West Northamptonshire Housing and Economic Needs Assessment – Executive Summary

West Northamptonshire Council

July 2021

Prepared by

GL Hearn

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1 EXECUTIVE SUMMARY

- The West Northamptonshire Housing and Economic Need Assessment (HENA) assesses future development needs for housing (both market and affordable) and employment across the geography of West Northamptonshire (formerly South Northamptonshire, Daventry and Northampton) over the period 2020-2050.

Housing profile

- The majority of dwellings in West Northamptonshire have 2 or 3 bedrooms. That said, Daventry[1] and South Northamptonshire have a substantial number of 5 bedroom family homes. Data from the 2011 Census indicates there is a higher percentage of flats and terraced properties in Northampton (50%) in comparison to Daventry (26%) and South Northants (22%).
- There are fewer owner-occupied homes in Northampton than Daventry and South Northamptonshire and more households in the Private Rented Sector (PRS) or Social Rent homes. Between 2001 and 2011 West Northamptonshire saw a big increase in households in the PRS, particularly in Northampton (110%).
- "Under-occupation" of homes is common in West Northamptonshire (78% of households). In 2011, most dwellings had two or more spare rooms.
- Over-crowding is more common in Northampton (2.3% of households) than in Daventry (0.6%) and South Northamptonshire (0.4%). Between 2001 and 2011 acute over-crowding increased by 35% in West Northamptonshire.
- Between 2011 and 2020, 14,786 dwellings were built in the study area, falling short of the housing target by 4,428 dwellings.

Population Change

- West Northamptonshire has a population of just over 400,000 in 2018. Since 1991, the population has increased by 27% with Daventry showing the biggest growth.
- West Northamptonshire has proportionally fewer 20-29 year-olds compared to England. Northampton has a younger age profile compared with Daventry and South Northamptonshire.
- Since 2002, there has also been strong, but slowing, levels of international in-migration to the area, particularly to Northampton. Natural change has also been a significant driver of growth. In Daventry and South

[1] All references to 'Daventry' throughout this document mean Daventry District

Northamptonshire growth has also been driven by people moving to the area from Northampton.

Market signals

- The 2019 median and lower quartile house prices are 49% and 47% lower in Northampton compared with South Northamptonshire. This does however need to be considered in light of both higher land values and smaller dwellings. This suggests the variation in price per square foot would be substantially less. Daventry has recorded the highest increase in house prices (89%) although there was also growth in Northampton and South Northamptonshire.
- Rents at all price points in 2019 are higher in West Northants than the East Midlands average although Median rents in Northampton are significantly lower than in Daventry or South Northamptonshire.
- The residence-based Median Affordability Ratio and the Lower Quartile Affordability Ratio for West Northamptonshire in 2019 were 8.27 and 8.72 respectively. This demonstrated the difficulty of obtaining a mortgage without substantial equity.
- Between 2001 and 2011, the private rented sector in West Northamptonshire grew and the proportion of households that own their own home with a mortgage has fallen. This is linked to worsening affordability and restricted access to mortgages.

Economy and Labour market

- In 2018, the West Northants economy produced goods and services valued at £11.5 (bn) (GVA) and supported around 242,800 jobs. The strongest contributor to GVA in 2018 was Wholesale & Retail, Manufacturing and Real Estate sectors.
- Important sectors within the economy of West Northamptonshire are Financial, Transport & Storage, Wholesale & Retail and Business Admin. The area has higher representation in these sectors compared with England or the East Midlands.
- West Northamptonshire has seen strong growth in employment and GVA terms over the last thirty years, particularly up until the last recession in 2008. Employment has continued to grow until 2020 and fell as a result of the onset of COVID-19.
- The vast majority of the enterprises based in West Northants employ fewer than 10 people. West Northamptonshire has relatively high employment and economic activity rates compared to the East Midlands region.

- Before COVID-19 West Northamptonshire had an unemployment rate of 3%. The rate for England was 4%.
- This report was produced through 2020 and attempts to reflect some of the significant uncertainties arising as a result of COVID-19, including employment contraction and effects on housing and employment floorspace.

