

CARDIFF HOUSING MARKET  
June 2009

## 1. Introduction

- 1.1 This report reviews demand for housing in Cardiff generally and across different locations and different housing types in the context of Cardiff's Local Development Plan (LDP) deposit version and the appropriate use of candidate sites in North-West Cardiff for future housing development and other purposes.
- 1.2 It uses data from a number of sources including Cardiff County Council, the 2001 Census and the Land Registry and evaluates data from several reports:
- The Local Housing Market Assessment (LHMA) 2008.
  - The Local Housing Strategy.
  - The LDP Background Paper on Population and Housing (Mar 2009).
  - The HBF's report "Room to Move", which looks at issues relating to housing and planning, has also been referred to.
- 1.3 When considering market trends, data from the last five years is used to ensure that conclusions are not distorted by the current economic climate.
- 1.4 For the purposes of this report, and data sources, detached and semi-detached housing is classified as family housing, and apartments as non-family housing. Terraced properties are less easily classified because they cover a range from small 2-bed homes to large historic terraced ones and new 3 and 4-bed town houses. One and 2-bed homes are considered to be non-family housing and those with three or more bedrooms as family housing. So where data sources refer to the number of bedrooms terraced housing can be correctly allocated as either family or non-family but in the absence of this information, terraced houses are classified (for the purpose of this report) as non-family housing.

## 2. Scope of Report

- 2.1 This report is not a full re-appraisal of the LHMA or LDP Background Paper but demonstrates that there are deficiencies in the range and scale of housing sites to meet needs. The deficiency in provision is found to be in terms of:
- a) Quantity – Cardiff needs more housing than is planned.
  - b) Type – Most recent completions have been non-family housing whereas a strong level of demand is for family housing.
  - c) Location – Most recent completions have been in South Cardiff but there is evidence of unsatisfied demand in all other parts of the city.
- 2.2 A problem encountered in analysing data on the housing market was that sources of data are not always consistent. For example, census data shows whether a household lives in a detached property but not how many bedrooms the property has whereas figures on annual completions from the Council show how many bedrooms there are but not whether it is detached or terraced. Similarly these figures from the Council are not identical to those published by datunitwales. A

further issue arises because the number of households in an area does not equal the number of homes in that area. Both provide valid statistics but they are not identical because of issues like vacant properties and shared homes.

2.3 Most figures, including percentages, have therefore been rounded, and some of the conclusions are reliant on data trends rather than absolute corroboration of varying data sources.

### 3. Quantity

3.1 The LDP Background Paper on Population and Housing (Mar 2009) concludes that 1,829 new homes will be needed each year over the plan period until 2021. This is a lower rate than that proposed in the LHMA which stated that 1,897 homes per year are needed over the next five years. Both figures are higher than the rate of completions over the last five years which has averaged 1,811 per year. Figures from the Land Registry indicate that over the last 5 years an average of 6,900 homes per year were sold, a figure that will include those newly completed.

3.2 If the availability of homes in Cardiff matches overall demand house prices would be expected to be on a par with other UK cities with similar characteristics or, at least, homes would be as affordable as elsewhere. In Table 2 Cardiff has been compared to a number of other cities. Some of these (eg Edinburgh and Bristol), in our view, have a similar function as a regional centre and are also included by Cardiff Council as comparable in their Economic Strategy. Others (eg Coventry and Leicester) have similar sized populations. The table shows that, on all the measures indicated, Cardiff is below Edinburgh and Bristol but above the other cities. In particular, apart from Edinburgh and Bristol, housing in Cardiff is the least affordable.

Table 2 - House Prices & Affordability

Source: ONS, Land Registry, NOMIS, Registers of Scotland

Locn	Pop (2007)	Ave Hse Price Sept (2008)	Ave Income (2008)	Hse Price Multiplier
Edinburgh	468,100	£221,896	£26,600	8.3
Bristol	416,400	£176,428	£23,900	7.4
Cardiff	321,000	£151,300	£23,700	6.4
Coventry	306,700	£123,200	£22,800	5.4
Leicester	292,600	£123,900	£20,100	6.2
Nottingham	288,700	£98,321	£20,400	4.8
Newcastle UT	271,600	£136,000	£22,300	6.1

3.3 There is no detailed price data for different house types in Edinburgh but if average prices for different types is compared over the last five years for the other cities it can be seen that there is considerable variation in price rises between the types. See Table 3 and Figure 1. This suggests that within each city supply and demand is not balanced for each sector. Cardiff has one of the lowest increases in average prices at 9% but this varies from a 22% increase for detached housing while apartments have risen just 3%. Most of the cities show a similar pattern of higher price rises for houses when compared with flats in the same area which indicates that there is an imbalance between supply and demand. Coventry is the only city that shows a balance across all sectors. In Cardiff the imbalance is particularly marked for detached houses.

