

NLA



Economic growth and its impact on the demand for housing in Chester

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Executive Summary

1 This report looks at economic growth forecasts and aspirations for the City of Chester and assesses the implications of these aspirations for future housing requirements with a particular focus on whether these requirements might require changes to the City's Green Belt.

2 Chester and the wider Cheshire and Warrington sub-region have been amongst the most economically successful sub-regions of the UK in past decades. During the 2000s, the GVA premium over the UK and the North West region has narrowed, but economic forecasts see this as a temporary feature, with longer term trend GVA growth of 2.5% per annum compared to 2.25% for the North West as a whole.

3 Employment is projected to grow more slowly than GVA, at the same rate as the North West (0.5% per annum). Population will grow by 0.2-0.3%, but ageing and increased longevity will result in a fall in the working age population, creating the need to import labour through migration or increased commuting.

4 Cheshire West and Chester Council has strong ambitions to sustain and grow the area's economy within the wider sub-region. It has secured Growth Area status and seeks to build on the strengths of the area to accommodate significant growth in GVA, jobs, population and housing, jobs and GVA. The business community, the local authorities and other partners in Cheshire and Warrington have aspirations to grow the private sector economy and a Local Enterprise Partnership (LEP) has been formed to steer this process and access the new Regional Growth Fund.

5 Chester is positioned at the heart of the sub-regional economy with the Deeside Hub as the base for a range of knowledge economy businesses, an important centre for the tourism industry, a high quality office location, and a key retail and service centre. Key projects including the Chester Rail Gateway and the North East Urban Action Area, will take growth forward.

6 Chester's economic success has created a buoyant housing market which extends well beyond its boundaries into surrounding settlements, including adjacent areas in North Wales. There is a high level of net inward commuting facilitated by good transport links. House prices are relatively high and there are severe problems of affordability which have intensified during the 2000s. The average sale price is well above the national average and the supply of lower value properties is limited. These pressures have not been significantly alleviated by the current housing market recession.

7 A Strategic Housing Market Assessment (SHMA) for Cheshire West and Chester identifies affordable housing need at levels far higher than can be met by affordable housing supply. This is reflected in a sharp rise in the Register of people seeking access to social

rented housing. The social rented sector in Chester is smaller than the regional average but makes a significant contribution to meeting affordable need.

8 The private rented sector makes an important contribution to housing supply in the City. Since 2001 it has grown to more than 15% of the housing stock. Growth in the sector has in part occurred at the expense of owner occupation, especially in the lower value sectors of the housing market. Competition between investors and lower income buyers has intensified affordability problems. Investors have been attracted both by the growth of demand from students in the expanding higher and further education sectors and by the presence of younger people attracted by employment opportunities.

9 Economic forecasts for the Cheshire and Warrington sub-region produced by the North West Economic Forecasting Panel (NWEFP) and by the Cheshire and Warrington Economic Alliance (CWEA) suggest employment growth for the sub-region over the 2010-2020 period of between 5,000 and 25,000 respectively. Applying these to the 2010 Chester jobs total implies growth of between 800 and 4,000 jobs over the same period. Weighting this to take account of expected sub-regional growth rates for different industrial sectors suggests growth in Chester of between 3,000 and 6,300 jobs. This represents a relatively subdued rate of growth in comparison to what was achieved in the 2000-2007 period. It may be exceeded if measures to promote growth through the LEP are successful.

10 In April 2010 Cheshire West and Chester, Cheshire East and Warrington Councils together with the Cheshire and Warrington Economic Alliance produced *Unleashing the potential*, a sub-regional strategy for Cheshire and Warrington. This anticipates employment growth of around 15,000 up to 2020, but does not provide a specific figure for Chester.

11 ONS/CLG produce forecasts of population and household growth. ONS/CLG expect Chester's population to remain more or less static over the next two decades. The number of households will increase by an average of 200 per annum. This is one of the slowest rates of growth in the North West, an unexpected outcome given Chester's buoyant economy. This comes about because ONS/CLG projections reflect past trends, with growth limited by relatively low dwelling supply rates, reflecting planning and land constraints.

12 Within the total population, ONS forecast a fall in the population aged 15-64 from 66% of the total in 2008 to 59% in 2033, implying a sharp fall in the working age population. NWEFP and CWEA forecasts also highlight this issue, but envisage a smaller decline in the working age population than ONS, with higher implied rates of economic activity. From 2000-2006, the size of the working age population in Chester remained fairly constant, held up by in-migration by young people. Since 2007 the picture has reverted to its longer term trend as in-migration has declined with the worsening economic picture. This demonstrates how closely economic change and population/household trends are linked.

13 For the purposes of this study, alternative scenarios of future household growth in Chester were produced from assumptions about population and employment growth, activity rates within the population, and patterns of commuting.

14 Scenarios based on low levels of future household growth result in a shortfall in the size of the future labour force in the City as a result of population ageing. This could lead to an increased level of inward commuting, but might also undermine future economic growth in the City if employers find difficulties in recruiting or perceive that this is a problem.

15 Scenarios based on higher rates of economic activity than those achieved at present create a larger labour force, but still require increased population and household growth to meet projected employment growth rates.

16 A Combined Demographic-Economic Scenario takes on board the decline in the working age population implied by current trends but seeks to accommodate employment growth at about the rate implied in *Unleashing the potential*. The population of Chester under this scenario would be just over 124,000 in 2020, and household growth would be 4,390. This represents annual average household growth of 411 dwellings over the period to 2020, allowing for a 3% vacancy rate. This is a level of growth very close to previous RSS provision (417), but it is substantially above recent levels of actual additions to the housing stock.

17 Neither the economic forecasts nor the household forecasts provide firm details of the anticipated industrial or occupational structure of future growth. They imply that the highest rates of growth in employment are likely in retailing, health and social work, banking and finance, non-financial business services, computing services and leisure and tourism. This suggests a mixed picture in terms of the composition of employment with both high and lower skilled employment, but with the strongest growth in knowledge-based sectors and other sectors requiring a more highly-skilled workforce. The demographic picture suggests that it is also essential to take account of the *turnover* of employment as well as the projected marginal additions to employment because the ageing population of Chester will produce a much larger gross demand for labour than the net figure indicated by forecasts.

18 Assuming that the current downturn in housing market turnover caused by a shortage of mortgage funding will be overcome in the medium to longer term, the most significant feature of the housing market in recent years has been the increased problems of affordability experienced by those entering the market, and the associated growth in private renting. Nationally, owner occupation rates remain highest amongst the higher income employer, managerial and professional groups and levels of renting are highest amongst those in more lower paid occupations, unemployed people and students. Younger people in all occupational groups are increasingly finding it more difficult to enter home ownership but this effect is far more significant for those in lower income occupational groups.

19 The implications of these developments are as follows:

- The change in occupational structure will result in an increase the demand for owner occupied and private rented housing of higher quality. Younger households in this group will be happy to rent privately, but as they age they will increasingly seek to enter owner occupation. If unable to meet their needs they may leave the City and live/work elsewhere.
- At the same time there will be a greater degree of polarisation in the economy leading to the creation of a larger group who will require affordable housing to rent, or in some cases to buy or part-buy.
- People in the City who have not shared in past prosperity may continue to require affordable rented housing unless they can acquire the skills to enter the new economy.
- The increasing proportion of older people in the population will act as a strong stabilising influence sustaining overall rates of home ownership and high prices.
- The ageing process and the forecast growth in employment will require significant numbers of younger people to come to work in the City. Their ability to enter home ownership will be limited and this will create a strong demand for rented accommodation or for affordable housing to buy.
- Anticipated student growth in Chester will contribute to the demand for private rented housing.

20 Overall this suggests that a mixture of affordable housing to rent and to buy is the main requirement within the City in the future. Given that the supply of social rented housing is likely to remain limited, this indicates a combination of private rented and affordable housing for home ownership should be the priority.

21 An Employment Land Review and a Strategic Housing Land Availability Assessment (SHLAA) have recently been completed covering West Cheshire and Chester. The Employment Land Review has identified a serious shortage of both industrial and office sites in the City. The study recommends that some future industrial land needs may be best met in Flintshire and Ellesmere Port but suggests that new opportunities in the City Centre and around the railway station need to be taken forward, together with a need for a new business park. It is outside the remit of this study to determine whether this requires the use of Green Belt land.

22 The findings of the SHLAA show an overall shortfall of housing land in Cheshire West and Chester from 2010-15, but the position recovers to produce a small surplus over the whole period 2010-20. For the former local authority area of Chester, the shortfall up to

2015 is more severe, but the position improves up to 2020 with a small surplus by that point.

23 Looking in more detail at the actual supply of sites in Chester, a number of factors suggest that the supply picture up to 2020 carries a number of risks to overall delivery and to the delivery of an appropriate mix of sites to meet the requirements highlighted above. A significant proportion of sites are mainly suitable for high density apartment development, some are outside the City beyond the Green Belt, and other major sites are subject to constraints. Overall, the mix of sites does not seem adequate to meet the full range of requirements identified and the margin between supply and demand is such that there is a strong risk of shortfall.

24 Although there are a number of uncertainties inherent in identifying the scale and nature of the future demand for housing in Chester generated by economic and demographic change, it is important to ensure that housing supply does not act as a constraint on economic growth. There are important strategic choices to be made about the location of both employment and housing in the sub-region, and a range of factors which might influence them. The future of the existing Green Belt is one of the major areas for consideration. But these choices need to be made consciously after informed debate rather than by default. For this reason, we conclude that there is a need for Cheshire West and Chester Council to undertake a review of the Chester Green Belt to determine whether its role. Location and scale need to be revised to meet future land use needs.

1 Introduction

1.1 Cheshire West and Chester Council commissioned Nevin Leather Associates to examine the housing implications of future economic growth in Chester. The overall aim of the study was to assess the impact of the economic aspirations of the City of Chester on the requirement for new housing development in the City. The study firstly examined evidence on the level of new residential development required for the City of Chester support its economic growth aspirations in the future. Secondly, it considered whether the level of need could warrant change to the Green Belt, or be accommodated elsewhere in locations which would still support economic growth in a sustainable fashion.

1.2 The more detailed objectives were:

- To understand the full extent of the development aspirations for the City of Chester in terms of economic development, retail and tourism to 2028 and to detail these in terms of job creation.
- To assess the potential requirement for new housing development in the City of Chester to 2028 to support the economic aspirations of the City.
- To assess the findings of the Strategic Housing Land Availability Assessment to ascertain whether the requirement for housing in Chester to support the economic aspirations can be delivered within the existing urban fabric.
- To assess whether the outstanding housing requirement can be met in part or in full in other areas of Cheshire West and Chester, or outside the authority (for example in North Wales) without the need for revisions to the Chester Green Belt.
- Based on the findings above, to investigate the potential need for Green Belt release to deliver housing to support the economic development aspirations of Chester.
- To suggest any additional evidence that the Council may need to assemble to support its stance on this issue.

1.3 To address these objectives, the following methodology was employed:

- A review was undertaken of research on housing/economic growth linkages.
- The available economic forecasts covering Chester and its surroundings were examined (using work from NWDA, the Cheshire and Warrington Economic Alliance (CWEA) and other local evidence). The forecasts were assessed to derive their implications for overall employment/GVA and from this the implications for

household growth, household incomes, and the future demand for housing in terms of tenure, size, type, and location.

- Evidence was examined on demographic change (population and household forecasts, components of population change, and the underlying drivers of change) to set economic drivers in their wider context.
- The Employment Land Review for Cheshire West and Chester was examined to provide a complementary picture of the future demand for and supply of land for economic activity.
- Existing local/sub-regional work on land supply, including the SHLAA, the and the Growth Point POD were examined to build up a picture of land supply.
- Evidence on these sources was brought together to provide conclusions and recommendations.

2 Background

2.1 The City of Chester is the principal settlement in Cheshire West and Chester. It is a significant centre for economic, cultural, tourism and retail activity. Its importance is recognised in the Regional Economic Strategy and in sub-regional strategies. A range of initiatives are being pursued to sustain and enhance the economic potential of the City as well as improving the retail and cultural offer and protecting and enhancing its historical heritage. New development in and around the City is tightly constrained by existing uses, the City's heritage, and by the Green Belt surrounding it. Many of the vacant or underused sites within the urban area have already been developed. A potential shortage of land for economic and housing uses has been an issue in the City for many years.

2.2 The Council is currently in the process of preparing a new Core Strategy. Key pieces of the evidence base have already been prepared or are in the process of being assembled. The Employment Land Study highlighted a lack of sites in the City. The Strategic Housing Land Availability Study (SHLAA) has highlighted a shortfall of housing supply within the first five years of the plan period cross Cheshire West and Chester as a whole, and within Chester itself opportunities for further significant housing development are limited.

2.3 The Council is therefore currently considering whether, if Chester is to realise its potential in terms of economic development, tourism and culture, there is or will in the medium term be a need for significant new housing development within the City and on the edge of the City to support this growth. Following on from this, if there are significant housing needs this may require the use of land in the Green Belt. However, to inform a decision of this magnitude, the Council would wish to have clear evidence or unmet need.

3 The economic context

3.1 A detailed picture of past economic change in Chester (set in the wider context of the Cheshire and Warrington sub-region) is provided by the CWEA report *Cheshire and Warrington Economic Review and Forecasts*¹, and by the forecasts of the North West Regional Economic Forecasting Panel at sub-regional level². The first of these assessments was prepared before the advent of the credit crunch and the 2008-09 economic recession and its findings need to be interpreted in the light of subsequent economic developments and forecasts. Despite this it provides a detailed assessment of the key features of the Chester economy and its longer term prospects.

3.2 The CWEA report confirms that over the past two decades Chester and Warrington has been one of the most successful sub-regions in the UK. The area's prosperous economy, its natural environment, and the quality of services such as education, have made the sub-region a place where people want to live and where most experience a high quality of life. Within the sub-region, Chester is one of the most favoured areas.

