

Housing Market Assessment for Merthyr Tydfil CBC



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B.Line *Housing Information*

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Final Version

Index

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Chapter 1 Introduction

A brief description of Merthyr Tydfil

Situated on the border of the Brecon Beacons the administrative area of Merthyr Tydfil extends 14 miles through the Taff Valley, taking in the Taff Bargoed Valley at Bedlinog, from the Brecon Beacons National Park in the north to Trelewis in the South. At its widest the Valley is 5 miles across its administrative area of 55 square miles, makes it the smallest Unitary Authority in Wales.

Merthyr Tydfil County Borough is bordered to the north by Powys, to the south and west by Rhondda, Cynon Taff and to the east by Caerphilly. The main population centre is concentrated in Merthyr Tydfil itself but the area also contains a number of villages including Troedyrhiw, Aberfan, Bedlinog and Treharris.

While much of the urban areas and the surrounding villages have been built on the flood plain of the River Taff, many homes were constructed on the slopes of the river valley. The town's heritage and history are closely linked to the iron industry. The built fabric of Merthyr Tydfil has been created over many years and past industrial activity - particularly the 19th Century iron industry - left the County Borough with a rich heritage ranging from imposing bridges and viaducts to more humble workers cottages. The County Borough has 3 Conservation Areas and over 200 Listed Buildings and Ancient Monuments.

The area has experienced considerable structural economic change over the last twenty years. The largest sector of the County Borough's economy - mining and mineral extraction industries - have effectively been wiped out as a result of changes to international markets and the electricity supply industry. Consequently, levels of employment in Merthyr Tydfil declined significantly. Manufacturing and public administration now account for almost two thirds of employment and both are focused upon a relatively small number of employers.

Merthyr Tydfil is well served in terms of transportation links. The town of Merthyr Tydfil is served by a main line train service from Cardiff. Merthyr Tydfil sits on the junction of two key "A" roads, the A470 north-south link which runs from Cardiff to Llandudno and the A465 Heads of the Valleys road. The presence of both the railway and the road system mean that Merthyr Tydfil is relatively easy to access and to commute from, which offers the area many advantages over neighbouring valleys, and reinforces Merthyr Tydfil's position as the regional centre for the Valleys.

Much of the private sector housing stock pre dates 1919, constructed as private rented homes and much of it was until relatively recently part of the private rented sector. A significant proportion of post-1919 stock in the area was constructed by the local authority. There is relatively limited supply of new homes although the extent of new development has increased in recent years.

The role and purpose of the Housing Market Assessment

"Local housing assessments are a crucial part of the evidence base for preparing Development Plans and local housing strategies"¹

This housing market assessment, which has been undertaken by Simon Inkson of Simon Inkson Ltd and Bob Line of B.Line Housing Information, serves a number of purposes:

¹ Welsh Assembly Government – Local Housing Market Assessment Guide. March 2006

- to enable national and regional bodies to develop a long term strategic view of housing demand and need;
- to inform national and regional spatial strategies;
- to enable the local authority and key stakeholders to think spatially about the nature and influence of the housing markets in respect to the local area;
- to provide robust evidence to inform policies aimed at providing the right mix of housing across the whole market – both affordable and market housing;
- to provide evidence to inform policies about the level of affordable housing required;
- to support the local authority to develop a strategic approach to housing through consideration of housing need and demand in all sectors of the market and by providing an assessment of the key drivers and relationships within the local housing market; and
- to draw together the strands of evidence required for local authorities to appraise strategic housing options.

Ultimately the main aim of the study is to ensure that by basing policy upon evidence and intelligence gathered during the housing market assessment the local authority, key local and regional stakeholders adopt the most effective and appropriate policy solutions which in turn achieve the most cost effective use of public resources.

The study was initially completed in June 2009 and used as evidence to support the Council's Affordable Housing Policy, contained within the Local Development Plan (LDP). During the LDP examination in December 2009 the Inspector recommended that the Council revised the Affordable Housing Policy and as part of this process the Local Housing Market Assessment was updated and revised. The report was completed in February 2010.

Approach to undertaking the local housing market assessment

This study draws upon a variety of data sources to describe the local housing system and establish a picture of housing need and estimates for the level of affordable housing required in the area. The data sources used include the following:

- 2001 Census
- National Statistics
- Registrar General's Mid Year Population Estimates
- The Welsh Assembly Government's 1997 House Condition Survey
- CACI Paycheck data for Merthyr Tydfil
- The Council's 2008 Private Sector Stock Condition Survey
- Homelessness trend data from the Data Unit Wales website and from Merthyr Tydfil CBC
- Land Registry House Price Data
- Data from Hometrack on house valuation and sales prices
- Data from the Welsh Assembly Government's Social Justice Report
- Data from the Department of Work and Pensions
- Data from the Department of Communities and Local Government
- Data from the Workers Registration Scheme, held by the Local Government Association
- Information from the Council's Local Development Plan
- Information from the Joint Housing Land Availability Study
- Information from the Council's Affordable Housing Delivery Statement
- Information from the Welsh Index of Multiple Deprivation 2008
- Information from various Council databases, including Council Tax, Housing Benefits, Housing Register and the Integrated Housing Management system

- Information from Merthyr Valleys Homes Housing Association, Merthyr Tydfil Housing Association, Hafod Housing Association and Wales & West Housing Association on housing stock, lettings and demand for housing

In addition to using quantitative data sources the assessment undertaken by the consultants also relies upon a number of face-to-face interviews with key stakeholders. A range of stakeholders were selected both from within the Council and from external agencies, who could provide useful information about trends within the local housing system.

Key stakeholders from within the Council who were interviewed during the project were as follows:

- Chris Edwards & Craig Watkins (Planning)
- Robert Davies, Nicola Aubrey, Paul Bartz & Julia Oliver (Housing Services)
- David Dier (Public Protection)
- Mark Taylor (Estates)

A range of key stakeholders from outside of the Council were interviewed during the project, these were as follows:

- Karen Dugate, Gail Scerri & Debbie Perszon (Merthyr Tydfil Housing Association)
- Richard McQuillan & Myles Utting (Hafod Housing Association)
- Jenny Williams (Wales & West Housing Association)

Interviews were also held with the following estate and lettings agents located in Merthyr Tydfil:

- Darlows Estate & Lettings Agents
- Lynsdale Property Management, Lettings Agent
- Peter Alan Estate & Lettings Agents
- Weathersby Estate & Lettings Agents
- Derek Phillips Estate Agent
- Bairstowe Eves Estate and Lettings Agents
- Martin & Co Ltd, Lettings Agent

Each stakeholder provided contextual information that was set alongside the quantitative data to either describe the local housing system or describe the impact of external drivers of change on the housing market in Merthyr Tydfil. The authors wish to thank those stakeholders who participated in the research for the housing market assessment.

The assessment was also informed by discussions held with private sector house builders and their representative in May 2009. The following were involved in the discussions:

- Richard Price (House Builders Federation)
- Rhys Davies (Redrow Homes)

The assessment has draws on guidance produced by both the Welsh Assembly Government² and the more recent guidance produced by the Department of

² Welsh Assembly Government (2006) *Local Housing Market Assessment Guide*. WAG, Cardiff.

Communities and Local Government³ to establish projections for the level of affordable housing required in the area.

The structure of the Housing Market Assessment Report

The document is divided into a series of chapters, which follow the structure proposed in the guidance mentioned above.

Chapter 2 highlights the demographic and economic profiles of the area and recent changes in the population and economy of the area.

Chapter 3 provides a description of the housing market in the locality, in terms of the area as a whole and the 3 housing submarket areas used during the study. The chapter moves on to provide a description of trends within the housing market and identifies key issues for policy makers.

Chapter 4 provides a description of key indicators of future demand in the housing market, including the following:

- population and household structure
- economic factors
- affordability issues
- supply issues

The chapter concludes by drawing out key themes for policy makers.

Chapter 5 provides information about existing and future housing needs in the locality, considers the future supply of affordable housing in the area and estimates the requirement for affordable housing in the area.

Chapter 6 focuses on the role of the private rented sector in meeting housing needs in the area.

Chapter 7 focuses on the housing requirements of specific groups in the population, where their needs have been identified.

Chapter 8 provides a summary of the key findings from the Housing Market Assessment.

The report will refer to three housing submarket areas throughout, which are based on the three key areas in the LDP:

- The Primary Growth Area (Merthyr Tydfil)
- Secondary Growth Area (Treharris and Trelewis)
- Other Growth Areas (Mid Valleys Communities)

The geography of these three housing submarket areas correspond with the geography of the 3 housing market types found in the South East Wales regional housing market study undertaken in 2005⁴. The Merthyr Tydfil housing submarket area corresponds with the geography of the “Heads of the Valleys” housing market type, the Mid Valleys Communities housing submarket area corresponds with the geography of the “Mid Valleys” housing market type and the Treharris and Trelewis

³ Department of Communities and Local Government (2007) *Strategic Housing Market Assessments: Practice Guidance*. HMSO, London

⁴ Inkson, S, Line, B, Smith, R, and Stirling, T (2005) *The South East Wales Regional Housing Market Study*, The Regeneration Institute, Cardiff University, December 2005

housing submarket area matches the geography of the “North of the M4 corridor” housing market type.

The Merthyr Tydfil housing submarket area contains the following electoral divisions:

- Vaynor
- Dowlais
- Gurnos
- Penydarren
- Town
- Park
- Cyfartha
- the communities of Pentrebach and Abercanaid from the Plymouth electoral division

The Mid Valleys Communities housing submarket area contains the following electoral division and communities:

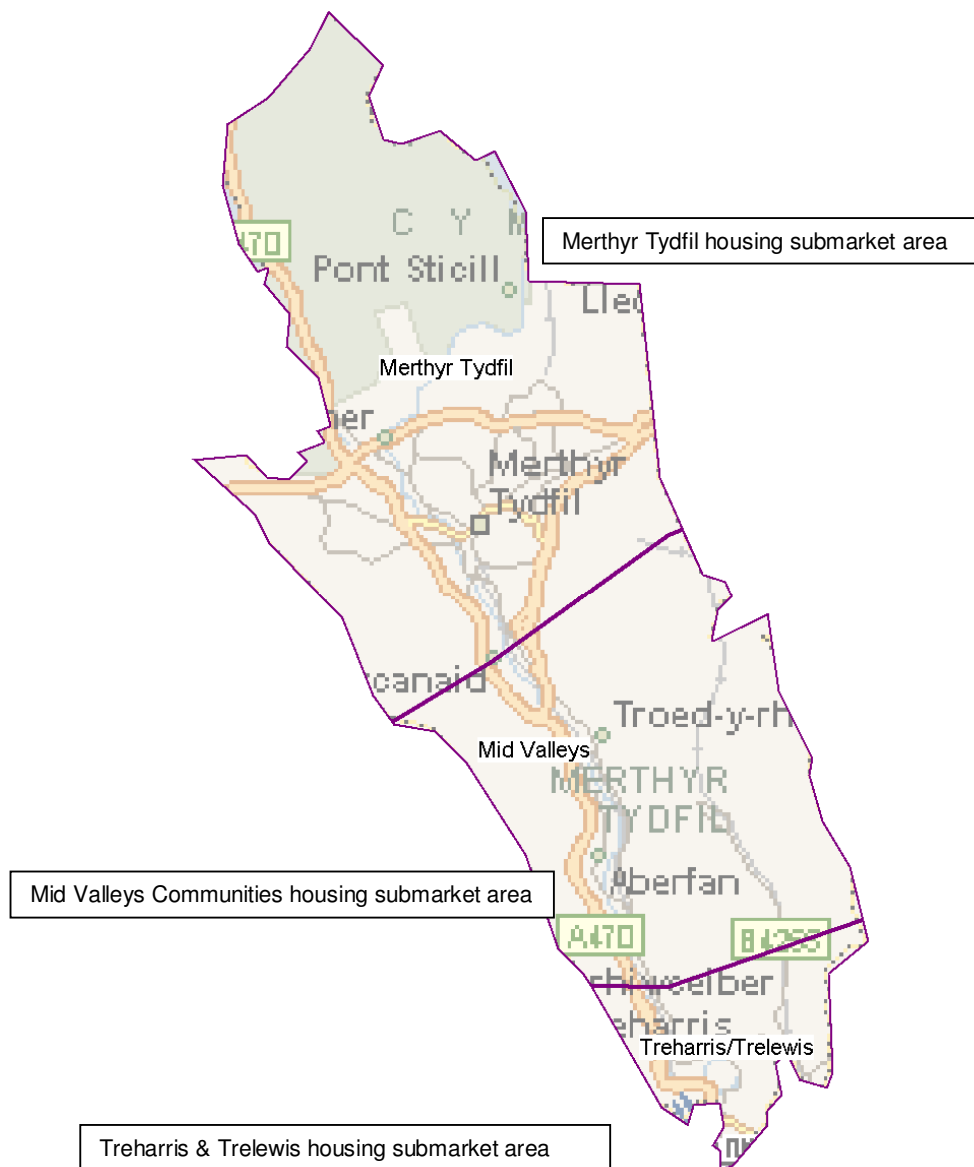
- Merthyr Vale
- the Troedyrhiw community within the Plymouth electoral division
- the Bedlinog community within the Bedlinog electoral division

The Treharris and Trelewis housing submarket area contains the following electoral division and community:

- Treharris
- the Trelewis community within the Bedlinog ward

The housing submarket areas used in the study are shown in figure 1.

Figure 1. Housing sub-market areas used in housing market assessment



This version of the LHMA is a revision undertaken in January 2010 following discussion at the Examination in Public of the Local Development Plan and subsequent meetings with officers of the Local Authority and various stakeholders, including developers, representatives of private landlords, and housing associations.

The estimates of need have been revised, taking out inclusion of the private rented sector as meeting housing need, in accordance with discussion at the Examination in Public.

It is notable in this revision how far the housing market had changed even during the six months or so since the first published version of the LHMA. The trend of in-migrations has stopped and reversed and income levels have fallen slightly. House prices have fallen further in Merthyr Tydfil such that entry level prices are now within the reach of more household if they are able to obtain mortgages. Mortgages have

been rationed and restricted severely in the wake of the credit crunch and whilst this trend has eased a little the reason for this are linked in complex ways with the availability of deposits through intergenerational wealth transfer. There are also now some sales at very low prices⁵, suggesting the possibility of the return of low demand for housing in localised patches.

The housing market is now so dysfunctional and volatile that it has become even more difficult to estimate needs, demand and viability, and to build an evidence base which is valid for even a reasonable time on which to plan. This has been widely recognised by expert opinion⁶, research and in a High Court case⁷ on Planning.

The result is that policy can only provide the most general framework for Planning, but must remain flexible and adaptable to changing conditions, to develop methods, techniques, tools and monitoring mechanisms to be able to assess market, conditions needs, demand, and to consider plans and proposals on an ongoing, and site by site basis, and not seek to apply any 'one size fits all' solutions.

This will require new ways of working and understanding the housing market as a system, which are already developing but have further to go to keep up with increasingly rapid changes in reality.

⁵ as low as £15,000 -£30,000

⁶ <http://www.bshf.org/published-information/publication.cfm?lang=00&thePubID=4FF3F1F7-15C5-F4C0-99959BAD3ED44A50>

⁷ <http://www.bailii.org/ew/cases/EWHC/Admin/2009/3208.html>

Chapter 2 – Demographic and Economic Context

Introduction

This chapter of the housing market assessment will provide information about the demographic and economic profile of Merthyr Tydfil.

Demographic profile of Merthyr Tydfil

At the time of the 2001 Census the area had a resident population of 55,981, who lived in 23,145 households. This figure represents a decline of just under 4,000 on the population recorded ten years previous in the 1991 census. The decrease in the resident population of Merthyr Tydfil during the 20th Century is linked to the economic decline in the area, with the closure of indigenous industries. Since the 2001 Census it is estimated that the population of the area has continued to reduce to 55,600 in 2005. Table 1 shows the Registrar Generals mid year population estimates for Merthyr Tydfil between 2001-2007. This shows that the rate of population loss has slowed in recent years and in the year 2006-07 the population of Merthyr Tydfil was estimated to have grown.

Table 1. Registrar Generals Mid Year Population Projections for Merthyr Tydfil 2001-2007. Source ONS Registrar General's Mid Year Population Estimates for Merthyr Tydfil

	Population at start of period	Live births	Deaths	Natural change	Net migration & other changes	Total change	Population at end of period
2001-02	56,200	600	700	100	-200	-300	55,900
2002-03	55,900	600	700	-	-100	-200	55,700
2003-04	55,700	600	600	-	-100	-100	55,600
2004-05	55,600	700	700	-	-	-	55,600
2005-06	55,600	600	600	100	-200	-100	55,500
2006-07	55,500	700	600	100	-	100	55,600

Table 2 shows the change in population in each of the electoral divisions in Merthyr Tydfil between the 1991 and 2001 Census. The Treharris ward at the southern most point of the County Borough is an area that has in the recent past reversed this trend, with significant in-migration linked to the development of new housing and the proximity of the ward to major communication routes. Vaynor and Park wards also experienced growth between 1991 and 2001, related to construction activity. Gurnos ward lost the greatest numbers during the period, which was linked to the areas relative unpopularity and clearance activity on the social housing estate.

Table 2. Population change between 1991 and 2001 by electoral division in Merthyr Tydfil. Source ONS Census 2001

Wards in Merthyr	1991	2001	Population Change
Bedlinog	3,625	3,401	-224
Cyfarthfa	6,726	6,142	-584
Dowlais	7,320	6,646	-674
Gurnos	6,350	5,045	-1,305
Merthyr Vale	4,298	3,932	-366
Park	4,193	4,286	93
Penydarren	5,476	5,252	-224
Plymouth	5,285	5,005	-280
Town	6,646	6,545	-101
Treharris	6,036	6,241	205
Vaynor	3,362	3,478	116
Total	59,317	55,973	-3,344

Table 3 shows the change in population in each of four sub areas used for the purposes of this study between 2006 and 2007. This shows that the Merthyr Tydfil

area after losing population between 2001 and 2006 experienced growth between 2006 and 2007. Similarly the Treharris and Trelewis area experienced growth between 2006 and 2007 after experiencing a loss of population between 2001 and 2006. The Mid Valleys Communities area experienced a loss of population throughout the period 2001 to 2007.

Table 3. Population change in housing market sub areas between 2001 and 2007. Source. ONS registrar General Mid Year Population Estimates

Sub Area	2001	2006	2007	Net gain/loss
Merthyr Tydfil	39,552	39,445	39,541	-11
Mid Valleys Communities	8382	8119	8077	-305
Treharris and Trelewis	8273	7966	8001	-272

The 2001 Census established that Merthyr has a proportionately younger population than Wales as a whole, and this is reflected in both the mean and median average age in the area being 1 year less than Wales. Table 4 shows the age profile of the population, compared with the all Wales age profile. Both the mean and median average is lower than the Welsh figure as a result of the shorter life expectancy of people living in Merthyr when compared with other areas in Wales. The average life expectancy of males and females born between 2005 and 2007 in Merthyr Tydfil was 75.5 and 79.4 years, compared with the Wales average of 76.7 and 81.1 years and the England and Wales average of 77.5 and 81.7 years.⁸

Table 4. Population Profile in Merthyr and Wales. Source ONS Census 2001

Age Range	Merthyr	Wales
Percentage of population aged 0 - 9	12.63	12.17
Percentage of population aged 10 – 15	8.88	8.06
Percentage of population aged 16 – 24	10.56	10.89
Percentage of population aged 25 – 44	27.35	26.6
Percentage of population aged 45 - 59	19.18	19.62
Percentage of population aged 60 – 75	13.99	14.37
Percentage of population aged 75+	7.41	8.29

At the time of the 2001 Census the population of Merthyr Tydfil was overwhelmingly white. 98.9% of residents described themselves as white compared with the all Wales proportion of 97.87%. Table 5 below shows the numbers of people from different ethnic groups living in the area at the time of the 2001 Census.

Table 5. Population of Merthyr Tydfil by Ethnic Background Source ONS Census 2001

Ethnic Group	Number
White British	54,785
Irish	200
Other White	432
Mixed Black Caribbean	30
Mixed Black African	10
Mixed Asian	56
Mixed Other	39
Indian	142
Pakistani	73
Bangladeshi	13
Other Asian	41
Black Caribbean	10
Black African	24
Other Black	7
Chinese	90

⁸ Source. Life expectancy at birth (years), England & Wales 1991–93 to 2005–07.

http://www.statistics.gov.uk/downloads/theme_population/LE_EW_2008.xls#E&W at birth!A1

Other ethnic group	29
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In Merthyr the resident BME communities show a marked difference with BME communities elsewhere in Wales, in that there are high levels of owner occupation, lower levels of private renting, higher proportions of BME groups in professional and managerial occupation groups 1 and 2 and higher car ownership rates when compared with the population in Merthyr as a whole.

Table 6 shows the household profile in Merthyr Tydfil. Almost 10% of households in Merthyr Tydfil, consisted of a lone parent with dependent children. This was the highest rate in Wales and compared unfavourably with the all Wales figure of 7.3%. In addition a greater proportion of non-dependent children live with their parents than the all Wales average.

Table 6. Household types in Merthyr and Wales Source ONS Census 2001

Household Type	Merthyr Tydfil	Wales
Single Pensioner	15.48%	15.46%
Single Person Other	13.40%	13.69%
Couple Pensioner	8.30%	9.62%
Couple no dependent children	14.48%	16.94%
Couple with dependent children	20.9%	20.83%
Couple with non-dependent children	7.73%	6.86%
Lone parent with dependent children	9.64%	7.28%
Lone parent with non-dependent children	3.96%	3.36%
Other household types	6.02%	5.98%

In 2006, Merthyr Tydfil had a significantly higher rate of conceptions amongst women aged under 18 than the Wales average (the second highest rate in Wales) with a rate of 56.8 conceptions per 1000 women aged under 18 years of age, compared with the Wales rate of 44.9 conceptions per 1000.⁹

The 2001 Census also showed high rates of long term limiting illness, high perceptions of poor health and high rates of unpaid care provision in Merthyr, when compared with both England and Wales. Table 7 shows the populations perceptions of its health and the proportion of the population providing unpaid care.

Table 7. Health in Merthyr Tydfil 2001. Source ONS Census 2001

Proportion of All People	Merthyr Tydfil	Welsh Average	Eng & Wales Rank/376	Welsh Rank/22
Limiting long-term illness	30.0%	23.3%	2	1
General health 'not good'	18.1%	12.5%	1	1
People providing unpaid care	12.6%	11.7%	9	6
Providing unpaid care 50 or more hrs/wk	3.9%	3.1%	3	2

30% of the population considered that they had a long term limiting illness (the highest rate in Wales and the 2nd highest rate in England and Wales). 18% of the population described their health as "not good" (the highest rate in both England and Wales). 12.5% of the population provide unpaid care to family, friends and neighbours, with 3.8% providing unpaid care for 50 hours each week (the second highest rate in Wales, and the third highest rate in England and Wales).

