded the requirement target within the housing market assessment and this is leading to an increased pressure on housing waiting lists across the sub-region.

The overall housing need as a percentage of housing requirement remains at 43.4% across the sub-region, now 925 per annum.

1. INTRODUCTION

1.1 The Greater Norwich Housing Partnership conducted a comprehensive Housing Market Assessment (HMA) of the Greater Norwich Sub-region between Spring 2006 and Summer 2007. The final report was published on 13 September 2007, sub-titled A Study of the Operation of Housing Markets in the Greater Norwich Sub-region. <http://www.south-norfolk.gov.uk/housing/2527.asp>

1.2 The property market has experienced huge changes ever since the HMA was published, so we have decided to produce an Update report. This Update has a limited brief, designed to be achieved with staff resources available within Norwich City Council and South Norfolk Council. As with the HMA, a Steering Group comprising representative of the four local authorities oversaw the project:

Roger Burroughs	Broadland District Council
Alison McErlain	Norfolk County Council
Andrew Turnbull	Norwich City Council
Keith Mitchell	South Norfolk Council

1.3 The Steering Group reported to the Greater Norwich Housing Partnership's Directors' group, which approved the project brief and approved this final report.

1.4 The Greater Norwich Housing Partnership covers the administrative areas of Broadland District, Norwich City and South Norfolk Councils. Membership includes the three local authorities, housing associations with stock in the Sub-region, and range of other housing organisations including developers, project managers and architects. <http://www.south-norfolk.gov.uk/housing/2487.asp>

1.5 If you have any questions about this report, please contact:

- Keith Mitchell, Housing Strategy Manager, South Norfolk Council, telephone 01508 533756, e-mail kmitchell@s-norfolk.gov.uk
- Andrew Turnbull, Senior Housing Development Officer, Norwich City Council, telephone 01603 212778, e-mail andrewturnbull@norwich.gov.uk

2. THE PROJECT BRIEF AND METHODOLOGY

2.1 We decided that the most effective use of resources would be to undertake two exercises:

- investigating the current housing market,
- updating housing need research.

2.2 Investigating the current housing market took place on the basis described below on the anticipated time scale. Technical problems were encountered in updating housing need research, which led to findings not being available until November 2009. The spreadsheet referred to in paragraph 2.9 is unique to Greater Norwich, and it was necessary for ORS to make various changes and test them to ensure the accuracy of the calculations.

2.3 Please refer to Appendix A for the full project brief, which has not been amended to reflect the delay mentioned above.

Investigating the Current Housing Market

2.4 The purpose of this exercise was to establish facts demonstrating the changes in Greater Norwich since 2007, and to investigate the impact on key players in the housing market.

2.5 We arranged six focus groups in April 2009 at City Hall, Norwich, with the timing designed to take account of work patterns of invitees (e.g. private sector landlords and first-time buyers met at 5.00 pm.). Each comprised similar players so that we could discuss in detail issues relevant to each. We felt that if groups were mixed discussion might lead to arguments, and that some viewpoints might not be expressed. The focus groups were:

estate agents,
mortgage lenders,
developers and RSLs (housing associations),
private landlords and letting agents,
first-time buyers, and
consultants, agents, architects etc.

2.6 Attendance was variable, ranging for no mortgage lenders to six landlords and letting agents. For the focus groups with small attendance, project officers supplemented the response through structured telephone interviews. The findings for each group are incorporated in the next four sections. We have treated responses in a cross-cutting way, using comments relevant to the topic, whatever the focus group at which they were expressed.

2.7 Each focus group was asked for opinions on general questions. This worked well as it opened discussion and we found that most people were pleased to report on current issues affecting them. There followed specific questions relevant to each group, designed to investigate current issues and problems in more detail. Please refer to Appendices B-G for the questions and summaries of the responses.

Updating Housing Need Research

2.8 In 2005 the Greater Norwich Housing Partnership commissioned Opinion Research Services (ORS) to research housing need in the Sub-region. The findings were published as an Evidence Base for a Housing Market Assessment: A Study in Housing Need and Stock Condition (June 2006).
<http://www.south-norfolk.gov.uk/housing/2744.asp>

2.9 The key find with regard to housing need is table 158 on page 145 of the ORS report. It shows the numbers requiring each tenure each year:

- 1,097 (56.6%) could meet their requirements on the open market.
- 106 (5.4%) could meet their need through intermediate tenure.
- 736 (38.0%) could meet their need only through social rent.

2.10 ORS made available a spreadsheet which enabled us to update the figures used in their calculations. We decided to vary the following inputs, using updated information:

new households,
household dissolutions,
social rent levels,
private rent levels,
house prices,
income.

2.11 Additionally we took account of possible further changes in house prices by changing this variable by another plus or minus 10%.

3. HOUSING DEVELOPMENT

- 3.1 During the last year there has been a significant fall in the total number of homes built. The table below illustrates the trend for the last few years.

Table 3.1 Housing Completions

	Broadland	Norwich	South Norfolk	Greater Norwich
2004/05	282	690	434	1,406
2005/06	139	879	340	1,358
2006/07	280	922	617	1,819
2007/08	221	1,040	1,223	2,484
2008/09	311	527	907	1,745

Source: Internal records of Broadland, Norwich and South Norfolk Councils

- 3.2 The numbers completed in each district during the last 2 years reflect the number of sites and homes already being developed when the 'credit crunch' hit the housing market. Developers have reacted to the fall-off in sales by greatly reducing the number of homes completed. Typically they now build only in small numbers, or when there is an off-plan purchaser, and several have closed down sites.
- 3.3 Developers report that there is still interest in buying new homes, although at a much lower level than before late 2007. One said that sales teams must be extremely responsive to market changes, being willing to react to the wishes of purchasers.
- 3.4 The key problem at present is the lack of available finance for potential purchasers of new homes. Developers and would-be purchasers both report that the mortgage products currently available do not meet the requirements of purchasers, especially first-time buyers. Please refer to Section 4 for more discussion of mortgages.
- 3.5 Housing associations will need to re-finance if they are to fund ongoing development programmes of affordable housing. Public subsidy is available from the Homes and Communities Agency, but if housing associations are unable to borrow the part of the development cost which will subsequently be recovered from rental income, they will be unable to proceed. Unless this situation is resolved it might not be possible for social housing to lead a recovery of housing development.
- 3.6 Land values have fallen by up to two thirds since their peak about two years ago. Few land sales are taking place for housing development because owners of greenfield sites are willing to wait until prices rise, and brownfield sites are often worth more for commercial development than for housing.

Expectations for the Future

- 3.7 Developers, agents and housing associations all said they are relying on central government to pressure financial institutions to make finance available for the housing industry. If lenders offer mortgages and finance to housing

associations on favourable terms, construction can increase. If not, all players expect a long wait before house completions increase much above their present level.