3.3 The report also stresses that success can never be taken for granted. Recent growth in GVA per capita in the sub-region has slowed and the gap between the sub-region and the UK narrowed in the early 2000s. The Chester economy has become increasingly specialised and was identified as one of the most vulnerable at the onset of the credit crunch because of the concentration of employment in financial services. There are areas within Chester with significant levels of worklessness and other forms of deprivation.

3.4 However looking ahead in 2007 the CWEA expected that the recent under-performance in the sub-regional economy would be a short term phenomenon, with longer term trend GVA growth of 2.5% per annum compared to 2.25% for the North West as a whole. The performance of key sectors such as pharmaceuticals would be the main determinant of relative performance. As a result of improvements to productivity, employment would only grow at the same rate as the North West (0.5% per annum). Population would grow by 0.2-0.3%, but within the overall, ageing and increased longevity would result in a fall in the working age population, posing a possible threat to economic growth. The main growth sectors in terms of GVA would be manufacturing, communications, computing services, professional services, and non-financial business services.

3.5 Chester West and Cheshire's Growth Point Programme of Development³ commented further on the prospects for the Chester economy. It highlighted Chester's position at the heart of the sub-regional economy, and at the centre of the Deeside Hub

¹ See *Cheshire and Warrington Economic Review and Forecasts*, SQW Consulting, August 2007

² See *Long-term forecast for the North West's sub-regional economies, 2008-2030*, North West Regional Economic Forecasting Panel, June 2009

³ See *West Cheshire Growth Point Programme of Development*, Cheshire West and Chester Council 2008.

which links the City to North East Wales. The City has a continuing role the base for a range of 'knowledge economy' businesses building on its existing strengths. The City will remain an important centre for the tourism industry, with many opportunities for improving and expanding the tourism offer. Chester is also a key retail centre and a service centre for rural West Cheshire and North Wales. The 'Chester Rail Gateway' will bring forward high quality economic development in the northern part of Chester City including the North East Urban Action Area, focusing on the area around the railway station, canal corridor, and Gorse Stacks, as well as sites along Liverpool Road (Liverpool Road Corridor) and Garden Lane Quarter.

3.6 These assessments were carried out before the credit crunch and the 2008-09 recession. More recent forecasts produced in 2009 by the North West Regional Economic Forecasting Panel suggest lower growth rates both for the region and for the Cheshire and Warrington sub-region - GVA growth of 1.6% per annum from 2008-2015 (0.2% per annum above the North West) and 2.1% pa between 2015-30 (broadly matching the North West average). Employment growth from 2008-15 is projected to be zero, but returning to positive growth (0.2% per annum) from 2015-2030. These rates are lower than in previous forecasts, and the gap between Cheshire and Warrington and the North West as a whole is narrower.

3.7 The Panel considered employment in Chester and Warrington to be particularly at risk because of the very high exposure to banking and financial services, automotive manufacturing, and chemicals. In addition, they considered that employment growth in the pharmaceuticals sector was likely to have reached its peak and was at risk of future decline. Against this the Panel noted a risk of stretched capacity towards 2015 if vulnerable sectors shed fewer jobs and if there were to be strong employment growth in other sectors. For Chester, predictions of extensive job losses based on the vulnerability of the financial services sector have not so far come to pass on the scale anticipated. The Panel did not seem to take on board fully the implications of reductions in public spending from 2011-15. Although prospects for the national economy remain fragile, the relative lack of dependence on public sector employment works in Chester's favour.

3.8 In the longer term (2015-30), the Panel concurs with CWEA in expecting renewed jobs growth in Cheshire and Warrington. A number of key sectors have good long-term prospects for strong employment growth - computing/ICT/media, health services (as a result of the ageing population), culture/recreation, and environmental technologies/services. There is a strong track record of entrepreneurship and inward investment. These factors suggest that, in the longer term, employment growth will return towards longer term trend levels. The most prominent long-term risk highlighted by the panel was the impact of 'congestion' arising from employment and housing land shortages. These could raise business costs and make housing less affordable, leading to a shortage of labour. This is an important issue which we return to below.

3.9 In April 2010 Cheshire West and Chester, Cheshire East and Warrington Councils together with the Cheshire and Warrington Economic Alliance produced *Unleashing the potential*, a sub-regional strategy for Cheshire and Warrington⁴, as a submission to the debate over the North West's emerging Single Regional Strategy. The submission argued that Cheshire and Warrington has the potential to grow its GVA by 60% by 2030. The priorities for achieving this are:

- accommodating significant growth in population, housing, jobs and GVA;
- enhancing enterprise;
- improving accessibility between the places where people live and where they work;
- meeting the challenge of demographic change;
- improving the quality of life and wellbeing of all citizens as part of the transition to a lower carbon economy.

The Local Enterprise Partnership

3.10 In October 2010, the Coalition Government set out its proposals for stimulating economic growth at local level in a White Paper⁵. A bid from key business representative bodies, local authorities and other partners covering the Cheshire West and Chester, Cheshire East and Warrington areas for the creation of a Local Enterprise Partnership (LEP) was simultaneously approved by the government. The aim of LEPs is to bring together the knowledge and expertise of the private sector, local authorities and local communities to create a better environment for business and bring about economic growth. Their responsibilities include:

- Identifying and addressing local economic priorities.
- Creating the environment for business growth including planning, housing, transport and infrastructure priorities and ensuring that these are aligned.
- Encouraging and supporting enterprise and business start-ups.

3.11 One of the main channels for supporting growth is the new £1.4bn Regional Growth Fund which will provide investment for projects that offer significant potential for private sector-led economic growth and sustainable employment.

3.12 Ensuring that sufficient land is available for housing and economic development will be a central element of this process. New measures to achieve this include:

- A New Homes Bonus from April 2011 which will match fund the additional council tax raised for new homes for the following six years. £200m has been set aside to fully fund the scheme in 2011-12.

⁴ See *Unleashing the potential*, Cheshire West and Chester, Cheshire East and Warrington Councils and the Cheshire and Warrington Economic Alliance, 2010.

⁵ *Local growth: realising every place's potential*, Cmd 7961, HM Government October 2010.

- Proposals for local authorities to keep the business rates they collect locally, reducing central redistribution.
- A new system of Tax Increment Financing (TIF), which will enable local authorities to borrow against future increases in business rate revenues.
- A new simple, streamlined and planning system, which will give communities and neighbourhoods more power over decisions, increase investor certainty and help international businesses to locate, move within. or stay in the UK.

4 The Housing Market

4.1 The most up to date information on the composition of the City's housing stock comes from the 2001 Census, though is now substantially out of date. The 2001 Census suggested that the tenure breakdown of the stock in the City was as shown in Figure 4.1. 73% of dwellings were owner occupied and a further 13% were rented from private landlords or were rented free. 86% of dwellings were in the private market, with 14% in the social rented sector. Both the owner occupied and private rented sectors were larger than the national average.

4.2 Estimates prepared by Nevin Leather Associates as part of another study for Cheshire West and Chester suggest that the 2001 Census underestimated the size of the social rented sector stock (now owned exclusively by housing associations) in Chester and over-estimated the size of the private rented sector. The estimates suggest that between 2001 and 2009 there was a significant levels of growth in the private rented sector stock in the City. The estimates put the proportion of private renting in a range from 15% to 19% of the stock in the City. The additional growth has arisen mainly through the transfer of owner occupied dwellings to private landlords, but also through the acquisition by investors of newly constructed units, especially flats and apartments.

4.3 The same estimates put the range of owner occupation in the City in 2009 at between 66% and 70%, in either case a reduction from 73% in 2001, although the absolute number of owner occupied dwellings in the City has increased.

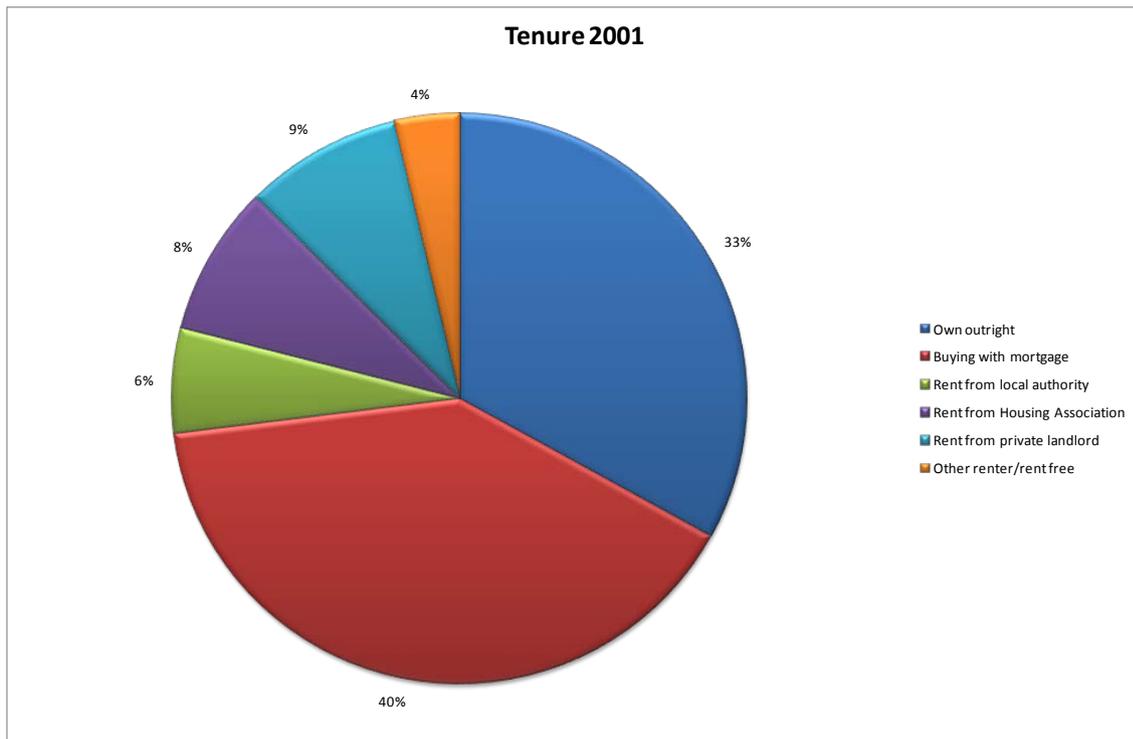
4.4 The social rented sector accounts for just over 14% of the City's housing stock. Although this is apparently unchanged from 2001, it is likely that the 2001 Census underestimated the size of the sector so there has been some decline over the intervening period. The social rented sector in Chester is relatively small (over 4 percentage points less than the regional average) but still significant. There is a high proportion of flats (43% of the stock) and around a quarter of dwellings are sheltered housing, leaving around 6,000 units for general housing needs. In 2008-09 there were 385 general needs lettings in Chester, a turnover rate of about 6.5%.

4.5 There has been a clear worsening in the affordability of private sector housing in Chester in recent years. Some analyses of changing house prices in Cheshire and Warrington in recent years consider that house prices have not risen as sharply in the sub-region as in other areas, but this depends on the time period over which prices are examined. Figure 4.2 below plots the average house price for England and Wales, Cheshire, Warrington and Chester over the period from 1996-2010⁶. Prices in the Cheshire and Warrington sub-region have consistently exceeded those for the North West as a whole. The Cheshire West and

⁶ Data for England and Wales, the North West, Warrington, and Cheshire West and Chester is available from HM Land Registry's website. Data for Chester (not available for 2010) was obtained from 4NW's six-monthly North West Housing Market Review and is also based on HM Land Registry data.

Chester average has very closely mirrored the England and Wales average, with the Warrington average below this. Average prices in Chester have consistently exceeded the England and Wales average. The ratio between the two has fluctuated at around 1.25 over the whole 1996-2009 period. The increase in prices in Chester between 1996 and 2009 was 203% compared to 196% across England and Wales, 171% across the whole of Cheshire West and Chester, 166% in Warrington and only 159% across the whole of the North West. Chester is clearly a high price area.

