

CITY CENTRE HOUSING – PATTERNS OF OCCUPATION

Evidence from the Council Tax Register November 2008

1. Introduction

- 1.1 The Council Tax Register is a continuously updated record of liability to pay Council Tax. Council Tax itself is a tax on property not people, but liability depends on occupancy characteristics. Consequently the Register can be used to draw conclusions about the occupancy of property.
- 1.2 This report presents the results of an analysis of the Council Tax status of new properties in the City Centre completed during the housing boom of the last decade or so and includes comparison with previous results. The analysis throws light on rates of increase in the occupied stock, average occupancy rates, vacancy rates and the proportion of properties not used as a main residence, and can usefully be read in conjunction with survey data, notably the biennial surveys of “City Living in Leeds” conducted by Leeds University with support from K W Linfoot PLC and Morgans. The latest of these was published in 2007.

2. Analysis Results

- 2.1 An extract of live properties in City Centre wards was obtained from the CTR as it existed on or about 14 November 2008, and this was edited down to a list of just over 100 housing schemes completed from the end of 1996 through to September 2008. The edited file contained information on a total of 7596 properties.
- 2.2 1047 of these units were in schemes known to be in purpose-built student accommodation (including some not so classified by the CTR) and these were excluded from the analysis since they are a specialised section of the market. Other general purpose properties not specifically built for students but in fact occupied by them were retained. This left a final database of 6549 dwellings.
- 2.3 The CTR makes it possible to identify properties occupied by 1 resident, 2+ residents, or wholly by students, and also those in use but not as anyone’s main residence. It also identifies vacant properties and void properties. Void properties are those with unknown CTR status at the time of the extract – that is, the previous status had terminated, but a new one had yet to be established. For the purpose of this analysis, it is assumed that 50% of void properties were in fact occupied, and 50% were vacant. The appendix gives further notes on these categories and the rationale for the treatment of voids.
- 2.4 The tables overleaf summarises the distribution of properties across the available categories in each year since 2005, when this analysis was first undertaken. The presentation of this table has been revised to make explicit the treatment of void properties. The length of the time series now makes it necessary to give separate tables for numbers and percentages.
- 2.5 The table shows the continuing rapid increase in the stock of new housing in recent years. At the end of 2008, the CTR had identified around 6500 properties on schemes completed in the last decade or so. In the last year, numbers increased by nearly 800 or 13%, and since 2005, the increase has been 3000 or 83%
- 2.6 The growth of the stock continues to be matched by the growth in the numbers occupied by residents. These increased to 5275 in November 2008, up 700 (16%) from last year and 2700 (106%) from three years ago. Just as importantly, the proportion of properties occupied by residents continued to rise and stood at 80.5% in 2008, compared to 78.7% last year and 71.3% in 2005.

Table 1A GENERAL HOUSING COMPLETED SINCE 1996 IN CITY CENTRE				
<i>Numbers on Council Tax Register (November each year)</i>				
	2005	2006	2007	2008
Occupied by residents				
1 person	1092	1468	1883	2124
2+ persons	1125	1577	2088	2521
All students	185	283	308	373
50% voids	153	198	269	257
All with residents	2555	3526	4548	5275
In use but not a main residence	563	505	507	507
Vacant				
Exempt	223	300	157	187
Longer term vacant	87	175	294	322
50% voids	154	198	270	258
All Vacant	464	673	721	767
TOTAL	3582	4704	5776	6549

Table 1B GENERAL HOUSING COMPLETED SINCE 1996 IN CITY CENTRE				
<i>Percentages on Council Tax Register (November each year)</i>				
	2005	2006	2007	2008
Occupied by residents				
1 person	30.5	31.2	32.6	32.4
2+ persons	31.4	33.5	36.1	38.5
All students	5.2	6.0	5.3	5.7
50% voids	4.3	4.2	4.7	3.9
All with residents	71.3	75.0	78.7	80.5
In use but not a main residence	15.7	10.7	8.8	7.7
Vacant				
Exempt	6.2	6.4	2.7	2.9
Longer term vacant	2.4	3.7	5.1	4.9
50% voids	4.3	4.2	4.7	3.9
All Vacant	13.0	14.3	12.5	11.7
TOTAL	100	100	100	100