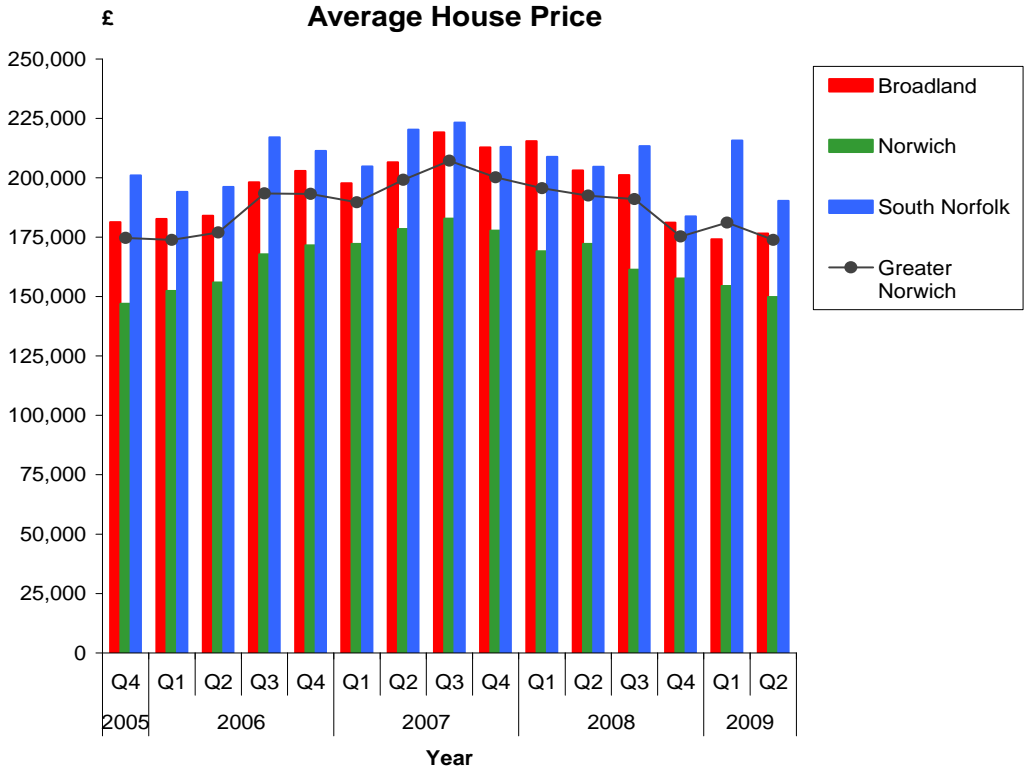
- 3.8 Developers say they will not start work on any new sites in the near future, and are generally seeking more firm interest from purchasers before re-commencing building on sites which have been 'mothballed'.
- 3.9 We conclude that housing completions during 2009/10 are likely to be fewer than in 2008/09. From 2010 onwards the national economic situation and government action will be the main influences on housing development.
- 3.10 Despite the fact that developers have made staff redundant, they and their agents continue to work towards obtaining planning permission for sites. However, this activity is long-term, some of it linked to proposals based on the Joint Core Strategy for the Local Development Framework, which is not expected to be adopted until 2011. In effect, they will continue to work towards being able to take advantage of a recovery.

4. THE OWNER-OCCUPIED MARKET

House Prices and Affordability

4.1 The chart below illustrates changes in property prices in recent years.

Chart 4.1 Changes in Property



Source: Department of Communities and Local Government.

4.2 The figures show that in 2006 the average price in Greater Norwich was £174,636

4.3 The top of the market was reached in quarter 3 of 2007 where the average price was £207,141 an increase of 18.6%.

4.4 The average price is now £173,836 which is a fall of 0.46 percent from the original housing market assessment.

4.5 Anecdotally, the most extreme price falls reported were for flats near the centre of Norwich, some of which are now worth less than 60% of their peak 2007 value.

4.6 The table below illustrates the changes in the mean average earnings across the sub-region.

Table 4.6 Changes in Average Income

Area	Mean household income (£) - 2006	Mean household income (£) - 2009	Percentage Increase
Broadland	£32,526.00	£34,884.00	7.25%
Norwich	£27,418.00	£28,814.00	5.09%
South Norfolk	£32,275.00	£34,869.00	8.04%
Greater Norwich	£30,605.85	£32,606.38	6.54%

Source: Norfolk Insight

4.7 Average income in the sub-region has shown an increase in each district since the original research was undertaken in 2006 with the largest increase in South Norfolk.

4.8 The impact of falling prices has been to reduce the price: earnings ratio, which the latest figures show as 5.33:1 for Greater Norwich. Estate agents reported that more sales have been completed since early March, and they believed it possible that prices (excluding flats) might have bottomed in Greater Norwich. Evidence of this was also presented by private landlords, who reported that local people and companies based outside the Sub-region are purchasing properties to let.

Buying a Home

4.9 The most significant result of the current financial uncertainties has been the unwillingness of mortgage lenders to lend on terms which match the capabilities of potential purchasers. Typically the lenders require a significant deposit – up to 40% of the value of the property until April. Smaller deposits tend to incur higher interest rates. Below is a table show best deals for first-time buyers available from a selection of lenders with branches in Norwich (in late April 2009).

Table 4.9 Examples of Mortgage Products Available in Late April 2009

Lender	Maximum Loan to Value	Interest Rate (APR)	Conditions
Abbey	75%	3.90%	Base rate + 3.25%. Arrangement fee £1,495.
	70%	4.40%	Fixed to 2/7/11. Arrangement fee £995.
Britannia	85%	4.80%	Base rate + 3.99%. Arrangement fee £549.
	85%	5.20%	Base rate+ 3.99%. No arrangement fee.
Halifax	75%	4.60%	Base rate + 3.85%. Arrangement fee £1,499.
	70%	3.60%	Base rate + 2.99%. Arrangement fee £1,999
HSBC	75%	3.70%	Base rate + 3.09%. Arrangement fee £299.
	75%	4.10%	Fixed to 30/6/11. No arrangement fee.
Nationwide	90%	2.50%	Base rate + 2%. Financial criteria apply.
	75%	3.00%	Base rate + 2.88%. Financial criteria apply.
Norwich & Peterborough	85%	4.20%	Fee £599. Financial criteria apply.
	75%	4.80%	Fee £699. Financial criteria apply.

Source: www.mortgages.co.uk

4.10 The mortgage market changes very quickly. During April lenders were offering new products and changing terms almost on a daily basis, sometimes with

improved terms, sometimes with worse terms. Overall, lenders are still not offering a product which meets the needs of most purchasers:

- a high loan to value ratio so that purchasers do not require a high level of savings;
- interest rates which are affordable, ideally fixed for a reasonable period without a large arrangement fee;
- unrestricted availability (e.g. not limited to existing customers or to applicants requiring only small multiples of income).

4.11 First-time buyers attending the focus group reported that they found buying a home very confusing. The quality of service provided by estate agents, mortgage lenders and solicitors was very variable. Some found it difficult to know whom to trust. The range of products listed in Table 4.2 above illustrates some of the complexities.

Expectations for the Future

4.12 It is possible that some property prices in Greater Norwich will not fall further. Participants at focus groups cited two reasons for believing this:

- At current prices for a 2 bedroom terraced house (about £100,00) it is possible for someone with an average household income (£30,000+) to buy provided they have £10,000 savings and access to a mortgage of three times their income),
- Buying to let produces a commercial return at current prices and rent levels.

4.13 Developments of flats in Norwich are still under construction, so the supply will continue to exceed demand. This surplus led some focus group participants to expect possible further price falls for this sector of the market.

4.14 Evidence indicates that mortgage lenders will have to compete more (or the government must compel them to do so) by offering suitable mortgages before many more purchasers will be offered mortgages on the terms which they require.

4.15 Estate agents report serious interest from potential purchasers, and an increase in the number of sales completed since early March. However, confidence in the market is fragile, and bad economic news at the national or international level could halt any recovery.

4.16 Several participants in focus groups mentioned the possibility of rapid price rises when confidence returns to the market. They believe that there might be an excess of demand over supply which could last for several months until developers are able to achieve their first completions.

5. THE PRIVATE RENTED MARKET

- 5.1 Private landlords and letting agents reported that the number of properties available for rent is rising a little more quickly than demand. Consequently rents have fallen slightly in recent months, and potential tenants with a good credit record have a choice of properties.
- 5.2 In order to ascertain the changes to rent levels in the private rented sector a sample of 400 properties currently being advertised for rent was taken and compared to the survey carried out for the Housing Market Assessment.

Table 5.2 Changes in Rent Levels in Greater Norwich

Property Size	2006 (Avg Rent)	2009 (Avg Rent)	Percentage Change
Studio / One-Bedroom	£113.04	£103.15	-8.75%
Two-Bedroom	£144.03	£125.62	-12.78%
Three-Bedroom	£157.96	£145.95	-7.60%
Four+ Bedroom	£227.03	£253.51	+11.66%

Source: HMA Survey March 2007. HMA Refresh Survey September 2009.