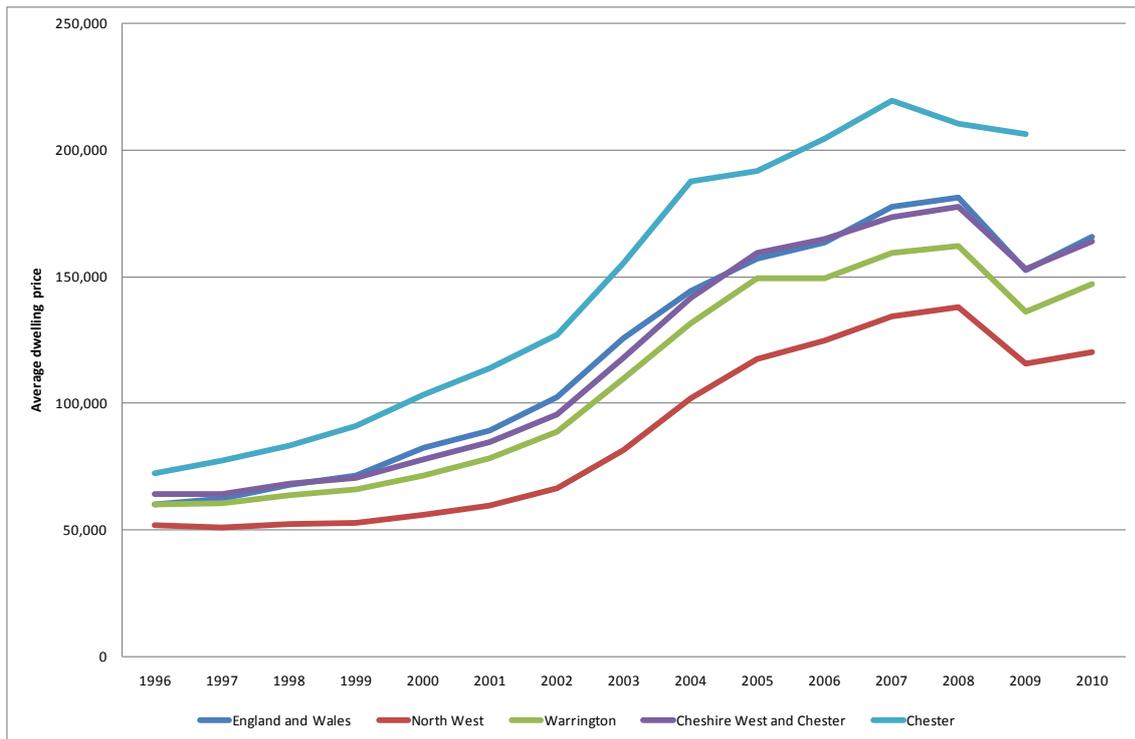
Figure 4.1 Tenure 2001



Source: ONS, 2001 Census

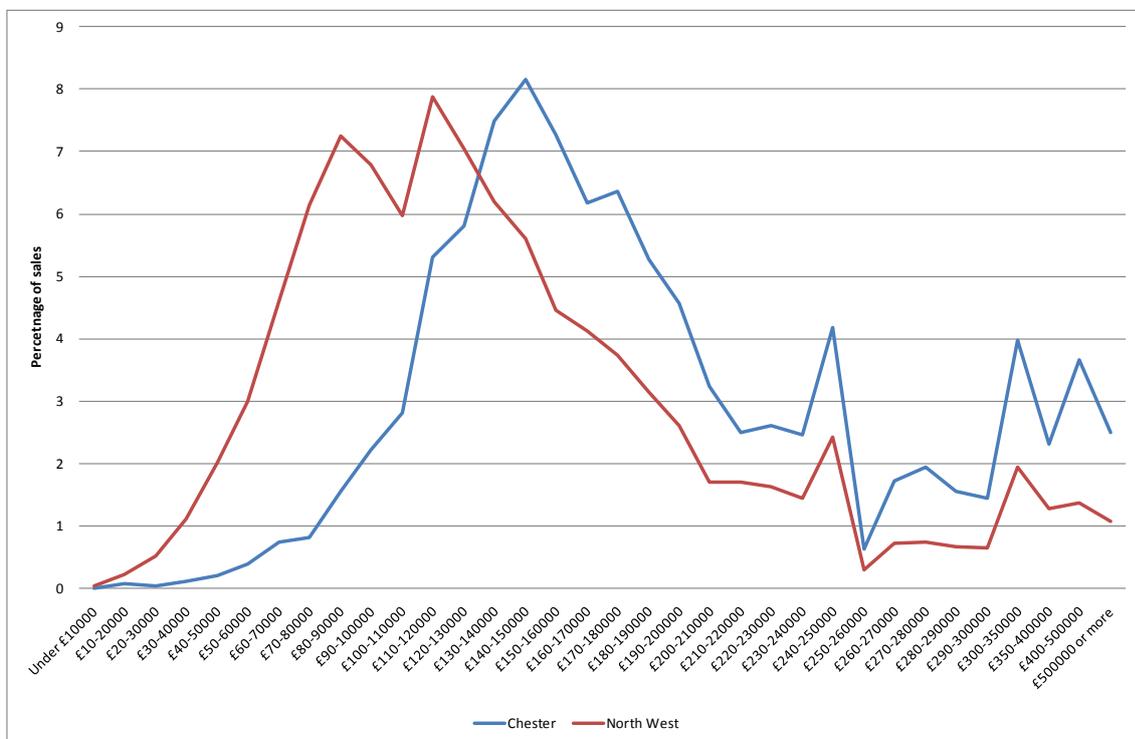
4.6 Figure 4.3 shows the distribution of prices in Chester in 2006 compared to the North West. This year has been selected to be representative of the market before the drastic fall in turnover which began in mid-2007. The Chester profile is under-represented in all price bands below £140,000 and over-represented in properties above this value. Less than 0.5% of property sales in Chester were valued at less than £50,000 compared with 4% of sales in the region, and only 6% were for less than £100,000 compared to 32% in the region as a whole. In 2006 there were only 405 sales (14% of the total) below £120,000, illustrating the shortage of supply of lower value properties.

Figure 4.2 Average dwelling prices 1996-2010



Source: HM Land Registry, 4NW

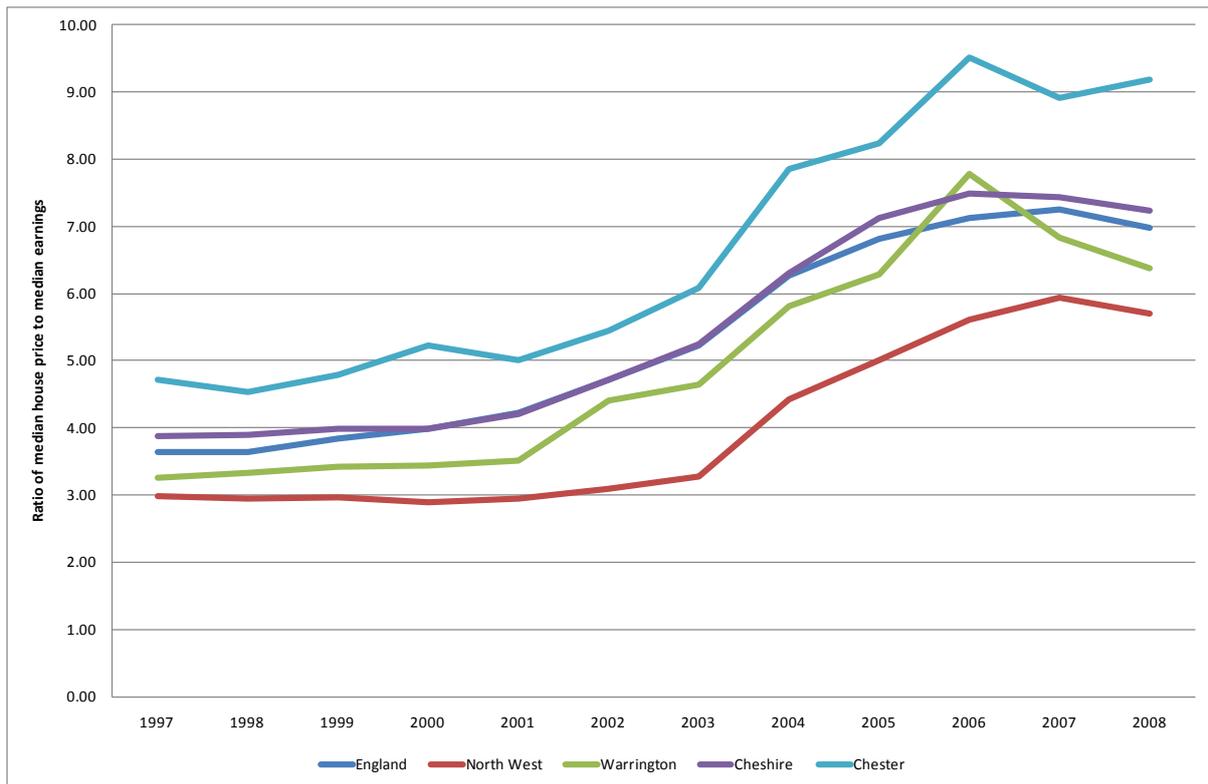
Figure 4.3 Distribution of dwelling prices 2006



Source: HM Land Registry

4.7 Incomes have failed to keep up with these rises and have clearly not been the main driver in the market, either in Chester or in many other areas. Consistent data on household incomes is not readily available over a long period but sources such as the Annual Survey of Hours and Earnings give an indication of changing earnings levels over time. CLG produces an index of relative affordability between areas which shows the ratio of the median house price to median earnings (Figure 4.4). This confirms the high cost of housing in Chester relative to the earnings of those working in the City.

Figure 4.4 Ratio of median house price to median earnings



Source: CLG Live Table 576. Data is not yet available for Cheshire West and Chester as a whole.

4.8 Affordable housing needs were one of the main issues identified in the 2009 Cheshire West and Chester Strategic Housing Market Assessment⁷. The SHMA identified *annual* net affordable housing need of 1,193 households across the whole local authority (affordable need after taking account of affordable housing supply). Although an imperfect indicator, the Chester Council Housing Register (applicants for social rented housing) grew threefold between 2001 (2080) and 2009 (6328). The 2009 register was equivalent to 85% of the whole social rented housing stock in the city, and new lettings in 2008-09 represented only 9% of the Register at the end of the year, implying very long waiting times for many.

⁷ See *Cheshire West and Chester Strategic Housing Market Assessment, 2009*, Arc4 Consultants.

4.9 The implications of affordability problems in the Cheshire and Warrington sub-region was recognised in the Economic Alliance's *Cheshire and Warrington Housing Report*)⁸, which found that:

Lack of affordable housing is having a profound negative effect on maintaining and attaining key local workers. There are correlations where housing markets fail to meet demands with reduced labour mobility, skills shortages, environmentally more damaging commuting patterns and (potentially) inflationary pressure on wages.

4.10 A 2007 employer survey commissioned by the CWEA found that the lack of affordable housing in Cheshire and Warrington was directly impacting on employers' ability to recruit and retain staff⁹.

4.11 Although an imperfect indicator of housing need, the Register of applicants for social rented housing in Chester more than trebled from 2,080 in 2001 to 6,328 in 2009. The increase occurred as a result of both a rise in the net number of new applicants and a reduction in the main source of supply – the reletting of existing units, itself a reflection of increasing affordability problems preventing social rented tenants from moving into home ownership.

4.12 The growth of the private rented sector in the City has been a major driver of price growth. As shown above, the percentage of home ownership in the City is likely to have fallen from its 2001 level, as investors have out-competed existing home-owners and first time buyers. There is evidence of private rented sector growth across the price spectrum but the potential for returns is greater at the bottom of the market and it is in this sector that the growth in demand from students and other single young people is likely to have been greatest. Growth in this sector is self-fulfilling as potential first-time buyers who are out-competed are likely to seek to rent privately. Demand from investors unconstrained by incomes is likely to have contributed to the detachment of prices from earnings/income levels shown above. Although the prices which investors are willing to pay for housing are related to rents (which in turn are constrained by incomes) perceived capital growth also plays a part.

4.13 Data on rent levels is shown in Table 4.1, including rents in the social rented sector. Consistent data on private rents is difficult to obtain. In the social rented sector, rents in Chester have consistently been below the regional average. Social rented sector rents have risen on average by 6% per annum since 2001. Private rented sector rents have on average been substantially higher than social sector rents but no clear trend over time can be identified. According to 2009 data from Hometrack, rents in Chester are significantly above

⁸ *Cheshire & Warrington Housing Report*, Cheshire & Warrington Economic Alliance, April 2008

⁹ *The Impact of Lack of Affordable Housing on the Economy of Cheshire and Warrington*, Cheshire Housing Alliance and CWEA, June 2007

the North West average. Rent Service data on local reference rents in 2010 ranks the West Cheshire Broad Housing Market Area (approximating to Cheshire West and Chester) 64th highest out of 154 areas in terms of the rent for a three-roomed unit.

Table 4.1 Average rents

	Average weekly rent		Private rented		
	Social rented		Rent service	Home Track***	Home Track***
	Chester	North West	Chester/West Cheshire*	Chester	North West
2001	41.49	46.27	81.65		
2002	44.83	48.97	101.25		
2003	46.13	49.90	101.80		
2004	47.74	51.58	103.90		
2005	51.25	54.59	140.00		
2006	54.22	56.56	140.00		
2007	57.39	59.04	143.00		
2008	61.51	61.78	143.66	187**	
2009	66.18	64.65	143.66	173**	138**
Minimum annual income requirement****	£13,728		£29,952	£35,984	

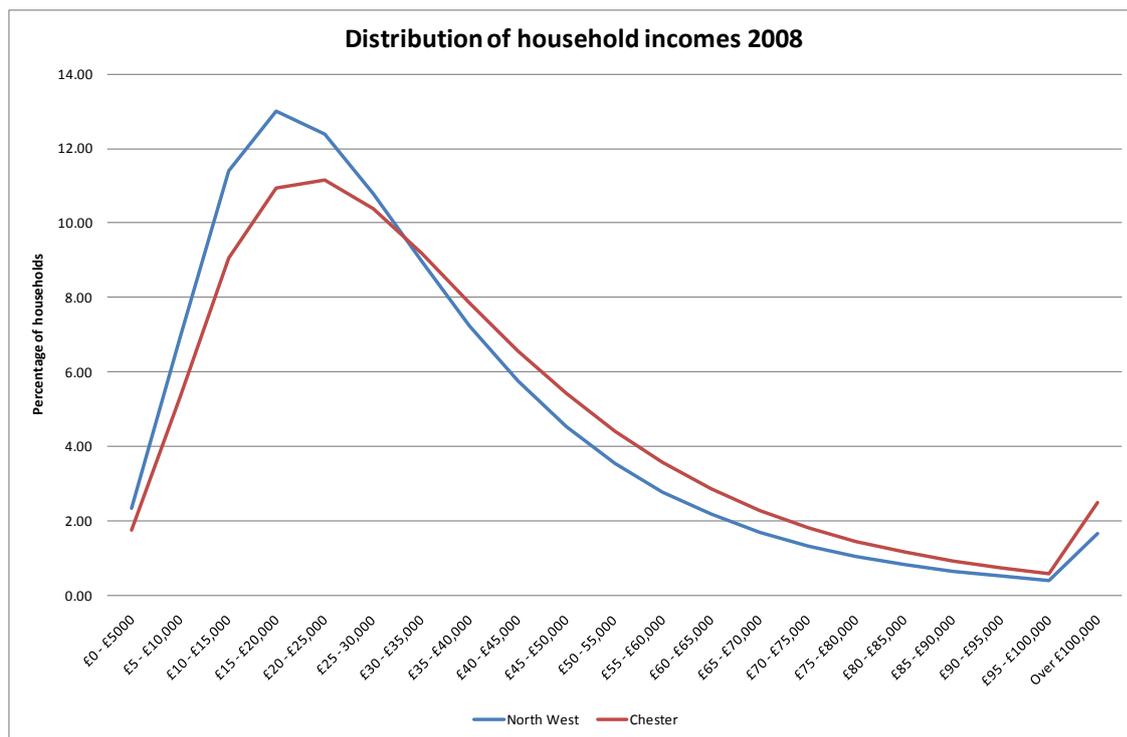
CLG Live Tables 702 and 704, CWaC, The Rent Service. Notes: *Local Reference rent 2001-2004 averaged all cases for Chester; 2005 onwards LRR for three-roomed unit, West Cheshire Broad Housing Market Area.

