Shared housing in Portsmouth

An assessment of demand, supply and community impacts

March 2012
Shared housing in Portsmouth: An assessment of demand, supply and community impacts, March 2012

This document supports the city council’s Draft Supplementary Planning Document (SPD): ‘Houses in multiple occupation (HMOs) - ensuring mixed and balanced communities’, March 2012
Contents

1.0 Purpose of this report 4
2.0 Methodology 4
3.0 Background 4
4.0 National and local planning policy 5
5.0 Portsmouth – key demographics 6
6.0 The city’s housing stock and future housing needs 9
7.0 A profile of the city’s private sector shared accommodation 11
- Number of HMOs 11
- Location and type 12
8.0 Current demand for shared accommodation by occupant type 15
- Students 15
- Social housing waiting list and those claiming Local Housing Allowance (LHA) 18
- Other HMO occupants 18
9.0 Negative impacts of HMO concentrations on local communities 19
- HMOs - defining a 'tipping point;' 21
10.0 Establishing a threshold to meet future demand 22
- Future supply of HMOs 24
11.0 Applying the threshold 26
- Defining ‘the area surrounding the application property’ 26
- A citywide threshold 27
12.0 Monitoring and review 28

Tables

Table 1: Projected increase in population, dwellings and one-person households 7
Table 2: Average price paid by property type (Oct to Dec 2011) 9
Table 3: HMOs as a % of all private sector dwellings 11
Table 4: Student properties as a % of all private sector dwellings 16
Table 5: Number of private sector houses 24
Table 6: Impact of 10% threshold on ‘pool’ of potential HMOs (2011) 26

Figures

Figure 1: Portsmouth’s transport infrastructure 10
Figure 2: Location of all HMOs 13
Figure 3: Location of HMOs licensed under the Housing Act (2004) 14
Figure 4: Location of student properties 17
1.0 Purpose of this report

1.1 The purpose of this research report is to inform a % threshold for use in determining planning applications for houses in multiple occupation (HMOs). This threshold will form part of the city council’s Draft Supplementary Planning Document: ‘Houses in multiple occupation (HMOs) – ensuring mixed and balanced communities’\(^1\) which sets out how Policy PCS20 of the Portsmouth Plan\(^2\) will be implemented.

1.2 The following report provides an overview of the number, type and location of HMOs in the city. The negative impacts on local communities associated with high concentrations of HMOs are discussed. Future need / demand for shared housing in the city is identified and a threshold is established which will enable this demand to be met.

2.0 Methodology

2.1 In order to inform the threshold, a desk-top based study was carried out that explored a number of data sources. These included:

- various council strategies, policies and studies;
- local and national demographic and economic data,
- local Council Tax data;
- the council’s ‘HMO database’ (made up of records relating to properties with planning permission for Class C4, mixed C3/C4 or \textit{sui generis} HMO use, Council Tax student exemptions, HMOs licensed under the Housing Act (2004) and properties registered by landlords and agents as being in C4 use before 1\(^{st}\) November 2011);
- Housing benefit data and that relating to the social housing waiting list, and
- requests for information from other sources including the University of Portsmouth, PCT, major employers in the city and local agents.

3.0 Background

3.1 In response to problems associated with high concentrations of HMOs in some parts of the country, the previous Government introduced an amendment to planning legislation. Effective from April 6\(^{th}\) 2010, a specific definition of an HMO

\(^1\) Portsmouth City Council (2012) \textit{Draft Supplementary Planning Document: Houses in multiple occupation (HMOs) – ensuring mixed and balanced communities}.

(Class C4) was introduced under the Town and Country Planning (Use Classes) Order\(^3\). At the same time, the Town and Country Planning (General Permitted Development) Order (GDPO) 1995\(^4\) was amended so that a material change of use from a Class C3 dwellinghouse to a Class C4 HMO required planning permission.

3.2 The present Government determined that these changes placed an unnecessary burden on areas where concentrations of this type of property were not perceived to be a problem. On 1\(^{st}\) October 2010, the Government amended the GDPO (1995)\(^5\) so that changes of use from a C3 dwellinghouse to a C4 HMO become permitted development (i.e. planning permission is deemed to be granted).

3.3 The Government’s preferred approach to the ‘control’ of Class C4 HMOs via the planning system was to make provision for local councils to address problems where they occurred and to choose where landlords must submit a planning application for Class C4 use. From 1\(^{st}\) October 2010, local authorities have been able to use Article 4 Directions\(^6\) to remove permitted development rights to change from a C3 dwellinghouse to a C4 HMO meaning that in these circumstances, any material change of use would require an application for planning permission.

3.4 On 1\(^{st}\) November 2011, following a period of 12 months’ notice of its intention to make such a Direction, Portsmouth City Council made Article 4 Direction ART 4/HMO/01\(^7\). From this date, all changes of use in the city from Class C3 to Class C4 have required planning permission.

4.0 National and local planning policy

4.1 The city council also developed Policy PCS20 (HMOs: ensuring mixed and balanced communities) which forms part of the adopted Portsmouth Plan\(^2\) (Core Strategy). This policy will be used to inform planning decisions for HMO use.