Table 3 - Change in Prices 2004-2008

	Edinburgh	Bristol	Cardiff	Coventry	Leicester	Newcastle	Nottingham
Detached	n/a	17%	22%	16%	11%	28%	6%
Semi-Detached	n/a	17%	22%	16%	11%	28%	6%
Terraced	n/a	21%	13%	16%	18%	22%	11%
Flats	n/a	9%	3%	14%	-4%	16%	-7%
All	33%	16%	9%	14%	14%	22%	5%

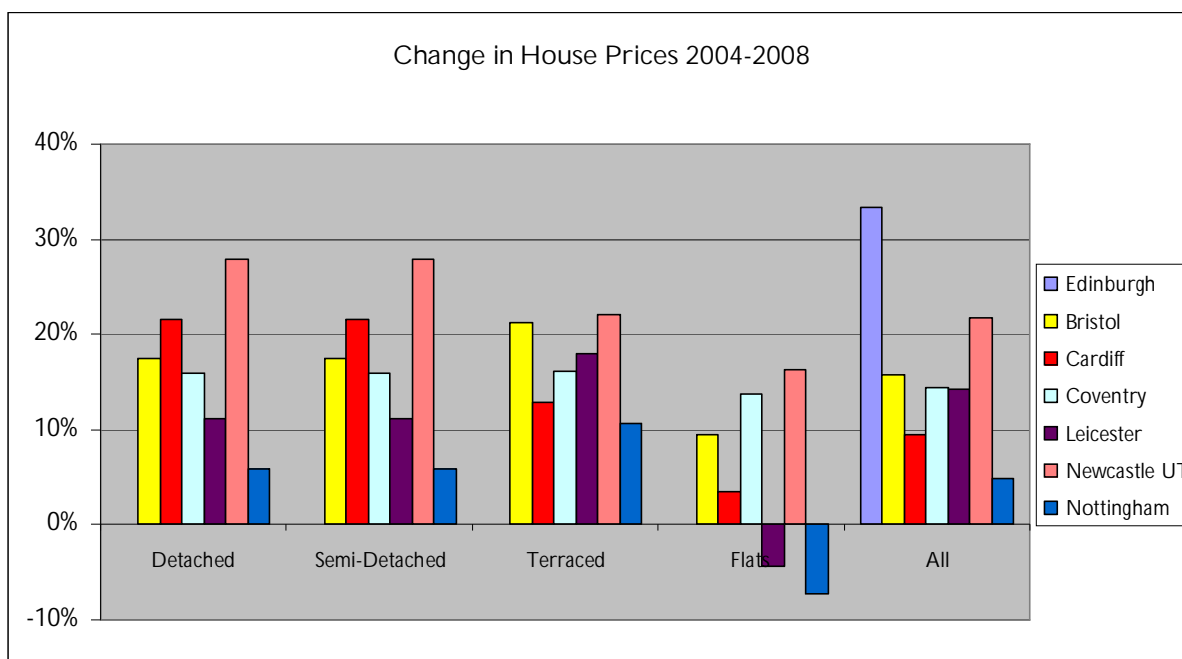


Figure 1

3.4 In summary, the data relating to Cardiff's role as a regional centre indicates that its housing market is broadly balanced and in line with other cities but when price changes across the different house types is taken into account this is not the case.

Prices for detached houses in Cardiff show a considerably higher rise than those for apartments indicating a shortage of supply over demand for detached properties.

### 4. Type

#### 4.1 Housing stock.

Welsh Housing Statistics show that in March 2007 Cardiff had a total housing stock of 137,300 homes. 82% of these were owner-occupied or privately rented and 17% were rented within the social sector. However, details on the type of housing units need to be derived from census data.

4.2 This shows that in 2001, Cardiff had 127,500 households. 35% of these lived in terraced homes, 32% in semi-detached ones, 19% in flats or maisonettes and 14% in detached properties (see Figure 2). At this time 81% of households were owner-occupiers and 17% rented socially. Since 2001, 800 homes have been demolished and 13,500 built<sup>1</sup>.

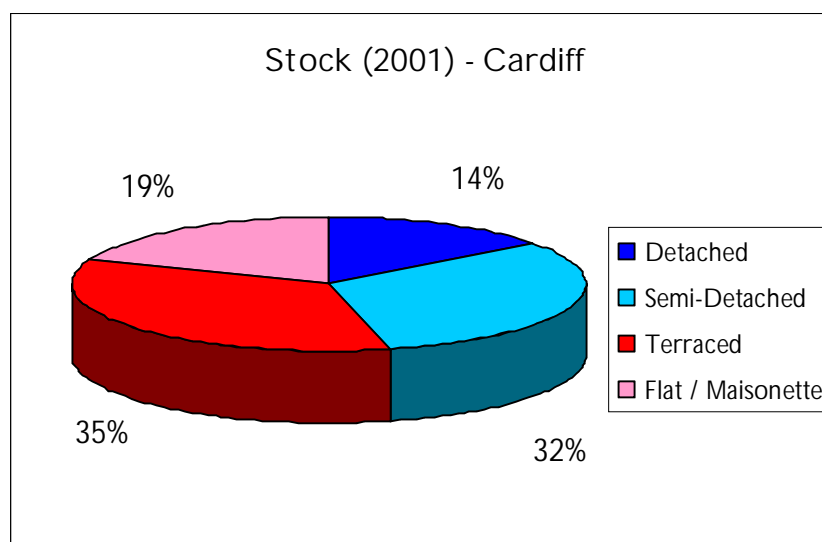


Figure 2

#### 4.3 Supply

Of the 8,900<sup>2</sup> homes completed over the last five years 67% have been apartments and 33% houses; 68% had one or two bedrooms and 32% had three or more. These figures are represented by Figures 3 and 4. They show that the completion rates of houses fell over the period whilst that of flats rose steeply and then fell back but still outstripped the houses. This distorted nature of recent completions in terms of type and size against the existing stock profile can be related to the disparity in price changes for detached houses and flats. As more flats are built, prospective buyers have more choice and prices rise relatively slowly. The converse is true for detached properties. The existing stock of these is not being augmented by new build. Therefore choice for buyers is limited, competition increases and prices rise faster.