Other sources of data demonstrate the poor health of the population of Merthyr. Mortality rates in Merthyr were the second highest in Wales and more than 50% more than the area with the lowest mortality rate (Ceredigion). Merthyr's population had:

⁹ Source. <http://www.statswales.wales.gov.uk/TableViewer/tableView.aspx?ReportId=3343>

- a high incidence of cancer in the resident population (the incidence of cancer in males and females at 557 per 100,000 males and 508 per 100,000 females was above the Welsh average of 536 per 100,000 males and 494 per 100,000 females)
- higher than average levels of respiratory disease (levels of respiratory disease were marginally higher than the Welsh average)
- a high level of mental ill health (the proportion of adults being treated for mental illness at 13% was the second highest in Wales and substantially above the Welsh average of 9%)
- the highest proportion of adults being treated for arthritis in Wales (22%, compared with the Welsh average of 14%)
- high levels of low birth weight babies (9.2% of babies born in Merthyr had a low birth weight compared with the Welsh average of 7.6%)¹⁰

The 2001 Census also showed that Merthyr compares poorly with England and Wales in terms of education attainment. 43.9% of the population aged 16 to 74 have no formal educational qualifications compared with the all Wales figure of 33% (the 2nd highest proportion in Wales, and 4th highest in England and Wales). 11.6% of the population had been educated to degree level or higher compared with the all Wales figure of 17.4% (the 2nd lowest ranking in Wales and within the lowest decile in England and Wales). Merthyr also has a poor record in terms of educational achievement with the lowest level of 15 year olds achieving 5 GCSE's at grade C or above, and has consistently done so since 1999.¹¹

The 2001 Census provided information on surrogate indicators of deprivation, economic activity rates and rates of permanent sickness in the population in Merthyr.

- 35.1% of households do not own a car (the highest rate in Wales) and compares very unfavourably with the all Wales average of 26%.
- 48.6% of the population aged 16 to 74 were in employment (the lowest rate in Wales and the 4th lowest rate in England and Wales), this compares with the Welsh average of 55.2%.
- 15.9% of the population were permanently sick or disabled (the highest rate in Wales and the 2nd highest rate in England and Wales), this compares with the Welsh average of 9.2%.
- 4% of the population were unemployed (the 4th highest rate in Wales), compared with the all Wales average of 3.5%.

One third of children aged below 16 years of age in Merthyr are living in a home that is dependent upon income support. This is a higher rate of child poverty than any other area in Wales. In Merthyr six of the 11 electoral wards have Communities First status, as do five sub ward areas within the remaining 5 wards.

The Welsh Index of Multiple Deprivation 2008 (WIMD) shows that Merthyr Tydfil has a higher proportion of Lower Super Output Areas (LSOA's) in the most deprived 10% than any local authority area in Wales. 31% of LSOAs in Merthyr fall within the 10% most deprived LSOAs in Wales. 81% of LSOAs in Merthyr fall within the 50% most deprived LSOAs in Wales.¹²

¹⁰ Source: Statistical Focus on Social Justice in Wales 2006. Welsh Assembly Government <http://wales.gov.uk/docrepos/40382/40382313/statistics/comp-2006/930030/fsj2006-health-e.pdf?lang=en>

¹¹ Source: Statistical Focus on Social Justice in Wales 2006. Welsh Assembly Government <http://wales.gov.uk/docrepos/40382/40382313/statistics/comp-2006/930030/fsj2006-education-e.pdf?lang=en>

¹² Source: Welsh Index of Multiple Deprivation 2008: Local authority analysis. Welsh Assembly Government 2008 <http://new.wales.gov.uk/statsdocs/compendia/wimd08/authority/wimd08lapt6e.pdf>

In recent years there has been a growth in the number of migrant workers residing in Merthyr Tydfil, working in the local health trusts, local privately run care homes and manufacturing industries in Merthyr itself and other local authority areas. Table 8, using data from the Department of Work and Pensions (DWP) shows that 1,680 migrant workers from abroad were living in Merthyr Tydfil at the time of their registration, over 50% of whom moved to Merthyr from the A8 accession states. As there is no requirement to deregister from the scheme the data provides information on inflows only.

Table 8. NI registrations of non-UK nationals by World area of origin in Merthyr Tydfil 2002 to 2007. Source DWP

Year	World Area of Origin							
	European Union	EU Accession States	Other European	Africa	Asia and Middle East	The Americas	Australasia and Oceania	Unknown
2002	60	-	-	-	20	-	-	-
2003	90	-	-	10	20	-	-	-
2004	230	20	10	-	40	10	-	-
2005	70	250	-	10	70	10	-	-
2006	20	270	-	10	30	-	-	-
2007	20	380	10	-	20	-	-	-
Total	490	920	20	30	200	20	0	0

The Workers Registration Scheme (WRS) provides more detail on workers from the A8 nations. Workers from A8 Accession states are required to register when starting employment in the UK. The WRS provides data on workers who registered to work with employers who are based in Merthyr Tydfil between May 2004 and December 2008. Table 9 shows that 810 workers from A8 nations registered to work with employers in Merthyr Tydfil, just under 95% of whom came from Poland.

Table 9. Workers by nationality registered with the Workers Registration Scheme in Merthyr Tydfil May 2004 to December 2008. Source: LGA

Czech Rep	Estonia	Hungary	Latvia	Lithuania	Poland	Slovakia	Slovenia	Total
0	0	30	0	0	765	10	0	810

Table 10 shows the age profile of A8 nationals who registered to work in Merthyr Tydfil between May 2004 and December 2008, 76% of whom were aged under 35.

Table 10. Age of workers registering with Workers Registration Scheme with employers based in Merthyr Tydfil May 2004 to December 2008. Source LGA

<18	18-24	25-34	35-44	45-54	55-64	65+	Total
0	375	240	110	65	5	0	810

More recent data on migration to and from the UK¹³, shows that:

- the number of NINO's allocated to non-UK workers in the year to June 2009, reduced by 15% when compared with the year to June 2008;
- the number of NINO's allocated to workers from A8 Accession states in the year to June 2009, reduced by 36% when compared with the year to June 2008; and,

¹³ ONS (2009). Migration Statistics: Quarterly Report No 3: November 2009

- the number of workers from A8 accession states successfully applying to join the workers registration scheme in the year to June 2009, reduced by 41% compared with the year to June 2008.

This reduction in the number of foreign workers entering the UK is likely to be a consequence of the recession, as there are fewer opportunities for migrant workers in the UK. At the time of writing this report updated local data on migrant workers was not available but there is anecdotal evidence from discussions with lettings agents who suggest that the reduction in the number of foreign workers coming to the UK is also being experienced in Merthyr Tydfil.

Economic profile of Merthyr Tydfil

Merthyr Tydfil has experienced considerable structural economic change over the last twenty years. What was the largest sector of the area's economy (mining and mineral extraction industries) have effectively been wiped out. The former presence of these industries have left the population with a legacy of poor health and the elimination of the industries have left the area with a high rate of male unemployment.

The 2001 Census provided details on the socio-economic classification of the population of Merthyr Tydfil shown in Table 11 below..

Table 11. The Socio Economic Classification of the Population of Merthyr compared with Wales Source ONS Census 2001

Socio Economic Classification	Merthyr	Wales
Higher Managerial Occupations	1.71%	2.18%
Higher Professional Occupations	1.99%	3.73%
Lower Managerial & Professional Occupations	13.06%	16.05%
Intermediate occupations	7.67%	8.01%
Lower supervisory and technical occupations	7.30%	7.80%
Semi routine occupations	12.39%	12.25%
Routine occupations	12.69%	9.94%
Never worked	4.53%	2.74%
Long term unemployed	1.44%	1.09%

A significantly lower proportion of the population are employed in managerial occupations than the Wales and the English average. A greater proportion of the population are engaged in semi routine or routine occupations than both the English and Welsh averages. The proportion of the population who have never worked is almost twice the Welsh and English average.

Tables 12 and 13 provide information about economic activity and inactivity. In Merthyr Tydfil, Wales and Great Britain, and show that:

- a lower proportion of the resident population of Merthyr Tydfil is economically active;
- a lower proportion of the economically active population in Merthyr Tydfil are in employment;
- a lower proportion of the economically active population of Merthyr Tydfil are self employed;
- a greater proportion of the economically active population of Merthyr Tydfil are unemployed;
- a greater proportion of the economically inactive population do not want a job

Table 12. Economic Activity in Merthyr Tydfil 2007-08. Source NOMIS

Population	Merthyr Tydfil	Merthyr Tydfil (%)	Wales (%)	GB (%)
Economically active	25,700	73.5	75.8	78.8
In employment	24,000	68.5	71.3	74.5
Employees	21,700	62.0	61.9	64.8
Self employed	1,800	5.1	8.9	9.3
Unemployed	1,900	7.4	5.8	5.3

Table 13. Economic Inactivity in Merthyr Tydfil 2007-08. Source NOMIS

Population	Merthyr Tydfil	Merthyr Tydfil (%)	Wales (%)	GB (%)
Economically inactive	8,900	26.5	24.2	21.2
Wanting a job	2,800	8.4	6.5	5.6
Not wanting a job	6,100	18.1	17.7	15.6

As a consequence of lower rates of economic activity, a reliance on routine and semi routine occupations the average income in Merthyr Tydfil is lower than the UK and Wales average.

However, this snapshot of economic activity and inactivity does not paint a complete picture of the situation in Merthyr. Figures 2, 3, 4 and 5 suggests that whilst Merthyr Tydfil still lags behind Wales and the rest of the UK in terms of key economic indicators, it appeared to be closing the gap until the current recession. However, the economy of Merthyr Tydfil would appear to have been affected to a greater extent than the rest of Wales and the Britain by the recession.

Figure 2 shows the proportion of the working age population who are economically active between 1999 and 2009 and demonstrates a significantly greater rate of growth in Merthyr Tydfil when compared with the Wales and British average. However, since the onset of the recession the proportion of the working age population in Wales and Britain has remained fairly static, the proportion of the working age population of Merthyr Tydfil who are economically active has reduced.

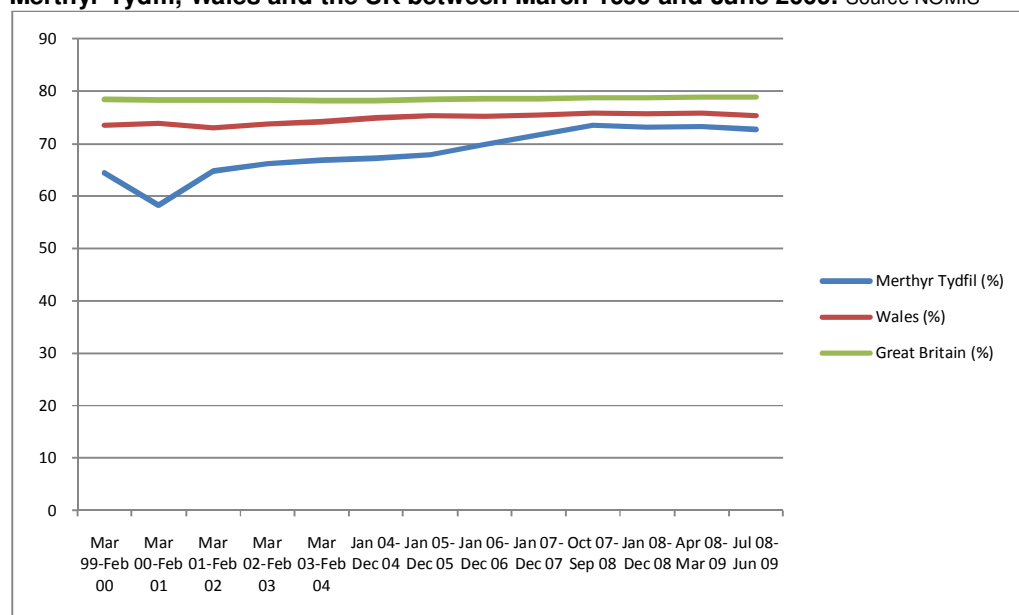
Figure 2. Proportion of the working age population who are economically active in Merthyr Tydfil, Wales and the UK between March 1999 and June 2009. Source NOMIS

Figure 3 shows the proportion of the economically active population who are in employment between March 1999 and June 2009. This shows that Merthyr had closed the gap with the rest of Wales and Britain until June 2008. Since that time employment rates amongst the economically active population of the Merthyr Tydfil have dropped from 69.4% to 65.9%.

Figure 3. Proportion of economically active population in employment in Merthyr Tydfil, Wales and the UK March 1999 to June 2009. Source NOMIS

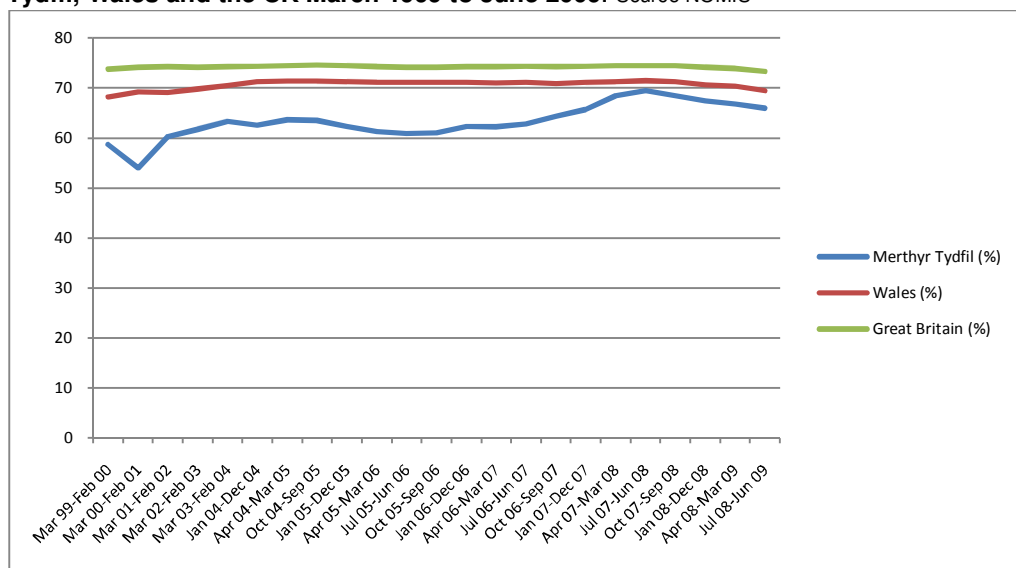


Figure 4 shows the proportion of the working age population who are reliant on key out of work benefits. Whilst the proportion of the working age population in Wales and Britain reliant on such benefits declined between 1999 and February 2008 in both Wales and the rest of the UK the rate of reduction was significantly lower than that of Merthyr Tydfil. However, since August 2008 the rate of increase in the proportion of the working age population in Merthyr Tydfil who are in receipt of key out of work benefits has been greater than that experienced in the rest of Wales and Great Britain.

Figure 4. Proportion of the working age population in receipt of key out of work benefits in Merthyr Tydfil, Wales and the UK between March 1999 and June 2009. Source NOMIS

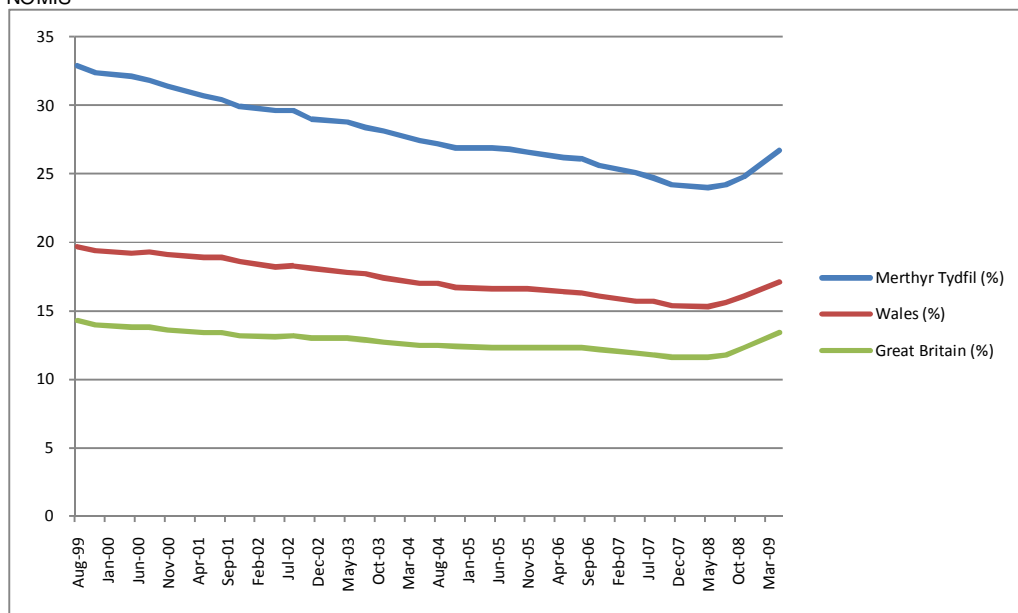
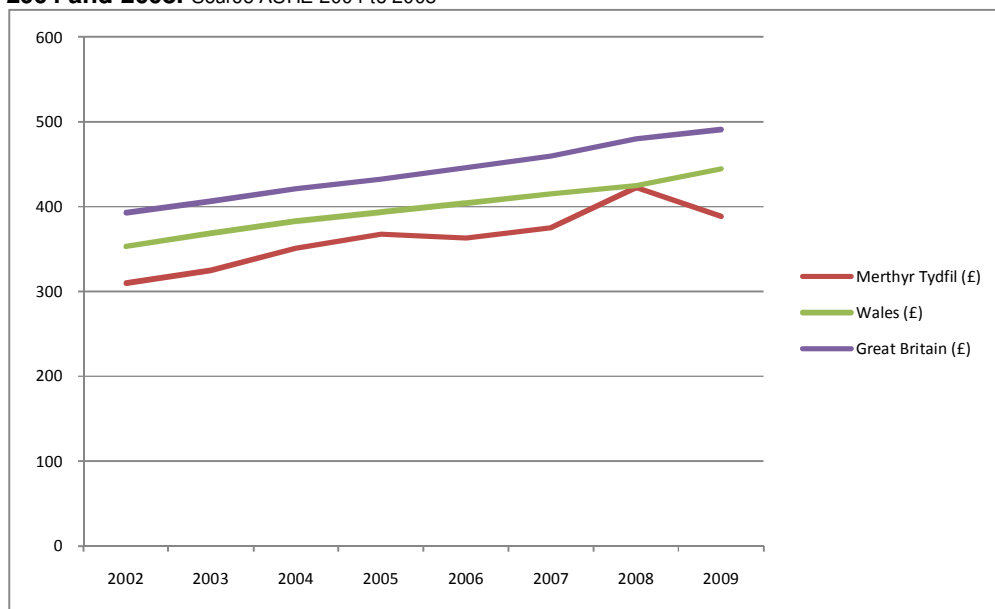


Figure 5 shows the median weekly gross income of workers resident in Merthyr Tydfil compared with the average Welsh and British weekly median gross incomes between 2004 and 2009. This shows that again median incomes in Merthyr started off at a lower level than Welsh and British median gross weekly incomes but that incomes in Merthyr grew at a faster rate than those elsewhere, matching the Welsh median gross weekly income in 2008. However, since 2008 and the loss of well paid permanent jobs in the local area the median average weekly take home pay of full time workers has reduced by 8%.

Figure 5. Median gross weekly incomes in Merthyr Tydfil, Wales and the UK between 2004 and 2008. Source ASHE 2004 to 2008



The total number of jobs in Merthyr Tydfil increased in the period between 1995 and 2007 from 17,341 to 22,700, just under 24% growth, compared with the Welsh and Great Britain average job growth rate over of the same period of 14% and 13% respectively. However, between 2007 and 2008 the total number of employee jobs in Merthyr reduced by 3.1%, compared with a reduction of 0.5% in Wales and increase of 0.3% in Britain.

It would appear that the effects of the recession have been more keenly felt in the local economy of Merthyr Tydfil, when compared with the Wales and Britain wide datasets. The loss of jobs, increase in households reliant on key out of work benefits and reduction in median average take home pay will have a consequent impact on the housing market of Merthyr Tydfil.

Chapter 3 – The Housing Market

Introduction

This chapter will:

- provide information about housing in Merthyr Tydfil;
- provide a description of the three housing submarket areas within the local housing market;
- provide a commentary on current trends within the local housing market; and,
- identify key issues for policy makers

Housing in Merthyr Tydfil

In 2001 there were 23,145 homes in Merthyr. Compared with the rest of Wales, Merthyr has 6% fewer households living in owner occupied accommodation and 26% more of its population living in social housing. Table 15 shows the proportion of homes in each tenure group in 2001 compared against the overall figures for Wales.

Table 14. Housing Tenure in Merthyr. Source ONS Census 2001

	Owner occupied	Social Housing	Privately Rented
Proportion of households in each tenure type in Merthyr	67.11%	22.85%	10.05%
Proportion of households in each tenure type in Wales	71.32%	17.9%	10.77%

Table 15 below shows the ownership of housing stock of each of the social landlords who own and manage property in the area.

Table 15. Social rented housing stock ownership. Source data provided by each landlord

Landlord	Merthyr Valleys Homes	Merthyr Tydfil HA	Wales and West HA	Hafod HA	Aelwyd HA
Stock	4,117	1,21	423	172	20

The housing stock of the area reflects the past patterns of development in the locality. The area's rapid development as a metal working and mining town in the nineteenth century and its subsequent decline in the 20th Century means that it has a significantly older housing stock than elsewhere in Wales. Table 17 shows the age of Merthyr's housing stock across all tenures in comparison to the Welsh average.

Table 16. Age of Housing Stock. Source 1997 Welsh House Condition Survey WAG

1997 Welsh House Condition Survey Findings	Pre 1919	1919-144	1945 – 1964	Post 1964
Age of Housing in Merthyr	45.4%	10.3%	15.8%	27.8%
Age of Housing in Wales	32%	13.9%	20.5%	33%

The Council's 2008 Private Sector House Condition Survey further illustrates the age of the housing stock of the area stating that 53.9% of private sector homes were built before 1919.

In Wales the house type that has the highest rate of unfitness is terraced housing, mainly because much of it was built before 1919. Table 18 shows the types of accommodation in Merthyr and the proportion of the housing stock that they represent, compared with the Welsh average.

Table 17 Types of Accommodation. Source 1997 Welsh House Condition Survey WAG

1997 Welsh House Condition Survey Findings	Terraced	Semi - detached	Detached	Flats
Types of Housing in Merthyr	59%	27%	7.7%	4.7%
Types of Housing in Wales	34%	33.4%	22.8%	8.7%

Merthyr has significantly more terraced housing than the Welsh average, and substantially less of the other types of housing.

The area has a significantly greater rate of unfitness within its terraced housing stock than the Welsh average. At the time of the 1997 Welsh House Condition survey, Merthyr had the highest rate of unfitness in this type of accommodation (16.9%) than any other local authority in Wales. Table 19 shows the rate of unfitness by accommodation type in Merthyr and Wales.