- 2.7 The growth in the numbers of occupied properties is a telling measure of the continued strength of demand for city centre housing. In the last year, the housing market has run into severe difficulties, yet in the city centre another 700 new properties were sold or let to new residents – down on the two previous years, but still impressive in the circumstances. To put this figure into some sort of perspective, on a large suburban site, developers would normally be hard pressed to sell 150 units a year even in the most benign of markets. Although not exactly comparable, the City Centre shares some of the characteristics of a very large housing site, notably the relatively small spatial extent and the homogeneity of product. To dispose of 700 units in current market conditions is a considerable achievement – and one that should not be lost sight of in the otherwise generally negative comment that tends to surround city centre housing market analysis.
- 2.8 The CTR can throw some light on **occupancy rates** – the average number of residents per dwelling - but does not enable precise rates to be calculated. This is because there is no information about child population and the CTR is not generally interested in whether more than two adults live in a property. However, independent surveys show that the child population is negligible (“City Living” found that only 2% of households included children in 2007); while CTR liability data can be used to establish **minimum** occupancy rates.
- 2.9 If it is assumed that all properties qualifying for single person discount have one resident, and all those without discount have two, the CTR data point to a minimum occupancy rate of 1.54 persons per dwelling. This rate has drifted up marginally over the last three years, in line with a steady decline in the percentage of properties claiming the single person discount. It is also broadly consistent with the 1.6 rate found by “City Living” in 2007.
- 2.10 It is a widely held belief that **vacancy rates** in city centre housing are high and probably rising. The facts according to the CTR are that the number of vacant properties has indeed increased over the last three years, and now stands at about 770. This represents a rate of 11.7% and is nearly three times the average for the city as a whole (4.1%). However, it is not true to say that the vacancy rate has been rising – it rose between 2005-6, but has since fallen slightly and is now lower than at any time since 2005.
- 2.11 Although vacancy rates remain very high, this is partly due to the special features of the city centre housing market. It has to be remembered that the housing stock is constantly expanding at a fast rate. Moreover, additions to the supply are mostly in the form of large blocks of flats, which all come onto the market simultaneously once building is finished. The inevitable consequence of this is that stockpiles of vacant properties accumulate after completion while the marketing process takes its course. This is quite unlike the position with low rise housing development, where rates of construction can be better tailored to take-up, thus avoiding the build up of large numbers of vacant properties awaiting sale.
- 2.12 Since the city centre housing stock always includes a significant proportion of recently completed schemes, snapshots of the vacancy rate are bound to reflect this. As time goes by, however, and initial disposals are completed, vacancy rates would be expected to fall. To test this hypothesis, the tables below shows vacancy numbers and rates by the broad time bands in which developments were completed.

Table 2A VACANT DWELLINGS – Estimates from the CTR				
<i>Numbers (November each year)</i>				
Schemes completed	2005	2006	2007	2008
1/1997 – 9/2000	37	74	28	13
10/2000 - 9/2001	39	25	36	31
10/2001 - 9/2002	15	15	23	14
10/2002 - 9/2003	31	38	44	36
10/2003 - 9/2004	113	118	82	62
10/2004 - 9/2005	231	168	137	122
10/2005 – 9/2006		236	133	107
10/2006 – 9/2007			239	117
10/2007 – 9/2008				265
All	464	673	721	767