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<sup>1</sup> Source: Cardiff County Council – Annual Completions

<sup>2</sup> Source: dataunitwales

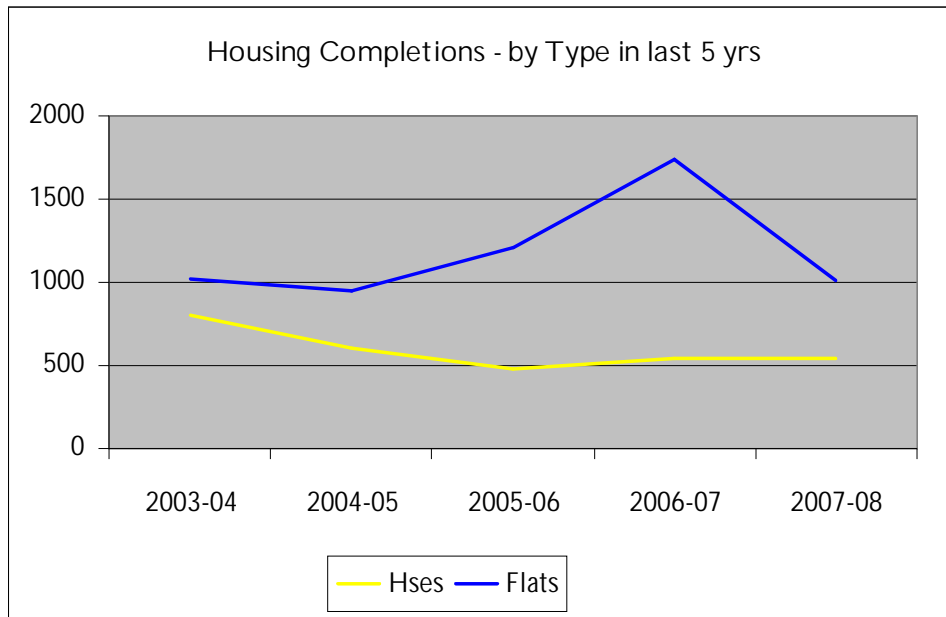


Figure 3

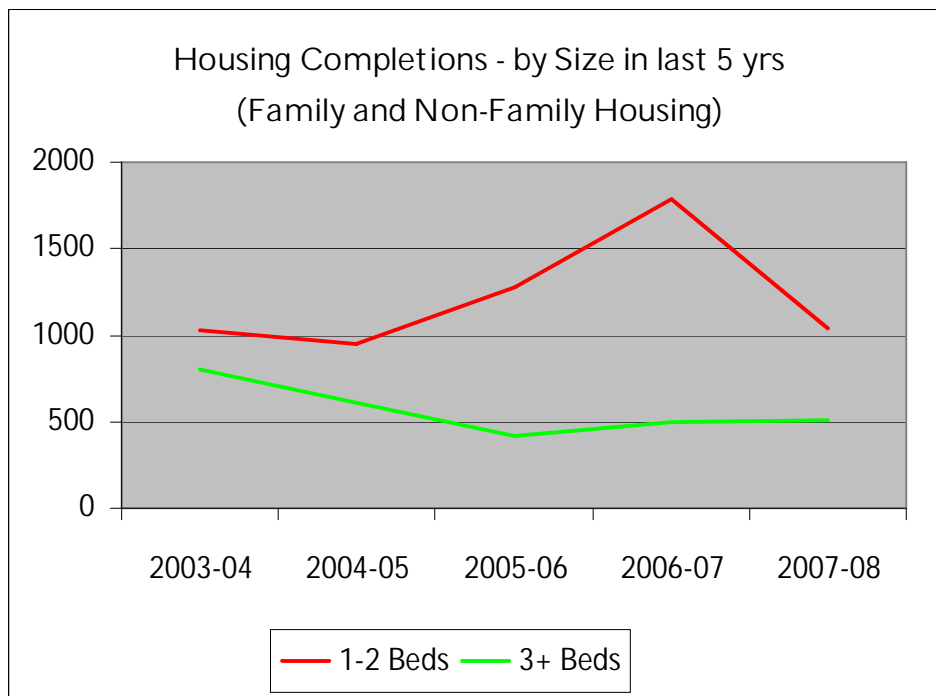


Figure 4

4.4 The supply of homes coming to the market is shown by Land Registry data on volume of sales with a total sales volume of 34,700 homes sold over the last five years. Figure 5 shows the number of different types of dwellings that have been sold during the period.

