



Northumberland
County Council

Northumberland Local Plan
Publication Draft Plan (Regulation 19)

Affordable Housing Value Mapping Methodology Technical Paper

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1. Purpose

- 1.1 This paper sets out the approach to defining the County's housing market value areas for the purposes of defining a viable proportion of affordable housing, which can be achieved in different parts of the County.

2. Introduction

- 2.1 The Local Plan and CIL Viability Assessment (November 2018) forthwith referred to as "the Viability Assessment" and previous viability evidence based assessments, appraise Northumberland's local market values. The value of homes inherently underpins determining the 'residual land value'. This residual land value must exceed the 'Benchmark Land Value' if development is to be economically viable and come forward.
- 2.2 The Viability Assessment demonstrates, in accordance with home values, varying percentages of affordable housing are economically viable. Four broad value bands are identified as follows: highest, high, medium and low.
- 2.3 Based on the levels of affordable housing found to be viable, and taking into account evidence of affordable housing need (as identified in the Strategic Housing Market Assessment) the Northumberland Local Plan policy approach to affordable housing targets can be summarised as:-

Affordable homes for rent or for sale, to meet the identified needs of those not otherwise met by the market, will be required on all major development proposals of 10 or more units or 0.5 hectares or more (or 5 or more in the Northumberland Coast Area of Outstanding Natural Beauty (AONB)). On-site provision or an equivalent financial contribution towards off-site provision will be expected as follows:

- Within low value areas - at least 10% affordable
- Within medium value areas - at least 15% affordable
- Within high value areas - at least 25% affordable
- Within highest value areas - at least 30% affordable

The affordable provision will be expected to reflect the following general tenure split (while ensuring at least 10% of the total number of homes on the site are for affordable home ownership products, unless NPPF exceptions apply): a. within low value areas - 100% affordable home ownership; b. within medium value areas - 33% affordable homes to rent and 67% affordable home ownership; c. within high value areas - 60% affordable homes to rent and 40% affordable home ownership; or d. within the highest value areas - 67% affordable homes to rent and 33% affordable home ownership.

- 2.5 The following sets out how the respective value bands have been apportioned across the County, for the purposes of applying the affordable housing policy.

3. Methodology

Evidence

- 3.1 There are a wide range of data sources available to examine housing values. The Viability Assessment is focussed on the value of new build development, as new build development is what it is seeking to test. Using evidence such as price paid data (sourced from the Land Registry) which provides the precise value a home was sold for, it is possible to define, with a relatively high degree of accuracy, the value of homes, right down to the value per square metre.
- 3.2 When looking to map values across Northumberland, it is not possible to rely only on the price paid for new homes. The data is inevitably limited to where new homes have been built.
- 3.3 An alternative is to look at price paid data for all homes sold i.e. new build and previously lived in homes. Although there is clear evidence that new build homes attract a premium above previously lived in homes, the price paid data provides values for all homes sold, and provides coverage across the County. This data was therefore used to provide a Countywide picture of housing values, relative to the Northumberland average.

Defining Boundaries

- 3.4 It should be recognised that the evidence shows property values can vary in Northumberland, like other areas, at a very granular level. For example there may be differences in values between different housing areas within a single settlement. Similarly a settlement may comprise housing of very different characteristics such as small terraced homes and large detached homes, each with different values. In order to use value mapping to support the Local Plan, a pragmatic approach is necessary which defines broad areas based on broad average values.
- 3.5 The Office for National Statistics produces price paid data on the basis of Medium Super Output Areas (MSOAs) and Lower Super Output Areas (LSOAs). These are geographic areas derived from the census of population carried out every 10 years in the UK. They are based on clusters of adjacent postcodes and were designed to have similar population sizes and be as socially homogeneous as possible based on tenure of household and dwelling type. Urban and rural mixes were avoided where possible. The areas have approximately regular shapes and tend to be defined by obvious boundaries such as roads.

Relative Values

- 3.6 A three year average value was derived from the price paid data to assign a value to each Lower Super Output Area (LSOA). The three year dataset was based on all property sales at the years ending March 2016, March 2017 and March 2018. A three year average was considered to offer a more robust basis upon which to derive average values rather than a single year.
- 3.7 The average value for each LSOA was compared to the Northumberland average of £192,947 as identified in the Viability Assessment. This average Northumberland wide property value is derived from Zoopla data.
- 3.8 Average values at less than 80% of that average were identified as being low value; average values at 80-120% were identified as medium value; average values at 120%-200% were identified as high values; and average values at 200% or more were identified as being highest.

