



GL Hearn

Part of Capita plc

Rugby Borough Plan: Housing Delivery Study

Rugby Borough Council

Final Report: December 2015

Prepared by

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Contents

Section		Page
1	INTRODUCTION	5
2	ASSESSING TRENDS IN HOUSING COMPLETIONS	9
3	REVIEWING HOUSING MARKET CONDITIONS	31
4	OUTLOOK FOR THE HOUSING MARKET AND HOUSING DEVELOPMENT	51
5	SCENARIOS FOR HOUSING DELIVERY IN RUGBY	61
6	RUGBY BOROUGH HOUSING SUPPLY PIPELINE	68
7	CONCLUSIONS	81

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Limitations

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1 INTRODUCTION

1.1 Rugby Borough Council has commissioned GL Hearn to prepare this *Local Plan Market Deliverability Study*. The purpose of the Study is to consider the market capacity and potential pace of housing delivery in and around Rugby, to inform the development of the Borough Plan.

Context

1.2 Rugby Borough Council adopted its Core Strategy in 2011. The Core Strategy sets a target for delivery of 10,800 homes between 2006-26. This is equivalent to 540 dwellings per annum (dpa).

1.3 The Coventry and Warwickshire Strategic Housing Market Assessment (SHMA), published November 2013, identified a need for between 3,335 to 4,100 homes per annum across the Coventry and Warwickshire Housing Market Area (HMA), with a midpoint of 3,750 dpa. The 2013 SHMA identified a need for provision of 660 homes per annum in Rugby Borough, over the 2011-31 period.

1.4 An addendum to the 2013 SHMA, referred to as the “SHMA Annex” was published in September 2014. This was produced to take account of the 2012-Based Sub-National Population Projections together with more recent economic forecasts. The SHMA Annex identified a minimum need for 4,000 homes per annum across the HMA, but that higher housing provision might be needed to support economic growth. The equivalent need figure for Rugby Borough was 453 dwellings per annum.

1.5 Emerging evidence from GL Hearn’s OAN Update Report is suggesting a need for 480 homes per annum to meet the Borough’s own housing needs.

1.6 At the HMA level, it is however clear that Coventry will not be able to meet its own housing needs within the City boundary. The Warwickshire authorities are therefore working together to consider how they might be able to contribute to meeting Coventry’s unmet housing needs.

1.7 The Council has agreed through the Duty to Cooperate to test its ability to deliver 660 homes per annum (based on the distribution of need identified in the 2013 SHMA). Delivery of 660 dwellings per annum is equivalent to an annual growth rate in the housing stock of 1.4% per annum.

1.8 However Rugby Borough Council is concerned about its ability to deliver this level of housing provision, and maintain a 5 Year Land Supply. The focus of this Study is on considering issues linked to “deliverability.” Its focus is on consider what level of housing provision, taking account of site- and market-based factors, could be delivered.

- 1.9 This report thus consider the prospects of delivering the proposed housing provision of the adopted Core Strategy (540 dpa) and as agreed to be tested through Duty to Cooperate discussions (660 dpa) in Rugby Borough over the timescale of the plan periods 2011-31. This report is particularly focused on assessing the **deliverability** of these levels of housing provision. It does not address issues regarding need or the appropriate level of provision.
- 1.10 This report considers the potential timing and pace of delivery of residential development at two levels – at a site specific level; and at a strategic level looking at Rugby Town, and the Borough more widely.
- 1.11 GL Hearn recognise that the National Planning Policy Framework requires the Council to meet its own objectively-assessed housing need (OAN), and to contribute positively to meeting unmet needs from adjoining areas where it is sustainable to do so. The focus of this Study is not on considering issues of the housing need, but looking at what pace of housing delivery can be accommodated.

Overview of Approach

- 1.12 The Study uses a structured approach to consider these issues, which focuses on drawing together analysis considering deliverability issues at a strategic level – considering what pace of housing growth it might be possible to accommodate in and around Rugby Town, or in the Borough more widely – with analysis which draws down to consider the current housing trajectory, and pace at which specific development sites might come forward. In doing so, it focuses on the main current / prospective major residential-led development sites.
- 1.13 To address these issues, the Study has been informed by the following tasks:
- Strategic-Scale Analysis*
- Reviewing housing market conditions;
 - Assessing trends in housebuilding, from a national to local level;
 - Assessing current and planned delivery models of housebuilding in the Borough;
 - Considering alternative delivery models including Government initiatives which may help to stimulate housebuilding; and
 - Drawing the above together to consider how the housing market might recover, and implications for new-build residential development.
- 1.14 As part of this study we have undertaken assessments at a site-specific level in order to review the key residential development schemes within the Borough and to identify any issues which may influence development speed and delivery.
- 1.15 This has been used to inform analysis and draw conclusions on delivery potential, and overall market capacity in the town and borough. However in setting out this analysis and in drawing conclusions we have not made reference to specific development sites so as to avoid prejudicing

future planning decisions. Rather than referring to specific sites we instead refer to broader locations of development. The exception to this approach is the Rugby Radio Station site which, due to its scale and importance to housing delivery in the borough, requires special consideration.

- 1.16 This is used to review the housing trajectory – in terms of broad strategic delivery models – to consider the potential for the Borough to accommodate 540 and 660 dwellings per annum; to advise on risks to delivering development at these rates, and consider what actions the Council could take to help support housing delivery.

Report Structure

- 1.17 The report is structured to consider the following:
- Section 2: Assessing Trends in Housing Completions;
 - Section 3: Reviewing Housing Market Conditions;
 - Section 4: Outlook for the Housing Market and Housing Development;
 - Section 5: Scenarios for Housing Delivery in Rugby;
 - Section 6: Rugby Borough Housing Supply Pipeline.

2 ASSESSING TRENDS IN HOUSING COMPLETIONS

2.1 This chapter assesses trends in housebuilding at a national, regional, and local level. The level of housing completions in an area will be affected by a range of factors including:

- Demand side factors, such as:
 - Macro-economic dynamics;
 - Demographic trends;
 - Local economic performance; and
 - the strength of the housing market; together with
- Supply-side factors, particularly
 - Supply of consented land for development;
 - Residential development viability;
 - Developers' attitudes to risk; and
 - Construction industry capacity.

2.2 In this section we first consider trends in housebuilding (housing completions) at a national and regional level. We then consider how trends in housebuilding in the Coventry and Warwickshire HMA and Rugby Borough.

2.3 As levels of housebuilding will vary between different sized areas, we in some cases have benchmarked levels of housebuilding relative to the existing housing stock in different areas. Rates of housing development are thus expressed in some cases in terms of the "percentage annual growth" in the housing stock which they would support. This allows comparison between the rates of development which can be supported between areas; and over time.

2.4 The analysis is based on national statistics for Communities and Local Government (CLG) on housing delivery at a national and regional level; together with planning monitoring data on net housing completions at a local authority level.

2.5 The national level data, we understand, is based on building control returns and could marginally undercount completions. However, we do not consider these factors will unduly influence the analysis of long term trends or performance.

Housebuilding Trends at a National Level

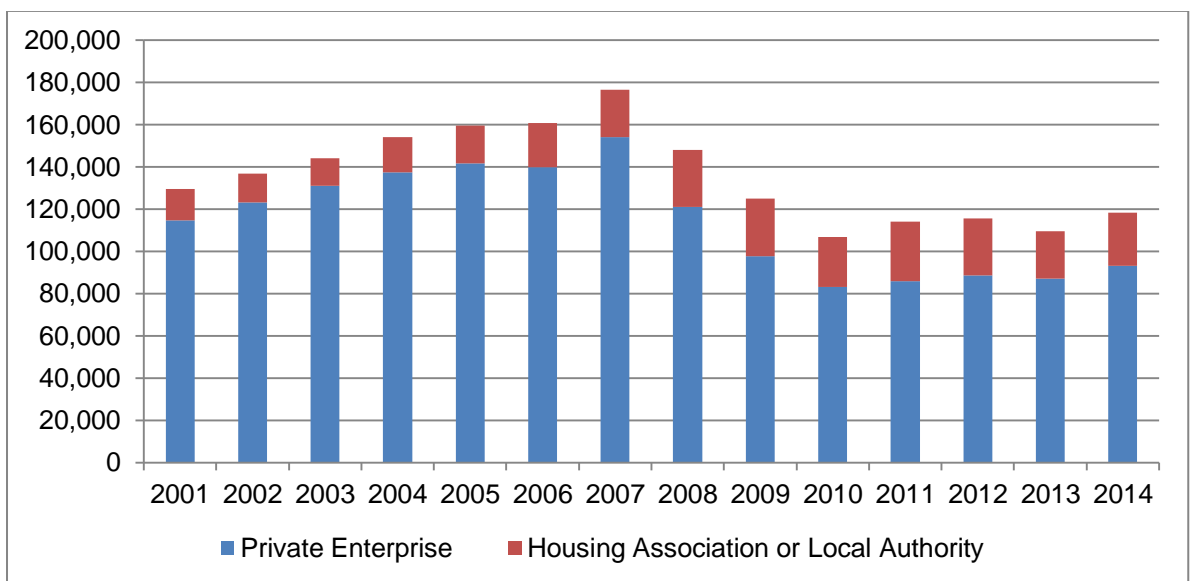
2.6 The level of housebuilding across England increased year-on-year from 2001 to the peak of the last housing market cycle, increasing from delivery of 129,510 homes in 2001 to 176,640 in 2007 as Figure 1 indicates. This growth in housebuilding was supported by:

- A period of sustained economic growth;
- Strong availability of mortgage finance;
-

- Historically low interest rates; and
- Attractiveness of housing as an investment.

2.7 These factors coalesced, and together with an upturn in population growth rates (influenced in part by growing international migration), to drive the housing market. Effective demand for housing over this period increased strongly. Housing supply increased but was unable to keep pace with the rapid growth in demand, and as a result we saw strong growth in house prices. We consider market dynamics in further detail in the next section.

Figure 1: Housebuilding Trends across England, 2001-14



Source: CLG Table 244

2.8 Over this 2001-7 period, private sector housebuilding increased by 31%. Private sector housebuilding increased from just under 115,000 in 2001 to just over 154,000 in 2007: an increase of 39,000. The rate of growth in supply was eclipsed by a 53% growth in development by local authorities and housing associations (primarily development by housing associations) albeit from a lower base. The absolute increase in delivery was 7,800. Housebuilding by local authorities and housing associations was however in many areas offset by significant losses of affordable housing particularly through right-to-buy sales.

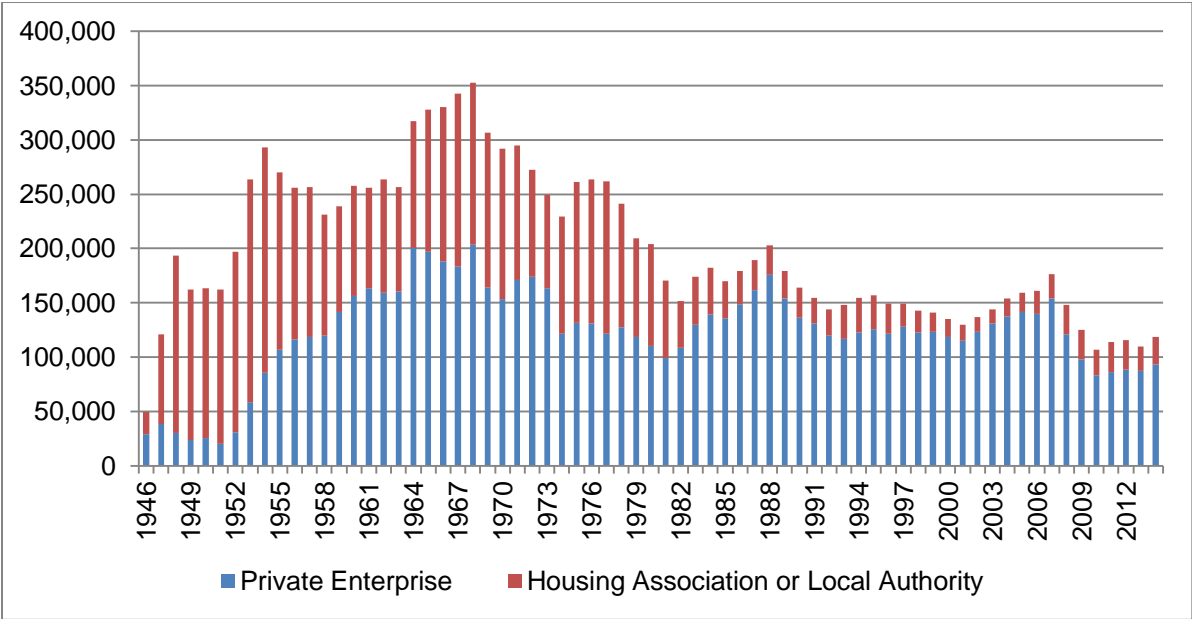
2.9 Between 2007 - 2010, as Figure 1 shows, levels of housebuilding - and particularly private sector housebuilding - fell quite significantly. There was a 40% drop in housing output across England to levels which are some of the lowest seen in the post-war period (with delivery of just 83,000 homes by private enterprises in 2010). There has been some recovery since – but output remains still relatively low. In 2014 the level of housebuilding was 67% of the 2007 peak figure and 10% down on 2001 levels at 93,000.

2.10 Whilst the increase in housebuilding between 2001-07 is notable, it is useful to assess it in a longer-term context. Figure 2 profiles housebuilding across England since 1946. This highlights that:

- The peak delivery of 176,640 homes achieved in 2007 well falls below levels of housing delivered each year between 1952 and 1980, and between 1986 and 1989; although it was the strongest level of housing delivery achieved for over 15 years;
- However previous periods of higher housing delivery have been supported by a strong programme of housebuilding by local authorities (and New Town Corporations). The level of private sector housing delivery achieved in 2007 has been exceeded in just 15 of the preceding 50 years.

2.11 The peak periods of private sector housing delivery in the past were in the mid-1960s when delivery of new homes nudged just over 200,000 a year. In 1988 it peaked at 176,000 as the market recovered from the early 1980s recession.

Figure 2: Trends in Housebuilding in England, 1946-2014



Source: CLG Table 244

2.12 A significant housebuilding programme by local authorities and housing associations clearly supported high overall housing delivery through the 1960s and 1970s. Private sector delivery was higher (relative to the early 2000s) but less notably so. Over the 1960s and 70s housing associations and local authorities delivered 43% of completions; with the private sector delivering 57%. In the most recent decade from 2005 to 2014 these figures were 18% and 82% respectively.

2.13 Since 1980, delivery of new homes by housing associations and local authorities has been notably more limited.

- 2.14 Development of homes by local authorities fell from a peak of 154,500 across England in 1967 to 74,840 in 1980 (a decline of more than half). By 1987 it had fallen to 16,620 and fell further through during the course of the Thatcher and Major Governments to delivery of just 290 homes across England in 1997. This was only partly offset by delivery of new homes by housing associations.
- 2.15 Overall delivery of new homes by housing associations or local authorities fell from an average of 166,200 homes per year in the 1970s to 44,000 in the 1980s, 26,000 in the 1990s, and 19,000 in the 2000s. This was an important contributing factor to the overall decline in housing delivery from the late 1960s peak. Thus while housebuilding by housing associations and local authorities grew quite strongly between 2001-07, it was from a very low base (in a historical context).

Implications

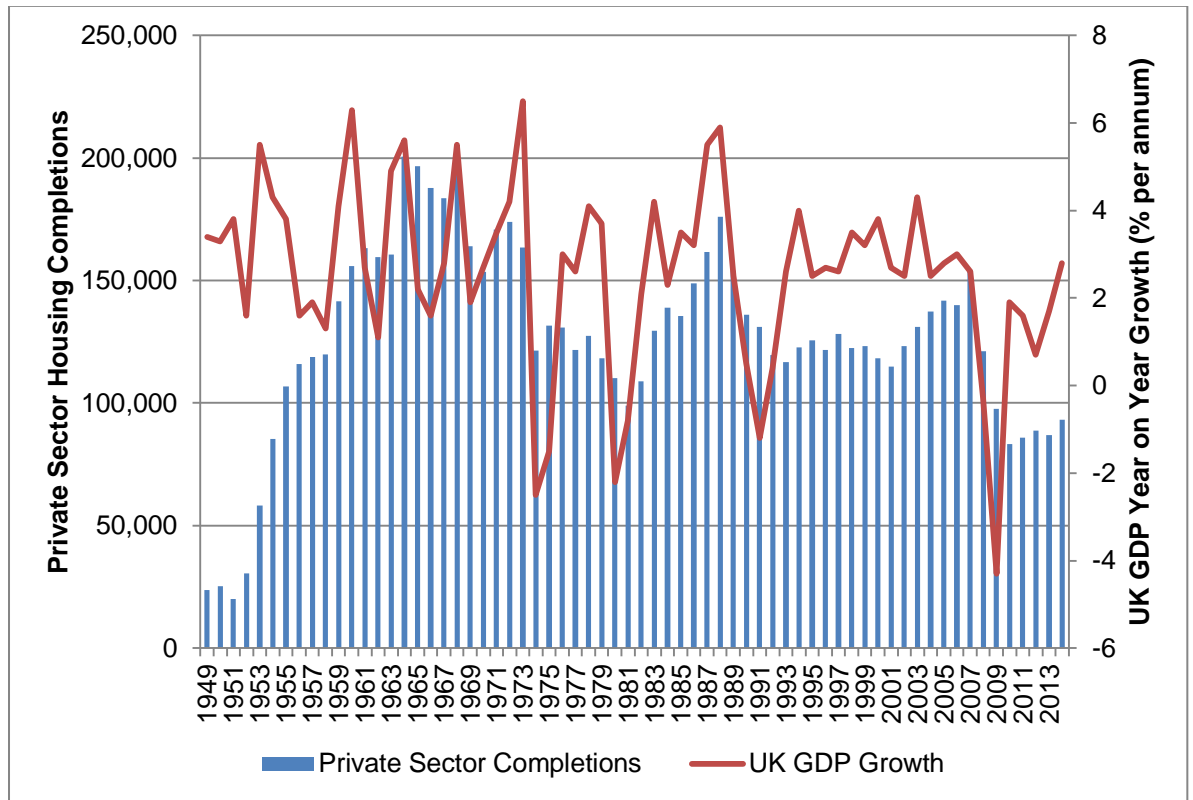
It is notable that delivery of over 2000,000 homes across England has only been achieved once over the last 30 years. The 2012-based Household Projections indicate a need for over 216,000 homes per year across England (based on a 3% vacancy rate). Increasing housing delivery from the current 118,000 homes delivered in 2014 is thus a national challenge.

It seems likely, taking account of the reduction in construction capacity which has occurred through the recession and market conditions which have not recovered (in regard to sales volumes) to pre-recession levels, that it will take at least 5 years for delivery of over 200,000 homes a year across England to be achieved.

One factor here is available public funding for housing provision. The analysis shows that strong housing delivery from the 1950s through to the late 1970s nationally was supported by significant development of housing by the public sector. Moving forwards, whilst increasing land may be made available by the public sector – it is unlikely that public bodies such as local authorities and housing associations are going to return to delivering these sort of numbers. Funding available, and the delivery model, for public sector housebuilding should thus be recognised as a constraint on rates of housebuilding.

- 2.16 It seems likely that private sector housebuilding will play a key influence in driving an increase in overall housing delivery, and we therefore turn to this next. Figure 3 seeks to assess long-term trends in private sector housebuilding. It overlays an analysis of annual UK economic output over this with a view to understanding how private sector completions have been influenced by previous recessions – and the nature of recovery from recessions.

Figure 3: Private Sector Housebuilding in England, 1946-2014



Source: CLG Table 244, ONS National Accounts

2.17 Previous UK recessions are as follows:

- 1973-5: triggered by the 1973 Oil Crisis, it took 11 quarters for the UK economy to recover to pre-recession levels after a double-dip;
- 1980-2: triggered by a US savings and loan crisis, this recession was deeper with the UK economy taking 11 quarters to recover to pre-recession levels;
- 1990-2: a UK recession linked to inflationary pressures and monetary policy which lasted 1 ½ years, it took 9 quarters for the economy to recover to pre-recession levels;
- Late 2000s: the recent recession, triggered by the credit crunch; has been the deepest recession in the post-war period. It took 22 quarters for the economy to recover to pre-recession peak levels.

2.18 The mid 1970s recession had a significant impact on private housebuilding, which declined rapidly by 30% from delivery of 173,990 homes across England in 1972 to 121,490 in 1974. Despite improved economic performance the late 1970s saw little real recovery in private sector housing delivery, with completions each year over the remainder of the decade remaining below 132,000.

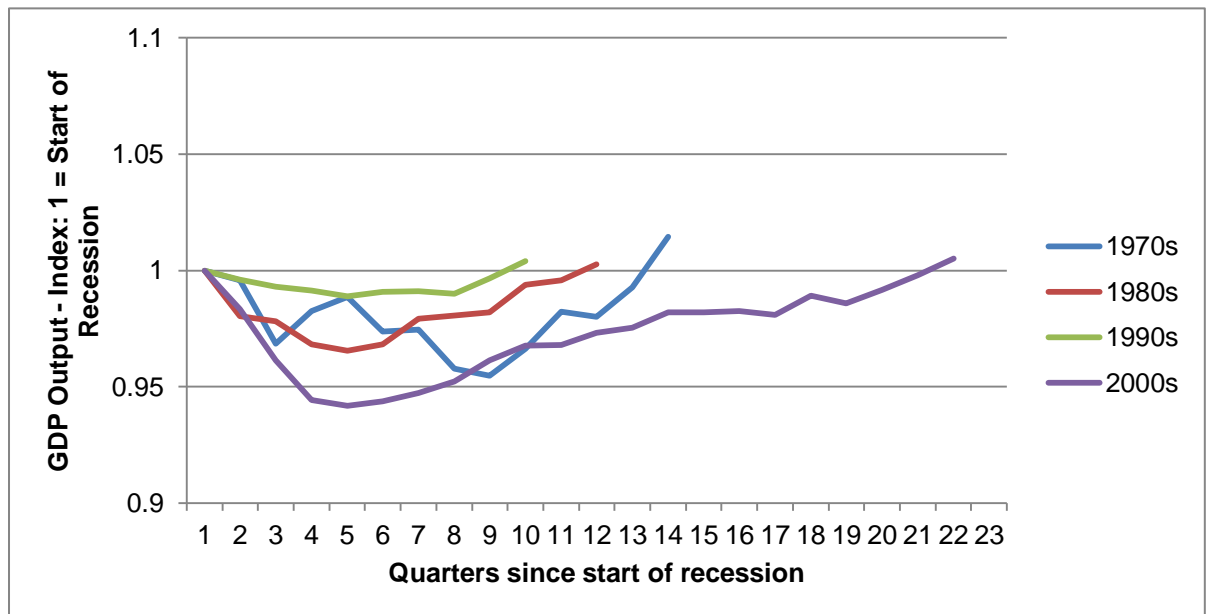
2.19 The early 1980s recession had a further downward impact on private housebuilding which fell to 98,900 in 1981 – the then lowest since 1954 (although private housebuilding fell below this level in 2010 and 2011). However the recovery in private housebuilding was relatively strong, with delivery

increasing 51% over the five year period to 1986 to reach 148,890 (an increase of 50,000). The recovery was thus notably stronger than that in the 1970s.

2.20 With a further recession in the early 1990s, private housebuilding again fell. Between 1989-1993 a 24% drop in private housebuilding occurred from delivery of 154,000 to 116,630 homes. While we saw some recovery, private sector housing delivery remained below 130,000 a year until 2003. The 1989 peak delivery of private sector was not achieved again until 2007.

2.21 What is clear however is both that the current recession is the longest and deepest of the post-war recessions in the UK; and that this correlates with a substantial reduction in private sector housing delivery to levels not previously seen post 1955.

Figure 4: Changes in Economic Output from Pre-Recession Peak, UK



Source: ONS Key Economic Time Series Data

2.22 Private sector housebuilding in England fell from 154,210 in 2007 by over 70,000 to a low point of 83,280 in 2010 – the lowest level of private sector housing delivery since 1954 (when the country was recovering from the Second World War). This represented a 46% reduction in private sector delivery from the 2007 peak.