Housing Need and Population Growth

- The National Planning Policy Framework was revised in 2019 and introduced a Standard Method for arriving at a local housing need figure. It provides a stepped approach, summarised below:
  - Step 1 draws on the 2014-based household projections which, for West Northamptonshire, shows household growth of 1,712 dwellings per annum (dpa) over the period 2020-2030.
  - Step 2 increases the LHN based on local affordability (resulting in an uplift of 25%). This increases the need from 1,712 dpa to 2,139 dpa. This is set out in the table below.

Standard Method-based Local Housing Need Assessment

	Daventry	**Northampton**	**South Northants**	**West Northants**
Households 2020	34,212	99,579	38,321	172,112
Households 2030	36,834	110,412	41,983	189,229
Change in households	2,622	10,833	3,662	17,117
Per annum change	262	1,083	366	1,712
Affordability ratio (2019)	9.22	7.02	9.99	-
Uplift to household growth	33%	19%	37%	-
Total need (per annum)	**348**	**1,288**	**503**	**2,139**

- Step 3 of the standard method caps the uplift in Step 2 to the LHN to support deliverability. However, the cap does not apply in West Northamptonshire as the Step 2 figure (2,139dpa) is less than a 40% uplift on the housing target adopted in the WNJCS (2,368dpa).

- Recommendations: The local authorities seek to deliver a minimum of 2,139 dpa within the Housing Market Area[2] (HMA). Although calculated over the 2020-2030 period, the LHN can also be applied to the latter part of a plan period to 2050.
- To understand the population implications of delivering 2,139 dpa, a scenario has been modelled whereby household formation rates are improved and population growth increased to a point where these homes are filled.
- This results in a population increase of 57,288 people in the area over the period 2020-50 rather than 39,483 in the most recent (2018-based) subnational population projections, a difference of 17,805.
- This population increase is split between the three authorities as follows: Daventry (17,652), Northampton (24,530), South Northamptonshire (15,106).

Employment forecasts

- The baseline forecast produced by Oxford Economics indicates that the economy is expected to grow by 1.4% per annum (GVA growth pa) between 2020 and 2050. The total forecast growth in the number of jobs is 27,624 which equates to an annual growth rate of 0.35%. In the Experian baseline model, the total jobs forecast over the same period is 48,600 jobs which equates to an annual growth rate of 0.60%. Experian's higher jobs are largely population-driven and Experian have different input assumptions around population growth which align more closely to the subnational population projections that support the standard method, as a result, a greater emphasis is placed on the Experian outputs. The Experian forecasts were also purchased later in 2020 than the Oxford Economics data and are considered to have a clearer view (relatively) on COVID-19 impacts.
- As with the national forecasts, both forecasts have a lower level of growth compared to the previous business cycle. However, this is justified as both consumer and public sector expenditure is expected to fall.
- The 2020-2050 performance includes a recovery period in the initial years to reach employment levels in 2019 due to the COVID-19 contraction in specific sectors.
- Alongside the baseline Experian and Oxford Economics forecast a higher growth scenario has been developed which takes into account the potential influence of the Ox Cambs Arc drawing on other studies that examine the

[2] The HMA is the same geography as West Northamptonshire and the terms are used interchangeably in this report

effect. The growth scenario also considers the influence of some local growth sectors as well as significant known planned developments at DIRFT and Northampton Gateway. The uplifts in our custom growth scenario have been supported by working with local planning and economic development officers and SEMLEP.

- The growth scenario results in additional employment growth of 14,854 jobs from the Experian Baseline Scenario (2020-50) taking the total jobs growth to around 48,600. Including DIRFT and Northampton Gateway jobs figures, this figure increases to 63,454 jobs. However, when accounting for reabsorption of employment lost through 2020 due to COVID-19 it is estimated that net growth will be closer to 57,400 jobs.
- Recommendation: The growth scenario be considered as most appropriate as an employment target across West Northants.

Economic growth and housing need

- The standard method housing need of 2,139 dpa would support an increase of 59,954 jobs over the 2020-50 period in West Northants.
- We also reviewed the number of homes required to support the jobs growth based on Oxford Economics and Experian forecasts and the local growth scenario. The preferred growth scenario, which includes employment provision at DIRFT and Northampton Gateway, indicates that the employment need will be above that supported by the standard method for the 2020-50 period. However, this includes a significant employment recovery from 2019 which has increased unemployment and the latent workforce. It is considered that the 2019-50 employment change is more useful when determining the housing need as this allows for reabsorption of the workforce back to pre-pandemic levels of employment. Using the 2019-50 change reports a job figure just below that of the standard method, indicating that planning for housing based on the standard method will support forecast employment growth.
- Recommendation: That the standard method housing requirement is the preferred housing need figure as there is not a clear economic need to increase above this.