Table 18. Types of Housing and Unfitness Source Welsh House Condition Survey WAG

1997 Welsh House Condition Survey Findings	Terraced	Semi - detached	Detached	Flats
Unfitness rate by type of housing in Merthyr	16.9%	7.7%	0.8%	6.2%
Unfitness rate by type of housing in Wales	11.4%	6.8%	6.1%	9.5%

The rate of unfitness amongst owner occupiers in Merthyr was almost twice the national average (13% compared with 7.6%), and whilst the rate of unfitness in the social housing sector and the privately rented sector were greater than the Welsh average the gap between the national average and Merthyr was not as pronounced. It is therefore no surprise to find that at the time of the 1997 Welsh House Condition Survey, Merthyr had the highest rate of unfitness of any local authorities in Wales, with 12.5% of the housing stock unfit compared with the Welsh average of 8.5%.

Stock Condition Surveys commissioned by the Council shows that the investment of both public and private resources in the improvement of the private sector housing stock of the area, and in particular the policy of targeting concentrations of poor quality housing through the use of Renewal Areas, has done much to improve the quality of private sector homes in the area. The 2004 Survey measured unfitness in the private sector at 8% and the 2008 survey found that the rate of unfitness had subsequently reduced to 4.9%.

The 2008 Stock Condition Survey estimated that 39% of private sector homes across Merthyr had a Category 1 hazard (using the statutory Housing Health and Rating System), and that 80% of these category 1 hazards were due to the presence of excess cold hazards.

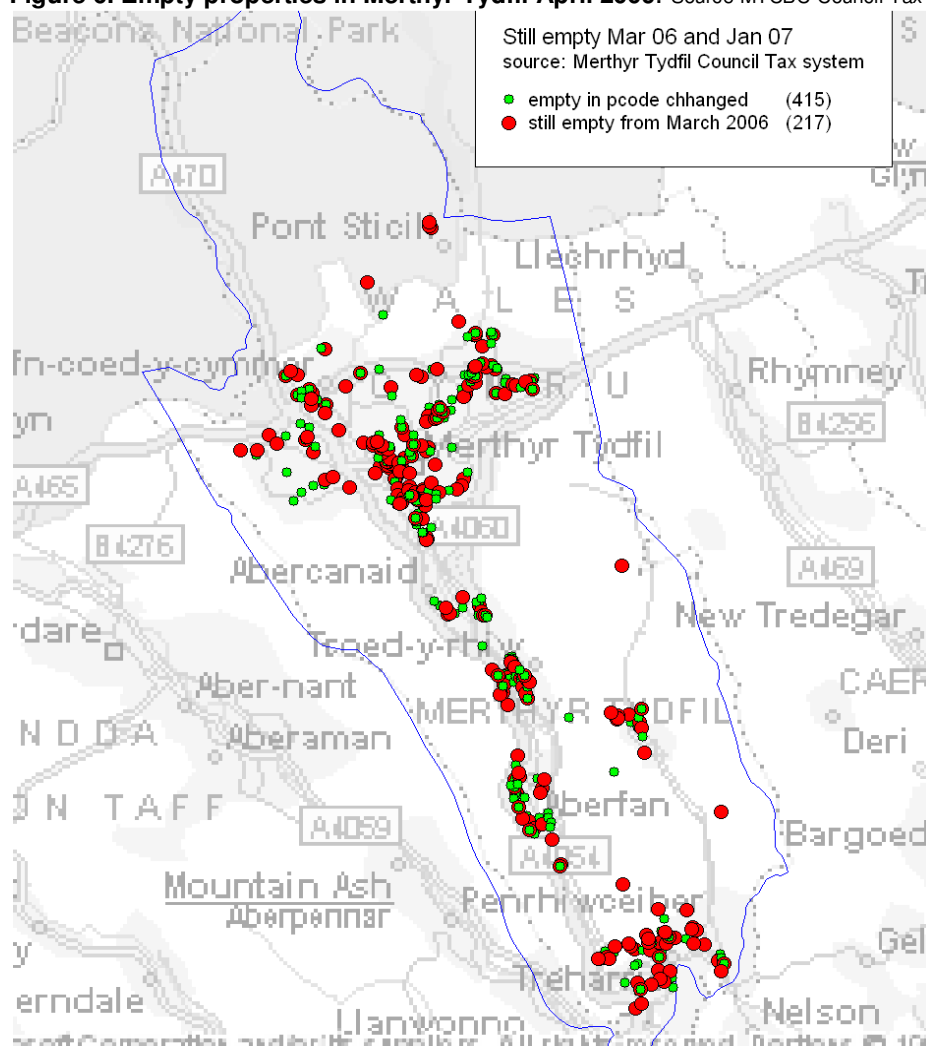
The number of empty properties in Merthyr Tydfil is slowly reducing. Table 20 shows the empty properties in Merthyr, drawn from the Council Tax database.

Table 19. Empty properties in Merthyr Tydfil. Source MTCBC Council Tax

Year	Number of Empty Homes
2001	1391
2006	1200
2007	1238
2008	1455
2009	1206

Figure 6 shows the distribution of empty homes in April 2009, which would appear to be fairly evenly distributed across the Borough.

Figure 6. Empty properties in Merthyr Tydfil April 2009. Source MTCBC Council Tax



Of these empty properties:

- 611 are long term empty properties (i.e. empty for over 6 months)
- 10% of the long term empty properties have been empty since 2004 or earlier

The 2004 and 2007 Housing Market Assessments commissioned by the Council indicated that there was continuing growth in the private rented sector in Merthyr Tydfil. This is borne out by the findings of the 2008 Private Sector House Condition Survey which estimates that 14.2% of the private sector stock is rented (2,883 properties) compared with the 2001 Census figure of 10% of all homes were privately rented (2,326 properties).

The Houses in Multiple Occupation (HMO) survey published by the Council in March 2003, identifies approximately 140 HMO's in Merthyr, which constitute 22% of the private rented housing stock in the County Borough. The survey found that:

- 63% were 3 storeys or over

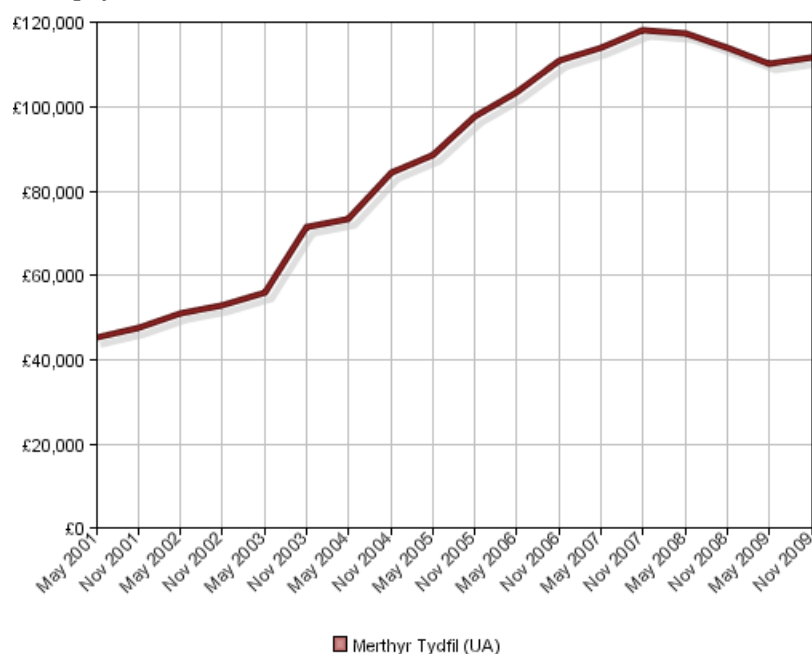
- 4% had major failings with regard to facilities
- 63% had inadequate means of escape
- 18% failed to comply with the furniture fire safety regulations
- 25% needed action in relation to management issues
- 11% were unfit and a further 12% were in disrepair

The survey also found that 21% of occupants of HMO's in Merthyr could be described as vulnerable, and that a further 10% of occupants were migrant workers from Portugal.

House prices in Merthyr are generally lower than elsewhere in Wales and the UK but between 2000 and 2007 house prices increased significantly, the average house price, shown by figure 7 increased by 182%. However since their peak in February 2008 house prices in Merthyr Tydfil have reduced significantly. Figure 7 is based on sales price and mortgage valuation figures and shows a slight up turn in values towards the end of 2009. Land Registry data for 2009, which records purchase price only, show the mean average house price in Merthyr Tydfil was £94,669 and the median average house price was £82,000.

Figure 7, Average house prices in Merthyr Tydfil 2000 to November 2009.

Average price



Note

The chart shows the average property price over time for all types of housing in the area selected. Small sample sizes can distort the price over time in some areas. The data for this analysis is based on data from Hometrack's Automated Valuation Model.

Metadata

Source	Hometrack
Timespan	Dec 2000 to Nov 2009
Last updated	Dec 2009
Data level	Local Authority

As at April 2009 there were 26,006 residential dwellings in Merthyr Tydfil. Table 21 shows the rate of construction between 1999/00 and 2007/08. This shows that the

average rate of construction over the last 9 years has been 133 units a year, which has been surpassed in 2007-08 and 2008-09 despite the recession and its impact on the construction industry.

Table 20. House completions in Merthyr Tydfil 1999/00 to 2008/09. Source Joint Housing Land Availability Report. Welsh Assembly Government.

Year	Number of Completions
1999 – 2000	166
2000- 2001	119
2001- 2002	49
2002- 2003	102
2003- 2004	137
2004- 2005	144
2005- 2006	112
2006- 2007	133
2007- 2008	243
2008 - 2009	191

Housing Market sub areas and their characteristics

As stated in Chapter 1, this study divides the housing market in Merthyr into 3 housing submarket areas, these are:

- the Merthyr Tydfil housing submarket area
- the Mid Valleys Communities housing submarket area
- the Treharris and Trelewis housing submarket area

Table 21 shows the mean and median average household incomes of households in Merthyr Tydfil in each of the 3 housing submarket areas and the electoral divisions that comprise each area. Using the median average figures as representative of the mid point of all points in each area, the table shows considerable variation between the housing submarket areas with the highest and lowest median incomes Treharris and Trelewis (£25,511) and the Mid Valley communities (£21,866). The Merthyr Tydfil housing submarket area contains wards which show the greatest variation in median incomes, ranging from £18,467 in Gurnos to £26,211 in Cyfartha.

Table 21. Average household income by housing market sub area and electoral ward in Merthyr Tydfil. Source CACI Paycheck

Sub Area	Ward	Mean average	Median average
Merthyr Tydfil		£25,177	£22,494
	Vaynor	£28,253	£25,150
	Dowlais	£25,193	£22,488
	Gurnos	£20,253	£18,467
	Penydarren	£23,030	£20,711
	Cyfartha	£29,397	£26,211
	Park	£26,728	£23,860
	Town	£23,535	£20,950
Mid Valley Communities		£24,432	£21,866
	Plymouth	£25,150	£22,389
	Bedlinog	£25,302	£22,749
	Merthyr Vale	£23,058	£20,769
Treharris and Trelewis		£28,584	£25,511
	Treharris	£28,904	£25,766

A description of each housing submarket area and the neighbourhoods that they contain is provided below. The description draws upon a range of sources of data, including Land Registry data on average house prices. The sample in some wards

were small which meant that average house prices can vary significantly from year to year.

The Merthyr Tydfil housing submarket area

The Merthyr Tydfil area is comprised of the following electoral divisions:

- Vaynor
- Dowlais and Pant
- Gurnos
- Pennydarren
- Cyfartha
- Park
- Town

In addition the area also includes one third of the Plymouth electoral division, including the communities of Pentrebach and Abercanaid.

Vaynor – the area of Vaynor has a significantly higher proportion of detached and semi-detached homes than the Merthyr average and consists of mainly owner occupied housing. It contains the communities of Trefechan and Cefn Coed. Trefechan has a high proportion of detached and semi-detached homes, whereas the urban core of Cefn Coed has a high proportion of terraced homes. The area is predominantly owner occupied. It also contained some of the most modern housing stock in the area with only 35% pre dating 1919. The area generally has low rates of unfitness and high income levels. However, the Council's 2004 Private Sector Stock Condition Survey found high levels of disrepair and fuel poverty amongst older households in Cefn Coed, resulting in the housing stock in Vaynor ward being ranked 5th worst in the locality.

In 2008 Vaynor had a median average annual household income of £25,150 the 3rd highest level of income in the locality.

Cefn Coed and Trefechan are also described as good locations to sell and let private sector homes, a consequence of the fact of the areas proximity to the Brecon Beacons. In terms of letting social housing the area is described as popular and easy to let homes in, with the exception of accommodation designated for older people in Trefechan, these difficulties being related to the quality of public transport services to the area.

The area is described as one of high demand where property sells quickly. The average house price in the area in 2009 was £89,060, the eighth highest in the area. This represents a continuing reduction on the average house price in the area when compared with the 2007 and 2009 studies, and this we assume is related to the fact that high value homes are particularly difficult to sell at present.

The area has recently seen new housing developed in Trefechan area and the Trefechan area is expected to yield a further 100 new homes in the medium to longer term.

Dowlais – the area includes the electoral division of Dowlais which contains the communities of Dowlais and Pant. The area is predominantly owner occupied but with a substantial social housing sector which is concentrated in the more urban parts of the area. The more rural parts of the area contain some detached and semi-detached homes but the area can be characterised as containing a significant proportion of terraced homes. In terms of household types, the more rural parts of the

area appeared to contain more mature families, whereas the more urban areas appear to contain young and older households.

The areas housing stock is old, 64% predates 1919 and 75% of the homes in the area were terraced properties. The Council's 2004 Private Sector House Condition Survey found that 11% of the homes in the area were unfit. The condition of homes in the area was ranked third worst in Merthyr Tydfil by the survey. The area of Dowlais forms a Renewal Area, established in 2003 in response to the poor housing conditions found there.

The older parts of Dowlais were previously described as one of the most difficult areas to sell and let homes in, as they contain the housing that is oldest, generally in poorest condition and smallest in size. This perception of the area has changed with demand for owner occupied homes, social rented homes and privately rented homes being described as strong. The area would appear to have a growing private rented sector. Demand for rented accommodation in the area is reported to be high, in part from migrant workers who are employed at two major employers who are based in Dowlais, St. Merryn Meat and OP Chocolate. However, we were advised by one Letting Agent who has a substantial portfolio in the Dowlais area that demand for private rented housing in the area had reduced and that relet times for homes in the area have lengthened recently. This is thought to be a consequence of a reduction in the number of foreign workers employed in factories in the Dowlais area.

The median average annual household income in the Dowlais and Pant area was £22,448, the sixth highest in the locality. The average house price in the area in 2009 was £88,414 the ninth highest average price in the locality.

The area has seen some new development at Japonica Drive and is likely to see substantial new development over the medium to longer term. Two key sites will provide in the region of 540 new homes over the medium to longer term. The Foundry site, whilst heavily contaminated, is in the process of being marketed as "Project Heartland" which will provide a site for approximately 440 new homes and the site adjacent to the Old Forge will yield a further 100 new homes.

Gurnos – this area comprises the Gurnos electoral ward which incorporates the large social housing estate in Gurnos and the modern private development at Lakeside Gardens. The area is dominated by the Gurnos housing estate with 52% of households living in social housing and only 35% living in owner occupied housing at the time of the 2001 Census.

The age of the housing stock is relatively modern with only 4% of the stock predating 1919, the majority of the social housing estate being constructed in the post war era. The area contains a broader mix of property types than most other areas.

In terms of the age profile of the population, there is an even distribution of age groups.

The area has the lowest annual household income in the locality, with a median average annual household income of £18,467. The average house price in Gurnos in 2009 was £77,875 was the lowest in the locality.

Gurnos was previously described as a difficult to let estate but would appear to be gradually losing this label as a result of action undertaken by the Council and Merthyr Valleys Homes to improve the estate and housing market change. Demand for social housing is described as relatively strong and difficult to let housing is now restricted

to one or two specific streets. The difficulty in letting properties in these streets relates to design issues such as a lack of defensible space. However, social housing lettings on the Gurnos estate constitute a substantial proportion of the social housing lettings in the County Borough and the estate is still blighted by its reputation as a 'problem estate'. This means that many households in housing need who live outside of the community of Gurnos are unwilling to move into the area, despite offers of good quality, secure social housing.

Whilst estate agents and lettings agents stated that house prices and rental returns were lower in Gurnos than elsewhere, they reported reasonably strong demand. Demand for housing in the Lakeside Gardens development was said to be strong.

Whilst the area has seen little new development since the completion of the Lakeside Gardens development, the Penydre School Playing Fields site in Gurnos should yield over 250 new homes over the medium to longer term

Penydarren – this area comprises the electoral ward of Penydarren. The area contains a broad mix of housing in terms of tenure with 62% of households living in owner occupied housing, 27% living in social rented housing and 5% in private rented accommodation. 70% of the homes in the area are either terraced or converted flats, and the housing stock is relatively modern with only 58% of the stock pre dating 1919.

The area can be divided into two distinct halves. The southern half is an area of private sector housing and was considered to be one of the more popular areas to sell and let housing.

The northern half is an area where social housing dominates. The area of Hillcrest is judged as difficult to let as a consequence of the topography of the area and the design of bungalows purpose built for older people. One street on the Galon Uchaf estate has been stigmatised as a problem area for some time and is as a consequence difficult to let. Whilst these factors have an impact on the popularity of parts of the social housing stock in Penydarren, the Galon Uchaf estate generally experiences high rates of demand.

The median average annual household income in Penydarren was £20,771, the second lowest income level in the locality. The average property price in Penydarren in 2009 was £79,744 the second lowest average price in Merthyr Tydfil.

There are two small development sites in Penydarren that are estimated to yield in the region of 50 new homes in the medium to longer term.

Cyfartha – the Cyfartha ward can be divided into two distinct parts. First the area of Swansea Road and second the part of the ward close to the town centre. The Swansea Road area incorporates the social housing estates at Swansea Road and Twyncarmel and the Beacon Heights and Castle Park areas, both of which contain good quality new housing.

The Swansea Road area has been described as an area with reasonably strong demand for social housing, although the popularity of streets varies considerably. Wales and West Housing Association report moderate levels of demand for their development at Twyncarmel, which they consider is affected by the distance from the centre of Merthyr Tydfil and poor public transport connections.

The area is one where there has been substantial recent development. In the year to April 2008, 109 homes were constructed in this part of the ward (this is 44% of the total construction in the County Borough). The new homes developed by local builders and volume housebuilders have been extremely popular and are reportedly relatively easy to sell. Demand for renting the larger modern homes being developed in the area tends to be mixed with some lettings agents reporting rapid relet times and other reporting slow relet times.

The more central area of the ward is described as one of the better locations to sell and let private sector homes. All social landlords report strong demand for social housing in the area. The area contains a mix of older terraced and semi detached properties. In terms of population the area has a more mature population with fewer younger people, greater numbers of people of working age and a significant proportion of older persons.

The areas median average annual household income of £26,211 in 2008 was the highest in the locality. In 2009 the average house price in Cyfartha ward was £85,263, a significant reduction on prices reported in previous studies and the ninth highest in the area.

The ward has a number of development sites which are expected to yield in the region of 500 new homes over the medium to longer term.

Park – the Park electoral division is more urban and has a greater proportion of terraced homes than Cyfartha ward. The area is predominantly owner occupied but has a substantial proportion of social rented homes.

The area has a relatively low rate of unfit and was described as one of the better locations to sell and let private sector homes, particularly the Georgetown area which comprise larger 3 bed terraced homes. The areas popularity is in part related to its proximity to the centre of Merthyr Tydfil. Social landlords reported strong demand for social housing in the area.

The median average annual household income in Park ward in 2008 was £23,860 was the fourth highest in the locality. In 2009 the average house price in the area was £100,798, a substantial reduction on the average price reported in the 2009 study although it is the 2nd highest average price in the locality.

The Park electoral division has only one small development site that is expected to yield in the region of 20 homes in the medium term.

Town – this area is comprised of the communities of Town, Penyard, Thomastown and Twynrodyn. The area is predominantly owner occupied with 75% of households occupying owner occupied housing, 15% occupying social housing and 7% living in private rented accommodation. The area can be divided into two distinct parts in terms of house types. In the eastern (suburban) part of the area the most common house types are detached and semi detached homes whilst in the central (urban) part of the area flats and terraced homes predominate.

The private sector stock condition showed that the area has a relatively old housing stock with 60% of homes pre-dating 1919 and enjoyed the 6th best house conditions in the private sector.

The area had a mature population with fewer younger people, an average proportion of people of working age and a significant proportion of older people.

In 2008 the median average annual household income in the area was £20,950, the 8th highest in the locality.

Town was described as a good place to sell and let homes. Two areas, Thomastown and Lower Town were described as the two best places to sell terraced housing in Merthyr Tydfil, not only because of the proximity to the Town Centre but also due to the fact that the homes in the area are generally three bedroom terraced properties. The Bradley Gardens development was identified as being one of the easier areas to sell new homes in the locality. In terms of social housing demand was reported as strong for all property types in the area.

In 2009 the average house price in the area was £99,899 a substantial reduction on the average sale price reported in the 2009 study, and the third highest average house price in the locality.

There has been fairly substantial development on three sites in the area, which yielded 64 homes in the year to April 2008. These sites are expected to yield a further 240 homes in the medium to longer term.

Plymouth 3 LSOA is also located within the Merthyr Tydfil housing submarket area. This area contains the communities of Abercanaid and Pentrebach which have been the focus of industrial, commercial and residential development in recent years. The area has excellent road and rail links and the potential for mixed development, including some residential, on the site of the Hoover factory.

The Mid Valley Communities housing submarket area

The Mid Valley Communities area contains the following communities and electoral divisions

- Troedyrhiw
- Merthyr Vale electoral division
- Bedlinog

Troedyrhiw – the area of Troedyrhiw comprises two thirds of the electoral division of Plymouth. The area has a broad tenure mix with the majority of households living in owner-occupied housing, a sizeable social housing sector and small private rented sector.

The predominant house type in the area is terraced housing. The 2004 Private Sector Stock Condition Survey showed that 75% of the housing stock in the area pre-dated 1919, that 9% of homes were unfit in the area. The house conditions in Troedyrhiw were found to be the 4th poorest of the 11 electoral divisions in Merthyr Tydfil.

In terms of the population Troedyrhiw has a more mature population with fewer young people, a greater than average proportion of people of working age and a greater than average proportion of older persons.

The median average annual household income in the Plymouth ward in 2008 was £22,389, the 7th highest in the locality. In 2009 the average house price in the Plymouth ward was £90,379 the 6th highest in the locality.

In terms of the private sector housing, the southern most part of Troedyrhiw was previously described as one of the most difficult areas to sell homes, as a result of perceptions about crime levels in the area and the nature and quality of the housing

stock that contains many two bedroom cottages. There is some small scale, self build development activity in the Troedyrhiw area and one small development site is expected to yield approximately 10 units over the medium to longer term. Demand for private sector housing was described as coming from either within the communities or from outside of Merthyr Tydfil.

In terms of social rented housing the Troedyrhiw area was described as a popular area.

Merthyr Vale – this electoral division comprises the communities of Merthyr Vale and Aberfan. At the time of the 2001 Census 68% of households lived in owner occupied housing, 20% occupied social rented housing and 9% lived in private rented housing.

The predominant house type in the area was terraced housing. The 2004 Private Sector Stock Condition Survey found that 81% of the homes in the area were either terraced houses or converted flats and that 79% of the homes in the area pre-dated 1919. The area had an unfitness rate of 11% and overall the condition of private sector homes in Merthyr Vale was ranked as the poorest of all of the electoral divisions in Merthyr Tydfil.