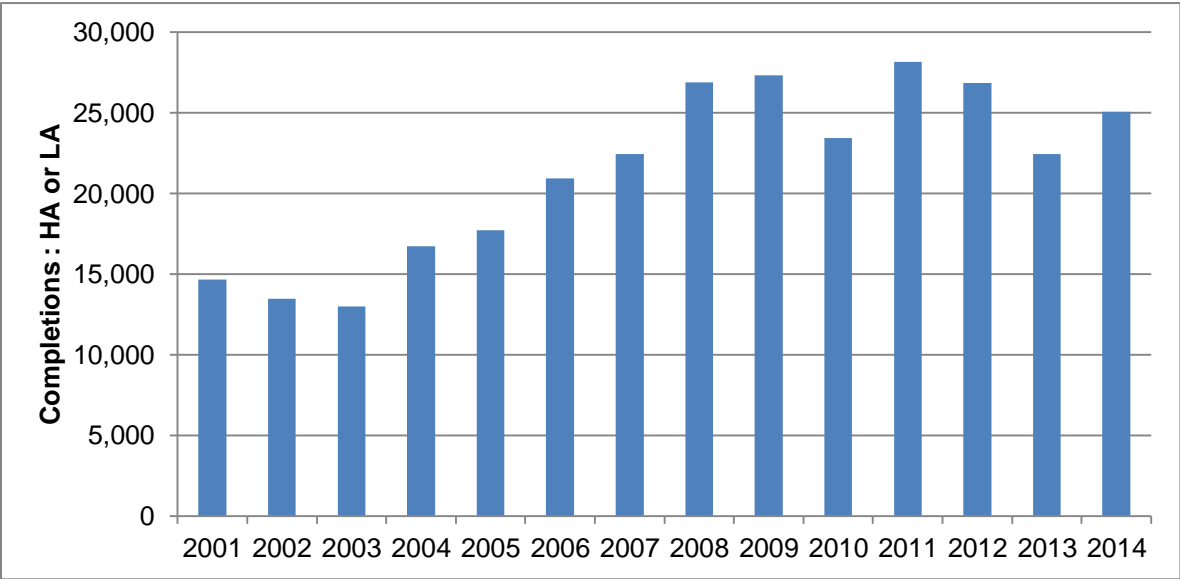
2.23 2011 saw a modest increase to 86,050 and this has since grown modestly – with an output of 83,280 homes delivered in 2014. This is still a level which remains considerable below almost every year in the immediate post-war period (save those since 2010). Initial recovery in housebuilding from the latest recession has therefore been quite slow.

2.24 With an improving economic outlook, there is however clear scope for growth in private sector delivery rates in the short-term. Set against strong recent economic performance and low interest rates, if these could be sustained, it would be reasonable to consider that a growth in private sector housebuilding could match that seen in the early 1980s, of an increase of around 50,000 homes over the period to 2020.

2.25 Affordable housing delivery is particularly influenced by funding availability. Funding was maintained through the initial years the recession and delivery was buoyed by housebuilders seeking to offload recently built stock which they could not sell. Figure 5 shows trends in housebuilding by local authorities and housing associations since 2001.

2.26 An average of 26,000 dwellings was delivered per year between 2008-2014. This is higher than levels of delivery seen since the mid-1990s, but lower in a historical context.

Figure 5: Housebuilding by Local Authorities or Housing Associations in England, 2001-14



Source: CLG Table 244

2.27 Looking forwards, to GL Hearn it seems likely that Communities and Local Government’s budget will be cut in the forthcoming Comprehensive Spending Review. This will reduce potential grant funding availability. The National Infrastructure Plan 2014 included proposals for the Government to masterplan, commission and build homes. However much of the delivery of affordable housing is reliant on cross-subsidy as part of mixed-tenure development schemes. The increase in private sector housebuilding can thus be expected to play an important role in increasing delivery of affordable housing. If private sector housebuilding increased across England by 50,000 over the next five years to 2020, and the ratio of public-private completions remained consistent to levels

since 2010, we might see public sector delivery increase by 14,500 per annum by 2020 across England.

Implications

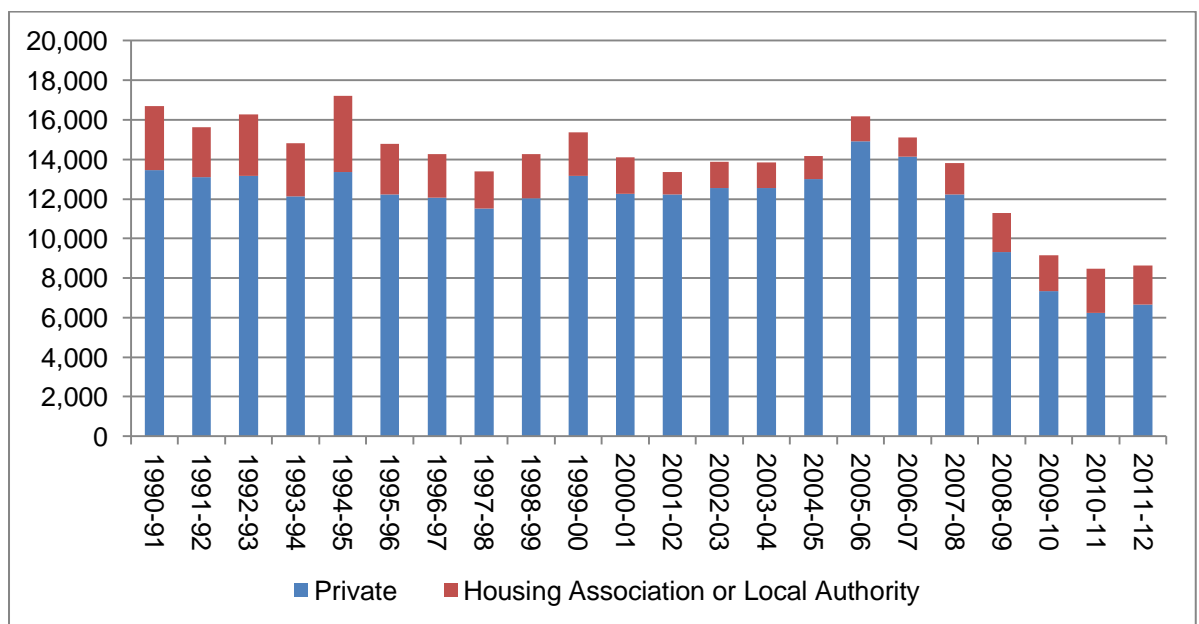
- Nationally, housebuilding has been hit relatively hard by the recent economic recession. Private sector housing delivery remains at levels which are below those at any period since the early 1950s immediately following the Second World War.
- There is clearly considerable scope for increase in output from current levels. Strong recent economic performance should support this, but the pace of recovery can be expected to be influenced by capacity within the industry (including construction capacity).
- GL Hearn estimates that annual private sector delivery across England could increase by up to 50,000 on 2014 levels by 2020. This might support an increase in affordable housing delivery of c. 14,500 homes.

Housebuilding Trends in the West Midlands

2.28 Figure 6 profiles housing delivery trends across the West Midlands. The data is for gross completions (i.e. the number of new homes built rather than net changes in the housing stock which take account of demolitions and changes of use). It excludes development of student accommodation.

2.29 Data is available at a regional level from 1990 to 2012. Over this period housing delivery in the West Midlands has averaged 13,850 homes a year: with an average 11,800 (85%) delivered by the private sector per annum and 2,050 (15%) delivered by housing association or local authority.

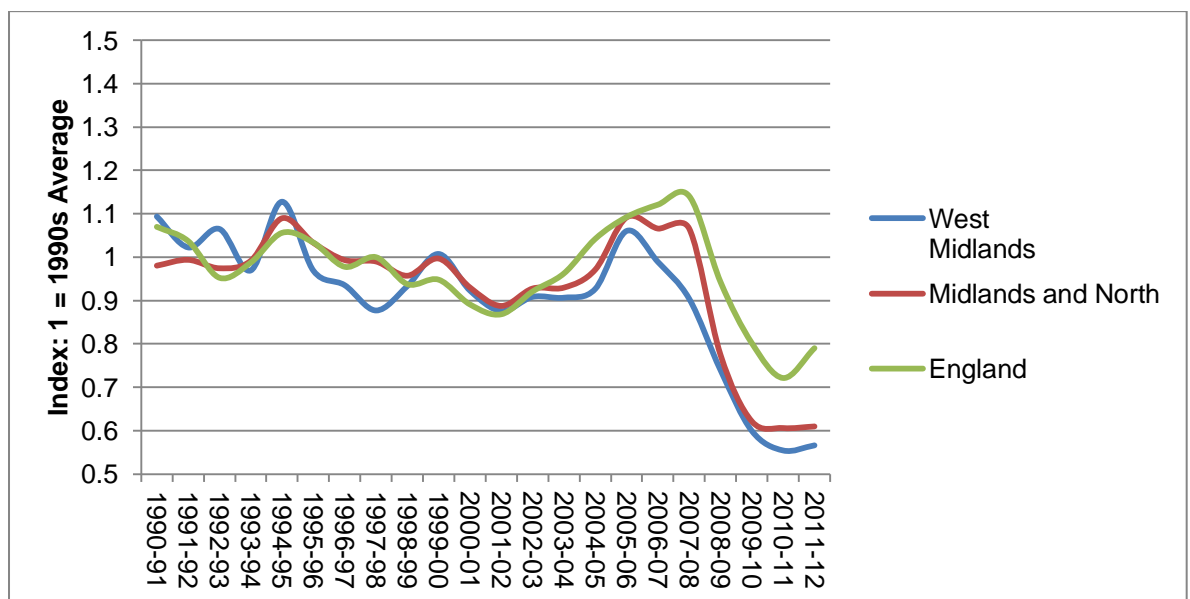
Figure 6: Housebuilding Trends in the West Midlands, 1990-2012



Source: CLG Table 232

- 2.30 As the graph shows, housing delivery has dropped dramatically in recent years (as we have seen nationally), falling from 16,200 at the peak of the market in 2005-06 to a low in 2010-11 of 8,450 (a 48% reduction). Since 2005-06 the West Midlands has seen gradual year-on-year reductions driven by declining private sector delivery. Conversely, over this period housing sector and local authority delivery has increased from 1,300 in 2005-06 to 2,250 in 2010-11.
- 2.31 We can compare this trend to housing delivery to trends at a national level using an indexed analysis. Figure 7 uses an index where 1.0 is the average annual housebuilding in the 1990s and compares trends across the West Midlands, Midlands/Northern England (comprising the East Midlands, West Midlands, North East, North West, Yorkshire and Humber) and England.
- 2.32 For all three of these geographies, completions fell during the 1990s but climbed from 2001 to the peak of the market between 2001 and 2006. The West Midlands saw the strongest relative delivery at the peak of the market in 2005-6 (relative to the 1990s). The analysis suggests that peak delivery in the West Midlands at the top of the last market cycle was relatively high.
- 2.33 Following the recession, all areas experienced a severe drop in completion rates, with the West Midlands region more affected than the England average; as was the case for the Midlands and the north of England overall. Housebuilding in the West Midlands in 2011-12 was 43% below the 1990s average. Delivery in the region was more affected (relative to the 1990s trends) than any English region except for the North West.

Figure 7: Comparative Trends in Housebuilding, 1990-2011

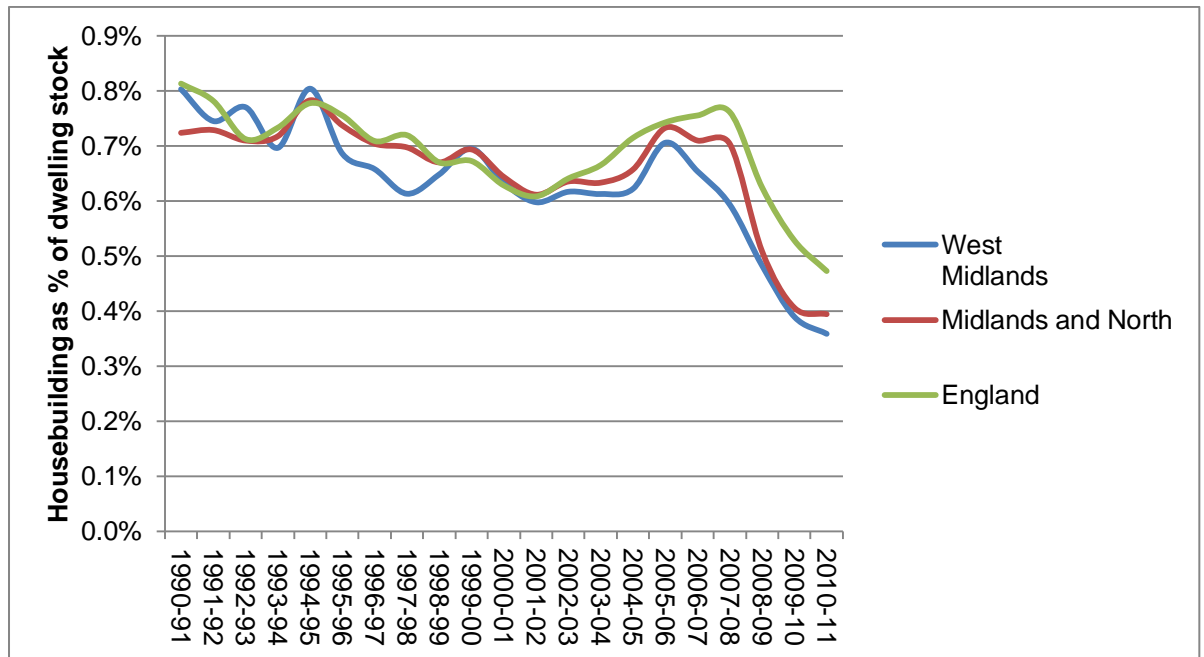


Source: Based on CLG Data from Table 232

- 2.34 We can use similar data to consider growth rates in the housing stock (expressing housebuilding as a proportion of the existing housing stock). This analysis is shown below. It shows that housing

delivery (relative to existing stock) in the West Midlands has consistently been lower than the England and Midlands and the North levels. It again highlights the impact of the recession.

Figure 8: Housebuilding as Proportion of Existing Dwelling Stock, 1990-2011



Source: GLH Analysis based on CLG Tables 109 and 232

2.35 Table 1 provides an analysis of average housing delivery rates on this basis pre- and post- the credit crunch. Looking back to the 1990s, the West Midlands has typically seen stock growth of 0.65% per annum (pre-recession).

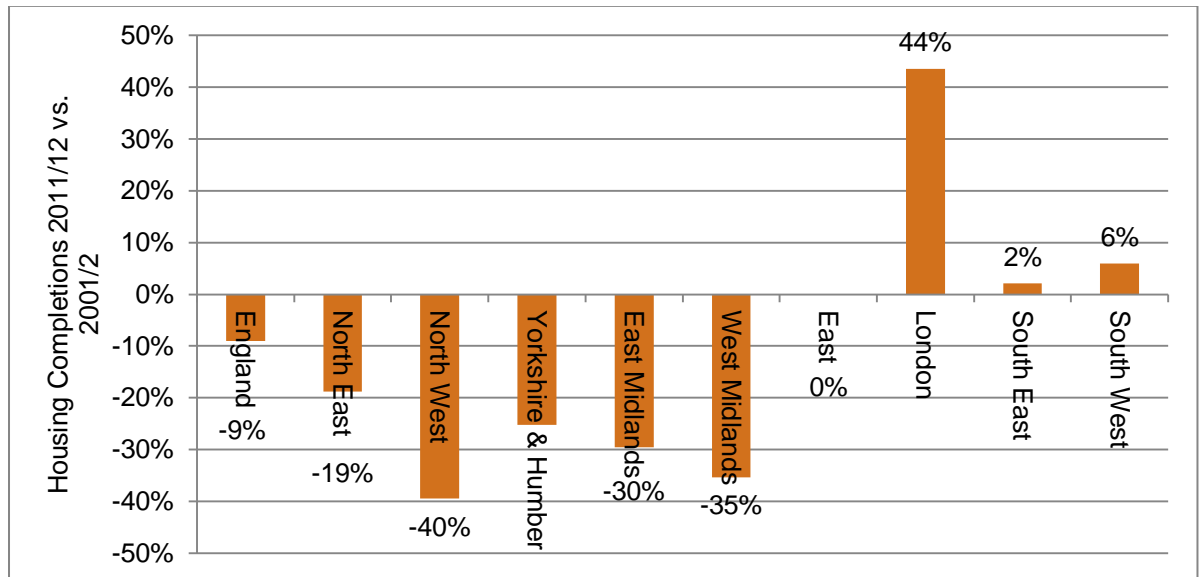
Table 1: Comparative Housing Delivery Rates

	West Midlands	North & Midlands	England
1999-2008	0.6%	0.7%	0.7%
2009-2011	0.4%	0.4%	0.5%

Source: GLH Analysis based on CLG Tables 109 and 232

2.36 Figure 9 analyses how housing completions in 2011-12 compared to those a decade previously in 2001-2. London, the South East and South West actually delivered more homes in 2011/12 than in 2001/2 (and notably so in the case of London), reflecting relative market strength. In contrast, housing delivery is lower than a decade previously in the Midlands and North. In the West Midlands, housing delivery in 2011/12 was 35% below that in 2001/02. CLG has stopped publishing data on housing delivery at the regional level, so more recent statistics are not available.

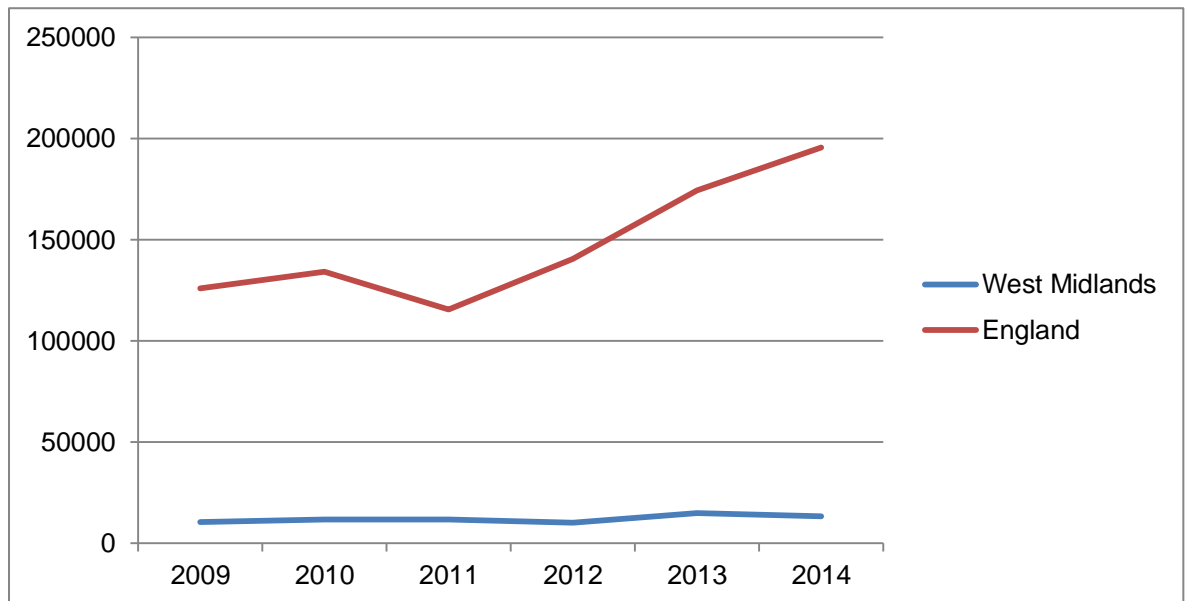
Figure 9: Housing Completions in 2011/12 compared to 2001/2



Source: CLG Table 232

- 2.37 To consider more recent trends, we have sought to use HBF/ Glenigan data from HBF's *Housing Market Report – Q4 2014* to assess trends in residential planning approvals on schemes of 10 or more units, and excluding older persons accommodation, hostels and student accommodations. Nationally 196,000 dwellings were approved in 2014 – almost 70% up on levels in 2011, and a 12% increase on the previous year. The approvals recorded are those for detailed consent (rather than outline).
- 2.38 At a national level across England, the upturn in approvals which we have seen since 2012 doesn't appear as yet to have filtered through into housing completions data. There is however likely to be some time lag before this filters through.

Figure 10: Trends in Residential Planning Approvals



Source: Glenigan/ HBF

- 2.39 What is notable however is that this recovery nationally doesn't appear to have been seen in the West Midlands. Approvals in 2014 were 13% up on 2011, but were below those in 2012.

Implications

- The West Midlands housing market appears to have been more strongly hit by the recession, and is seeing a weaker recovery in housing delivery, relative to the national picture.
- Housing delivery rates have dropped to a low of around 0.4% pa growth in housing stock. Planning approvals data points to a slow recovery in the market in the region as a whole.
- Rugby Borough, as we will come onto, has however historically performed better – particularly in regard to housing delivery – than other parts of the region.

Housebuilding Trends in Coventry and Warwickshire HMA

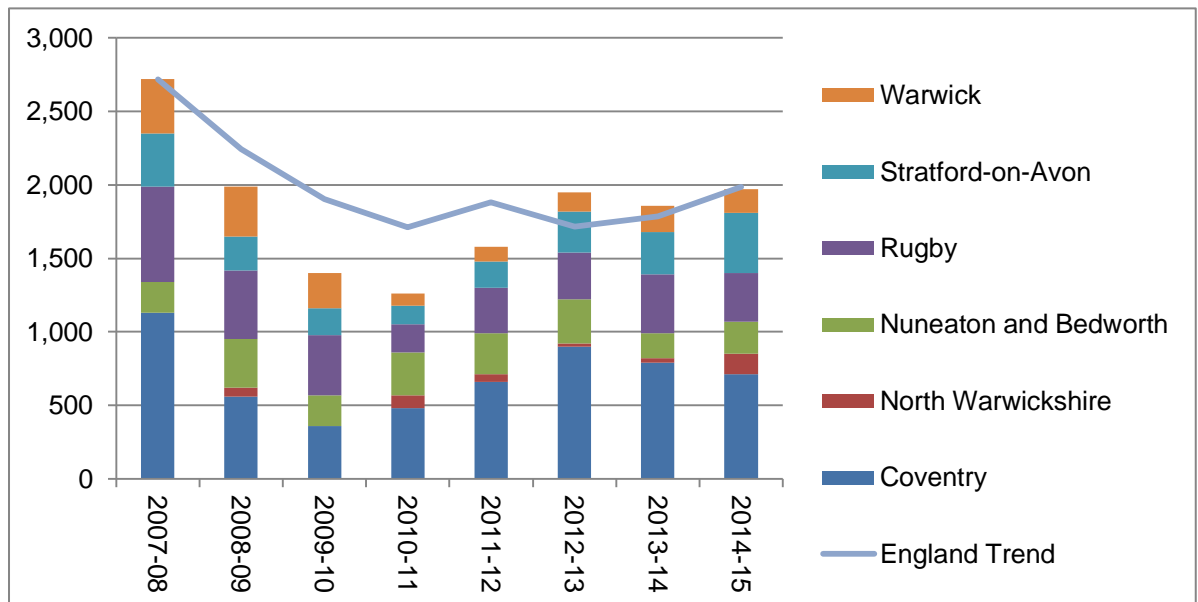
- 2.40 Next we can examine trends in housing delivery in the Coventry and Warwickshire Housing Market Area (HMA). Figure 11 tracks trends in completions over the past eight years. Over this period the HMA has seen an annual average completion rate of 1,840 dwellings per annum. This is notably below the need for 4000+ dwellings identified in the SHMA.

- 2.41 Again the impact of the recession is clear with completions falling year on year from 2,720 in 2007-08 to 1,260 in 2010-11, representing an average annual decrease of 22% on the previous year's figures over this period.

2.42 Since 2010-11 completion rates in the HMA have increased with an average annual increase of 13% on the previous year's figures over this period. In 2014-15 the number of completions was equal to 72% of the 2007-08 level. Completions in 2014/15 were just under 2,000 homes.

2.43 Also shown in Figure 11 is the trend line for England which has been indexed using the 2007-08 HMA figure in order to compare completions trends between the two areas. This shows that Coventry and Warwickshire HMA experienced a greater impact on housing completions rates following the recession than was seen nationally (as seen above for the region). However by 2012-13 completions rates in the HMA had returned to national level and have remained so for the last 3 years. This suggests a stronger relative performance of the housing market in the HMA than other parts of the region, and a similar profile to national trends.