Affordable housing

- Northampton, Daventry and South Northamptonshire all need affordable dwellings to rent, amounting to 1,253 dpa across West Northamptonshire. This equates to 58% of the overall need although there is an overlap between the two numbers.

- Recommendation: The scale of affordable housing need suggests that the Council should seek to maximise the amount of affordable housing which viability allows.
- However, it does not justify increasing overall provision to address this need
- Based purely on affordability the majority of the need for affordable housing for rent would be for Social Rental housing.
- We have not identified any net need for affordable homeownership products. However, many households are likely to be excluded from Affordable Homeownership (AHO) dwellings (and from the rest of the housing market generally) due to access to capital and an inability to obtain a mortgage rather than being unable to service one.
- Recommendation: The Councils should support 10% of new homes on large sites to be AHO products but exceeding this percentage is not justified.
- Shared Ownership is generally the most affordable form of AHO because of lower deposit requirements and lower overall costs (given that the rent would also be subsidised).

Size Mix

- Between 2020 and 2050 households with dependent children are forecast to account for around 24% of overall household growth (around 14,800 households). The majority are expected to be households with one dependent child.
- There is a range of factors influencing demand for different sizes of home including demographic change, growth in real earnings, households' ability to save, economic performance and house prices.
- Recommendation: Taking into account the outputs of our modelling and other factors the following mix is recommended for monitoring purposes:

Daventry	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms	5+-bedrooms
Market	0-5%	20-30%	45-55%	15-20%	0-10%
Affordable homeownership	15-20%	40-45%	30-35%	0-10%	0-5%
Affordable housing (rented)	30-40%	30-40%	25-30%	0-4%	0-1%
Northampton	**1-bedroom**	**2-bedrooms**	**3-bedrooms**	**4+-bedrooms**	**5+-bedrooms**
Market	5-10%	25-30%	45-50%	10-20%	0-5%
Affordable homeownership	15-20%	40-45%	30-35%	0-10%	0-5%
Affordable housing (rented)	35-40%	30-35%	25-30%	0-4%	0-1%
South Northampton	**1-bedroom**	**2-bedrooms**	**3-bedrooms**	**4+-bedrooms**	**5+-bedrooms**
Market	0-5%	20-30%	45-55%	15-20%	0-10%
Affordable homeownership	15-20%	40-45%	30-35%	0-10%	0-5%
Affordable housing (rented)	30-35%	35-40%	25-30%	0-4%	0-1%

- Based on the evidence, there is a shortage of supply of homes for affordable rent of 4+ bedrooms among households in priority need, NBC has put forward the following alternative distribution of dwellings by size for affordable rented homes in Northampton.

Northampton	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Affordable housing (rented)	10-15%	40-45%	30-35%	2-5%

- Policy relating to the size of dwellings should allow a flexible approach when applied to an individual development site reflecting its location in the HMA, characteristics and up-to-date evidence demand patterns.

Specialist housing for older and disabled people

- West Northamptonshire has a slightly older age structure, but lower levels of disability compared with the East Midlands and England.
- The older person population is projected to increase notably in the future and an ageing population means that the number of people with disabilities is likely to increase substantially. Key findings include:
- A 59% increase in the population aged 65+ over 2020-2050 (potentially accounting for approaching 76% of total population growth over the period);
- A 116% increase in the number of people aged 65+ with dementia and a 98% increase in those aged 65+ with mobility problems (2020-50);