---

\(^3\) The Town and Country Planning (Use Classes) (Amendment (England) Order 2010

\(^4\) The Town and Country Planning (General Permitted Development) (Amendment (England) Order 2010


\(^6\) Communities and Local Government (2010) Circular 08/10: Changes to Planning Regulations for Dwellinghouses and Houses in Multiple Occupation.
www.communities.gov.uk/publications/planningandbuilding/circulardwellinghouses

\(^7\) For more information about Article 4 Direction (Art 4/HMO/01)
see - www.portsmouth.gov.uk/living/20617.html
4.2 Policy PCS20 has been guided by national planning policy (PPS1\(^8\) and PPS3\(^9\)) which provides the context for local policy to ensure the future mix and balance of communities. This includes avoiding situations where existing communities become unbalanced by the narrowing of household types towards domination by a particular type, such as shared housing (HMOs). PPS1 encourages development that ‘supports existing communities and contributes to the creation of safe, sustainable, liveable and mixed communities’ (p. 3). It requires that development plans ‘ensure that the impact of development on the social fabric of communities is taken into account’ (p. 7). PPS3 supports the role of development plans in promoting mixed communities and ensuring that a wide range of household needs are catered for.

4.3 The draft National Planning Policy Framework also advocates the creation of sustainable, inclusive and mixed communities and supports the production of SPDs where they can help to bring forward sustainable development\(^10\).

4.4 In accordance with national planning policy, Policy PCS20 of the Portsmouth Plan\(^2\) states that:

‘In order to support mixed and balanced communities, and to ensure that a range of household needs continue to be accommodated throughout the city, applications for changes of use to a House in Multiple Occupation (HMO) will only be permitted where the community is not already imbalanced by a concentration of such uses or where the development would not create an imbalance. For the purposes of this policy, dwellings in use as Class C4, mixed C3/C4 use and HMOs in sui generis use will be considered to be HMOs.’ (p. 134)

4.5 As noted in paragraph 1.1, the purpose of this report is to inform a % threshold for use in determining planning applications for HMOs. In short, to set out how the terms ‘imbalance’ and imbalanced’ (as contained in Policy PCS20) will be applied in the context of planning decisions. This threshold will form part of the city council’s Draft Supplementary Planning Document: ‘Houses in multiple occupation (HMOs) – ensuring mixed and balanced communities’\(^1\).

5.0 Portsmouth – key demographics

5.1 Population forecasts for 2011 (see Table 1) estimate Portsmouth’s population to be 197,614. Based on these forecasts, the council’s ‘Infrastructure Delivery Plan’\(^11\), which sets out the infrastructure needs associated with the Portsmouth

---


\(^11\) Portsmouth City Council (2011) *Infrastructure Delivery Plan: Supporting the Portsmouth Plan (Core*
Plan (Core Strategy), points to a projected population increase of some 14,698 people (7.4%) by 2026 (see Table 1).

5.2 The city covers a land area of 40 square kilometres. With an average density of 5,000 people per square kilometre, it is the most densely populated city in the UK outside of London. New housing development faces many constraints from flood risk, contaminated land and nature conservation designations. The city is also tightly constrained by its boundaries, with the sea on three sides and Portsdown Hill to the north. Set within this context, there are no opportunities for urban extensions and very few large sites available for development.

Table 1: Projected increase in population, dwellings and one-person households

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2011</th>
<th>2016</th>
<th>2021</th>
<th>2026</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>191,995</td>
<td>197,614</td>
<td>202,145</td>
<td>207,275</td>
<td>212,312</td>
</tr>
<tr>
<td>Dwellings*</td>
<td>84,751</td>
<td>88,801</td>
<td>92,732</td>
<td>96,897</td>
<td>100,740</td>
</tr>
<tr>
<td>One-person households</td>
<td>27,890</td>
<td>29,828</td>
<td>32,177</td>
<td>34,764</td>
<td>37,234</td>
</tr>
</tbody>
</table>

* Includes Local Authority and Housing Association dwellings.

5.3 Portsmouth has a relatively young age structure with the high number of people in their late teens and early twenties reflecting its large student population. 33.6% of the city’s population is under 25 years of age (compared to 30.7% for England as a whole). While the population is expected to grow by some 2.3% in the next five years, most of this growth is anticipated in the over 45 age group.

5.4 According to the Portsmouth Plan, 420-490 new homes per year will be provided in the city from 2010 until 2027. In order to meet future demand for larger dwellings, the Plan states that 40% of these new homes should be family sized with three or more bedrooms (see paragraph 6.3).

5.5 Using long-term population projections at the city level, the projected increase in one-person households is set out in Table 1. This indicates an increase of 2349 one-person households to 2016 and 7406 to 2026.

---

1 Hampshire County Council (2011) Demographic facts and figures for Portsmouth. www3.hants.gov.uk/factsandfigures/population-statistics/demographicfactsheets.htm

12 Source: Office for National Statistics - Resident Population Estimates by Broad Age Band, Mid 2010
5.5 In January 2012, unemployment in Portsmouth (based on the resident working age population) stood at 3.7%, compared to 2.6% across the south east and 4.1% across the country as a whole\(^\text{14}\).

5.6 The average gross household income for the city is estimated to be £32,900\(^\text{15}\). In September 2011, the average house price in Portsmouth was £144,200, almost 30% lower than the average for the south east (£207,200) and 11% below the average for England and Wales (£162,100)\(^\text{16}\).

5.7 Based on average individual earnings and house prices in 2010, the housing ‘affordability ratio’ in Portsmouth was 5.9 (which means that the lowest house prices in the city were 5.9 times more than the lowest average annual wages\(^\text{17}\)). This compares to a ratio of 8.5 for the south east and 6.7 for England as a whole\(^\text{18}\). The ratio for Portsmouth has fallen from 7.4 in 2007 indicating that house prices in the city have become relatively more affordable. There were 190 mortgage repossessions in Portsmouth during 2010/2011, 13.6% less than the previous year.

