



Llywodraeth Cymru  
Welsh Government

# National Development Framework 2020-2040

Explanatory Note – Housing Need

December 2019

## Why have we published these explanatory papers?

During the consultation on the Draft National Development Framework (NDF) some stakeholders suggested further details should be made available setting out how the NDF has been prepared. To assist stakeholders we have produced a collection of explanatory papers to set out the evidence that supports the draft NDF. These papers include:

- The Spatial Strategy
- The Assessments of the NDF
- Future progression of the NDF
- The Regions
- Rural Areas
- Housing need
- Welsh National Marine Plan and Ports
- Evidence compendium

## What is this document?

This explanatory paper has been prepared to assist readers of the draft NDF in understanding how the Draft NDF seeks to address housing issues across Wales, highlighting the key evidence that has informed the housing elements of the plan.

## Introduction

1. The Welsh Government's national strategy *Prosperity for All* identifies housing as one of five priority areas which can make the greatest potential contribution to long-term prosperity and well-being. The strategy sets out the aim for everyone to live in a home that meets their needs and supports a healthy, successful and prosperous life. Good quality homes are the bedrock of good communities and form the basis for individuals and families to flourish in all aspects of their lives.
2. As part of delivering the national strategy the Welsh Government is committed to delivering 20,000 affordable homes<sup>1</sup> over the period 2016-21. In particular, the provision of affordable homes through local authority house-building will be supported with the aim of engendering a significant increase in this delivery route. The Welsh Government is also seeking to diversify the source of market housing and increase the number of new homes being built by encouraging SME house-builders and custom and self-build housing and promoting innovative building design and means of delivery. The NDF reflects these priorities.
3. National planning policy provides a framework to support the local delivery of housing, requiring planning authorities, through the Local Development Plan (LDP) and Strategic Development Plan (SDP) processes, to establish and monitor the delivery of a housing requirement for the plan period, including an affordable housing target. *Planning Policy Wales*<sup>2</sup> establishes a set of 'key planning principles' to ensure that the planning system facilitates the right development in the

right place. This includes creating sustainable and cohesive communities, for which housing development is a key element.

## Estimates of Housing Need

4. Estimates of future housing need are essential when developing plans and strategies at a national, regional and local level. The Welsh Government has produced estimates of housing need over a twenty year period up until 2037/38 (mid-year to mid-year)<sup>3</sup>. The figures are available at a national level and for the three economic regions (North Wales/Mid & South West Wales/South East Wales).
5. The national and regional estimates do not reflect the impact of future policies or events and are not a Housing Requirement for Wales or the Regions. However, the estimates do provide part of the evidence and context on which Housing Requirements can be based. While it is expected that there will be a clear alignment between the estimates of housing need and the Housing Requirements set out in LDPs and SDPs, they are not the same and therefore are not expected to match.
6. The estimates of additional housing need are based on two components:
  - estimates of existing unmet need
  - newly arising need (2014-based household projections)

**Existing Unmet Need:** The number of households that do not have access to adequate housing and would require an additional housing unit. Those who may be in need of a more appropriate housing that would not require an additional unit are excluded

<sup>1</sup> This includes the construction of 6,000 homes through the Help to Buy – Wales scheme ([beta.gov.wales/help-buy-wales](https://beta.gov.wales/help-buy-wales)) to improve the accessibility of home ownership, in particular for first-time buyers. Access to home ownership will also be improved through the 'Rent to Own' scheme ([beta.gov.wales/your-home-in-wales](https://beta.gov.wales/your-home-in-wales)).

<sup>2</sup> [gov.wales/planning-policy-wales](https://gov.wales/planning-policy-wales)

<sup>3</sup> [gov.wales/housing-need-and-demand-2018-based](https://gov.wales/housing-need-and-demand-2018-based)

from the estimates. This need is measured by adding the number of homeless households in temporary accommodation and the number of households that are both overcrowded and concealed.

**Newly Arising Need** The projected number of newly forming households that will require additional housing units for a period in the future. This is the main component.