Figure 11: Housing Completions across Coventry and Warwickshire HMA, 2007/08 – 2014/15

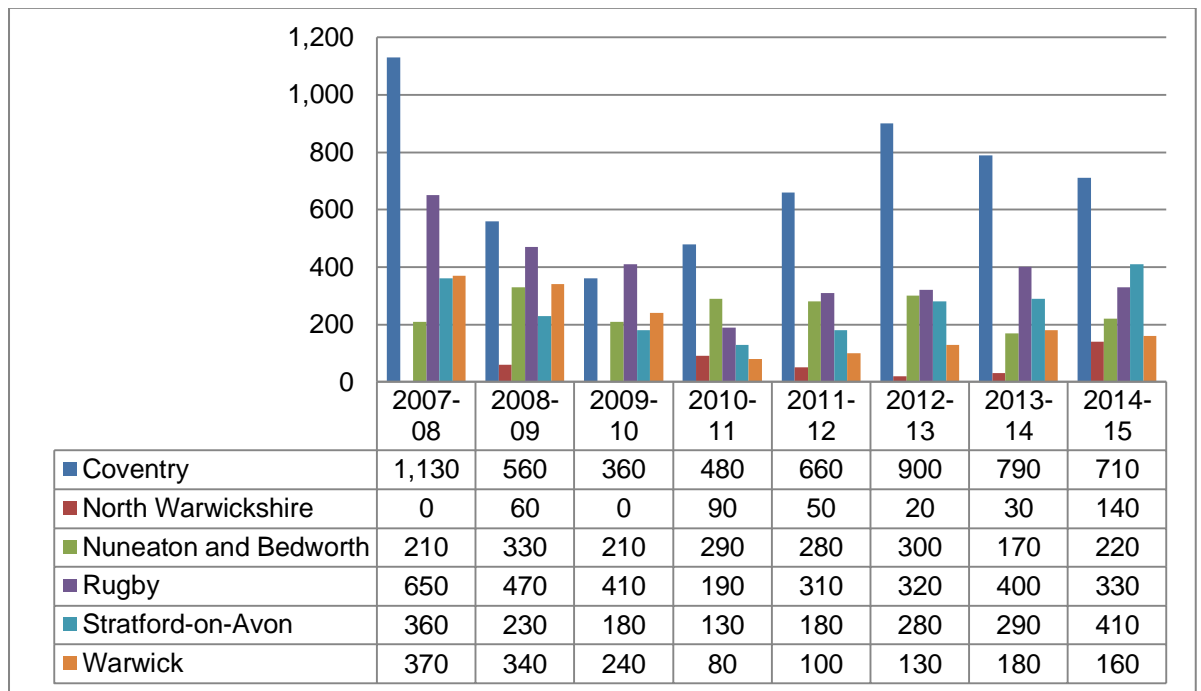


Source: CLG Table 253

2.44 The evidence suggests that the housing market in the HMA is recovering more strongly than has been the case across the West Midlands more widely.

2.45 Figure 12 overleaf profiles housing completions in each authority within the Coventry and Warwickshire HMA. Coventry has seen the highest annual completion rate in the HMA with an average of 700 dwellings per annum since 2007/8. Rugby Borough has an annual average completion rate of 385 dwellings per annum, which is the second highest in the HMA.

Figure 12: Housing Completions – Authorities in the Coventry and Warwickshire HMA



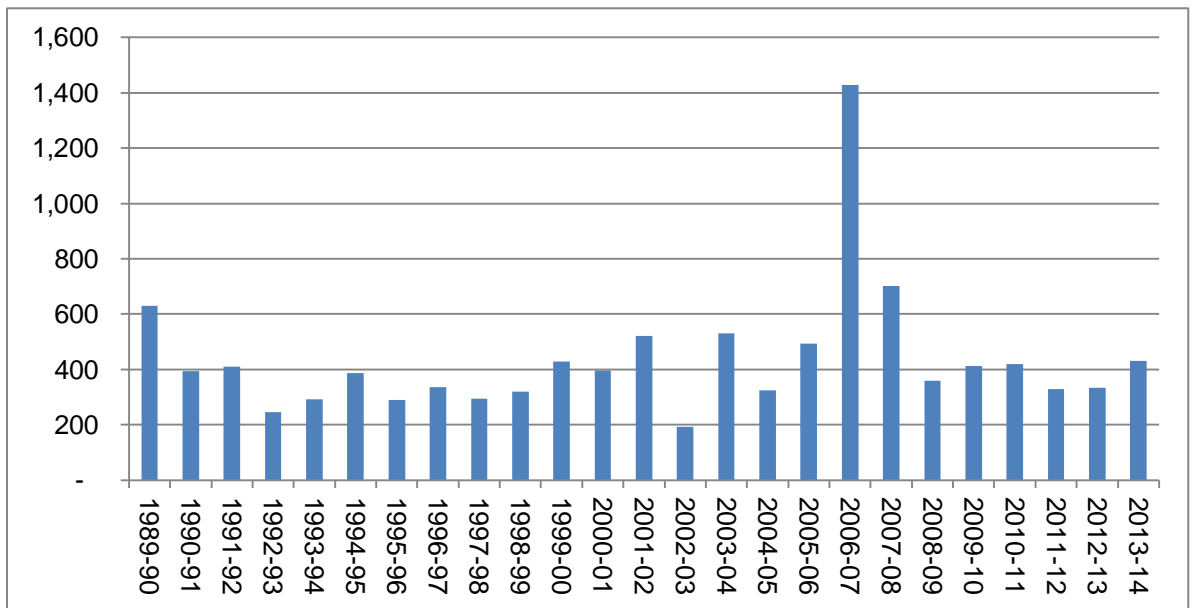
Source: CLG Table 253

- 2.46 We analyse below trends in net completions in Rugby Borough. The figures below show net completions rather than the gross figures considered above.
- 2.47 Figure 13 overleaf shows net completions in Rugby since 1989-90. Over this period the borough delivered an average of 436 net completions per year. Completions peaked in 2006/07 towards the peak of the last market cycle with 1,429 net additional dwellings delivered. This figure is considerably higher than delivery in any other year – the year with the second highest delivery is 2007/08 with 701 new dwellings. It reflected strong delivery of housing at Coton Park (with 288 units delivered) alongside housebuilding on other major sites including Cawston and Leicester Road. It seems likely that the high completions in this year reflect recording issues, with some site completions which took place in previous years recorded by the Borough Council in the 2006-7 data.
- 2.48 The median net completions figure is 394 dpa which is a more representative figure for past annual delivery in the borough. Average delivery of 558 homes per annum was delivered between 1999/2000 – 2007/8 prior to the recession/ market downturn.
- 2.49 With the exception of the outlier in 2006/07, the net housing completions rate in the borough has remained fairly consistent over the period studied. Since the recession (2008/09 onward) delivery has averaged 381 dwellings per annum. This represents a growth in the housing stock of 0.9% per year.

2.50 Prior to the recession, housing completions in the borough were stronger, with a 1.5% growth rate in the housing stock per annum (excluding the 2006/07 outlier the growth rate is 1.1%).

2.51 If we look at growth rates over different periods, the Borough saw 0.9% pa growth in the housing stock in the 1990s and 1.3% in the 2000s. Over the entire period since 1989/90, the average growth rate has been of 1.1% growth in stock per annum.

Figure 13: Net Completions – Rugby Borough



Source: Rugby BC Monitoring Data

Implications

- Over the eight year period prior to the recession, Rugby Borough saw housing delivery of 1.6% per annum. This is in the upper quartile of growth rates seen for local authorities nationally – Rugby has historically been a strong performer in respect of housing delivery (as considered further below).
- Even in weaker housing market conditions in recent years, the Borough has still seen comparatively strong performance, with a growth rate of 0.9% achieved since 2008/9 – significantly above the regional average.
- The long-term average rate of housing delivery in the Borough, over the period since 1989/90, has been of 1.1% stock growth per year.
- Strong past performance is likely to have been influenced by the Borough’s relative accessibility, employment growth in the area, and the availability of land/ sites for development.

2.52 Since 2001/02 1,346 affordable housing units have been completed in Rugby Borough. This equates to 20% of net housing completions over this period. Affordable housing delivery varies year-on-year, but this level of delivery in proportional terms is slightly higher than seen nationally

(16%) over this period. Over the last five years the proportion of affordable housing has been stronger, with affordable housing representing 27% of net completions.

Table 2: Net Affordable Housing Completions

Year	Affordable Housing Completions	% of Net Completions
2000-01	0	0%
2001-02	43	8%
2002-03	43	22%
2003-04	94	18%
2004-05	42	13%
2005-06	154	31%
2006-07	220	15%
2007-08	220	31%
2008-09	19	5%
2009-10	113	27%
2010-11	65	15%
2011-12	168	51%
2012-13	64	19%
2013-14	101	23%
Total	1,346	20%

Source: Rugby BC Monitoring Data

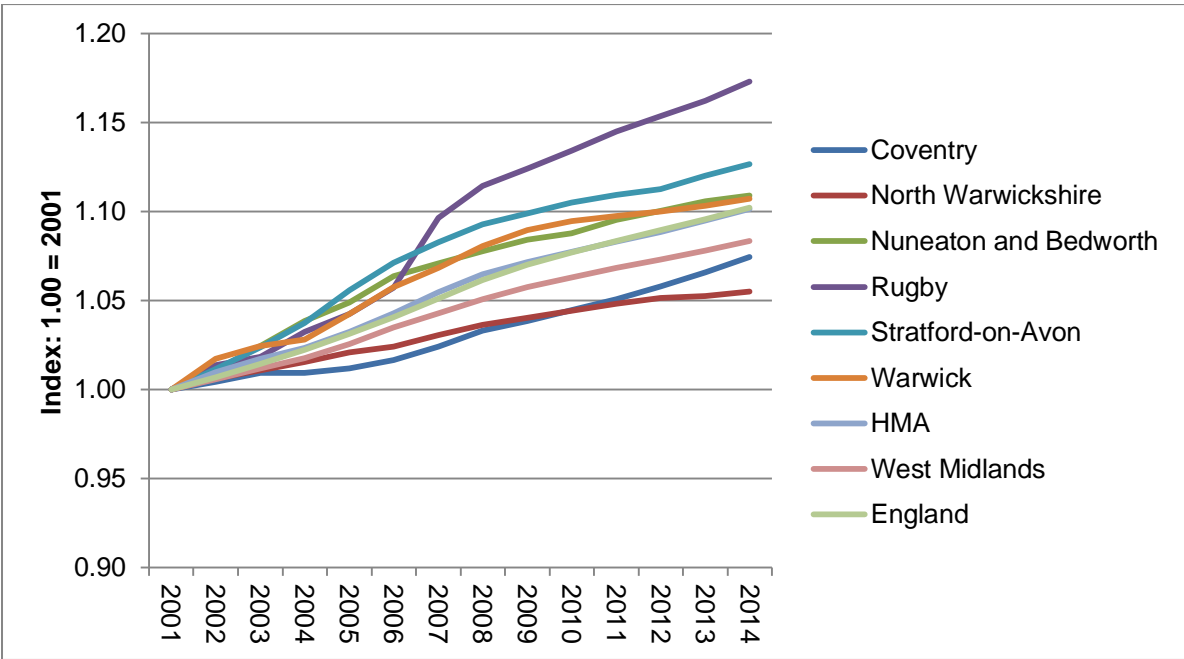
Comparing Housing Delivery in Rugby with Other Areas

2.53 In this section we analyse a range of data to consider how housing delivery rates in Rugby compares to the other HMA authorities and regional and national trends.

2.54 Figure 14 uses an indexed analysis to consider how the total housing stock has changed over the period since 2001. It shows that over this period the rate of housing stock growth in Rugby has far exceeded any of the other HMA authorities, and the regional and national trends. Over this period the housing stock in Rugby Borough has seen an average annual growth rate of 1.2%. By comparison the Coventry and Warwickshire HMA as a whole has seen an average annual growth rate of 0.7%. The West Midlands region has seen an average growth rate of 0.6% per annum, and the England average is 0.8% per annum.

2.55 In addition to this, Figure 14 shows that since 2008 the growth rate in Rugby has been stronger than elsewhere with an average growth of 1.0% per annum in the borough compared to a HMA figure of 0.6%, a regional figure of 0.5%, and a national figure of 0.7% over this period.

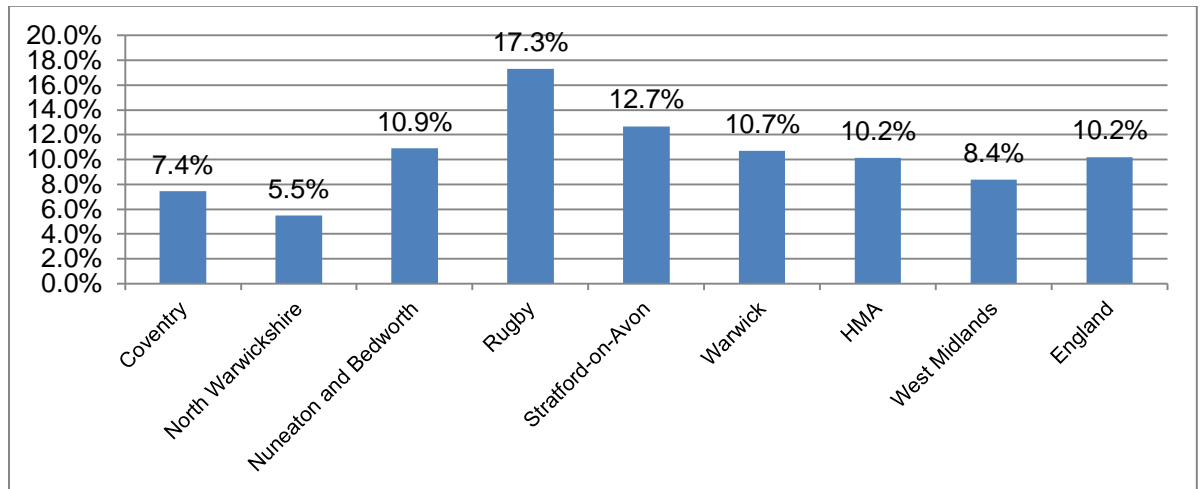
Figure 14: Net Changes in Housing Stock, 2001-14



Source: GLH Analysis of CLG Table 125

2.56 Figure 15 summarises the changes in housing stock since 2001. Again this highlights the strong housing growth in Rugby over this period with an increase in housing stock of 17.3%. Over this period the housing stock of the HMA grew by 10.2% which is in line with the national trend.

Figure 15: Change in Housing Stock, 2001-14



Source: GLH Analysis of CLG Table 125

2.57 Table 3 below shows the average annual growth rate in each of the HMA authorities and regionally and nationally. Rugby Borough has seen an annual average growth rate of 1.2% over the 2001-14 period, which is higher than any of the comparator areas. Unsurprisingly, the pre-recession period 2001-08 saw a higher annual growth rate of 1.6%, with this dropping to 0.9% following the recession (2009-14). The pre- and post-recession figures for Rugby are both higher than seen elsewhere in the HMA. Rugby’s post-recession annual average growth of 0.9% is the same as the national pre-recession figure.

Table 3: Average Annual Growth Rates, HMA, 2001-14

	2001-14 Average	Pre-Recession Average	Post-Recession Average
Coventry	0.6%	0.5%	0.7%
North Warwickshire	0.4%	0.5%	0.3%
Nuneaton and Bedworth	0.8%	1.1%	0.5%
Rugby	1.2%	1.6%	0.9%
Stratford-on-Avon	0.9%	1.3%	0.5%
Warwick	0.8%	1.1%	0.4%
HMA	0.7%	0.9%	0.6%
West Midlands	0.6%	0.7%	0.5%
England	0.8%	0.9%	0.6%

Source: GLH Analysis of CLG Table 125

2.58 Rugby Borough has clearly successfully sustained an above average housing growth rate both prior to 2008 and since. On one level this is really positive – it suggests that there has been a steady supply of land available for development, and that demand exists to support above average housing delivery levels. However it does suggest that the scope for a further improvement in the delivery rate is potentially less than in for instance a higher price but relatively constrained area (for instance an authority which demonstrates strong market characteristics but where development rates have historically been constrained such as by green belt or environmental factors).

- 2.59 Rugby has clearly continued to deliver housing at a reasonable rate since 2009. Delivery on larger urban extension sites has contributed to this – such sites typically require substantial up-front investment in infrastructure, but once development has commenced, delivery is less susceptible to market fluctuations – and they thus continue to support delivery rates through recessionary periods (as housebuilders seek to recoup upfront investment). Other locations such as Aylesbury or Ashford where new urban extensions have commenced show similar trends.
- 2.60 We have compared the annual growth rate in Rugby Borough to other authorities across the country with high levels of annual housing growth. Table 4 shows all non-urban local authorities which had a pre-recession (2001-08) growth rate of over 1.5%. In total there were 15 authorities which met these criteria. The highest growth rate was seen in South Derbyshire District which saw a 2.1% average annual growth. South Derbyshire saw housing growth at a number of locations within the District, including on the fringes of the Derby urban area.
- 2.61 In all areas the post-recession growth rate is lower than pre-recession, as we might expect. The area with the highest post-recession growth rate is Milton Keynes which has seen growth of 1.4%. The development model in Milton Keynes is however somewhat unique with a number of large landownerships, including some which are owned by quasi-public sector bodies such as HCA. Over the 2001-14 period as a whole only four authorities have seen a growth rate of 1.5% or above – South Derbyshire (1.6%), Milton Keynes (1.6%), Swindon (1.5%), and North Kesteven (1.5%). This serves to illustrate how challenging maintaining a 1.6% growth rate over the plan period could potentially be.

Table 4: Average Annual Growth Rates, National Comparison, 2001-14

	2001-14 Average	Pre-Recession Average	Post-Recession Average
South Derbyshire	1.6%	2.1%	1.0%
Swindon	1.5%	1.9%	0.9%
East Cambridgeshire	1.4%	1.9%	0.8%
North Kesteven	1.5%	1.8%	1.0%
Fenland	1.3%	1.8%	0.7%
Milton Keynes	1.6%	1.7%	1.4%
King's Lynn and West Norfolk	1.4%	1.7%	0.9%
Kettering	1.4%	1.7%	1.0%
East Northamptonshire	1.2%	1.7%	0.7%
North Dorset	1.3%	1.7%	0.8%
Ashford	1.3%	1.6%	1.0%
South Holland	1.2%	1.6%	0.7%
West Lindsey	1.2%	1.6%	0.8%
Rugby	1.2%	1.6%	0.9%
South Cambridgeshire	1.3%	1.6%	1.1%

Source: GLH Analysis of CLG Table 125

2.62 Rugby Borough Council Core Strategy, adopted 2011, sets a target for delivery of 540 dwellings per annum over the plan period from 2011 to 2031. However the Council has more recently agreed through the Coventry, Warwickshire and South West Leicestershire Shadow Economic Prosperity Board to deliver 12,400 homes (an average of 620 per annum) over the 2011-31 period. In this report we have tested the ability to deliver a rate of up to 660 dpa.

2.63 Table 5 below sets out the growth rate required to achieve these housing delivery targets by 2031. Table 5 includes the 540 and 660 dpa figures above. As these targets are for the plan period 2011-31 we have also calculated the adjusted delivery rates required to account for the shortfall between 2011 and 2014 and make up this shortfall during the plan period:

$$\text{Target 2014-31} = \text{Target 2011-31} - \text{Completions 2011-14}$$

2.64 This would require the delivery of 571 dpa in order to deliver the full target of the Core Strategy, and 712 dpa to deliver the figure agreed in the Duty to Cooperate.

Table 5: Rugby Housing Delivery Targets, 2014-31

Annual Delivery	Total Delivery 2014-2031	Growth Rate
540 dpa	9,180	1.1%
571 dpa	9,707	1.2%
660 dpa	11,220	1.3%
712 dpa	12,104	1.4%

2.65 As shown in Table 5 this range of delivery targets would require a growth rate of between 1.1% and 1.4%. The analysis of this section would suggest that the lower end of the range (1.1% per annum) is consistent with the long-term housing growth rate seen in the Borough. This should be achievable. Provision about this level raises the delivery rate to levels which are above the long-term average, but remain below the rate of growth which the Borough’s housing market supported in the immediate pre-recession period (1.6%, 2001-8) – however this was set against a set of economic and market conditions which are unlikely to return before we are in to the 2020s at the earliest.

2.66 A growth rate of 1.4% would represent a relatively high growth rate (particularly relative to other parts of the HMA); however the historic data shows that Rugby has experienced higher growth rates than other parts of the HMA in the recent past.

2.67 In the pre-recession period of strong economic growth, the highest growth rates seen nationally were between 1.5% and 2.0%. While this is above what would be required in order to deliver the Duty to Cooperate target of 660 dpa, current rates of housing delivery are well below this - creating an increasingly large shortfall pushing the required growth rate ever higher.

Implications

- Rugby Borough has seen relatively strong housing delivery, with an annual stock growth rate of 1.3% achieved over the 2000s decade as a whole, with 1.6% pa growth achieved around the peak of the last market cycle. The long-term average growth rate of 1.1% per annum has been sustained. A 1.4% annual growth rate would be needed moving forwards to deliver 660 dpa housing provision.
- Growth of 0.9% per annum has been achieved over the period since 2010 in the Borough – significantly exceeding average delivery rates across the wider region and other parts of the HMA. Housing delivery in the Borough, whilst falling below housing targets, has thus contained to be comparatively strong. Housing delivery has been maintained relatively well through the recession against difficult conditions.
- Whilst challenging, the benchmarking analysis does not suggest that delivery of 1.4% growth in housing pa moving forwards could not be achieved if economic and housing market conditions were right. The question is particularly however how quickly will the housing market and housing delivery recover; and can be the Borough sustain delivery rates within the upper quartile of local authorities nationally?

3 REVIEWING HOUSING MARKET CONDITIONS

3.1 Housing delivery levels nationally plunged to a historic low in 2010, with the lowest level of housebuilding seen in the immediate post-war period. The recovery thus far, particularly when we look across the West Midlands, has been limited. In considering what scale of development could potentially be delivered in Rugby over the plan period to 2031, a key question is therefore the scale and pace at which the housing market, and housing delivery, might recover. We consider these issues in this section – focusing on looking at housing market conditions nationally; and in Rugby Borough.

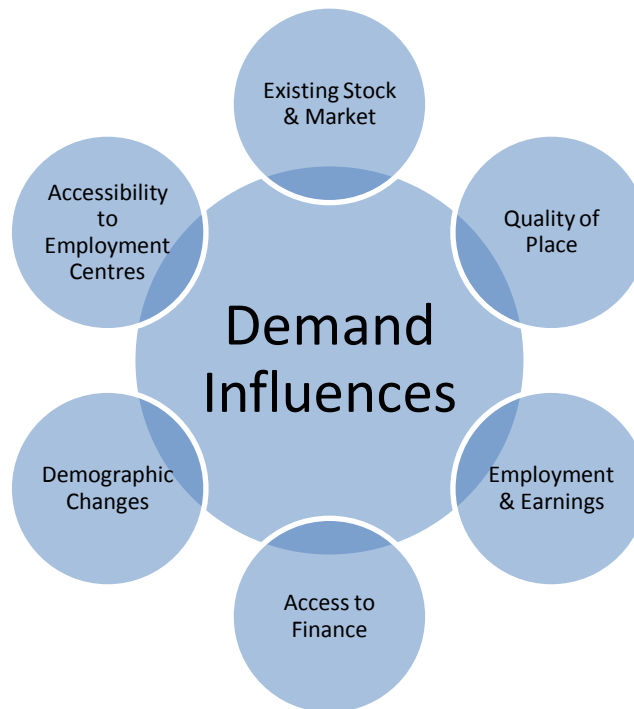
Overview of Housing Market Drivers

3.2 The housing market is complex. It is influenced by the economy at both a macro-economic level, in terms of interest rates and mortgage availability, as well as economic performance and prospects (which influence market confidence). It is also influenced by the economy at both regional and local levels, recognising that employment trends will influence migration patterns (as people move to and from areas to access jobs), and that the nature of employment growth, labour demand and wage growth will influence changes in earnings (which affects what households can afford and households ability to form). Over the longer-term changes in the size and structure of the population influence housing need and demand, and the nature of demand for different products.

3.3 There are then a number of factors which play out at a more local level, within a functional housing market, and influence demand in different locations. These include quality of place, school performance and the catchments of good schools, the accessibility of areas including to employment centres (with transport links being an important component of this), and the existing housing market and local market conditions. These factors influence the demand profile and pricing, against a context in which households compete within the market for housing.