5.8 The city council’s residents survey carried out in 2009\(^\text{19}\) found that 58% of the city’s households were owner-occupiers while 24% lived in private rented accommodation.

5.9 Hampshire County Council’s survey of those that had moved home in 2008/09\(^\text{20}\) found that 60% of moves across all tenures were into one and two bedroom homes. 42% of owner-occupiers had moved into terraced properties.

5.10 Property sales in the city in the last quarter of 2011 (Oct-Dec) show that 56.6% of all properties sold in the city were terraced houses\(^\text{21}\). In September 2011, the average amount paid for a terraced property in Portsmouth (£149,984) was 4% above the average house price\(^\text{21, 22}\) (see Table 2).

---


\(^{15}\) Source: Paycheck data. CACI Copyright 2009. www.portsmouth.gov.uk/yourcouncil/1538.html


\(^{17}\) Based on the ratio of lower quartile house prices to lower quartile earnings

\(^{18}\) Source: Office for National Statistics – Neighbourhood Statistics: Housing (Annual Survey of Hours and Earnings (ONS) and Land Registry) www.ons.gov.uk


\(^{21}\) Land Registry ‘price paid data’ (published by www.upmystreet.com).

Table 2: Average price paid by property type (Oct to Dec 2011)\textsuperscript{21, 22}

<table>
<thead>
<tr>
<th>Property type (houses)</th>
<th>Flat</th>
<th>Terraced</th>
<th>Semi</th>
<th>Detached</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average price paid</td>
<td>£138,920</td>
<td>£149,984</td>
<td>£195,591</td>
<td>£318,955</td>
</tr>
<tr>
<td>% above / below city</td>
<td>-3.7%</td>
<td>+4%</td>
<td>+35.6%</td>
<td>%121.2%</td>
</tr>
<tr>
<td>average house price</td>
<td>(property value) (£144,200)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 6.0 The city’s housing stock and future housing needs

6.1 Policy PCS19 (Housing mix, size and the provision of affordable homes) of the Portsmouth Plan\textsuperscript{2} identifies the need for a variety of housing types throughout the city in order to deliver a choice of homes and to create inclusive and mixed communities. This includes a need for family housing (of three or more bedrooms) of which there has been a sharp fall in the number being built in recent years.

6.2 By far the majority of new housing stock built in Portsmouth between 2001 and 2007 (84\%) was one and two bedroom units, with properties of three and four bedrooms accounting for just 16\% of new residential development during this period\textsuperscript{23}. This trend has continued over the last two years when 79\% of all new residential development was one and two bedroom units with only 21\% having three or more bedrooms.

6.3 The South Hampshire Housing Market Assessment (SHMA)\textsuperscript{24} has estimated the type of housing likely to be required in Portsmouth in the future based on predicted changes in population and household sizes. The study suggested that the number of people requiring larger properties will increase over the Portsmouth Plan period (to 2027). It also points to a significant growth in one-person and ‘other’ households (typically, unrelated multi-person households) and a considerable increase in the number of ‘couple households’. In order to ensure that the future need for family housing in the city is met, Policy PCS19 of the Portsmouth Plan requires that new housing development should achieve a target of 40\% family dwellings (where appropriate). The remaining 60\% should be a balance of one and two bedrooms.

\textsuperscript{23} Portsmouth City Council (2011) Portsmouth Plan Examination Statement: Matter 13 PCS18 – Housing mix and the provision of affordable homes (PHD17). www.portsmouth.gov.uk/living/22302.html

6.4 In accordance with the Portsmouth Plan, new housing will be directed towards strategic sites such as Tipner and the City Centre and to a lesser extent across smaller sites in the city. The Plan notes that due to the city’s compact nature, most locations are ‘sustainable’ as most enjoy good access to local services and public transport (see Figure 1).

6.5 While the Portsmouth Plan indicates that recent trends in the size of new build properties could, if left unchecked, threaten the future supply of family housing, less understood is the extent to which the conversion of properties to HMOs has reduced the supply of family homes in some parts of the city.

Figure 1: Portsmouth’s transport infrastructure

---

www.portsmouth.gov.uk/living/22215.html
7.0 A profile of the city’s private sector shared accommodation

Number of HMOs

7.1 Table 3 sets out the estimated number of HMOs in the city as a percentage of all private sector dwellings. Social housing (social landlord registered and local authority housing) has not been included in the figures as it is exempt from the C4 use class. Where social housing accommodates seven or more people sharing, it is more often defined by a use class (e.g. Class C2: Residential Institutions) rather being defined as an HMO in *sui generis* use.

Table 3 – *HMOs as a % of all private sector dwellings*\(^{26}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2007</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of dwellings (owner occupied and private rented)*</td>
<td>65,400</td>
<td>68,600</td>
<td>72,732</td>
</tr>
<tr>
<td>Number of HMOs</td>
<td>2560</td>
<td>3510</td>
<td>4312</td>
</tr>
<tr>
<td>% HMOs</td>
<td>3.9</td>
<td>5.1</td>
<td>5.9</td>
</tr>
</tbody>
</table>

* Does not include Local Authority or Housing Association properties

7.2 Many of the city’s smaller shared properties that are now defined as HMOs under the Housing Act 2004 (and that fall into the C4 use class in terms of planning legislation) would not have been captured within the ‘Number of HMOs’ in 2003. At the time of the council’s 2003 private sector stock conditions survey\(^{26}\), the definition of an HMO was that contained in the 1985 Housing Act which differs from the 2004 definition, particularly in respect of what constitutes a ‘single household’.

