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Shetland Islands Council in partnership with Hjaltland Housing Association and NHS Shetland.

Assessment of Housing Need and Demand

KEY ISSUES FOR FUTURE POLICY AND STRATEGY

August 2010

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Key Points – Shetland's Population

- Shetland population has remained stable at around 22,000 since 2001, but has decreased by around 3% over the last 20 years.
- Between Census 1991 and 2001 population increases were found in the mainland areas closest to Lerwick, with the Gulberwick, Quarff and Cunningsburgh area experiencing the highest increase at +66%.
- Significant decreases of population were noted in the North Isles and the North and West Mainland between the 1991 and 2001 census – as much as -32% in some areas.
- Over 50% of the Shetland population live in Lerwick and its surrounding Community Council Areas.
- The Population and Migration Study noted that almost 70% of those who had left the North Isles were now living on the Shetland mainland.
- The Shetland population is ageing, with significant rises in the over 50's population and decreases in the under 30's population.
- Migration is a significant issue for the Shetland population, with population losses primarily affecting younger age groups.
- Primary School rolls in Shetland have declined by two thirds since 1971 and experienced a 50% drop between 1996-2006.
- Minority ethnic groups represent 1% of the Shetland population.
- 60% of in-migrants to Shetland are estimated to be aged 45 or over.
- In-migrants aged 65+ are helping to stabilise population in the North Isles and Northmavine.
- Between 2004/05 and 2006/07, National Insurance numbers were issued to 360 non-UK nationals in Shetland. This is double the number issued in Orkney in the same time period.
- Most international economic migrants are aged 18-34.
- Economic migrants moving to Shetland are predominantly male.
- 74% of households in Shetland are occupied by adults only.
- Life expectancy rates in Shetland are the highest in Scotland, at 76.6 years for males and 81.5 years for females.

Key Points – Future Population and Household Composition

Population

- Shetland's population is estimated to decline by around 6% in 2031.
- By 2031, a decrease of -31% is predicted for Shetland's 0-15 aged population.
- By 2031, a decrease of -20% is predicted for Shetland's working age (16-64) aged population.
- By 2031, an increase of 50% is predicted for Shetland's pensionable (65+) aged population.
- The population group predicted to decrease by the greatest amount by 2031 is females aged 30-49, raising concerns about longer term population and future birth rates.
- All female population groups aged under 50 are predicted to decrease by 2031.
- All male population groups aged under 65 are predicted to decrease by 2031.

Household Composition

- Average household size predicted to decrease from 2.33 in 2004 to 1.84 in 2031.
- The number of households is predicted to increase by 12% in 2031.
- An increase of around 1,200 homes will be required by 2031 to meet the predicted changes in household size.
- An annual average of 46 homes is anticipated to be required to meet the change in household size predicted between 2006 and 2031.
- By 2031, the heads of households aged 60-74 is predicted to increase by 36%.
- By 2031, the heads of households aged 75+ is predicted to increase by 65%.
- By 2031, an estimated 86% of homes in Shetland will be occupied by one or two adults and no children, and is an increase of 12% since 2004.

Key Issues for future policy and strategy

- Retain the younger population, whether existing, returning or migrating to Shetland;
- Planning to meet the housing needs of an ageing population;
- Considering population decrease in context along with changing household compositions – decreasing population does not mean fewer homes are needed.
- Consider changing household composition and the need this creates for additional homes particularly smaller sized homes.

