



# STRATEGIC HOUSING MARKET ASSESSMENT FOR KINGSTON UPON THAMES AND NORTH EAST SURREY AUTHORITIES

June 2016



## Contents

	Executive summary	1
Chapter 1	Introduction	9
Chapter 2	Defining Housing Market Areas	13
Chapter 3	The policy context	34
Chapter 4	Area profile	39
Chapter 5	Housing market drivers	67
Chapter 6	Population and household projections and Objective Assessment of Need	80
Chapter 7	Market signals	118
Chapter 8	Affordable housing need	141
Chapter 9	Housing requirements of specific groups	165
Chapter 10	Conclusions	192
<b>Annexes</b>		
Annex 1	Calculating the need for affordable housing: methodology note	197
Annex 2	Estimating local household incomes: methodology note	203
Annex 3	Glossary	207
Annex 4	Local authority profiles	Separate document

## **Executive summary**

1 Cobweb Consulting was commissioned in 2015 by Elmbridge Borough Council, Epsom & Ewell Borough Council, Mole Valley District Council and the Royal Borough of Kingston upon Thames to prepare a Strategic Housing Market Assessment (SHMA).

2 The SHMA concludes that the four authorities of Elmbridge, Epsom & Ewell, Kingston and Mole Valley form a coherent and self-contained Housing Market Area (HMA), as identified from strong migration linkages and supported by evidence on house price patterns and commuting links. Detailed consultation with surrounding authorities and other bodies confirmed that this was viewed as an appropriate boundary.

3 The commissioning authorities fully recognise that there are strong linkages with surrounding authorities, particularly to the south of the HMA, but also in other directions, that will need to be taken into account in developing policy.

### **Dwelling stock**

4 There were just over 190,000 dwellings in the HMA in 2014. Vacancy rates are generally low. Owner-occupation is the predominant tenure but since 2000 there has been a substantial increase in private renting. The social rented sector is smaller than average. Houses are the main type of dwelling with most being detached or semi-detached. The HMA has a greater proportion of homes with four or more bedrooms than the national average. Dwelling prices are exceptionally high across the whole HMA, especially in Elmbridge where the median sale price in 2014 was approaching £500,000. The lower quartile threshold prices for dwelling purchase and private sector rent levels are also very high. As a result, affordability has been and remains a key problem in the HMA.

### **Recent demographic trends**

5 After slow growth up to 1996, the rate of population growth across the HMA has accelerated over the 2011-2014 period. Kingston and Epsom & Ewell have the highest growth rates. The factors generating growth differ between local authorities. In Kingston, for example, natural increase and international migration are important. In the Surrey authorities, natural change and net internal migration (dominated by outward movement from south and west London) are more important, although Mole Valley has little natural growth.

6 Kingston has a high proportion of people aged 15-34. The other authorities have smaller proportions in this age group. Elmbridge and Epsom & Ewell have higher than average proportions of people aged 35-54 and of children aged 0-14, whilst Mole Valley has an older population profile. The working age population has grown substantially in recent years in Kingston and in Epsom & Ewell (13%) but more slowly in Mole Valley and Elmbridge. (3%).

7 Growth in the number of households has been highest in Kingston and Epsom & Ewell, and lowest in Mole Valley. Mole Valley has a lower average household size than the

other authorities, reflecting the older age profile of its population. Overall, there are fewer 1-2 person and more 3-4 person households than the national average.

8 The economy of the area and its surroundings help to create demand for housing. The three Surrey authorities are among the 20 least deprived areas in England, and Kingston is the second least deprived London Borough. Residents in the HMA are more likely to be economically active than the Surrey or London averages, and occupations and industry are dominated by higher-end activities such as financial and professional occupations, with high proportions of managers, directors, and professional and technical roles and important commuting linkages with central London and other economic centres such as Gatwick Airport in the south and Heathrow Airport to the north. Between 2000 and 2013, the HMA became increasingly focussed on higher paid employment.

### **Objectively assessed need for housing**

9 National planning policies require local authorities to base their planning policies on the full Objectively Assessed Need (OAN) for market and affordable housing identified through the preparation of a Strategic Housing Market Assessment (SHMA). The starting point is the most up to date official projections. CLG 2012-based household projections indicate household growth of 54,000 across the whole HMA over the period 2012-2037, an increase of 30%, or on average 2,160 households per annum.