- 5.3 In the 2009 survey of properties for let the findings show a significant drop in the charges for private rent since 2007 except for larger properties of 4-bedroom and over.
- 5.4 Overall there has been a 7.21% fall in charges for private rental properties across the sub region.
- 5.5 There is generally a good supply of all types and sizes of property across Greater Norwich. Demand is fairly strong in the lower and middle rent markets, although landlords reported a trend for tenants to downsize (e.g. moving from a terraced house to a flat) if their disposable income has fallen. Despite this there is still an over-supply of flats in and near Norwich city centre. There is a surplus of large properties at higher rent levels in various parts of the sub-region.
- 5.6 The student rental market remains fairly strong. During 2008 letting agents noted a slight over-supply, giving students some choice over their home and where to live. A consequence was that some poor quality accommodation was not let, and was removed from the rented sector.
- 5.7 Since 2007 Local Housing Allowance arrangements have been introduced throughout Greater Norwich. Now that tenants claiming Housing Benefit have the right to have the benefit paid to them rather than direct to the landlord, landlords are more reluctant to offer tenancies to people who rely on Benefit.

Table 5.6 Local Housing Allowance Levels in Greater Norwich, September 2009.

Property Type	LHA Level Greater Norwich
Shared Room	£57.69
1 Bedroom	£94.62
2 Bedroom	£121.15
3 Bedroom	£137.31
4 Bedroom	£183.46
5 Bedroom	£259.62

Source: Websites of District Councils.

- 5.8 In the 2009 sample of 400 properties for let 145 (36%) were within benefit limit. This is an increase from 14% in the housing market assessment although the properties within LHA limits are predominantly in Norwich.
- 5.9 Landlords believe that the private rented sector still provides investment opportunities. They are interested in purchasing suitable properties, but lenders are much more restrictive with regard to lending criteria than then were before the 'credit crunch'. They will not permit borrowers to secure loans against other assets, and there are severe restrictions on re-mortgaging. Therefore purchasing is restricted to those with sound finances, and there is no possibility of rapid re-sale as occurred when prices were rising quickly.

Expectations for the Future

- 5.10 Landlords and estate agents mentioned the possibility of further increases in the supply of properties available for rent. If vendors are unable to sell to owner-occupiers, they might have to offer homes for rent to achieve an income to cover mortgage payments. They also expect local landlords and companies from outside the Sub-region to buy-to-let properties which they regard as good value. It is not clear whether some of the less desirable properties will be offered for sale because of the possible over-supply.
- 5.11 Landlords expect that they will concentrate on maximising the potential of their existing properties. The local authorities will continue to work with them to improve the quality of the stock and the service offered to tenants. For example, there is interest in improving energy-efficiency to reduce fuel costs.

6. THE AFFORDABLE HOUSING MARKET

6.1 The ORS housing need research showed an annual need for 841 new affordable homes. The table below shows the number of completions in each of the last 5 years.

Table 6.1 Affordable Housing Completions in Greater Norwich

	Broadland	Norwich	South Norfolk	Greater Norwich
2004/05	82	255	26	363
2005/06	27	244	71	342
2006/07	107	293	108	508
2007/08	89	283	245	617
2008/09	83	229	403	715

Source: Housing Strategy Statistical Appendices and internal records

- 6.2 The overall trend has been an increase in the supply of affordable housing, but not sufficient to meet the annual need. During the last 2 years very few properties have been lost from the social rented stock through the Right to Buy and the Right to Acquire. However, some shared ownership properties are no longer affordable homes because their owners have bought the equity previously owned by the housing association. Nevertheless, during the last two years there has been a substantial net increase in the stock of affordable housing.
- 6.3 The increase in completions during the last two years reflects the impact of affordable housing provided through negotiation with developers. The property types and tenures provided are influenced by the types of need demonstrated by the ORS research. A significant proportion of the 2008/09 completions arose as a short-term benefit of the market. Housing associations obtained government funding to acquire unsold and partly-completed properties from developers, and developers chose to accelerate the delivery of some of the affordable housing before they were obliged to deliver it.
- 6.4 In November 2007 the Greater Norwich Housing Partnership introduced its sub-regional choice based lettings arrangement, Home Options. As is often the case, the introduction of new, more transparent, arrangements for the letting of social rented housing led to an increase in the total number of people seeking affordable housing. The numbers registered on 1st April each year are shown in the table below.

Table 6.4 Number of people registered on waiting lists.

	Broadland	Norwich	South Norfolk	Greater Norwich
2005	2,606	5,583	2,685	10,874
2006	3,185	5,601	2,967	11,753
2007	3,883	5,256	3,117	12,256
2008	2,801	6,999	2,945	12,745
2009	3,278	8,038	4,003	15,319

Source: Housing Strategy Statistical Appendices

Social Rented Housing

- 6.5 Most of the new homes listed in Table 6.1 above were provided for social rent. During 2008/09 the majority of new homes were in the growth areas of the Norwich housing market (within the City and in places such as Costessey and Cringleford). However, in Broadland and South Norfolk homes were built in villages for local need in Foulsham, Great Witchingham, Stratton Strawless, Tuttington and Winfarthing. Such schemes make a valuable contribution to the social sustainability of rural settlements.
- 6.6 There continues to be strong demand for social rented housing, as expressed through bids on Home Options. Bids are being made for all property types throughout Greater Norwich, and there are no difficult-to-let properties.
- 6.7 In order to determine social rents levels, information on how much Local Authorities (LA) charge for their properties is collected through the second subsidy claim form. Data on the cost of renting housing association properties comes from two sources:
- the continuous recording system (referred to as CORE) for rents charged for newly let housing association properties; and
 - the regulatory and statistical return (RSR) for rents charged for all RSL properties. The RSR is an annual return that has to be completed by all housing associations.
- 6.8 The table 6.8 below illustrates the changes in the average housing association rent levels across the sub-region.

Table 6.8 Average Social Rent Levels Charged by Housing Associations.

	March 2007	March 2009	Percentage Change
Broadland DC	£66.36	£71.42	+7.63%
Norwich CC	£62.67	£69.38	+10.71%
South Norfolk DC	£59.52	£67.52	+13.44%

Source: Department of Communities and Local Government

- 6.9 The table 6.9 below illustrates the changes in average local authority rents. Broadland DC and South Norfolk DC have both undergone a local stock voluntary transfer leaving Norwich CC as the only stock holding local authority in the sub region.

Table 6.9 Average Local Authority Rent Levels.

	March 2007	March 2009	Percentage Change
Norwich CC	£50.76	56.22	+10.76%

Source: Department of Communities and Local Government

- 6.10 Overall social rent levels have increased by 10.63% across the sub region in the last 2 years.

Low Cost Ownership

6.11 There is a wide range of products available for first-time buyers. They include:

New Build HomeBuy (shared ownership), My Choice HomeBuy, HomeBuy Direct, First Time Buyers Initiative Scheme, Discounted sale.

6.12 All are intended to enable people to buy their first home, but first-time buyers found the wide range of products confusing, and the financial advisor present confirmed this to be a common problem. They reported that mortgage lenders also do not understand the various products, and have provided inconsistent and delayed responses to mortgage applications. There was a feeling that the various products have evolved in an uncoordinated way, responding to specific circumstances identified by the government. The product range needed simplifying, although it was acknowledged that Orbit First Step (the Greater Norwich HomeBuy Zone Agent) is helpful in responding to requests for advice.

6.13 During 2008 and early 2009 there was a surplus of New Build HomeBuy in Greater Norwich. In addition to the homes being provided through S106 Agreements, some housing associations bought properties from developers in early 2008. Subsequently demand fell, leaving properties without purchasers. The over-supply was not felt throughout the Sub-region. In the rural parts of South Norfolk houses and flats stood empty for several months. The situation no longer applies following tenure change to intermediate rent or social rent, often with Homes and Communities Agency funding.

6.14 Mortgage lenders are reluctant to lend to purchasers of New Build HomeBuy. Housing associations are also wary, and are limiting their exposure to this particular tenure. HomeBuy Direct is reported to be more popular with lenders.

Expectation for the Future

6.15 Housing associations will deliver affordable housing through the Homes and Communities Agency's 2008-11 development programme. Well over half of the sub-regional £60 million is committed, but further opportunities remain. The number of affordable dwellings delivered by developers through S106 Agreements will be small, and numbers are not likely to increase until more homes are built for sale on the open market. As well as provision in the growth areas there will be more housing for local needs in the villages of Broadland and South Norfolk, improving the tenure balance of those housing markets.