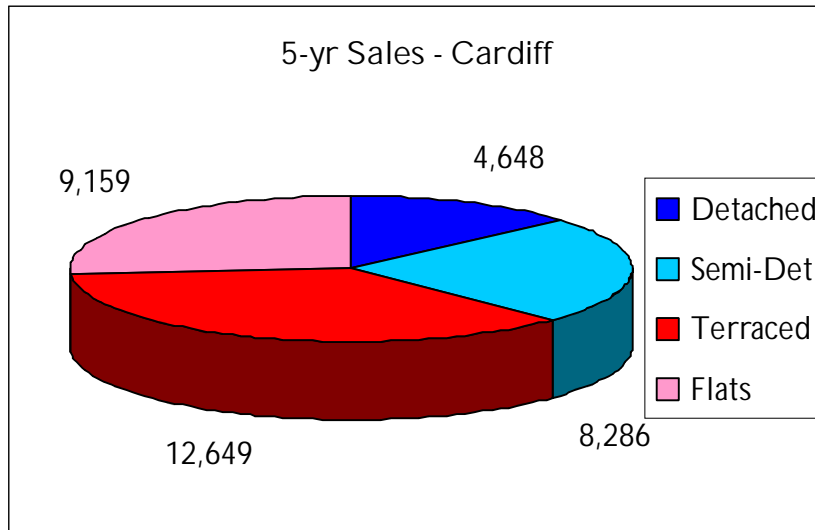


Figure 5

4.5 While the actual number of sales is relevant it is more informative to consider what percentage of that type of stock this represents. However, because recent stock figures cannot be analysed by house type it is only possible to reach an approximation. Figure 6 shows the total number of sales for the last five years as a percentage of the stock as at 2001. 27% of the total stock was sold over the last five years ranging from 20% for semi-detached to 38% for flats. The family housing classes show lower rates of sale than the non-family class of flats. Since 2001 the total stock has risen by 4,400 houses and 7,200 flats<sup>3</sup>. This reduces the proportion of all stock sold to 25% and of flats to 29% but there is no data on other house types. Flats and terraced houses therefore change hands more frequently than detached and semi-detached ones. This result was also found by the Room to Move study.

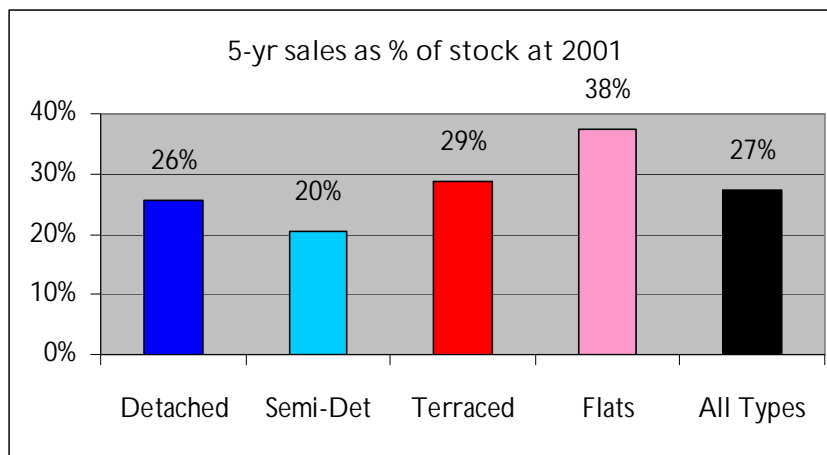


Figure 6

#### 4.6 Demand

The LHMA report estimates that there is a total demand for 19,140 homes per year generated from existing households, the formation of new households and from in-

<sup>3</sup> Source: dataunitwales

migration. Owner-occupier demand is greatest for three-bed homes with 48% wanting this size. In the private rented sector the highest demand was for two-bed homes with 33% wanting this size but in the social rented sector, highest demand was for three-beds (34%) or one-bed (31%).

- 4.7 Two other sources, the Land Registry and the Room to Move report, also shed light on the issue of demand. Figures from the Land Registry, quoted in the LHMA report, show that proportionately more terraced properties and flats but proportionately fewer detached and semi-detached homes were sold when Cardiff is compared to the Welsh average. Overall, average prices were 16% higher in Cardiff than in Wales generally but detached, semi-detached and terraced housing were all much higher than this (see Table 4). The increased prices again suggests a deficit of supply compared to demand for the family housing types.

	Cardiff		Wales		Cardiff price compared to Welsh average
	Ave Price	% of Sales	Ave Price	% of Sales	
Detached	£298,237	14%	£233,830	28%	+28%
Semi-Det	£188,027	25%	£144,211	30%	+30%
Terraced	£156,954	41%	£114,095	37%	+38%
Flat	£146,589	20%	£129,037	6%	+14%
All	£182,122	100%	£157,010	100%	+16%

- 4.8 The HBF's Room to Move (2005) report looked at factors affecting the housing market across the UK and concluded that the size and type of home chosen by owner-occupiers was determined more by what they could afford than by the number of people within the family. Also householders aged 45 and over tend to take their tenure and house size with them when they move. As householders become older and their income rises demand for, or aspirations to, larger homes also rises. If a sufficient supply is not available in the market then their price relative to other types will rise.
- 4.9 The LDP Background Paper shows that up to 2021 the average household size in Cardiff is expected to fall marginally but, as the Room to Move report demonstrates, smaller households do not generate demand for smaller homes. The report quotes an example of three households who all live in family homes. Two of these consist of two families, each with two children. The other comprises an elderly couple. One of the elderly couple dies but the remaining partner wants to stay in the family house. One child from each of the families marries (each other) and they want to buy a family house so they can have children. The result is that each household is now smaller but the demand is for an extra family home, not for a single-person one. So although household size in Cardiff may shrink, demand is still likely to be for family housing.