In terms of private sector housing Merthyr Vale and Aberfan were described as two of the most problematic to sell homes in. This was seen as a consequence of the age of the housing stock, the size and quality of the homes themselves, the quality of the local environment, the lack of facilities and poor transport connections (despite a rail service connecting the communities with Merthyr and Cardiff). The Council established a Renewal area in Merthyr Vale and Aberfan in 2001. There are two sites which will provide approximately 200 new homes, the former Colliery site which will provide 120 new homes and 80 semi-detached and link properties with associated flood defence work will replace 110 housing association properties at Taff and Crescent Streets.

In terms of social housing, landlords stated that demand for housing in the area was relatively strong and the area contained a settled and established community. Lettings and estate agents identified one or two streets in the area where they encountered problems selling and letting homes.

In terms of the population the area has fewer young people and an above average proportion of people of working age and a lower proportion of older persons. The median average annual household income in 2008 in the Merthyr Vale area was £20,789, the 3rd lowest in the locality. In 2009 the average house price in the Merthyr Vale area was £95,718, the 4th highest in the locality. This represents an 18% growth in average house prices in the ward, when compared with average house prices in 2008.

Bedlinog – this area comprises the community of Bedlinog. At the time of the 2001 Census 75% of households in the area lived in owner occupied housing, 15% occupied social rented housing and 8% lived in privately rented housing.

The housing stock in the area of Bedlinog is more mixed than other areas within the Mid Valleys housing submarket area, although the 2004 Private Sector Stock Condition Survey suggested that 59% of homes in the area were terraced houses or converted flats. The survey found that 65% of the housing stock predated 1919 and that 11% were unfit. The Private Sector Stock Condition Survey found that the housing conditions in the area were the second poorest in Merthyr Tydfil. In terms of

the population the area has fewer young people and an above average proportion of people of working age and a lower proportion of older persons.

The median average annual household income in 2008 in the Bedlinog electoral division £22,749 the 5th highest in the locality. In 2009 the average house price in the Bedlinog electoral division was £98,817, the 3rd highest in the locality.

The Bedlinog area was reported by estate agents as having neither any specific problems in respect of the selling and letting of private sector homes, nor any specific advantages. One of the disadvantages of the area stated by estate agents was that Bedlinog had a restricted market, demand for housing only came from those who lived there.

In terms of social housing in the area, landlords described Bedlinog as a settled and self-sustaining community. Hafod Housing Association reported difficulties from time to time letting flats at its sheltered housing complex, and reported that a sizeable proportion of lettings were made to households who were moving into the area.

Treharris and Trelewis housing market sub area

The Treharris and Trelewis area comprises the electoral division of Treharris and the community of Trelewis (part of the Bedlinog ward).

Treharris - at the time of the 2001 Census 79% of households in the area lived in owner occupied housing, 12% occupied social rented housing, 7% lived in privately rented accommodation and 2% lived in accommodation provided rent-free. The area of Treharris has a more mixed housing stock than other areas within the locality.

The Private Sector Stock Condition Survey shows that the age of the housing stock in Treharris was relatively newer than the other Valley communities with 57% of the housing stock pre dating 1919. The survey found that 58% of the housing stock is either in the form of terraced houses or converted flats. The survey found an unfitness rate of 7% and the area enjoyed the fourth best housing conditions of the 11 electoral wards in Merthyr Tydfil. Trelewis, which is geographically close to Treharris is described as a well established and settled community.

Development has continued in the Quakers Yard area of Treharris and sites in both Treharris and Trelewis are expected to yield approximately 90 new homes over the medium to longer term.

In terms of the geographical distribution of ages within the population, the more modern homes developed in the Quakers Yard community have attracted young families hence the relatively youthful nature of the population in this area, in contrast with the relatively older nature of the population in the core of Treharris. In areas where terraced homes predominate higher proportions of people of working age and older people are present. The Treharris electoral division had a median average annual household income of £25,766, the second highest in the locality.

Treharris and Trelewis were seen by estate agents as one of the better locations in Merthyr Tydfil to both sell and let homes. This is a consequence of a number of factors:

- the mix of housing in the area, particularly the new developments around Quakers Yard;
- the quality of the local environment; and
- the areas proximity to excellent transport connections both north south and east west.

The average house price in the Treharris/Trelewis area in 2009 was £116,500 the highest in the locality.

There is a thriving private rented sector in Treharris, the result of speculative investment with lettings agents reporting strong demand for rented properties and a growing supply of property to let. In terms of social housing in Treharris and Trelewis, social landlords report that properties are easy to let and experience a high rate of demand.

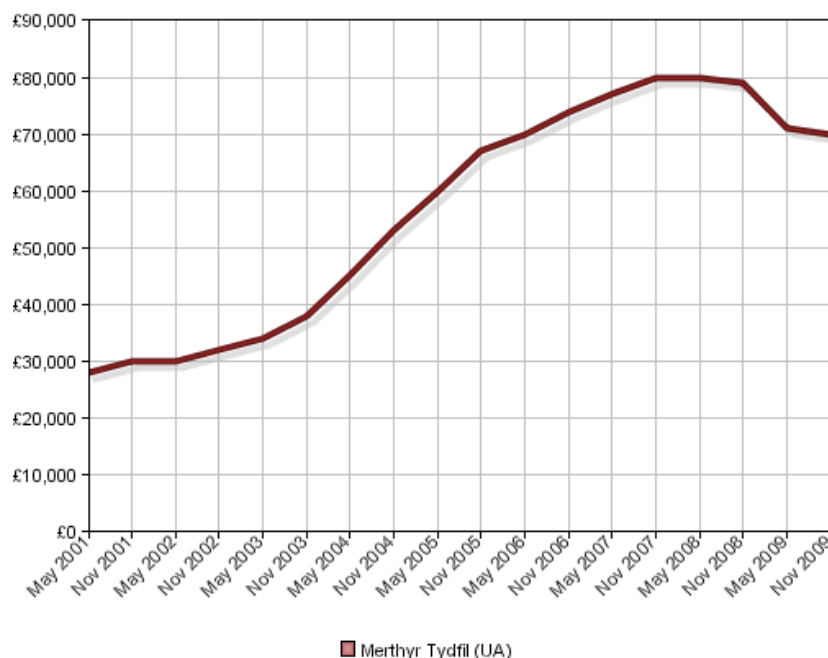
Issues in the housing market

Owner Occupied Sector – this sector has experienced a rapid growth in prices over from 2000 until 2008. This created affordability problems for households on average incomes in the area. Figure 8 shows the rate of growth, and subsequent fall, in the price of properties at the lower quartile of the price range between 2004 and November 2009.

Figure 8. Lower quartile house prices in Merthyr Tydfil May 2001 to November 2009.

Source Hometrack

Lower Quartile price



Note

The chart shows the lower quartile property price over time for all types of housing in the area selected. Small sample sizes can distort the price over time in some areas. The data for this analysis is based on data from Hometrack's Automated Valuation Model.

Metadata

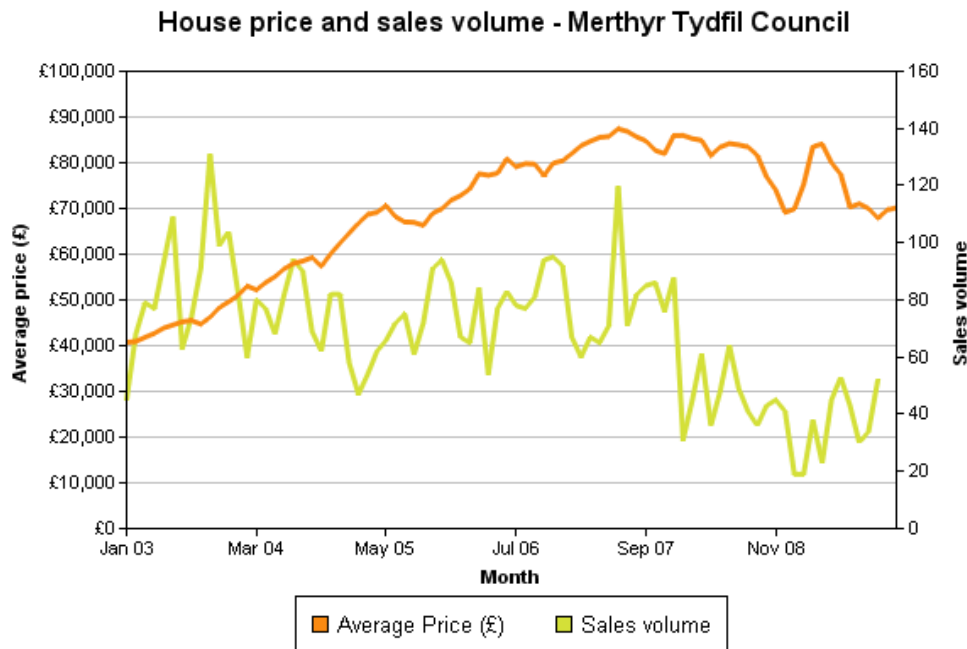
Source	Hometrack
Timespan	Dec 2000 to Nov 2009
Last updated	Dec 2009
Data level	Local Authority

The lower quartile price of a home in Merthyr Tydfil had reduced by 12.5% from its peak of £80,000 in 2007 to £70,000 in November 2009.

As a result of the fall in house prices and the difficulties of securing mortgage finance the volume of house sales reduced significantly in Merthyr. Figure 9 which shows house prices and the volume of sales between January 2003 and early 2009 would suggest that the volume of sales in Merthyr reduced by about 50% following the credit crunch.

Figure 9. House prices and transaction in Merthyr Tydfil January 2003 to Spring 2009.

Source Land Registry



Most estate agents stated that prices had dropped between 15 to 20% in the last 12 to 18 months. Estate agents reported that the market has picked up a little when compared with last year, in terms of the number of transactions. Estate agents attribute this to three factors. First, vendors are being more realistic in terms of their asking prices, some estate agents suggested that the cost of Home Information Packs (HIPS) had dissuaded vendors who weren't that serious about selling from putting their homes on the market. Estate agents also reported that vendors are willing to negotiate with purchasers in order to secure a sale. Second, estate agents state that the presence of investors in the area has boosted the rate of sales. Third, purchasers are becoming better informed about the increasing difficulties in securing mortgage finance and agents are starting to see increasing numbers of first time buyers who have realistic expectations about what they can afford and who have sufficient capital to pay a sizeable deposit. However, the interviews with estate agents were undertaken in January 2010, soon after the ending of the relaxation of stamp duty on properties priced between £125,000 and £175,000 came to an end and the ending of this measure to stimulate the housing market may have increased the volume of sales in the last quarter of 2009.

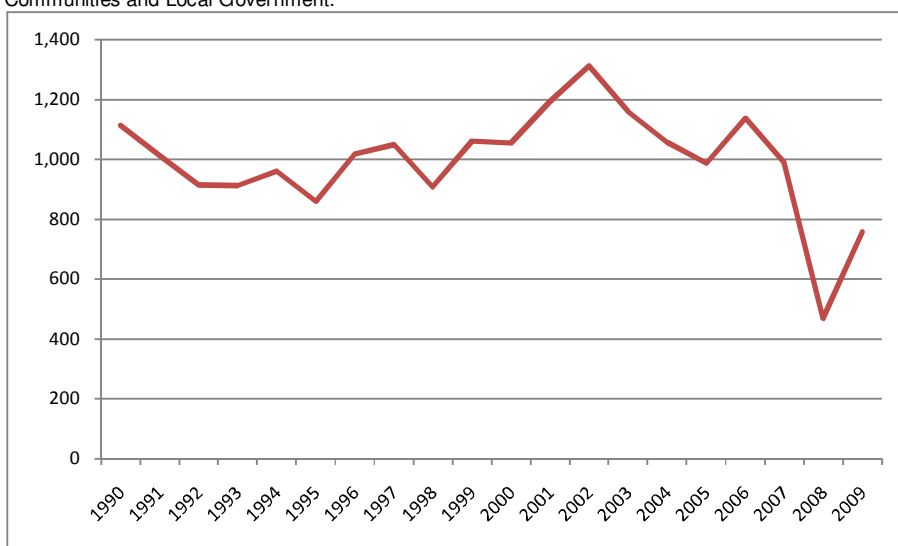
Estate agents reported that the problems in the housing market were related to difficulties that first time buyers have accessing the local market and that these difficulties are caused by three factors.

First, the substantial house price increases seen throughout most of the decade have reduced the number of first time buyer households who are able to afford property at

the bottom end of the market. Despite the recent growth in incomes in Merthyr, incomes levels in the area remain low, when compared with the Wales and UK wide averages. Increases in house prices have meant that increasing numbers of households have been priced out of the market. Estate agents reported in 2006 that they had seen the end of the single earner household entering the market and this holds true in 2010. Typical first time buyer households are reported to be households that contain two earners. Whilst house prices have reduced since their peak in 2007, so too it would appear have incomes.

Second, estate agents report that since the credit crunch in 2008 it is difficult for first time buyers to obtain mortgage finance to enable them to take advantage of reducing house prices in the locality. Mortgage lending has reduced significantly since the credit crunch. Figure 10 derived from figures produced by the Department of Communities and Local Government¹⁴ shows mortgage lending at a consistently high level during the 1990's and 'the noughties' reducing dramatically in 2008 and recovering slightly during 2009. Mortgages advances reduced by almost 60% in 2008, (compared with the number of advances in 2006) and whilst the number of advances increased in 2009 it was only 67% of the number of advances made in 2006.

Figure 10. Number of mortgage advances in the UK from 1990. Source. Department of Communities and Local Government.



First time buyers have been particularly hard hit by the reduction in mortgage advances made by financial institutions. Estate agents reported that financial institutions:

- require purchasers to have at least a 10% deposit to secure a mortgage on a high rate of interest, compared with the Bank of England base rate
- will only offer favourable rates of interest where a purchaser is able to put down a 15% deposit or more
- were charging significant arrangement fees, adding to the costs of purchase.

¹⁴ Table 544 Housing market: number of mortgage 1 advances, average advance, average house price, by type of lender, United Kingdom, from 1990 at <http://www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/housingmarket/livetables/>.

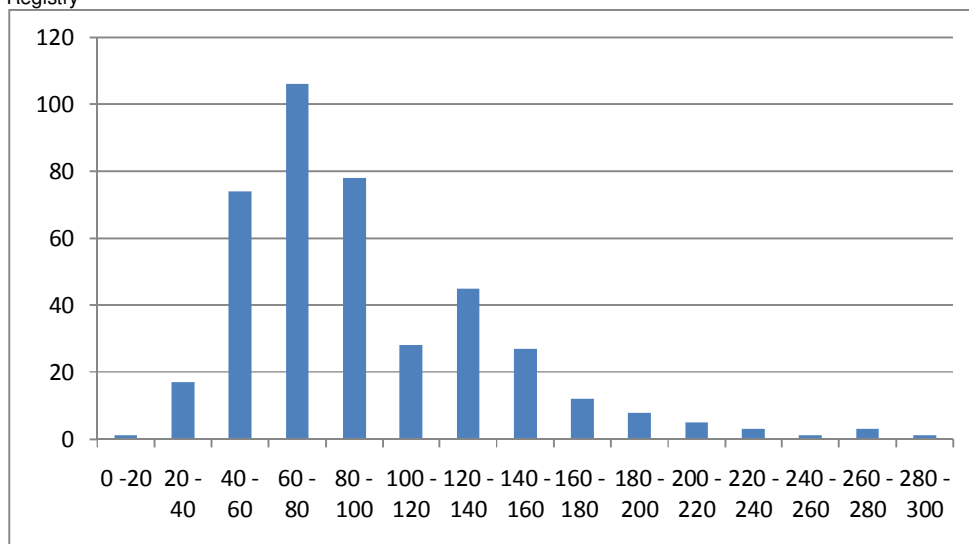
One estate agent suggested that many first time buyers were turned off not only by the requirement to provide a substantial deposit but also by the relatively high rates of interest they are likely to incur.

Estate agents suggested that these actions are preventing a significant proportion of potential first time buyers from entering the housing market. Whilst there was no consensus amongst agents about the proportion of first time buyers this is preventing entering the market, estimates ranged from 15% to 75%. A number of estate agents suggested that first time buyers are aware of the difficulties of arranging mortgage finance and as a consequence the number of enquiries from first time buyers has reduced, when compared with the pre-credit crunch period. However, the majority of estate agents reported that interest from first time buyers had increased in the last quarter of 2009.

Third, first time buyers face competition for properties at the bottom of the market from investors. A number of the chain estate agents operating in Merthyr stated that during the early months of 2009 the majority of purchases completed were to investors who were taking advantage of the downturn in prices in the local market, and estimates ranged from 15% to 80% of sales being made to investors who would often offer up to £20,000 less than the asking price for a property. Whilst the consensus opinion amongst estate agents was that investor activity in the local housing market had declined since its peak in the first quarter of 2009, estimates about the proportion of sales to investors ranged from 30 – 70%. The low median average house price in Merthyr Tydfil in 2009 can be attributed to the continued presence of investors in the market. In 2009 25% of house sales were £62,000 or under.

Figure 11 below shows the number of sales of properties by value in 2009 and shows that the majority of sales were at the lower end of the market.

Figure 11. Sales of property in Merthyr Tydfil in 2009 in intervals of £20,000. Source Land Registry



Estate agents report that properties at the bottom end of the market were selling reasonably well and were achieving their sale prices in all areas. However, they reported that larger more expensive properties were more difficult to sell. Estate agents suggested that the entry level price for first time buyers has reduced from £80,000 in 2009 to around £75,000 in 2010. In the Mid Valleys Communities and

Treharris and Trelewis housing submarket areas the entry level price for first time buyers was reported as being £65,000. These figures, adjusted to reflect trends in the Land Registry data, have been used as a basis for estimating housing needs, rather than lower quartiles direct from the sales data. This has been done because the lower quartile figures from the detailed Land Registry price paid data is likely to have been pulled down by private rental sector investor activity.

Private Rented Sector—it is apparent that the growth in this sector of the housing market reported in 2007 and 2009 has continued, through the activities of investors and “refugee owners” (homeowners who can’t sell their home and rent following a move to another property). The number of lettings agents operating in the locality has increased since 2006 as has the number of estate agents who offer a lettings service. Estate agents reported that a sizeable proportion of recent sales have been to investors purchasing homes to let on a long term basis.

Lettings agents reported strong demand for renting in 2009 but this appears to have reduced somewhat in 2010. Lettings agents suggested that demand comes from three main groups. The first group are local people who are unable to access the social rented sector and who rely on Housing Benefit payments to cover their rent payments. Council Officers reported that the establishment of a Bond Scheme and more effective working with private landlords has resulted in an increase in the number of people in housing need being housed in the private rented sector. The proportion of tenants in receipt of Housing Benefit varies from agent to agent, as a consequence of the practices of the agents themselves and the preferences of the individual landlords. Some agents stated that more than 70% of tenants were in receipt of benefits whilst others stated that between 10 and 30% of their tenants were in receipt of benefits.

The second group is another group of local people, ‘displaced first time buyers’ who are unable to access the owner occupied sector either as a result of high house prices or an inability to secure mortgage finance. The third group is made up of migrant workers who can be divided into two distinct groups: professional and non-professional. The professional group are generally employed at Prince Charles Hospital, who look to rent larger more modern homes relatively close to the hospital. The non-professional group contains migrant factory workers generally from Poland and Portugal, who are employed in local factories and Filipino nurses.

Demand for rented housing In the Merthyr Tydfil housing submarket area was reported to be good but demand in Dowlais was reported to have reduced as a consequence of fewer employment opportunities (at St.Merryn Meats and OP Chocolates) in the area. If the reduction in the number of migrant workers, entering the UK to work are reflected in Merthyr Tydfil, this will have a significant impact on the level of demand for private rented housing in a part of the Merthyr Tydfil housing submarket area. Demand in the Mid Valley Communities and the Treharris and Trelewis housing submarket areas was reported as not being as strong as demand in Merthyr town itself.

The majority of lettings agents have an optimistic view of the private rented market. The supply of homes is reported to have continued to increase but agents recognise that demand is not as strong, particularly from migrant workers. Two lettings agents reported that the early signs of an oversupply of private rented homes, with lettings in some neighbourhoods taking significantly longer than previously and falling rent levels. They generally felt that the market will continue to grow, as many first time buyers remain priced out of the market and the number of refugee owners continues to increase.

Lettings agents had a range of properties available to let and reported that rents in the Merthyr Tydfil housing submarket area had reduced in the last year from £450 per calendar month (pcm) to £400 pcm for an average 3 bedroom terraced house and from around £400 pcm to £385 pcm for a two bedroom terraced house. This reduction in rent levels was also experienced in the Mid Valleys Communities and the Treharris and Trelewis housing submarket areas with the average rent for a three bedroom terraced property reducing from £425 pcm to £400 pcm and the average rent of a two bedroom terraced house reducing from £400pcm to £375pcm. The Local Housing Allowance rate for a two bed property in January 2010 was £368.33 pcm and for a three bedroom house was £412.01pcm. Therefore average rents in the private rented sector are affordable for households in receipt of Housing Benefit and this may bring parts of it into competition with the social rented sector. Examination of property to let in the area shows an increasing supply of large new build detached homes, when compared with earlier studies, demonstrating a change in the nature of the private rented sector locally.

The Council may need to be aware of and monitor the impact of landlord repossession on private rented tenants. It was reported that a number of households had approached the Council as homeless because the home that they rented were in the process of being repossessed. This reached a peak in the last six months of 2008-09 and was reported to be the main underlying cause of people becoming homeless as a result of the loss of private rented accommodation. However, since that time the numbers have reduced quite significantly.

Whilst one letting agent suggested that the overall quality of homes available to let had improved as a consequence of an increase in the number of 'refugee owners', the Council must be mindful of the need to ensure that it has sufficient capacity to enable it to exercise its enforcement powers effectively in a rapidly growing private rented sector. The Council will need to consider allocating additional resources to the Housing Enforcement function to meet the needs of a growing private rented sector, as investors would appear to be purchasing property at the bottom end of the market. This is of particular importance if the Council is using private rented homes to meet the housing needs of households whom they have a duty to assist. The Council must also be mindful of the potential impact of reducing demand for private rented housing and an ever increasing supply. It is likely that in areas of poor quality private rented housing (generally those purchased at the cheaper end of the market), there may increasing turnover, high void rates and associated neighbourhood instability.

Social Rented Sector – The Council report an increase in demand for social rented housing in the area due to difficulties for households entering the owner-occupied sector and a reduction in the turnover of social rented stock.

Social landlords continued to report that low demand was no longer an issue in the social housing sector in Merthyr Tydfil. Pockets of less popular stock were reportedly related to specific property types, particularly bedsits and small one bedroom flats or design issues such as the absence of external defensible space or the location of sheltered flats in hilly, isolated locations or the location of certain developments in isolated locations with poor public transport connections. One social landlord is in the process of decommissioning a sheltered housing scheme in Aberfan, which will be used to meet other identified housing needs in the area.