- Recommendation: The Councils should seek to address the need for specialist accommodation for older people by planning to deliver over the plan period:
- 4,165 housing units with support (sheltered/retirement housing). These are entirely market dwellings given the small surplus recorded in affordable homes;
- 1,976 additional housing units with care (e.g. extra-care), around 34% in the affordable sector;
- 3,344 additional care bed spaces; and
- 2,473 dwellings to be for wheelchair users (meeting technical standard M4(3)).
- This would suggest that there is a clear need to increase the supply of accessible and adaptable dwellings and wheelchair user dwellings as well as providing specific provision of older person housing.
- Recommendation: Given the evidence, the Council could consider (as a starting point) requiring all dwellings (in all tenures) to meet the M4(2) standards (which are similar to the Lifetime Homes Standards) and at least 5% of homes meeting M4(3) – wheelchair user dwellings.
- Where the authority has nomination rights, M4(3) would be wheelchair accessible dwellings (constructed for immediate occupation) and in the market sector, they should be wheelchair user adaptable dwellings (constructed to be adjustable for occupation by a wheelchair user).
- It should, however, be noted that there will be cases where this may not be possible (e.g. due to viability or site-specific circumstances) and so any policy should allow for exceptions.
- The Council may consider if a different approach (e.g. up to 10%) is prudent for affordable homes, recognising that Registered Providers may already build to higher standards and that households in the affordable sector are more likely to have some form of disability.
- In seeking M4(2) compliant homes, the Councils should also be mindful that such homes could be considered as ‘homes for life’ and would be suitable for any occupant, regardless of whether or not they have a disability at the time of initial occupation.

Student housing

- Student numbers are not forecast to grow strongly at the University of Northampton in future years. Therefore, the planned reduction in student bed-spaces in University provided Halls of Residence does not justify a change to the number of homes the councils should seek to deliver over the

Plan period or active intervention in the market to deliver additional purpose-built student accommodation.

Private Rented Sector

- The private rented sector (PRS) accounts for around 16.4% of all households in West Northamptonshire (as of 2011), this is roughly in line with the region (16.2%) and slightly less than England (18.2%). The rates reported for Daventry, Northampton and South Northamptonshire were 13.5%, 19.0% and 12.6% respectively.
- The number of households in this sector has grown substantially (increasing by 86.7% in the 2001-11 period). Again, the figure for West Northamptonshire conceals disparities at the local authority level. The growth recorded for Northampton at 109.7% significantly exceeds that of both Daventry (70.4%) and South Northants (43.4%).
- The PRS has some distinct characteristics in West Northamptonshire, including a much younger demographic profile and a high proportion of multi-adult households (likely in most cases to be Houses in Multiple Occupation (HMOs).
- In terms of the size of dwellings in the sector, it can be noted that the PRS is closer to the Social Rented sector than owner-occupied housing.
- Additional analysis suggests that rent levels have increased over time (by an average across all property sizes by about 21% in Daventry and Northampton and 15% in South Northamptonshire between 2014-2019) although the growth is less than purchase price growth.
- Also, given the younger demographic in Northampton and the growth in PRS, it is likely that Build to Rent is a viable option in the town. Its development would also increase the quality of the PRS overall.
- Recommendations: The Council should consider means of supporting BTR in Northampton, for example, development briefs that identify sites in public ownership as suitable for BTR, supported by covenants that increase the probability of BTR coming forward (as opposed to for sale development).

Commercial Market Assessment

Offices

- The office market is small in West Northants compared to the East Midlands. The most significant clusters are in established parks in Northampton.
- Agents indicate that space continues to be available near established parks such as the Lakes and Moulton Park, with ample parking.

- The office market is in a period of change as a result of the COVID-19 pandemic with uncertain outcomes but a likely contraction in future needs.

Industry/Warehousing

- Since 2001, industrial floorspace has increased by 25% in West Northamptonshire. This has been primarily driven by Prologis DIRFT and other significant areas such as Brackmills.
- Take-up typically concentrates in key industrial estates with access to the M1.
- Overall there is very strong demand and occupiers continue to see constraints in supply. As a result, rents have been increasing in the area.
- There is demand across all size bands of industrial units as demand for logistics and warehouse space is forecast to increase. The pandemic has had a much weaker effect on industrial markets and in some sectors has driven growth related to e-commerce.
- Recommendation: The Council should consider providing for high-quality warehousing units across West Northants to meet growing demand, as there is currently not enough immediate floorspace available

Employment Land Requirements

- As required by Planning Practice Guidance (PPG), three principal approaches have been explored for employment need. These are labour demand, labour supply and completions trend scenarios. In some instances, it has been necessary to use trend-based alongside labour demand figures particularly for industrial units due to apparent weak links between employment and floorspace.
- The following tables provide the recommended floorspace and land need across the former local authorities of West Northants, including a margin for flexibility.