7.3 The number of HMOs estimated in 2011 derives from records contained in the council’s HMO database at December 2011. Given that landlords have continued to register properties that were in C4 use prior to 1\(^{st}\) November 2011 (the date on which Article 4 Direction Art 4/HMO/01 came into force), it is considered that this number (4312) represents an underestimate of the true figure and that there are a number of HMOs in C4 use that are not captured on the database.

---

Location and type

7.4 Figure 2 identifies the location of all properties held on the council’s ‘HMO database’ (at December 2011). A significant proportion of these properties are in Southsea to the south and east of city centre. They are within close proximity to the university, local shops and nightlife, both within the city centre and other centres such as Albert Road / Elm Grove.

7.5 The majority of the city’s HMOs are located in the wards of Central Southsea, St Jude and St Thomas, with a cluster to the north in Fratton. A much sparser concentration runs northwards following the line of the A2407 (Fratton Road / London Road) and the location of local centres at Kingston Road, London Road (North and South) and Cosham (district centre). There is less supply to the west of the university around the areas of Portsea, where the number of council owned properties constrain supply, and Old Portsmouth where house prices may prove less attractive to prospective landlords.

7.6 Of note is the extent to which the highest concentrations of HMOs in the city, by far, are located in areas of two and three-bedroom terraced housing in Southsea and the southern parts of Fratton. (Two-bedroom terraced properties in the city lend themselves to HMO use as they often contain a separate dining room and/or living room, one or both of which can be readily converted to additional bedrooms.)

7.7 This is a worrying pattern given that these terraced family homes are relatively affordable (see paragraph 5.10 and Table 2), which could make them more accessible to owner-occupiers, particularly to first-time buyers. The negative impact of high demand for HMOs on local housing markets, in terms of the ‘pricing out’ of the market of those wishing to buy for non-HMO use, is discussed in Section 9.0.

7.8 Figure 3 shows the location of the 290 licensed HMOs in Portsmouth which, not surprisingly, reflects the location of the city’s larger Victorian properties in the character areas, identified by the council’s Urban Charactisation Study\textsuperscript{25}, as Old Portsmouth, Southsea, Southsea East and Craneswater.
Figure 2: Location of all HMOs\textsuperscript{27}

\textsuperscript{27} Source: Portsmouth City Council - Planning Service ‘HMO database’ (at December 2011).
Figure 3: Location of HMOs licensed under the Housing Act (2004)²⁸

Source: Portsmouth City Council - Private Sector Housing Team (2011).
8.0 **Current demand for shared accommodation by occupant type**

8.1 No systematic data exists as to the total number of people living in shared accommodation in the city (or indeed across the UK as a whole) but CLG (2010)\(^{29}\) suggests that the demography of sharers at the national level consists of:

- young adults;
- single people on moderate incomes, including working adults;
- students, who are estimated to account for 9.9 per cent of single sharers under the age of 30, and
- those that are unemployed.

8.2 The SHMA\(^{24}\) found that the private rented market as a whole in the sub-region was weighted towards one-person households, which may be due to the size of Portsmouth and Southampton’s student populations and/or may indicate that property for sale is not affordable for single people (see paragraph 5.7).

8.3 At the local level, a number of data sources provide information about people living in shared accommodation.

**Students**

8.4 The University of Portsmouth has expanded significantly in recent years, with a number of new teaching and accommodation buildings, and currently has over 20,000 students.

8.5 The SHMA\(^{24}\) notes that housing provision for students by higher education institutions (HEIs) has not grown commensurately with the expansion of the higher education sector and growing student numbers. A consequence of this, evident in Portsmouth, has been an increasing reliance on private sector housing as student accommodation. Table 4 shows the total number of student properties\(^{30}\) in the city, and this number as a percentage of all private sector dwellings, while Figure 4 shows the location of student properties.

8.6 While council tax data does not reliably record the number of occupants in properties that are exempt from paying council tax due to them being occupied wholly by students, it is considered highly unlikely that any significant number of these ‘student exempt’ properties will be in Class C3 use (i.e. accommodating one or two students). They have, therefore, all been included in the city council’s ‘HMO database’.

---

www.communities.gov.uk/publications/housing/estimatinghousingneed

\(^{30}\) Dwellings that are exempt from Council Tax due to it being wholly occupied by one or more students.
Table 4 – Student properties as a % of all private sector dwellings\textsuperscript{31}.

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2007</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of dwellings (owner occupied and private rented)*</td>
<td>65,400</td>
<td>68,600</td>
<td>72,732</td>
</tr>
<tr>
<td>Student Council Tax exemptions</td>
<td>2741</td>
<td>2526</td>
<td>3309</td>
</tr>
<tr>
<td>% total dwellings occupied by students</td>
<td>3.59</td>
<td>3.2</td>
<td>4.55</td>
</tr>
</tbody>
</table>

* Does not include Local Authority or Housing Association properties

8.7 The SHMA\textsuperscript{24} suggests that unless the local housing market is pressurised because of a generally high demand, other groups such as young professionals and low-income households tend not to be in competition for the same properties as students. While this may be true of other cities who report areas made up entirely of private sector student housing, Figures 3 and 4 show no discernable difference in the location pattern of student properties in the city when compared to all types of HMOs. There is therefore little evidence to suggest that students do not live in the same areas of the city as other types of HMO occupants. This is thought to be due to the geography of Portsmouth and the accessibility of most city locations to public transport and local services (see paragraph 6.4), and to the spread of education / training providers and major employers throughout the city.

8.8 Clearly, however, the number of student properties around the university far exceeds other types of HMOs and it is in these areas that HMO concentrations are at their highest (see paragraphs 7.4 to 7.6). In Central Southsea, to the east of the university, on one 100m stretch of Telephone Road, 63% of properties are considered to be in HMO use and on a similar stretch of Margate Road - 55\textsuperscript{27}.