3.4 In the SHMA we identified these factors, which we brought together in the following conceptual framework.

Figure 16: Understanding Housing Demand



Source: GL Hearn

Overview of Housing Market Trends over the Last Decade

- 3.5 In assessing housing market prospects moving forward, it is important to understand the context to what has happened over the last decade.
- 3.6 Housing market dynamics between 2003-8 need to be understood in terms of the economic backdrop of a strong, stable and growing economy; a growing population, low interest rates in a historical context; and strong competition in the mortgage market. As a result despite strong growth in house prices (albeit with a blip in 2005 linked to an increase in interest rates), households' ability to buy a home improved. Sustained growth in prices, the attractiveness of housing vs. other forms of investment, together with the availability of buy-to-let mortgages, also supported (supply-led) growth in the Private Rented Sector.
- 3.7 Market conditions changed quite dramatically in 2007. A downturn in the world economy was led by the sub-prime lending crisis in the United States. This resulted in a fundamental shift in the way banks lend money between themselves, through wholesale money markets, and to their customers (including home purchasers, landlords and developers).
- 3.8 From the second half of 2007, banks began to increase the inter-bank lending rate (LIBOR) and sought to adjust their exposure to risk by adopting much more cautious lending practices. The net effect of this was to reduce liquidity in the financial markets and credit available (resulting in a 'credit

crunch') and in tightening lending criteria for current and prospective homeowners. This tightening of lending criteria increased 'barriers' to entry for marginal mortgage applicants by reducing loan to value ratios (LTVs), increasing costs associated with obtaining mortgages and reducing the income multiples accepted.

- 3.9 The impact of tightening lending criteria had a significant and sharp impact on households' ability to secure mortgage finance, with the most noticeably affected being would-be 'first-time buyers' (FTBs) and buy-to-let (BTL) investors who were particularly reliant on more flexible lending criteria. The numbers of first time buyers and buy-to-let investors buying property dropped dramatically. These buyer groups are important in supporting chains of sales. As a result of these dynamics 'effective' demand for market housing and market activity also decreased significantly.
- 3.10 The credit crunch resulted in a decrease in sales (driven by falling occupier demand linked to the above factors) triggering a reduction in house prices. A fall in occupier demand, together with falling values as well as a reduction in access to finance for development (as lenders attitudes to risk changed) affected the development/ housebuilding industry. The industry had to write down the value of sites (as land values fell), and reduced housebuilding output in response to the fall in demand (as described in the previous section). Some small and medium-sized housebuilders went out of business; whilst others reduced staff levels – with an overall reduction in capacity in the industry.
- 3.11 As our sales analysis shows, market demand has yet to recover to pre-recession levels and remained in 2014 around 20% down on pre-recession levels. Whilst the macro-economic outlook has improved, households' ability to obtain mortgage finance and raise the necessary deposits to get on the housing ladder has not recovered fully to pre-recession levels.
- 3.12 Key issues affecting the ability of households and investors to secure mortgage finance are:
- Savings and Capital: the ability to raise a deposit;
 - Earnings and Interest Rates: affecting the ability to afford repayments;
 - Lending Criteria: key criteria which have to be met to secure finance.
- 3.13 As the availability of mortgage finance increased between 2003-06, the average deposit paid by a first-time buyer fell from 23.1% to 16.4% nationally, improving the affordability of and access to home ownership and support strong effective demand for market housing. However on the onset of the credit crunch in 2007, deposit requirements increased as lenders sought to reduce risks and to cover themselves against a fall in prices. We have seen some subsequent improvement in the availability of mortgage finance, particularly since 2013. The latest data from the Council for Mortgage Lenders at the time of writing suggests that the average deposit for First-time Buyers stood at 19% in March 2015.

- 3.14 Market demand is thus influenced by the ability of households to raise a sufficient deposit and to meet lending criteria to secure mortgage finance. Younger buyers (particularly those under 30) over the last few years have been quite reliant on parents and other relatives for financial support in getting on the housing ladder (the so called 'bank of mum and dad'); particularly against a context in which over the last few years wage inflation in real terms (taking account of inflation) has been low or negative. Inflationary pressures have eased during the course of 2014 and into 2015, and coupled with an improving economic output this should help to support housing market recovery moving forwards.
- 3.15 2014 saw lending to first-time buyers at its highest level, in both volume and value, since 2007. This appears to principally reflect improving economic conditions, together with Government schemes such as Help-to-Buy. However, the latest figures for first quarter 2015 shows first-time buyer borrowing down 5% on first quarter 2014 figures. This may have reflected uncertainty in the lead up to the 2015 General Election.
- 3.16 The Council of Mortgage Lenders (CML) forecasts an upturn in spending, investment, and borrowing following May's decisive election result. This allied with a stronger economic backdrop including a stronger jobs market and increase in real earnings have bolstered household finances; while the continuing low interest rates and competitive mortgage deals have led to increased affordability and market activity. The expectation from CML is that mortgage lending will increase in 2015 and 2016, albeit at a slower rate to that seen in 2014.

Buy-to-Let Lending

- 3.17 Buy-to-let (BTL) lending has remained more resilient than other parts of the market for some time and BTL lending continues to post healthy year on year increases. With growth in rents and lower capital costs for house purchases, housing represents an improved investment proposition. There is evidently occupier demand from a combination of demographics, limited new-build and restrictions on home purchases.
- 3.18 BTL lenders financed 197,700 new home purchases in 2014. There has been year on year growth in the number of buy-to-let loans advanced annually since 2010. In March 2015 there were 18,200 but-to-let loans – up 21% on March 2014. The value of these loans totalled £2.7bn – a 35% increase on March 2014 figures. However the scale of buy-to-let lending remains significantly below pre-credit crunch levels achieved before 2007.
- 3.19 In the first quarter of 2015 BTL lending constituted 18% of total gross lending in the UK – the highest proportion since quarterly records began in 2006. This was mainly driven by falls in the

number of re-mortgage and home-owner loans advanced in this quarter. Buy-to-let lending is evidently an important component of demand for market housing for sale.

Mortgage Repossessions

3.20 The proportion of mortgages in arrears or resulting in repossessions has been falling. A decline has been seen in all arrears bands, for both owner-occupier and BTL lending. In Q1 2015 113,900 mortgage loans were in arrears with 24,400 in the most severe band. This equates to 0.22% of all mortgages – the lowest proportion since the end of 2008. 0.03% of mortgages ended in repossession, which is again the lowest proportion since 2008. Low interest rates are a contributory factor to this.

<p>Implications</p> <ul style="list-style-type: none"> • In the short-term we can expect modest growth in demand for market housing. This reflects the strong jobs market and a growth in real earnings (influenced in part by low inflation) influencing owner occupier purchases; as well as continued growth in investment by buy-to-let investors (linked to growing yields and occupier demand). The evidence points to a gradually year-on-year recovery in sales volumes in the short-term to 2020.
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Local Housing Market Performance

3.21 We next turn to consider local level dynamics. As we will show, local level trends in house prices and sales relate strongly to national and regional trends. This indicates the importance of the macro-economic dynamics and drivers described above in influencing housing market conditions in the HMA and Rugby Borough more specifically.

3.22 We consider in this sub-section key market indicators – sales (as indicative of ‘effective’ market demand) and house prices (which reflect the balance between supply and demand).

House Prices

3.23 Differences in house prices reflect housing mix, and the attractiveness of different places to live. House price trends are influenced by the balance between supply and demand.

3.24 Figure 17 profiles trends in the price of a standard property across the West Midlands and the UK using the Halifax House Price Index. The Index indicates that the price of a standard property in the West Midlands increased by 83% between Q2 2001 – Q2 2004 (over just a three year period) as effective demand from both owner occupiers and investors grew rapidly (and faster than supply). This strong growth in prices was influenced by:

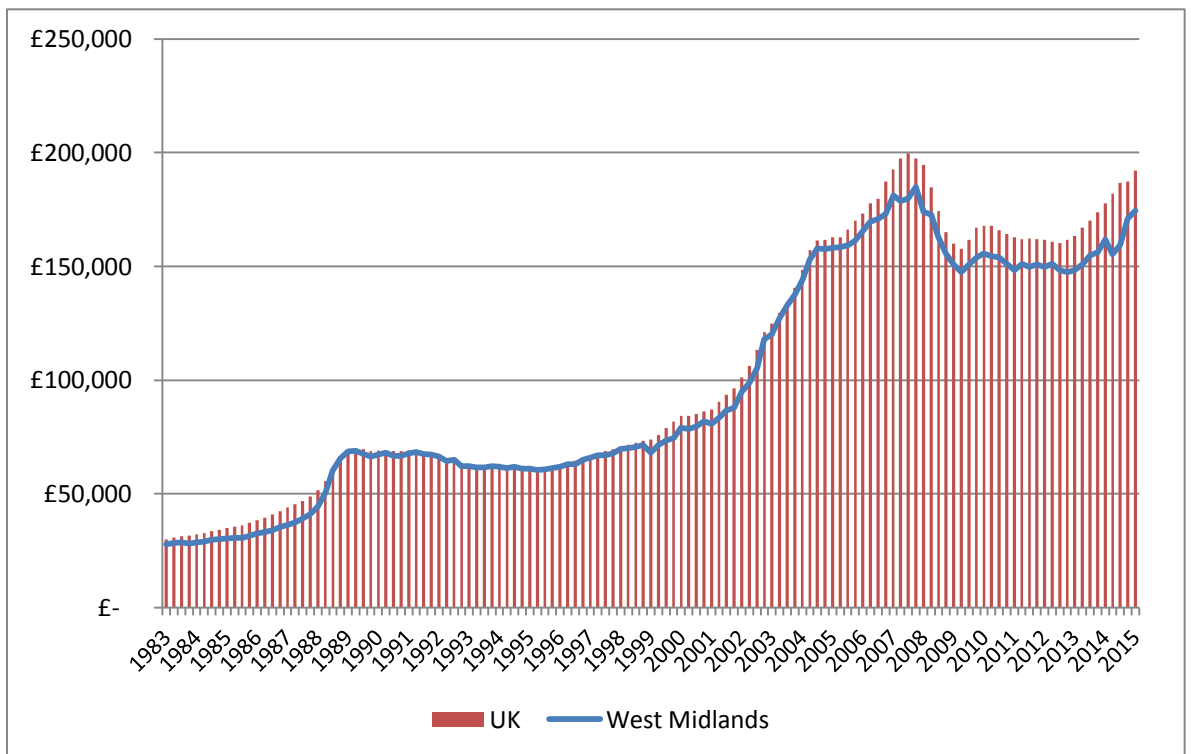
- Low interest rates;
- Competition in the mortgage market, with increasing range of mortgage products;

- A stable, growing economy; and
- The relative inelasticity of housing supply, which did not increase as fast as demand.

3.25 Between Q2 2004 and the peak of the market in 2007, house prices in the region grew by a more modest 21%.

3.26 House prices in the region and nationally have since fallen. In Q4 2012 the price of a standard property in the West Midlands stood at £147,332, 20% below the peak in nominal terms. This is similar to prices in mid-2004 (although that it would be lower if ‘inflation-adjusted’). Prices have since increased and at Q1 2015 stand at £174,478 – this is still 7% below the pre-recession peak. Price rises have kicked in again over the period since 2013.

Figure 17: Price of Standard Property, West Midlands and UK



Source: Halifax House Price Index

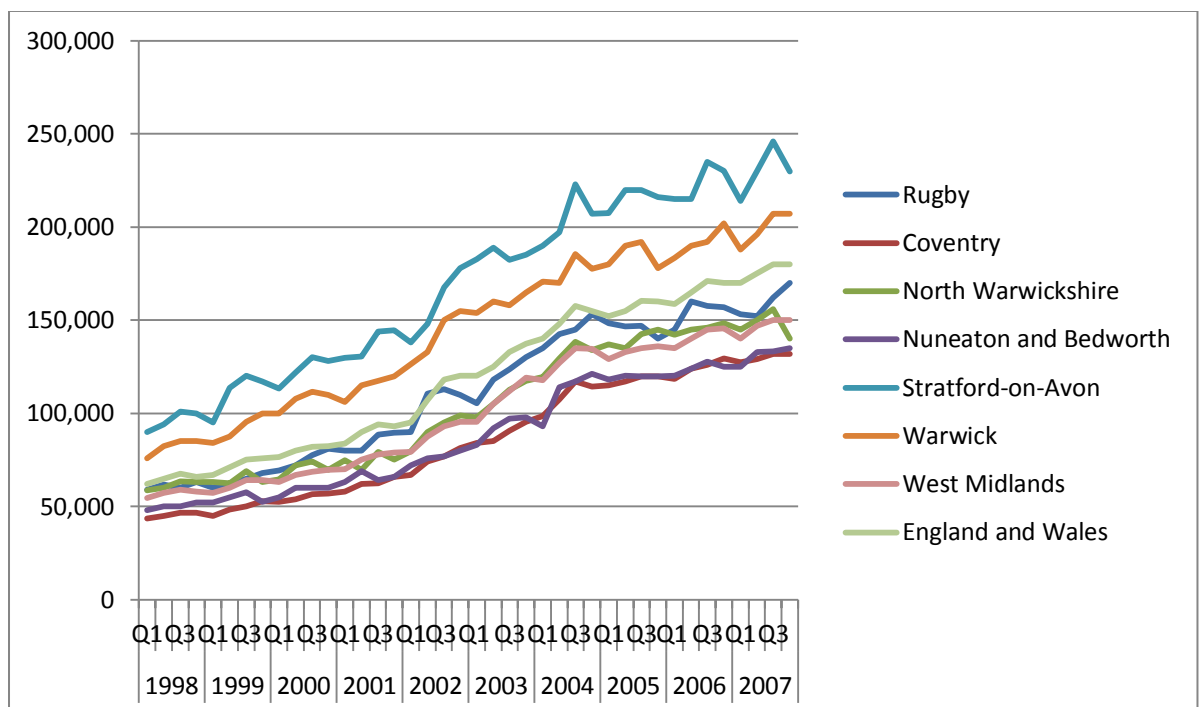
3.27 Looking at house price dynamics at a more local level within the Coventry and Warwickshire HMA, we have analysed trends in house prices since 1998.

3.28 Median house prices showed strong and steady growth between 1998 and 2007. In Rugby Borough the median house price increased by £111,000 over this period – an increase of 188%. This growth is, in real terms, less than seen in Stratford-on-Avon which saw an increase of £140,000 (156%), and Warwick which saw an increase of £131,000 (172%). Conversely the price growth in Rugby was, in real terms, considerably higher than that seen in Coventry (£88,500, 203%), Nuneaton and

Bedworth (£87,000, 181%), and North Warwickshire (£81,000, 138%). In percentage terms, the growth in Rugby was second only to Coventry. The differentials in part reflect stock characteristics; and part supply/demand balance.

3.29 The overall picture with price performance is that performance in Rugby Borough is similar to the HMA average – it is not as strong as in the southern Warwickshire authorities; but is better than that in Coventry and the northern parts of Warwickshire.

Figure 18: Median House Price Trends, 1998-2007



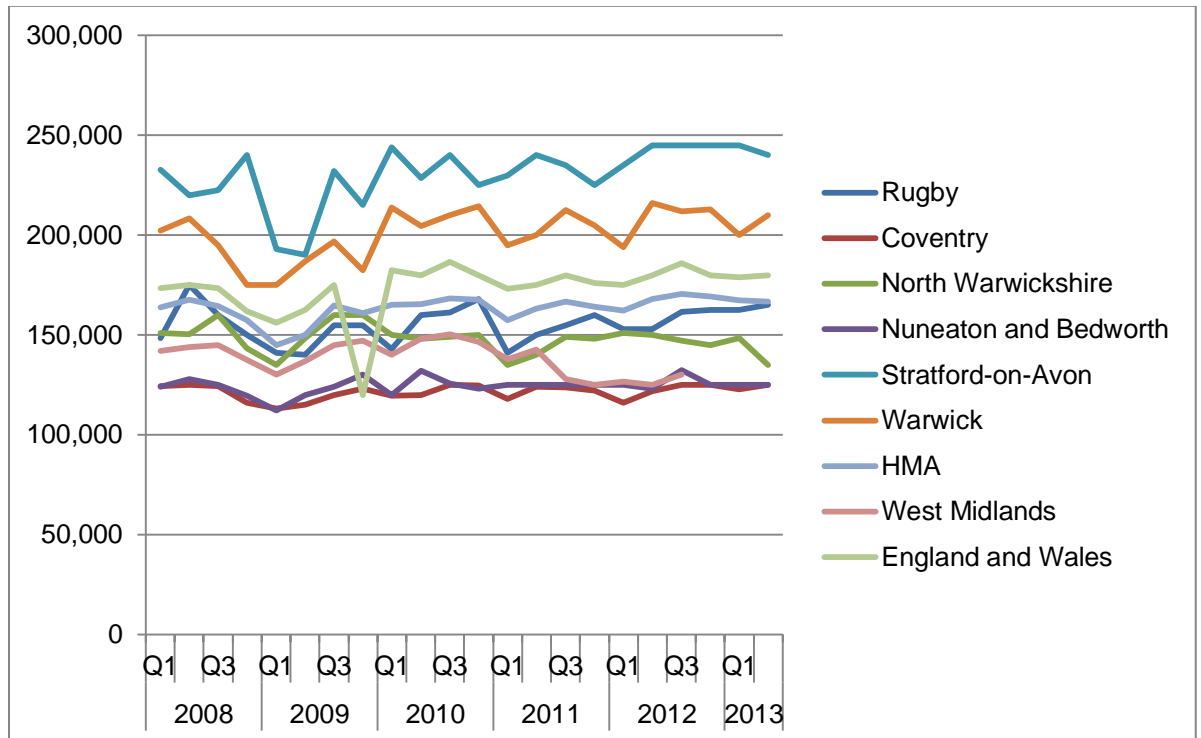
Source: HM Land Registry/ CLG (Table 582)

3.30 Price trends from the start of 2008 have been much less positive, as the chart below illustrates. Nationally, since the first quarter of 2008, house prices have been primarily static and have shown little growth (particularly in real terms, once inflation is stripped out).

3.31 In Rugby Borough prices fell to a low of £141,000 in the beginning of 2009 and again at the start of 2011. Since the start of 2011, prices in the Borough have grown at a fairly steady rate – a trend not seen in other areas. The median increased by £24,000 (17%) from this point to Q2 2013.

3.32 Within the Coventry and Warwickshire HMA the average growth in median house prices was 6% between 2008-11, with growth ranging from 8% in Warwick to zero growth in North Warwickshire, and Nuneaton and Bedworth. This compares with a median house price growth of 4% across England and Wales.

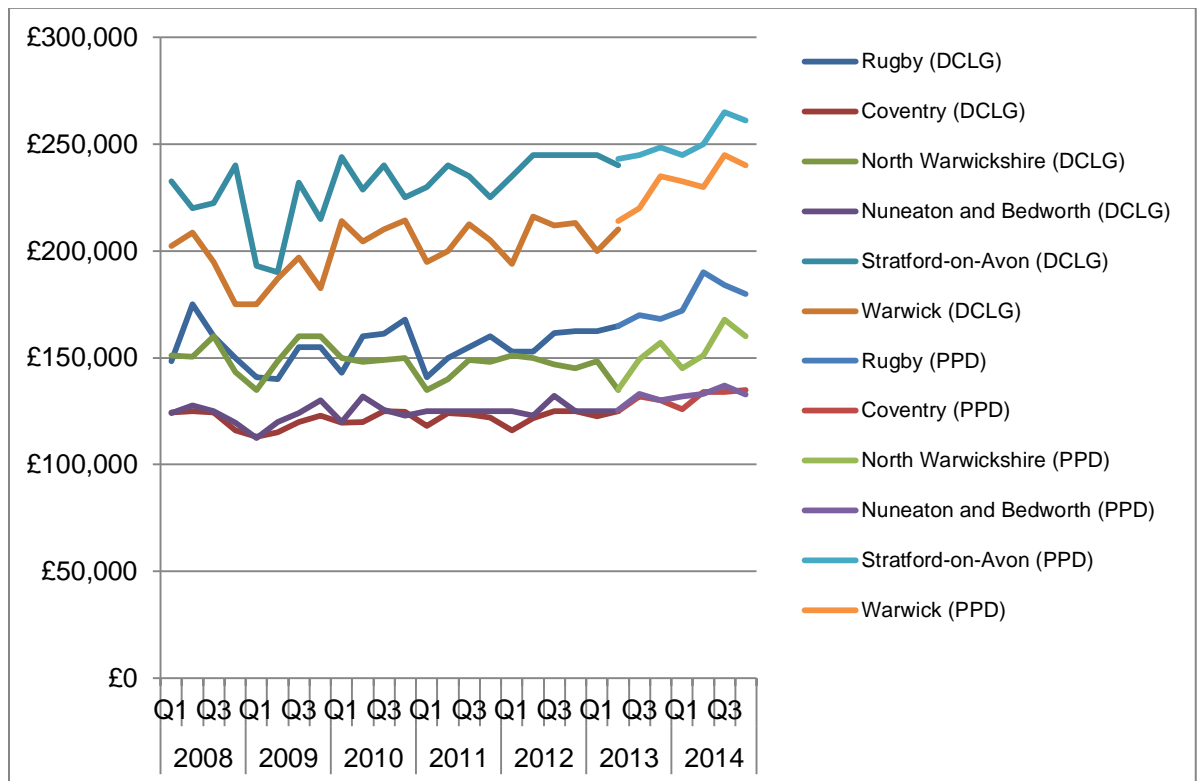
Figure 19: Median House Price Trends, 2008 – 2013



Source: HM Land Registry/ CLG (Table 582)

- 3.33 We have also analysed more recent Price Paid Data (PPD) for the Land Registry. This provides house price data up to the end of 2014. Figure 20 overleaf plots the PPD as a continuation of the DCLG data above. There are some small discrepancies between the data due to how the date of the transactions in recorded, however these are not significant.
- 3.34 The PPD shows that median house prices in the HMA have begun to increase since the start of 2013 and through 2014. In Rugby the median house price has increased by £15,000 (8%) over this period. Across the HMA all authorities have seen growth in median house prices ranging from £26,000 (11%) in Warwick to £7,000 (5%) in Nuneaton and Bedworth. Performance in Rugby Borough is again “mid ranging.”

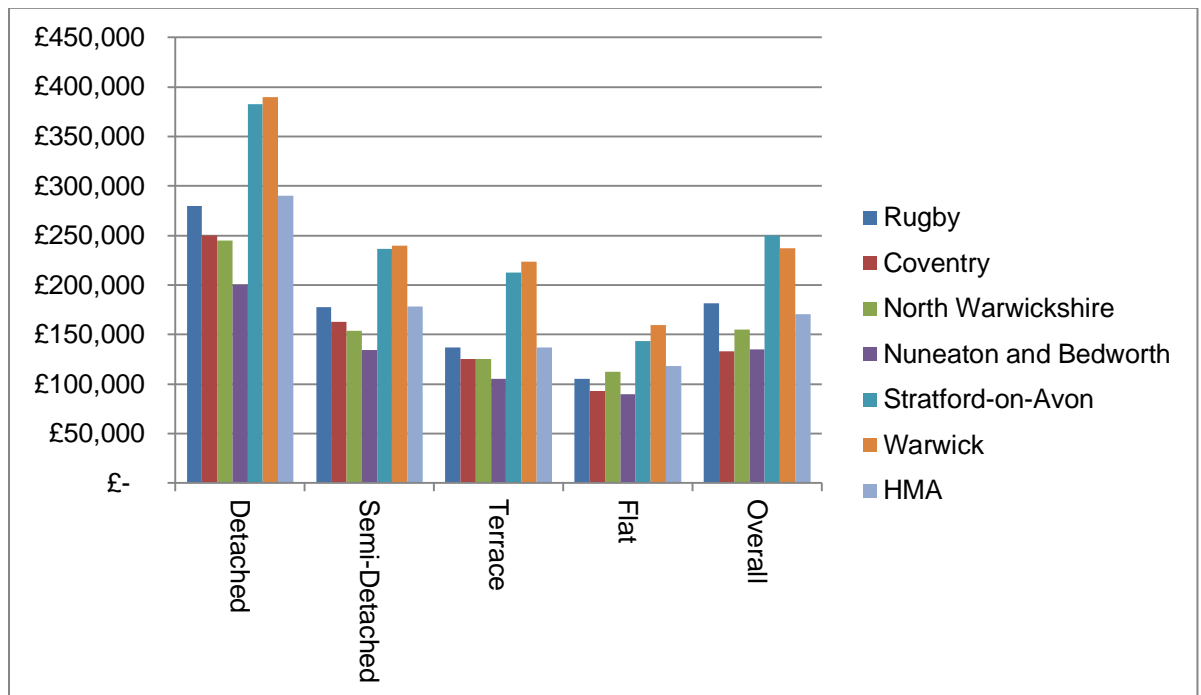
Figure 20: Median House Price Trends – CLG and PPD, 2008 – 2014



Source: DCLG & Land Registry Price Paid Data

3.35 Average house prices are influenced by the mix of homes sold. Figure 21 overleaf shows median prices of properties sold in 2014 by type. This clearly shows that across the HMA house prices are notably higher in Stratford-on-Avon and Warwick for all types of dwelling. Median prices in Rugby are close to the HMA average for all dwelling types. Median house prices are lower in Coventry and North Warwickshire; and lowest in Nuneaton and Bedworth for all house types. The median price of flats is slightly higher in North Warwickshire than in Rugby, but otherwise flat prices accord with the same trend as the house types.