Recommended Floorspace Need 2020-2050 inc margin (sqm)

	Daventry Need	Daventry Need inc margin	Northampton Need	Northampton Need inc margin	South Northamptonshire Need	South Northamptonshire Need inc margin	West Northants Need	West Northants Need inc margin
B1a/b	7,300	9,200	52,300	57,000	26,700	31,700	86,300	97,900
B1c/B2 and B8	267,500	329,000	160,800	284,400	181,700	246,100	610,000	859,500
Total	**274,800**	**338,200**	**213,100**	**341,400**	**208,400**	**277,800**	**696,300**	**957,400**

Recommended Land Need 2020-2050 (Ha)

	Daventry Need	Daventry Need inc margin	Northampton Need	Northampton Need inc margin	South Northamptonshire Need	South Northamptonshire Need inc margin	West Northants Need	West Northants Need inc margin
B1a/b	2.4	3.1	10.5	11.4	8.9	10.6	21.8	25.1
B1c/B2 and B8	66.9	82.3	32.2	59.6	45.4	61.5	144.5	203.4
Total	**69.3**	**85.4**	**42.7**	**71.0**	**54.3**	**72.1**	**166.3**	**228.5**

Source: GLH Analysis of Experian and VOA Data

- During the production of this report, the 'Class E' designation has been introduced and therefore B1 no longer exists, being placed by E(g)(i) offices, E(g)(ii) R&D, E(g)(iii) industrial (light). In reality, it can be difficult to differentiate between employment that might take place in light industrial (E(g)(iii)) or general industrial (B2) which could for example accommodate different stages of manufacturing processes. As a result, these components are merged under 'industrial' floorspace. These have been presented in the tables below.

Recommended Floorspace Need 2020-2050 inc margin (sqm)

	Daventry Need	Daventry Need inc margin	Northampton Need	Northampton Need inc margin	South Northamptonshire Need	South Northamptonshire Need inc	West Northants Need	West Northants Need inc margin
Office - E(g)(i) + (ii)	7,300	9,200	52,300	57,000	26,700	31,700	86,300	97,900
Industrial E(g)(iii) / B2 and B8	267,500	329,000	160,800	284,400	181,700	246,100	610,000	859,500
Total	**274,800**	**338,200**	**213,100**	**341,400**	**208,400**	**277,800**	**696,300**	**957,400**

Recommended Land Need 2020-2050 (Ha)

	Daventry Need	Daventry Need inc margin	Northampton Need	Northampton Need inc margin	South Northamptonshire Need	South Northamptonshire Need inc margin	West Northants Need	West Northants Need inc margin
Office - E(g)(i) + (ii)	2.4	3.1	10.5	11.4	8.9	10.6	21.8	25.1
Industrial E(g)(iii) / B2 and B8	66.9	82.3	32.2	59.6	45.4	61.5	144.5	203.4
Total	**69.3**	**85.4**	**42.7**	**71.0**	**54.3**	**72.1**	**166.3**	**228.5**

- When considering the supply and demand balance of each of these former local authorities, there is a need for further allocations for industrial land need in Daventry District (outside of DIRFT). There is a considerable surplus in office land and floorspace supply coming forward in South Northamptonshire. There is an unmet need in Northampton for industrial land.

Employment Land Demand-Supply Balance 2020-2050 (Ha)*

Supply/demand balance	Daventry	Northampton	South Northamptonshire	West Northants
Office Total Supply	N/A	10.60	81.5	92.10
Office Total Recommended Needs	Incl in Ind	11.40	10.6	22.00
Office (Need) / Surplus	**Incl in Ind**	**-0.80**	**70.90**	**70.10**
Industrial Total Supply	55.69	36.40	63.70	155.79
Industrial Total Recommended Needs	82.30	59.60	61.50	203.40
Industrial (Need) / Surplus	**-26.62**	**-23.20**	**2.20**	**-47.62**

* Supply figures typically provided in ha. therefore a sqm balance is not displayed.* Excludes strategic sites of DIRFT III, NG RFI, J16 (E8).

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