** Average rent for three bedroomed unit. ***Data provided by CWaC. **** Assuming a households spends a maximum of 25% of gross income on rent.

4.14 Chester is therefore a high-priced and high rent area in terms of its private sector stock. Rent levels in the social rented sector are slightly below the regional average, so this sector is of crucial importance in the City to lower income households. The supply of social rented housing is relatively restricted however. This illustrates the scale of affordability problems which the City faces.

4.15 Figure 4.5 shows data on the estimated distribution of household incomes in Chester compared to that for the North West as a whole in 2008 to further illustrate these affordability problems. This draws on data from CACI Paycheck for the North West provided by 4NW. Chester is a higher income area than the North West, with higher proportions of households in all income bands above £30,000 per annum and lower proportions in bands below this. Nevertheless, 27% of households in Chester had an income below £20,000 in 2008, and 49% had less than £30,000 per annum. Hence only about 50% of all households could afford the average local reference rent in 2009 of just under £30,000, and only 42% could afford the average private sector rent quoted by Hometrack. At the other end of the spectrum, 18% of households had an income over £50,000 per annum or more. But many owner occupiers, of course, face housing costs much lower than their current incomes could sustain because they own their homes outright or have a relatively small mortgage.

Figure 4.5 Distribution of household incomes 2008



Source: CACI Paycheck

4.16 The housing market in Chester, as in most other parts of Britain, has suffered severely as a result of the impact of the credit crunch on the availability of loan finance, the recession, increased levels of unemployment or economic inactivity, and a lack of confidence on the part of buyers and investors. The shortage of loan finance (and the tightening of credit terms such as deposit requirements) has affected both the owner occupier and buy to let markets. Dwelling prices initially fell in 2007-08, then recovered much of the lost ground by mid-2009, whilst 2010 has seen some further but smaller-scale falls and the future trajectory of prices remains uncertain. However the most significant feature of the market since 2007 has been a significant reduction in the level of transactions in the market, and in the level of new housing starts and completions.

4.17 Most housing market commentators agree that the low level of transactions will continue to be a feature of the market for at least the next two years. Many expect further price falls but opinion is divided on the scale of reductions. Likely increases in levels of unemployment arising from reductions in public spending and the wider lack of economic confidence are seen as major constraints on housing market recovery. The shortage of capital for purchase has affected both the owner occupied and private rented sectors, but investors are finding it difficult to leave the market as a result of the scarcity of buyers and the size of the private rented sector has received a temporary boost from 'involuntary' landlords, often home owners or inheritors unable to sell their properties. But to date housing has not become significantly more affordable as prices have not fallen significantly,

and it would be unwise to assume the affordability picture will change given the low level of new supply and continuing household growth.

5 Employment forecasts

5.1 Neither the CWEA and NWEFP reports discussed above include estimates of actual jobs growth but the employment growth rates in each report can be applied to 2010 jobs data to derive estimates of future employment levels. Table 5.1 below shows projected job levels up to 2020 for Cheshire and Warrington and for Chester on the basis of the CWEA and NWEFP growth rates set out in Section 3. Applying sub-region-wide employment growth rates to Chester results in an increase of just over 4,000 jobs from 2010-20 (CWEA estimates) and under 1,000 (NWEFP estimates). However taking account of Chester's favourable industrial structure compared to other parts of the sub-region increases these estimates to around 6,300 and 3,000 respectively. It should be emphasised that these are very general estimates based on the average annual growth rates put forward in the two economic reviews set out above. They are workplace-based estimates including self-employment.

Table 5.1 Cheshire and Warrington and Chester: forecast job growth 2010-2020

	Cheshire and Warrington		Chester		Chester (taking account of industrial structure)		Best estimate
	CWEA	NWEFP	CWEA	NWEFP	CWEA	NWEFP	
2010	484,000	484,000	79,000	79,000	79,000	79,000	79,000
2011	486,420	484,000	79,395	79,000	81,556	79,000	79,463
2012	488,852	484,000	79,792	79,000	81,963	79,000	79,926
2013	491,296	484,000	80,191	79,000	82,373	79,000	80,390
2014	493,753	484,000	80,592	79,000	82,785	79,000	80,853
2015	496,222	484,000	80,995	79,000	83,199	79,000	81,316
2016	498,703	484,968	81,400	79,158	83,615	81,312	81,779
2017	501,196	485,938	81,807	79,316	84,033	81,475	82,243
2018	503,702	486,910	82,216	79,475	84,453	81,638	82,706
2019	506,221	487,884	82,627	79,634	84,875	81,801	83,169
2020	508,752	488,859	83,040	79,793	85,300	81,965	83,632
2010-2020	24,752	4,859	4,040	793	6,300	2,965	4,632

Source: Derived by applying CWEA/NWEFP growth rates to 2010 baseline workforce data from NOMIS.

5.2 The CWEA-based estimates pre-date the credit crunch and recession. The NWEFP estimates take account of the impact of recession but may arguably present too pessimistic a picture in the light of 2008-2010 outturns. This has been addressed in part by basing the estimates on the most up to date 2010 jobs base. A forecast of 2010-2020 growth mid-way between these two alternatives represents about 4,600 additional jobs. Both the CWEA and NWEFP reports stress the uncertainty inherent in economic forecasting especially at present and this should be borne in mind. In addition, it should be noted that this is a relatively small volume of growth in comparison to growth over the last decade. The estimated total of jobs in the City grew very rapidly from 75,000 in 2000 to 81,000 in 2004 before falling to 78,000 in 2007.

5.3 Table 5.2 shows the GVA and employment growth aspirations set out in Cheshire West and Chester's *Unleashing the potential* strategy. Although based on the Cheshire and Warrington Econometric Model, these are *aspirations* for the area rather than trend-based *forecasts*. However the overall level of growth for the sub-region - 22,000 jobs between 2010 and 2030, or just under 15,000 up to 2020 assuming even growth over the whole period. This falls within the range projected by the CWEA and NWRFP forecasts, although closer to the upper than the lower end. The data is not broken down to give figures for Chester alone, but anticipates growth of 11,000 jobs up to 2030 in the Cheshire West and Chester area.

Table 3.1 Unleashing the potential: employment aspirations

	GVA (£million, 2006 prices)				Employment (000s)			
	Base Year	2030	Change	% change	Base Year	2030	Change	% change
Cheshire East	7,882	13,536	5,653	72%	188	197	9	5%
Cheshire West & Chester	6,129	9,238	3,109	51%	168	179	11	7%
Warrington	4,667	7,035	2,367	51%	130	132	2	2%
Cheshire & Warrington	18,679	29,809	11,130	60%	486	508	22	5%

Source: Unleashing the potential, Figure 4

6 Demographic Trends

6.1 Both the CWEA and NWEFP estimates of employment growth include reference to related changes in the overall population and to a decline in population of working age. In addition, trend-based estimates of population and households are available from ONS/CLG. This section looks at these population estimates and their implications for future household growth.

6.2 ONS produce sub-national population projections every two years, based on and controlled to national population projections. The most recent available are the 2008-based projections. CLG prepare household estimates applying assumptions about trends in household formation to the population projections, and new 2008-based household projections have recently been issued.

6.3 ONS population projections are based on recent trends in births, deaths and migration. They are controlled to regional and national projection totals. Recent projections have been heavily influenced by increases in birth rates and longevity, and by high levels of net in-migration to the UK in the early 2000s. For England as a whole the 2004-based projections produced a population estimate for 2008 which was 0.6% higher than that produced by the previous 2003-based projections, and a figure 1.2% higher for 2020. The 2006-based projections produced further increases of 0.5% (2008) and 3.7% (2020). Reflecting reduced migration levels from 2007 onwards, the 2008-based projections showed a slight fall in 2008 (0.04%) and a larger reduction in 2020 (0.6%). Recent ONS migration reports¹⁰ show that levels of economic migrants have fallen further during 2009-2010 so the 2008-based estimates are likely to be too high in most areas. This is supported by the fact that ONS estimates are higher than those produced by CWEA and NWEFP (see below).

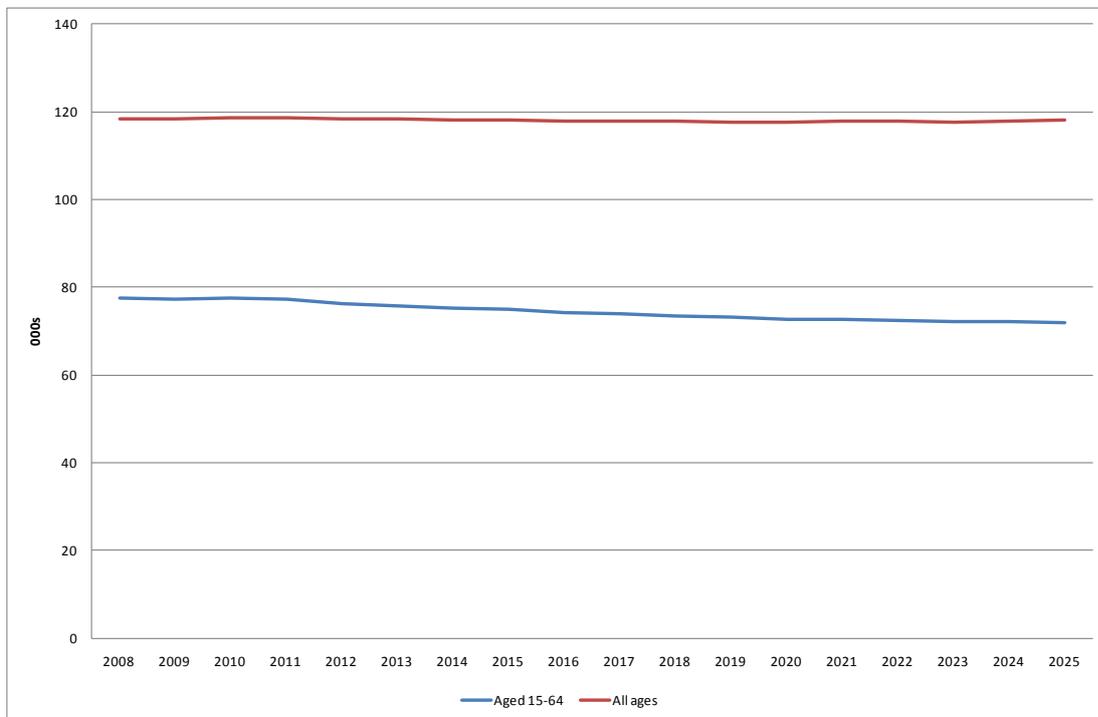
6.4 Figure 6.1 shows projected population growth for Chester over the 2008-2025 period from the most recent (2008-based) ONS projections. Chester's population is projected to remain more or less static at about 118,000 over the whole period, having fluctuated only slightly from this figure over the whole period since 1981. This is one of the lowest rates of population growth in the North West, comparable with rates in areas of economic decline rather than growth and prosperity like Chester. This surprising outcome is brought about by long-standing restrictions on the scale of new housing development in the City, rather than by weak demand.

6.5 The population between 15-64 is projected to fall from 77,600 to 72,000 (a fall from 66% to 61% of the total population). This broadly demonstrates the scale of the decline in the working age population, setting aside changes in the actual date when entitlement to state pension begins. This is discussed further below.

¹⁰ See the quarterly ONS Statistical Bulletin *Migration Statistics: Quarterly Report*.

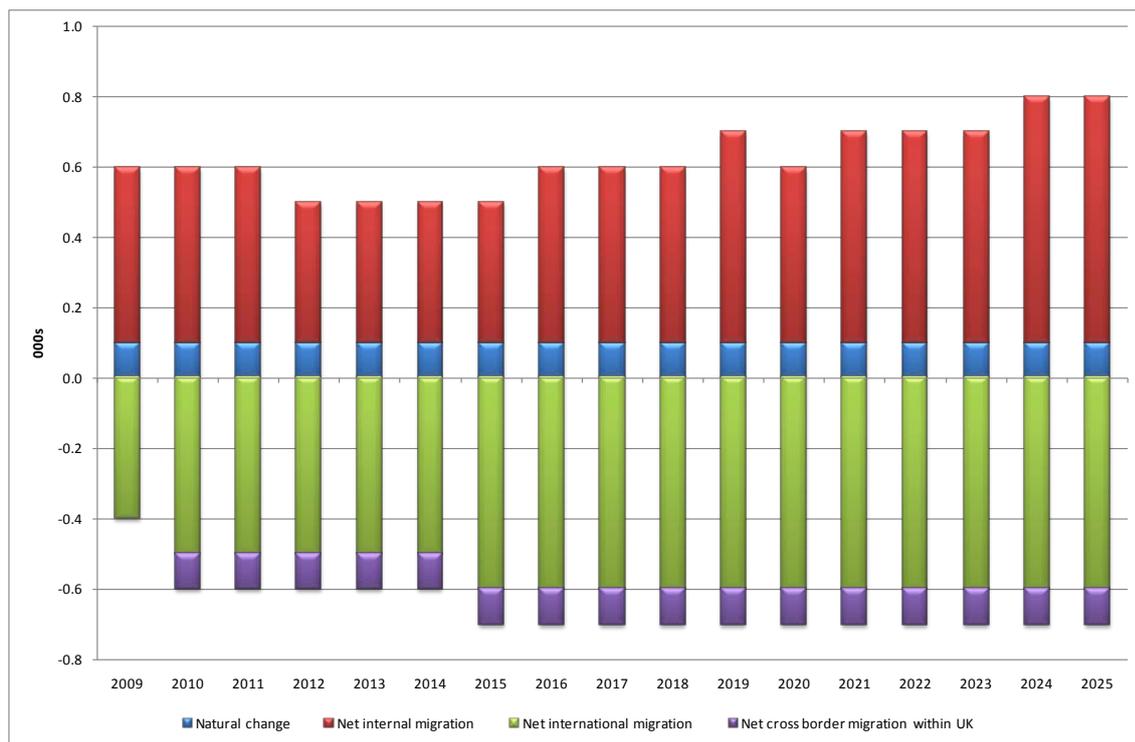
6.6 Figure 6.2 shows the components of projected population change over the 2008-2025 period. Natural change results in a slight surplus of births over deaths, but gains from net internal migration (from other areas in England) are the main projected source of growth. This growth is presumably accounted for by the draw exerted by Chester's higher and further education facilities, and by its employment opportunities. Cross-border migration (to/from Scotland/Wales and Northern Ireland) shows a consistent small loss, perhaps lower than might be expected given Chester's position adjacent to Wales. International migration is projected to show a net loss of 400-600 people per year. This represents a return to the position in 2001-02 prior to the growth of economic in migration from the A8 States and may exaggerate the likely long-term loss, depending on the scale and type of employment growth in the City in the future.