Figure 21: Median House Price by Type, 2014

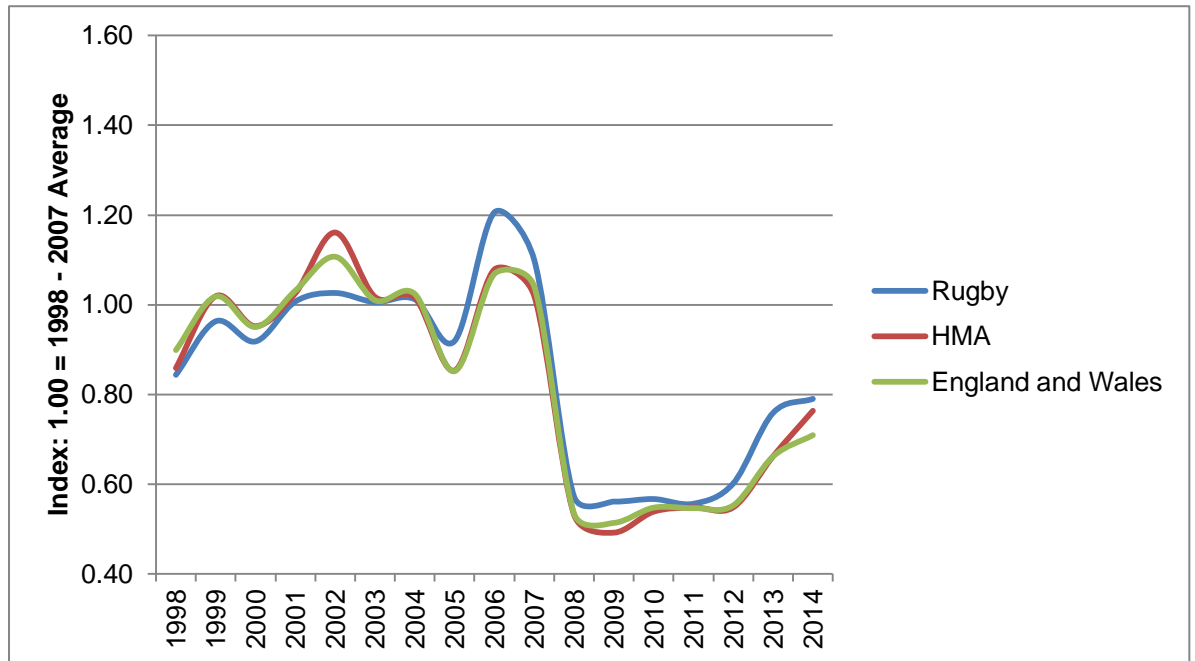


Source: Land Registry Price Paid Data

Sales Volumes

- 3.36 We turn next to consider sales trends. As discussed above, we consider sales trends to be a key indicator of ‘effective’ market demand for homes.
- 3.37 Figure 22 benchmarks sales rates between 1998-2014 in Rugby Borough and the Coventry and Warwickshire HMA. It uses an indexed analysis where 1 is the average annual volume of sales between 1998-2007 – i.e. the pre-recession decade.
- 3.38 The analysis shows that sales volumes at a national level dropped dramatically in 2008. Rugby Borough and the HMA saw drops in line with this national trend. Since 2012 sales volumes have shown signs of improvement, however transactions remain well below the pre-recession peak levels. In 2014 the number of sales in Rugby stands at 79% of the average of the pre-recession decade (i.e. 21% below the pre-recession average). This is slightly above the HMA average of 76% and the national average of 71%.
- 3.39 Stronger sales data in Rugby Borough suggests that in comparative terms the market has recovered more strongly. It supports the case that the Borough could support higher housing stock growth rates than other areas in comparative terms, as indeed it has been.

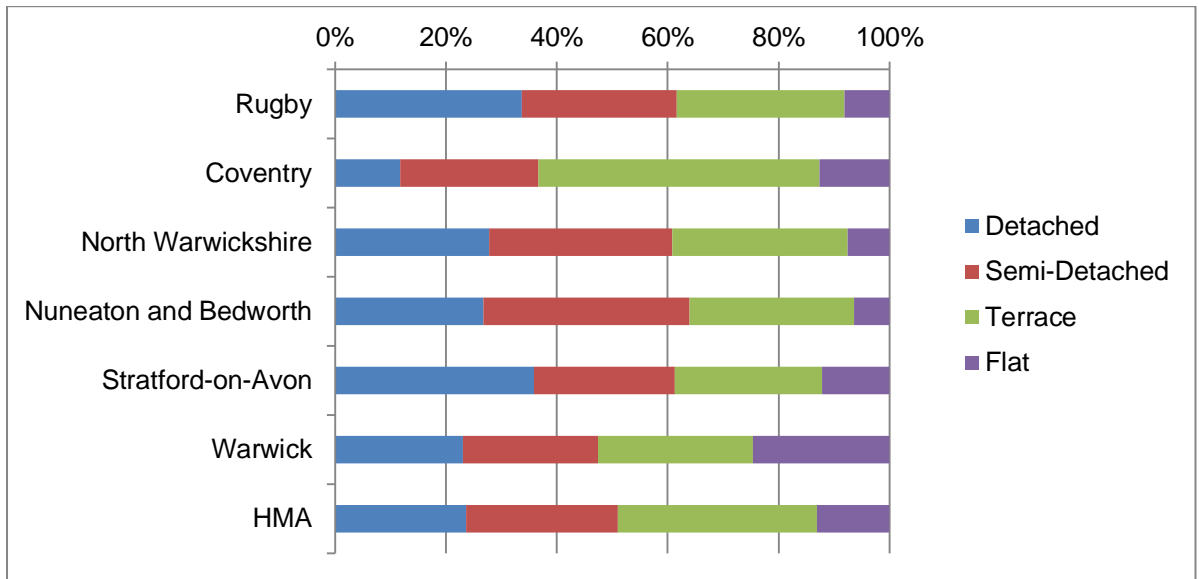
Figure 22: Indexed Analysis of Sales Trends, 1998 – 2014



Source: DCLG & Land Registry Price Paid Data

3.40 Figure 23 shows the percentage breakdown of sales by dwelling type. This largely reflects the dwelling stock of each local authority. Compared with the HMA as a whole, Rugby Borough saw comparatively more sales of detached properties – 34% in Rugby compared to 24% across the HMA. Conversely, Rugby saw comparatively fewer sales of flats – 8% in Rugby compared to 13% across the HMA. This impact can be seen on the overall median prices in each of the areas. As we would see it, there is a more limited scale of market for flatted properties in the town than there is in Coventry or Leamington Spa (reflecting in part the demographic profile/ student population in these areas).

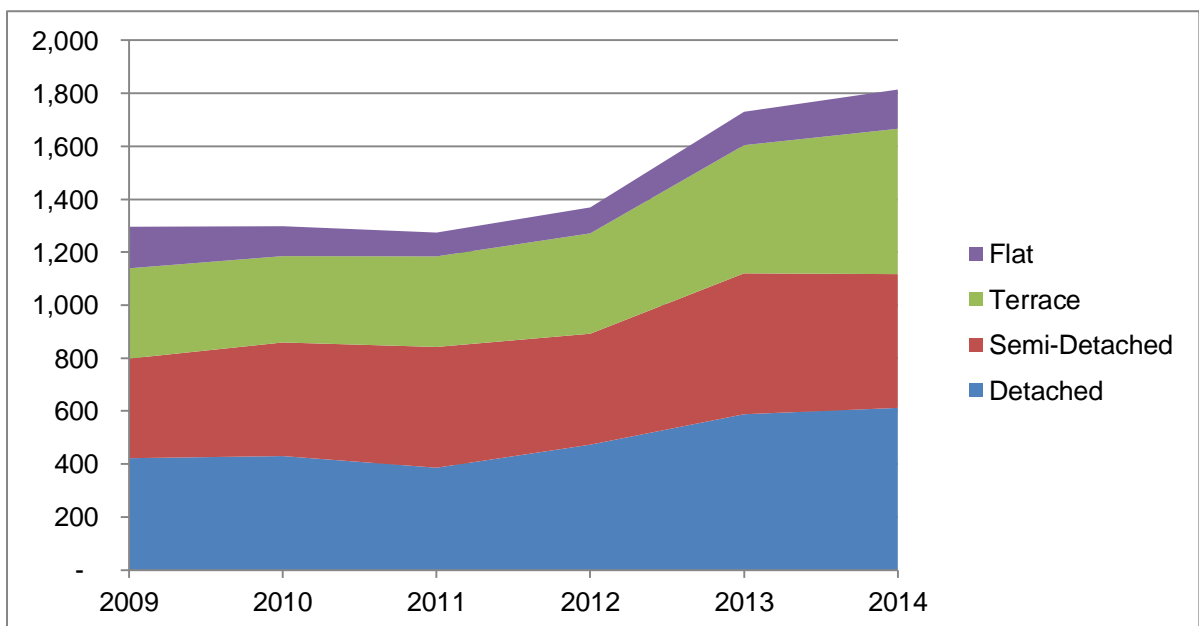
Figure 23: Sales by Dwelling Type, 2014



Source: Land Registry Price Paid Data

3.41 Shown below is the growth in sales volume in Rugby Borough by dwelling type. This shows the stagnation in sales volume following the recession continuing through to 2011. Since 2011 there has been a growth in sales figures for each dwelling type. From 2011 to 2014 the number of detached, terrace, and flats have all grown by roughly 60% (59%, 61%, and 64% respectively). However the number of semi-detached properties has increased by a much smaller amount of 11%.

Figure 24: Sales Volume by Dwelling Type Trend, Rugby, 2009-2014



Source: Land Registry Price Paid Data

- 3.42 It may be relevant to ask why sales volumes are important. The evidence suggests a very strong link between private housebuilding and wider market transactions, with one new home for every 10 sales across the whole market for much of the last 25 years.

Implications

- Rugby Borough has seen slightly faster recovery in sales volumes over the last few years than has been seen across the wider HMA or England. Overall sales volumes however remain 20% below pre-recession averages. There is scope for further, gradual recovery in sales volumes over the period to 2020.
- House prices and price trends have been 'average' for the HMA, with stronger performance than in Coventry and the northern parts of the County; but weaker performance than in Warwick and Stratford-on-Avon Districts. In broad terms, we would expect the Borough to track expected national trends relatively closely.

Private Sector New-Build Sales

- 3.43 In this section we look in more detail at the sales of new build (private-sector) housing in recent years. The three tables (Tables 6-8) below show the number of new build sales per month in the Coventry and Warwickshire authorities from January 2013 to March 2015. In each of these years Coventry has seen the highest number of new build sales with a total of 1,164 over this period. In each year Rugby has seen the second highest number of new build sales, with a total of 643 over this period – an average of 24 per month.
- 3.44 If this rate of new-build development was to continue moving forwards, we might see delivery of 290 private-sector dwellings per annum. With 30% affordable housing delivery this might support total new-build development of 410-420 homes. This is however based on a continuation current market conditions and includes no provision for future growth.

Table 6: New Build Sales, 2013

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Ave
Coventry	32	29	36	31	36	91	37	49	48	37	47	68	541	45
North Warwickshire					1			1		1	2	1	6	0.5
Nuneaton and Bedworth	3	8	14	7	12	12	8	14	14	7	9	10	118	10
Rugby	19	25	28	17	21	62	16	27	21	35	39	27	337	28
Stratford-on-Avon	7	8	11	7	9	30	7	9	11	12	9	20	140	12
Warwick	3	5	8	9	10	9	4	7	18	2	13	31	119	10

Table 7: New Build Sales, 2014

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Ave
Coventry	32	40	48	21	35	90	36	34	38	38	21	28	461	38
North Warwickshire	3	1	1	1	4	8	21	11	3	10	5	2	70	6
Nuneaton and Bedworth	5	5	15	8	5	19	10	6	4	7	2	5	91	8
Rugby	14	20	25	19	22	32	17	15	31	23	19	5	242	20
Stratford-on-Avon	9	10	19	18	26	31	13	15	14	13	12	5	185	15
Warwick	6	14	20	31	8	4	10	5	6	7	1	14	126	11

Table 8: New Build Sales, 2015 Q1

	Jan	Feb	Mar	Total	Ave
Coventry	22	52	88	162	54
North Warwickshire	9	9	4	22	7
Nuneaton and Bedworth	13	14	22	49	16
Rugby	19	28	17	64	21
Stratford-on-Avon	23	10	29	62	21
Warwick	17	8	6	31	10

Source: GLH analysis of HM Land Registry data

- 3.45 The tables below (Tables 9-11) show the number of new build sales in Rugby Borough in more detail. These show the location of new build developments in the Borough in recent years, broken down by broad location.
- 3.46 The majority of development in the Borough has been at sites within or on the edge of Rugby Town. This is broken down further into four main locations of development: Rugby Town Centre – which is mostly smaller brownfield and infill sites in and around the town centre; the north – which includes several large development sites including the strategic urban extension at Rugby Gateway; the south east – which includes a number of smaller and infill sites in Hillmorton; the south west – which contains a number of sites which lie between the A4071 and the A426. Developments elsewhere in the Borough are collated in the ‘Villages’ category.

Table 9: New Build Sales in Rugby Borough by Location, 2013

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Rugby Town Centre	2	3	4	0	2	1	0	2	0	0	1	0	15
Rugby Town: North	7	6	10	4	4	32	3	2	9	11	27	18	133
Rugby Town: South East	0	2	0	0	3	1	1	4	2	2	4	0	19
Rugby Town: South West	4	10	6	6	7	7	8	9	3	11	2	8	81
Villages	6	4	8	7	5	21	4	10	7	11	5	1	89
Grand Total	19	25	28	17	21	62	16	27	21	35	39	27	337

Table 10: New Build Sales in Rugby Borough by Location, 2014

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Rugby Town Centre	0	0	1	0	0	1	2	5	2	0	1	2	14
Rugby Town: North	8	12	12	12	13	25	4	5	26	18	13	1	149
Rugby Town: South East	2	0	1	2	2	0	1	1	0	1	0	0	10
Rugby Town: South West	3	6	11	5	7	6	10	4	3	4	4	2	65
Villages	1	2	0	0	0	0	0	0	0	0	1	0	4
Grand Total	14	20	25	19	22	32	17	15	31	23	19	5	242

Table 11: New Build Sales in Rugby Borough by Location, 2015 Q1

	Jan	Feb	Mar	2015 Q1 Total
Rugby Town Centre	4	4	0	8
Rugby Town: North	8	11	12	31
Rugby Town: South East	0	3	0	3
Rugby Town: South West	5	7	5	17
Villages	2	3	0	5
Grand Total	19	28	17	64

Source: GLH analysis of HM Land Registry data

- 3.47 The total and annual average of new build housing at these locations is shown in the table below. The analysis shows that the main location for new build housing development in the Borough in recent years has been in and around Rugby Town. Since 2013, 85% of the Borough's new build completions have been in Rugby Town. The other 15% is in villages elsewhere in the Borough.

Table 12: New Build Sales by Location, 2013 – 2015 Q1

	Total	Annual Average
Rugby Town Centre	37	16
Rugby Town: North	313	139
Rugby Town: South East	32	14
Rugby Town: South West	163	72
Villages	98	44

Source: GLH analysis of HM Land Registry data

- 3.48 An annual average may however be affected by delivery timeframes. Table 13 therefore shows how private-sector sales volumes (per month) over the period since 2013. The north of Rugby Town has seen the strongest sales volumes at over 10 per month over this period.

Table 13: Average Sales of Private Sector Dwellings, per month 2013-Q1 2015

	2013	2014	2015 Q1
Rugby Town Centre	1.3	1.2	2.7
Rugby Town: North	11.1	12.4	10.3
Rugby Town: South East	1.6	0.8	1.0
Rugby Town: South West	6.8	5.4	5.7
Villages	7.4	0.3	1.7
Total	28.1	20.2	21.3

Source: GLH analysis of HM Land Registry data

Rugby Town: South East

- 3.49 There has been considerable development at sites in and around Cawston. This area has seen a considerable amount of new build housing in recent years with an annual average of 72 new build sales in the area. This has been spread over several sites but the majority has been the Cawston Grange and Cawston Chase sites. Cawston Chase is currently at phase 5 – for 92 units – which is now nearing completion.

Rugby Town: North

- 3.50 Development at Coton Park East, to the north of Rugby town, has seen the development of 170 dwellings and is nearing completion. This area has seen an annual average delivery of 32 dwellings per annum over recent years.
- 3.51 Land at Leicester Road, located to the north of Rugby Rail Station, includes several development areas including Land South of Technology Drive and Land at Edison Drive. This area has seen an average annual delivery of 40 dwellings per annum. Phases 1 and 2 are now largely complete with Phase 3 expected to commence in September 2015.
- 3.52 The first phase of the Rugby Gateway SUE has also seen the delivery of a considerable number of new build dwellings with an average of 58 sold per annum at the height of delivery over the years 2013 and 2014. This phase of development is now complete.

Rugby Town Centre / Rugby Town: South East

- 3.53 Development at these locations has generally occurred on smaller sites – infilling or redevelopment of brownfield sites. Such sites have delivered a modest quantum of new housing development.

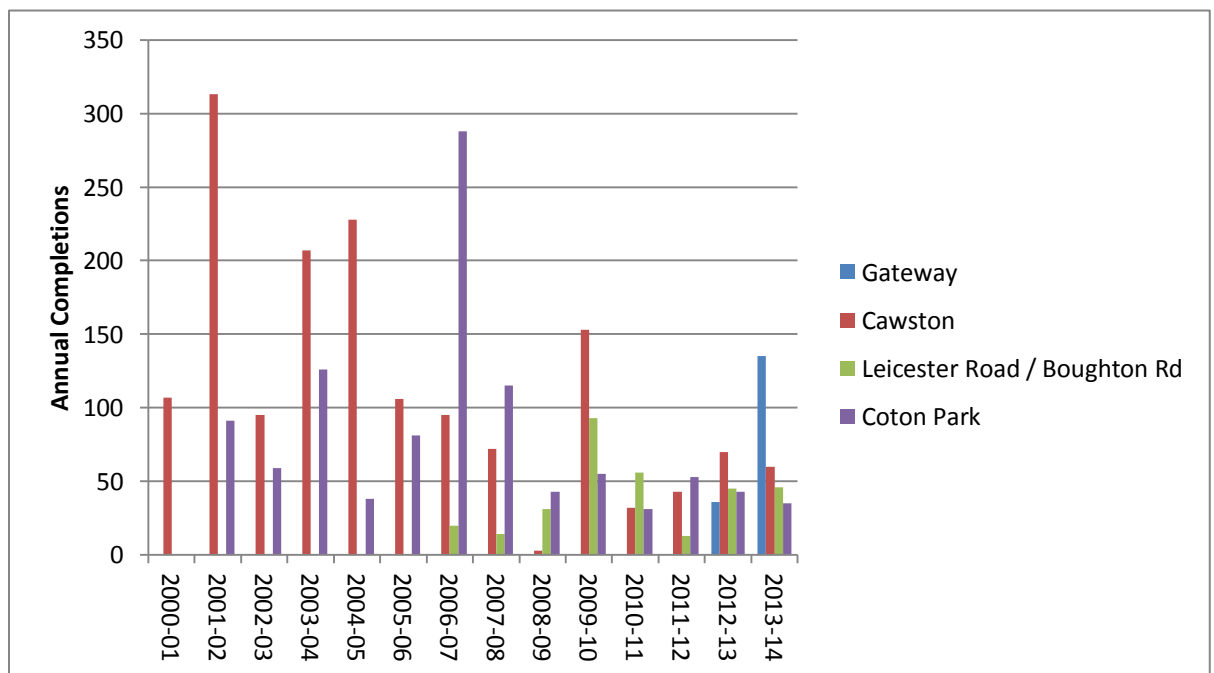
Villages

- 3.54 The Land off Back Lane in Long Lawford delivered 120 dwellings, with development now complete. Sales for new build dwellings were completed in 2013 when 76 new build homes were sold within the year.
- 3.55 There has also been a small quantum of houses delivered at other villages in the Borough, with the largest new development seen at Wolvey which saw 14 completions.

Housing Completions on Major Sites

- 3.56 The clear conclusion of the above analysis shows that the majority of new-build housing in Rugby Borough is being delivered at major sites on the edge of Rugby Town. The above analysis is based on considering data on new-build sales of market properties. There will have been development of affordable housing on these schemes as well.
- 3.57 We turn next to consider trends in housing completions (of both market and affordable housing) on major sites in/ around Rugby.
- 3.58 Figure 25 shows housing completions on large sites in the Borough since 2001. It indicates that there are some but limited, occasions where a single location has delivered more than 200 homes per year. Delivery of over 300 homes at a single site was only achieved once over this period, at Cawston in 2001-2.

Figure 25: Housing Completions on Large Sites, 2001-14



Qualitative Assessment

- 3.59 Phone interviews have been undertaken with local estate agents in order to gain a qualitative assessment of the local housing market conditions in Rugby.
- 3.60 The majority of interviewees considered that the housing market in Rugby is currently buoyant and performing well. Generally, those interviewed considered that current market activity was higher than has been seen for the last 5 – 6 years. Some interviewees reported a slight drop in activity in the lead up to May's general election due to political uncertainty. However, following the decisive result, most expected activity in the market to increase.
- 3.61 The demographic profile of buyers is varied with buyers in all age ranges and family status groups looking to buy in the area. The majority of buyers are currently locally based with most currently living within Rugby itself or in the nearby surrounding area. Fewer buyers are looking to move to the borough from elsewhere in the country.
- 3.62 The majority of interest for house buyers is for property within Rugby town itself. The most popular locations within the town are in the town centre and in Hillmorton to the south east of the town. Outside of Rugby town, popular areas are the villages of Long Lawford and Dunchurch.
- 3.63 The key attributes attracting buyers to Rugby town centre are the attraction of the town centre itself and the proximity of the train station and the good quality connectivity to the wider train network – particularly the good quality commuter link to London. The town centre also offers good access to employment in the town centre itself as well as employment sites on the edge of the town. Rugby town centre is particularly popular with investors looking to buy on a buy-to-let basis and the local rental market is performing well. The most popular property types in the town centre are 2- and 3-bedroom mid-terrace houses.
- 3.64 Hillmorton was cited as a popular location for house buyers due to its high quality suburban environment and proximity to local schools. For these reasons Hillmorton is most popular with families. The most popular house types in this location are 2- to 3-bedroom semi-detached properties. While a popular destination for movers, Hillmorton is not a popular location for first time buyers.
- 3.65 In addition to Rugby town centre and Hillmorton, another popular area within the borough is the northern edge of Rugby town. This area benefits from being within reasonable proximity of Rugby rail station as well as access to the Employment areas at Swift Valley and Central Park as well as good access to the M6.

- 3.66 The majority of interviewees reported strong interest in new build homes. Many cited the Help-to-Buy scheme as a reason for this. Help-to-Buy allows buyers to buy a new build house with only a 5% loan with the government providing an equity loan for 20%. In addition, many cited the environmental quality of the developments, and the new facilities being provided, as key selling points. All but one interviewee reported that demand for new build homes in the borough is currently outstripping supply. It is the rate of delivery, rather than market demand, which is currently restricting the number of sales. This is specific to the point in time of the interviews (July 2015).

