

Appendix 1: CITY CENTRE HOUSING – PATTERNS OF OCCUPATION

Evidence from the Council Tax Register November 2006

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 9 years and includes comparison with last year's results. The analysis throws some light on 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.

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 13 November 2006, and this was edited down to a list of 82 housing schemes completed from the end of 1996 through to September 2006. According to housing land records, 5625 properties had been built on these sites. The extract file held information about 5414 of these.
- 2.2 710 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 properties not specifically built for students but in fact occupied by them were retained. This left a final database of 4704 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. The appendix gives further notes on these categories.
- 2.4 The table below summarises the distribution of properties across the available categories.

	November 2005		November 2006	
	Number	%	Number	%
Occupied by residents				
1 person	1092	30.5	1468	31.2
2+ persons	1125	31.4	1577	33.5
All students	185	5.2	283	6.0
All with residents	2402	67.1	3328	70.7
In use but not a main residence	563	15.7	505	10.7
Vacant				
Exempt	223	6.2	300	6.4
Longer term vacant	87	2.4	175	3.7
Void properties	307	8.6	396	8.4
TOTAL	3582	100	4704	100

- 2.5 Dealing first with the **occupied/vacant** split, the table shows that nearly 72% of properties were occupied by persons normally resident in the city centre (including students as part of the resident population in accordance with convention). But it is also probable that many void properties were occupied (see appendix), and if it is assumed that half were in use, the proportion of occupied properties rises to about 75%. Some of

the properties not in use as a main residence will also have been occupied some of the time, but such occupants are likely to be transient and are not normally treated as resident in population analysis.

- 2.6 Since last year, the number of occupied properties has gone up by nearly 1000, and the proportion has also increased from 71.3% to 74.9%. These sharp rises in both absolute and relative levels of occupation are an interesting comment on the doubts repeatedly expressed by commentators about the ability of the City Centre housing market to absorb more housing.
- 2.7 At 25%, the proportion of properties either vacant or not in use by residents remains well above average (the figure for Leeds as a whole is around 4%). Over the last year, the vacancy rate has gone up slightly from 12.9% to 14.3%, but there has been a sharp drop in the percentage of dwellings not in use as a main residence – down from 15.7% last year to 10.7% now (and also down in absolute numbers). This would seem to suggest that owners have been successfully selling or renting their properties for conventional residential use, and can be read as a further sign of the strength of the market.
- 2.8 Also of note is the 6% of city centre properties that are wholly occupied by students (up slightly from 5.2% last year). These are in addition to the dedicated student properties that have been excluded from this analysis.
- 2.8 Turning to **occupancy rates** – the average number of residents per dwelling - these are low because the entire sample consisted of flats with limited housing capacity. Of those in the sample, about 45% had one bedroom, and all the rest two, save for the odd larger penthouse apartment.
- 2.9 Precise occupancy rates cannot be established from the CTR, because there is no information about child population and the CTR is not interested in whether more than two people live in a property. However, independent surveys show that the child population is negligible (“City Living” found that less than 1% of the population was aged under 18 in 2005); while CTR liability data can be used to establish minimum occupancy rates.
- 2.10 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 1.52 persons per dwelling. This is marginally higher than last year, and consistent with the increase that has occurred in the proportion of properties with 2 or more residents. It is also broadly consistent with the 1.6 rate found by “City Living” last year. Much of the difference could be accounted for by properties with 3 or more residents – it could well be, for instance, that some of the all student properties have more than two residents because of the need to reduce individual costs. But it is also the case that the City Living sample had a higher proportion of two bedroom flats than the CTR sample (70% instead of 55%), which would have biased it to slightly higher occupancy properties. Either way, it can be concluded that city centre flats have a resident population occupancy rate in the range 1.5-1.6 persons per property. Earlier analyses of CTR data have given a minimum occupancy rate of 1.4, suggesting that population density may have increased slightly.
- 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 disposal.
- 2.12 Since the city centre housing stock always includes a significant proportion of recently completed schemes, the overall vacancy rate is guaranteed to be high. As time goes by, however, and initial disposals are completed, vacancy rates would be expected to

fall. To test this hypothesis, the table below shows vacancy rates (and also second home rates) by the broad time bands in which developments were completed. Rates are calculated in the same way as before.

Date of completion	November 2005			November 2006		
	Dwellings	% vacant	% not main residence	Dwellings	% vacant	% not main residence
1/97 – 9/00	272	13.4	6.6	270	27.4	6.3
10/00 - 9/01	522	7.4	15.5	485	5.2	14.2
10/01 - 9/02	271	5.4	23.6	263	5.7	14.8
10/02 - 9/03	481	6.3	24.1	476	8.0	17.6
10/03 - 9/04	964	11.7	13.1	973	12.1	8.6
10/04 - 9/05	1072	21.5	14.7	1289	13.0	10.4
10/05 – 9/06				948	24.8	8.2
All	3582	12.9	15.7	4704	14.3	10.7

- 2.13 Leaving aside for the moment schemes completed 1997-2000, the table confirms that **vacancy rates** do indeed decline with time. A quarter of properties completed last year were vacant, but this fell to an average of 6.6% for properties completed between 2000 and 2003. The same effect is apparent from looking at 2004-5 completions: a year ago, 21.5% of these were vacant, but this figure had dropped to 13% by the end of 2006. Against this, rates for 2002-3 and 2003-4 schemes went up slightly last year, but this is almost certainly the result of the massive increase in housing supply in the two subsequent years, which has given residents an unprecedented degree of choice. The housing market cannot reasonably be expected to absorb such a large injection of supply without some delay.
- 2.14 The schemes completed before 2000 are an exception to the general rule that vacancy rates decline over time. These schemes now have a vacancy rate as high as that for the newest schemes, having doubled since last year. However, two thirds of this figure is accounted for by two schemes which are completely vacant: Caspar Apartments, which has been evacuated because of safety concerns (and may go out of residential use altogether); and a small scheme at Harper Street, which looks as if it has been vacated temporarily because of obtrusive building work in progress immediately adjacent to the properties. If these schemes are excluded, the rate drops to about 9% - still relatively high, but more consistent with the general pattern.
- 2.15 A “normal” City Centre vacancy rate will not emerge until the housing stock becomes more stable, but it will certainly be lower than the current average and may even settle at around 7%, the typical rate for the earlier generation of City Centre apartments. Although still well above the Leeds average, such a rate would not be inconsistent with the specialised nature of the city centre housing market.
- 2.16 A somewhat different picture emerges for properties that were **not main residences**. There is no distinct chronological variation in these rates. The most significant trend since last year is the marked reduction in the rates for schemes completed in the period 2001-5. This change is probably associated with owners realising capital gains by selling properties purchased earlier, or else finding permanent tenants. It is also noticeable that the rate for the latest schemes completed in 2005-6 is much lower than the rates in past years, suggesting a further weakening in the desire to hold properties for investment or other purposes.
- 2.17 These residences are also not widely distributed across the city centre stock. Last year it was found that 13 schemes accounted for half of all these properties. Since then, the degree of concentration has increased, with 14 schemes now accounting for three-

quarters of properties. It seems that these properties are confined to relatively few developments possibly targeted at corporate rather than private buyers.

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, January 2007

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. It identifies numbers of properties with a single adult resident with considerable reliability, but 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. These limitations are 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) 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 right, it is better than assuming all voids to be either empty or occupied.