Key Points – Shetland’s Economy

- Combined fisheries output, oil related operations and Shetland Islands Council activity accounted for over two thirds of Shetland’s economic output in 2006.
- The Scottish economy has been in recession since late 2008 and there are indications that the full impact of the recession may be less in Scotland than other parts of the UK.
- Low levels of unemployment are a consistent feature of the Shetland economy, with unemployment across 2008 recorded at 0.7%.
- Between 2003 and 2007, a decrease in the number of full-time equivalent posts was noted in ten Community Council Areas – mostly in the North and West areas of Shetland.
- A number of large scale construction projects are intended, including a gas processing plant constructed by petrochemical company Total, two new high schools (in Lerwick and Mid Yell) and the Mareel entertainment venue. These construction projects will involve significant activity in the local construction, engineering and manufacturing sectors.
- The highest average annual incomes (2009 based) were found in Tingwall, Whiteness, Weisdale, Sandwick and Whalsay.
- In 2007 and 2008 the median incomes in Shetland and Scotland were the same.
- Research in to deprivation and social exclusion in Shetland (2006) states, in relation to income and employment, that ‘despite the apparent absence of poverty in Shetland, a large number of people are in debt and a significant number are struggling to make ends meet. The relatively high costs of living for essential items means that nationally decided benefit levels do not go so far’.
- Thirty six percent of households with Children in Shetland were dependent on out of work benefits or Child Tax Credit more than the family element in 2006/07.

Key Points - Future Economic Performance

- Although some effects of the current recession have been felt, Shetland may be subject to a degree of insulation from the current national recession due to the financial benefits accrued since the 1970s from oil production operations.
- A number of ambitious capital projects are currently planned and budgeted for and these will require significant involvement of local industry as well as benefits for Shetland's local services.
- A deepening recession at national level would expose Shetland to increased effects - particularly public sector spending cuts and risks to tourism related industries (accommodation, catering and retail).
- 38% of businesses entirely based in Shetland compete for business outside Shetland – a prolonged recession could seriously detriment their business.
- Increasing fuel prices are a significant factor where costs are passed on to the customer, affecting retail, deliveries, heating and transport costs as well as the agricultural sector.
- Shetland's Population and Migration Study notes emerging trends in migration:
 - Lifestyle migration likely to increase as a share of in-migrants
 - Future supply of economic in-migrants uncertain.
 - Continuing move of population towards greater Lerwick.
- With a number of large scale capital projects currently planned, housing will be required to meet the increase in development activity. The exact number and nature of development related housing need remains uncertain and is largely dependent on the successful implementation of the many planned capital projects.

Key Issues for future policy and strategy

- Planned large scale projects may need careful consideration of housing needs to limit impacts on existing private rented and tourism markets;
- Need to retain economic opportunity throughout Shetland;
- The effects of migration on the housing markets, both internally within Shetland and externally to/from Shetland;
- Consider some indications that poverty is increasing in Shetland.

Key Points – Shetland’s Housing Stock

- The number of homes in Shetland has increased by 41% since 1976;
- Eighty four percent of homes in Shetland are detached or semi-detached;
- Shetland has a higher percentage of homes in the private sector – 71% in 1976 increasing to 79% by 2007;
- One in five homes in Shetland are one or two bedroomed (20%) compared to one in three (33%) in Scotland;
- Fifty nine percent of homes in Shetland were built since 1964, compared to 44% in Scotland;
- An average of 117 homes per year were built between 2000-2008;
- Over 72% of all residential properties in Shetland are within council tax bands A to C, compared to 63% across Scotland. Council Tax bands F to H account for 2.2% of homes in Shetland, compared to 11% in Scotland.
- The SIC social rented stock decreased by 13% during 2002-2009. The HHA stock increased by 47% in the same time. This increase has helped to mitigate the negative effects of a decreasing social rented stock alongside increasing demand.
- 30% of the social rented stock is bedsit/one bedroomed – around 760 homes.
- Currently 20% of homes are one or two bedroomed compared to an estimated 74% of households occupied by one or two adults.

Key Issues for future policy and strategy

- Address ways to address stock and household composition imbalance.
- Ensuring a housing stock is available throughout Shetland to assist with maintaining local populations and economic opportunity.