- 3.67 All interviewees reported considerable interest from first time buyers. This was attributed to the government’s Help-to-Buy scheme and the ability for buyers to take lump sums out of their pension pots to fund deposits. Shared ownership schemes – whereby buyers own a percentage share of their property and rent the rest from the Council – are very popular. Interviewees reported long waiting lists for shared ownership properties.

Implications

- The evidence in this report suggests a strong correlation between market dynamics, sales volumes and new-build development. It is reasonable to assume that as wider housing market dynamics improve; we will see an increase in the pace of new-build development which can be supported. Section 4 considers how the housing market might recover over time.
- Historically (looking over a number of years) there is little evidence that land supply has constrained development rates in Rugby. We can expect a relatively close correlation between growth in effective demand, and sales volumes.
- Feedback from estate agents points to the potential for growth in rates of new-build development in the short-term in Rugby. There is demand from a range of groups, and the Help-to-Buy scheme has provided a boost to effective demand.
- Housing demand in Rugby is influenced by population growth, employment opportunities and economic growth as well as the town’s relative accessibility – by road and rail.

4 OUTLOOK FOR THE HOUSING MARKET AND HOUSING DEVELOPMENT

4.1 In this section we move on to consider prospects for housing market recovery, and increasing housing delivery, moving forwards. We consider macro-economic dynamics and drivers, constraints (including industry capacity), and factors which could affect performance at a local level in Rugby. In doing so we have drawn on a range of industry research publications and our own analysis/ understanding.

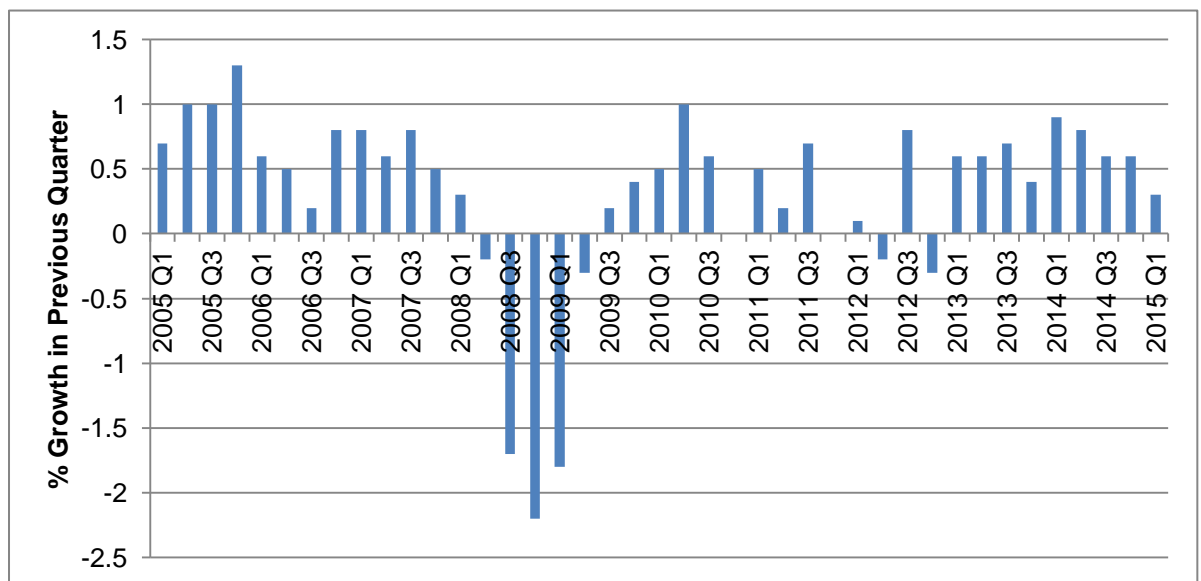
Macro-Economic Dynamics

4.2 Our historical analysis has shown a strong relationship between macro-economic performance and housing market dynamics, recognising that economic confidence, growth and interest rates all influence the housing market.

4.3 Much has been written over the last few years about economic performance and outlook. The UK economy, as well as a number of the major global economies, experienced an economic recession which lasted five quarters from Q2 2008 until Q3 2009. This was triggered by the ‘credit crunch’ and restricted bank lending.

4.4 The economy began to recover in 2010 however the recession was deeper the recovery has been much weaker than the previous four UK recessions (as Figure 26 indicates). However since early 2013 there has been steady quarter on quarter growth; and indeed recently the economy has out-performed many of its peers¹.

Figure 26: UK GDP Quarter on Quarter Growth, 2005-2015



Source: ONS

¹ Such as other major world economies

4.5 We can consider prospects for economic recovery with regard to official economic forecasts. The latest forecasts from the independent Office for Budget Responsibility (OBR) dated from March 2015 are shown below:

Table 14: OBR Forecasts, March 2015

	2014	2015	2016	2017	2018	2019
GDP Growth	2.6%	2.5%	2.3%	2.3%	2.3%	2.4%
CPI Inflation	1.5%	0.2%	1.2%	1.7%	1.9%	2.0%
Employment (million)	30.7	31.1	31.4	31.5	31.7	31.9
LFS Unemployment (%)	6.2%	5.3%	5.2%	5.3%	5.3%	5.3%
Claimant Unemployment (million)	1.04	0.77	0.74	0.76	0.77	0.77

Source: OBR Economic & Fiscal Outlook, March 2015

4.6 The latest for the short and medium-term have been modestly ‘downgraded’ from the previous (December 2014) forecasts. The economy is forecast smaller annual growth than was seen throughout 2014 with a medium-term annual growth of 2.3%. Steady growth in the economy should however support investment in housing. 2.3 – 2.6% annual growth is slightly below the longer-term average (around 2.6%) but is reasonably healthy.

4.7 Inflation, measured by the Consumer Prices Index (CPI), which is currently very low, is expected to return to the Government’s 2% target relatively slowly, reaching 2% by 2019. Low inflation can be expected to have a positive impact on the housing market by supporting households’ ability to save. This has been a key issue and constraint on the market over the last five years.

4.8 The OBR forecasts steady growth in employment levels with unemployment levels expected to level out at 5.3% in the medium term. A notable feature of recent economic performance has been robust growth in employment (with in contrast growth in wages and productivity ‘sluggish’).

4.9 Low inflation (supporting savings growth), low interest rates (which make mortgage payments relatively affordable) and healthy growth in employment look like they will support continued recovery in the housing market over the period to 2020.

Outlook for the Housing Market

4.10 Following a notable improvement in effective demand for market housing (as demonstrated through our sales analysis) in 2013 on the previous year; the evidence suggests that demand begun to weaken from the middle of 2014. We see this in much more modest sales volumes from 2013-14, both in Rugby and across wider geographies. Against a context of improving economic performance and low interest rates, this is likely to have particularly reflected increased regulation within the mortgage market.

- 4.11 Whilst mortgage regulation has had a dampening effect, we would expect a steady (rather than rapid) growth in sales volumes moving forwards.
- 4.12 The Bank of England, keen to avoid another debt-fuelled housing market boom, tightened the regulation of the mortgage market – requiring lenders to stress test affordability, including considering mortgagees ability to maintain mortgage payments at different interest rate levels. The net effect of this has been to dampen demand growth. Indeed in Q1 2013 transactions levels nationally were 5.4% below the equivalent quarter in 2013; and mortgage approvals 11.9% down, based on Savills research².
- 4.13 In what looks likely to continue to be an undersupplied market, for a range of reasons as detailed in the report, house prices are expected to continue to rise in nominal terms. We can expect some growth in house prices in real terms; we would expect growth to be modest, not least reflecting affordability pressures and the amount of savings which households need to buy a home. In many respects the scale of savings necessary to buy a home (particularly without Government support) are dividing the market between those who are, and are not, homeowners. It has become increasingly polarised in this way over the last decade.
- 4.14 The table below sets out two forecasts for house price growth, at both national and regional levels. Alongside this inflation is shown, based on the Office for Budget Responsibility forecasts. House price growth is expected in real terms, but growth overall is expected to be relatively modest.
- 4.15 Risk factors to housing market trends include potential increases in interest rates, global economic risks (as the recent Greek crisis has shown) and from the likely UK referendum on EU Membership. These are reflected to some degree in the forecasts.

Table 15: House Price Forecasts

		2014	2015	2016	2017	2018	2019
Mainstream Sales Market							
UK	Knight Frank, Q2 2015	7.2%	3.5%	2.5%	3.0%	4.0%	4.0%
	Savills, Q1 2015		2.0%	5.0%	5.0%	3.0%	3.0%
West Midlands	Knight Frank, Q2 2015	6.8%	3.5%	2.0%	2.5%	4.0%	4.0%
	Savills, Q1 2015		2.0%	4.5%	4.0%	3.0%	3.0%
Mainstream Rental Market							
UK	Knight Frank, Q2 2015	2.0%	2.2%	2.3%	2.3%	2.4%	2.4%
CPI Inflation	OBR, March 2015	1.5%	0.2%	1.2%	1.7%	1.9%	2.0%

² Savills: Residential Property Focus 2015 Issue 2

- 4.16 With the various constraints to house purchase likely to persist, we can expect a continuing occupier demand for renting. For many householders, particularly on lower incomes, renting is increasingly a long-term option. Buy-to-let mortgage lending has recovered over the last few years, but remains 40% below its 2007 peak and accounts for just 8.5% of transactions.
- 4.17 Recent reforms to pensions may contribute to attractiveness of housing as an investment; but this may be offset to some degree by impacts of benefit caps on the higher yielding markets/ properties towards the lower end of the market.

Demand-side Support Measures

- 4.18 The Government has implemented a number of initiatives to support the housing market. Those of relevance to this Study are those which will support effective demand for market housing; or contribute to enhancing delivery of affordable housing. What have not sought to consider specifically measures to increase land supply.
- 4.19 The key Government programme to support the housing market is the “Help-to-Buy” Scheme. This comprises the following components:
- Help-to-Buy Equity Loan – allows households to buy a home with a 5% deposit. A Government loan is provided for 20% of the property value; with the householder needing a deposit of 75%. It is available for new-build properties priced up to £600,000. It runs to 2020.
 - Help-to-Buy Mortgage Guarantee – allows householders to buy a home (including existing properties) with a 5% deposit. The Government guarantees 30% of the loan. This is available through 13 lenders, including the major banks. It runs to 31st December 2016.
 - Help to Buy ISA – this supports households to save towards their first home. Households can save up to £200 per month. Government commits to top up what has been saved through this scheme by 25% when they put it towards purchase of a first home.
- 4.20 Help-to-Buy has had a clear impact on the housing market, and was an important contributory factor to the upturn in effective demand/ sales in 2013. The evidence suggests that these schemes are important in continuing to support demand for homes for sale in the short-term, and in particular to new-build development rates.
- 4.21 Over the April 2013 – March 2015 period, equity loans supported almost a third of all new-build sales across England. We estimate that in Rugby Borough over this period, **around 26% of new-build sales have been supported by the Help-to-Buy Equity Loan Scheme.**
- 4.22 Nationally 2.9% of all sales have been supported by the Help-to-Buy Equity Loan; and around 4.5% by the Mortgage Guarantee since it was introduced in late 2013.
- 4.23 Since the election, the Government has pledged to bring forward further initiatives to stimulate the housing market. Some – such as extending the Right-to-Buy – could influence tenure changes, but

we would expect to have a limited impact on increasing the overall housing stock. Others may have a greater impact.

- 4.24 The Government in 2014 reformed Stamp Duty Land Tax, changing the way in which Stamp Duty is calculated. The latest research from Nationwide indicates that 235,000 UK households have since paid less in Stamp Duty. Whilst the change here has not fed into increasing sales in the first half of 2015, this could be a reflection of market uncertainty related to the May General Election. The net effect of the change will be reduce transactions costs for many current or potential households (for properties under a £1 million threshold), and this may help to support the market.
- 4.25 More recent initiatives, which are expected to be taken forward through a new Housing Bill, include plans for delivery of 200,000 starter homes, delivered at a 20% discount to market values, for first-time buyers under 40; as well as initiatives to promote the self-build sector through a 'right-to-build' encouraging Councils to identify and release "shovel ready" plots with planning permission for this sector on development sites. The former may help to provide further support to younger buyers by helping to address affordability issues. In regards to the latter, the self-build sector currently makes a relatively small contribution to overall housing delivery. We would expect the impact of this to be modest, but it could help to contribute to diversifying the range of parties who are building homes.
- 4.26 What is perhaps evident from its absence in the list of current support measures for the housing market are new initiatives, particularly new funding / delivery models, which seek to contribute to an increased delivery of affordable housing; or to building for rent. With restrictions on effective demand for market housing, linked for instance to households' savings or lending criteria, these sectors do provide some of the greatest potential for growth in output.
- 4.27 The Government does provide support to the building for rent, through the Build to Rent Fund. This provides potential loans of up to 50% of eligible development costs, which is repaid on the refinancing or sale of a developer's interest to an institutional investor. It is available to support schemes (or grouped schemes) of 100+ units which can start on site by March 2015, with all funding drawn down by March 2018. Developers are able to bid for support.
- 4.28 In addition there is a Government-supported Debt Guarantee Scheme which aims to reduce risk and support investment in the sector. This in effect provides Government support for loans for up to 30 years. It is currently available to December 2018.
- 4.29 Institutional investment in the new-build development for private rent represents a potential growth area, which could contribute to increasing overall housing supply. However it is a sector which is currently relatively embryonic (particularly outside of London). It is one that the Government is keen to support; but the Housing Bill did not include further initiatives to support investment in this area.

- 4.30 Much of the investment in the Private Rented Sector over the last decade has come from smaller private landlords. Government has however recently announced that buy-to-let landlords who pay higher rate tax will see their mortgage interest relief that they can claim cut from 2017, falling from 45% to 20% by 2020. The effect of this will potentially be to reduce yields for some landlords. Coupled with more limited potential growth in capital values (as examined above), this may serve to restrict investment by buy-to-let investors in the residential sector.
- 4.31 The implications are difficult to precisely pin down – it could mean that less investors compete for properties at the lower end of the market with First-Time Buyers, contributing to weakening house price growth – particularly at this end of the market. But it could have a further impact on sales volumes if a decline in investment purchases is not replaced by a similar increase in First-Time Buyer numbers. Ultimately in the medium-term it may help to improve younger households' ability to access housing – but it may not contribute to a recovery in sales volumes.

Potential for Growth in Supply

- 4.32 We turn next to consider the prospects for increasing housing supply, and factors which may influence this. We start by considering national research which has considered this; and then move on to assess (in the next section) more local factors which might affect growth in supply in Rugby.
- 4.33 Knight Frank's Housebuilding Report 2015 has sought to consider the potential to boost housing supply in the UK. The company, like other commentators, is clear that housing supply continues to all well short of demand.
- 4.34 The report takes account of Knight Frank's annual housbuilder survey. This survey of more than 160 housebuilders and developers of varying size and from across the country found that:
- Nearly 60% of respondents expect housing completions to rise over the next year³. However around half of all respondents expect no change in the delivery of affordable homes over the next 12 months. By inference, private sector delivery is expected to drive increased housing delivery.
 - Under current market conditions, 67% of respondents considered a sustainable level of housebuilding to be less than 180,000 homes across England. Whilst over 200,000 homes a year have been identified as needed, just 9% of respondents thought that this rate of delivery was achievable.
 - The evidence suggests that development costs are increasing. More than 90% of respondents expected construction costs to rise over the next 12 months; and two-thirds expect development land prices to rise again this year. This could have an impact on viability.
 - Capacity within local planning departments was identified as a constraint; with developers urging more recruitment to help support. The Survey did identify that the NPPF had contributed to a rise in development volumes.

³ 33% expected no change in completions volumes; with 7% expecting a fall

- Over 40% of respondents identified that labour shortages are having an impact on housebuilding. This varied from 44% amongst those in the trades, to 49% for quantity surveyors.

4.35 Looking forwards, Savills “*Spotlight Residential Development 2015 – Who will build the homes we need?*” has assessed the potential to increase housing development over the next five years.

4.36 Savills affirm that we have in effect seen one new-build private sale for every 10 sales transactions historically. If this persists, private housebuilders are unlikely to build more than 121,000 homes in 2020 (as against 115,000 now). However if this ratio were to shift to 1:7, then private sector sales could reach 150,000. Their argument it that to achieve this at a national level would require in particular the release of supply in areas of high housing demand.

4.37 Their analysis is however clear that other segments of the housing market will also need to increase delivery considerably if over 200,000 homes are to be delivered by 2020.

Private Sector Delivery

4.38 Savills suggest that the private sector could potentially build 150,000 homes across England by 2020 if barriers to volume expansion were removed.

4.39 Their analysis indicates that the majority of new homes (54%) nationally are built by the 11 largest housebuilders. For those developers housing starts have recovered to 20% below their 2007 peak. These housebuilders have capacity to increase output through measured and planned expansion (to maintain or expand margins) at a rate of 6% per annum over the next five years. By 2020 they could be delivering an additional 23,000 homes, representing an increase in output of a third.

4.40 Medium-sized builders (those delivering 100 to 2,000 homes a year) are back to the levels of building achieved in 2007. This group is benefiting from better finance conditions, and Savills suggest has the capacity to increase starts by 30% by 2020. Delivery could increase by almost 12,000 to 2020.

4.41 Savills analysis indicates that there has been a 10% decline in registered housebuilders between 2013-14, and an overall loss of capacity in respect of small firms since 2007. Output from smaller housebuilders is therefore not expected to recover to former levels, although there will be opportunities to expand including through delivering custom and self-build homes. Issues with availability of labour and capacity to train new people are expected to restrict growth in output, which Savills forecast has the potential to grow by a more modest 17% to 2020 representing an increase of 2,300 homes across England. This captures growth in self/ custom build.

4.42 Help-to-Buy is expected to support this increase in private sector delivery to the tune of 30,000 new homes sales per year and the forecasts are based on its continuation post 2020. A downside risks

is therefore that the current stop date is maintained, in which case sales volumes can be expected to tail off two years before the anticipated end of the scheme.

Other Market Segments

- 4.43 Savills paper clearly outlines that other market segments will need to boost delivery if over 200,000 homes across England are to be delivered. It identifies that housing associations and local authorities have the potential to deliver 45,000 homes a year by 2020.
- 4.44 Housing associations would need to boost delivery, particularly through bringing forward increased mixed-tenure schemes themselves, delivering market housing to help cross-fund affordable housing delivery. Savills estimate the potential for this sector to increase delivery by 50%, with annual delivery of an additional 11,700 homes by 2020.
- 4.45 They indicate the potential for local authorities to be starting 10,000 new homes a year by 2020, such as through using their own assets or initiatives such as local housing companies. We understand that Rugby Borough Council has an aspiration to build new affordable housing.
- 4.46 In addition there is scope to increase development for rent. Savills estimate that institutionally-funded PRS has the potential to deliver 10,000 new homes a year by 2020, if the sector is given support by local authorities and not required to compete directly for land. This seems to us optimistic, particularly set against the 2015 Budget announcement that housing associations will be expected to reduce rents by 1% per annum over the next four years from April 2016. In the short-term this can be expected to impact on development economics, and the ability of Registered Providers to finance new development.
- 4.47 The report identifies that construction firms could also potentially play an increasing role in housebuilding, potentially with lower margins than expected by housebuilders. It identifies potential for joint ventures such as from firms such as Kier, Buoygues and Willmot Dixon, with other parties including local authorities, housing associations and PRS investors.
- 4.48 Table 16 summarises the potential contribution of the different sectors growth in housebuilding over the next five years:

Table 16: Savills analysis of potential Housing Delivery Growth to 2020

	Year to Q1 2015	2020 Potential	Change	% Change
Additional build to rent		10,000	10,000	
Local authorities	1,830	10,000	8,170	446%
Housing associations	23,300	35,000	11,700	50%
Small housebuilders (1-100 homes)	14,900	17,500	2,600	17%
Medium housebuilders (101 - 2000 homes)	38,800	50,500	11,700	30%
Large housebuilders (2000+ homes)	61,700	82,000	20,300	33%

- 4.49 Clearly this Savills report takes a relatively optimistic view regarding potential market recovery, and there are risks to this. It does however usefully provide a starting point for considering trajectories for housing delivery.
- 4.50 The evidence (presented earlier) of a close correlation between national dynamics and those in Rugby supports the use of this national view in considering trends in Rugby. In the Borough we would expect potentially lower contribution from niche sectors such as build-to-rent, which is likely to be more focused towards London and Core Cities. Besides this, we would expect the Borough to closely follow national trends.

5 SCENARIOS FOR HOUSING DELIVERY IN RUGBY

- 5.1 We have sought to draw together the evidence presented in the previous chapters to provide a number of potential indicative scenarios for housing delivery in Rugby. These examine how the housing market might recover, and the level of housing delivery which could potentially be supported, based on the existing development strategy of a focus on Rugby Town.
- 5.2 We have developed four scenarios which we describe below:

Overview of Strategic Housing Delivery Scenarios

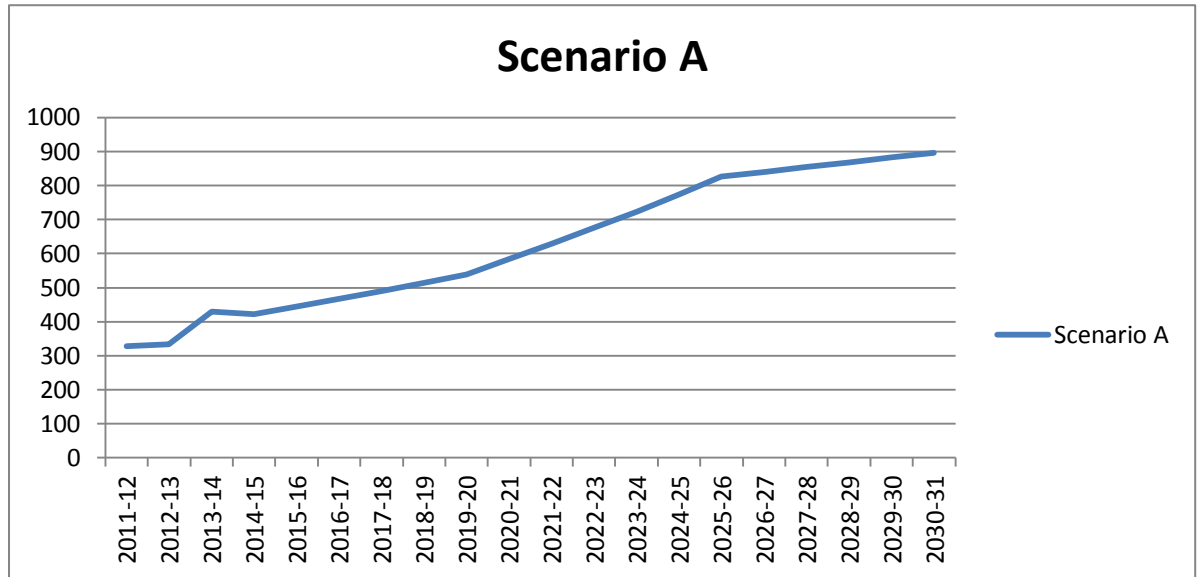
Scenario A

- 5.3 This scenario takes its lead from the assumptions adopted in the Savills research, assuming an increase in housing delivery in line with these to 2020. It takes account of the fact that Rugby Borough has however significantly out-performed England in respect of housing delivery rates in the past, and therefore models an accelerated delivery thereafter to 2026; with the pre-recession average delivery rates sustained over the latter part of the plan period.
- 5.4 In respect of housing stock growth rates, this scenario therefore models that housing delivery rates increase from the current 0.9% per annum to 1.2% pa in 2020, with growth to 1.65% in 2026 which is sustained thereafter to 2031.

Scenario A	
Requires	Strong and stable economic growth sustained over the plan period to 2031. Strong market conditions in early 2020s to support potential above-trend increase in delivery rates. Rugby out-performs wider benchmarks in respect of housing delivery. A range of market segments would need to contribute to housing delivery. Pre-recession delivery rates achieved in latter part of plan period (2025+).
Risks	Ability to sustain pre-recession growth rates (c. 1.6% pa) given changes to mortgage regulation. Feasibility of another recession at some point during the plan period, which could reduce housing delivery.
Impacts	Delivery of an average of 630 dwellings per annum, representing 1.3% growth rate across the 2011-31 plan period as a whole.