Social landlords reported that the most popular locations were those that were close to the Town Centre. Table 22 shows the number of lettings of period 2003-04 to 2008-09 (excluding 2007-08)

Table 22. Social lettings in Merthyr Tydfil. Source data provided by social landlords

Landlord	Merthyr Valley Homes	Merthyr Tydfil HA	Wales and West HA	Hafod HA	Total Lettings
Lettings 03-04	344	176	20	21	516
Lettings 04-05	345	125	20	18	508
Lettings 05-06	371	106	20	21	518
Lettings 06-07	420*	104	20	20	564
Lettings 08-09	276	112	49	21	458

* The increase in lettings in 2006-07 was as a result of the Council's success in bringing back into use a significant number of long term voids.

It would appear that the supply of social housing lettings in the area is reducing over time.

Housing Need - all social landlords reported that the numbers registered for rented accommodation on their housing registers had increased. This is seen as a consequence of high house prices in the area, the reducing supply of social housing lettings in the area and the introduction of choice based lettings schemes.

For example the Council's housing register has seen substantial growth over 5 of the last 6 years. Table 23 shows the numbers of households registered for accommodation on the council's waiting list between 2004 and 2009. Whilst the number of households registered for housing reduced in 2010 this was following a review of applicants on the register which reduced applications to 900. Since the review new applications have increased the number on the register by 53% in 10 months.

Table 23. Households registered on the Council's Housing Waiting List 2004-2010.

Source MTCBC

Year	Number of Households
2004	1365
2005	1090
2006	1299
2007	1792 ¹⁵
2008	1770
2009	1751
2010	1382

Social landlords indicate that much of the growth in the number of households registered for social rented housing comes from single people. Social landlords reported migrant workers (in particular Poles) and their families are now accessing the social housing sector from the private rented sector via the Council's Choice based lettings scheme.

The most severe form of housing need is homelessness and this would appear to be increasing in Merthyr Tydfil, another symptom of the rapid growth in property prices and the slow down in the number of social housing lettings. Figure 12 shows the rate of homelessness presentations to the Council, and subsequent acceptances between 2002-03 and 2008-09.

¹⁵ Part of the growth between 2006 and 2007 must be attributed to the introduction of a choice based lettings system.

Figure 12. Homelessness presentations and acceptances in Merthyr Tydfil 2002-03 to 2008-09. Source WHO 12 Data Unit Wales



Over this period the rate of homelessness presentations to the Council have fluctuated significantly but show an increasing trend. The number of presentations received by the Council in 2009-2010 show a 10% increase on last year at the end of the 3rd quarter. On the other hand acceptances whilst also fluctuating show a general downward trend. It would appear that the Council's investment of resources in homelessness prevention activity and improvements in investigating homelessness applications is paying dividends with the number of household whom the Council accepts a duty to accommodate reducing, as the Council and other agencies direct them to alternative solutions to their housing problems. At the end of the third quarter of 2009-2010 the number of homelessness acceptances made by the Council show a 22% reduction on the same period last year.

Figure 13 shows the broad household profile of homelessness presentations between April 2006 and March 2008, 54% are single person households. Accommodation for single people is reportedly in the shortest supply and whilst the greatest difficulties are experienced in accommodating young single homeless people, there is high levels of demand from single people across all ages.

Figure 13. Homelessness presentations by household type April 2006 to March 2008.

Source WHO 12 Data Unit Wales

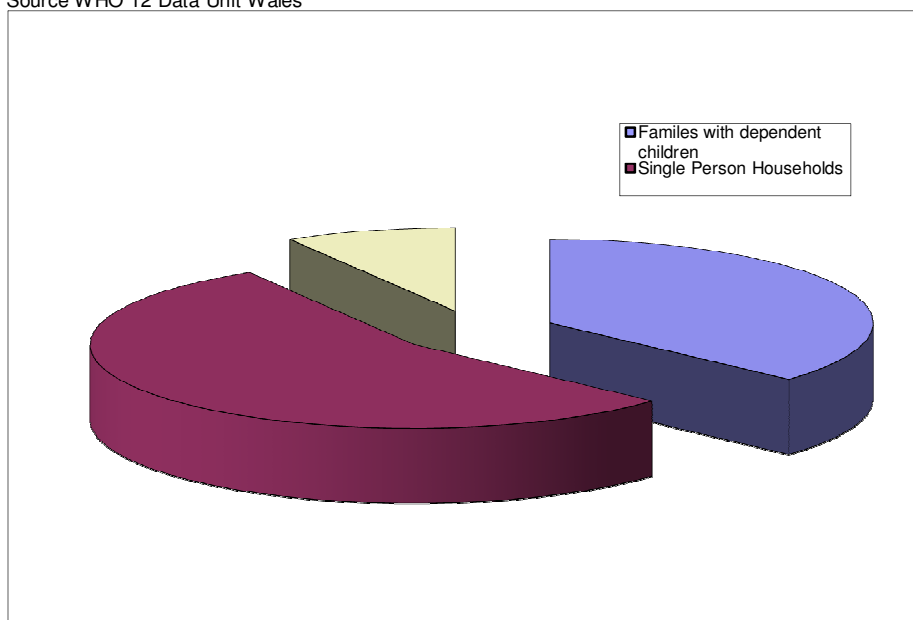


Table 24 shows the reasons for the loss of their last settled home given by eligible households in the period April 2006 to December 2008. The main reasons for the loss of settled accommodation would appear to be family and friends no longer willing to accommodate (25%) and domestic violence (24%). This would tend to suggest that people moving through the homelessness route into housing are younger.

Table 24. Reasons for loss of last settled home April 2006 to December 2008. Source

WHO12. Data Unit Wales

Reason for loss of last settled home	Number of Households
Parents no longer willing/able to accommodate	77
Other relatives or friends no longer willing/able to accommodate	26
Breakdown of relationship with partner: non-violent	41
Breakdown of relationship with partner: violent	97
Racially motivated violence or harassment	2
Other form of violence or harassment	17
Mortgage arrears	22
Rent arrears on local authority dwellings	1
Rent arrears on housing association dwellings	0
Rent arrears on private sector dwellings	6
Loss of rented or tied accommodation	46
In institution or care	39
Other	34

A substantial number of people presenting as homeless would appear to be young single homeless who continue to have difficulties accessing the private rented sector accommodation as a consequence of the single room rent regulations.

Officers reported that there continued to be a shortage of temporary accommodation for households who are homeless in Merthyr Tydfil, this was identified as being particularly acute for young single homeless people, despite the recent opening of

Garth Newydd Court a five bed supported housing scheme for 16 and 17 year olds, managed by Llamau.

Key Issues for Policy Makers

(i) To address the need for a future supply of affordable housing in the local market there is a need for the Council to ensure that the LDP has robust policies on the provision of affordable housing.

(ii) To address the growth in the private rented sector locally and in particular the purchase of property at the bottom end of the market, the Council will need to consider strengthening the private sector housing enforcement function and ensure that information on the housing enforcement function is widely distributed throughout the area in the main community languages.

(iii) To address the shortage of affordable housing the Council and local housing associations will need to:

- a) Work in partnership with private sector landlords to provide temporary and permanent housing for people whom the Council have a duty to accommodate. This will require the Council working closely with lettings agents and landlords to address issues that may prevent them accepting tenants in receipt of Benefits
- b) Consider remodelling less popular social housing stock to meet the accommodation needs of single people
- c) Ensure that future SHG programmes are targeted at meeting the accommodation needs of single people.
- d) Work in partnership with the owners of empty properties to bring them back into use as affordable housing.

(iv) To address the shortage of temporary accommodation, particularly for young single homeless people, the Council, local housing associations and support providers must work collaboratively to extend the range of temporary support accommodation available in the locality.

(v) The Council and its partners must be mindful of the potential emergence of low demand in the local housing market. There would already appear to be signs of over-supply in the private rented sector and should this continue to develop it will undoubtedly have an impact on areas which have the greatest concentration of least popular types of private rented housing creating neighbourhood management difficulties. In addition the over-supply of homes in the private rented sector could well have an impact in the social rented sector which will effectively be competing for tenants with the private rented sector landlords. The impact of an over-supply of private rented housing could create difficulties for social landlords letting properties in less popular neighbourhoods or in less popular forms of housing.

Chapter 4 The Future Housing Market

Introduction

This chapter investigates the potential housing market of the future in Merthyr Tydfil by considering the following:

- how the population and household structure is likely to change in the future;
- how economic factors might influence future demand for housing
- the impact of these factors on the availability of affordable housing

The chapter will conclude by drawing out key issues for policy makers.

Population and Household Structure

Official government population and household projections have been used as the basis for analysing likely trends in the housing market. These projections are either trend based or policy based. Trend based projections are derived from what has happened previously. Policy based projections take into account the intentions of national, regional and local plans.

Both of course have their problems. Trend based change may not continue in the same way that it has so far, indeed the more an unsustainable trend continues the more probable a sudden, radical change becomes. Conversely, the intentions of policies may not happen because changes in the political, social or economic environment, or perhaps inability to deliver or unintended consequences, conspire to prevent them. The projections therefore always need to be treated with caution.

In addition, changes can also occur in complex and inter related ways, so that they cannot be detected or tracked fully. For example, while the number of households who would live separately if they had a choice might increase, if the number of suitable dwellings available to them do not, and they will be forced to adapt their behaviour and share or defer. These 'trade offs' happen constantly, as a natural part of life, and often only become apparent and problematic when they build up into general pressures.

The background papers which supported the development of the Local Development Plan (LDP) for Merthyr Tydfil set out the trend based projections and two policy options, the moderate and enhanced growth options. The draft LDP working papers discount the moderate growth option in favour of the enhanced growth strategy. This is reflected in the LDP.

In reality the future is more likely to be a combination and compromise between trends and intentions, and there is also a strong argument that policies that go along with trends are more likely to be successful than those which try to work against it. A Government report on the success of housing policy since 1975 - *"Lessons from the past, challenges for the future"*, (2004) – concluded that:-

"Policies are most successful when they follow the grain of economic and social change, and least successful when they do not."

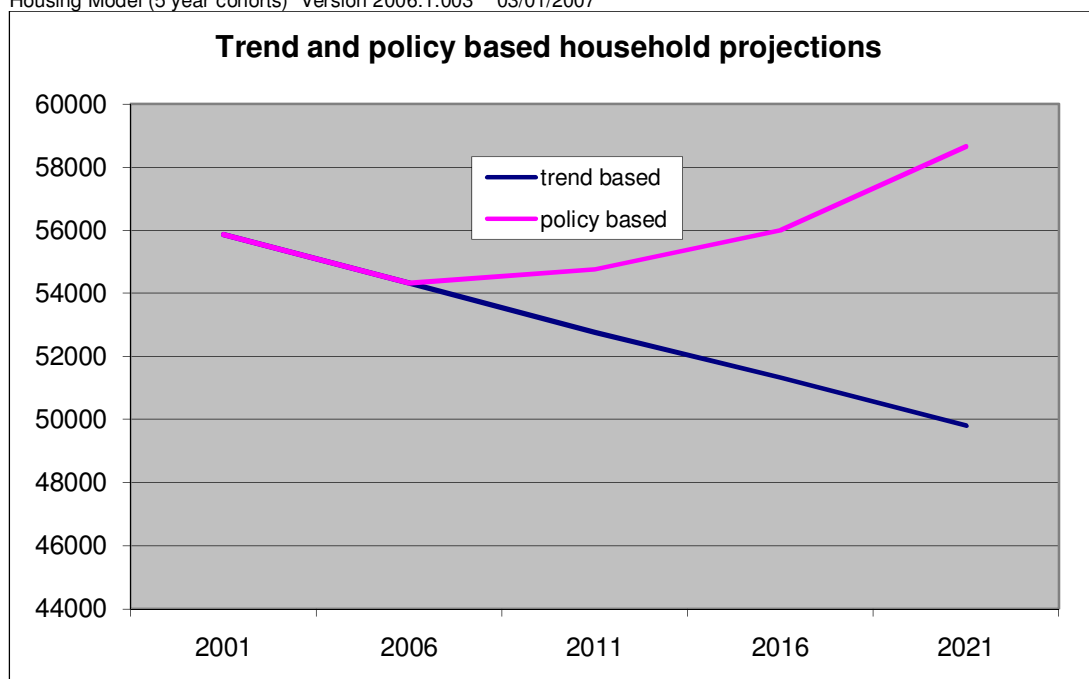
Table 25 shows the trend based and the policy based population projections for Merthyr Tydfil. These two sets of household projections have been considered for the period up to 2021, (although beyond 2016 becomes increasingly unreliable and should be treated with even greater caution).

Table 25. Trend based and policy based population projections for Merthyr Tydfil 2001-2021. Source: Chelmer Population and Housing Model (5 year cohorts) Version 2006.1.003 03/01/2007

Year	Total private household population		difference
	<i>trend based</i>	<i>policy based</i>	
2001	55860	55860	0
2006	54316	54316	0
2011	52765	54762	1997
2016	51325	55991	4666
2021	49808	58650	8842
Total gain(loss)	-6052	2790	

The policy intentions clearly entail a substantial turnaround in the trend. Figure 14 shows the gap between the trend and policy based projections.

Figure 14. Trend and policy based population projections. Source: Chelmer Population and Housing Model (5 year cohorts) Version 2006.1.003 03/01/2007



Rather than a loss of around three thousand households from 2006 to 2016, as the trend predicts, the policy based projections produce a gain of almost seventeen hundred, a difference of between four and a half to five thousand. The aim is that this will result from economic and thence housing led revival, encouraged by the Heads of the Valleys regeneration strategy.

To achieve the population growth set out in the planning policy projections, policy will need to arrest and then reverse the population loss trend, attracting in-migrants to reside in the area.

The number and type of different households has an important bearing on the housing market, Tables 26 shows the household projections for the policy based population projections. This projection shows a decline in the numbers of married couples, offset partly by an increase in cohabiting couples but much more by single person households. This trend has been well established across the UK for many years, and has been referred to as a 'demographic time bomb', with people living

longer and more single person households of all ages. Future housing provision needs to account for the projected growth in single person households.

Table 26. Household changes 2006 – 2016 on preferred policy based projections Source: Chelmer Population and Housing Model (5 year cohorts) Version 2006.1.003 03/01/2007

2016-2006	Unconcealed married couple household	Unconcealed cohabiting couple household.	Unconcealed Lone parent households.	One person Households	Other Multi-person Households	Total Unconcealed reps.
0-14	0	0	0	0	0	0
15-19	-1	-3	11	2	-1	8
20-24	-10	2	144	44	6	186
25-29	1	128	265	182	16	592
30-34	-100	88	162	124	21	295
35-39	-391	-4	-90	-9	-11	-505
40-44	-404	27	-24	-24	-19	-444
45-49	-110	95	62	137	-14	170
50-54	40	84	45	250	58	477
55-59	-156	56	-1	124	37	60
60-64	-47	53	4	176	12	198
65-69	169	22	3	196	27	417
70-74	207	9	2	70	-6	282
75-79	155	4	8	125	-10	282
80-84	65	2	-3	-18	-7	39
85+	40	2	-1	67	1	109
Total	-542	565	587	1446	110	2166

The influence of the economy

The consequence of the decline of mining and mineral extraction industries in Merthyr Tydfil from the early 1980's has left the area with a legacy of high rates of unemployment, economic inactivity and poor health amongst the resident population. It would appear that the area is now starting to emerge from its period of long-term decline.

The Wales Spatial Plan attempts to integrate the spatial elements of a cross-section of national strategies and seeks to translate into practice the Assembly's sustainable development responsibilities. In providing a framework for the future spatial development of Wales, the Wales Spatial Plan identifies Merthyr Tydfil, along with the neighbouring local authorities of Rhondda Cynon Taff, and Caerphilly as part of the South-East Wales Capital Network Zone. The vision for the Capital Network, which is:

"An innovative skilled area offering a high quality of life – international yet distinctively Welsh. It will compete internationally by increasing its global viability through stronger links between the Valleys and the coast and the UK and Europe, helping spread the prosperity within the area and benefiting other parts of Wales."

The strategy of the WSP for the Capital Network is:

- to strengthen and reintegrate the existing system of towns and cities within south-east Wales so that the area functions as a coherent urban network, and can compete internationally. Integrated transport is crucial to this: and
- to work in partnership to develop an ambitious programme of joined up regeneration action along the Heads of the Valley corridor that will complement the upgrade of the A465. The aim of this will be to improve

quality of life, retain and attract residents, and increase prosperity of the whole area focusing initially on unlocking the potential of Merthyr Tydfil and Ebbw Vale.

The position of Merthyr Tydfil at the head of the capital network presents an opportunity for the area to strengthen its strategic relationship with other key settlements in surrounding areas along the corridor of the A465, as well as securing benefits from its already significant ties to Pontypridd, Cardiff and the M4.

‘Heads – We Win’ is the Welsh Assembly Government’s Framework for the development of Heads of the Valleys area that builds on the aims and objectives of the Wales Spatial Plan.

The Vision of the Framework is, that by 2020, the Heads of the Valleys will be:-

- a culturally rich, dynamic network of vibrant and safe communities;
- a place where people want to live, work and play – with a sustainable, high quality of life and a thriving population;
- a place that helps drive the success of south-east Wales as an internationally recognised Capital Region.

The draft strategy “Turning Heads” produced in June 2006 aims to realise this vision by unlocking the potential of the Heads of the Valleys area by significant amounts of new investment, facilitated by joint working between the public and private sectors. This is seen as the primary means of securing improved levels of health, better skills, and new opportunities for employment and education.

The strategy acknowledges that improving the built environment, making better use of physical resources, improving the transport network and promoting business and innovation is essential in realising the potential of the area.

“Turning Heads” perceives Merthyr Tydfil (along with Ebbw Vale) as the most significant settlements within the Heads of the Valleys and states that Merthyr should act as a hub that will drive the economy of the region.

Building on the optimism shown for the area, in the Wales Spatial Plan and the Heads of the Valleys Strategy, the Council’s LDP sets out its preferred strategy for the area as being one which provides for substantial inward migration leading to population growth of 4,400 people over the plan period, requiring in the region of 253 new dwellings per annum.

Table 1 (Page 6) shows that between 2001-02 and 2003-04 the projected population of Merthyr Tydfil continued to gradually lose population by out migration, with an estimated 400 persons leaving between 2002 and 2004. During the period 2004 to 2006 the projected population remained relatively static (the loss of 100 persons over the two year period) but in the year 2006-07 the population is estimated to have grown.

The effects of the current recession have been experienced more keenly in Merthyr Tydfil than elsewhere. In the ‘noughties’ Merthyr had experienced:

- a rate of growth in the number of jobs in the area significantly greater than the rate of growth in both Wales and the UK;
- rising income levels amongst full time workers(Figure 5, Page 13);
- an increasing rate of employment amongst the working age population (Figure 3 Page 12);

- an increasing rate of economic activity amongst the working age population (Figure 2, Page 12); and,
- a reducing proportion of the population reliant on key out of work benefits (Figure 4, page 13).

However, the impact of the recession has been to reduce these gains, widening the gap between Merthyr and the rest of Wales and the UK in respect of key economic indicators.

Table 27 shows the growth/decline in mean and median average incomes in the 3 housing submarket areas between 2006 and 2008. This shows growth in median average incomes across two of the three housing submarket areas.

Table 27. Change in mean and median average incomes by housing submarket area in Merthyr Tydfil 2006 to 2008. Source CACI PayCheck

Mean Incomes				Median Incomes		
	2006	2008	Change	2006	2008	Change
Merthyr Tydfil	£25,670	£25,177	-2%	£23,000	£24,411	-2%
Mid Valley Communities	£23,844	£24,432	2.5%	£21,438	£21,866	2%
Treharris & Trelewis	£29,361	£28,904	-1.5%	£26,101	£25,511	-2.3%

Whilst the various planning strategies are at their early stages Merthyr Tydfil's position as a regional hub is in the process of being cemented which is likely to further increase employment levels in Merthyr Tydfil. The dualling of the A465 Heads of the Valley road will improve the accessibility of the area, as will improvements to the train service to Cardiff. Both projects are likely to boost employment in the construction sector and the transport and distribution sectors.

Merthyr Tydfil has recently seen large scale commercial investment in the Cyfartha retail park and development is currently on-going on the site between Gellideg and Heol Gerrig where land is currently being prepared for new retail development. Both developments will boost levels of employment in the distribution, hotels and restaurants sector, as will increasing levels of investment in town centre improvements. The relocation of Welsh Assembly Government staff from Cardiff to new offices in Rhydycar has boosted the level of employment in the public administration sector. The new development at the Rhydycar Leisure Centre has seen improvement to the existing leisure facilities, and a mix of retail developments. The increasing level of private sector house building in the area to meet the housing requirements in the LDP and the investment of significant sums by Merthyr Valley Homes to achieve the Welsh Housing Quality Standard are likely to increase employment in the construction sector.

New commercial and residential developments are creating employment, improved retail and leisure facilities and new homes which will in turn attract in-migrants to live in the area. On the basis of recent information on the performance of the local economy we see no reason why the population loss trend cannot be reversed – the question remains whether the level of growth in Merthyr Tydfil will achieve the enhanced growth projection remains to be seen.

Merthyr has however been particularly hard hit by the recent recession with the loss of jobs by:

- the closure of the Hoover factory with the loss of 337 of the 500 jobs at the plant
- the relocation of Hugh James Solicitors to Cardiff

- the loss of 80 jobs in a workforce of 400 at Linde heavy truck manufacturers

This is reflected in rate of unemployment amongst the economically active, which showed a sharp up turn at the end of 2008 (Figure 3 Page 12).

The recession has also hit the rate of housing development with planning applications for large sites reducing significantly and developers suspending work on key sites. Developers have returned to develop sites where activity had been suspended. Developers completed 190 homes in the year to the end of March 2009 and Council Officers anticipate that the rate of completions will fall to 150 completed new homes in the year to the end of March 2010. The achievement of the LDP's objective of delivering 4,400 new homes house completions will be in part dependent on the length and depth of the current recession.

Affordable Housing

The majority of the population growth projected in the LDP would usually be accounted for by an increase in private sector housing for sale, but sustainable regeneration will also require some affordable housing, and may create an opportunity for renewal and replacement of existing affordable and poor quality private sector stock where this is necessary.

House prices grew significantly during the period 2000 to 2008 but have now fallen back to their 2006 level. The rate of price growth between 2000 and 2008 was considerably greater than the rate of growth in average incomes during that period, making housing in the locality less affordable to the resident population. This house price growth and the difficulties it created for households who are seeking to access the owner occupied sector had a knock on impact on the social housing sector with waiting lists increasing, a consequential increase in homelessness presentations, a reduction in turnover in the social housing sector (as there are fewer properties available in the locality for people to move out of the social sector into) and as a consequence fewer lettings. Whilst house prices have fallen back to their 2006 levels, difficulties that potential first time buyers have in accessing affordable mortgage finance means that affordability problems continue.

We estimate that at present 32% of emerging households cannot afford the average entry-level house price used for the needs estimates of £67,500. Additionally the projected growth of single person households would suggest an increase in the requirement for affordable housing, as estate agents report that the majority of first time buyers are dual income households. However single person households often move on or form couples within a few years, giving rise to more rapid turnover, so that the amount of smaller housing suitable for single people required to meet their requirements is generally less than the crude basic need figures might imply.