Key Points – Shetland's Housing Market

- Seventy two percent of the new homes built were individual projects, with only 22% forming part of a larger development;
- The number of sales in the private sector has increased by 89% between 1999 and 2008 (209 sales increasing to 396).
- Median house prices are highest in Scalloway, Gulberwick, Quarff and Cunningsburgh and Tingwall, Whiteness and Weisdale.
- Average private sector house prices increased 133% from 1999.
- Average lower quartile house prices in 2008 are between £75,000 and £92,000.
- Lower quartile house prices increased by over 155% since 1997, with a 104% increase between 2004 and 2008.
- Lower quartile sale values are lower in the Isles and more remote mainland areas, increasing towards the Central Mainland and Lerwick with the highest lower quartile values in Scalloway (2008).
- A dual income household with an 80% mortgage are not able to afford entry level housing in Shetland. Dual income households with 100% mortgage can afford entry level housing in the North Isles/Whalsay & Skerries and the West Mainland only.
- Single income households with either an 80% or 100% mortgage are unable to afford entry level housing across Shetland.
- Between 2003-2009, an average of 243 homes were relet in the social rented sector each year. This is around 9% of the total social rented stock.
- Right to buy sales account for an average of 40 SIC homes per year – around 2% of the social rented stock.
- SIC inflation only rent increases have achieved an average rent in 2008/09 that is 9% higher than the Scottish average – a significant reduction from 17% higher in 2001/02.
- Private rented housing costs vary for holiday lets (£200 to £300 per week) and longer term lets (£400 to £500 per month)
- There is high demand for private holiday lets in the summer months, and professional opinion suggests this affects those in housing need.

Key Points - Future Affordability

Dual Income Households

CURRENT POSITION:

- Lower quartile house sale prices for 2008 show a difference of over £58,000 in price. The highest lower quartile house prices are found in the Central Mainland (£93,000) compared to the North Isles and Whalsay & Skerries with an average lower quartile house price of £34,625.

LOWER QUARTILE DUAL INCOME HOUSEHOLD WITH AN 80% MORTGAGE

- A dual income household that earns a lower quartile income and able to access an 80% mortgage is calculated as being able to afford lower quartile housing in Lerwick & Bressay, North Mainland, West Mainland or North Isles and Whalsay & Skerries. All other areas of Shetland are calculated as unaffordable.

LOWER QUARTILE DUAL INCOME HOUSEHOLD WITH A 100% MORTGAGE

- A dual income household earning a lower quartile income and able to access a 100% mortgage could potentially afford housing being sold within the lower quartile range across Shetland.

SCENARIO 1 (10% price increase):

- 10% lower quartile price increases would mean that dual (lower quartile) income households able to access an 80% mortgage could potentially still afford lower quartile housing in the West Mainland or North Isles and Whalsay & Skerries. All other areas of Shetland are unaffordable.
- Dual (lower quartile) income households able to access a 100% mortgage could still potentially afford housing in Lerwick & Bressay, West Mainland, North Mainland or North Isles and Whalsay & Skerries. All other areas of Shetland are calculated as unaffordable.

SCENARIO 2 (20% price increase):

- Dual (lower quartile) income households able to access an 80% mortgage could only afford lower quartile housing in the West Mainland or the North Isles and Whalsay & Skerries if house prices increased by 20%. All other areas of Shetland are unaffordable.
- At 100% mortgage, dual (lower quartile) income households could afford lower quartile housing in Lerwick & Bressay, the North Mainland, West Mainland or North Isles and Whalsay & Skerries if house prices increased by 20%. All other areas are unaffordable.

Single Income Households

CURRENT POSITION:

- Lower quartile house sale prices for 2008 show a difference of over £58,000 in price. The highest lower quartile house prices are found in the Central Mainland (£93,000) compared to the North Isles and Whalsay & Skerries with an average lower quartile house price of £34,625.

LOWER QUARTILE SINGLE INCOME HOUSEHOLD WITH AN 80% MORTGAGE

- A single income household that earns a lower quartile income and able to access an 80% mortgage is calculated as being able to afford lower quartile housing in the West Mainland, North Isles and Whalsay & Skerries. All other areas of Shetland are calculated as unaffordable.

LOWER QUARTILE DUAL INCOME HOUSEHOLD WITH A 100% MORTGAGE

- With a 100% mortgage, a single income (lower quartile) household could potentially afford lower quartile housing in the West Mainland, North Mainland or North Isles and Whalsay & Skerries.