- 5.5 Leaving aside site specifics, this scenario could deliver 12,600 homes over the plan period (630 per annum). Figure 27 sets out the associated growth scenario.

Figure 27: Indicative Growth Trajectory – Scenario A



Scenario B

- 5.6 Scenario B considers that as Rugby has historically out-performed other areas (and indeed the national picture) in respect of housing delivery, it would support a stronger recovery in delivery rates over the next seven years to 2022 in comparative terms. It is assumed that pre-recession delivery rates are sustained through the second decade of the plan period.
- 5.7 In respect of housing stock growth rates, this scenario therefore models that housing delivery rates increase from the current 0.9% per annum to 1.4% pa in 2020, with growth to 1.6% in 2022 which is sustained thereafter to 2031.

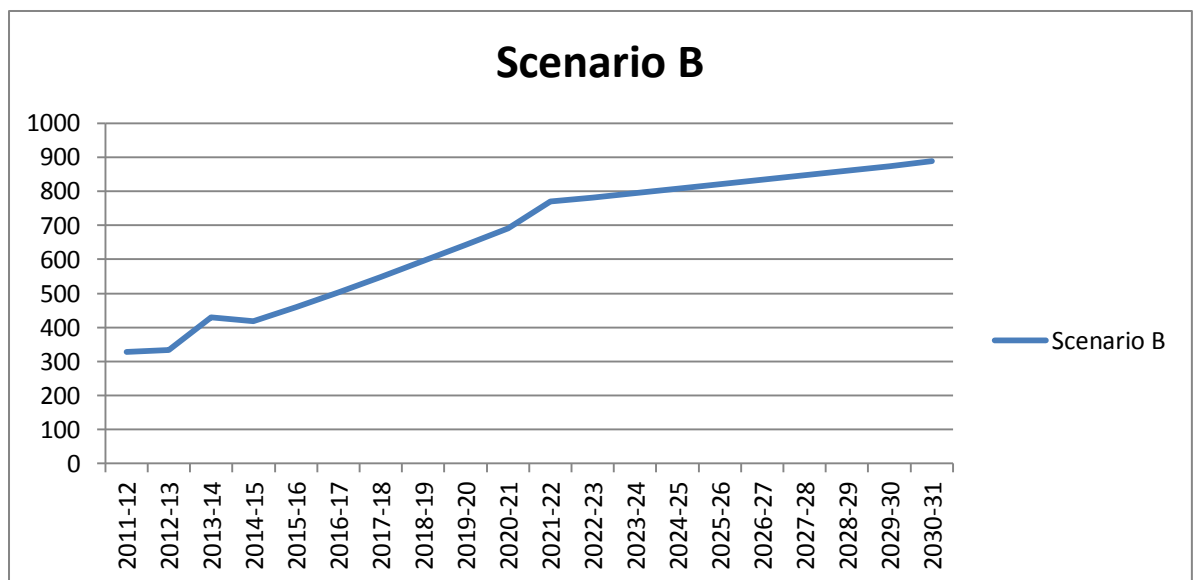
Scenario B	
Requires	Strong and stable economic growth sustained over the plan period to 2031. Rugby out-performs wider benchmarks in respect of housing delivery, with stronger recovery in housing delivery year-on-year to return growth rates to pre-recession levels by 2022. A range of market segments would need to contribute to housing delivery. Pre-recession delivery rates achieved from 2022 onwards. Available land supply (with consent or potential) is sufficient to support stronger comparative housing market recovery. Local demand drivers, such as economic performance, or constraints in surrounding areas / elsewhere in the HMA are necessary to support this.
Risks	Ability to sustain pre-recession growth rates (c. 1.6% pa) given changes to mortgage regulation.

	Feasibility of another recession at some point during the plan period, which could reduce housing delivery.
Impacts	Delivery of an average of 660 dwellings per annum, representing 1.3% growth rate across the 2011-31 plan period as a whole.

5.8 Leaving aside site specifics, this scenario could deliver 13,200 homes over the plan period (660 per annum). Figure 28 sets out the associated growth scenario.

5.9 Constrained land supply in surrounding areas, such as Coventry, an up-to-date planning policy framework and major sites with planning consent (such as the Radio Station) support the feasibility of this scenario. Available land supply means Rugby is relatively well-placed to be able to ratchet up delivery rates in the short-term relative to other potential locations.

Figure 28: Indicative Growth Trajectory – Scenario B



Scenario C

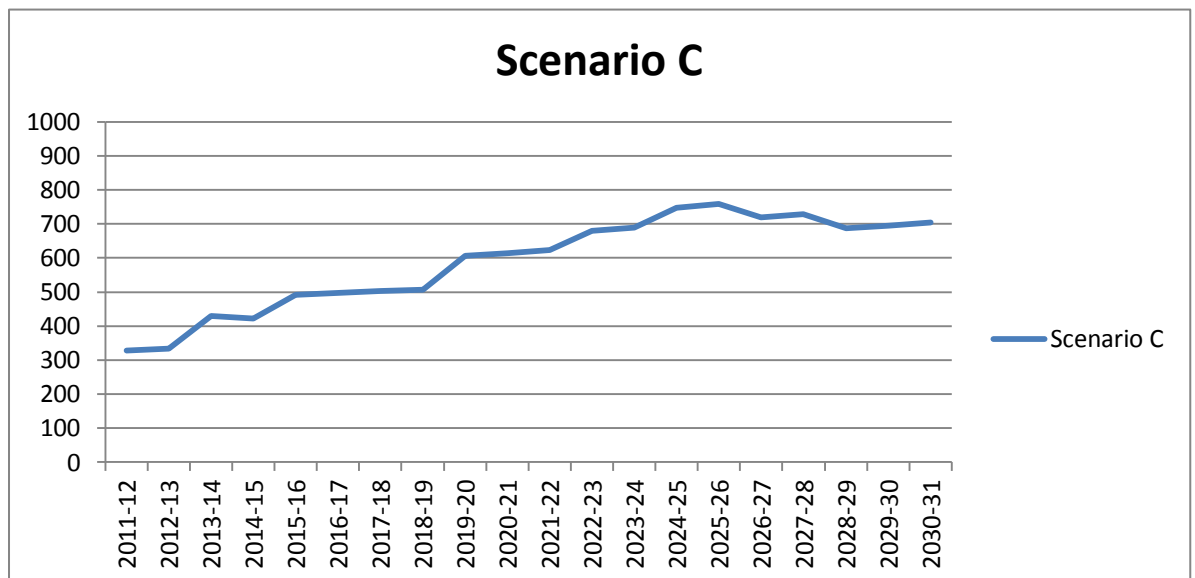
5.10 Scenario C sees a flatted recovery in housebuilding in the short-term, reflecting the potential drags on increasing sales volumes – such as interest rate increases and mortgage market regulation. In the medium-term, it is assumed that housing delivery rates of 1.4% could be achieved. This is below pre-recession levels, reflecting the influence of mortgage market regulation and affordability issues. In this scenario Rugby does not out-perform national trends to the same degree as it has in the pre-recession period.

5.11 In respect of housing stock growth rates, this scenario models that housing delivery rates increase and sustain around 1.1% delivery pa over the period to 2019. Further recovery is modelled such that delivery rates of 1.4% pa are achieved during the second half of the plan period to 2031.

Scenario C	
Requires	<p>This scenario sees flatter recovery in the short-term, with no sustained return to growth rates seen during the last market cycle. In the medium-term a growth rate of 1.4% pa is sustained.</p> <p>Overall Rugby out-performs wider benchmarks in respect of housing delivery, but to a lesser degree. Available land supply supports this, together with constraints in other areas.</p>
Risks	<p>This scenario has lower risks than A or B, with performance in market terms which is assumed to be closer to national trends.</p> <p>Feasibility of another recession at some point during the plan period, which could reduce housing delivery.</p>
Impacts	<p>Delivery of an average of 590 dwellings per annum, representing 1.2% growth rate across the 2011-31 plan period as a whole.</p>

5.12 Leaving aside site specifics, this scenario could deliver 11,800 homes over the plan period (590 per annum). Figure 29 sets out the associated growth scenario.

Figure 29: Indicative Growth Trajectory – Scenario C



Scenario D

5.13 Scenario D is the most pessimistic. It takes the view that delivery rates in Rugby Borough are already out-performing the national average and other parts of the HMA, and that there is more limited scope for growth.

5.14 This scenario sees modest improvement in macro-economic circumstances, and considers that there has in effect been a “structural change” in the housing market – in particular in respect of

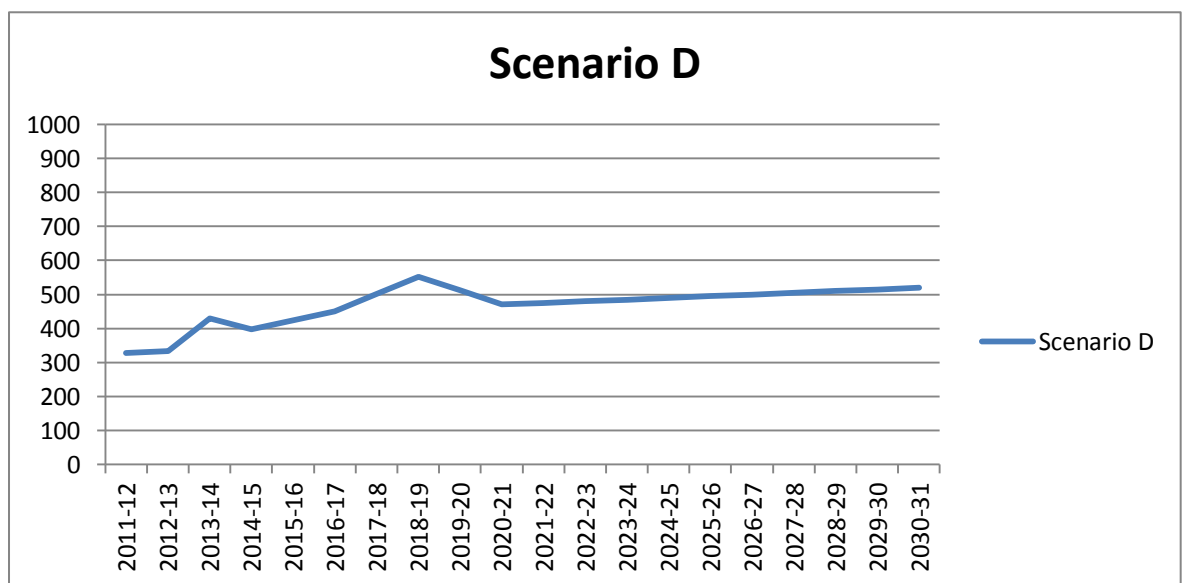
lenders requirements to access mortgage funding. This caps growth in sales rates and effective demand for market housing; and alternative delivery models make limited in-roads to addressing these issues. Other sources of supply make limited contributions to growth in delivery, taking account of factors such as availability of public funding.

- 5.15 Rugby sees some improvement in delivery rates in the short-term (to a peak of 1.1% pa), reflecting the evidence “on the ground” that higher new-build delivery could be sustained, but a 1.0% pa growth rate is achieved on average from 2018 to 2031.

Scenario D	
Requires	Limited change in market circumstances, with recovery influenced by access to mortgage finance. Housing market conditions do not recover to pre-recession levels, and housing delivery remains below levels in the last market cycle.
Risks	This scenario has lower risks than A or B. Indeed the risks to this scenario are potentially on the upside. This scenario includes provision for a potential recession within the remainder of the plan period, but assumes that housing delivery rates overall remain reasonable positive, based on evidence that major sites once they are delivering are capable of sustaining delivery through the weaker parts in a market cycle.
Impacts	Delivery of an average of 470 dwellings per annum, representing 1.0% growth rate across the 2011-31 plan period as a whole.

- 5.16 Leaving aside site specifics, this scenario could deliver 9,300 homes over the plan period (470 per annum). Figure 30 sets out the associated growth scenario.

Figure 30: Indicative Growth Trajectory – Scenario D



- 5.17 This scenario is arguably quite pessimistic and considers that over the remainder of the plan period there is very limited improvement in market conditions from the current position. This is following a period of relatively weak housing demand in a historical context.

Evaluating the Housing Delivery Scenarios

- 5.18 It is evidently difficult to forecast economic and housing market conditions over the medium and long-term. On this basis it is likely that none of the above scenarios will actually happen. However the scenarios are useful at drawing out the implications of different factors on potential housing delivery rates.
- 5.19 All of the scenarios assume an increase in delivery rates – at least in the short term – as the economy and the housing market continues to improve. The gradual process of economic recovery suggests a back loaded trajectory of delivery is realistic. An annualised model of delivery would either represent an unrealistic growth in delivery rates in the short term or an overly pessimistic long term view.
- 5.20 The analysis undertaken in this report would suggest that Scenario A and B could be sustained if economic and market conditions recovered to those seen in the last economic cycle (1.6% pa growth) over the next decade. This is by no means unfeasible – particularly given the potential “backlog” of housing need which will have built up through under-delivery in the earlier years. Market circumstances and potential land supply in Rugby would not seem to render these scenarios unrealistic. Indeed the risk is that there is a further recession during the course of the plan period – yet the likelihood is that large sites could well be delivering significant housing numbers, and committed investment in these would help to sustain delivery rates and mitigate the impact of this. Large sites will help to sustain and drive delivery rates. There are evident risks, but these scenarios do not seem unreasonable.
- 5.21 Scenario C is perhaps quite a realistic scenario, which does not assume that very strong housing market conditions necessarily return. It sees strong potential relative housing delivery in the Borough, consistent with what has occurred in the past – but not a return to the very strong delivery rates seen in the 2000-8 period. This is a more cautious approach, and thus the risks are lower. However with a good wind, housing delivery could arguably be better – particularly if the distribution of growth is diversified from the current strategic focus on Rugby town.
- 5.22 Scenario D is arguably relatively pessimistic. It sees little improvement from current market conditions over time; and could be supported with housing market conditions and a development strategy which is similar to today. It has the lowest risks in respect of non-delivery against targets; but the evidence does suggest that the Borough could perform better.

6 RUGBY BOROUGH HOUSING SUPPLY PIPELINE

- 6.1 In this section we move on to consider future housing supply in Rugby Borough; and to assess site-specific delivery assumptions.
- 6.2 As part of this study we have reviewed key residential development schemes within the Borough to identify any issues which may influence development speed and delivery.
- 6.3 This, alongside the market analysis undertaken, has been used to inform analysis and draw conclusions on delivery potential. However in setting out this analysis and in drawing conclusions we have not made reference to specific development sites so as to avoid prejudicing future planning decisions. Rather than referring to specific sites we instead refer to broader locations of development. The exception to this approach is the Rugby Radio Station site which, due to its scale and importance to housing delivery in the Borough, requires special consideration.
- 6.4 The Rugby Radio Station SUE constitutes over half of the dwellings on allocated or permitted sites. The size of the site means housing delivery is expected to continue well beyond 2031. Including the Rugby Radio Station site, 89% of the approved dwellings in the Borough are located at sites on the edge of Rugby town; 6% is on infill sites within Rugby Town; and 4% is on sites elsewhere in the Borough beyond Rugby Town.

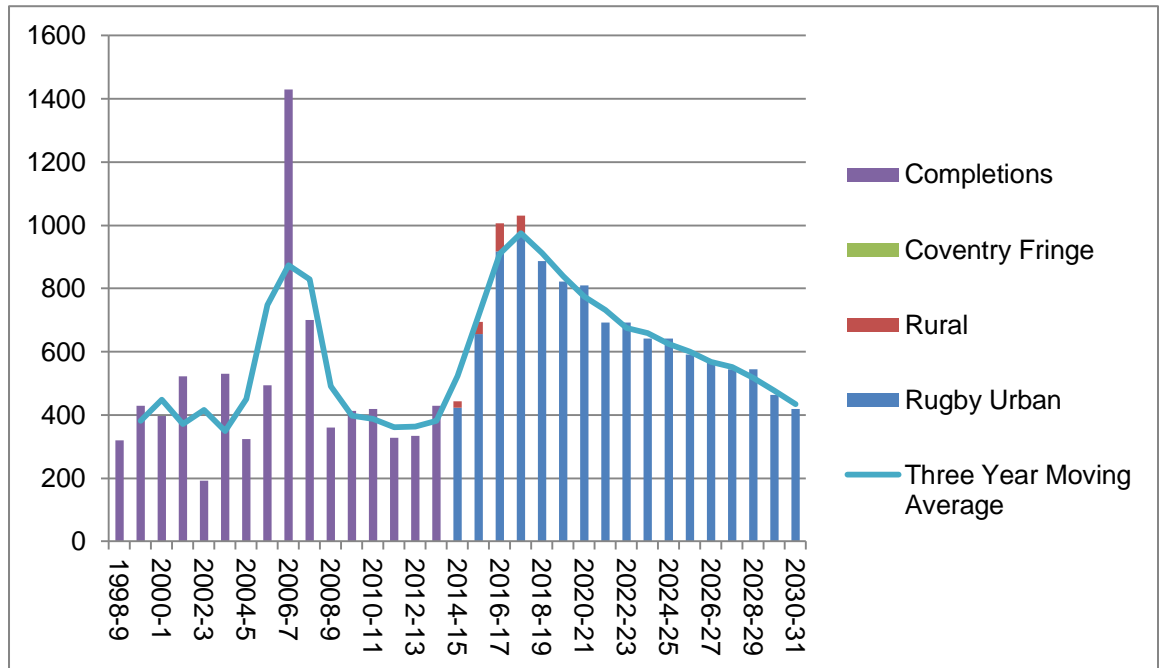
Table 17: Main Sites with Planning Permission in Rugby Borough, April 2015

Sites with Planning Permission	Delivery to 2031	Delivery Post 2031
Rugby Radio Station SUE	4,750	1,450
Rugby Fringe 500+ Dwellings	2,329	260
Rugby Fringe 100-500 Dwellings	490	
Rugby Fringe Fewer Than 100 Dwellings	172	
Brownfield / Infill Within Rugby	687	
Beyond Rugby	440	
Total	8,868	1,710

Source: RBC/ GL Hearn

- 6.5 In addition to sites with planning consent, the Council's April 2015 Housing Trajectory includes sites which are identified in the SHLAA or through pre-application discussions, or through current planning applications. If all sites currently identified on the trajectory are included, the housing trajectory as currently drafted by RBC would look like this:

Figure 31: Current RBC Housing Trajectory, June 2015

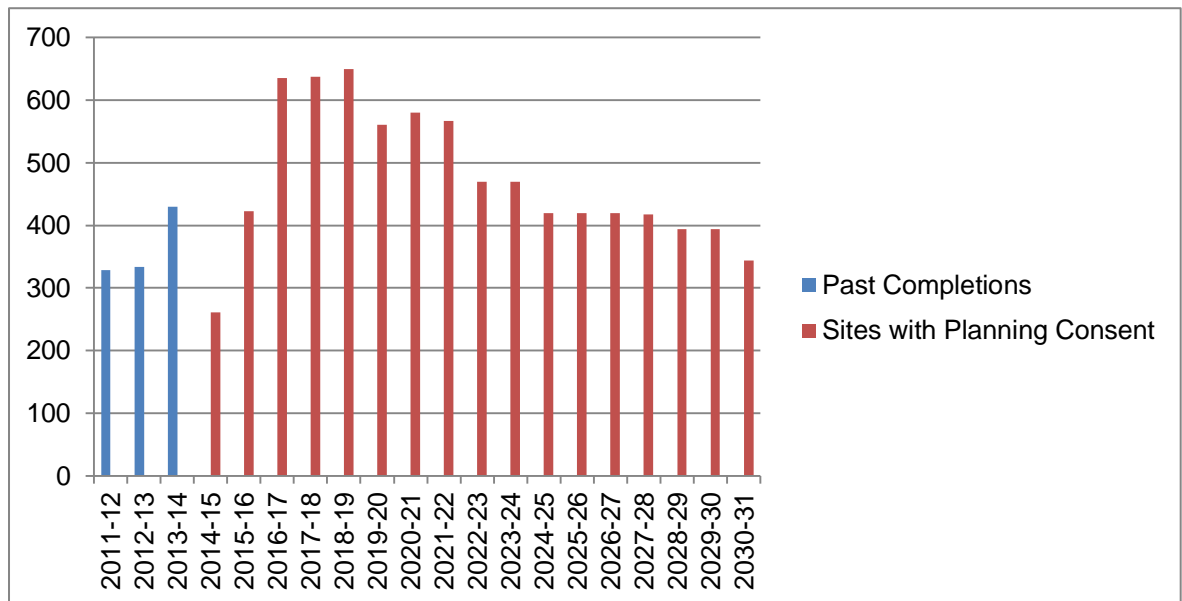


Source: RBC/ GL Hearn⁴

- 6.6 The current trajectory would deliver 12,600 homes over the 2011-31 plan period (an annual average of 630 pa). It shows a notable increase in housing completions over the next four years. Set against the market information, this does not look particularly realistic.
- 6.7 If we refine the analysis to look simply at past completions, and those sites which currently have planning consent, the trend looks a little different. This sees delivery peaking at 650 homes in 2018-19.

⁴ Completions figures in 2006-7 are likely to include some recording of homes delivered in earlier years

Figure 32: Current Delivery Trajectory for Sites with Planning Consent, Apr 2015



Source: RBC/ GL Hearn

6.8 It is clear that the trajectory, as currently drafted, is predicated on a relative rapid increase in housing completions over the next two years. Set against the market evidence this pace of increase would be potentially challenging to achieve. However the trajectory could be re-profiled to more closely reflect a more realistic delivery profile – for example reflecting the scenarios considered within this report.

Key Delivery Assumptions

6.9 Next we consider in more detail the delivery assumptions underpinning the trajectory figures. Given the large number of dwellings approved at large strategic sites on the edge of Rugby, we have specifically focused on the development assumptions at these sites.

6.10 The analysis is based on the information made available to us and may need to be reviewed periodically, and potentially through further discussion over time with the site promoters/ developers. In reviewing site delivery assumptions we have had regard to the market evidence presented in previous sections.

Rugby Radio Station Site

6.11 An outline planning application for an urban extension at the Rugby Radio Station Site on the eastern edge of Rugby was approved in May 2014. The approved development is for up to 6,200 dwellings together with up to 31 hectares (up to 106,000sq.m) of commercial and employment uses, and the creation of a new district centre and 3 new local centres. The site is predominantly owned by a 50:50 joint venture between Urban and Civic and Aviva.

- 6.12 Applications for the approval of reserved matters for the landscaping and infrastructure required as part of Phase 1 of the development were approved in October 2014. The landscaping and infrastructure works for Phase 1 are currently underway.
- 6.13 The first identified Key Phase will deliver 650 dwellings divided into sub phases. The first reserved matters application for between 100 and 200 houses is anticipated in December 2015. The site owners are currently undertaking a marketing process to select one or two house builders to implement this. Urban and Civic have indicated that these were expected to have been appointed by the end of September 2015.
- 6.14 The development strategy for Phase 1 is to focus on delivering high quality homes and built environment in order to establish a high quality tone for development at subsequent phases. Following completion of the selection process, commencement of construction of houses is expected to begin by March 2016. The first sales are expected by summer 2016 with the first completions towards the end of 2016.
- 6.15 Urban and Civic anticipate delivery of less than 100 dwellings in the first year but the development strategy for the remaining elements of Phase 1 is to open up 3 sales fronts, to be in place by the end of 2017, increasing delivery in this location. They then expect to benefit from accelerated delivery of infrastructure and open up further sales points on subsequent phases by mid-2018. Urban and Civic expect this strategy of opening multiple sales points to achieve a delivery rate of up to 350 dwelling per annum in the longer term.
- 6.16 Urban and Civic identify a number of distinct characteristics of the Radio Station site that have the potential to enable these levels of delivery in this location. These include:
- The section 106 agreement for the site is structured to allow for a ‘master developer/landowner’ that delivers supporting infrastructure whilst house builders construct dwellings on fully serviced plots. Urban and Civic argue that this will allow house builders to deliver new homes quickly;
 - This s106 structure is also intended to remove the risk of delivery being delayed by land ownership issues or delays in infrastructure provision. This s106 structure also distinguishes this site from others on the edge of Rugby;
 - Progress made on infrastructure delivery to date provides certainty about delivery trajectories in the short term and there potential for HCA funding streams that can accelerate infrastructure provision in future, increase housing delivery rates.
- 6.17 To realise the benefit of these characteristics the site, will need to achieve delivery rates above those seen on other sites in the Borough historically. It will be important in particular that action is taken, principally by the master developer, to drive delivery rates, given its importance to overall housing delivery in the Borough. The site, given its scale, will need to achieve delivery rates above

those seen on other sites in the Borough historically. Urban and Civic are giving consideration to bringing forward a number of different zones within the development concurrently, each with the potential to include a number of sales points with housebuilders offering different products. Investment in key infrastructure and local facilities will be needed to support attractiveness of the place, and drive delivery rates. Commitments have been made, through the s106 process, to investment in key infrastructure and local facilities and this will be needed to support attractiveness of the place, and drive delivery rates.