This in turn raises issues about the amount, type and phasing of affordable housing; and also questions about the methodology for estimating the requirement for affordable housing. If a turnaround in the population change trend of Merthyr Tydfil is to occur, providing affordable housing may not help initial economic regeneration. However it will still be required eventually to help create mixed communities and meet a wider range of needs, and so may need to be phased differently, or provided as different tenures. There would appear to be growing demand for intermediate housing market products to meet the needs of low income households, although intermediate products to buy such as shared ownership are unpopular and difficult to sell in the current market downturn. In addition intermediate products are difficult to sell in an area such as Merthyr Tydfil where new homes have to compete against a supply of relatively inexpensive terraced housing.

The estimated requirement for affordable housing, set out in chapter 5 is based on figures available in January 2010. Whilst the model shows a requirement for affordable housing as a proportion of all new housing – it is important that the model is reviewed on a regular basis to reflect changes in house prices and income levels in the area.

Issues for Policy Makers

- (i) To address the housing requirements of smaller, non-nuclear households, particularly single person households, the Council must work to ensure that developers produce a broader mix of house types on development sites.
- (ii) To address the requirement for affordable housing over the life of the LDP, which contains an affordable housing policy, the Council must adopt robust supplementary planning guidance on the development of affordable housing. The guidance must:
 - consider the timing and type of affordable housing developed
 - use the affordable housing requirement figure as a starting point for discussions with private sector developers on the development of affordable housing as a component of larger developments
 - assess the economic viability of delivery of affordable housing in the market conditions prevalent at the time. In essence this means looking at whether residual land values carrying a requirement for affordable housing give sufficient return for landowners to sell for development.
 - incorporate an agreed method for the calculation of the payment of commuted sums for off-site provision using the Development and Appraisal Toolkit
 - be linked to a regular review of the level of affordable housing required, in recognition of the fact that the figure will change with house price and income changes
- (iii) To address the requirement for a wider range of affordable housing types, the Council must work collaboratively with local housing associations and developers to develop intermediate housing market products and market them to the target population.

Chapter 5 Housing Need

Introduction

This chapter will provide information about the requirement for affordable housing in Merthyr Tydfil.

Methodology

As in 2007, housing need has been estimated for this update using a version of the “Bramley” model. This has been developed over a number of years by Professor Glen ‘Bramley’ of Heriot-Watt University, and a member of the National Housing and Planning Advice Unit (NHPAU) and is widely used and respected. A derivative of it was used, for example, in the estimates the Affordable Rural Housing Commission report¹⁶. The model was an influence on and coincides closely with the Welsh Assembly Government Local Housing Market Assessment Guide (March 2006).

Professor ‘Bramley’ is currently also working on a project for the Department of Communities and Local Government in England to develop a model that will allow the Department to produce estimates of “Housing Need”. It is understood that this will be along the same lines as his previous models, although will be developed further to produce forecast estimates of Housing Need on a regional basis, further disaggregated by different levels and definitions of need.

The approach focuses on affordability and the price-entry point into the housing market for new households. The starting point is a cohort-survival based household projection which determines the formation of new households. House price and income data are then used to perform affordability analyses to estimate the number of newly forming households from this cohort who would be unable to buy. Such modeling is always quite sensitive to the inputs, which although evidence based cannot ever be fully determined by data which are never clear ‘social facts’ to be uncovered, but often require careful selection, adjustment and interpretation.

The model does not capture all aspects of housing need, but is essentially an economic affordability model which indicates the likely numbers of existing and future households who cannot afford housing at prevailing prices. It does not specifically attempt to capture housing needs due to poor housing conditions, overcrowding, homelessness, relationship breakdown unsuitable neighbourhood or environment, or harassment.

However many of these can be seen as essentially symptoms of an inability to afford suitable housing, and some at least are likely to be captured by the affordability model, and some may also be short term and transitional housing need. It is nevertheless probable that some of these additional sources will add to the total, so that the model is likely to underestimate actual needs, and in Merthyr Tydfil in particular there may be socio-economic and the local housing market which require modification of the approach to better reflect current circumstances.

Conversely, some needs will never be completely met however much affordable housing is available, and are in essence part of the functioning of the housing market - and modern life. It is also important to remember that a surplus of housing, perhaps especially of affordable housing, can be as, or more, damaging than a shortage.

The basics of the model are set out below.

¹⁶ <http://www.defra.gov.uk/rural/housing/commission>

Figure 15. 'Bramley' affordability model – summary

The basic model for estimating affordable housing need is as follows.

$$\begin{aligned} \text{Net Need (units per year)} &= \\ &\text{Gross Household Formation} \times \% <35 \text{ unable to buy (adj for wealth)} \\ &+ \text{proportion (e.g. 33\%)} \times \text{net migration (household equiv)} \times \% <35 \text{ unable to buy} \\ &+ \text{proportion (e.g. 0.37\%)} \times \text{owner occupier households (moving to social renting)} \\ &+ \text{proportion (e.g. 10\% over 10 years, 20\% over 5)} \times \text{waiting list 'backlog' above} \\ &\text{need threshold} \\ &- \text{net relets of social rented housing} \end{aligned}$$

Key data inputs are therefore :-

- Gross household formation. At district level this can be taken from the Chelmer model projections provided by Merthyr Tydfil County Borough Council. For more detailed spatial scales they have been estimated using the Lower Super Output Area population estimates, and applying a number of persons per household rate.
- Migrations can be taken from components of population change and projections, although this cannot be disaggregated by age or specific destination. Some element of migrations is also included in the household projections, so this component can be omitted to avoid double counting.
- Owner occupiers with mortgage totals derived from Census tenure tables at Output Area level, which can be combined to larger boundaries such as parishes, wards or urban areas.

Ability to buy is derived from :-

- Entry level house prices – derived from estimated entry level prices provided by local estate agents adjusted to reflect Land Registry data on lower quartile prices. Previously we have used full address level Land Registry residential sales data. There is still, as in 2006, some concern with the Land Registry data in Merthyr, in that lower quartile prices may be depressed unrealistically by substantial proportions of poor quality housing stock and the activities of investors. This means that in this particular housing market the lower quartile price may not be the best indicator of acceptable entry levels.
- Incomes. These have been derived using CACI Paycheck, available at Output Area level, which can be aggregated to sub area boundaries.

The estimates for affordability also require input of other variables which cannot be derived from data alone, but require evidence based judgments. These are:

- the income : mortgage multiplier.
- the typical level of deposit .

The guidance says :-

6.13 A household is considered likely to be able to afford to buy a home that costs 3.5 times the gross household income for a single earner household, or 2.9 times the household income for dual income households.

Mortgage lenders web sites and enquiries show that 2.9 times income is quite a low multiplier, and 3.5 times is widely available. 2.9 would also give more households unable to afford so a higher need. The figure of 3.5 times has therefore been used for all cases. This will show more households as being able to afford and therefore reduce the level of need.

Deposits

The size and availability of deposits is now a much more crucial variable in the ability of households to buy following the credit crunch. The CLG Housing Market Report for April 2009¹⁷ says:-

“The tight lending criteria remain a barrier to most first-time buyers. First-time buyers typically had a deposit of 25% in February, a new record. Such amounts remain out of reach for all but the most affluent buyers, for example people returning to home ownership after a period of renting, divorcees, or those who get financial assistance from their family.”

These circumstances pose some new issues for needs estimates and modeling. In the basic model the level of deposit reduces the amount of mortgage required, and hence also reduces the income required to be able to afford to buy, giving fewer households in need. While mortgages of up to 100% were more readily available assuming a deposit of a standard figure such as 10% would therefore give a fair indication of the proportion of households that could, and could not, afford, and it was also a reasonable assumption that those with higher incomes would have greater access to this more modest level of deposit. This therefore resulted in a lower level of need than assuming 100% mortgages.

But now, despite any falls in entry level prices, the need for larger deposits has become the main obstacle for would be buyers, even those with higher incomes, and lower prices have not yet led to less need. The overall financial circumstances of these households is the crucial factor, but it is very difficult to obtain data on, as it often goes beyond the household itself to their access to resources from other sources and wider family connections and possible unknown future events such as receiving an inheritance, or parents deciding to help financially.

However households in this group are unlikely to want or need social rented housing, but will meet their housing need in the private rented sector, which has also expanded due to an increase in the numbers of owners who are unable to sell. The modelling therefore now incorporates other tests to take account of reduction in entry level prices and difficulty in obtaining mortgages, (which work in opposite directions), by applying a factor for the reduction in number of mortgages granted in recent years. A closer examination of the implications of more private renting in Merthyr also needs to be explored in more detail, as this may have other consequences.

Policy period to address backlog need

In addition there is a key judgment to be made on the policy period over which to address the backlog by turning it into an annual quota of need to be met. The WAG guidance says :-

¹⁷ <http://www.cml.org.uk/cml/media/press/2218>

Local housing partnerships will need to judge the rate at which identified current need ... should be met. ... The quota should be based upon meeting need over a period of five years, or the relevant local development plan time period, whichever is the longer. It does not imply that any individual household has to wait for this period.

For these estimates the affordability and supply data is not reliable for the 15 years period of the Plan from 2006 to 2021, given housing market volatility, so a five year period has been used, although it can be easily varied in the model.

Inputs to the model

Emerging households aged under 35 unable to afford

This component of need has been derived from the 2008 population estimates at Lower Super Output Area level linked with the 2004 based household projections for Merthyr Tydfil. Projections are available both for past trends and policy based. Past trends show a decline in the population of Merthyr Tydfil, while the policy based projections are based on plans to bring growth back to the county borough. The trend based projections therefore give a lower projected number of new households under 35 – just under 300 (293¹⁸) a year for the period 2011 to 2021, while the policy based growth projections give over 400 (412). A ten year age cohort from the population estimates has been rolled forward, and the average household size for younger households derived from the projections applied to give a number of households. This figure falls between the trend and policy figures at 374, and would appear to reflect more closely the likely actual trend.

Table 28. Under 35 year old households –policy based projection. Source : 2008 LSOA population estimates and Chelmer 2004 based projections MTCBC

Housing submarket area	All persons aged 0 - 15	All persons aged 16-29	All persons aged 30-44	All_Persons - All_Ages
Merthyr Tydfil	7180	6883	7390	37542
Mid valleys	2051	1847	1948	10171
Treharris/Trelewis	1604	1473	1544	8022
Housing submarket area	Ten year cohort aged 10 to 20	People per Year	Households per Year	
Merthyr Tydfil	5519	552	250	
Mid valleys	1531	153	69	
Treharris/Trelewis	1208	121	55	
Average size of emerging households	2.21			
Number of emerging households under 35 per year	374			

The modelling suggests that if past trends of population loss were to continue, then there would be no requirement for additional affordable housing, and even a small surplus – which may turn into a difficult to let scenario. However, if growth takes place at the level in the policy based household projections there would be a moderate need.

In the 2007 housing market assessment different needs figures were estimated depending on whether the previous trend of population decline would continue, or the growth plans would work, or a mid way point of more modest growth. There now appears to be evidence from the ONS mid year population estimates that some growth took place between 2006 and 2007.

¹⁸ The spreadsheets used in such models give precise numbers, but this is a spurious accuracy.

Table 29. Population changes by housing submarket area, 2001, 2006 and 2007. Source: ONS

2001	All Ages	Ages 0 -15	Ages 16-29	Ages 30-44	Males 45-64 Females 45-59	Males 65 and over Females aged over 60	All persons of working age
Merthyr Tydfil	39552	8306	6353	8632	8590	7671	23575
Mid Valley	8382	1847	1369	1818	1817	1531	5004
Treharris & Trelewis	8273	1860	1399	1851	1835	1328	5085
2006	All Ages	Ages 0 -15	Ages 16-29	Ages 30-44	Males 45-64 Females 45-59	Males 65 and over Females aged over 60	All persons of working age
Merthyr Tydfil	39445	7694	6845	8201	8902	7803	23948
Mid Valley	8119	1654	1441	1628	1859	1537	4928
Treharris & Trelewis	7966	1631	1407	1593	1964	1371	4964
2007	All Ages	Ages 0 -15	Ages 16-29	Ages 30-44	Males 45-64 Females 45-59	Males 65 and over Females aged over 60	All persons of working age
Merthyr Tydfil	39541	7666	7055	7994	8935	7891	23984
Mid Valley	8077	1619	1464	1561	1870	1563	4895
Treharris & Trelewis	8001	1605	1437	1570	1957	1432	4964

This suggests that the policy to attract growth is having some effect, which is corroborated by a reasonably high number of completions 2007-08 and 2008-09 (see Table 20).

There are now also 2006 based population and household projections available, which show higher numbers of households than the 2004 based ones. However, there are a number of concerns about these projections, in view of the less attractive economic circumstances, and also it was felt to be important to keep this component compatible with others used in planning policy.

The adjusted estimates of annual new households aged under 35 in the three housing submarket areas are therefore shown in table 29 above, and have been used in the needs estimates.

Entry level house prices

The next step is to apply to these the proportions of those who cannot afford to buy at entry level prices. The entry level prices used previously were derived from the detailed full address level Land Registry data for the year up to the end of December 2009. This shows that the lower quartile for the whole county borough was £62,000, and the figures for each sub area are shown below in Table 30.

Table 30. Housing submarket area lower quartile prices. Source: Land Registry

sub areas	Lower Quartile price
Merthyr Tydfil	£63,250
Mid Valley	£57,000
Treharris & Trelewis	£51,250

As in 2006 there was concern that these prices, although derived directly from the data, were actually too low to reflect prices for a reasonable entry level property. One concern is that the lower quartile is made up largely of flats, but this is not borne out by the data which shows that most sales in the lower quartile were terraced houses. Another concern is that the lower quartile prices reflect poor quality properties, but it is not possible to determine quality from the Land Registry data. A further concern is that the lower quartile figures are lower because of the activities of investors who are able to offer cash to vendors seeking a quick sale.

A web search shows that houses are on the market for around these prices, and although more asking prices tend to be higher, estate agents say that £70,000 is a more realistic entry level asking price, although some actual achieved sale prices may be lower. A traditional way of 'getting a foot on the ladder' is also to buy a property in need of renovation, and this may be reflected in these lower price levels. The concern would be that the basic condition of the properties was such that they would not be repairable to a reasonable standard.

These figures were then compared to CACI Paycheck incomes profiles aggregated to each sub area from the full postcode level data for 2008. Households were first categorised as unable to buy if their income was insufficient with a 10% deposit and 3.5 times income mortgage.

Table 31. Housing submarket area entry level prices and incomes used for needs estimates.

Submarket areas	Entry level prices	Income required
Merthyr Tydfil	£70,000	£18,000
Mid Valleys	£67,500	£17,375
Treharris/Trelewis ¹⁹	£70,000	£18,000

Sources: Land Registry, CACI Paycheck, affordability model

In addition, however, a new factor was introduced to reflect the increased difficulty of obtaining a mortgage. Table 32 shows the number of mortgage loans provided by financial institutions between 2004 and 2009, based on data provided by the Council of Mortgage Lenders. This shows a decline in the number of mortgages over recent years, with some recovery in 2009.

¹⁹ We show entry level house prices in Treharris and Trelewis as matching those in Merthyr Tydfil. This was the case in previous studies undertaken in the area, despite the house price data showing a significantly lower, lower quartile figure. We believe that the data reflects the decision of the Council to undertake a Neighbourhood Renewal Assessment in Treharris, which resulted in a flurry of purchases of low priced property in the area, from investors seeking to benefit from public investment in the area.

Table 32. Mortgage lending in the UK 2004 to 2009. *Source Department of Local Government and Communities*

Year	Thousands of loans	Average price £	Average advance £	% of 2007 number of loans	reduction in number of mortgages granted
2004	1,056	180,248	109,920	93%	
2005	986	190,760	122,049	87%	
2006	1,138	204,813	138,407	100%	
2007	991	223,405	150,405	87%	13%
2008	468	227,765	145,666	41%	59%
2009	758			67%	33%

Based on this evidence, a figure of 33% has been used to represent the reduction in the proportion of households who may be unable to get a mortgage. However it is also important to emphasise that these households will probably not want or be able to obtain social rented housing, but will rent privately in current circumstances, and may want other intermediate housing or financial products in the longer term. The impact in each of mortgage rationing in each area, using income profiles area is shown in Table 33.

Table 33. Proportion of emerging households who cannot afford to buy

	% can't buy based on income only	% can't buy, including cannot get deposit
Merthyr Tydfil	34%	56%
Mid Valleys	29%	53%
Treharris/Trelewis	32%	49%

Incomes

Clearly incomes have changed at a much slower rate than house prices over recent years. CACI Paycheck data suggests that the annual mean incomes for the whole of the Merthyr Tydfil local authority area in 2008 was just over £27,000, compared to £25,800 in 2006. The modal (most commonly occurring) income remained in the same range of £15-20,000 a year.

However averages are not an appropriate measure for housing affordability, and the key factor is the numbers of lower incomes. This had moved up slightly, with fewer households in the lower bands, but there were still 42% earning less than £20k, and 58% less than £25k.

Table 34. CACI lower incomes profile comparison. *Source: CACI Paycheck 2008*

Year	0-5k	5-10k	10-15k	15-20k	20-25k	25-30k
2006	5%	15%	29%	45%	58%	69%
2008	3%	12%	27%	42%	56%	67%

ASHE (Annual Survey of Hours & Earnings) shows the median gross weekly earnings²⁰ of workers resident in Merthyr Tydfil falling 8.3% in 2009, when compared with 2008, to £340 and the mean gross weekly earnings falling by 6.2% to £390.40.

²⁰ N.B. Earnings are less than household incomes, as many households have more than one earner. As a very crude rule of thumb, earnings are on average roughly 70% of household incomes.

Table 35. Annual Survey of Hours and Earnings – Weekly Gross Take Home Pay (South East Wales). Source : ASHE

Description	Number of jobs (thousand)	Median	percentage change	Mean	percentage change
Wales / Cymru	1,069	361.5	4.0	423.9	2.2
Cardiff	125	396.7	7.6	482.1	1.5
Rhondda, Cynon, Taff	80	350.7	0.2	404.9	2.0
Merthyr Tydfil	25	340.0	-8.3	390.4	-6.2
Caerphilly	61	361.6	3.3	398.3	1.3
Blaenau Gwent	25	324.2	0.1	342.7	-7.9
Torfaen	33	383.0	8.2	420.6	4.5

Another indicator is that the total income to the local authority area according to CACI Paycheck has increased from £603 million a year in 2006 to £648 million a year in 2008, an increase of some 7.5%. CACI PayCheck data for 2009 wasn't available to at the time that this was produced, and the impact of the recession is not reflected in data from 2008.

Some of this earlier increase in income levels in the area may be due to a change in employment patterns in the town, for example with the arrival of the Welsh Assembly Government. Currently the general feeling is that the impact of WAG moving offices to Merthyr is fairly minimal thus far, as many of those employed will now commute to Merthyr. However the feeling is that over the longer term people are more likely to move to the area and that vacancies will go to people from the town.

The increase in incomes has been greatest in the town, with average incomes falling slightly in the south. According to Paycheck the spatial pattern of incomes has not changed much, but perhaps with some increase in the number of postcodes in the lowest income band in parts of the town and mid valley, indicating greater income polarisation.

Figure 16 CACI Paycheck mean incomes by postcode. Source : CACI Paycheck 2006 & 2008

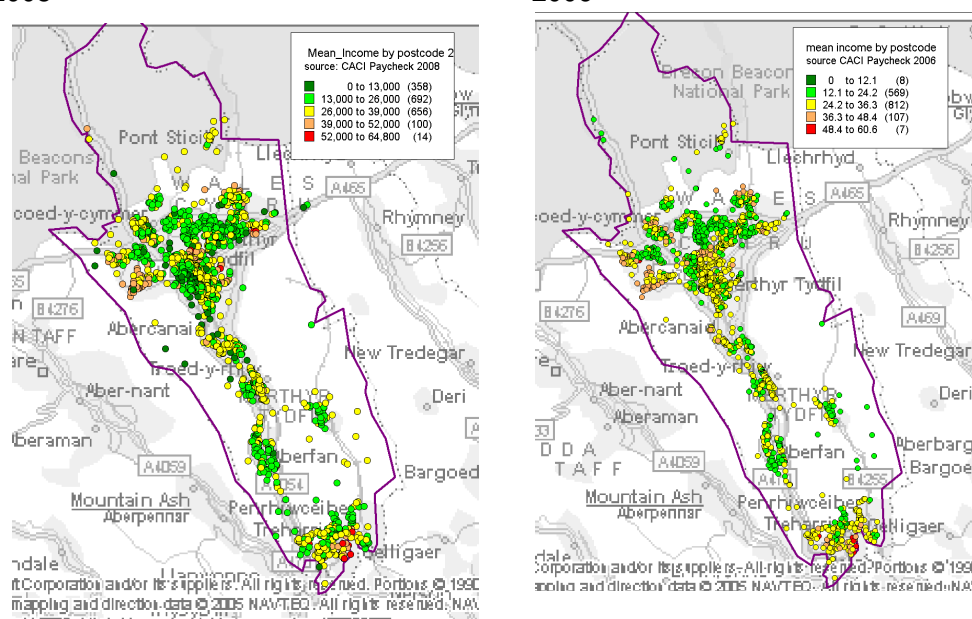


Table 36. Housing submarket area incomes 2008. Source: CACI

Sub area	Mean Income	Median Income
Merthyr Tydfil	£25,177	£24,441
Mid Valley	£25,314.74	£22,690.45
Treharris/Trelewis	£28,531.49	£25,468.85

Table 37. Housing submarket area incomes changes 2006 to 2008 Source: CACI

Housing submarket area	Mean Income	% change in Mean Income	Median Income	% change in Median Income
Merthyr Tydfil	-£493.00	- 2%	£1,441.00	6%
Mid Valley	£1,469.82	6%	£1,251.47	6%
Treharris/Trelewis	-£830.05	-3%	-£632.25	-2%

The slight fall in the Treharris and Trelewis sub area is unusual, and the reason for it is not known. Falls have been observed elsewhere due to a change in the socio-demographic composition of an area, such as an influx of migrant workers.

The effects of this shift in income patterns on house prices and affordability is complex. More households with higher incomes coming to an area can lead to an increase in house prices, which in turn can make it less affordable for the indigenous population with lower incomes. However, the continuing fall in house prices in Merthyr Tydfil means that prices remain relatively low and affordable.

Migrations

While the original “Bramley” model includes a component of need due to in-migrations, there are reasons why this is not appropriate for this update. These are:-

- the household projections already include an element for migrations. Conversely, only households aged under 35 are used in the model so not all migrations will be reflected, and migrations have also tended to be higher than was included in the projections up to 2008 or so, but this is now understood to have reduced.

- the nature of new development in Merthyr Tydfil would suggest that few if any incoming households would be likely to require affordable housing.

For these reasons a migrations component has not been included on this occasion.

Owner occupiers falling into need

A major proportion of this will be due to mortgage repossessions, which have been increasing in numbers as is widely reported. Some may also be due to more general reasons like marital breakups. The original 'Bramley' model proportion of 0.234% of owners was based on data in 2004, and more recent data from the Council of Mortgage lenders shows 1 in every 270 mortgages per year reaching repossession. This equates to a figure of 0.37%, and this has been used in the model applied to the number of buyers with a mortgage in Merthyr Tydfil based on Census data.