- 4.10 The population of Cardiff is expected to rise 11% in the period 2006-2021 but the largest increases are for the those aged 45-retirement (10%) and those over retirement age (21%). As the Room to Move report points out, it is those over 45 years old who tend to take their house type with them when they move so that an aging population does not lead to demand for smaller homes.
- 4.11 This report also points out that younger people will be especially hard hit if the supply of larger homes is restricted because older people have already achieved their housing aspirations and will take this with them when they move, making it difficult for others to trade up thus leading to the relatively low turnover rates seen for family housing in Cardiff. A shortage of larger homes would make the prices rise more quickly as has been seen in Cardiff. This would make communities less sustainable because middle-income families, including key workers, could be squeezed out, necessitating longer travel times, and communities could become more polarised being either poor or affluent.
- 4.12 **Supply/Demand Balance.**  
Prices which are higher than the Welsh average for all property types indicate that there is insufficient supply to meet demand across the sectors. By comparing demand for homes to the supply of stock (including homes released when a household moves), the LHMA report identifies a total shortage of 3,100 homes per year. 72% of this shortage is in the private sector; 37% for owner-occupiers and a further 35% in the private rented sector. Thus there is a real need to increase the supply of privately-owned homes.
- 4.13 Within the owner-occupied sector, the greatest shortfall (34%) is for 3-bed homes. A further 25% of the shortage is for 4-beds or more, 24% for 1-beds and 17% for 2-beds (see Figure 7). So 59% of the shortage is for family homes (3 beds or more) whereas only 32% of new homes built over the last five years have been in this category. The recent trend towards building one and 2-bed flats does not alleviate the shortage of family housing.
- 4.14 In the private rented sector, 64% of the short-fall is for 2-bed properties. This is the sector of the market that might well be addressed by the recent surge in apartment building, the buy-to-let sector. As long as tenants can be found or prices continue to rise then the buy-to-let market will itself contribute to that rise in prices. In Cardiff Bay, where much of this type of development had taken place in recent years, partially completed developments have been put on-hold because of the recession and most of the existing stock has been sold. The experience of our own residential agents is that although rental demand has increased, because potential first-time buyers cannot get onto the housing ladder, rental levels have fallen but landlords are able to demand 12 month leases or an additional fixed six-month term instead of rolling the tenancy on.

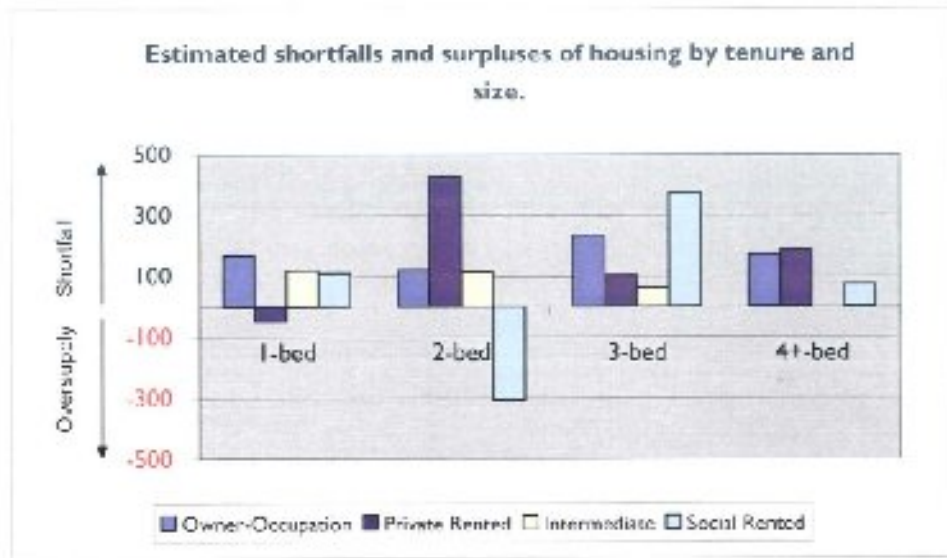


Figure 7

4.15 Future Building.

The LDP Background Paper includes an analysis of sites with detailed planning consent for new homes and this shows that 76% of these will be one and two-bed flats. Only 16% is for houses with three or more bedrooms. See Figure 8.