Figure 6.1 Total population and population 15-64, 2008-2025, Chester



Source: ONS 2008-based sub-national population projections

Figure 6.2 Components of projected population change 2009-2025, Chester



Source: ONS 2008-based sub-national population projections

6.7 Table 6.1 shows projected changes in the total population and in the population aged 15-64 for Chester compared to the projections for adjacent authorities (distinguishing the former Cheshire authorities) and including Wrexham and Flintshire. Very broadly, Crewe and Nantwich, Warrington, Vale Royal, Macclesfield and Wrexham are the projected high growth locations (10% or more), Congleton, Macclesfield and Liverpool have single figure rates, Chester and Flintshire have low rates, with Ellesmere Port and Wirral projected to have negative growth. In terms of the population aged 15-64 however, the picture is of mainly negative growth rates except in Warrington, Crewe and Nantwich and Wrexham. With Wirral, Ellesmere Port and Chester projected to experience falls of more than 10%.

Table 6.1 Projected population change 2008-2033

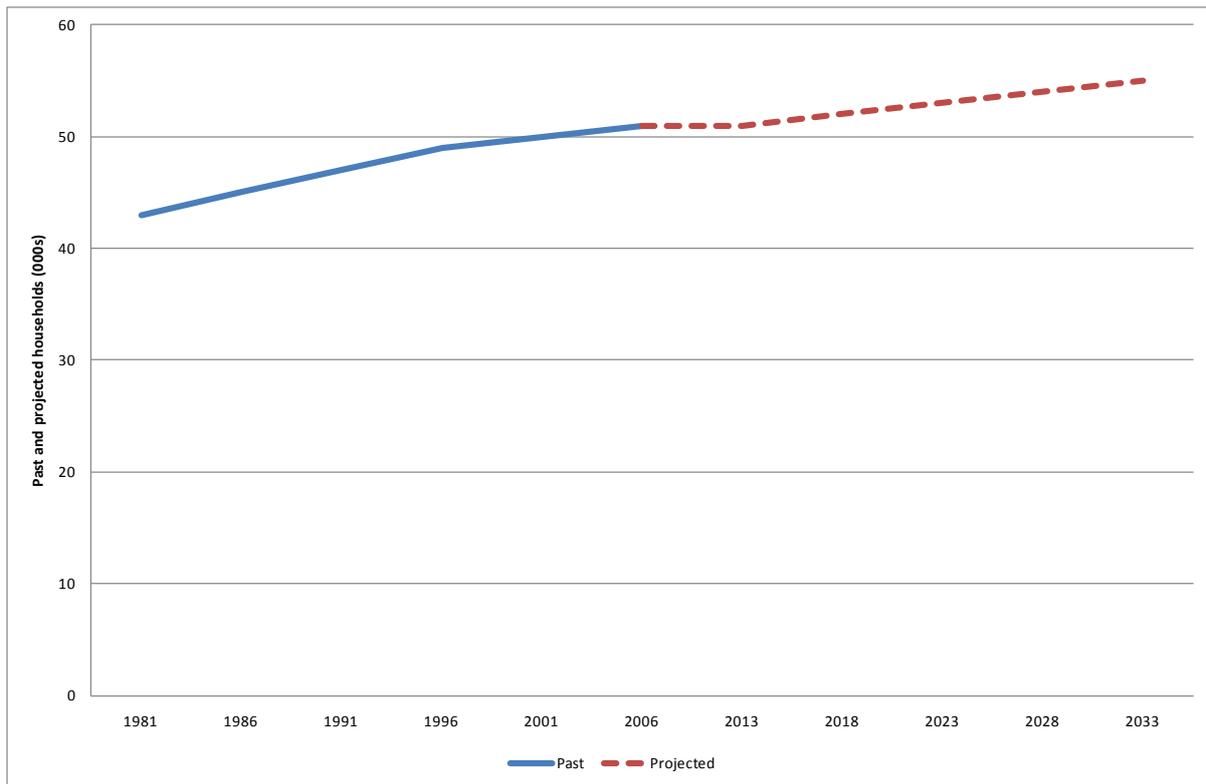
Projected change in population 2008-2033	All ages		Aged 15-64	
	000s	%	000s	%
Chester	0.6	0.5	-7.9	-10.2
Ellesmere Port	-0.8	-1.0	-7.7	-14.8
Vale Royal	14.9	11.7	-3.0	-3.6
Warrington	25.5	13.0	0.8	0.6
Congleton	7.7	8.3	-5.5	-9.2
Crewe and Nantwich	23.3	19.8	5.1	6.6
Macclesfield	15.9	10.5	-2.9	-3.0
Halton	5.9	5.0	-6.2	-7.8
Liverpool	24.5	5.6	-1.7	-0.6
Wirral	-4.8	-1.6	-27.4	-14.0
Wrexham	18.7	14.1	1.3	1.5
Flintshire	2.4	1.6	-13.0	-13.2

Sources: ONS 2008-based sub-national population projections, Welsh Assembly Government 2008-based local authority population projections

6.8 Figure 6.3 shows past and projected household growth. Despite the static population, the number of households in Chester has grown steadily since 1981, averaging about 320 households per annum, largely because of reductions in average household size. The rate of growth fell in the 2001-2006 period to about 200 per annum. Growth is projected to remain at this lower level over the 2008-2033 period. These projections represent, for Chester, a significant reduction in the projected household growth rate compared with the previous 2006-based projections (amounting to a reduction of about 7,000 households in 2031).

6.9 As with population change, this low rate of growth is difficult to square with Chester's recent economic growth. It arises because the projections take forward past trends in household formation, and thus reflect the tight dwelling supply position in the City in the past, especially in the 1990s. ONS and CLG projections are essentially trend-based but this does not mean that they are policy independent. Past, perhaps still current, policies which have impacted on recent trends are implicitly taken into account. However the projections do not take account of future developments such as the Growth Point status secured by Cheshire West and Chester in 2009.

Figure 6.3 Past and projected household growth, Chester



Source: CLG Mid-year household estimates, CLG 2008-based household projections

6.10 A further perspective on household change in Chester can be obtained from data on recent changes in the dwelling stock. Table 6.2 shows various sources of data on dwelling stock change. HSSA returns¹¹ show implied changes in the size of the overall dwelling stock in Chester year by year. This averages 370 dwellings per annum. CLG stock change data from 2004-2009 averages 360 net additional dwellings per annum, and RSS monitoring data averages 400 new and converted dwellings per annum. CLG new housing completions data averages a lower figure – 170 dwellings per annum. If net additions from all sources averaged around 350- 400 over the 2001-2009 period this suggests that estimates of recent household growth are too small, which would correspondingly reduce future projections based on these estimates.

¹¹ HSSA returns are made annually by local authorities to CLG and include estimates of the overall dwelling stock. These are derived from a variety of sources including Council Tax data.

Table 6.2 Dwelling stock change in Chester 2001-2009

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
HSSA returns (CLG various tables)	53,007	53,525	53,800	54,193	54,951	55,211	55,256	55,602
HSSA annual change	NA	518	275	393	758	260	45	346
CLG stock change data (CLG Live Table 122)	NA	NA	NA	486	585	243	203	275
CLG Completions (CLG Live Table 253)	NA	NA	NA	140	210	80	170	260
RSS AMR new and converted (4NW)	NA	329	388	505	605	332	354	286

Sources: CLG HSSA returns and Live Tables 122 and 253, 4NW 2008-09 RSS Annual Monitoring Return

6.11 Compared to other authorities, dwelling stock increases in Chester have been neither notably low or notably high in recent years (Table 6.3), totalling 44 dwellings per 1,000 over the six years from 2003-2009. In the Cheshire and Warrington sub-region, Warrington and Crewe had the highest rates of addition to stock. Rates in Liverpool and Halton were also high. Despite the tight constraints on Greenfield development in Chester arising from Green Belt and the wider national policy towards re-use of Greenfield land, Chester had a higher rate of addition than Wirral, Macclesfield, Congleton or Ellesmere Port and Neston.

Table 6.3 New and converted dwellings

	Total stock in 2008-09	New and converted dwellings 2004-09	Additions per 1,000 dwellings
Chester	55,602	2,470	44.4
Congleton	40,691	1,424	35.0
Crewe and Nantwich	52,633	4,484	85.2
Ellesmere Port and Neston	35,645	1,507	42.3
Halton	54,096	3,378	62.4
Liverpool	214,767	14,401	67.1
Macclesfield	70,892	2,459	34.7
Vale Royal	54,638	2,306	42.2
Warrington	87,553	7,643	87.3
Wirral	145,427	3,797	26.1

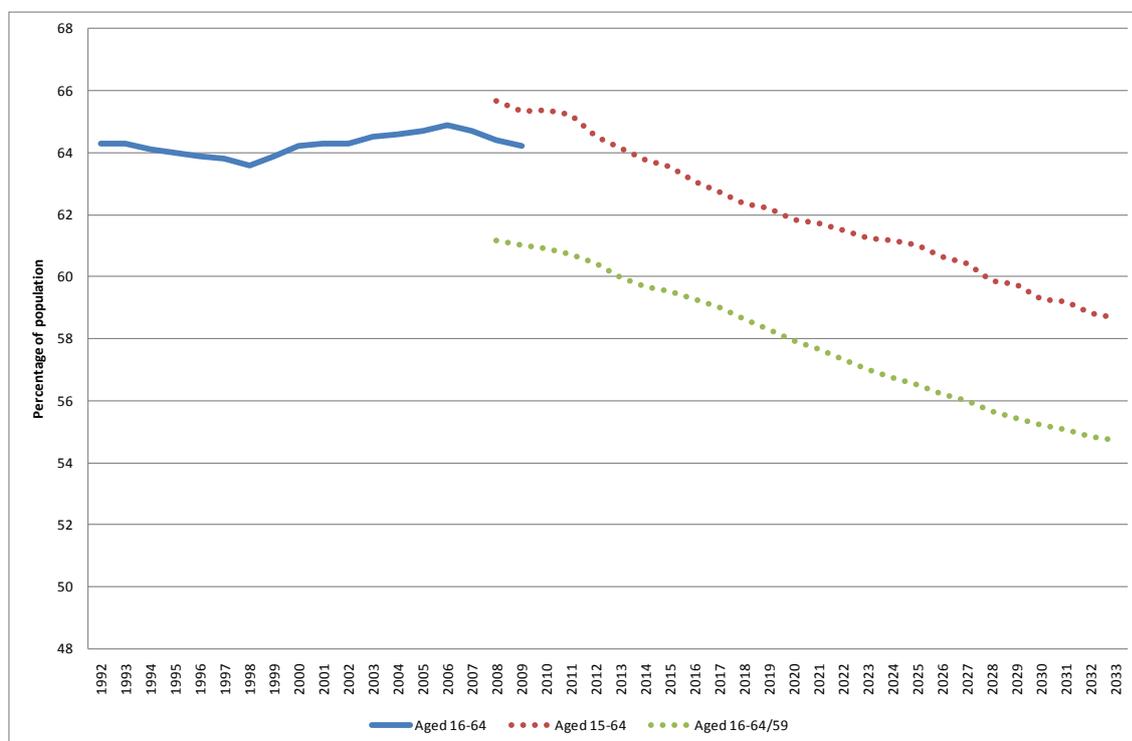
Source: 4NW 2008-09 RSS Annual Monitoring Return

6.12 CWEA and NWEFP economic forecasts also make reference to population growth at sub-regional level. The CWEA report notes that population projections based on its economic forecast show growth of 0.2% per annum. This is lower than those produced by ONS (0.3% per annum). However this comparison relates to ONS's 2004-based projections. ONS 2008-based projections for the sub-region average 0.38% per annum up to 2033 and an even higher rate (0.40%) up to 2025. So the difference between the two on the basis of the most recent ONS projections is even greater than reported. According to the CWEA report, its population forecasts use ONS data on rates of natural change, but lower rates of net migration than ONS. This is based on a more pessimistic view of the relative economic

prospects of each region in the UK, by implication taking account of the narrowing of the GDP gap between the sub-region and the UK in the early 2000s.