Backlog need – the housing register

The next component to be considered is the backlog need. In the 'Bramley' model this is measured by using local authority waiting lists, or housing registers. While this is recognised and recommended in the guidance as a valid source, it does have its drawbacks. These include:-

- not all households in need register with a local authority. This is commonly influenced by
 - the perceived chances of success – people are less likely to register if they think there is no point in doing so.
 - The quality, location and popularity of the stock on offer – people are less likely to register if they think that the properties they may be offered will not be what they want, or in an area they do not want
- some households on the register are there 'just in case' and have low current need and relatively low priority

A 'Planning for the future' study for the Housing Corporation in 2008 commented:

"It is interesting that 85% of non home-owning households in this survey with incomes of under £25,000 had not applied for social housing. This is surprising, given that there are very few areas of the country where this sort of income is sufficient to purchase a home on the basis of a mortgage alone. Yet aspirations to own a home are by far the most commonly cited reason for not applying for social housing."

There is also evidence from survey based studies that only about half of households showing as in need are on the local authority housing register. This further suggests that the number is under-estimated, probably quite considerably, - and particularly for the 'intermediate market' of households not in need of or wanting social rented housing but who still cannot afford to buy.

While these are offsetting distortions, it cannot be assumed that they will balance out, but on balance it appears that housing registers are more likely to understate the need for affordable housing, and are much better at reflecting the demand for social housing.

The County Borough's housing stock was transferred to Merthyr Valleys Homes in the spring of 2009. A review of the housing register was then undertaken, which resulted in a fall in numbers on the register from 1,700 to 900. This kind of fall is common on such reviews, and the normal process is that the register then builds back up again gradually, but quite quickly, to reach previous more representative

levels within a year or two. By the end of December 2009 the number of households on the housing register had increased to 1,382.

Table 38 shows the number of households in each housing submarket area who are registered on the Council's Housing Register, this excludes the 119 households who failed to provide the Council with their current address.

Table 38. Number of households on housing register by housing submarket area. Source MTCBC

Housing submarket area	Number of households on register	% of households on register
Merthyr Tydfil	852	75
Mid Valleys Communities	205	18
Treharris and Trelewis	77	7

On this basis the Housing Register figure of at the end of December 2009 of 1,382 households has been used in the estimates.

Backlog housing need indicated by the housing register was allocated according to an analysis of the register by ward provided by MTCBC, and aggregated up to the three housing submarket areas. This is reproduced below in table 39.

Table 39. Housing register applicants by ward. Source MTCBC

Ward	Number of Applicants	% of applicants
Gurnos	94	6.8
Vaynor	48	3.5
Bedlinog	25	1.8
Cyfartha	86	6.2
Dowlais	177	12.8
Town	187	13.5
Penydarren	105	7.6
Plymouth	95	6.9
Merthyr Vale & Aberfan	85	6.2
Treharris	77	5.6
Park	155	11.2
NFA	119	8.6
Outside of Merthyr Tydfil CBC area	129	9.3

Applicants who were of no fixed abode were allocated pro rata to the three housing submarket areas, giving a total backlog need as shown in table 40 below.

Table 40. Sub area housing register – backlog need allocation.

sub areas	housing register allocation
Merthyr Tydfil	1,038
Mid Valleys Communities	250
Treharris & Trelewis	94
Total	1,382

The policy period over which to address this backlog has been set at five years. Adopting longer periods will reduce the annual need to be met.

Pulling it together – gross needs estimates

Combining the various components of need described above gives:-

Table 41. Housing needs estimates summary.

Row no		Merthyr Tydfil	Mid Valley Communities	Treharris & Trelewis
1	Lower Quartile price (<i>Source Table 31</i>)	£70,000	£67,500	£70,000
2	Income required to buy (<i>Source Table 31</i>)	£18,000	£17,357	£18,000
3	% can't afford to buy (<i>Source Table 33</i>)	34%	29%	32%
4	% can't afford to buy entry level based on income and ability to get mortgage (<i>Source Table 33</i>)	56%	53%	49%
5	Emerging households aged under 35 derived from 2008 LSOA population estimates (<i>Source Table 28</i>)	250	69	55
6	Emergers unable to afford to buy (= row 5 x row 4)-	140	36	27
7	Owner occupiers with mortgage (<i>Number of owners with mortgages distributed on a pro rata basis</i>)	5073	1299	1310
8	Need due to owners in distress (<i>Figure of 0.37% has been applied to all mortgages in row 8</i>)	18	4	5
9	Housing register backlog allocation (<i>Source Table 40</i>)	1038	250	94
10	Annual backlog need (= row 9 / 5)	208	50	19
11	Gross need unable to buy entry level (=row 6 + row 8 + row 10)	366	90	51
12	Overall gross annual need based on can't buy	507		

Sources: Land Registry, CACI Paycheck, Household projections, WHO4, MTCBC.

The overall gross annual need estimates are the need *before* the supply of affordable housing is taken into account, and this is now considered

Supply of affordable housing

Guidance recommends taking into account *the predicted sum of annual supply of affordable units (i.e. both social rented and intermediate housing)* on the 'credit' side of the needs estimates 'equation'. For local authority and housing association lets data is available from the WHO4 housing management performance returns for these, although the centrally collected data it is not broken down to more detailed geographical levels which would be most useful for needs assessment.

More detailed data can be obtained from local authority and housing associations' own property management and lettings administrative systems. This was obtained from the main affordable housing providers of Merthyr Valley Homes (the former local authority stock), Merthyr Tydfil Housing Association, Hafod Housing Association, and Wales and West Housing Association. It was compared to the WHO4 totals to cross check. The total for the WHO 4 was 471, and from lettings systems 454 - the figures never quite agree exactly, but are within reasonable distance.

Table 42. The supply of social rented lets. Sources: Social Housing Providers property management database systems

Landlord	Total lets 2007 -8
Hafod Housing Association	21
Merthyr Tydfil Housing Association	102
Merthyr Valley Homes	276
Wales & West Housing Association	55
Total Lettings	454

Sources: Social Housing Providers property management database systems

These were also broken down by the three sub areas –

Table 43. Sub area social rented lets. Sources: Social Housing Providers property management database systems

sub areas	Net supply
Merthyr Tydfil	330
Mid Valleys Communities	68
Treharris & Trelewis	47
Total	445

NB. 10 lets unable to be allocated to sub areas

These were also broken down by electoral ward, shown in table 44.

Table 44. Social Housing Lettings by electoral ward in 2008-09. Sources: Social Housing Providers property management database systems

Electoral ward	Social Housing Lettings
Bedlinog	19
Cyfarthfa	64
Dowlais	68
Gurnos	106
Merthyr Vale	40
Park	10
Penydarren	32
Plymouth	26
Town	28
Treharris	30
Vaynor	22

Net need estimates

The net need is then the gross need from the preceding sections less the affordable supply.

Table 45. Net need estimates by housing submarket area. Source: MT affordability and needs model

Row No		Merthyr Tydfil	Mid Valleys Communities	Treharris & Trelewis
1	Net supply (Source Table 43)	330	68	47
2	Gross need per year based on unable to buy entry level only (Source Table 41 row 11)	366	90	51
3	Net shortfall per year - based on unable to buy (= row 2 – row 1)	36	22	4
4	Total Net shortfall per year - based on unable to buy or rent			62

The model affordability estimates suggest that there is a shortfall of around 62 homes a year.

However, this has also not yet considered the supply flow, quality, condition and other implications of the private rented sector, and this is considered in more detail in the following chapter.

The Merthyr Tydfil housing submarket area also contains a considerable amount of social housing stock for rent (a substantial proportion of which is concentrated on the Gurnos estate), which will often meet the need arising from within that submarket area, and **could** also meet other need. However the divisions and polarisation in

many modern housing markets, and the shape and distances of the Merthyr Tydfil local authority area, are such that it may not meet other need, because applicants from elsewhere will avoid and refuse offers of accommodation on the estate. The relative unpopularity of the Gurnos estate, particularly from households who do not live on or near to the estate, would suggest that the surplus of affordable housing lets on the estate will not meet the affordable housing needs of the wider Merthyr Tydfil area. This raises a host of other issues about existing stock, tenure concentrations, deprivation, mixed communities and reputation relevant to the development of a comprehensive housing policy, which are already being addressed through various other measures in Merthyr Tydfil.

Summary and issues for Policy Makers

Merthyr Tydfil has somewhat more complex housing market circumstances because it has experienced population decline and low prices in the recent past.

The Heads of the Valleys strategy of economic regeneration, improving transport links and investment led growth aims to attract more economically active people to the area. It would appear that these policies, coupled with market responses to lower prices and relatively lower affordable housing requirements, have worked to some extent in Merthyr Tydfil but the recession has had a significant effect on the economy of the area. Population estimates suggest that the decline in population has reversed recently, and growth has been around 3% a year, similar to the mid range figures used in the 2007 needs estimates, and this has been taken as the basis for the needs estimates. However the recession will undoubtedly cause a hiatus in the progress of this policy, and whether it continues if and when recovery arrives depends on many factors.

Estimates of housing need suggest that the need for additional affordable housing is around 62 a year **net**, and not taking into account supply from the private rented sector. This equates to around 23% of supply at the higher levels of development expected and achieved recently of some 260 a year.

Table 46 shows ward of origin of households who appear on the housing register and the number of social housing lettings in those areas in the year 2008-09. This indicates at a ward level where the shortages and surpluses of social housing exist. This shows that in Gurnos there is a surplus of social housing, and whilst there are shortages in all other areas these are greatest in Town, Park and Plymouth wards.

Table 46. Social housing shortages and surpluses in Merthyr Tydfil.

Ward	Number of Applicants	Number of Lettings	Surplus or shortfall
Gurnos	94	106	12
Vaynor	48	22	-26
Bedlinog	25	19	-6
Cyfartha	86	64	-22
Dowlais	177	68	-109
Town	187	28	-159
Penydarren	105	32	-73
Plymouth	95	26	-69
Merthyr Vale & Aberfan	85	40	-45
Treharris	77	30	-37
Park	155	10	-145

In current market circumstances intermediate housing to rent would be more likely to meet the needs and expectations and aspirations of economically active households

in all submarket areas. This could be coupled with schemes to help saving for deposits to buy, such as rent now buy later.

The quality of some private rented stock and low prices, together with a surplus of social rented housing in some sub areas, could raise the possibility of a return of patches of low demand housing and a spiral of decline of some parts of the county borough.

Chapter 6 The Role of the Private Rented Sector in the Merthyr Tydfil Housing Market

Introduction

This chapter will explore the role of the private rented sector in the Merthyr Tydfil housing market and the contribution it potentially makes to meeting housing needs in the area.

The role of the private rented sector in Merthyr Tydfil

Since the credit crunch burst the house price bubble the role of private renting has shifted to some extent. Demand for private rented housing has been boosted by:

- households that might have bought previously may now be waiting because prices are falling
- households who have insufficient savings to provide a deposit to obtain a mortgage

The supply of private rented housing has also been boosted by:

- owners who might have sold quite easily previously cannot now do so, and these 'refugee owners' may rent out their properties instead
- while buy to let mortgages have declined, buyers with sufficient cash have purchased cheaper properties to rent them out, taking advantage of falling prices.

The net effect of this is that the number of properties for private renting has increased still further, on top of the 20-25% increase since 2001 due to the buy to let boom.

The private rented sector is still the most difficult of all on which to obtain data. Landlords and Agents do not have to record their activities in any central or accessible form, and there is considerable amount of movement in the private rented sector. There is growing evidence to suggest that the private rented sector in Merthyr Tydfil has undergone dramatic growth in recent years. There is anecdotal evidence (see pages 33 to 35) to suggest that the supply of private rented housing in the area has grown, as a consequence of significant investor activity.

The Council's 2008 Private Sector House Condition Survey estimates that 14.2% of the private sector stock is rented, which equates to 2,883 properties. This compares with a figure for the 2001 Census of some 10%, or around 2,300, for both Private Rented and 'Rented from Other', which, if comparable, suggests an increase of some 26% - higher than the overall national increase. This is not surprising in view of the relative prices of properties and rents that can be charged. In Merthyr Tydfil investors can buy relatively cheaply, let the property and obtain rents which more than cover their costs, even if their tenants are in receipt of Housing Benefit.

This also poses issues regarding the nature of the local private rented sector. The Rugg report²¹ identifies at least ten distinct sub-markets within the private rented sector. They include

- young professionals, whose presence in the private rented sector reflects a complex amalgam of choice and constraint;
- students, whose needs are increasingly being met by larger, branded institutional landlords;

²¹ <http://www.york.ac.uk/inst/chp/Projects/PRsreview.htm>

- the housing benefit market, where landlord and tenant behaviour is largely framed by housing benefit administration;
- slum rentals at the very bottom of the private rented sector, where landlords accommodate often vulnerable households in extremely poor quality property;
- tied housing, which is a diminishing sub-sector nationally but still has an important role in some rural locations;
- high income renters, often in corporate lettings;
- immigrants whose most immediate option is private renting;
- asylum seekers, housed through contractual arrangements with government agencies;
- temporary accommodation, financed through specific subsidy from the Department for Work and Pensions; and
- regulated tenancies, which are a dwindling portion of the market.

The report continues that *the configuration of submarkets will vary from area to area: even neighbouring boroughs may have very dissimilar private rental sectors.*

In Merthyr Tydfil in July 2010 Department of Works and Pensions statistics show 1,410 Housing Benefit recipients living in private rented accommodation, compared to a total of the tenure of around 2,900, based on estimates from the private sector stock condition survey in 2008. This would indicate a substantial growth in the *housing benefit market* in Merthyr Tydfil, 1,009 in March 2007 and was 830 in June 2003.

The evidence of the high proportion of housing benefit claimants residing in the private rented sector suggests that in Merthyr Tydfil much of private rented sector could fall mainly into the *housing benefit market*. Although not inevitable or universal, it is likely that much of this will be at the lower end of the market. This is further confirmed by web sites advertising properties for rent, many of which say 'DSS and Bond scheme accepted', whereas in most areas 'no DSS' is more common. The Wallich provide a bond and tenancy guarantee services in Merthyr Tydfil, which issues bond certificates to cover the cost of a deposit on a rented flat or house, and guarantees to landlords that they will receive payment if the tenancy ends prematurely.

While rents, benefits, and requirements for deposits and guarantees are one aspect, condition is another. The stock condition survey in 2008 found that some 19.7% of the private rented sector was defective²². There are therefore concerns that quality may be poor in a higher proportion of properties where the tenants are in receipt of housing benefit, as more of the already high proportion of defective properties are likely to be in that part of the private rented sector.

However, the growth in numbers of private rented properties and the high number of housing benefit claimants living in them indicate that the private rented sector is home to a substantial number of households who could otherwise be considered as being in housing need. There are indications from local interviews and perceptions that some of this is a matter of choice, with some households preferring private rented properties which are not in such good condition but in locations they prefer, to perhaps better quality social rented properties in area they do not want to live in. This may well be a rational housing choice for them, but a possible result could be

²² Page Table 9.7 Defective by Tenure (%) – Merthyr Tydfil County Borough Council HCS - 2008)

that it leads to slightly greater disincentives to taking jobs in a relatively low waged local economy.

The role of the private rented sector in meeting housing need and its impact on the local economy

The role of the private rented sector in relation to housing need has been somewhat uncertain, both in general terms but specifically for Merthyr Tydfil, especially with regard to Housing Benefit /Local Housing Allowance, due to its particular local housing market conditions. This is quite understandable because information and attitudes to the private rented sector are constrained and confused by its fragmented and variable nature, lack of information and data, and by differing political and policy attitudes.

Following a reconvened LDP Examination in October 2010 it was requested that *the contribution of the private rented sector to the supply of open market housing be assessed.*

Local Housing Market Assessment Guidance is quite equivocal on the PRS. It comments, for example, that:-

“Some may choose to live in private rented housing, possibly with the use of housing benefit,, even though they may be eligible for affordable housing, but also only households in arrears (for mortgage or rent) or in receipt of housing benefit should be regarded as in housing need, on the grounds that their accommodation is too expensive.”

These lead to alternative interpretations with very different implications.

Rent levels from www.findaproperty.com for Merthyr Tydfil, the Mid Valleys Communities and Treharris and Trelewis are shown in Table 47.

Table 47. Private Rented Sector rent levels Source: Findaproperty

Housing submarket area and property type	Average asking prices per month	Income required 25% spent on rent
<u>Merthyr Tydfil</u>		
<u>1 bed flat</u>	£295	£14,160.00
<u>2 bed house</u>	£425	£20,400.00
<u>3 bed house</u>	£435	£20,880.00
<u>4 bed house</u>	£675	£32,400.00
<u>Mid Valley Communities</u>		
<u>2 bed house</u>	£312	£14,976.00
<u>3 bed house</u>	£360	£17,280.00
<u>4 bed house</u>	£550	£26,400.00
<u>Treharris and Trelewis</u>		
<u>2 bed house</u>	£430	£20,640.00
<u>3 bed house</u>	£450	£21,600.00

Source: derived from Rent a property web site February 2010

But for the purposes of needs modelling Guidance says that a *household should be taken as being able to afford market housing in cases where the rent payable would constitute no more than 25% of their gross household income.*

Private sector rent levels can therefore be substituted for entry level house prices, to estimate the proportion of households that can and cannot afford these rents based on this 25% threshold.

It is notable that for Merthyr Tydfil in two submarket areas more households cannot afford to rent privately than cannot afford to buy at entry level if **this is based on income alone**. But if a factor for mortgage rationing and requirements for a deposit are included then this reverses, and more households can afford to rent privately than to buy – which clearly better reflects reality. This part of the equation also has implications for the nature and growth of the private rented sector in the local housing market system.

Table 48. Private rented sector affordability test. Source: affordability and needs model

Sub area	entry level rent	income required @ 25% spent on rent	can't afford to rent
Merthyr Tydfil	£425	£20,400	42%
Mid Valley	£312	£14,976	21%
Treharris & Trelewis	£430	£20,640	39%

Source: Rent a Property web site February 2010

In the 'Bramley' based model this affordability criteria is applied only to emerging households, not to backlog need. Using private rented sector rents as the threshold will therefore reduce the number of emerging households who are unable to afford, so that the overall shortfall of affordable housing is reduced. That is, the model assumes that more housing need for emerging households will be met by the private rented sector.

However, applying this data to the model will only show the proportion of households who could *in principle* afford to rent privately, but in reality they can meet their housing need in the private rented sector only if:-

- there is sufficient supply of private rented lets and
- access hurdles to tenancies, such as need for deposits, rent in advance, references, refusal of HB claimants, etc, are surmountable.

The Housing Benefit figures show that large numbers of households who apparently cannot afford private sector rents are nevertheless living in that tenure, but only with the support of Housing Benefit. Indeed the data suggests that around half of tenants in the private rented sector receive housing benefit.

In one interpretation of the LHMA guidance these could be considered as a backlog housing need, giving a large shortfall of affordable housing of some 1410 / 5 year policy period, that is an additional 282 a year 'in need'. While this interpretation is not feasible or realistic, the wider implications do need to be considered, especially for the local economy through the interaction of higher rents and benefits. However, it is likely that those private rented tenants who wished to access the social housing sector will have registered on the Council's Housing Register and therefore already feature in the backlog need figures.

A more realistic interpretation would be to take the proportion of households in the private rented sector that are in receipt of Housing Benefit (that is $1410/2883 = 49\%$) as an indication that in reality they cannot afford private rents without subsidy. This would mean that about half of those estimated as being able to meet their housing

needs in the private rented sector are actually in need of some form of affordable housing. This is likely to be increasingly revealed, with practical consequences for housing debt and homelessness, if the proposed changes to limit Housing Benefit levels to 30% of market rents rather than the median are implemented. This interpretation is also in line with definition of affordability contained within Technical Advice Note (TAN) 2: Planning and Affordable Housing. TAN 2 states that property is deemed as affordable where a household has the ability to purchase or rent a property without subsidy (i.e. Housing Benefit is a form of subsidy).

This can be incorporated into the needs model by applying this 49% factor to the proportion of emerging households who appear, based on the modelled incomes profile, to be able to afford private rented sector rents. This is shown in table 49, which attempts to model this impact in the three housing submarkets of Merthyr Tydfil County Borough area. Using this approach reduces the requirement for affordable housing from 62 units a year to 34 units a year.

Table 49 – Housing need estimate incorporating effects of Housing Benefit in private rented sector

Row no		Merthyr Tydfil	Mid Valleys	Treharris / Trelewis
1	Lower quartile Price	£70,000	£67,500	£70,000
2	Income required to buy	£18,000	£17,357	£18,000
3	% cant afford to buy based on income and ability to obtain mortgage (Source Table 33)	56%	53%	49%
4	% cant afford to rent privately @ 25% household income (Source Table 48)	42%	21%	39%
5	proportion of households that can rent privately but claim HB	49%	49%	49%
6	% unable to buy or rent without subsidy (49% of diff between row 3 and 4, added on to row 4)	49%	37%	44%
7	emerging households	250	69	55
8	emergers unable to buy or rent without subsidy (row 7 x row 6)	123	26	25
9	Owner occupiers with mortgage	5073	1299	1310
10	need due to owners in distress (0.37% of row 9)	19	4	5
11	Housing register backlog need	1038	250	94
12	annual backlog need (row 11/5)	208	50	19
13	Gross need (= row 8+ row 10+ row 12)	350	80	49
14	net affordable supply	330	68	47
15	net need (row 13- row 14) units p.a	20	12	2

In general terms, the housing market is so complex and interlinked, and now also increasingly volatile and unstable, that a numerical data analysis and modelling can only ever approximate all these interactions, and so only make best estimates of the level of 'need'. The data can provide a firm evidence base for judgments about the market and need, but great caution should be applied when considering such 'calculated' numerical estimates, and especially so in Merthyr Tydfil where numbers are in any case quite small, and any natural variation could alter the inputs and outcomes quite considerably.