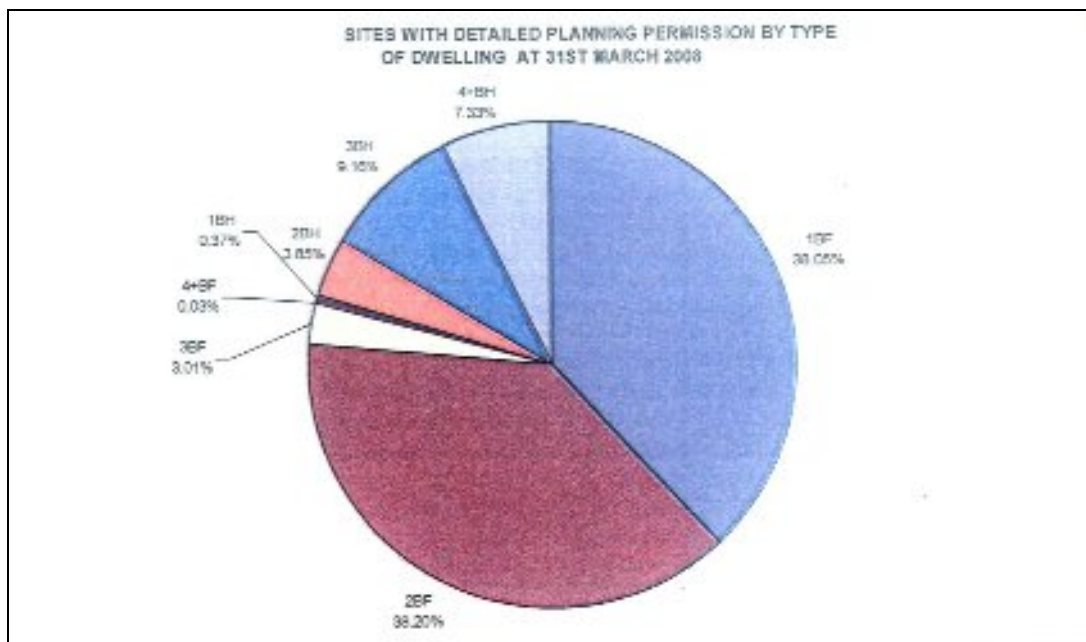


Figure 8

A full analysis of the housing land bank is given elsewhere in this report.

5. Location

5.1 The LHMA splits Cardiff into 6 sub-sectors (Suburbs, East/West, Rural, Inner City, City Centre/Bay and Student Areas) but for this report we have used a purely geographical split into North, East, South and West. The table below shows which communities are included in each area and these are shown on a map at Appendix 1.

North	Heath Llanishen	Lisvane Rhiwbina	Llandaff North Whitchurch
East	Cyncoed Penylan Rumney Trowbridge	Llanrumney Plasnewydd St Mellons Cyncoed	Pentwyn Pontprennau Splott
South	Adamsdown Cathays Riverside	Butetown Gabalfa	Canton Grangetown
West	Caerau Fairwater Radyr	Creigiau Llandaff St Fagans	Ely Pentyrch Tongwynlais

5.2 Using these areas we have analysed the housing stock within each location. Council tax records from 2007 show that Cardiff had 141,700 homes. 21% of these were in the North, 34% in the East, 27% in the South and 19% in the West. However to see the distribution of types of properties it is necessary to go back to the 2001 census. Council tax records cannot be used because they do not define the property type. For instance, apartments in the Bay are likely to be in a similar band to semi-detached or detached properties in other areas.

5.3 At the time of the 2001 census, there were 127,500 households in Cardiff. 22% of these lived in the North, 35% in the East, 24% in the South and 19% in the West. The type of property in which they lived is shown in Figures 9-13 below.