- 6.18 In time, it will be seen whether these strategies achieve the higher rates that Urban and Civic predict. In the meantime, a more conservative approach would be to make assumptions about anticipated rates of delivery on this site based upon historical performance in Rugby town. This would support around 0.75 sales per week per sales front. When the first three sales points planned by Urban and Civic are operating, this would achieve an annual delivery rate of approximately 115 dwellings per annum. Applying the sales rate of 0.75 per sales front this could potentially increase delivery at the site to 160 – 190 dwellings per annum when an additional 1 or 2 sales fronts are opened up from mid-2018 onwards.
- 6.19 Implementation of the above delivery rates would see housing development at the site completed around 2050-2055. This reinforces the view that driving delivery rates at this site will be important to the overall rate of housing completions in Rugby.

Other Rugby Fringe Sites

- 6.20 Other than the Radio Station Site there are 3,250 dwellings approved on Greenfield sites on the urban fringe of Rugby Town. This represents 37% of total approved dwellings in the Borough. This figure is 90% if we include the Radio Station SUE.
- 6.21 Recent housing delivery around the edges of Rugby has been focused principally through delivery of a large volume of dwellings at a relatively small number of Greenfield sites. There are three major growth locations planned in the Borough – all are on the edge of the existing settlement boundary of Rugby Town: to the north, south-west, and south-east of the town.
- 6.22 The majority of approved schemes are on large sites, each to deliver large quanta of housing. Currently 83% of the approved dwellings in the Borough are at schemes of over 500 dwellings. This represents a strong representation of large strategic developments in the Borough's current housing supply.
- 6.23 Assessment of these schemes in Rugby shows that all of the large-scale residential development schemes in the Borough are likely to be developed out principally by national (and some regional)

housebuilders. The majority of the national housebuilders could be expected to have sales points on one of these sites.

- 6.24 It is reasonable to expect these larger sites to be brought forward in phases of 100-200 dwellings. The implementation of phases is often constrained by infrastructure delivery at the site – access roads, schools, local centres, etc. This constrains the number of dwellings which will be brought forward before the requirements for delivery of key infrastructure are triggered, and has a knock on effect on the number of phases which can be viably delivered concurrently. However for the largest development areas – i.e. Rugby Radio Station and Rugby Gateway SUEs and the various sites at the South West Broad Location – a number of sales points can be brought forward concurrently.
- 6.25 As set out above the Radio Station site could potentially support the delivery of dwelling on 5 sales fronts, facilitating delivery of 160 – 190 dwellings per annum. The other sites on town fringe are considerably smaller in size and could potentially support a smaller number of sales fronts – generally one or two maximum. This restricts the dwelling delivery rate that can reasonably be expected to be seen at each site.
- 6.26 Taking the above issues into account, along with the stated timescales of developers, suggests that delivery rates at each site can be expected to fall within the range of between 40 to 80 dwellings per annum. This means that, once commenced, it reasonable to expect the larger sites in and around Rugby Town to cumulatively deliver between 310 – 330 dwellings per annum. Adding the Radio Station site gives a cumulative delivery rate of 470 – 520 dwellings per annum.
- 6.27 This figure is calculated by summing the expected delivery rate for each site. However, there is a limit to the rate of housing delivery which can be sustained at large strategic sites on the fringe of Rugby Town which goes beyond the capacity of available sites. As noted above, all of the Borough's large-scale residential development schemes are being / expected to be developed by national and regional housebuilders, and the majority of the national housebuilders are expected to have sales points at these sites.
- 6.28 We would consider Rugby Town to be a single market with the edge of town sites providing a comparative and competitive housing offer. The differential between the large, edge-of-town sites is the quality of built product offered by each scheme, which varies by developer. There is, therefore, limited incentive for housebuilders who are already bringing forward schemes on the edge of town, to bring forward additional sites within Rugby Town and market both sites concurrently. The delivery of additional SUEs in Rugby town is, in effect, limited by the number of volume house builders already involved in schemes in the town.

6.29 As most of the national housebuilders are already involved in existing schemes on the edge of Rugby Town, this would suggest that there is limited potential to increase the housing delivery rate at such sites above the rate of 470 – 520 dwellings per annum. This means that further allocation of large strategic sites on the edge of Rugby Town is unlikely to increase housing delivery rates. This approach would more likely provide a ready supply of sites to be brought forward later in the plan period, once the existing approved schemes are nearing completion.

Delivery Timescales

6.30 Our assessment of sites in Rugby, which has included discussion with key developers, identified a number of other issues which have delayed, or had knock on effects, on the delivery rates or expected timescales of housing delivery at the Borough's key sites. A number of sites have experienced delays to their expected development timeframes meaning a delay to commencement.

6.31 Rugby Borough Council's housing trajectory should be amended to take account of these slippages and reflect revised delivery timeframes. Key issues identified include:

- Land ownership issues – including sites under split ownership as well as schemes awaiting the completion of sale before commencing;
- The delivery of necessary infrastructure;
- Site investigations identifying unfavourable ground conditions;
- Planning timescales – determination of planning applications, approval of conditions, negotiations between developer and Council, etc. – although a number of developers praised Rugby Borough Council in this regard.

6.32 We have set out below the delivery timescales of the Rugby Radio Station SUE and Rugby Gateway SUE from inception. These provide example timescales which could be expected to bring forward a new SUE.

Table 18: Rugby Radio Station Delivery Timetable

Development Stage	Date
Warwickshire Structure Plan identifies the land for growth at Rugby	2003 adoption
pre-application discussions initiated	Autumn 2008
Design Enquiry	June 2009
Allocation within the Core Strategy	June 2011
Submission of the outline application	April 2011
Planning Committee resolution to approval	January
Outline application approved (S106 signed)	21 May 2014
RM for first phase of housing anticipated	end 2015

Source: RBC

Table 19: Rugby Gateway Delivery Timetable

Development Stage	Date
Pre application submission of masterplan	Autumn 2008
Submission of the outline application	17 August 2010
Allocation within the Core Strategy	June 2011
Planning Committee resolution to approval outline (R10/1272)	February 2012

Outline application approved (S106 signed)	20 August 2013
Phase R1 approved (R10/1281) (244 dwellings)	16 January 2012
Phase R2 approved (R10/1286) (230 dwellings)	19 December 2014
Phase R4 submission (R14/1730)	28 January 2015
Phase R1 commencement	2012
Phase R1 completion	2015

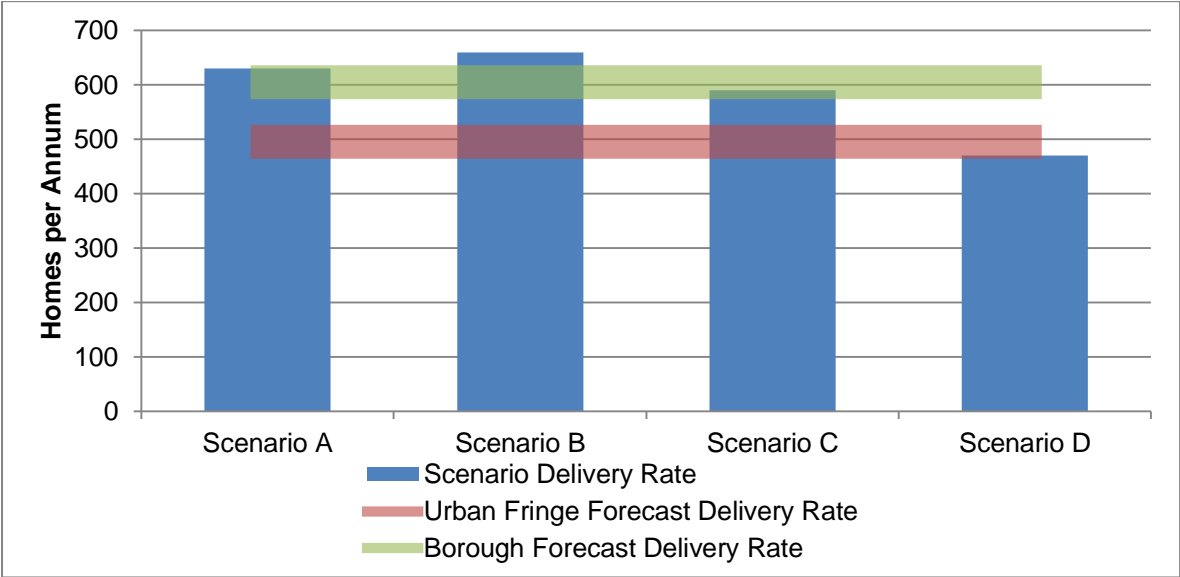
Source: RBC

- 6.33 The Rugby Radio Station site was initially identified in the Warwickshire Structure Plan which was adopted in 2003. Formal pre-application discussions were begun in autumn 2008. As of the date of publication development is yet to commence. At the Rugby Gateway site pre-application discussions also begun in autumn 2008. Commencement of the first phase began in January 2012 with the first completions in 2013.
- 6.34 This shows that lead-in times for a new SUE can be expected to be upward of 5 years from inception to the first completions. In some instances in other areas there have been lead-in times of 10 years from conception until housing completions are achieved. This means that additional large sites would be expected to do little to improve the Borough’s “five year supply”.

Implications

- 6.35 Drawing the evidence together, GL Hearn consider that sites on Rugby’s urban fringe can be expected to achieve a cumulative delivery rate of 470 – 520 dwellings per annum. However, identifying further major (competitor) strategic growth locations in or adjoining Rugby Town would not necessarily increase overall housing delivery rates above this level. Whilst volume housebuilders and large strategic sites are likely to continue to deliver the bulk of new housing, the capacity to increase delivery could be supported principally by seeking to broaden the range of organisations, and spread of locations, delivering new homes.
- 6.36 Analysis of past completions data shows that in recent years there has been an average completion rate of 70 dwellings per annum at brownfield or infill sites within Rugby Town. In addition to this there has been an average completion rate of 40 dwellings per annum in the Borough beyond Rugby Town. Assuming a continuation of this level of delivery, we can expect a total delivery rate across the Borough as a whole of 580 – 630 dwellings per annum. This is based on maintaining the current delivery model which focuses particularly on strategic sites adjoining the Rugby Urban Area.
- 6.37 Figure 33 shows the annualised delivery rates of the scenarios set out in Section 5 compared to the forecast urban fringe delivery rate (470-520 dpa) and the overall Borough delivery rate (580-630 dpa) based on the current delivery model.

Figure 33: Housing Delivery vs Scenarios



6.38 This shows that the delivery rate of Scenario D (470 dpa) would not be particularly challenging to achieve. Scenario C takes a more optimistic view but could potentially be achieved by continuing to focus development in/around Rugby Town.

6.39 To achieve either of the higher two scenarios – Scenarios A or B – would potentially require a broader range of development locations to contribute to delivering new development, such as through greater development in the rural parts of the Borough and/or within the Coventry fringe.

6.40 It should be noted that the figures in Figure 33 show the forecast delivery rates which could be achieved once development commences at all of the urban fringe sites. As noted previously, our research suggests that many sites are still several years away from seeing first completions. We would advise the Council to actively engage with developers / site promoters at the existing strategic sites to consider strategy and actions to accelerate delivery rates at these sites. This is particularly relevant in respect of the Rugby Radio Station site.

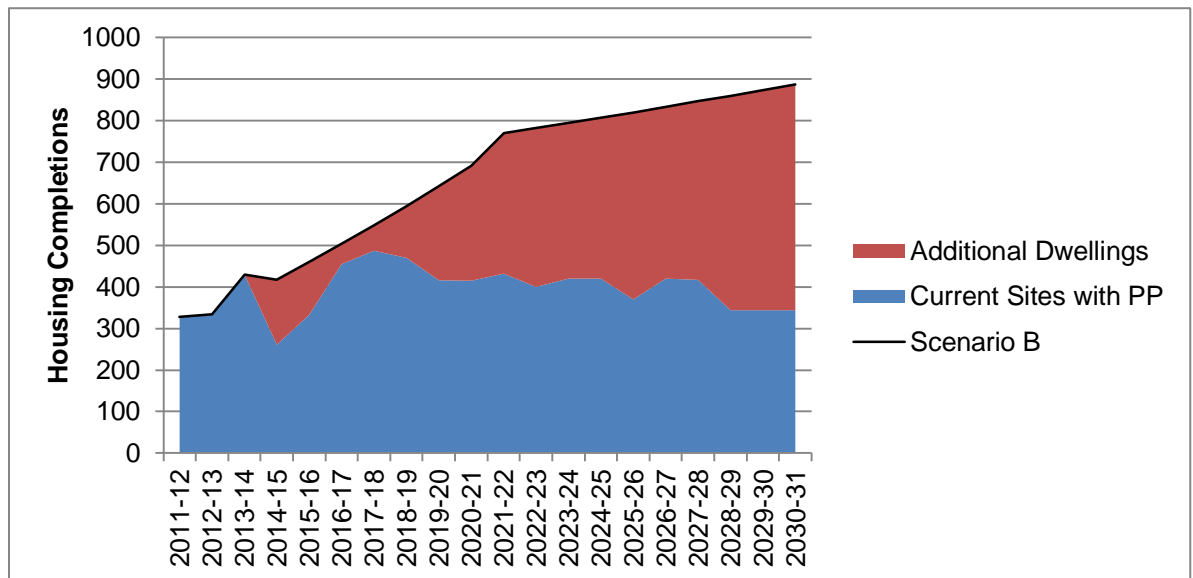
6.41 Although all of the scenarios are subject to many unknowns, the evidence set out in Sections 2 – 4 suggests that Scenario B appears to be reasonably achievable, albeit challenging. Scenario B considers that as Rugby has historically out-performed other areas (and indeed the national picture) in respect of housing delivery, it would support a stronger recovery in delivery rates over the next seven years to 2022 in comparative terms. It is assumed that pre-recession delivery rates are sustained through the second decade of the plan period.

6.42 Scenario B requires the Borough to be able to support a stronger comparative recovery in delivery in the short-to-medium term and to sustain strong delivery rates over the second half of the plan

period. There is little flexibility within this for macro-economic factors which negatively impact on market sentiment, or a further economic downturn/ recession over the plan period.

- 6.43 Figure 34 shows the annual dwellings requires for the delivery of Scenario B. This is broken down into two components: The blue shows the expected annual delivery of dwellings on sites with extant planning permission – this shows the figures of the revised trajectory; the red shows the additional dwellings required to achieve Scenario B.
- 6.44 Currently, sites with extant permissions account for 56% of the required total delivery of the scenario. The majority of housing delivered is in the latter half of the plan period, indicating a back loaded delivery plan is more realistically deliverable.

Figure 34: Approved and Additional Dwellings Required to Deliver Scenario B



- 6.45 Whilst it would in theory be possible to support delivery rates of 12,000+ homes over the plan period with the current spatial strategy which focuses development in and around Rugby Town, we consider that there are significant risks to achieving this. We would recommend that to achieve this, the current delivery strategy will need to be adjusted by considering a broader distribution of housing provision within the Borough, such as through enhanced delivery in smaller settlements, rural areas, and/or on the edge of Coventry. A second major growth location could be brought forward on the edge of Coventry which could support strong housing delivery during the second half of the plan period. The Council should also consider a broader range of delivery organisations, and smaller site sizes which can bolster delivery in the short term.
- 6.46 The Council should consider the potential of the ‘Build to Rent’ market. The SHMA analysis shows that the number of households renting privately grew significantly over the 2001-11 period in the Borough, and across wider geographies. A number of institutional investors and developers are now looking at bringing forward PRS schemes. The number of such schemes is currently small and focused principally in London and regional cities; however it is one in which there could be significant potential growth. As the viability of such schemes differs from those of traditional market-led housing developments, they are much less likely to be able to support affordable housing. However as they cater for a different market segment, they should contribute positively to boosting housing delivery.
- 6.47 The announcement in the 2015 Budget that social landlords should reduce rent by 1% per annum over the next 5 years is likely to have a short-term impact on viability of affordable housing development and Registered Providers ability to compete for sites. However in the medium-term,

there is in theory potential for greater delivery of housing by Housing Associations, particularly though delivery of mixed-tenure schemes.

- 6.48 Government is promoting self and custom build, identifying that in Continental Europe these sectors contribute up to a third of all homes built. The Council can positively support these sectors by supporting one-off small developments, but also potentially by working with landowners and developers to set aside plots on larger development schemes for custom-built homes. The contribution from this section, at least in the short/ medium-term, to overall housing delivery can however expect to be modest.
- 6.49 Looking back over the last 25 years, there have been few years when housing delivery in the Borough has exceeded 500 homes and when the major national housebuilders have delivered more than 400 homes in and around Rugby. Ensuring higher delivery than this at Rugby can be maintained will require a broader range of organisations building homes.
- 6.50 To achieve higher levels of overall housing delivery (600+ homes pa), the Council might need to consider development at a broader range of locations in the Borough, such as through greater release of land at smaller settlements within the Borough and/or through considering the significant potential for development on the edge of Coventry, subject to the proper consideration of wider sustainability, infrastructure, and green belt issues.
- 6.51 Development at Coventry fringe locations would relate to a different local market than that in/ adjoining Rugby, and would not compete directly with existing consented sites. The Coventry Strategic Housing Market Assessment 2012 highlighted the relatively narrow housing offer in the City, with limited larger, mid-market and higher value family housing.
- 6.52 Significant population growth is forecast in Coventry, and the evidence points to constrained supply within the City's boundaries. Standard 'lead-in' times for bringing forward major strategic growth locations mean that it would be unlikely to deliver significant additional housing numbers before 2025.
- 6.53 In Rugby Borough there is greater potential for smaller housebuilders to contribute to boosting delivery in the short-to-medium term, particularly through smaller development schemes (up to 50 units) both within the urban area and at smaller settlements in the Borough. Smaller development schemes are likely to play an important role in bolstering housing delivery, including in the short-term. They can contribute positively to boosting 5 year housing land supply. Small sites are however likely to contribute less to delivery of new strategic infrastructure.
- 6.54 Taking account of the market evidence and issues which are likely to influence the pace of recovery in housing delivery rates (leaving aside site or land-supply based issues), an increase in

housebuilding is likely to be phased over time. Based on the evidence and analysis undertaken, the Council may wish to consider a phased housing trajectory within the Borough Plan to 2031.

7 CONCLUSIONS

7.1 Rugby Borough Council has commissioned GL Hearn to prepare this Local Plan Market Deliverability Study. The purpose of the Study is to consider the market capacity and potential pace of housing delivery in and around Rugby, to inform the development of the Borough Plan. Various reports have identified different housing targets / need figures for Rugby Borough:

- Rugby Borough Council adopted its Core Strategy in 2011. The Core Strategy sets a target for delivery of 10,800 homes between 2006-26. This is equivalent to 540 dwellings per annum (dpa).
- The Coventry and Warwickshire SHMA (November 2013) identified a need for between 3,335 to 4,100 homes per annum across the Coventry and Warwickshire HMA, and a need for provision of 660 homes per annum in Rugby Borough.
- An addendum to the 2013 SHMA, referred to as the “SHMA Annex” was published in September 2014. The SHMA Annex identified a minimum need for 453 dwellings per annum in Rugby Borough.
- 2014 OAN Update indicating a need for 480 homes per annum in Rugby Borough (2011-31).

7.2 This report has assessed the deliverability of housing provision in Rugby Borough in order to assess which, if any, of these various housing figures would be deliverable over the period 2011-31.

7.3 This report has drawn together evidence of trends in housing completions, at a local and national scale; a reviewing housing market conditions; assessed the outlook for the housing market and housing development in the Borough.

7.4 Assessment of the above factors has fed into the creation of 4 scenarios for housing delivery in Rugby which we have evaluated with regards to the above issues and the site specifics of the Borough’s housing supply pipeline. These examine how the housing market might recover, and the level of housing delivery which could potentially be supported, based on the existing development strategy of a focus on Rugby Town.

7.5 To support delivery of the higher growth scenarios (A and B), we would advise Rugby Borough Council to consider what it can do to actively support and drive housebuilding and seek to consider how it could mitigate risks.

7.6 Historically, the “delivery model” for housing in Rugby has been focused towards delivery of larger sites in and around Rugby Town by national (and some regional) housebuilders.

7.7 There is a strong representation of large strategic developments in Rugby. These assist in helping maintain housebuilding through periods of weaker demand, as relative housing delivery performance over the recent years bears out.

7.8 Three major growth locations are planned in/around Rugby – to the north, south-west and south-east of the town. The major sites have planning consent. It would seem likely that the majority of the

national and regional housebuilders could be expected to have sales points on one (or more) of these sites.

- 7.9 There is a clear justification for seeking to drive delivery rates at the existing consented strategic sites. This will be important in creating the critical mass to support investment in infrastructure, including local amenities and broader social infrastructure. This is important “place making” investment which will help support values and create sustainable communities.
- 7.10 Identifying further major (competitor) strategic growth locations in or adjoining Rugby would not necessarily improve overall housing delivery rates. The majority of the major national and a number of regional housebuilders are already committed to extant or proposed schemes in and around Rugby Town and providing additional large strategic sites in the town would not necessarily increase overall housing delivery. Whilst volume housebuilders and large strategic sites are likely to continue to deliver the bulk of new housing, the capacity to increase delivery could be supported by seeking to broaden the range of organisations, and spread of locations, delivering new homes.
- 7.11 In addition, lead-in times for major sites mean that additional large sites could be expected to do little to improve “five year supply”.
- 7.12 To guard against the obvious risks, we would advise the Council to actively engage with developers/ site promoters from the existing strategic sites to consider the strategy and actions which can be progressed to accelerate delivery rates. This is particularly relevant in respect of the Rugby Radio Station site.

Actions to Support Housing Delivery

- 7.13 The research undertaken indicates that there are a number of things which Rugby Borough Council could do to support increasing housing delivery in the Borough.
- A. Planning Certainty
- 7.14 Planning certainty will help to maintain a strong pipeline of housing development in the Borough and ensuring a mix of sites can be brought forward to support housing delivery. Putting the Borough Plan in place in the short-term will be important in providing this.
- B. Infrastructure
- 7.15 Key infrastructure is potentially needed to support development, particularly the delivery of major growth locations. The Borough will need to work proactively with developers, and other public

sector bodies to bring forward new infrastructure to support delivery rates. This included working actively to secure funding for infrastructure investment in some instances.

C. Mix of Sites

- 7.16 As identified above, the higher delivery rate scenarios would require a mix of sites to come forward. Large sites are beneficial in delivering infrastructure alongside development and maintaining delivery rates through tougher economic conditions. However smaller sites can help to boost delivery in the shorter-term; and tend to be brought forward by smaller developers – with associated potential “product differentiation” from the housing brought forward on larger schemes (typically by the national housebuilders). A range of sites will help to appeal to a variety of different potential occupiers.

D. A Mix of Locations

- 7.17 Linked to the above, the Council should consider the “balance” of sites brought forward within the Local Plan. To maximise delivery rates, consideration might be given to another major growth location away from Rugby Town, such as close to Coventry – subject of course to the detailed examination of sustainability, green belt impact etc.; and the alternative growth directions for the City.
- 7.18 The Council might also wish to consider whether a greater contribution to housing delivery might be made through smaller developments in the smaller settlements and rural areas of the Borough, including through neighbourhood plans.

E. Different Market Segments

- 7.19 The Council should consider how it can support diversification in the range of market segments which deliver new housing. Much development in the Borough appears to have come forward through development by the large housebuilders. These will inevitably be important in the future in driving growth in delivery.
- 7.20 However there are other market segments which could be considered; including the self-build market (albeit that the scale of growth which this may be able to support can be expected to be modest); the build-to-rent sector (in which there is more significant potential growth); as well as development of mixed-tenure schemes by registered providers.