6.16 Housing associations are reluctant to expose themselves financially by acquiring properties for low cost ownership. They wish to ensure that they do not acquire properties which they are unable to sell. They are also very much aware that few lenders are likely to be willing to offer mortgages for shared ownership. Consequently this part of the affordable housing market is unlikely to expand greatly during the next couple of years.

6.17 We conclude that 2008/09 was the peak year for affordable housing completions in Greater Norwich. The number of new affordable homes in 2009/10 and 2010/11 will be less, and the proportion of those that are for social rent is likely to be high.

7. UPDATING THE ORS RESEARCH

- 7.1 As stated earlier Opinion Research Services (ORS) carried out research into housing need in the sub-region in 2005. The findings were published as an Evidence Base for a Housing Market Assessment: A Study in Housing Need and Stock Condition (June 2006).
- 7.2 The key finding with regard to housing need is the table that shows the numbers of dwellings required by tenure type and local authority.
- 7.3 In order for us to refresh the data, ORS provided the toolkit that they used for their research which enabled us to update the figures used in their calculations. We decided to vary the following inputs, using updated information:

new households,
household dissolutions,
social rent levels,
private rent levels,
house prices,
income.

- 7.4 Additionally we intend to take account of possible further changes in house prices by changing this variable by another plus or minus 10%.

7.5 Households

- 7.5.1 There is no readily available data to determine new households and household dissolutions and so for the purposes of this research we will look at the total number of households across the sub region in comparison with the original research.
- 7.5.2 A minority of households share a dwelling; the original housing market assessment estimated this at around 0.2% of households. This means that the number of households will exceed the number of occupied dwellings.
- 7.5.3 To calculate the number of households in 2009 we have used the simple formula as used in the original research:
- $\text{Households 2009} = \text{Households 2001} \times (\text{Dwellings 2009} / \text{Dwellings 2001})$
- 7.5.4 Table 7.5.4 shows the change in the number of dwellings across the sub region:

Table 7.5.4 Change in Dwellings by Local Authority:

District	Dwellings 2001	Dwellings 2006	Dwellings 2009
Broadland	51,437	53,352	54,353
Norwich	57,181	59,902	62,417
South Norfolk	48,383	50,548	53,052
Total	157,001	163,506	169,822

7.5.5 Table 7.5.5 shows the change in households when using the formula as shown in 7.5.3

Table 7.5.5 Change in Households by Local Authority.

District	2001	2006	2009
Broadland	50,016	51,929	52,851
Norwich	54,580	56,803	59,578
South Norfolk	46,592	48,726	51,088
Greater Norwich	151,188	157,458	165,526

7.5.6 The increase in households across Greater Norwich since the housing market assessment 2006 is 8068 or 7.05%

7.6 Other Variables

7.7 Earlier in this report we have outlined how the other variables that can be amended have changed since the original research was carried out. The highlights are repeated below.

7.8 Overall social rent levels have increased by 10.63% over the last two years.

7.9 Overall there has been a 7.21% decrease in average weekly charges for private rental properties across the sub region.

7.10 The mean average house price within the sub-region is now £173,836 which is a fall of less than half a percent from the original housing market assessment.

7.11 Mean household Income across the sub-region has risen by 6.54%.

7.12 Having carried out the research above we used the toolkit to update the table 7.12 below from the original research:

Table 7.12 Summary of 5-year Housing Requirements by Housing Type and Local Authority when considering Lower Intermediate and Social together (2006 & 2009).

Housing Type	Local Authority						Greater Norwich	
	Broadland		Norwich		South Norfolk		2006	2009
	2006	2009	2006	2009	2006	2009		
5-Year Net Requirement								
Market	1,166	1,284	2,495	2,799	1,824	1,952	5,485	6,034
Upper & Middle Intermediate Bands	183	361	120	132	225	232	527	725
Lower Intermediate Band & Social	303	196	2,997	3,254	379	449	3,679	3,900
TOTAL	1,652	1,840	5,612	6,185	2,427	2,633	9,691	10,659
Net Requirement (Annualised)								
Market	233	257	499	560	365	390	1,097	1,207
Upper & Middle Intermediate Bands	37	72	24	26	45	46	105	145
Lower Intermediate Band & Social	61	39	599	651	76	90	736	780
TOTAL	330	368	1,122	1,237	485	527	1,938	2,132
% of Net Requirement								
Market	70.6%	69.7%	44.5%	45.3%	75.1%	74.1%	56.6%	56.6%
Upper & Middle Intermediate Bands	11.1%	19.6%	2.1%	2.1%	9.3%	8.8%	5.4%	6.8%
Lower Intermediate Band & Social	18.3%	10.7%	53.4%	52.6%	15.6%	17.1%	38%	36.6%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%

7.13 Results from the Refresh of the ORS Research

- 7.13.1 Table 7.12 shows that the overall housing requirement across the sub-region has increased by 9.97% from 9,691 to 10,659.
- 7.13.2 Housing need, defined as social rent and intermediate tenures, has increased in absolute terms from 841 dwellings to 925 dwellings per year.
- 7.13.3 Housing need is split down as 18.5% upper intermediate tenure and 81.5% social rent & lower intermediate tenure across the sub-region. In order to create balanced sustainable communities it is recommended to keep an 80:20 split in favour of social rented dwellings for affordable housing development.
- 7.13.4 All three district councils have seen an increase in housing requirement and housing need in absolute terms. Only once in the last 5 years has the number of dwellings completed exceeded the requirement target within the housing market assessment and this is leading to an increased pressure on housing waiting lists across the sub-region.
- 7.13.5 Broadland District Council has seen a move from a need for social rented & lower intermediate dwellings to more upper intermediate tenure dwellings. This is explained by ORS as due to the original research they carried out where more households interviewed in Broadland were initially assigned to requiring lower intermediate dwellings but were close to being able to afford upper intermediate and the changes in the market have made them now able to afford this tenure.
- 7.13.6 The overall housing need as a percentage of housing requirement remains at 43.4% across the sub-region.

7.14 Changes to House Prices

- 7.14.1 When running the toolkit to further explore the scenario of a 10% increase and/or decrease in house prices the figures in 7.12 did not change. Exploring this result with ORS this can be explained by the fact that market housing covers both rent and ownership. Market rents in Greater Norwich are more affordable than owner occupation. Changing house prices by 10% still leaves market rent as being cheaper than owner occupation, so no more households can afford market housing and nothing changes in the model.

8. CONCLUSIONS

- 8.1 The construction of new homes peaked in 2007/08, and developers are wary of building in the current housing market.
- 8.2 The number of dwellings and households has grown since 2006 at a faster rate than the previous 5 years. With the onset of the recession this rate is likely to fall off in the short term.
- 8.3 By quarter 2 of 2009 house prices had fallen by 18% since their peak in quarter 3 of 2007, leaving them back at their 2006 level. Future prices will be influenced by market confidence and particularly the availability of mortgages, especially for first time buyers.
- 8.4 Private sector rents fell by 7.2% between 2006 and 2009. There is a surplus of some property types, especially flats near Norwich City Centre.
- 8.5 715 affordable homes were completed in Greater Norwich in 2008/09. It is likely that completions will be fewer in 2009/10 and 2010/11. Between April 2008 and April 2009 there was a significant increase in the number of applicants for affordable housing.
- 8.6 The overall 5 year housing requirement across the sub-region has increased by 9.97% from 9,691 to 10,659. Only once in the last 5 years has the number of dwellings completed exceeded the requirement target within the housing market assessment and this is leading to an increased pressure on housing waiting lists across the sub-region.
- 8.7 The overall housing need as a percentage of housing requirement remains at 43.4% across the sub-region. In numerical terms the annual need for affordable housing has increased from 841 to 925.

APPENDIX A

PROJECT BRIEF

This Project Brief was approved by the Greater Norwich Housing Partnership Directors' Group.