10 There are considerable differences between authorities in the projected factors driving future growth, many of which are similar to the factors driving past growth. In Elmbridge, a steady net loss through international migration is projected, more than offset by natural growth and internal in-migration. In Epsom & Ewell, the projections assume contributions to growth from natural change, internal migration and to a much lesser extent from net international in-migration. In Kingston, natural change is consistently high, together with net international migration, offset by an assumed increase in the rate of net out-migration to the rest of the country. In Mole Valley, the projections assume a gradually increasing decline in population through natural change and net international out-migration, but these are more than offset by the projected increase in net migration from within the UK, especially from London and nearby areas.

11 The Greater London Authority has also produced population and household projections for Kingston, which do not cover the three authorities in Surrey. We consider that these provide a better basis for calculating OAN in Kingston than the CLG 2012-based projection, and have substituted the GLA 2014-based long-term migration scenario population and household projections for those prepared by ONS/CLG for Kingston.

12 In addition to demographic trends, Planning Practice Guidance recommends the consideration of projections of employment growth when considering the objective need for housing. Within this HMA, there is no strong evidence to suggest the need for any increase in OAN for housing as a result of projected employment change.

13 The OAN for housing in the HMA and each constituent authority is as shown in the table below. Across the HMA as a whole, the annual OAN is 2,000 dwellings per annum.

Source		Backlog need		New hhd formation	Allowance for vacancies		Allowance for second homes		Total
		Home-less	Con-cealed	Net new house-holds	% allow-ance	Number	% allow-ance	Number	
Elmbridge	2015-2035	5	606	8,565	2.84	243	0.71	61	9,480
	Per annum	0	30	428		12		3	474
Epsom and Ewell	2015-2035	62	514	7,627	1.95	149	0.00	0	8,352
	Per annum	3	26	381		7		0	418
Kingston	2015-2035	186	1,053	12,696	1.99	253	1.26	160	14,348
	Per annum	9	53	635		13		8	717
Mole Valley	2015-2035	6	419	7,168	2.18	156	0.90	65	7,814
	Per annum	0	21	358		8		3	391
Total	2015-2035	259	2,593	36,056	2.22	801	0.82	296	40,005
	Per annum	13	130	1,803		40		15	2,000

14 In terms of the breakdown by dwelling size, in Kingston, future requirements show a reduction in the proportion of one bedroom units required, and an increase in the proportion of larger units. In Elmbridge, the majority of the additional requirement is for smaller (1-2 bedroom) units. In Epsom and Ewell and in Mole Valley, 2-3 bedroom units form the majority of the additional dwelling requirement. This is a trend projection and a variety of factors could also inform future decisions on the size mix of new dwellings, including any worsening affordability position, or the need for London and the South East to make the best use of land to meet housing need.

15 NPPF and Planning Practice Guidance indicate that market signals should be taken into account when producing an OAN. These include land prices; house prices; rents; affordability; rates of development and overcrowding, concealed and sharing households, homelessness and the numbers in temporary accommodation. From a detailed review of trends in these indicators, our conclusion is that there is no strong evidence to suggest an addition to OAN is required as a result of market signals, except possibly in the case of Elmbridge, where we build in a 'trigger' mechanism to prompt a review of the OAN and a possible uplift. However, across all authorities, the evidence strongly suggests that there is a need for affordable housing provision and this is taken into account in the assessment of that requirement.

### **Affordable housing requirements**

16 The annual requirement for affordable homes to meet housing need is a key element of an SHMA. Official Planning Practice Guidance sets out the framework of the approach.