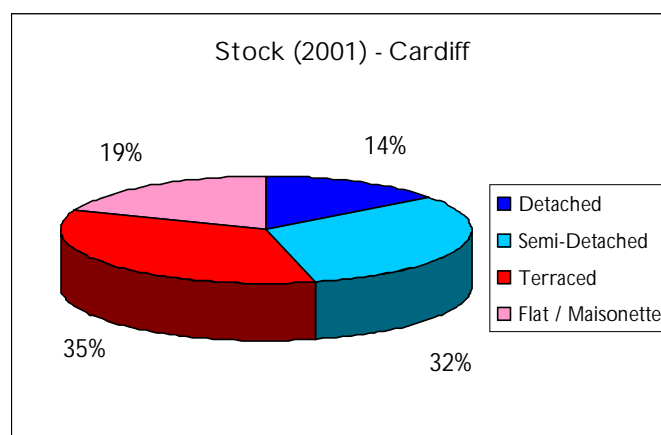


Figure 9

# Cardiff Housing Market

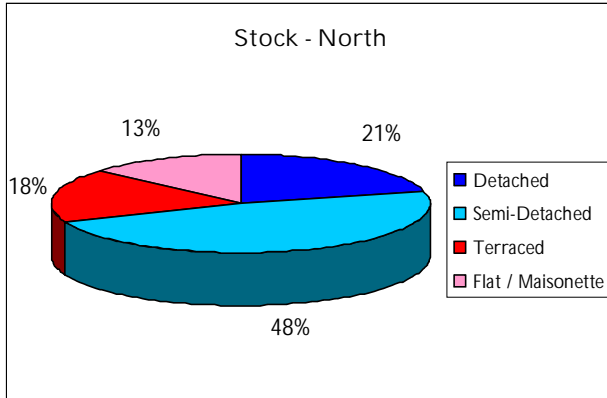


Figure 10

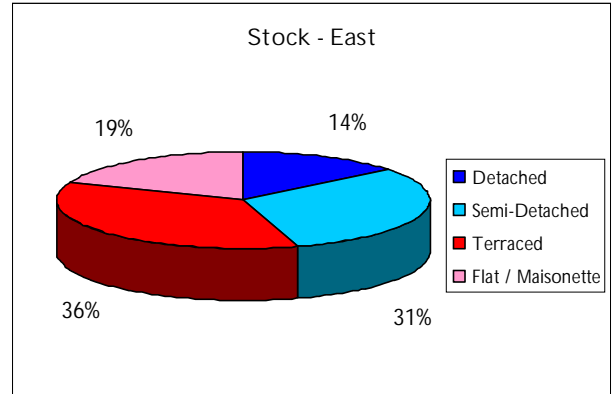


Figure 11

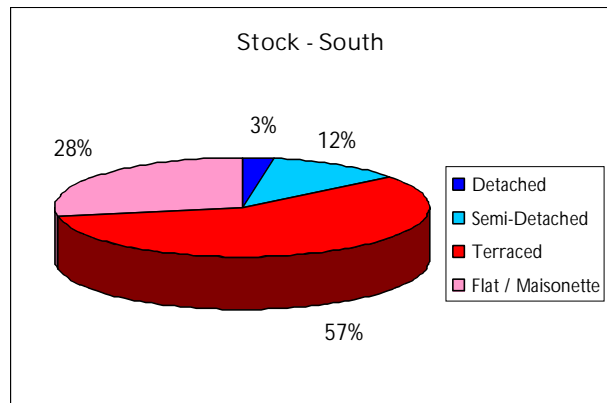


Figure 12

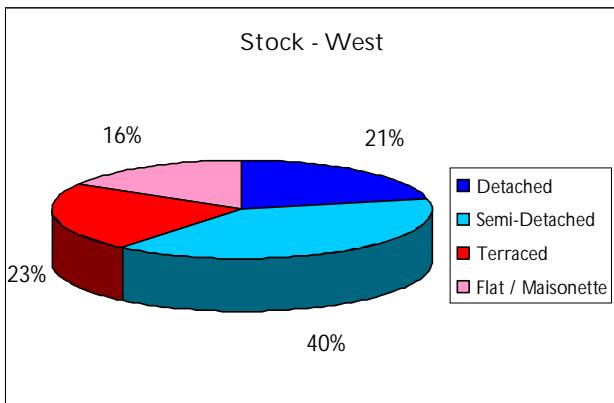


Figure 13

5.4 It can be seen that the eastern area generally reflects Cardiff as a whole but the South is dominated by apartments and terraced housing while the North and West are predominately detached and semi-detached housing.

5.5 Figures supplied by Cardiff County Council show that since 2001 13,500 new homes have been built 56% of which have been in the South. If we consider just the last five years (2003/4-2007/8) 10,400<sup>4</sup> new homes have been built. 57% of these have been in the South and 20% in the East. Just 13% have been built in the North and 9% in the West. See Figure 14.

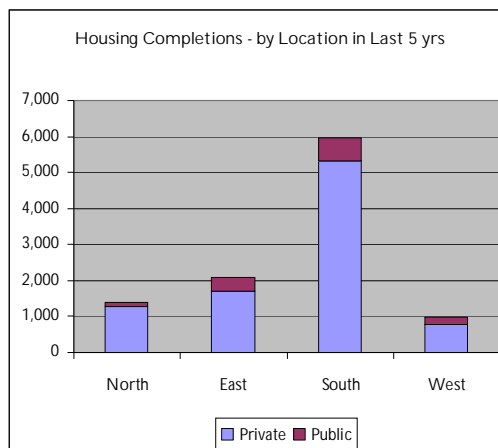


Figure 14

<sup>4</sup> Cardiff County Council

5.6 The Council did not include details on what type of properties these newly completed ones were. For that information figures from the dataunitwales web site can be used. It provides figures on whether newly built homes were houses or flats and how many bedrooms they had but it is not supplied by ward so it cannot be split geographically. It says that 8,900<sup>5</sup> homes have been built over the last five years, 67% were flats and 68% have had one or two bedrooms. See Figures 3 and 4 in Section 2.

5.7 Demand

It is difficult to obtain evidence of demand in different parts of Cardiff but figures from the Land Registry on house prices and the volume of sales over the last five years have been used and a survey of local estate agents has been conducted. Although this survey was a limited exercise it does shed some light on demand issues.

5.8 If demand outstrips supply we would be expected prices to rise above the average. Table 1 shows how prices have changed over the last five years.

5-Yr Change	Detached	Semi-Det	Terraced	Flats	All Types
North	23%	10%	11%	-6%	10%
East	19%	13%	12%	16%	11%
South	40%	11%	13%	-1%	3%
West	18%	13%	17%	35%	15%
All Locns	22%	12%	13%	3%	9%

For houses, price rises are mostly driven by the owner-occupier market but the same is not true of flats. The recent surge in apartment building has both fuelled, and been supported by, the popularity of the buy-to-let market. Further developments in this market, including some already started, have however been stopped because of the recession.

5.9 The average price across Cardiff has increased by 9% but in the North, East and especially in the West prices have risen more than that. Looking at the price rises across the property types, the largest increase (22%) has been for detached houses. The largest single increase (40%) is for detached houses in the South. The LDP Background Paper on Population and Housing shows that the majority of new housing in this area in the last few years has been apartments so, when detached housing comes to the market, our experience shows that scarcity value drives prices up. The Background Paper also shows that in each of the last five years over 90% of homes completed have been on brownfield land and that the majority of development land in South Cardiff has been brownfield. Our experience shows that

<sup>5</sup> dataunitwales

this has large remediation costs associated with it meaning that developers need to build at high densities for schemes to be viable.

5.10 One surprising result is the 35% increase in the price of flats in the West. In 2001 there were 4,000 flats in this area which was 16% of the housing stock. For prices to have risen 35% in the last five years demand must have outstripped supply. This increase in prices may well have been driven by the buy-to-let market.