---

Figure 4: Location of student properties

Source: Portsmouth City Council – Council Tax data.
Social housing waiting list and those claiming Local Housing Allowance (LHA)

8.9 In February 2012, 314 people on the city council’s social housing waiting list were in need of single-person housing. Of these, 33 stated that they were a private tenant (which includes those living in HMOs). The vast majority of those waiting for single-person housing (70%) were aged between 25-45 years. Those aged 18-24 accounted for 11% and those aged 45 and over for 19%.

8.10 At the same time, housing benefit data showed that 1168 people were claiming the Local Housing Allowance (LHA) shared room rate, an indication that these people were also likely to be living in an HMO.

8.11 Using a ratio of three people per dwelling, the number of HMOs occupied by people claiming housing benefit in February 2012 would be approximately 389. This ratio represents an extremely conservative estimate of the average number of occupants in HMOs in the city with many properties accommodating higher numbers. Clearly, where more people are sharing HMOs, fewer units would be needed.

Other HMO occupants

8.12 Most difficult to estimate are the numbers of working people living in shared accommodation. Very little data could be obtained from the city’s major employers relating to the demand for shared accommodation generated by their businesses.

8.13 While no evidence exists as to the number of university graduates living in shared accommodation in the city, the University of Portsmouth note that the number of graduates who stay in Portsmouth after study is anticipated to decline over the next five years as a result of falling student numbers. Around 5000 people are expected to graduate in 2012 and on average it is estimated that around 40% will return ‘home’ following graduation.

8.14 The Portsmouth Hospitals Trust was aware of no particular demand for shared housing amongst its workforce. It indicated that while the Trust provides support to new employees in terms of relocation expenses and initial accommodation, the

---

33 Source: Portsmouth City Council: Housing Options Team (2012)
34 Source: Portsmouth City Council: Housing and Council Tax Benefits Team (2012)
people who would usually use this facility tended to be in posts that pay above the city average and are those who would normally purchase properties.

8.15 While the council's 2009 residents survey\textsuperscript{19} indicated that 2\% of all housing in the city was tied to the occupant’s employment, a number of these properties would be expected to be owned by the Ministry of Defence. A socio-economic impact assessment of Portsmouth Naval Base (2007)\textsuperscript{36} concluded that 10\% of people living in Portsmouth were in ‘defence-dependent’ jobs.

8.16 A very broad estimation of the number of HMOs in the city that accommodate working people can be obtained from available data relating to other types of occupants. Based on the total number of HMOs in the city in 2011 (4312) (see Table 3), the total number of student properties (3309) (see Table 4) and the number of HMOs occupied by people claiming housing benefit (389) (see paragraph 8.10 and 8.11), the remainder of HMOs in the city (614) are likely to be occupied by working people. This is 14\% of all HMOs.

8.17 There is no evidence to suggest that the provision of shared accommodation in the city does not currently meet existing demand. The anticipated future demand for HMOs, by occupant type, is discussed in section 10.0.

9.0 Negative impacts of HMO concentrations on local communities

9.1 The SHMA\textsuperscript{24} concludes that an increased demand for student accommodation in recent years has resulted in 'niche' student markets becoming established in Portsmouth and Southampton with students ‘living in particular types of property, in geographically specific neighbourhoods, and renting from landlords who would be unwilling to let to other groups’ (p. 41). The study suggests that the intensive demand for investment properties from landlords in the student market has knock-on effects for owner-occupiers in some locations, namely that ‘households wishing to purchase, and first-time buyers in particular, could find themselves priced out of the market’ (p. 42).

9.2 The relationship between the prevalence of shared housing and the ‘unaffordability’ of local housing markets has also been noted by Government\textsuperscript{29}. While difficult to evidence, there are indications that this may be the case in some parts of the city.

9.3 Information provided by local surveyors Chandler Hawkins suggests that HMOs in Southsea (within reasonable distance of the university’s main campus) achieve, on average, rental income of between 30 and 40\% above properties let to a family or single tenant. Families who want to rent in this area, and those wanting to buy

a home, must therefore compete with prospective landlords seeking to secure properties to rent out as HMOs.

9.4 Investment in buy-to-let properties in the city has proved particularly attractive to landlords in recent years due to the expansion of the university (and increased student numbers), relatively low property prices (see paragraph 5.7) and the availability of buy-to-let mortgages.

9.4 While Chandler Hawkins note that the current credit crisis has seen a ‘toughening up’ of lending criteria so that banks are currently providing funding based on vacant possession rather than investment value (including potential rental income), many streets in Southsea have seen significant numbers of family homes converted to shared, particularly student, accommodation (see sections 7.0 and 8.0).

9.5 Alongside the positive effects that student populations can have on cities (particularly in terms of their economic input), a report by Universities UK\textsuperscript{37} notes the negative impacts that growing numbers of students and high demand for student housing can have on established communities. These include:

- increased competition for private rented houses;
- rising house prices, deterring access to the housing ladder for other sections of the community;
- the expansion of HMOs in traditional owner occupied, family areas leading to a change in the nature of communities;
- more transient populations, less community integration and cohesion and less commitment to maintaining the quality of the local environment;
- decreased demand for some local services and changes in type of leisure / entertainment and retail available e.g. local shops becoming takeaways and cafes, and
- the gradually self-reinforcing unpopularity of some areas for families wishing to bring up children.