7. For the purposes of the NDF we are using the central estimate (the main estimate), which is based on the principal household projections. The principal household projections are based on recent past trends in births, deaths, and migration. However, variant estimates have also been produced to show how possible variations in the fertility, mortality, and migration assumptions could affect the housing need for Wales.<sup>4</sup>
8. The Welsh Government's latest central estimate of housing need is for an additional 114,000 homes across Wales up to 2038. The central estimate of housing need does not represent a housing target for the number of new homes required to be built in Wales, but does provide clear evidence of the estimated level of housing need to be addressed.
9. The housing need estimates are part of the evidence base to inform the development of regional and local housing requirements which need to take account of national, regional and local policy and practical considerations to reach a view on the level of housing that is required and what can actually be delivered within an area.

10. It is estimated that on average 8,300 additional housing units will be required annually during the first 5 years (2018/19 – 2022/23). This figure includes an annual average of 1,100 additional housing units to clear the backlog of those in existing unmet need.
11. After the first five years the housing need estimates are based on newly forming households only, as the backlog is assumed to have been cleared. There is a gradual decrease in housing need during the following 15 year period, reflecting a slow-down in the projected household growth. By the mid 2030s the central estimate for annual additional housing units is below 4,000.
12. The average annual central estimates of housing need by region for the first five-year period (2018/19 – 2022/23) indicate that more than half of the need (57%) will be in South East Wales, compared with 24% in Mid and South West Wales and 19% in North Wales. Over the following 15 years (2023/24 – 2037/38) an increasing proportion of the housing need is estimated to be in South East Wales, rising to 74% in the final five-year period (2033/34 – 2037/38). This is a reflection of the household projections suggesting that more households will form in south east Wales than elsewhere in the country.
13. For the first five years (2018/19 to 2022/23) the Welsh Government has also published estimates of housing need (presented at both a national and regional level) split into two tenures<sup>5</sup>:
  - Market housing (owner occupier and private rented sector)
  - Affordable housing (social and intermediate rents)

<sup>4</sup> Further details are available in the Welsh Government's Statistical Article on 'Estimates of housing need in Wales at a national and regional level (2018-based)': [gov.wales/housing-need-and-demand-2018-based](https://gov.wales/housing-need-and-demand-2018-based).

<sup>5</sup> [gov.wales/sites/default/files/statistics-and-research/2019-06/estimates-of-housing-need-by-tenure-2018-based-002.pdf](https://gov.wales/sites/default/files/statistics-and-research/2019-06/estimates-of-housing-need-by-tenure-2018-based-002.pdf)

14. The central estimates suggest that on average 53% of the additional housing units should be market housing (approximately 4,400 units) and 47% should be affordable housing units (approximately 3,900 units) each year from 2018/19 to 2022/23. There are variations in these percentages at the regional level:

- North Wales: 49% market (780 units)/51% affordable (800 units)
- Mid and south west Wales: 55% market (1,100 units)/45% affordable (900 units)
- South east Wales: 52% market (2,500 units)/48% affordable (2,300 units).

15. There are a number of assumptions<sup>6</sup> underlying the tenure split and changing these assumptions would change the split of affordable to market housing. Details about the assumptions that have been made and the impact of changing them are set out in the Statistical Article on the estimates.

### Establishing Regional Housing Requirements

16. Housing is a larger than local issue which cuts across local planning authorities and requires a regional integrated planning response. In setting and agreeing the Regional Housing Requirement figure, planning and housing authorities will need to give full consideration to those factors which may have a material impact on the scale of housing required and the pace of housing delivery. Consideration of these factors could result in a Regional Housing Requirement figure which may be lower or higher than the Central Housing Need Estimate. Factors include:

- the spatial strategy for regional planning and what it is seeking to achieve;
- the need to significantly increase affordable housing delivery;
- Welsh language considerations;
- economic factors which may impact on demand and supply;
- capacity within the construction sector;
- availability of resources;
- likely pace and scale of delivery based on completion rates and foreseeable industry capacity;
- planned demolitions; and
- planned new and replacement housing or housing brought back into effective use.

17. Appropriate consideration must also be given to the wider social, economic, environmental and cultural factors in the region in order to ensure the creation of sustainable places and cohesive communities.

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<sup>6</sup> These assumptions cover 'affordability criteria for market housing', 'annual growth in median household income', 'annual change to distribution of household income' and 'annual growth to private rents'.