6.13 The NWEFP anticipate annual population growth of 0.1% per annum from 2008-2015 and 0.2% from 2015-2030. These rates are similarly lower than those in the current ONS forecasts. Both economic forecasts are thus less positive about population growth than ONS. They imply a slower rate of decline in the working age population than projected by ONS, or higher rates of economic activity. In Chester, ONS forecast a fall in the population aged 15-64 from 65.7% of the total in 2008 to 58.7% in 2033, on average 0.3% per annum. In practice, the proportion of the population aged 16-64 (note the difference in the starting age) has remained in the range 64.2%-64.9% since 2000 according to ONS mid-year estimates. There were steady increases from 2000-06, followed by a subsequent downwards trend. This suggests that in-migration by young people in the early 2000s stemmed the decline in the number of people of working age but that the picture has reverted to its longer term trend as migration has declined with the worsening economic picture. This suggests that economic growth and population growth are closely linked and likely to remain so in the future, and that the population estimates in both CWEA and NWEFP reports are too low, or rather that the concern expressed in both reports about the impact of population ageing on the future economic prospects is well-founded.

Figure 6.4 Past and projected changes in population of working age, Chester



Sources: ONS Mid-year population estimates and 2008-based sub national population projections

7 Implications of the Economic Forecasts

7.1 In this section the patterns of future employment change and demographic change set out above are considered in more detail and used to derive a set of alternative scenarios of future household growth in Chester.

7.2 Table 7.1 column 1 shows the baseline position in Chester in 2009 using data from the Annual Population Survey, the Annual Business Inquiry, ONS mid-year population estimates, and CLG household estimates. In 2009, there were 79,000 people working in Chester, and 43.4% of these lived locally. The number of residents working was 58,900, so just under 25,000 people commuted out. The population of the City was 118,700 so 59,800 people lived in Chester but did not work. There were 3,900 unemployed people and 3,100 people who were economically active but wanting work, representing 10.7% of the City's potential labour force¹². Hence just under 50% of the population worked, and there were about 1.34 jobs per worker (because of the large level of net inward commuting). There were 51,000 households with just over 2.33 persons per household.

7.3 The proportion of people unemployed and inactive but wanting work has increased substantially since the beginning of 2005, when it stood at 5.7%, or 3,700 people. Given the economic situation at that point, this represents the minimum level of unemployment/inactivity taking into account skill shortages and mismatches. The subsequent increase (3,300) represents the impact of the 2008-09 recession and is assumed to represent a significant supply of additional labour resident within the City available to respond to future jobs growth.

7.4 Looking forward to 2020, a **Demographic** scenario (columns 2 and 3) based on ONS 2008-based population projections and CLG 2008-based household projections indicates a decline of about 1,000 in the City's population, but an increase of approximately 1,500 households, as a result of declining household size. However the population aged 16-64 is projected to decline by 5,700, forming only 60.5% of the population. Assuming that the current proportion of people aged 16-64 are working, this implies a fall in the labour force of over 3,800, slightly in excess of the current unemployed/inactive labour supply (3,300).

7.5 Columns 4-13 show five additional scenarios based on employment growth trends, setting aside the Demographic scenario assumptions. The **Trend** scenario (columns 4-5) assumes a target workforce of 83,600 in 2020 with patterns of commuting remaining unchanged from the 2009 position. This implies about 3,453 more people living in Chester in employment in 2020. This translates directly to 1,542 additional households at the 2020 projected average household size of 2.24, but reality the working population represents only a proportion of the total population. In 2009, only about 50% of the population was working. Assuming that the ratio of workers to population remains the same in 2020

¹² The potential labour force is assumed to be all those economically active and those inactive but wanting work.

suggests an increase of 5,098 households. The Trend scenario thus produces household growth levels well in excess of the figure derived from the Demographic scenario.

7.6 The Trend scenario implies that the creation of additional jobs in Chester will attract additional workers and thus additional households. There are several possible variations on this. The new jobs could attract fewer dependents such as non-working partners or children. It is questionable whether population growth associated with new jobs will be associated with the same proportion of dependents (or indeed wholly non-working households) as there are in the existing population, which includes many retired people. The **Fewer Dependents** scenario in Table 7.1 (columns 6-7) shows the outcome if the number of dependents generated by jobs growth is only 50% of the 2009 rate. This reduces the number of new households in 2020 to 4,315, 783 less than in the Trend scenario. It results in increases in the proportion of the population of Chester aged 16-64 and in the proportion of these people who are working, from 77 to 78%. This may be a more realistic outcome than the Trend scenario, depending on the age profile of in-migrants.

7.7 The Trend and Fewer Dependents scenarios do not take account of additional labour supply from those currently unemployed or inactive but wanting work. This is illustrated by increasing the proportion of people working from 77% to 81% of the 16-64 population, whilst assuming that the 16-64 population remains unchanged as a proportion of the total. Under this **Higher employment rate** scenario (columns 8-9) there is a much smaller increase in population and households in 2021 – 2,529 compared to 5,098 under the Trend scenario. This scenario does not absorb all of the 2009 unemployed/inactive wanting work population, but does assume that around two thirds of the 2005-2009 increase in this group (see paragraph 7.4) enters the labour force.

7.8 Under these scenarios, commuting patterns are assumed to remain the same proportionately. If commuting levels remain constant in the future, about three quarter of new jobs will be taken up by people who will live in the City – the remaining growth will be commuters from outside. A higher level of sustainability would be achieved if more people lived and worked in the City. But in 2009, almost 25,000 people living in Chester commuted to work in other areas. Improvements to the sustainability of travel would require this number to reduce, and for these commuters to take up some of the new local employment. Over the last three decades, levels of commuting across local authority boundaries have risen very substantially, but the range of factors which will influence future commuting preferences and behaviour is very wide, including the quality of public transport, the costs of motoring, attitudes to the use of the car, the nature of employment opportunities, and of course, housing costs and availability. To show the implications of this, Table 7.1 (columns 10-11) also shows a **Reduced Inward Commuting** scenario, which assumes all new jobs created up to 2020 are taken up by people living in the City. This leads to a much higher level of household growth (6,158) than the Trend scenario and is arguably not realistic.

7.9 Table 7.1 (columns 12-13) also shows the impact on commuting levels of the opposite option, if all new employment is taken up by people living outside the City under a **No Population Growth** scenario. The only factor driving an increase in households is falling household size (growth of 1,991 households).

7.9 The final example in Table 7.1 is a **Combined Demographic-Economic** scenario (columns 14-15). This accepts the decline in the population aged 16-64 forecast by ONS, assumes the Trend scenario's level of employment growth, but allows for a return to the 2005 percentage of people unemployed or inactive but wanting work. This implies population and household growth in excess of the ONS Demographic scenario, in order to compensate for demographic decline, but below that of the Trend employment scenario, in order to allow for some take up of new jobs from the existing population. The population of Chester under this scenario would be just over 124,000 in 2020 and household growth would be over 4,390. This scenario represents what would happen if, for example, the *Unleashing the potential* aspirations were to be achieved whilst accommodating Chester's share of growth within the City. Growth could be modified through any, or a combination, of:

- Reduced employment growth or the transfer of growth to areas outside the City.
- Measures to achieve higher labour force participation rates (both by those in the 16-64 group and those over this age) than those prevailing in 2005.
- Increased levels of inward commuting.

7.10 The Combined demographic-economic scenario represents annual average household growth of 411 dwellings over the period to 2020, allowing for a 3% vacancy rate. This level of growth is close to the RSS target rate of 417 per annum¹³. It represents a higher level of growth than the rate achieved since 2001, except in the two year period from 2004/06. The implications of this and comparisons with the findings of the SHLAA are discussed below.

¹³ At the time of writing the RSS target remains in force, but the government has announced its intention of removing its statutory function as soon as possible.

Table 7.1 Alternative household growth scenarios

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
	2009							2020								
	Demographic			Trend		Fewer dependents		Employment-based Higher employment rate		Reduced Inward Commuting		No Population Growth		Combined Demographic- Economic		
	Base															
	No.	No.	Incr	No.	Incr	No.	Incr	No.	Incr	No.	Incr	No.	Incr	No.	Incr	
Works in Chester	79,000			83,632	4,632	83,632	4,632	83,632	4,632	83,632	4,632	83,632	4,632	83,632	4,632	
Lives and works in Chester	34,286			36,296	2,010	36,296	2,010	36,296	2,010	38,918	4,632	34,286	0	36,296	2,010	
Commutes in	44,714			47,336	2,622	47,336	2,622	47,336	2,622	44,714	0	49,346	4,632	47,336	2,622	
Commutes out	24,614			26,057	1,443	26,057	1,443	26,057	1,443	24,614	0	24,614	0	26,057	1,443	
Lives in Chester and works Lives in area but doesn't work	58,900	52,680	-6,220	62,353	3,453	62,353	3,453	62,353	3,453	63,532	4,632	58,900	0	62,353	3,453	
Unemployed and inactive but wanting work	59,800	65,020	5,220	63,306	3,506	61,553	1,753	57,552	-2,248	64,503	4,703	59,800	0	61,720	1,920	
	7,000			7,000		7,000		4,750		7,000		7,000		3,700		
Total population	118,700	117,700	-1,000	125,660	6,960	123,907	5,207	119,906	1,206	128,035	9,335	118,700	0	124,073	5,373	
Population aged 16-64	76,200	71,260	-5,720	80,668	4,468	79,791	3,591	76,980	780	82,198	5,998	80,668	4,468	80,933		
Households	51,000	52,500	1,500	56,098	5,098	55,315	4,315	53,529	2,529	57,158	6,158	52,991	1,991	55,390	4,390	
% population aged 16-64	64.2	60.5		64.2		64.4		64.2		64.2		64.2		65.2		
Population working as % of 16-64 population	77.3			77.3		78.1		81.0		77.3		77.3		77.0		
% Chester working population working in City	43.4			43.4		43.4		43.4		46.5		41.0		43.4		

Sources: Annual Population Survey, Annual Business Inquiry, Commute-APS (2009 data), ONS 2008-based population projections, CLG 2008-based household projections, CWEA and NWEFP economic forecasts.

8 Implications for Housing tenure and affordability

8.1 None of the economic forecasts/growth strategies provide precise details of the sectoral and occupational profiles of future employment. CWEA conclude that the strongest growth in employment in Cheshire and Warrington is expected in retailing (6,700 additional jobs), followed by health and social work (5,700), banking and finance (5,000), non-financial business services (4,900) and computing services (4,300). NWEFP suggest that employment growth in the pharmaceuticals sector has reached its peak and is at risk of future decline, and jobs in the automotive sector are at risk. These changes are likely to have a long-term negative impact on manufacturing employment. Sectors with good long-term prospects for employment growth are computing/ICT/media, health services, culture/recreation, and environmental technologies/services. The forecasts do not break down employment within the sub-region to provide forecasts for Chester in isolation, but CWEA refer to the development of OMEGA in Warrington as significant in relation to construction and banking/financial services employment.

8.2 *Unleashing the potential* has a stronger spatial dimension to its proposals. It proposes that growth should be achieved through the expansion of key existing urban settlements, including Warrington, Crewe, Chester and the Deeside Hub, and Ellesmere Port. For Chester, the report stresses the need to reinvigorate the contribution of Chester to the cultural, heritage and visitor economy of the sub-region, as well as extending its offer as a high quality office location, and an important retail destination. It also suggests that Ellesmere Port should effectively serve as Chester's growth point development zone through the re-use of the stock of brownfield land released as a result of the decline of previous industrial uses. This might imply a lower level of employment growth for Chester.

8.3 In addition, the strategy indicates that:

- The area also has a flexible and entrepreneurial population with high levels of business formation. The aim is to build on the area's skilled/educated workforce and the strong representation of higher occupational groups (managers, professionals, and technical staff) which is already significantly above the average for the NW and the UK.
- There is already a strong knowledge economy with the Northwest's highest proportion of knowledge economy workers and high technology businesses; and a very strong business base with strengths in advanced manufacturing, financial and insurance services, public administration and health and the visitor economy.
- The strategy will sustain and increase the contribution of Chester to the cultural, heritage and visitor economy of the sub-region, and extend its offer as a high quality office location, and an important retail destination. The impact of this will extend beyond the sub-regional boundary into Wrexham and Flintshire.

8.4 The main components of the strategy relating to Chester are:

- New, high quality business accommodation at the heart of Chester.
- Regeneration of the area around the Chester Station.
- Making Chester a world class European city and a beacon of retail quality, range and distinctiveness
- Improving the visitor and cultural offer, including the development of flagship attractions such as the Chester Zoo Natural Vision Project, delivering the master plans for development of the Cathedral Quarter, the Rows and Castle.
- Delivery of the Northgate redevelopment and Amphitheatre to ensure Chester retains its long-term competitiveness as a retail and historic centre.
- Development of a new theatre/performing arts centre, a conference centre and an improved programme of events.
- Increasing the proportion of new knowledge-based employment, the diversity of employment, innovation, HEI links and cluster development.
- Identification of key sectors requiring expanded support, in particular Energy and Environmental Technologies, to take advantage of developments such as the Capenhurst Energy Innovation Centre.
- Development of life/biosciences, advanced materials, digital/ICT and financial and professional services.
- Building on educational excellence, particularly by making more effective use of the University of Chester and by supporting the redevelopment of the West Cheshire College site in Handbridge.
- A range of measures to improve workforce skills and employability and to provide employment opportunities for local people to address pockets of deprivation and worklessness.