- 3.9 A value map was then produced which showed the LSOAs according to their position within these defined value bands. Broadly the value maps demonstrated what may be expected. The high and highest values feature in the Local Plan's 'Central Delivery Area' and extend northwards up the Northumberland Coast. The more distant areas from the Tyne and Wear conurbation are generally medium value areas which would be expected on account of their remoteness. There are pockets of very high values notably around Ponteland, and the Parish of Hexhamshire. Low values feature across much of the south east of the County and in pockets in larger settlements including Haltwhistle and Berwick upon Tweed.
- 3.10 For thoroughness, and to test the accuracy of the average values by LSOA, Zoopla data was applied.
- 3.11 Price paid data is inevitably limited in its availability. Where there are few transactions, there is little data from which to identify a meaningful average. Zoopla data includes average property estimated values. The data was not extractable on the basis of LSOAs. Therefore it was derived for individual settlements.
- 3.12 The average value for each settlement was compared to the Northumberland average of £192,947 (as was the case for LSOAs). Average values at less than 80% of that average were identified as being low value; average values at 80-120% were identified as medium value; average values at 120%-200% were identified as high values; and average values at 200% or more were identified as being highest.
- 3.13 The settlement derived value bands were then overlaid onto the LSOAs. In broad terms the two datasets were consistent. However, there were some settlements with value bands which differed from the LSOA within which they were located. This was principally the case for small settlements which were in a geographically large LSOA. For example, Bamburgh was identified as being in the highest value band as a settlement, but is located within a medium LSOA, which comprises other settlements with much lower average values.

Recognising and Accounting for Anomalies

- 3.14 Based on the mapped data, there were some apparent anomalies where the LSOAs did not appear to represent the value bands that would be expected.

These warranted further investigation to appraise the price paid average values in more detail.

3.15 Initially the average values were reviewed to see if any of them were borderline with a higher or lower value band. Then averages for a single year and five years were appraised to consider specific anomalies in the 3 year data. In some cases a review of specific sales in the area was carried out to consider whether sales of certain types of properties had skewed the average. This involved appraising sales in a limited number of areas according to property type (e.g. detached, semi detached etc) and by new build versus previously lived in homes.

3.16 In summary, the following adjustments were made in light of the further analysis:

- Corbridge - According to the LSOA data Corbridge is a high value area. It is considered the data has been skewed downwards, which may be on account of some sales of flats. However the settlement features as one of the highest value settlements with average values according to the Zoopla data in excess of £400,000. The LSOA was therefore adjusted upwards to the highest value band.
- Hexham - The settlement is split across several LSOAs. As a whole, Hexham is a high value settlement with average values of over £270,000. However the LSOAs' average values varied. Sales were analysed based on postcode best fits with LSOAs, which allowed more detailed consideration of average values. Upward adjustments were made accordingly on the basis of the more detailed information.
- Morpeth - The average price paid data put some of the Morpeth LSOAs in the low value band. However this does not represent Morpeth as a settlement where average values are at the high end of the medium value bracket. Average values were reviewed. There were a number of anomalies in the data such as a single year where the average was much lower therefore skewing the three year average. Adjustments were made to account for these, resulting in adjustments of some LSOAs to higher value bands.
- Berwick upon Tweed - The town is split across several LSOAs. To the north of the settlement the average value by LSOA is high while the rest of the settlement is in sharp contrast with low value areas. These were investigated further, however it was resolved that no adjustments were

necessary. Although there were varying values, average values of the LSOAs are consistently within the low value bracket.

- Wooler - The LSOA covering Wooler had low average values compared to the settlement average value which was medium. The year ending March 2018 put the area as a medium value. Similarly a five year average price paid put the area as medium. The area was therefore adjusted from low to medium.
- Upper Coquetdale - The LSOA covering the upper Coquetdale area and parishes including Rochester, Alwinton and Otterburn featured as a high value area. However on further analysis, average values were borderline medium / high. It was therefore adjusted to medium.
- Alnwick - The town is split across several LSOAs. As a whole the settlement is a medium value settlement with average values of over £215,000. However the LSOAs average values varied. Sales were derived based on postcode best fits with LSOAs which allowed more detailed consideration of average values. Adjustments were made accordingly on the basis of the more detailed information.
- Haltwhistle - Haltwhistle is a medium value settlement with some variation in average LSOA values. A single adjustment was made to account for apparent anomalies in values to the west, adjusting the value band upwards from low to medium.
- Ponteland - Ponteland is a 'highest value' settlement with some variation in the average LSOA values. Adjustments were made to account for very minor differences in values placing areas incorrectly in the high value band.