1. Steering Group

Andrew Turnbull, Norwich City Council
Keith Mitchell, South Norfolk Council
Roger Burroughs, Broadland District Council
Alison McErlain, Norfolk County Council

The Steering Group is accountable to the GNHP Directors Group.

2. Purpose

The Greater Norwich Housing Market Assessment was published in September 2007. Since then the housing market has undergone substantial changes, including:

- Property prices have fallen.
- Fewer homes are being sold.
- Mortgages are more difficult to obtain, and lenders require substantial deposits.
- Construction has decreased greatly.
- There is possibly an increase in the number of properties available for rent in the private sector.
- Mortgage problems are restricting the ability of applicants to purchase on shared ownership terms.

We need to investigate the current state of the housing market, and expectations for the short term.

The HMA used housing need data produced by ORS in its sub-regional housing need research. As the research was undertaken in 2005 and published in 2006, we need to update that analysis.

3. Resources

Finance

The local authorities no financial resources to pay for additional staff time, but some GHNP funding might be available if the Co-ordinator is not in post.

There is sufficient revenue funding in the existing budgets of the three district councils to cover costs of the project: postage, organising meetings, publishing and printing the final report. The total cost is expected to be less than £2,000. Most of the cost is likely to be incurred in financial year 2009/10.

Staff

We anticipate the following staff resources being available:

Andrew Turnbull (1 day per week for 3 months),
Keith Mitchell (2 days per week for 3 months, plus some administrative support),
The GNHP Co-ordinator (1 day per week from March 2009).

The 3 months' work by Andrew Turnbull and Keith Mitchell might not be continuous. The hours dedicated to the project will be during the period from February to June 2009.

Information Technology

ORS have supplied the ability to update certain variables used when they calculated housing need from their 2005 research. See section 5b for details.

4. Timing and Duration

This is not a comprehensive update of the full HMA, which took almost 2 years. The intention is to focus on the issues set out in section 2 above. The Steering Group wishes to take into account work currently being done for the LDF:

- EDAW research into infrastructure costs,
- SHLAA activity with regard to viability on a site-by-site basis.

Both these projects should be completed by March 2009.

Because of this we propose to begin the project in February 2009. We anticipate that it should be possible to complete the Update in about 4 months (excluding printing of the final report). Therefore the proposed timing is February to June 2009.

5. Methodology

The project divides into two exercises:

a) Investigating the Current Housing Market

The methodology for this will be a series of focus groups involving key players in the market. We propose groups of similar people and organisations so we can obtain an exchange of ideas from similar viewpoints. We believe that mixing the groups might lead to us not obtaining some relevant opinions. The focus groups proposed are:

- developers and RSLs,
- estate agents,
- mortgage lenders,
- first time buyers and financial advisors,
- private landlords and letting agents,
- Consultants, agents, land owners, architects etc.

The information to be sought will include:

- What are the most important issues for you at present?
- What are the most important factors affecting the housing market?
- What changes do you foresee during 2009?
- What will be necessary to improve the situation?
- What will you (or your organisation) be doing during 2009?
- When do you think the situation might return to something like it was before the 'credit crunch'?

There will also be group-specific questions. For instance, we will ask developers about the current financial circumstances' impact on their business plans, and we will ask potential first time buyers about their financial situation.

b) Updating the ORS Research

ORS have created a spreadsheet which enables us to vary some of the inputs in their original calculations of the tenures required to meet housing requirements.

They are:

- new households,
- dissolutions,
- social rent levels,
- private rent levels,
- house prices,
- income.

With the current uncertainties over the economy, we propose not to change assumptions about migration. We will use the latest common data for all variables – probably for about mid 2008.

The outcome of this exercise will be revised figures for the annual housing requirement, and within this:

- the number who can meet their requirement on the open market,
- the number who can meet their need through intermediate tenure,
- the number whose need can be met only through social rent.

Having established this, we will produce scenarios by analysing the impact of further changes to one variable: house prices changing by +/-10%.

6. Consultation

We will contact the members of the original Reference Group, seeking their comments on the methodology. This should also provide some members of focus groups. We will also send them a draft report for comment.

7. Outputs

The main output will be a single report incorporating the findings of the two research exercises. There will be conclusions but, as with the original HMA, there will be no recommendations.

- a) The investigation into the current housing market should provide a better understanding, and a basis for housing and planning activity.
- b) Updating the ORS calculations will provide up-to-date evidence of tenure requirements. This too will be useful for housing and planning activity.

APPENDIX B

FOCUS GROUP – ESTATE AGENTS

Venue: City Hall, Norwich (Westwick Room)

Date: 1st April 2009.

Facilitator: Keith Mitchell, Housing Strategy Manager - South Norfolk Council

Representatives Present

One estate agent

(Two more estate agents interviewed by telephone)

Q1 What are the most important issues for you at present?

- Quite simply, "Survival".
- Selling the homes we have on our books before taking on many more.
- Stringently monitoring internal processes (increasing incentives for successful sales; keeping advertising costs as low as possible, running on a 'skeleton staff').
- The need for vendors to have realistic sale prices in mind.
- Buyers not purchasing in the belief prices will further reduce. This is a particular problem with newly-marketed properties which are priced realistically.
- In the last few weeks there has been more interest from purchasers, and the number of sales has increased.
- Stamp duty is a significant factor: nobody is prepared to offer just over the current starting point of £175,000, or the 3% threshold of £250,000.

Q2 What are the most important factors affecting the housing market?

- Inflexibility of mortgage lenders (deposits required are unachievable for most purchasers, loan to value ratios are very restrictive, and some seem reluctant to lend at all).
- General lack of accessible mortgage products available.
- The knock-on impact of parents extending mortgages, in order to release equity in their homes to provide cash for children to pay deposits, is actually reducing banks' mortgage funds available to the children.
- Increasing levels of unemployment, job redundancies and a greater lack of job security is stopping people from committing to house purchases (mortgages).
- Lack of new house building. This will undoubtedly cause long-term problems due to lack of housing supply for an ever-increasing population.

Q3 What changes do you foresee during 2009?

- One person foresaw very little change within the market; another anticipated more sales than during the last few months. There is uncertainty as whether the recent increase in activity will be a 'blip' or will continue.
- Continual closure of estate agents and redundancies.

Q4 Can anything be done locally to improve the situation?

- (Possibly) local authorities providing equity loans to homebuyers.

Q5 What will you (or your organisation) be doing during 2009?

- Working much harder to secure sales!
- Encourage both vendors and purchasers to be realistic in terms of sale prices sought (not engaging with potential clients who are seeking unrealistic sale prices).
- Representing landowners via the LDF process to secure land allocations for open market housing.

Q6 When do you think the market might return to something like it was before the ‘credit crunch’?

- April 2010 (market is expected to remain static/as it currently is until then).
- There is a risk that, if demand does rise, the lack of new homes on the market might lead to rapid price increases.
- In turn, past experience indicates that competition between mortgage lenders might lead to them again lending on more generous terms.

Q7 What types of properties do you expect to be in demand as the market recovers?

- 2-bedroomed houses (and a big shortage is envisaged).
- Bungalows are always highly sought after (particularly by older clients. Noted the ageing population).

Q8 Which areas do expect to be in most demand when the market recovers?

- No specific expectations about this.

Q9 Based on past experience, would you expect the market to recover in different parts of Greater Norwich at different speeds?

- No explicit response to this question.

Q10 Are there currently any clear surpluses or shortages of property types?

- In the current climate it is more difficult to sell 3 and 4-bedroomed properties, so more of these are currently available. This trend is likely to continue during the early stages of market recovery.
- Believe sufficient numbers of flats/apartments have now been provided in the city – prices have fallen by 40+%. There is little current demand for flats. Provision of more may make the surplus worse.
- There is still demand for high quality properties from people with re-location packages, although there are fewer customers with such packages.

Q11 In the last 2 years have you noticed any changes in where purchasers are moving from? (a) from within Greater Norwich, (b) from outside Greater Norwich.

- Not specifically. What we do believe however is that currently only people who have to sell their homes are doing so (e.g. due to debt issues and needing to down-size in order to release equity to pay-off debts, or practical issues such a needing to move for employment purposes).
- We believe the majority of people who do not have to move are not doing so, most likely because they are waiting for house values to rise again.