9.6 These negative impacts, and the undermining effect that they can have on sustainable communities, reflect those identified by CLG (2008)\textsuperscript{38}. They also reflect concerns highlighted by city residents during consultation on key planning matters (such as Local Development Framework documents and planning applications\textsuperscript{39}) that consistently point to a lack of affordability of family homes in some areas and the breakdown of the social fabric of communities.


\textsuperscript{39} Portsmouth City Council (2011) \textit{Portsmouth Plan Examination Statement: Matter 15 Houses in multiple occupation (HMOs)} (PHD19).  www.portsmouth.gov.uk/living/22300.html
9.7 Smith (2011) suggests that the largely ‘unregulated production of HMOs’ has, in many cities, resulted in the replacement / displacement of families (with children) by unrelated multi-person households which has led to a dwindling demand in, and ultimately the closure of, local services, schools and other community infrastructure.

9.8 The National HMO Lobby argues that the nature of HMO use is very different when compared to other types of residential use (such as those in Class C3 or Class C2) and consequently, that HMOs have a considerably greater impact on the amenity of surrounding occupiers. The Lobby suggests that the occupation of an HMO (in terms of the number of occupants) is more intensive, being higher than the average dwellinghouse, and that HMO occupants tend to be young adults with associated lifestyle implications. It argues that both of these factors result in higher levels of noise, traffic and waste and that HMOs lack the internal ‘management structure’ of a single household or residential institution to manage these issues.

9.9 Consultation with city residents (and complaints received by the city council) consistently point to HMOs as the source of noise, traffic / parking problems and poor management of household and other waste.

9.10 While the difference in the environmental impacts of HMOs when compared to family dwellings can often be difficult to evidence as the basis of any development control policy (particularly in relation to smaller Class C4 HMOs), consultation with city residents suggests that these problems occur at a much greater rate in areas with high concentrations of HMOs. This points to the cumulative environmental effects of HMO concentrations.

**HMOs – defining a ‘tipping point’**

9.11 The National HMO Lobby is a network made up of fifty local community organisations from thirty towns and cities across the UK. It was formed to oppose concentrations of HMOs, which it sees as a ‘threat’ to the sustainability of communities, and to seek additional controls relating to the formation of new HMOs.

---


9.12 The Lobby has identified a ‘tipping point’ in respect of HMO concentrations\(^{42}\). This tipping point is described as a threshold beyond which a deviation departs so far from the ‘norm’ that a community can ‘tip’ from balance to un-balance. The Lobby considers that the HMO tipping point, based on national ‘demographic norms’ and the impacts of associated demographic change, occurs when HMOs exceed 10% of properties (in a defined area such as a street, block or area recognised as a community by local residents). While it does not intend this tipping point to be prescriptive, recognising that different demographic norms will be relevant in different places, it suggests that it can provide a guide to communities who feel that they have become ‘imbalanced’.

9.13 While Policy PCS20 of the Portsmouth Plan\(^{2}\) seeks to ensure the future mix, balance and sustainability of communities and that future demand for family housing can be met, any restrictions placed on new HMOs must consider the contribution of shared accommodation to meeting the city’s housing needs, particularly those of people on low incomes and benefit payments, young professionals, students and the growing number of one-person households.

10.0 Establishing a threshold to meet future demand

10.1 In order to ensure that any threshold applied to planning applications for new HMO use enables future demand for shared accommodation to be met, it is important to understand the nature of this demand.

10.2 Neither the SHMA\(^ {24}\), the city’s housing need assessment (2005)\(^ {43}\) or the council’s 2011 report on housing provision in the city\(^ {44}\) makes specific reference to the need for shared housing.

10.3 In terms of the types of HMO occupant in the city set out in section 8.0, however, it is possible to infer some conclusions as regards to the likely change in demand from students and single people on the social housing waiting list.

10.4 The University of Portsmouth does not anticipate that the university will grow significantly in terms of student numbers or the size of its estate in the foreseeable future\(^ {45}\). New halls of residence in the city such as the planned 598 bedroom ‘Blade’ building and Theatre Royal development, which will deliver 113 student bedrooms, will reduce demand for student housing in the private sector.


In the short to medium term, a decline in the numbers of students and graduates seeking accommodation in the private sector (see paragraphs 8.13 and 10.4) may result in more shared accommodation becoming available to other types of HMO occupants (such as working people and those claiming benefits), and more properties becoming available to families wishing to rent.

As yet unknown is the impact of increased university fees (from September 2012) on demand for student accommodation in the private sector. An unpublished report commissioned by Liverpool Victoria Insurance\(^{35}\) suggests that as a result of rising fees, the city’s university could see a decline in student numbers of up to 41% by 2020. It also suggests, however, that the period 2020-2030 is likely to see a ‘falling back’ in this trend as university numbers recover.

Also yet unknown are the future impacts on HMO demand of the recent national changes to the Local Housing Allowance (LHA) which is likely to create a greater need for shared accommodation amongst those claiming benefits. A city council update on the local economy\(^{46}\) explains the impact of these welfare reforms noting that the age limit for the LHA ‘shared room’ rate for private sector tenants claiming housing benefit will increase from 25 to 35 in 2012. People in the 25 to 35 age group will no longer receive housing benefit for a one bedroom property which will mean, on average, a reduction of £45 per week in benefit. These claimants may be unlikely to continue to afford one bedroom properties and may instead look to shared accommodation as an affordable housing option. The latest housing benefit data (February 2012) suggests that 275 people in the city will be affected by this change. Based on an average minimum HMO occupancy of three people per dwelling, this could equate to a need for 92 new HMOs in the city. A higher HMO occupancy rate, for example four people sharing, would mean that fewer HMOs would be needed (see paragraph 8.11).