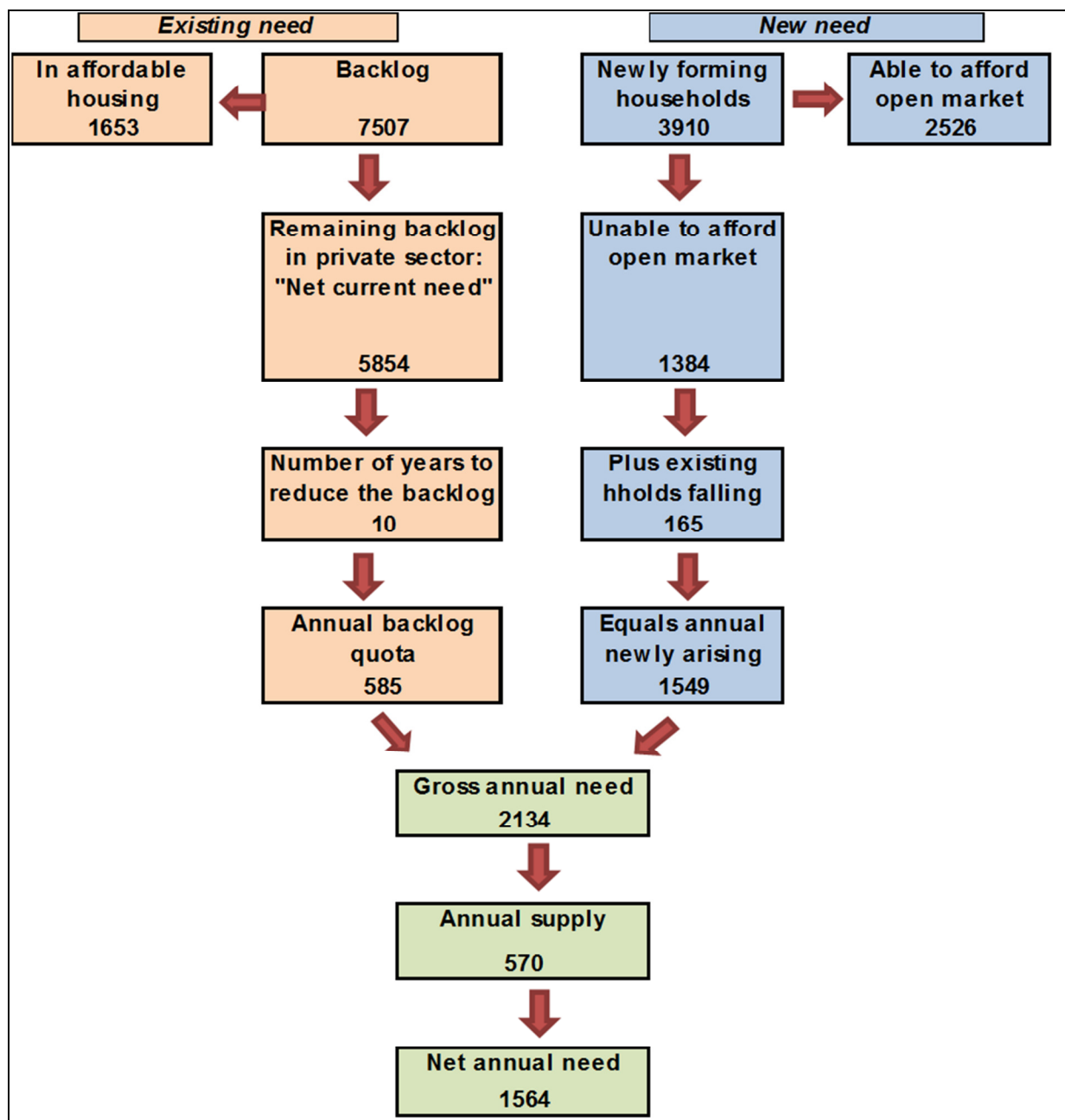
17 The estimation of affordable housing need involved the following steps:

- The backlog of households in need at the baseline year were estimated from data on homeless households, concealed households and overcrowded households and their ability to afford housing in the private sector.
- Newly arising need in the future was estimated by calculating the number of newly forming households aged under 45 each year over the period 2015-35 and obtaining an annual average. The ability of these households to afford housing in the private sector was estimated from data on the distribution of their incomes, which were compared to minimum market housing cost thresholds. Separate thresholds were identified for market housing, intermediate tenure housing and affordable rented housing, and within each category for dwelling size. It was assumed that a maximum of 25% of gross household income should be applied to housing costs.
- Backlog housing need was added to annual newly arising need to provide an annual estimate of gross affordable need. As it would be unrealistic to meet all of the backlog in one year, it was assumed that the backlog of affordable need would be met over a ten year period.
- The estimated supply of each type of affordable housing was deducted from gross affordable housing need to produce an estimate of net affordable housing need. This represents the amount of additional housing (broken down by each local authority, by each type of affordable provision and by the required dwelling size mixture) required to meet affordable housing need each year.

18        The table below summarises the results aggregated for the whole HMA. The net annual need for affordable housing is 1,564 units. This differs from the OAN established in Chapter 6. The OAN is the net need for additional units of housing across all tenures. Affordable need represents the net amount of additional affordable housing. This could be provided by both new build and by transfers between tenures.

19        Across the whole HMA, over 80% of future annual demand is for housing at social rented sector levels, with about 5% of demand for affordable rents, and 15% for intermediate tenures. In terms of dwelling size, the largest demand was for 2-bedroomed units, and the smallest shortages generally occurred for 1 bed and 4+ bed units. If measures were taken to address over-crowding and under occupation in the affordable housing sector, there would be shift in requirements towards 1-bed and 4-bed units.

