



Report

GVA
10 Stratton Street
London
W1J 8JR

Northern West Sussex – Horsham Strategic Housing Market Assessment Update October 2012



Horsham
District
Council



Prepared By Paul McColgan.....Status.Final Draft..... Date.11 October 2012

Reviewed By Mike TaylorStatus.Final Draft..... Date.11 October 2012

For and on behalf of GVA Grimley Ltd

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1. Introduction

- 1.1 GVA was instructed in March 2012 by the Local Authorities of Crawley, Horsham and Mid Sussex to undertake a targeted update of the Northern West Sussex Housing Market Assessment, published in May 2009.
- 1.2 The focus of this assessment was to review and update the current and future housing market and the net annual estimates of households in affordable housing need for each local authority's area in Northern West Sussex.
- 1.3 This report sets out the updated findings as an addendum to, and must be read in conjunction with the 2009 SHMA report. The 2009 SHMA report provides a full methodology statement which is in accordance with the Government's SHMA Practice Guidance.
- 1.4 The approach taken ensures that each authority has an up to date and justified estimate of future affordable housing requirements, based on the required level of market housing, set out elsewhere by each authority. As much of the original analysis remains robust, it was agreed that this could be achieved through a focused update of the work, having regard to recent market trends and signals and the implications for affordability as well as new evidence on projected housing requirements. It was also evident that a number of the sections in the previous SHMA held true and/or did not require updating.
- 1.5 The SHMA Update provides a fit for purpose basis to develop housing and planning policies by considering the characteristics of the housing market, how key factors work together and the probable scale of change in future housing need and demand. For the purposes of the independent examination into the 'soundness' of Local Development Plans, the Strategic Housing Market Assessment will be considered robust and credible if it provides, as a minimum, all the core outputs and meets the requirements of the process criteria set out in the Guidance. The Core Outputs are set out below.

Table 1: SHMA Core Output Requirements

	Requirement	Location
1	Estimates of current dwellings in terms of size, type, condition and tenure	This information can be found in the 2009 SHMA.
2	Analysis of past and current housing market trends, including the balance between supply and demand in different housing sectors and price/affordability. Description of key drivers underpinning the housing market	Chapters 2 and 4 of this document
3	Estimates of total future numbers of households, broken down by age and type where possible	This can be found in 'How much housing does Horsham District need?' which is summarised in Chapter 3
4	Estimates of current number of households in housing need	The waiting list information is included in Tables 8 & 9
5	Estimates of future households that will require affordable housing	Chapter 4 of this document
6	Estimates of future households requiring market housing	Chapter 4 of this document
7	Estimates of the size of affordable housing required	Chapter 4 of this document
8	Estimates of household groups who have particular housing requirements	This information can be found in the 2009 SHMA and is considered to remain valid.

- 1.6 This SHMA update was undertaken in accordance with the Practice Guidance. It includes an assessment of housing needs but incorporated into a wider process with the aim of understanding the operation of the housing market and future housing requirements across tenures. The assessment of housing needs has been undertaken using secondary data sources, without primary survey work.
- 1.7 The Government's Practice Guidance sets out a structure and key research questions for the SHMA. These are set out below.

Table 2: Key Research Questions

Stage	Step	Research Questions	Location
Current Housing Market	1. The demographic and economic context	<ul style="list-style-type: none"> What is the current demographic profile of the area? What is the current economic profile? How have these profiles changed over the last 10 years? 	Demographic and economic profiles can be found in Chapter 5 of the 2009 SHMA.
	2. The housing stock	<ul style="list-style-type: none"> What is the current housing stock profile? How has the stock changed over the last 10 years? 	Current Housing Stock Data can be found in Chapter 3 of the 2009 SHMA and Local Authority Annual Monitoring Reports.
	3. The active Market	<ul style="list-style-type: none"> What do the active market indicators tell us about current demand, particularly house prices/affordability? How has demand changed? 	The active market is reviewed in Chapter 2 of this report and affordability is reviewed in Chapter 4.
	4. Bringing the evidence together	<ul style="list-style-type: none"> How are market characteristics related to each other geographically? What do the trends in market characteristics tell us about the key drivers in the market area? What are the implications in terms of the balance between supply and demand access to housing? What are the key issues for future policy/strategy? 	Market Characteristic information, trends and drivers can be found in Chapter 2 & 12 of the 2009 SHMA. Policy information is contained in the 2009 SHMA and updated in Chapter 5 of this document.
Future Housing Market	1. Indicators of future demand	<ul style="list-style-type: none"> How might the total number of households change in the future? How are household types changing, e.g. is there an aging population? How might economic factors influence total future demand? Is affordability likely to worsen or improve? 	This can be found in 'How much housing does Horsham District need?'. Affordability is covered in Chapter 4 of this document
	2. Bringing the evidence together	<ul style="list-style-type: none"> What are the key issues for future policy/strategy? 	Policy information is contained in Chapter 12 of the 2009 SHMA and updated in Chapter 5 of this document.
Housing Need	1. Current housing need	<ul style="list-style-type: none"> What is the total number of households in housing need currently (gross estimated)? 	This information can be found in Chapter 4 of this document.
	2. Future need	<ul style="list-style-type: none"> How many newly arising households are likely to be in housing need (gross annual estimate)? 	This information can be found in Chapter 4 of this document.