### 5.11 Survey Results

For each of the four sectors of Cardiff three local estate agents were asked for their views on various aspects of the local housing market. The agents chosen were ones which we knew to be active in the area and who were advertising properties in that area in the local press at the time. For the sake of consistency we also tried to include the same agent for more than one area but this was not always possible or appropriate. A copy of the questionnaire is included as Appendix 2. The response rate was 67%, so although limited, the results do shed some light on demand for private housing.

### 5.12 North

In this area, 65%-80% of enquires were for detached or semi-detached (ie family) housing. 5%-10% were for apartments and the remainder for terraced housing. 50%-60% of buyers were thought to be aged 40-retirement with a further 10%-25% being over retirement age. Although schools were cited as being one of the attractions here, 60%-80% of enquiries came from households with no school-aged children. Other aspects that were seen as attractions were a sense of community, the proximity of the motorway, the availability of public transport and a feeling of prestige/affluence. The only disincentive quoted was the distance from the city centre. The agents considered there to be a shortage of modern two and three-bed houses and of detached houses. One agent stressed that it was houses that were needed not apartments.

### 5.13 East

Here, 25%-65% of demand was for family housing, 5%-15% for apartments and up to 70% for terraced housing. It was reported that, although this area does not lie within Cardiff Bay, the abundance of apartments there was having a knock-on effect in this area, making more people consider them. Detached houses and apartments take longer to sell than other types and 75%-80% of enquiries come from young couples or families with school-aged children. The attractions of this area included being in the catchment area for a particular school, the proximity of the city centre and university and good transport links. Disincentives include litter, the lack of parking and the proximity of student houses. Agents reported that there was a good spread of property types but a lack of homes for first time buyers at affordable prices.

### 5.14 South

50%-60% of demand in this area is for terraced properties with another 30% being for apartments. Only 10%-20% is reported as being for family housing. This, combined with the quantity of apartments in this area, is a reflection of the buy-to-let trend aimed at the investment market. Demand appears to be split almost

equally between the different groups but peer groups comprise only 5% of demand which is perhaps surprising given the supply of newly built apartments. Attractions include Welsh medium schools, the proximity of the city centre and university and the price of property. Disincentives include the reputation of some areas and very limited developments of properties other than flats.

### 5.15 West

Demand in this area varied considerably between the agents. One, who did not cover Ely or Caerau (where the housing tenure is predominantly public), reported that virtually all demand was for detached or semi-detached properties while another reported that only 20% of enquiries were for detached properties and 35% for semi-detached. 60%-90% of enquiries came from young couples or families with school-aged children. Attractions again included some schools and the proximity of the motorway and city centre. Dislikes included noise from the motorway, the proximity of electricity pylons, lack of parking and the proximity of ex-local authority homes. The agents felt that there was a good variety of stock but that more was needed. They reported that the number of apartments is very limited and smaller homes up to £100,000 were also needed.

5.16 Taken overall, the survey of agents indicates that demand in the North and West is predominantly for family housing and in the East and South for terraced housing. There are felt to be sufficient apartments in the South to meet demand but there is evidence of some unsatisfied demand in the East and West.

## 6. Conclusions

6.1 As has been shown, the increase in the average price of homes in Cardiff is lower than that in other comparable cities but this masks the fact that there is considerable variation in price rises between different types of homes. When compared to the Welsh average, all housing types in Cardiff have higher prices indicating that there is insufficient supply to meet existing demand in all sectors but this is particularly marked for detached homes.

6.2 Although the LHMA demonstrated a need for more affordable housing, the same report also shows that there is a need to increase the supply of homes in the private sector, both for owner occupation and for renting. Over 70% of unsatisfied demand comes from the private sector.

6.3 The LDP Background Paper shows that over 60% of all new homes built in Cardiff in the last five years have been one or two bedroom apartments. The total equates to over 6,000 apartments but only 3,000 houses.

6.4 As demonstrated in the Room to Move report, people's choice of housing is influenced more by what they can afford than by the size of their family. If the supply of larger homes is restricted by planning policy, their price will increase disproportionately (as is seen in the family housing classes) and communities could become less sustainable.

- 6.5 In the last five years, Land Registry data shows that the price of detached properties has risen almost twice as fast as that of semi-detached or terraced properties and seven times faster than that of apartments. In our view, increasing the supply of family homes will help to redress the balance.
- 6.6 Almost 60% of all new homes in the last five years have been built in South Cardiff (LDP Background Paper) but market experience shows that, in this area, there is a shortage of detached homes in the private sector. If the buy-to-let market stalls it remains to be seen whether developers will build more traditional family housing or if remediation costs will make this unviable.
- 6.7 As has been shown, East Cardiff has a good variety of stock but needs more properties for first time buyers. In the last five years, 20% of new homes have been built here.
- 6.8 In North Cardiff up to 80% of demand is for family housing. Over 60% comes from households with no school-aged children and a similar percentage are themselves aged 40 or over. It is this group that is likely to want larger homes in spite of comprising smaller households. If planning policy severely restricts the supply of these then the communities will become more polarised and less sustainable. In the last five years only 13% of all new homes have been built here.
- 6.9 In West Cardiff 50%-90% of demand is for family housing but there is also demand for homes for first-time buyers. In the last five years only 9% of all new homes have been built here.
- 6.10 This report demonstrates that Cardiff needs more housing than is planned; that this should be predominantly family housing rather than apartments and that there is evidence of unsatisfied demand in the North, West and East.

APPENDIX 1

Map showing location split.

APPENDIX 2

Questionnaire