Table 2B VACANT DWELLINGS – Estimates from the CTR				
<i>Percentages (November each year)</i>				
Schemes completed	2005	2006	2007	2008
1/1997 – 9/2000	13.4	27.4	12.3	5.9
10/2000 - 9/2001	7.4	5.2	7.4	6.3
10/2001 - 9/2002	5.4	5.7	8.7	5.3
10/2002 - 9/2003	6.3	8.0	8.9	7.2
10/2003 - 9/2004	11.7	12.1	8.5	6.4
10/2004 - 9/2005	21.5	13.0	10.6	9.5
10/2005 – 9/2006		24.8	12.1	9.7
10/2006 – 9/2007			24.8	15.0
10/2007 – 9/2008				28.3
All	12.9	14.3	12.5	11.7

2.13 The table confirms that vacancy rates begin at very high levels at the end of the year immediately after completion, but then tend to drop – sometimes in fits and starts – in subsequent years. This is best illustrated by the experience of schemes completed in 2004-5, where the vacancy rate fell from 21.5% in November 2005 to 13% in 2006, 10.6% last year and 9.5% now - still high, but moving in the right direction. The existence of this pattern gives reasonable grounds for believing that the high vacancy rates for more recently completed schemes can also be expected to drop significantly in months to come.

- 2.14 A particular feature of the 2008 data is the relatively uniform vacancy rates for the longest established property – that completed before 2004. The average rate for these schemes is currently 6.4%, markedly lower than in previous years, which had led to the suggestion in last year's report that some of the older properties might be suffering by comparison with newly completed schemes. Whatever the truth of this, any problem appears to have been resolved for the present.
- 2.15 A "normal" City Centre vacancy rate will not emerge until the housing stock becomes more stable, but it may be that the rate for pre 2004 properties points to the possibility of this settling down at around 6-7%. The rate seems likely to remain some way above the city average not least because city centre property is probably subject to much higher turnover rates than property elsewhere.
- 2.16 The above analysis of occupied and vacant properties excludes properties that were **not a main residence** ("second homes" for short), such as Company lets and properties held by individuals for occasional use. Although likely to be occupied part of the time, such properties are not normally treated as part of the resident housing stock in demographic analysis.
- 2.17 As with vacant dwellings, numbers of second homes are often alleged to be excessive, and it is implied that to use them in such a way is inefficient if not actually wasteful. It is certainly true that numbers of second homes are quite high, not much less than the numbers vacant. Tables 1A and 1B show that there were just over 500 such properties in 2008, equivalent to 7.7% of the total city centre stock, and one fifth of all second homes in the city. However, numbers have been static over the last three years, and in decline as a proportion of the stock. The proportion has halved since 2005. If these properties constitute a problem, it is certainly not a growing one.
- 2.18 Tables 3A and 3B show trends in the numbers and percentages of properties by date of completion. The same pattern of reduction in incidence with length of existence is observed, as was the case with vacant dwellings, but there is also a suggestion that in more recently completed schemes, relatively fewer properties have gone into this type of use in the first place. What is not apparent from the tables is that these types of residences still tend to be quite concentrated in small numbers of schemes. In 2008, 9 schemes with 20 or more second homes accounted for 49% of all such properties in the city centre, while 18 schemes for 10 or more made up 73% of the total – percentages comparable to those of last year.

DISCLAIMER

This analysis has been prepared following discussion over many years with the Council's Council Tax Section of the Finance Department, but the interpretation placed on the data is the sole responsibility of the Development Department.

Leeds City Council Development Department, December 2008

Table 3A DWELLINGS NOT A MAIN RESIDENCE– Estimates from the CTR				
<i>Numbers (November each year)</i>				
Schemes completed	2005	2006	2007	2008
1/1997 – 9/2000	18	17	18	13
10/2000 – 9/2001	81	69	79	65
10/2001 – 9/2002	64	39	34	25
10/2002 – 9/2003	116	84	79	66
10/2003 – 9/2004	126	84	80	76
10/2004 – 9/2005	158	134	112	96
10/2005 – 9/2006		78	55	68
10/2006 – 9/2007			50	56
10/2007 – 9/2008				42
All	563	505	507	507