20        Although PPG indicates that private rented provision should not be considered as affordable housing, the sector can play a part in meeting affordable housing need, supported by benefits based on Local Housing Allowance assistance with rents.



### The housing needs of specific groups

21 As required by PPG, the housing requirements of specific groups identified in NPPF and PPG were examined in greater detail.

#### Older people

- As a proportion of the overall population, the percentage of those aged 65 or over is forecast to increase by 4-7 percentage points by 2037 across the HMA. This represents a 75% increase on current numbers of households with older people in them.
- There are forecast to be 28,000 people aged over 85 in the HMA, an increase of 133% on current numbers.

- 70% of single older people and 84% of older couples own their own homes outright, implying there is considerable equity available to meet housing needs. However 26% single older people and 9% of older couples are in the social or private rented sectors and will not have these assets.
- Older people tend to under-occupy housing, implying that if they downsize this would free up more family-sized accommodation in all sectors.
- Across the HMA there is a surplus of sheltered accommodation, but a deficit of enhanced sheltered and extra care. However, to ensure future demand is met, 235 additional units per annum of all types of specialist accommodation will be required until 2035.

### **Households with disabilities and wheelchair requirements**

- A steady increase in the number of households with physical disabilities is forecast between now and 2030, particularly of those aged 65 plus.
- Around 815 households have unmet wheelchair accessible accommodation requirements.
- There is a mismatch between the numbers needing social/affordable wheelchair accessible stock, and the allocations to that stock.
- There are a number of reasons for this including the need to minimise void periods and mismatches between locational preferences and the available stock.

### **Students**

- There are 31,000 students resident in the HMA during term time, with the greatest concentration in Kingston (16,000), where the main Higher Education institutions in the HMA are based.
- 10% of students live in halls of residence or similar, all of which are in Kingston. 55% live with their parents though this number includes older school pupils and college students. The rest are reliant on the private rented sector, especially in Kingston.
- There is a rough balance between numbers studying in the HMA and students living in the HMA; however the HMA is heavily reliant on Kingston both to provide educational facilities and to house students.

### **Families**

- The proportion of younger people in the HMA is forecast to decline over the next twenty years, and hence the proportion of families with younger children will decline proportionately. However, there will still be an absolute growth in the number of younger people, concentrated in Kingston.
- There are a lower proportion of lone parents in the HMA than average and these households are more reliant on social housing than other groups (30% live in the sector compared to 11% of all households).



- Other households with children are concentrated in the owner-occupied sector, where 75% have at least one spare bedroom.
- In the social rented sector around 20% are overcrowded, but a similar proportion under occupy.

#### **Armed forces households**

- Authorities are making adequate arrangements for the housing needs of this group, and there do not seem to be any unmet requirements

#### **Self-builders**

- There is currently little evidence of demand from potential self-builders. New requirements for recording and monitoring interest have been in force since April 2016, and authorities will need to assemble and analyse this data to develop future policy.

#### **Gypsies, Travellers and Travelling Showpeople**

- In the context of the new requirements of the 2015 Planning Policy for Traveller Sites, this HMA has not specifically and separately considered the needs of these groups. However, authorities will need to ensure that relevant accommodation assessments are put in place in conformity with the new policies.

### **Conclusions**

22 The area covered by this SHMA is characterised by a high level of economic prosperity, matched by high dwelling and land values and an attractive environment. Planning policies for housing need to address the challenges which are posed by the need for housing to support economic growth whilst at the same time addressing the impact of high housing costs through an adequate supply of affordable housing. The level of required new housing provision, whilst above previous targets, is not inconsistent with past trends in provision or with past demographic trends. It is also sufficient to support the HMA economy.

23 The three Surrey authorities have a good track record of delivery at or above targets. Kingston faces a greater challenge but the OAN arrived at in this SHMA is close to that identified in the London Plan and subjected to Public Examination. It should be borne in mind that targets have been in the past constrained by land availability.

24 New housing provision and affordable housing are closely linked because the former provides an important source for the latter. Given the high prices in the area, it is essential that the provision of additional affordable housing should be maximised, especially if the authorities are going to be able stave off potential increases in homelessness in the future. It will also be important to make the maximum use of the private rented sector for households who cannot access the owner occupied market, though there are concerns about the ability of the sector to continue to cater for lower-income households.

25 The ageing of the population, although not as advanced as in more traditional retirement areas or areas losing population through economic decline, presents both opportunities and challenges. More attractive new housing provision for older people in the owner occupied sector, and in social rented housing, could facilitate downsizing where people want this, and release more larger dwellings for use by families and larger households.