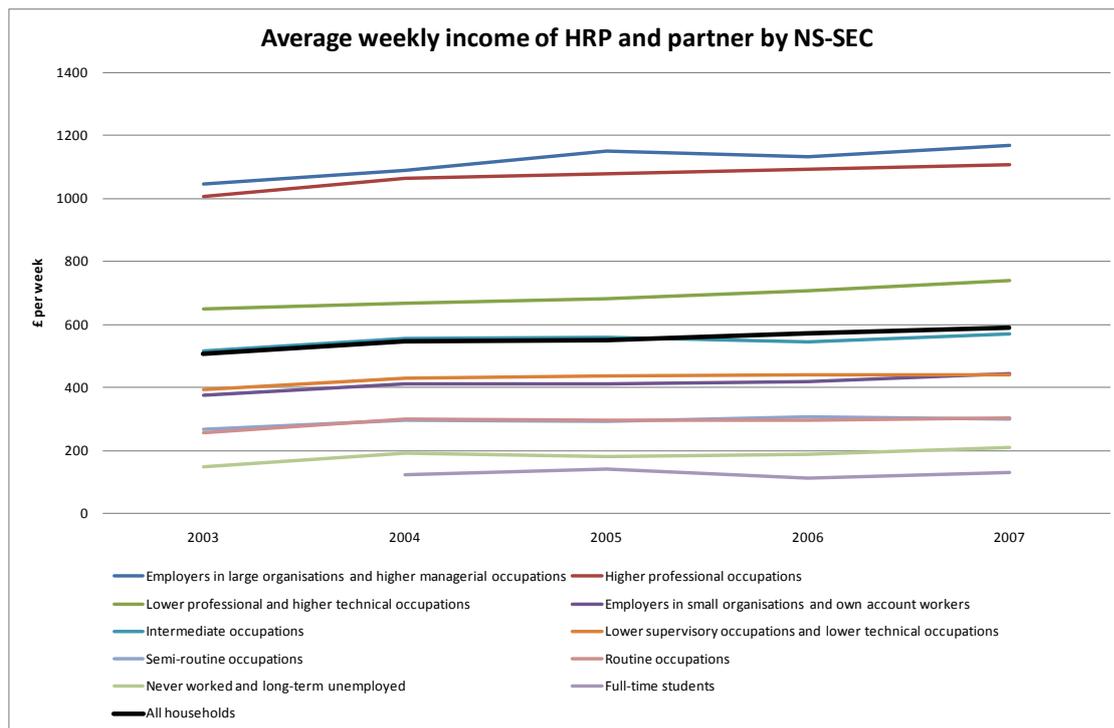
8.5 We conclude from these sources that the highest rates of growth in employment are likely in retailing, health and social work, banking and finance, non-financial business services, computing services and leisure and tourism. This suggests a mixed picture in terms of the composition of employment with both high and lower skilled employment, but with the strongest growth in knowledge-based sectors and other sectors requiring a more highly-skilled workforce. The demographic picture suggests that we need to take account of the turnover of employment as well as the projected marginal additions to employment. This is especially necessary given the ageing population of Chester and the extent to which people

will leave existing jobs as a result of retirement over the next decade. The scale of decline in the existing working age population is greater than the growth in forecast employment.

8.6 To examine how these changes will impact on housing demand, we firstly examine the current linkages between incomes, occupational and age structure. To do this we must draw on national data as local trend data is not available. This must then be interpreted to take any potential local differences into account.

8.7 Looking firstly at occupational structure and income, Figure 8.1 below shows average incomes by broad occupational group (NS-SEC) over the 2003-2007 period, drawing on national data from the Survey of English Housing. This shows the expected pattern with higher incomes consistently found in the employer, higher managerial, and higher professional occupational groups. There was little change in relative income positions nationally over the period shown. Clearly, the aspiration to increase the proportions of those in employer, higher managerial, and higher professional occupational groups will, if achieved, create higher average incomes in the City.

Figure 8.1 Average weekly income by NS-SEC

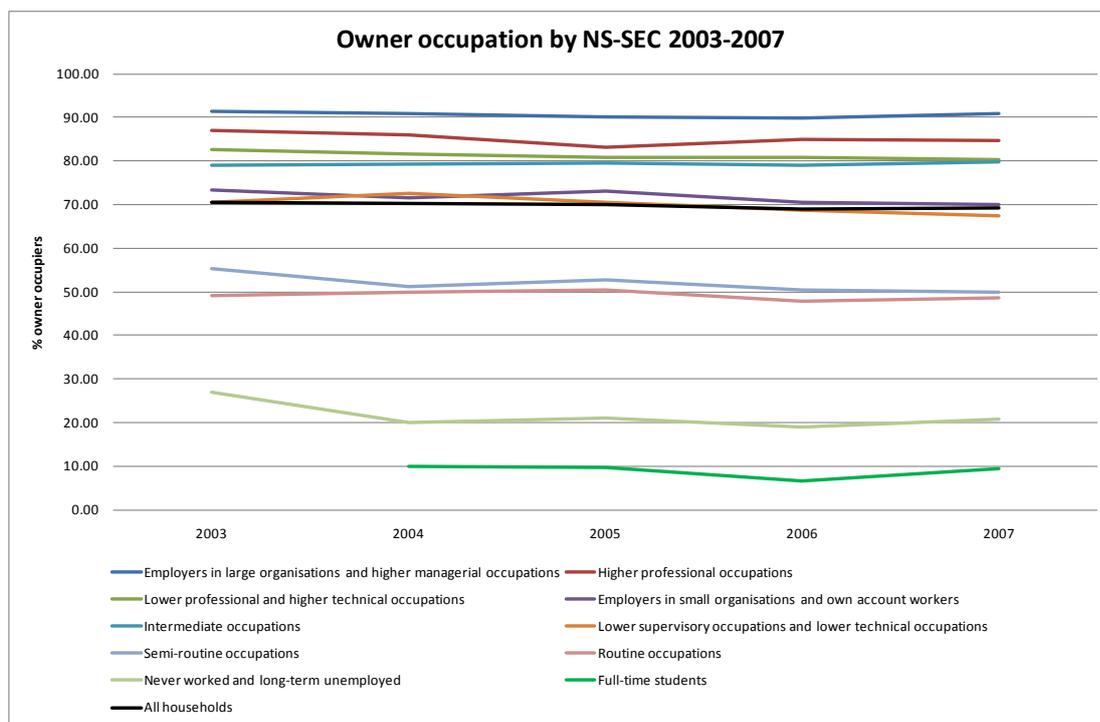


Source: Survey of English Housing

8.8 As Figure 8.2 shows, households in these groups are highly likely to live in the owner occupied sector. There was an overall slight decline in the national rate of owner occupation from 2002-2007, so most occupational groups experienced a decline in their owner occupation rate. However the largest falls occurred amongst lower supervisory and lower technical occupations, semi-routine occupations, people who have never worked, long-term unemployed people, and full-time students. This suggests that these groups will be more

significantly affected by any further future decline than those in the managerial, professional and employment occupational groups. As a corollary, the most significant increases in rates of private renting and social renting over the same period also occurred amongst these groups. People in these occupations have thus suffered most from rising prices in relation to incomes, and increased competition from investors.

Figure 8.2 Owner occupation rate by NS-SEC



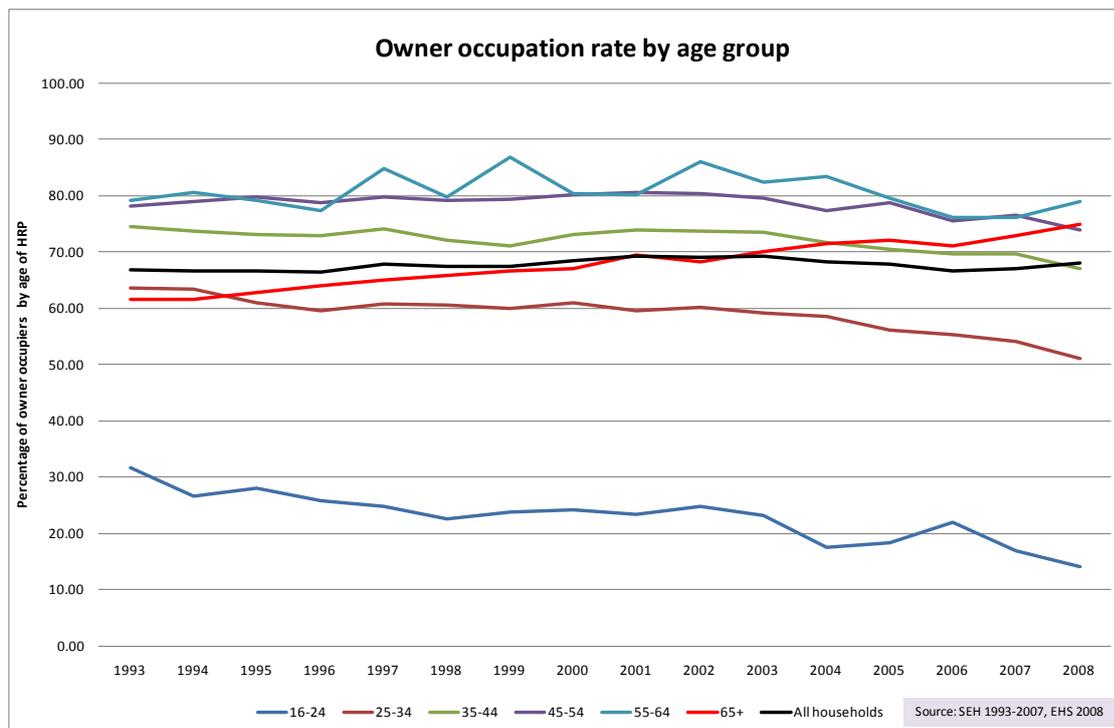
Source: Survey of English Housing

8.9 The private rented sector has historically had a function in housing some households from managerial, professional and employment occupational groups, especially younger people at an early stage in their careers with high mobility levels, and this is likely to remain the case. For example, 13% of people in higher professional occupations and 11% of people in lower professional and higher technical occupations rented privately in 2007. However these proportions have remained constant over time despite the overall growth in levels of private renting.

8.10 Although occupational structure is very important in determining the nature of housing demand, age group is also important. Figure 8.3 below shows changing rates of owner occupation by age group, again drawing on national data. All age groups below 65 have experienced a fall in their rate of owner occupation, but by far the largest falls have occurred in the 16-24 and 25-34 age groups. The first of these has always had a relatively low ownership, but despite this has experienced an 18 percentage point fall over the 1993-2008 period. The ownership rate for the 25-34 age group has fallen by 12 percentage points but from a higher base. There is a cohort effect to home ownership rates, with increasingly fewer people leaving the sector after the age of about 45. Despite this, rates of

homeownership have also fallen for those aged 45-64, probably as a result of increasing rates of divorce and separation rather than the increase in average prices which has constrained younger households. The same cohort effect has resulted in an increase in the rate of ownership amongst those aged 65 and over, as those who benefited from the rapid growth of home ownership from the 1970s to the 1990s enter old age.

Figure 8.3 Owner occupation by age of HRP



Source: Survey of English Housing, English Housing Survey

8.11 There is debate over the causes of the sharp decline in ownership rates amongst younger households and these extent to which this is a matter of choice or otherwise, and also over the extent to which this represents a postponement of entry into home ownership rather than a permanent reduction. It seems unlikely, given the financial benefits of home ownership, that many households have made a permanent long term choice not to enter the sector. It is more likely that the lower rates of home ownership are caused by the inability of younger groups to afford to enter home ownership. Table 8.1 illustrates this, but breaking down changes in home ownership rates by age *and* occupational group. Younger households have experienced the greatest rates of decline for each occupational grouping, but younger households in the large employer, professional and intermediate group have experienced smaller reductions than those in other groups. Hence a combination of occupational/income factors and age group factors will influence future housing demand if these trends continue.

Table 8.1 Home ownership rates by occupational group

	2003	2004	2005	2006	2007	Percentage point change 2003-2007
Percentage of owner occupiers						
Large employers, professionals and intermediate						
16-24	35.8	33.0	31.6	37.3	30.1	-5.6
25-34	71.4	71.6	68.8	68.3	66.4	-5.0
35-44	84.5	83.2	81.9	81.5	81.0	-3.5
45-54	90.1	87.6	88.3	86.7	87.7	-2.3
55-64	89.4	90.1	89.5	89.7	89.4	0.0
65+	85.7	85.2	85.3	85.1	85.8	0.1
All ages	83.5	82.8	82.2	82.0	81.9	-1.6
Small employers and lower supervisory						
16-24	40.8	30.2	32.4	34.2	25.0	-15.8
25-34	68.4	67.9	63.9	64.1	60.3	-8.1
35-44	77.7	77.3	77.3	74.6	74.1	-3.7
45-54	80.9	79.5	80.4	77.5	77.3	-3.6
55-64	80.1	81.6	81.3	80.7	80.6	0.5
65+	70.6	76.4	74.4	73.3	75.5	5.0
All ages	75.0	76.5	75.7	74.1	74.1	-1.0
Semi-routine and routine						
16-24	16.3	11.2	8.2	14.4	9.3	-7.0
25-34	38.0	33.2	34.1	31.5	28.9	-9.2
35-44	49.8	48.1	49.0	48.1	47.6	-2.2
45-54	61.3	60.3	61.0	54.4	53.4	-7.9
55-64	65.5	65.9	64.3	61.8	62.1	-3.4
65+	53.4	52.4	55.7	53.6	56.4	3.0
All ages	52.9	51.5	52.8	50.0	50.1	-2.8
Never worked, long term unemployed, students						
16-24	6.7	3.3	3.8	2.9	4.1	-2.7
25-34	20.7	5.3	11.6	5.1	4.9	-15.7
35-44	36.5	11.9	11.8	11.0	16.5	-20.1
45-54	49.2	19.4	20.7	18.6	26.5	-22.6
55-64	45.5	17.5	43.2	30.0	40.5	-5.0
65+	54.7	50.6	34.3	54.9	26.3	-28.5
All ages	32.3	38.8	22.8	16.9	21.4	-10.9

Source: Survey of English Housing

8.12 From this discussion of national trends we can draw some conclusions about the future pattern of housing demand in Chester within the overall growth levels discussed in the previous section:

- The anticipated change in occupational structure will result in an increase in average incomes over time, above the general rate of growth in earnings across the whole economy. The proportion of higher earners working in the City will increase. This suggests a continuing increase in the demand for owner occupied housing. This group will demand both higher quality private rented and owner occupied housing. Some will require flats/apartments in central locations with access to services and amenities whilst others will consume higher quality houses. Lifestyle considerations are of paramount importance in this segment of

the market. Although younger households in this group will be happy to rent privately, as they age they will increasingly seek to enter owner occupation. If they cannot access affordable housing to buy within the City, it is likely that they will seek to move out, even if they retain their existing employment. Outward movement, given the pattern of employment opportunities elsewhere in the sub-region and in the Liverpool and Manchester city regions, may reduce the size and skill levels of the available workforce in Chester.