It has been noted that young adults make up a significant proportion of HMO occupants (see paragraph 8.1). The number of student properties in the city (see Table 4) suggests that this is the case in Portsmouth. Given the anticipated decline in student numbers in the city, it is possible that any growth in demand for shared accommodation from other adult sharers will be offset by a reduction in student demand.

This growth in demand could come from the over 45 age group (see paragraph 5.3) in which a significant population growth is anticipated in the next five years. Data from the social housing waiting list shows that 19% of those waiting for single-person accommodation are currently over 45 years of age.

Future supply of HMOs

10.10 In order to estimate the number of private sector properties in the city that could change to HMO use in the future (i.e. the ‘pool’ of potential HMO properties), the number of private sector ‘houses’ (as opposed to flats) is identified in Table 5.

10.11 In discounting flats from this ‘pool’ of potential HMOs, it is acknowledged that three-bedroom flats will also be discounted. However, no reliable data currently exists about the number of ‘bedrooms’ contained in private sector stock in the city. (It is anticipated that 2011 Census data will provide a much more detailed understanding of property type and size in relation to tenure.)

10.12 It is considered likely that the majority of flats with three (or more) bedrooms will be owned by the city council (see paragraph 7.1). There will, however, be a number of council leasehold flats, and those that have been created by the conversion of larger properties in the city, that could be suitable for HMO use and which have not been included in the pool.

10.13 Using the percentage rate of houses by type in 2007 (identified by the city council’s 2007 private sector stock conditions survey47) Table 5 estimates the total number of houses in the city in 2011.

Table 5: Number of private sector houses

<table>
<thead>
<tr>
<th>Property type</th>
<th>2007</th>
<th>% of all 2007 stock*</th>
<th>2011**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small terrace</td>
<td>8753</td>
<td>12.1</td>
<td>8800</td>
</tr>
<tr>
<td>Medium / large terrace</td>
<td>36,677</td>
<td>50.7</td>
<td>36,875</td>
</tr>
<tr>
<td>Semi-detached</td>
<td>7596</td>
<td>10.5</td>
<td>7637</td>
</tr>
<tr>
<td>Detached</td>
<td>2821</td>
<td>3.9</td>
<td>2837</td>
</tr>
<tr>
<td>All houses</td>
<td>55,847</td>
<td>81.4%</td>
<td>56,149</td>
</tr>
</tbody>
</table>

* Based on the total number of private sector dwellings in 2007 (68,600)
** Based on the total number of private sector dwellings in 2011 (72,732)

10.14 According to Table 5, the total number of houses in 2011, and therefore the potential ‘pool’ of HMOs, is 56,149 properties. After the existing number of HMOs is subtracted (4312) (see Table 3), this ‘pool’ becomes 51,837.

10.15 While a proportion of the existing HMOs will be flats rather than houses, removing them all from the pool will make it less likely that houses already in HMO use are counted.

---

47 Portsmouth City Council Private Sector Stock Conditions Survey 2007 (see footnote 26) and the Local Land and Property Gazetteer.
10.16 The estimated pool of potential HMOs does not include opportunities for the conversion of buildings in other (non-residential) uses to HMOs and takes no account of any constraints to new HMO uses, including the impact of imposing a threshold.

10.17 Limiting new HMOs to a maximum of 10% of existing residential properties, in accordance with the HMO Lobby’s ‘tipping point’ (paragraph 9.12), would clearly restrict the number of HMOs that could come forward in areas that already have high concentrations.

10.18 Therefore, in addition to subtracting the existing number of properties in HMO use (4312) from the pool, it is also considered prudent to subtract a proportion of the total number of properties in areas that are already subject to high HMO concentrations as it is less likely that planning applications for new HMO uses will be permitted in these areas. 2011 ward level dwelling forecasts relating to Central Southsea, St Jude and St Thomas wards have been used to estimate the total number of properties in areas with high concentrations of HMOs.\(^{48}\)

10.19 The proportion of properties in these areas that have been subtracted from the pool of potential HMOs is 50% (see Table 6). This is based on evidence that the concentration of HMOs in some parts would not exceed the 10% threshold (see Figure 2) and therefore, planning applications for new HMO uses may be permitted. In addition, it is likely that the majority of the city’s larger private sector flats are located in these areas and these have not been counted in the pool of potential HMOs.

10.20 Table 6 sets out the calculation used to estimate the total number of private sector houses that could be come forward as HMOs, and the number remaining after a 10% threshold has been applied.

10.21 Table 6 suggests that 4163 properties in the city could provide an additional source of shared accommodation following the introduction of a 10% threshold. This figure does not include the projected increase in the total number of dwellings in the city (see Table 1) but is still 96.5% more than the current number of HMOs estimated in Table 3.

10.22 Based on a minimum ratio of three people in each HMO dwelling, this would provide at least 12,489 more people in the city with shared accommodation which would be sufficient to accommodate all the projected increase in one-person households (7406) to 2026 (see paragraph 5.5).