Q11 What are your comments on the buy-to-let market?

- The private rented sector is still strong. One key reason is the increasing number of households (including first time buyers) who can afford mortgage payments, but do not have the required savings to secure a mortgage, having little choice other than to privately rent.
- There is some interest in buying from professional landlords, but no interest from people seeking to invest for retirement.

Q12 What are your views on the shared ownership / HomeBuy / subsidised sale market?

- Orbit Housing Association recognized as leading this field.
- Open market HomeBuy is popular. People are able to buy a house costing £120,000-£140,000, bypassing the flats market.
- In Norwich, with lower prices, first-time buyers who would have been interested in shared ownership are tending to buy outright now that prices are affordable.

Q13 Has the 90% Council Tax payment on empty homes had any impact?

- No.
- Compulsory Purchase likely to be the most effective way of securing the use of empty dwellings.

Other Comments

- 85% of all sales are initiated by internet advertising.
- One positive aspect of HIPs is they have reduced the number of properties advertised speculatively.
- It is likely that developers will try to re-negotiate S106 Agreements to reflect current house prices.
- Developers are unlikely to want to engage in single large-scale developments, and are likely to want to form development 'consortiums' within the sector, with each developer overseeing smaller-scale developments (100 units). More pressure is likely to be put on local authorities to lead and coordinate the master-planning process.
- Noted the unrealistic 'hope' value on brownfield sites (national planning policy prefers the re-development of brownfield sites over greenfield sites; landowners often believe their land holds a higher premium than it actually does because of this).
- Low interest rates, increasing build costs and reducing house values are all impacting on how much can be paid for land. Landowners of greenfield sites appear to be opting to retain land in order to secure a longer-term income via agricultural uses, rather than a one-off finite sale of land for housing and investment of proceeds. (Agricultural land values also appear to be increasing, therefore reducing the gap between agricultural value and open market housing land value; which in turn is causing landowners to hold on to land).
- There are big concerns within the sector that the lack of current house building will cause another market 'boom' due to the increasing lack of housing availability set against an increasing population ('people will over-pay just to secure a home'). House building must continue to increase to ensure this does not happen.
- The cost of achieving higher energy efficiency (e.g. Code for Sustainable Homes level 3) is not matched by a higher property value. This might change in future.
- There has been an impact on the private rented sector, which is growing. The number of properties available for rent because they do not sell exceeds the number of people unable to buy, so rents are falling. There is a surplus of flats available in this sector. Because flats are difficult to sell, vendors are being advised to let them for 6 months.

APPENDIX C

FOCUS GROUP – MORTGAGE LENDERS

Nobody attended this focus group. As yet we have no responses to report.

APPENDIX D

FOCUS GROUP - DEVELOPERS AND RSLs

Venue: City Hall, Norwich (Westwick room)

Date: 7th April 2009. 2pm

Facilitator: Andrew Turnbull, Senior Development Officer - Norwich City Council

Representatives Present:

3 developers

2 RSLs

Q1 What are the most important issues for you at present?

- Lack of mortgage lending.
- The high deposit requirement which creates barriers for first time buyers.
- At the bottom of the market values are less than build costs.
- Capital requirements (particularly for larger developments) for start up costs (like infrastructure) are hard to come across.
- We need to double the amount of the properties being built now to, meet the Regional Spatial Strategy target - how will this be done?
- Issues of S106 planning density requirements – too many flats. Doesn't give you the flexibility to build family homes and bungalows.
- Developers make a loss of £18k per plot for affordable housing because of fees for gas, water, electric etc) which needs to be found elsewhere; government needs to take this into consideration.
- One developer is currently getting 3 responses out of 30 from RSLs interested in buying.
- Eco houses are expensive to deliver – space, cost and general practicalities means that developers can lose double the amount per plot on affordable housing. This is particularly annoying when carbon emission could be reduced by upping insulation etc.

Q2 What are the most important factors affecting the housing market?

- See Q1.
- Shared ownership sales are not going through because of lack of mortgages and marketing.
- The requirements and importance of supplying affordable housing.
- PPS3 – the affordable homes requirement drops out other genres.
- S106 requirements for affordable housing have increased in recent years (from 15% - 40%), this racks up prices for open market properties.
- No new sites are being started and development for the future has not been foreseen as yet. However, sitting on land also incurs money so the better of two evils needs to be decided.
- 25% - 40% deposit for first time buyers is not affordable.

Q3 What changes do you foresee during 2009?

- HCA are currently using overall average to meet targets (£90k per unit and £0k per unit will average out at £45k) which is a short term fix that is likely to be addressed in the future. This effectively means that HCA grant is being put into S106 grant free schemes.
- New house sales will dictate prices and respond to the market more quickly, whether prices are going up or down.
- RSLs do not want to become developers but this is becoming more and more likely.
- Legislation requirement will then dictate grants needed by developers.
- It will be first time buyers versus house building because one of them will have to give.

Q4 Can anything be done locally to improve the situation?

- Policy needs to be consistent over Greater Norwich and it needs to be simplified, e.g. tenure definition.
- To ensure that policy isn't too prescriptive for affordable housing – more flexibility.
- RSLs should work privately more so that they can meet developers' prices, and they could just seek a local grant (unlike S106 requirement).
- County Council should not demand hectares for education etc as they are not deemed necessary and distract from affordable housing.
- Better partnership working will help us get through these times.
- Get grants on site.
- Marketing locally regarding schemes like homeownership and generally promoting other products for affordable housing,
- We need to use local valuers such as local DV or NPS rather than valuers from London etc – local knowledge for property development is vital.

Q5 What will you (or your organisation) be doing during 2009?

- The type of schemes and location etc can affect everything, therefore flexibility to provide the right package at the right time is important.
- One RSL have changed their policy three times in a year, it is important to continue versatility.

Q6 When do you think the market might return to something like it was before the 'credit crunch'?

- Predicting what will happen in the market is currently impossible.

Q7 If buyers can obtain mortgages, would developers build to meet demand, despite the lower prices?

- See Q1
- Developers are currently driven by cash flow. They need to react very quickly to market changes, but they do want to build.

Q8 What types of properties do you expect to be in demand as the market recovers?

- There is still a need for family homes – 2 bed terrace houses, 3 bed semi's and 4 bed detached (two storeys).
- Bungalows are very popular but it isn't clear if they are viable to build and if they are allowed. This is restricted due to planning minimum density requirements.
- They are avoiding flats at all costs – many are left empty around the city.
- RSL rents are determined by 1999 values – suggestion that each LA holds a register to ensure consistency.

Q9 What are RSLs' views on shared ownership? (As a product in business plan, and demand in Norfolk)?

- The banks rarely accept them for mortgages and some RSLs don't know their product.
- Developers and RSLs are more risk adverse when it comes to this product.
- Flexibility on intermediate tenures needs to be built into S106 agreements as standard.
- HCA position on those that do intermediate rent is not clear – no model.
- Back to back deals could be viable, where the developer gets buyers interest first then sell to RSLs.
- There are too many products with too many acronyms.

Q10 In the last 2 years have you noticed any changes in where purchasers are moving from? (a) from within Greater Norwich, (b) from outside Greater Norwich?

- People do not move far within Greater Norwich.
- 80% of purchases are from within Norfolk.
- Those that do migrate from outside Norfolk are generally from neighbouring counties and these are often moving to holiday towns.
- This hasn't really been measured properly.

Q11 Is the level of potential buyers' existing financial commitments having impact?

- Buyers seem to be those that have savings and are no longer making a decent interest on this fund – this is finite though.

Other Comments

- A suggestion to consider obtaining leasehold land for 100years or more from farmers etc rather than buy, as this is likely to be more appealing to some land owners who can have a regular income.
- End users should pay for the extra construction costs of eco houses, e.g. for the fuel cost they save on, half should be added to the rent.
- 2011 could see a Conservative government that may cut HCA funds. This will mean RSLs and developers will have to turn to local authorities.