- At the same time there will be a greater degree of polarisation in the economy between higher and lower paid employment, arising from the growth of employment in sectors such as retailing and leisure and tourism. This will lead to the creation of a larger group of low earners who will continue to require affordable housing to rent, or, depending on the relationship between house prices and income levels, to buy or part-buy.
- Some people in the City have not shared in past prosperity and some may become unemployed as a result of structural economic change, although the scope for this is limited in Chester. In most cases, affected households will experience a decline in income which will not be fully compensated for by new employment. However the impact on housing will be less severe as many will be older and will have relatively low housing costs.
- The increasing proportion of older people in the population will act as strong stabilising influence. In particular this group is likely to sustain overall rates of home ownership and high prices. There is an important policy issue in relation to the ability of older people on reduced incomes in retirement to meet housing repair and adaptation costs and other care costs but that is not our concern here.
- The ageing process and the forecast growth in employment will combine to require significant numbers of younger people to come to work in the City – a greater number in gross terms than the net level of employment growth. If this is the case, the ability of these households to enter home ownership will be relatively low and this will create a strong demand either for rented accommodation or for affordable housing to buy such as intermediate housing.
- Substantial rates of movement into private rented housing nationally have arisen from the growth in the number of students in full-time education. Anticipated growth in Chester will contribute strongly to the demand for private rented housing, unless the nature of provision changes in the future as a result of the provision of purpose built student housing; or if the proportion of students living at home increases substantially.

8.13 These considerations suggest some increase in the demand for higher quality owner occupied and private rented housing in the City, but a strong need for access to affordable housing, both to rent and to buy. The social rented sector has a potential role to play in this. Improved housing standards, better management, and the increasing difficulty of accessing home ownership have increased the demand for social rented housing in recent years, but it would be unrealistic to anticipate a major increase in the supply of affordable rented housing from this source. This suggests that the private rented sector, the intermediate sector, and the low cost mainstream market will be required to play the major part in meeting future affordable housing needs, creating both additional supply and the potential for households to trade up from the rented sector into owner occupation when their resources permit without the need to move out of the City.

9 Land Supply Constraints

Employment Land

9.1 An Employment Land Review and a Strategic Housing Land Availability Assessment have recently been completed covering West Cheshire and Chester.

9.2 The Employment Land Review¹⁴ concluded that Cheshire West & Chester has a good portfolio of employment land and premises on its business parks and industrial estates. It has a strong, active property market, although one currently stalled by the recession. The most attractive business locations are the areas close to key arterial routes and on the main business parks and industrial estates, together with Chester city centre (for the office sector).

9.3 In Chester the demand for industrial sites and premises is strong but as a result of a long term lack of employment land, the City lacks industrial units of all sizes: workshops of 0-200 square metres, grow-on space of 200-500 square metres, and larger units for SMEs of 500-2000 square metres. The lack of industrial units means there is also a lack of freehold space, even though the demand for this is currently weak. These shortages mean that some of Chester's businesses have had to migrate to Deeside and Ellesmere Port.

9.4 Chester is a key office centre. With a good supply of smaller offices of 200-700 square metres. There is a noted lack of modern schemes of above 1000 square metres and of very small suites of 50-250 square metres for micro-businesses. There are some modern schemes and some significant new developments, but the market for large city centre office schemes is untested. Chester Business Park has been the office sector flagship for the city but is close to being fully developed. There are few significant office development sites, either there or in the city centre, available at present.

9.5 Across the whole of West Cheshire and Chester there is a headline supply of 596 hectares in 103 sites, of which around 30 percent is available within three years. This land is mainly suited to industrial uses. But in practice, some land must be excluded as it is likely to be developed for specialist uses only and other sites may not actually come forward, as a result of constraints. This reduces the Cheshire West and Chester-wide supply to 370 hectares. The supply of employment land in Chester is not affected by constraints to such a great extent but it is the most limited of the three former local authority areas at 36 hectares. The study recommends that an additional 65 hectares of land should be identified in Chester including new city centre sites, and new business park and industrial estate land.

9.6 In relation to Chester the study concludes that the City seems to require a substantial amount of additional employment land. Market trends suggest that the City could accommodate a new 25 hectare industrial estate but the viability of the Bumpers Lane

¹⁴ See Employment Land and Premises Study, Cheshire West & Chester Council, BE Group October 2009.

site is questioned. However options to provide new employment land are constrained by the Welsh border and greenbelt and a lack of large scale opportunities in the city centre. The City may have to rely on Flintshire (where there is an oversupply of land) and on Ellesmere Port to satisfy industrial users. In relation to offices, the City needs new central area development and there is a major area of opportunity around the railway station to deliver new employment development in the future. However another business park is also required.

Housing Land

9.9 Turning to housing land, a Strategic Housing Land Availability Assessment (SHLAA) was published by Cheshire West and Chester Council in November 2010¹⁵. For the local authority as a whole, identified land supply in years 1-5 of the plan (2010-2015) shows a shortfall against requirements of just over 3,000 dwellings, at a revised target rate of 1,566 dwellings per annum¹⁶. By year 10, this becomes a surplus of just over 1,500 units as a result of the larger potential supply in the 6-10 year period (2015-2020). The SHLAA identifies both planning constraints and the impact of the economic climate on completion rates as factors which have led to past under-supply and the projected shortfall against revised RSS targets over the next five years (paragraph 4.5). It indicates that progress in ensuring that existing sites are built out and in bringing sites forward for years 6-10 is crucial to the achievement of existing targets and in meeting Growth Point aspirations supporting economic growth.

9.10 The SHLAA does not isolate the City of Chester from the remainder of the Cheshire West and Chester Council area. The SHLAA indicates a total capacity of 8,346 units within the wards which make up the former Chester local authority area. Of these, 15% are on sites available within five years, 59% on sites available within 6-10 years, 13% on sites available within 11-15 years, and 13% on sites available after 16 years or more. This suggests a much more significant level of under-supply in years 1-5 for Chester if taken in isolation, but a similar position to that for the authority as a whole by year 10, with a small over-provision. These calculations assume that Chester's share of the annual RSS target is 417 dwellings, close to the level of 411 required under the Combined Demographic-Economic Scenario (Table 7.1 above).

9.11 This picture implies a very tight land of land supply under which housing requirements in the City of Chester might be met in aggregate up to 2020 if all sites in the SHLAA come forward for development. Closer examination of the sites in the SHLAA identifies a several possible risks:

- The City Ward in Chester contributes 60% of the supply of land in the former Chester local authority area over the 2010-15 period, and 30% over the 2010-20 period.

¹⁵ *Strategic Housing Land Availability Assessment, Final Draft*, Cheshire West and Chester Council, 2010.

¹⁶ The revised rate takes account of the shortfall in completions over the period from 2003-2010 against the RSS target.

Most of the sites in this ward are in City Centre or Inner City locations most suitable for high density, in some cases apartment-type, development. The reduced level of demand for housing of this type is likely to result either in delays in development of lower development densities, placing the likely development yield under some pressure.

- A further 44% of sites, mainly developable between 2015 and 2020, are in Broxton or Goway Wards, outside the City, and beyond the Green Belt.
- Other major sites in or near to the City such as Bumpers Lane Tip or Lapper Field have contamination or flood risk problems associated with them or currently in competing uses.

9.12 This suggests that, in practice, the potential housing land offer for Chester is, in practice, likely to be both insufficient overall and unable to provide a range of sites suitable different sectors of the housing market, unless other sites outside the City or even outside the former Chester City Council area are deemed suitable to meet Chester's requirements. A recovery in the demand for City Centre-type accommodation and progress with the regeneration of parts of the city such as the Chester Rail Gateway could assist in meeting overall targets but this will not provide the variety of sites needed in the market. The options are either to accept that Chester's growth requirements will need to 'leapfrog' the Green Belt, or to undertake a strategic review of the Green Belt itself to identify areas which could be used to meet housing requirements. This is a short to medium term priority in order to ensure that sites are available to support economic growth as the sub-regional economy recovers and plans for its expansion are implemented.

10 Conclusions

10.1 Economic growth forecasts for the City of Chester envisage a continuation of the growth and prosperity experienced by the City's economy in recent decades, although employment is projected to grow at a slower rate than GVA. Projections anticipate net employment growth of between 3,000 and 6,300 jobs in Chester between 2009 and 2020. But the Cheshire and Warrington sub-region has established a Local Enterprise Partnership (LEP) to steer forward private sector led economic growth which, if successful, will lead to accelerated progress. Cheshire West and Chester Council also has strong ambitions to sustain and grow the area's economy within the wider sub-region. These are consistent with growth of around 4,600 jobs over the same period, with a focus on knowledge economy businesses, the tourism industry, a high quality office sector, and strong retail and services sector growth.

10.2 At the same time, ONS forecast an increasingly ageing population in Chester. This will result in a fall in the population aged 15-64 from 66% of the total in 2008 to 59% in 2033. The reduction in labour supply arising from ageing will create a much greater overall need to import labour through migration or increased commuting, in order to address the implications of the ageing labour force and to meet growth-related needs.

10.3 The economic success of Chester has resulted in a buoyant housing market. The average sale price is well above the national average and the supply of lower value properties is limited. Planning policies, notably the extensive Green Belt around the existing urban area, have limited the level of new supply and as a result, there is a high level of net inward commuting from lower value areas. The Strategic Housing Market Assessment for Cheshire West and Chester identifies affordable housing need at levels far higher than can be met by the existing affordable housing supply.

10.4 Alternative scenarios of future household growth in Chester can be produced from assumptions about population and employment growth, activity rates within the population, and patterns of commuting. Scenarios based on low levels of future household growth indicate a shortfall in the size of the future labour force in the City as a result of population ageing. This could lead to an increased level of inward commuting but might also undermine future economic growth in the City. Scenarios based on improved rates of economic activity generate a larger labour force, but require increased population and household growth, and hence more housing provision, to meet projected employment growth rates.

10.5 A Combined Demographic-Economic Scenario produced for this study takes account of the projected decline in the working age population implied by ONS projections, but seeks to accommodate employment growth at the rate aspired to by Chester West and Chester Council. The population of Chester under this scenario would be just over 124,000 in 2020, and household growth would be 4,390. This represents annual average household

growth of 411 dwellings over the period to 2020, allowing for a 3% vacancy rate. This is a rate of growth similar to previous RSS provision for the former Chester local authority, but substantially greater than recent levels of housing completions.

10.6 Economic forecasts do not normally provide firm details of the anticipated industrial or occupational structure of future growth. The highest rates of growth in employment are expected or anticipated in retailing, health and social work, banking and finance, non-financial business services, computing services and leisure and tourism. This suggests a mixed picture in terms of the composition of employment with both high and lower skilled employment, but with a trajectory towards a more highly-skilled workforce than at present. It is also essential to take account of the gross turnover of employment as well as projected additions to employment because the ageing population of Chester will produce a much larger gross demand for labour than the net figure indicated by forecasts.

10.7 On the basis of these trends in the economy of the city, it is likely that there will be an increase the demand for owner occupied and private rented housing of higher quality. Mobile younger households will be happy to rent privately, but as they age they will increasingly seek to enter owner occupation. If unable to meet their needs they may leave the City and live/work elsewhere.

10.8 But at the same time there will be a greater degree of polarisation in the economy leading to the creation of a larger group who will require affordable housing to rent, or in some cases to buy or part-buy.

10.9 The ageing process and the forecast growth in employment will require significant numbers of younger people to come to work in the City. Their ability to enter home ownership will be limited and this will create a strong demand for rented accommodation or for affordable housing to buy. Likewise, anticipated student growth in Chester will contribute to the demand for private rented housing.

10.10 Overall this suggests that a mixture of affordable housing to rent and to buy will be required within the City in the future. Given that the supply of social rented housing is likely to remain limited, this indicates a that combination of private rented and affordable housing for home ownership or intermediate tenure should be the priority.

10.11 The findings of the SHLAA suggest that there is a shortfall of housing land in Chester to meet the demand identified under the Combined Demographic-Economic Scenario. In the short term there is a clear shortfall in land supply. A higher level of potential supply has been identified in the medium term up to 2020, but a high proportion of sites are mainly suitable for high density apartment development, some are outside the City beyond the Green Belt, and other major sites are subject to constraints. Overall, the mix of sites does not seem adequate to meet the full range of requirements identified and the margin between supply and demand is such that there is a strong risk of shortfall.

10.12 There are without doubt a number of uncertainties inherent in identifying the scale and nature of the future demand for housing in Chester generated by economic and demographic change. In addition to the provision of new housing in the city, there are also a number of other options which could be pursued to manage and accommodate some new demand, such as increases in economic participation levels and measures to meet housing or employment demands outside the City. But many of these options are outside the Council's control and depend on significant changes to current trends. This review is also being carried out at a time of exceptional uncertainty for both the economy and the housing market. It will therefore be important to monitor trends in house prices and rent levels, housing affordability, housing supply, occupancy rates, labour force participation trends and the demand for labour carefully in coming years.

10.15 However the study has identified a potential problem in meeting the demand for housing associated with the future economic growth of the City of Chester. This finding is based on a relatively cautious view of future employment growth and an assumed continuation in the short term of a subdued housing market in terms of prices and levels of new construction. The new Local Enterprise Partnership has strong aspirations to achieve higher rates of growth. Given the importance of growth to the sub-regional economy and the prosperity of local residents, it is important to ensure that housing supply does not act as a constraint. There are important strategic choices to be made about the location of both employment and housing in the sub-region, and a range of factors which might influence them. The future of the existing Green Belt is one of the major areas for consideration. But these choices need to be made consciously after informed debate rather than by default. For this reason, we conclude that there is a need for Cheshire West and Chester Council to undertake a review of the Chester Green Belt to determine whether its role. Location and scale need to be revised to meet future land use needs.