4. Accounting for Variation at a Localised Level

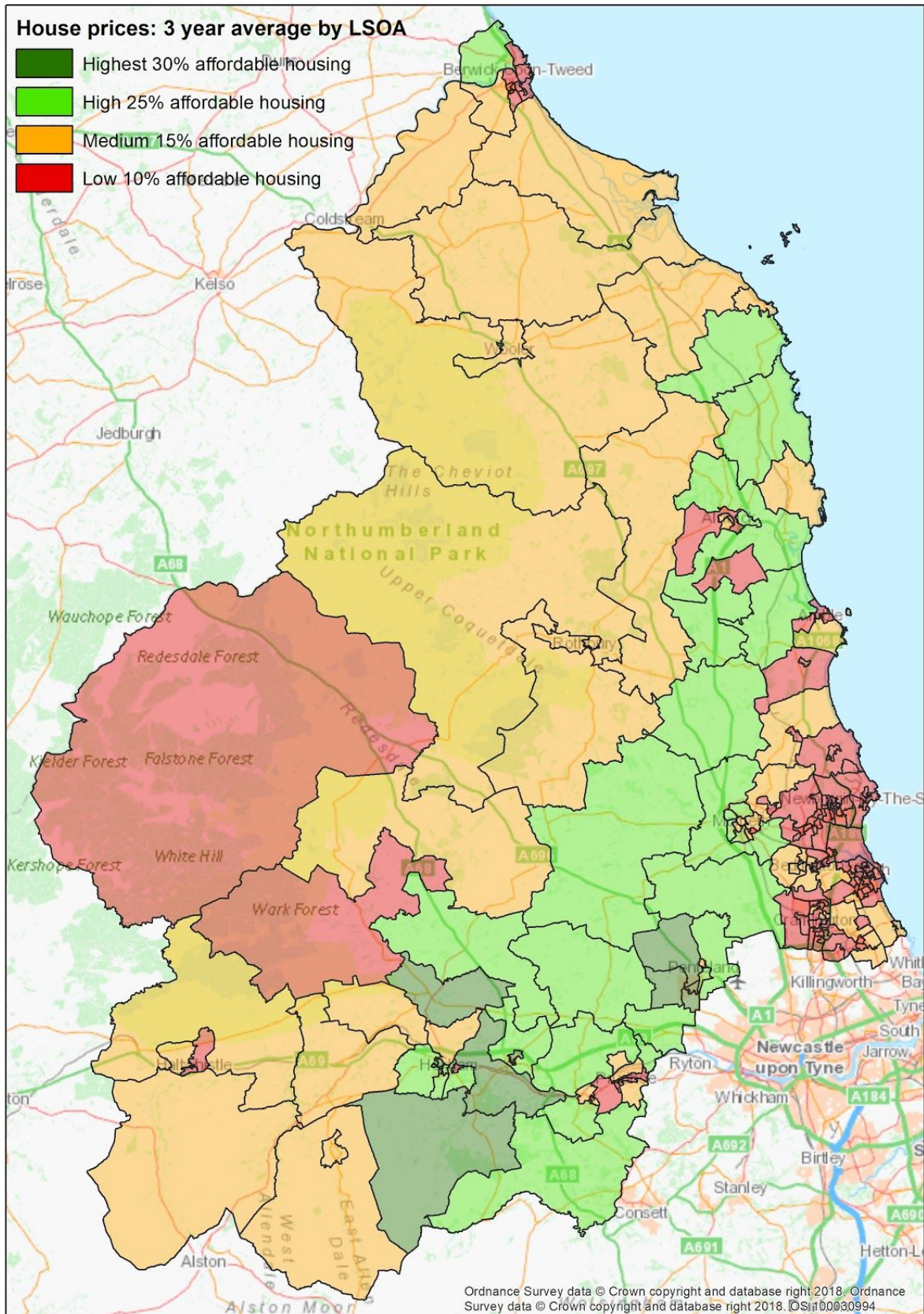
- 4.1 Due to the density of population in the south east of the County, including in Blyth, Cramlington, Ashington and Newbiggin by the Sea, there are areas which are covered by multiple LSOAs. Values at these localised levels vary, predominantly between low and medium values.

- 4.2 This variation at such a localised level was considered to potentially make the value map practically difficult to apply, i.e. it could be hard to distinguish the precise LSOA and apply the relevant affordable housing target. In the south east of the County average values were therefore appraised based on the higher tier larger Medium Super Output Areas (MSOAs). The outcome was considered to offer a less robust average value, and skewed the average values sometimes upwards.
- 4.3 An alternative approach was therefore adopted which effectively adjusted a limited number of geographically small LSOA medium value areas, which were situated amongst low values, from medium to low.

5. Output

- 5.1 The resulting Viability Value Map, as shown in Appendix 1, is a representation of relative values across the County. The map forms the basis on which to apply variable affordable housing targets.
- 5.2 It should be acknowledged that the map cannot be entirely robust and account for all variations in value. Anomalies are inevitable and cannot be entirely avoided. Furthermore a value area may change in the future if an area sees sharp growth or a significant proportion of new build serves to increase the local average. The value map will therefore be reviewed periodically.

Appendix 1 - Viability Value Map





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