Table 3A DWELLINGS NOT A MAIN RESIDENCE– Estimates from the CTR				
<i>Percentages (November each year)</i>				
Schemes completed	2005	2006	2007	2008
1/1997 – 9/2000	6.6	6.3	8.0	5.9
10/2000 – 9/2001	15.5	14.2	16.3	13.2
10/2001 – 9/2002	23.6	14.8	12.9	9.4
10/2002 – 9/2003	24.1	17.6	16.0	13.3
10/2003 – 9/2004	13.1	8.6	8.3	7.9
10/2004 – 9/2005	14.7	10.4	8.8	7.4
10/2005 – 9/2006		8.2	5.0	6.2
10/2006 – 9/2007			5.2	7.2
10/2007 – 9/2008				4.5
All	15.7	10.7	8.8	7.7

APPENDIX – COUNCIL TAX LIABILITY & DEFINITIONS

1. Council Tax is normally payable by residents of dwellings. A resident is a person aged 18 or more who lives in a dwelling as his or her only or main home. Dwellings with two or more qualifying residents pay the full tax, while those with only one qualifying resident are liable to 75% of the tax. In assessing liability, certain residents may be disregarded. These include students, certain elderly and disabled people and a few other specialised categories. Dwellings with disregarded residents are identified on the Council Tax Register (CTR).
2. The CTR is thus a source of some information about the adult population of dwellings. Counts of properties with a single adult resident are available, although these may be subject to over-statement because of the difficulty of verifying single occupancy claims. There is no direct measure of occupancy in multi-occupied properties because the CTR only needs to establish that there are 2 or more qualifying residents. This limitation is not at present serious in the City Centre, where virtually no children live, and where dwellings are generally too small to accommodate more than two adults.
3. The CTR also provides information about unoccupied properties. Many empty properties are exempt from Council Tax. Exemption is allowed for up to 6 months while a dwelling changes hands, and also applies to properties under repair, in probate or subject to a statute preventing occupation, to dwellings whose usual occupant is in long term care, and in some other circumstances. Counts of each exempt category are available.
4. Up to March 2005, properties still vacant after the period of exemption expired were eligible for a 50% discount, but have since become liable to the full tax. They continue to be identified separately, but there is concern that rather than accept full liability, owners may seek to declare single person occupancy in order to claim the single person discount . This is not yet believed to be a problem.
5. The CTR also identifies properties which are not anyone's main residence. These include dwellings held by companies for casual use by staff, as well as conventional second homes, holiday properties or properties held for investment. Until March 2005, such properties received a 50% discount, but this was then reduced to 10%. There are also fears that owners of these properties may attempt to claim the single person discount instead. However, most owners of such property are corporate bodies and it will be difficult for them to credibly claim single occupancy.
6. Properties occupied entirely by students (who are all exempt, as seen earlier) are also identified. Separate counts are kept of bulk student accommodation (halls of residence, large blocks of flats dedicated to student use) and other properties in the general housing stock that are occupied entirely by students.
7. Also relevant are void properties. Properties are void when the previous CTR status is known to have terminated but the new status has yet to be established. At any one time, some of these voids will actually be occupied. This is probably partly a result of the natural tendency of householders to be quicker about advising of the termination of an occupancy (in order to claim rebate or halt a current payment) than of the commencement of a new one (and its new liability), and partly the result of administrative factors – the difficulty and time lags associated with obtaining positive information about new circumstances. Voids are often overwritten retrospectively when information about actual status is eventually obtained.
8. On the other hand, many voids are undoubtedly empty. For example, new properties not yet banded are automatically classified as void and many of these will never have been occupied. In other cases, enquiries will establish that properties are genuinely empty but there may be no strong incentive to move them into an exempt category because as voids they are already uncharged.
9. The actual proportions of voids that are empty and occupied cannot be known, but it is considered reasonable for the purpose of this analysis to assume a 50:50 split. Although this split may not be exactly right, it should not be too far from the truth, and when applied consistently as in these reports, will give results that are comparable from year to year.