APPENDIX E

FOCUS GROUP - PRIVATE LANDLORDS AND LETTING AGENTS

Venue: City Hall, Norwich

Date: 7th April 2009

Time: 5.00 pm (Westwick Room)

Facilitator: Natasha Norman, Private Sector Project Officer – Norwich City Council

Representatives present:

4 landlords

2 letting agents (plus one agent's e-mail response)

Questions Common to all Focus Groups

- **What are the most important issues for you at present?**
 - Legislation - keeping abreast of changes and remaining compliant.
 - Legislation has affected the turnover of properties – e.g. energy certificates having to be available as soon as the property is available to view.
 - Local Housing Allowance (LHA) is a deterrent for vulnerable tenants. Landlords no longer wish to take them on as they have, or are likely to get into, arrears.
- **What are the most important factors affecting the housing market?**
 - The credit crisis has effected all groups of people which has led to some tenants not paying, arrears building up and in some cases evictions, in particular -
 - Job losses in Norwich having an effect on the market e.g. Aviva,
 - Students late with payments because they can not necessarily rely on parents.
 - The energy certificate is a series of tick boxes and does not allow scope for details. One landlord has a property with electric central heating which has been found to be economical by previous tenants, yet it is deemed to be inefficient according to the certificate therefore potentially causing letting problems.
- **What changes do you foresee during 2009?**
 - Further unemployment
 - High spec. properties will be left empty for longer due to high rent.
 - Increase in properties to rent as people move out of the area for work and not wanting to sell their houses until the market improves.
 - Private landowners will not be developing.
 - The market will continue to fall in terms of house prices and therefore rent – the average terrace will be worth £100k.
 - A greater turnover of properties but no rise in house prices.
 - An increase in the number of landlords unable to pay mortgages due to not being able to secure tenants.
 - An increase in the number of properties being bought for pension/investment purposes as this is seen as a safer more secure investments as opposed to investing with the financial sector.
 - It is perceived that this type of investment will help the market.
 - A good time for professional landlords to invest more as they have capital.
- **Can anything be done locally to improve the situation?**
 - Local authority to change their policy regarding allowing LHA being paid directly to landlords.
 - We should be supplying tenants and inexperienced landlords more information about the private rented sector – rights & responsibilities, taking care of a property etc.

- Local authorities should take an unbiased view. It was felt that they often took the side of the tenant and did not collate all the facts in a dispute.
- Officers should work more closely with landlords on guidance, e.g. fire guidance, this ensures that documents are simpler and non-technical.
- Promoting tools that are available from the LA's
- **What will you (or your organisation) be doing during 2009?**
 - Investing, restructuring and regrouping to get rid of natural waste.
 - Agents believe it is a good time to invest in Norwich and there is also cheap labour available now within the building trade.
 - The Golden Triangle is doing well, so continuing in this area (students).
 - Focusing in and around the city centre where properties let more easily.
- **When do you think the market might return to something like it was before the 'credit crunch'?**
 - Early 2012?

Questions for this Focus Group

- **What is the current balance of supply and demand? Are there any variations (type, size, location, rent level etc)?**
 - A shortage of properties in Kings Lynn and Wisbech.
 - City centre is oversubscribed with flats available to rent.
 - Town houses remain fairly easy to let.
 - There is an over-supply of private rented accommodation in Norwich and the immediate suburbs, particularly for large 4 bedroom houses with rents in excess of £650 per calendar month plus some terraced houses in poorer locations.
 - Properties with a mid range rent - £600 – are still being let but the top end of the market it is increasingly difficult to rent to tenants, i.e. large detached properties. Agents/landlords have to make concessions in order to let properties.
 - The increase of rental properties on the market has forced a reduction in rental amounts.
 - The quality of secondary schools across the city is becoming a factor in terms of preferred rental location.
 - The quality of a property seems to be a key driving factor in where people want to live and is resulting in rental negotiations to secure a tenant – people are demanding more for their money.
 - There has been a slight decrease in family groups seeking 4 bedroom properties.
 - As rents have become more competitive, tenants who would have accepted the north of the city now want the Unthank Road / Golden Triangle area.
- **Have you seen a significant increase or decrease in any particular household type/size or property sought?**
 - Flats are letting well – young couples are downsizing from terraced properties to flats. In doing so, they can save up to approximately £300 per month which in turn can be saved and used as a deposit in the future.
 - Tenants downsizing are remaining with the same letting agent.
 - People living in terraced houses are now bringing in additional tenants to help with running costs/overheads.
- **Are there any particular locational trends?**
 - People are moving to properties, particularly flats, within the inner ring road so that they are close to social amenities, taxis are not then required, and also commuting is cheaper.
 - Over supply of poor quality properties in the Bowthorpe area.

- **What are your comments on the buy-to-let market?**
 - No-one reported any issues with regards to the operation of the buy-to-let market – possibly due to the low interest rates and the limited number of mortgages being granted.
 - With less experienced landlords potentially moving out of the area, agents will see an increase in the number of properties for to them to manage.
 - This market is much quieter with regard to first time landlords. Higher deposits are required and there are fewer lenders.

- **Are you aware of any changes in the student market?**
 - There has been an increase of rent arrears but agents have been fairly lenient with guarantors in allowing them time to clear student rent arrears.
 - Continues to be buoyant, but a slight over-supply led to some poor quality accommodation not being let.
 - The supply is now in excess of demand. Students and parents are being particular about standard and location.

- **What are your views on properties offered by housing associations at intermediate rents?**
 - This is having an effect as they tend to be brand new properties of an energy efficient design at a lesser rent. They are very attractive for potential tenants.

- **Have you started to regard potential tenants' financial history and/or level of debt any differently?**
 - Job security is now being taken into consideration.
 - Those on LHA are scrutinised more.
 - A more flexible view is being taken regarding some tenants' financial history, with some tenants now being considered who would not previously have met standard criteria.

- **Do you feel that the Landlord Accreditation Scheme (LAS) has benefited you as a private landlord? How?**
 - It was felt by the group that the scheme and its benefits needed to be better publicised as many landlords are not aware of the LAS.
 - Some landlords and letting agents are unaware of it in the area
 - There were concerns about the fact that it was unclear what would happen to the landlord if they did not comply with the terms of the scheme.
 - The group wanted assurance that the scheme is stringent enough, and felt that there would be better uptake if there were more incentives for landlords.
 - One landlord is currently in the process of applying for the 'warm let' grant.
 - Two other landlords are already accredited but felt more incentives were required.
 - For those who are members of a landlord association or letting association, they couldn't understand the added value that accreditation offered.
 - There seems to be too many accreditation type schemes.

APPENDIX F

FOCUS GROUP - FIRST TIME BUYERS AND FINANCIAL ADVISORS

Venue: City Hall, Norwich (Westwick Room)

Date: 8th April 2009

Time: 5.00 pm

Facilitator: Chris Hancock, Housing Strategy Officer – Norwich City Council

Representatives present:

4 first time buyers

1 Independent Financial Advisor (IFA)

Questions Common to all Focus Groups

- **What are the most important issues for you at present?**
 - Being able to access mortgage advice in layman's terms.
 - Customer service from lenders – seems to be poor across the board especially [named bank].
 - Finding the right affordable product.
 - Concern over the resale viability of properties once purchased on shared ownership or shared equity terms.

- **What are the most important factors affecting the housing market?**
 - Lack of properties for sale.
 - Mortgage products coming onto the market and being removed quickly again.
 - Deposits required by lenders are unachievable for most purchasers.
 - General lack of accessible products available for first time buyers.

- **What changes do you foresee during 2009?**
 - Generally, a slow improvement in the market.
 - An increase in redundancies, which might result in fewer properties becoming available on the open market.
 - IFA - a possible increase in inflation at the end of the year.
 - A possible lack of supply if the market recovers quickly, leading to rapid price rises (from 2010?).

- **Can anything be done locally to improve the situation?**
 - No comments on this point.

- **What will you (or your organisation) be doing during 2009?**
 - IFA – encouraging purchasers and vendors to be realistic in terms of sale prices.