SCENARIO 1 (10% price increase):

- If house prices increased 10%, single income households able to access an 80% mortgage would only be able to afford housing in the West Mainland or North Isles and Whalsay & Skerries. All other areas of Shetland are unaffordable.
- At a 100% mortgage and 10% price increase, single income households could afford lower quartile homes in the West Mainland or the North Isles and Whalsay & Skerries.

SCENARIO 2 (20% price increase):

- If house prices increased 20%, single income households able to access an 80% mortgage would not be able to afford lower quartile priced homes across Shetland with the exception of the North Isles/Whalsay & Skerries.
- At a 100% mortgage and 20% price increase, single income households could again only afford lower quartile homes in the West Mainland or North Isles and Whalsay & Skerries. All other areas of Shetland are unaffordable.

Key Issues for future policy and strategy

- Address affordability in the private sales and private rented market particularly for single income households and those wishing to enter the private housing market;
- Maintain and increase social rented stock in order to provide an affordable housing option;
- Address supply of homes available in the market suitable for smaller households.

Key Points – Current Housing Need

- The total number of applicants on the housing register continues to rise and is around 1,000.
- The majority of applicants on the Housing Registers are living in unsuitable circumstances including overcrowding, sharing amenities, lacking amenities or have a medical or social need for a house move.
- Homeless applications increased 57% between 2002/03 and 2008/09.
- The number of homeless applicants living in temporary accommodation has decreased by 40% since December 2006, largely due to the successful transfer of homeless households living in hostel accommodation to permanent lets.
- In 2008/09, the Local Authority had no legal duty to assist almost 40% of homeless applicants. This high number may be interpreted as an indicator of overall housing need and a shortage of affordable housing options.

Key Points - Future Housing Need

- The housing need calculations consider the need for affordable or entry level homes in Shetland.
- The evidence on housing need outlined here will be used to inform housing supply targets through the Local Housing Strategy.
- Shetland's gross current housing need is calculated at 1,163.
- Shetland's net housing need is calculated to be 721. This net figure removes a number of households from the total figure of 1,163:
 - 293 homes occupied by households in housing need (homes that would become available for relet should the existing occupant be suitably rehoused) ;
 - 94 households estimated to be able to afford to buy in the market;
 - 55 new homes for affordable rent completed.
- In the first year, taking in to account the predicted affordable housing supply and the net affordable housing need, there is a shortfall of 53 to 71 additional affordable homes. This is calculated on the basis that the current backlog in housing need can be addressed within a 10 year period.

Key Points – Future Housing Need of Specific Groups

- In August 2009, 39% of applicants for sheltered housing were assessed as needing the highest priority of Sheltered or Very Sheltered Housing (support 24 hours a day). The remaining 61% require less support in the home.
- Over the next few years an increasing demand for care at home services is likely. With the 75+ age group predicted to increase by 800 between 2006 and 2031. Between 2010 and 2031 there will be 36 more people within this age group each year.
- Shetland's Care homes have little spare capacity and there is a waiting list of 38 (July 2009) for permanent residential care. The Social Work service reports that most clients appear to want to stay in their own homes for as long as possible before entering a care home. The resource implications for the Care at Home service, accommodation and support to facilitate this are vast.
- Shetland's learning disabled population is projected to increase by 40% from 160 to 271 between 2004 and 2020.
- There are currently 23 Independent Living (accommodation and permanent support project) places for clients with a projected increase of 48 Independent Living places required between 2008 and 2015. There are also 18 clients who managed their own tenancy or supported tenancy, with a projected increase of 36 further tenancies of this type between 2008 and 2015.

Key Issues for future policy and strategy

- Address increasing number of applications for social rented housing and specific housing needs within these applications;
- Address increasing levels of homelessness and meet government targets to remove priority need by 2012;
- Set housing supply targets through the Local Housing Strategy in order to address high levels of annual housing need.