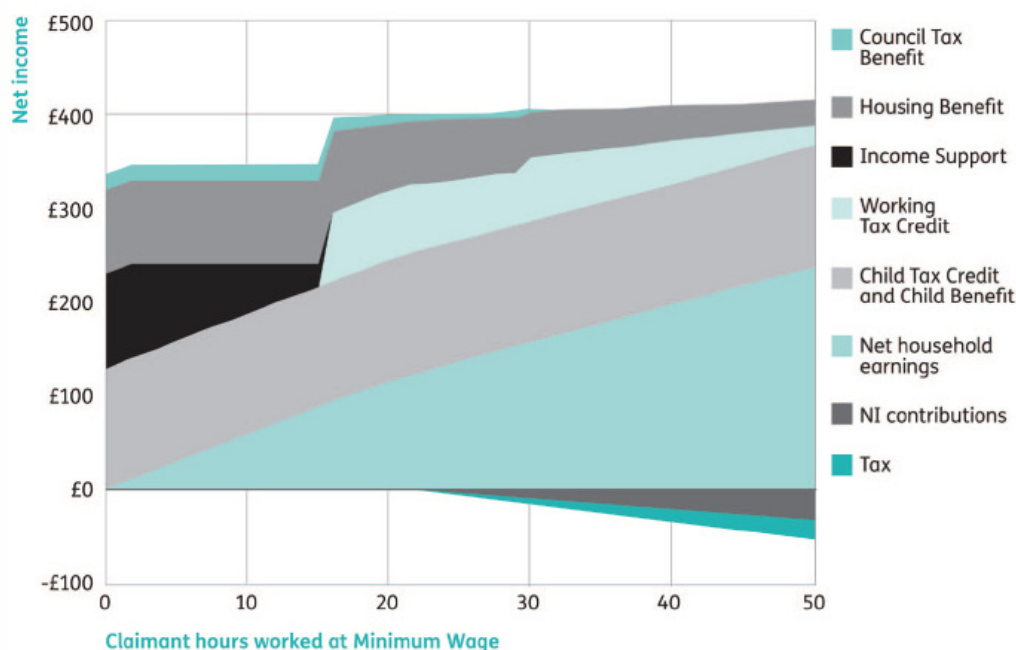
Other effects of higher rents

The issue of higher rents exacerbating poverty and unemployment traps is again highlighted by the policy paper “21st Century Welfare” presented to Parliament by the Secretary of State for Work and Pensions, Iain Duncan-Smith, in July 2010. This shows that people cannot afford to go to work because of the amount of income they would lose due to the combined benefit tapers. They also become liable for more of the rent, with increased risk of arrears and loss of tenancy and home.

The graphic below extracted from this report shows how the benefit tapers inter-relate to dramatically limit the amount of ‘take home’ income as hours of work increase.

Figure 17. The impact of benefits tapers on take home pay

Figure 1 Benefits, Tax Credits and earnings



The report gives an example:- *a couple with a single earner and two children sees a Marginal Deduction Rate of 95.5 per cent on earnings between £126 and £218. This means that someone at the National Minimum Wage would be less than £7 per week better off if they worked 16 extra hours and earned an extra £92 (an effective wage rate of 44p per hour).*

The effect of higher rents is to extend the effect of the tapers and limit the amount of ‘take home’ income. Given the nature of the local economy in Merthyr Tydfil this poses potential dangers to the prospects of economic recovery and viability.

However the closer private rented sector rents are to social sector rents the less this effect is. DWP tables give examples.

Table 50. Effect of higher rents on tapers and 'take home' income

Table 6: Effect of higher rents on tapered and 'take home' income		
Couple + 1 child under 7	LA rent £65 /week	PRS rent £145 /week
	Take home' after rent	
earnings £210/week	£ 215.04	£ 215.04
earnings £310/week	£ 238.39	£ 229.97
	difference	£ 14.93

Source: DWP Tax Benefit Model Tables April 2009

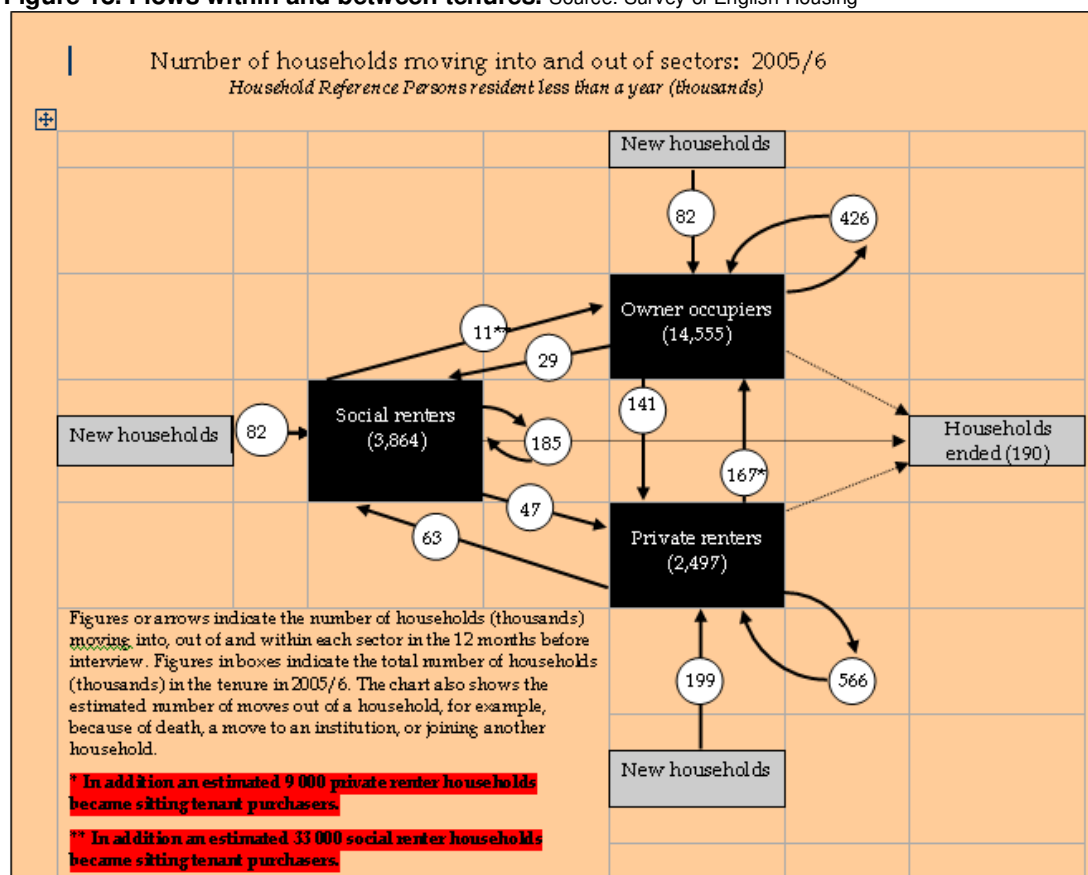
The effect is quite small at a PRS rent of £145 as used in the DWP example, so for Merthyr Tydfil rents of around £100 a week the effect will be marginal.

Turnover in the private rented sector and the availability of property to emerging households

The private rented sector usually has a high turnover rate, due to the use of shorthold assured tenancies, disputes developing between landlord and tenant, and the nature of its client group, although the rate of turnover has been falling as private renting has become more prevalent and home to households in more settled life stages.

This suggests that the supply of private rented housing is likely to be quite high, although much private rented sector turnover is of people moving within the sector, from one private rented property to another, so that much apparent supply does not meet new demand, but is absorbed by moves within the sector or 'churn'. The Survey of English Housing²³ for 2005/6 gives a breakdown of flows between tenures.

Figure 18. Flows within and between tenures. Source: Survey of English Housing



²³ Although the SEH sample does not cover Wales it is likely that housing behaviour is similar

Although this may not apply especially well to the housing market system in Merthyr Tydfil, it would suggest that of 2,900 or so private rented properties in Merthyr about a third, 900 lets or so, have a change of tenant each year, with approaching two thirds of this being turnover or 'churning' within the sector.

Table 51. Model flows between tenures based on the Survey of English Housing 2005/6

Current tenure	Previous tenure					
	New household	Owners	Council	HA	Private rented	
All owners	12%	62%	1%	1%	24%	100%
Rented from council	27%	8%	42%	9%	14%	100%
Rented from HA	18%	8%	17%	36%	21%	100%
All rented privately	21%	15%	3%	2%	59%	100%
All tenures	18%	30%	7%	5%	40%	100%

Applying this to the estimated annual flow of private rented sector lets gives an indication of the likely numbers for each source of demand, shown in Table 52.

Table 52. Private rented sector supply analysis.

Merthyr Tydfil private rented supply	2900	
Turnover per year	33%	
Private rented sector lettings per year	957	
<i>new tenants from</i>	<i>derived number</i>	<i>% of lets</i>
New households	200	21%
Owners	142	15%
Council	27	3%
Housing association	20	2%
Private renting	568	59%

Sources: MT private sector stock condition survey, SEH turnover rates

The table above seeks to demonstrate movement within the local housing market between sectors and the impact that this has on the availability of private sector lets to newly emerging households.

This can be cross checked further to some degree by looking at web site advertisements for homes to rent. In October 2010 this produced a total of 385 advertisements for properties available to let in Merthyr Tydfil on six web sites (although this not comprehensive and may include some double counting).

Table 53. Web search of private rented properties available to let in Merthyr Tydfil, October 2010

Web site	adverts available to let
Rightmove	82
Nestoria	53
Find a property	36
Zoopla	22
Lettingsearch	158
Globrix	34
Total	385

Since any relets created by moves from the social sector will be included in the affordable supply, and the model is assessing annual demand from new households aged under 35, this annual private rented sector contribution to supply mainly affects

emerging households. Factoring this in suggests at first sight that the private rented sector could meet much new need in Merthyr Tydfil.

In reality the position is of course vastly more complex, with households moving between tenures at different life stages, stock coming into and out of the private rented sector, and relet levels varying by type and location. The quality of the private rented sector, access hurdles, lack of security of tenure, possible repossession of buy to let landlords, investor decisions and impending welfare benefit reforms and many other factors combine to make the position of the private rented sector in meeting housing need much more questionable, and essentially a political decision, albeit as evidence based as it can be. Housing Benefit also enables access to private renting even if the household appears unable to afford it on an income test.

It could however be argued that private rented sector lets which require Housing Benefit, a form of subsidy, are not really affordable. As shown above this currently accounts for 49% of private rented tenancies. If this is the interpretation adopted then only around 100 of the total estimated private rented sector lets available to new households should be taken into account. Nevertheless this is still sufficient to almost meet the 'need' from those emerging households that cannot afford to buy but can afford to rent in the private rented sector, reducing the requirement for affordable housing in the County Borough as a whole from 62 units pa to 34.

Table 54. Net need estimates by housing submarket area. Source: MT affordability and needs model

Row No		Merthyr Tydfil	Mid Valleys Communities	Treharris & Trelewis
1	Net supply (Source Table 43)	330	68	47
2	Gross need per year based on unable to buy entry level only (Source Table 41 row 11)	366	90	51
3	Net shortfall per year - based on unable to buy or rent (= row 2 – row 1)	36	22	4
4	Gross need per year - based on unable to buy or rent without subsidy (Source Table 50 row 15)	350	80	49
5	Net shortfall per year - based on unable to buy or rent without subsidy (= row 4 – row 1)	20	12	2
6	Total Net shortfall per year - based on unable to buy or rent			62
7	Total Net shortfall per year - based on unable to buy or rent without subsidy			34

As a further complication, it is also possible that higher rates of turnover in the rented sector, both social and private, are precisely because it is poor quality and perceived as unsatisfactory as permanent housing, but ironically this leads to apparently higher levels of supply in the tenure, which could ostensibly be taken as able to meet more need, whereas in reality they may be creating it.

Conclusion

The effect of the private rented sector is complex – in practice it both absorbs some need but also creates it by tenancies ending. The Rugg report (2008)²⁴ identifies

²⁴ Rugg, J. & Rhodes, D. (2008) *The Private Rented Sector: its contribution and potential*. Centre for Housing Policy. York

eleven different segments within the private rented sector in particular the Housing Benefit market where tenants remain in situ for significantly longer than other parts of the sector. It would appear that the purchase of cheaper properties by investors and the practice of letting them to households in receipt of Housing Benefit is growing in Merthyr Tydfil. But it appears that the private rented sector does in effect contribute to meeting housing needs in the area. Housing staff in Merthyr Tydfil commented that some people meet their housing need by private renting, and the Council provides services and assistance to facilitate this, such as help with deposits.

When there were problems of low demand in the Welsh Valleys, in the early years of the previous decade, it was widely recognised that there was competition between social and private renting. Another concern is the development of patterns of rapid turnover or 'churning' of tenancies in both the private rented sector and social sectors, with moves between these sectors as tenants have more options but between poorer quality or less popular properties. In the late 1990's and early 00's, especially when poorer quality private rented housing was close to unpopular social housing some tenants would frequently move between the two, often leaving behind arrears, damaged properties, soured relationships and neighbourhoods, making the properties more difficult to let. This led to low demand, which in some areas, including the South Wales valleys, became a considerable problem.

Qualitative interviews for this project did not suggest that this is happening yet, but the evidence of the data suggests that conditions could be developing where it becomes more likely. It can be monitored by the level of empty properties, rate of turnover, lack of sales or large falls in house prices in localised areas - but best of all local knowledge and perceptions.

The ability of some households who can't afford to purchase a home but can afford to rent (without the subsidy provided by housing benefit) reduces the level of need for affordable housing as shown in table 54. The supply of 'affordable' private rented lets, as shown in table 52, increases the level of the supply of housing available to meet housing needs in Merthyr Tydfil. The effect of incorporating this data is to reduce the need for additional affordable housing.

However, the question must be asked about whether it is appropriate for long term development plans to be based on the contribution of the private rented sector to meeting housing needs. There is evidence to suggest that at stage of the housing market cycle, there is a substantial supply of private rented housing which can provide a form of 'affordable' housing and contribute to meeting housing needs in the area, although there are also concerns about the quality of a significant proportion of this stock. The growth in private rented housing in Merthyr has occurred because:

- house prices have been low, in relation to other areas in the UK and Wales because there has been limited concerted action over time to clear older, poorer quality homes from the housing stock – leaving a pool of relatively cheap properties for investors to purchase
- housing has been regarded as an attractive investment proposition to investors
- some owners have experienced difficulties selling their homes
- a relatively generous welfare benefits regime has been in place throughout the previous decade

However, the private rented sectors share of the local housing market can change over time, and quite rapidly, as we have seen. There is a risk that the private rented sector could quite rapidly reduce should for example:

- house prices increase – investors may decide to withdraw to take advantage of capital growth and refugee owners may decide to sell if they can achieve a favourable price
- alternative investment opportunities – investors may decide to withdraw to take advantage of better rates of return offered in alternative sectors
- impact of the forthcoming welfare benefit reforms – households who receive housing benefit and who have made a rational choice to live in the private rented sector, may as a consequence of changes to the welfare benefits system, be forced to consider moving back to the social rented sector, increasing the level of backlog housing need and reducing demand for private rented housing in the area. For example the extension of the single room rent regulations to single people aged under 35 year olds from 2012, announced by the Chancellor of the Exchequer during the Comprehensive Spending Review announcement on 19th October, will have the effect of reducing demand for private rented housing, from an important sector of the *Housing Benefit market*.

So whilst the private rented sectors share of the local housing market has grown considerably over recent years, there is uncertainty about the share of the market it will have in five or ten years time and its continued role in providing an 'affordable' form of housing for emerging households in the Merthyr Tydfil area. For this reason we recommend that the Council is cautious in incorporating the supply of private rented housing into the housing needs calculation. However, if the private rented sector is taken into account, despite various difficulties and concerns with this, the need for additional affordable housing reduces significantly from 62 units per annum to 34. These units of affordable housing should be divided between the three housing sub market areas, as follows:

Merthyr Tydfil	20 units pa
Mid Valleys Communities	12 units pa
Treharris/Trelewis	2 units pa

The decision to rely partially on the private rented sector to meet housing need is essentially a local political one, which cannot be determined by a purely technical, numerical approach, but should take account of the specific local housing market circumstances and conditions based on local knowledge. From interpretation of the evidence of the data, a policy of gradual development of some new, replacement and additional affordable housing in smaller, well designed schemes in the right locations would appear to provide the best chance of moving the housing market in Merthyr Tydfil in the most sustainable and effective direction within the wider social and economic context.

Chapter 7 The Housing Requirements of Specific Groups

Introduction

This chapter will briefly draw together information on the housing needs of specific groups within the wider resident population of Merthyr Tydfil. The information used to produce this chapter is drawn from sources of information held by the Council and its key partners. This chapter is one that the council and its key partners will, over time, need to update, as and when they establish a more reliable picture of the needs of the groups identified below.

People with Disabilities

As discussed in chapter 2, Merthyr Tydfil at the time of the 2001 had the 2nd highest rate in the UK of people with a long term limiting illness within the resident population. This high rate of long term limiting illness results in a high rate of claims for Incapacity Benefit/Severe Disablement Allowance. In Merthyr Tydfil 20% of the working age population were in receipt of Incapacity Benefit in August 2006, compared with the Wales average of 12%. However, the numbers in receipt of such benefits have reduced by 15.1% in Merthyr Tydfil between 2001 and 2006, compared with a reduction of 8.5% across Wales as a whole.

It would appear that this high rate of self defined “long term limiting illness” feeds through into demand for housing services for disabled people, such as demand for disabled accommodation and demand for disabled facilities grants.

The Council currently has 41 registered applications for Disabled Facilities Grant (DFG), a substantial reduction on the 95 applications at the time of the 2007 Housing Market Assessment. These cases will account for £435,174 (given the average cost of £10,614 per case). The current years’ allocation of resources for DFG’s is £500,000.

Black and Minority Ethnic Groups

In April 2004 the Council, working in partnership with a range of other agencies produced a Black and Minority Ethnic (BME) Housing Strategy. The research involved in the production of the strategy found that Merthyr Tydfil had a small BME population who were generally in employment, in many cases related to Prince Charles Hospital, were relatively affluent and well housed. The strategy identified some BME groups who appeared to be less affluent and live in poorer housing conditions than the population in general. The BME Strategy Action Plan recommended that further work was undertaken into the housing needs of the following BME groups:

- Mixed Race;
- Bangladeshi;
- Chinese; and,
- “Other Ethnic Group”

The Council has appointed an officer to work with BME communities in the County Borough and significant work has been undertaken to date to gather information and data about the needs of the various communities.

Migrant Workers

Table 8 & 9 (Page 10) shows the considerable growth in the number of migrant workers residing in Merthyr Tydfil. It would appear that migrant workers can be

divided into two broad groups – those working in the health and caring professions and those engaged in manufacturing industries.

The health/care sector would appear to consist predominantly of Filipino nurses and/or doctors of a wide range of nationalities. Those migrant workers engaged in the manufacturing industry are predominantly Portuguese and Polish. According to information gathered during the fieldwork interviews whilst most migrant factory workers arrive as single persons living in rented accommodation provided by their employment agency, if they remain they tend to bring over their families to live with them (this includes not only partners and children but also parents). This requires them to move into private rented accommodation and most favour the Dowlais area, close to the two main factories which have engaged migrant workers. Council Officers report that the Polish community have been relatively successful in accessing the social housing sector.

Council Officers now estimate a resident Polish community of 1,500 persons and a Portuguese community of approximately 800 persons. Officers also estimate that there are approximately 300 Filipino people living in Merthyr. Officers report that in three primary schools serving the Dowlais, Gurnos and Town Centre areas more than 20% of children in each school use English as an additional language.

Officers also report a growth in the number of Chinese take-away restaurants in Merthyr and a subsequent growth in the number of Chinese people resident in Merthyr.

Relatively little is known about the housing circumstances of migrant workers in Merthyr Tydfil, but if similar to elsewhere they mainly live in the Private Rented Sector, often in poorer quality properties. This also means that if there are fewer migrant workers, or they leave the area, the supply of these private sector lets may increase.

Gypsies and Travellers

Within Merthyr Tydfil there is one residential site for gypsies and travellers. The site in Glynmill is owned and managed by the local authority and has 13 pitches. It is recognised by the Council that the site requires improvements, in particular investment in the infrastructure of the site and the provision of improved amenities.

Issues for Policy Makers

(i) The Council and its partners can make better use of data on its systems to establish the housing needs of groups to whom it owes an equality duty.

(ii) The Council and its partner need to undertake further fieldwork to establish the housing needs of the following groups:

- migrant workers
- certain minority ethnic groups
- gypsies and travellers

Chapter 8 Executive Summary

The characteristics of the housing market in Merthyr Tydfil, and hence the circumstances for estimating housing needs, are currently complicated by volatility, uncertainty and change.

Based on access to entry level owner occupation the shortfall in provision of affordable housing in the county borough overall is estimated at some 62 affordable lets a year **net**—based on a version of the ‘Bramley’ needs model. This equates to some 23% of annual new supply of around 266 for the whole district.

However this need is not spread evenly between the three housing submarket areas. The model indicates that the Merthyr Tydfil housing submarket area has the greatest level of need (a shortfall of 36 affordable lets a year) but within this area there are surpluses and shortages of affordable housing at a neighbourhood level. In particular on the Gurnos estate there is an apparent surplus of social housing and it is our opinion that no more affordable housing is required in that area unless this is targeted at specific needs groups for which there is locally identified under-provision; or to improve stock utilisation – for example to get under-occupiers to move releasing family houses. The Mid Valleys Communities submarket area show a need for 22 affordable units a year which is greater than the anticipated build rate in the area. The Treharris and Trelewis submarket area shows a requirement for 4 affordable units a year.

The role of the private rented sector also impacts directly on housing needs, and has become more important and complex following the credit crunch, house price falls and difficulties in obtaining mortgages. However, guidance on undertaking Local Housing Market Assessments produced by the Welsh Assembly Government and the Department for Communities and Local Government in England do not explicitly recommend factoring in the supply of private rented lets into the estimation of need for affordable housing.

If the private rented sector is judged, based on the evidence as a whole, as not able to meet housing need adequately in the longer term then the need for the whole county borough is estimated at some 62 additional affordable lets a year net, which should be provided in the sub areas approximately in the proportions shown in table 55.

Table 55. Summary of needs estimates by sub area and implied proportions of planned new supply, based on unable to buy only

Housing submarket area	estimated annual need in submarket areas <i>(source row 3 Table 45)</i>	proportion of total need for all affordable housing within LA	Planned annual new supply in submarket area	Proportion of planned new development in submarket area justified as affordable
Merthyr Tydfil	36	58%	210	17%
Mid Valley	22	35%	17	129%
Treharris/Trelewis	4	10%	39	15%
Total net need	62	100%	266	24%

However to identify a level of need that meets the definition of affordability in TAN 2, the private rented sector is judged to be acceptable as a means of meeting permanent housing need as far as it is not reliant on Housing Benefit, then this requirement reduces to 34 units a year or 13% of the supply of additional homes in the area. This is shown in Table 56.

Table 56. Summary of needs estimates by sub area and implied proportions of planned new supply, based on unable to buy or rent

Housing submarket area	estimated annual need in submarket areas <i>(source row 5 Table 55)</i>	proportion of total need for all affordable housing within LA	Planned annual new supply in submarket area	Proportion of planned new development in submarket area justified as affordable
Merthyr Tydfil	20	59%	210	10%
Mid Valley	12	35%	17	71%
Treharris/Trelewis	2	6%	39	5%
Total net need p.a.	34	100%	266	13%

Transposing these figures over the LDP period gives a total need of 510 affordable units (300 in Merthyr Tydfil, 180 in the Mid Valley Communities and 30 in Treharris/Trelewis).

The levels of affordable housing required by policy also need to be tested for viability of delivery, in the short, medium and longer terms. This is particularly important in the Mid Valleys area where there is proportionately a much higher need than the other two areas. The overall housing market should also be routinely monitored for further changes that can affect needs and viability.

The possibility of the re-mergence of patches of low demand also needs to be kept under review. Low demand is particularly likely in area where there is unpopular social housing and poor quality private rented housing in close proximity. It can be monitored through tracking the number and duration of empty properties, turnover levels, and house prices and transactions *at a localised level* - (e.g. by street).