- **When do you think the market might return to something like it was before the 'credit crunch'?**
 - If things continue to improve slowly, it will be 2010 at the earliest before a vendor can put a property on the market and expect to sell it.
 - IFAs believe the market will definitely recover and probably climb to beyond where it was before the current economic downturn as there is a lack of housing in general.

Questions for this Focus Group

- **What problems are first-time buyers encountering in entering the open market?**
 - The arrogance of lenders towards customers, and not explaining their reasons for declining customers – [named building society] in particular.
 - Customers not being kept up to date by lenders.
 - Poor customer service and bad rates by [named bank].
 - Valuation by surveyor for [named building society] changing without explanation.
 - Limited choice of suitable properties to buy.
 - Confusion over products available, e.g. shared equity schemes, shared ownership schemes.
 - [Named bank] will only lend on the best terms direct to their customers and this seems to be the trend across most lenders.
 - Solicitors are wanting to charge higher conveyancing fees for shared ownership schemes as it is perceived to be more complex.
 - [Named bank] had the best product but this was withdrawn from the market on 12/03/09 with only 2 days notice which resulted in a high number of applications being cancelled. This has been reported to the FSA.
 - Delay on application decisions – [named bank] will give an instant decision but [a different named bank] have a paper based application process which is resulting in a delay on decisions.
 - Estate agents breaking the code of practice by advising customers that they must use the agent's own mortgage advisor – this has been the case at [named estate agent], and it tends to be the larger agents who are the worst offenders for this.

- **Are mortgage lenders' current lending criteria realistic, or do find them over-restrictive?**
 - Over restrictive – 25% deposit seems to be the normal requirement by lenders
 - Lenders are far stricter in their underwriting now – [named bank] will not consider an applicant who has a discharged bankruptcy. Any default credit card payments or county court judgements over the last 12 months will result in a refusal by lenders.

- **Apart from mortgage availability, what do you think could make purchasing a first home easier?**
 - Specific organisations aimed at first time buyers who provide non-jargon based advice and manage the customer's expectations.
 - Decent brokers and solicitors who are realistic with their fees.

- **For those who can buy, are the desired properties available? (Type, size, location, price)**
 - Yes – now is the time to buy if people can afford to on the open market.
 - Prices are now at a level where people can afford 2 bed properties but a substantial deposit is still required.
 - No – if looking to buy via shared ownership, then no 3 bed properties are available in the Norwich area – just a few in Watton and Dereham.

- **Are there any particular problems with regard to buying low cost ownership products? (HomeBuy etc.)**
 - The process seems bureaucratic.
 - IFA – it pushes people to their financial limits.
 - Yes – flats are not a viable option due to the service charges associated with them. People are better to buy 2 or 3 bed houses, but there is a shortage of these.
 - It seems that only 2 lenders will consider this type of lending – [2 banks named].
 - It is better for people to buy a smaller percentage in a shared ownership scheme as there may be potential problems re-selling a high percentage in the future.

- **Is there a particular income band or household type which is likely to lead the recovery of the property market? (Question for financial advisors)**
 - Lenders are looking at 3 times a joint income as a guide so house prices need to be around £100k with a 10% deposit – this makes the market accessible for those on the on the average local household income of approximately £28k per annum.
 - Buy to let mortgages are still being sought by London companies buying property for investment across Norfolk.
 - Lenders are starting to reduce the percentage of deposit required, but this is only for their customers.
 - Those purchasers with an ultra-clean credit history.

- **Are Key workers seeking to buy in significant numbers? Are the right products available?**
 - No – no more so than the market in general. There are currently no special products for them.

APPENDIX G

FOCUS GROUP - CONSULTANTS, AGENTS, ARCHITACTS ETC.

Venue: City Hall, Norwich

Date: 20th April 2009

Time: 10.00 am (Earlham Room)

Facilitator: Abi Dennington-Price, Enabling Officer, South Norfolk Council

Representatives present:

1 architect

1 developer

1 land agent

2 project managers

Questions Common to all Focus Groups

- **What are the most important issues for you at present?**
 - Trying to keep work going.
 - Considering expanding non-core business activity until the market picks up.
 - The property market was in a state of panic for several months, but developers are now looking to build.

- **What are the most important factors affecting the housing market?**
 - Everybody is risk-averse.
 - The key problem is the lack of finance:
 - Mortgage products available are not what buyers need.
 - RSLs cannot re-finance, so they have limited development capacity.
 - The housing market for new homes has been quite strong in 2009 so far – sales steady but slow, but not enough to increase prices.
 - Valuations for mortgage purposes are often lower than market valuations, causing problems with loan to value ratios.
 - Land values have fallen by up to two thirds from levels 2 years ago.

- **What changes do you foresee during 2009?**
 - Prices for small houses might have bottomed.
 - Prices of flats might have further to fall – a surplus in Norwich.
 - Prices of 3 and 4 bedroom houses might have to fall further before people are willing to buy.
 - Overall, 2009 will be difficult – possibly an upturn in 2010.
 - Some developers are still building (for sale off-plan) on all their sites.
 - HomeBuy Direct will be widely available – slow interest.

- **Can anything be done locally to improve the situation?**
 - Re-negotiate S106 Agreements to reflect changed circumstances – house prices have fallen, build costs are lower, but S106 obligations cost the same, making some developments unviable.
 - Delaying the timing of S106 payments can help, especially if combined with up-front funding by the Homes and Communities Agency.
 - Reduce build costs by removing detailing, subject to planning approval.
 - The Local Development Framework could allocate more than one site in a parish. This might bring forward a small site early, rather than await the viability of a large site.
 - Work on settlement hierarchy for the LDF could lead to site allocation in villages – more opportunities for sites to be developed.

- **What will you (or your organisation) be doing during 2009?**
 - Constant review of activity.
 - Long term land assembly.
 - Dealing with Local Development Framework issues.
- **When do you think the market might return to something like it was before the 'credit crunch'?**
 - No predictions.

Questions for this Focus Group

- **What are the current issues with regard to the supply chain from land assembly to site completion?**
 - Some sites will be very expensive to get off the ground. One site requires £5 million infrastructure plus a S106 obligation of £4 million at an early stage. The only way to proceed would be for someone (e.g. Homes & Communities Agency) to take on a substantial share of the risk.
 - It is not possible for RSLs to lead the recovery because they do not have sufficient finance. Some are accelerating acquisitions to take advantage of the current market – if re-financing is not possible; there might be very little affordable housing development in 3 years time.
- **Are land owners holding back on releasing land for development? If so, why?**
 - 'Half of Norfolk is available!' Farmers are offering land.
 - Some landowners are opting to hold on to land in anticipation of land values increasing again (finite supply).
 - Agricultural land values stopped rising in 2008 when American purchasers ceased to be interested in buying.
 - Developers are not taking up greenfield options because sites are not viable.
 - Some brownfield sites remain undeveloped because their commercial development value exceeds housing development value (because of S106 requirements on housing sites).
 - 'Developers will not buy sites to mothball them.'
 - Few land owners are forced to sell, so they will await the recovery of the market.
- **What are your views on future land supply and values?**
 - Some land assembly is taking place.
 - Activity is cautious and much smaller scale – looking at site for 10-20 dwellings.
- **Based on past experience, would you expect the market to recover in different parts of Greater Norwich at different speeds?**
 - No opinion expressed.
- **Are you or your clients planning and designing housing schemes differently – in terms of your target market – to schemes (say) 5 years ago? If so, why and how?**
 - Developers want to build family houses - 2, 3 & 4 bedrooms – 2 storeys at medium density.
 - They do not want to build any flats if possible. On high density sites it is not possible to change property types.
- **Other Comments**
 - Concerted government action is required to make financial institutions provide funding for the housing industry. The government's recent talk has not yet become action.

- The current situation might have an impact on site selection in the Local Development Framework. In the past developers have proposed sites, having already investigated their viability (infrastructure availability, flood risk, ecology etc). Their financial circumstance means that many sites put forward have not had this assessment, so site allocation decisions might have to be made with limited availability of facts on which to base the decision.
- The Code for Sustainable Homes is having a design/density impact – fewer homes will fit on a site which achieves Level 3 or 4.