\(^{48}\) Source: Hampshire County Council 2010 Small Area Population Forecasts
www.portsmouth.gov.uk/yourcouncil/2975.html
Table 6: Impact of a 10% threshold on ‘pool’ of potential HMOs (2011)

<table>
<thead>
<tr>
<th>Description</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of private sector houses in the city</td>
<td>56,149</td>
</tr>
<tr>
<td>Subtract estimated number of existing HMOs</td>
<td>4312</td>
</tr>
<tr>
<td></td>
<td>= 51,837</td>
</tr>
<tr>
<td>Subtract 50% of properties in wards with existing high concentrations</td>
<td>10,200</td>
</tr>
<tr>
<td>‘Pool’ of potential HMOs</td>
<td>= 41,637</td>
</tr>
<tr>
<td>Number available with 10% threshold</td>
<td>= 4,163</td>
</tr>
<tr>
<td>Remaining pool as a percentage of all private sector dwellings (72,732)</td>
<td>= 5.7%</td>
</tr>
</tbody>
</table>

10.23 What is less certain, however, is the impact that future demographic and economic changes will have on the demand for, and supply of, shared housing in the city. The indicators used to monitor policy PCS20 will therefore include changes in the number of people classified as homeless by the city council (see section 12.0). The monitoring of Policy PCS20, via the Annual Monitoring Report (AMR), will also include a review of the data used in calculating the ‘pool’ of potential HMO properties in the city as updates become available.

11.0 Applying a 10% threshold

11.1 The evidence set out above indicates that a 10% threshold, applied to new HMO uses across the city, would enable future demand for shared housing to be met.

11.2 Therefore, in implementing Policy PCS20 (see paragraph 4.4), a community will be considered to be ‘imbalanced’ where more than 10% of residential properties in the area surrounding the application property are already in HMO use. Allowing the new HMO use would create an ‘imbalance’ where granting the application would ‘tip’ the ratio of HMOs to Class C3 residential uses in this area over the 10% threshold.

Defining ‘the area surrounding the application property’

11.3 In order to calculate the percentage of properties already in HMO use, the ‘area surrounding the application property’ must also be defined. To effectively gauge the balance of residential uses within a community, and to avoid HMO concentrations in the future, it is suggested that this area should only include those properties that are in relatively close proximity to the application property. This measure is not intended to capture ‘the community’ (which often proves...
extremely difficult to define in spatial terms) but rather is intended to be indicative of the balance of residential uses.

11.4 Prior to the public examination of the Portsmouth Plan (and subsequent amendment to Policy PCS20), the city council defined the area surrounding the application property as street frontage lying within 100 metres of the application property. All properties within 100 metres were identified and the percentage of those in HMO use was calculated. This method, however, proved complex and problematic for applicants who wanted to assess the existing concentration of HMOs surrounding a property prior to submitting an application for a new HMO use.

11.5 To ensure that the method for calculating the existing percentage of HMOs is clear and straightforward for applicants to understand and replicate, a simple ‘fixed’ radius approach is proposed.

11.6 Different options relating to the ‘length’ of this radius have been explored in terms of the number of properties captured using each measurement. For example, based on a traditional terraced street layout in the city, an area with a radius of 25 metres captured approximately 33 properties, a 50 metre radius captured 93 properties and a 100 metre radius captured 301 (significantly more than the 50 metre radius due to the capture of properties in adjacent streets). Clearly these numbers would vary depending on the density of existing development.

11.7 It is considered that a 50 metre radius would provide an appropriate spatial level at which the existing percentage of HMOs could be assessed and would capture a ‘manageable’ number of properties in the surrounding area for applicants, local residents and the local planning authority to consider in terms of their existing use. While the 25 metres radius captured 33 properties in a terraced street layout, lower density development may significantly reduce this number to a point where the balance of uses in the area cannot be properly gauged. It is thought that too many properties were captured by the 100 metre radius (301) to effectively assess as part of any planning application.

A citywide threshold

11.8 The 10% threshold will be implemented across the city as a whole as it is considered likely that if the threshold were applied only to specific areas of the city that already have high concentrations of HMOs, this may result in HMO concentrations ‘shifting’ to other areas (e.g. to those just outside of any area of constraint).
11.9 The alternative to creating an ‘area of constraint’ in the city would be to create ‘areas of opportunity’ where planning applications for new HMO use are more likely to be supported. This might involve identifying areas that are already imbalanced by significantly high concentrations of HMOs and where no threshold (or a higher threshold) would apply. This approach could be based on perceptions of greater demand for shared accommodation in these areas and/or an approach that aims to confine the impacts of HMOs to specific parts of the city. It could also involve setting no threshold in areas that currently have very low HMO concentrations.

11.10 Failure to apply a threshold to all of the city’s communities would, however, not be in accordance with national or local planning policy in terms of encouraging the development of mixed and balanced communities (see section 4.0).

11.11 It is recognised that imposing a threshold will not reduce the impact of HMOs in areas that are already subject to high concentrations. Also that the monitoring of the location of C4 HMOs will prove challenging due to permitted development rights enabling dwellings in C4 use to ‘revert’ to Class C3 without the need for planning permission. The council’s HMO database will therefore be subject to annual checks based on a sample of properties registered by landlords / agents as being in C4 use (prior to 1st November 2011), in order to ascertain if the use of these properties has changed. Case officers will also check the accuracy of information relating to individual planning applications for HMO use by, for example, reviewing planning history and carrying out site visits.

12.0 Monitoring and review

12.1 In order to monitor the effectiveness of Policy PCS20 in avoiding concentrations of HMOs, and to assess its impact on the supply and location / concentration pattern of HMOs in the city, a number of indicators will be used. These indicators are set out in Policy PCS20 of the Portsmouth Plan2 and are:

- the change in the number of people who are homeless (particularly the 25 - 34 year old age group who will be affected by changes to the Local Housing Allowance;
- changes in the concentration of HMOs across the city;
- the number of planning applications received for HMOs and whether approved or refused, and
- any appeal decision relating to HMOs.

12.2 The monitoring and review of Policy PCS20 will be carried out as part of the city’s Annual Monitoring Report which it is required to produce as part of its Local Development Framework (LDF).