	3. Affordable housing supply	<ul style="list-style-type: none"> What is the level of existing affordable housing stock? What is the likely level of future annual supply? 	This information can be found in Chapter 4 of this document.
	4. Housing requirements of households in need	<ul style="list-style-type: none"> What is the current requirement for affordable housing from households in need? What are the requirements for different sized properties? How is the private rented sector used to accommodate need? 	This information can be found in Chapter 4 of this document.
	5. Bringing the evidence together	<ul style="list-style-type: none"> What is the total number of households in need (net annual estimate)? What are the key issues for future policy/strategy? How do the key messages fit with the findings from analysis of the current and future housing market? 	This information can be found in Chapter 4 & 5 of this document.
Housing Requirements of Specific Household Groups	1. Families, Older People, Minority and hard to reach households and households with specific needs	<ul style="list-style-type: none"> What are the housing requirements of specific groups of local interest/importance? 	This information can be found in Chapter 10 of the 2009 SHMA.
	2. Low Cost Market Housing	<ul style="list-style-type: none"> What is the scope for addressing demand through the provision of low cost market housing? 	This information can be found in the 2009 SHMA.
	3. Intermediate Affordable Housing	<ul style="list-style-type: none"> What is the scope for addressing need through intermediate affordable housing? 	This information can be found in Chapter 4 of this document.

1.8 Following this introductory section, the remainder of the assessment has the following structure:

- Chapter 2 reviews the Active Market in Northern West Sussex including an update of house price dynamics in the HMA;
- Chapter 3 provides commentary on the Future Housing Market including an update on the outlook for the medium and long term housing market;
- Chapter 4 updates the Housing Needs Assessment specifically for each Local Authority in Northern West Sussex; and
- Chapter 5 reviews and updates the conclusions and recommendations made in the previous SHMA.

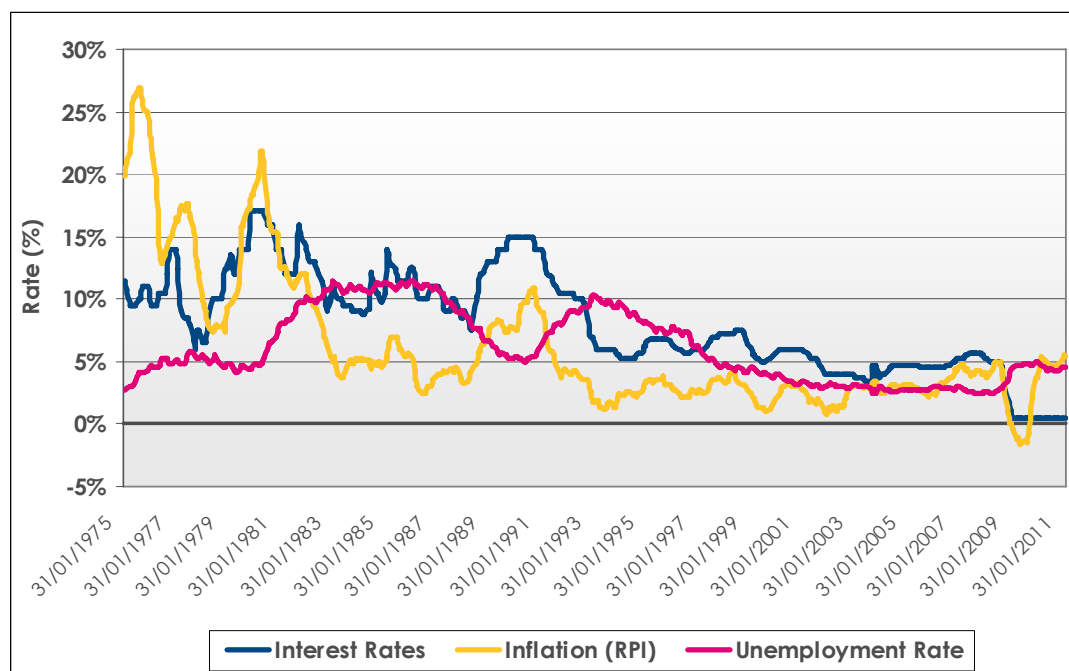
2. Active Market

2.1 This section reviews and updates the performance of the current housing market. It considers what market signals, including house prices and affordability, tell us about housing demand. It recognises and explores the dynamics of the housing market, considering both long and short-term trends and drivers.

Structural Dynamics

2.2 The 2009 SHMA noted that the UK economy had experienced one of the longest periods of sustained macro-economic stability and growth on record. However, since that time the economy has gone into recession, substantially reducing Interest Rates and Inflation and increasing Unemployment as illustrated in Figure 1.

Figure 1: Unemployment, Interest rates and Inflation 1975 – 2011

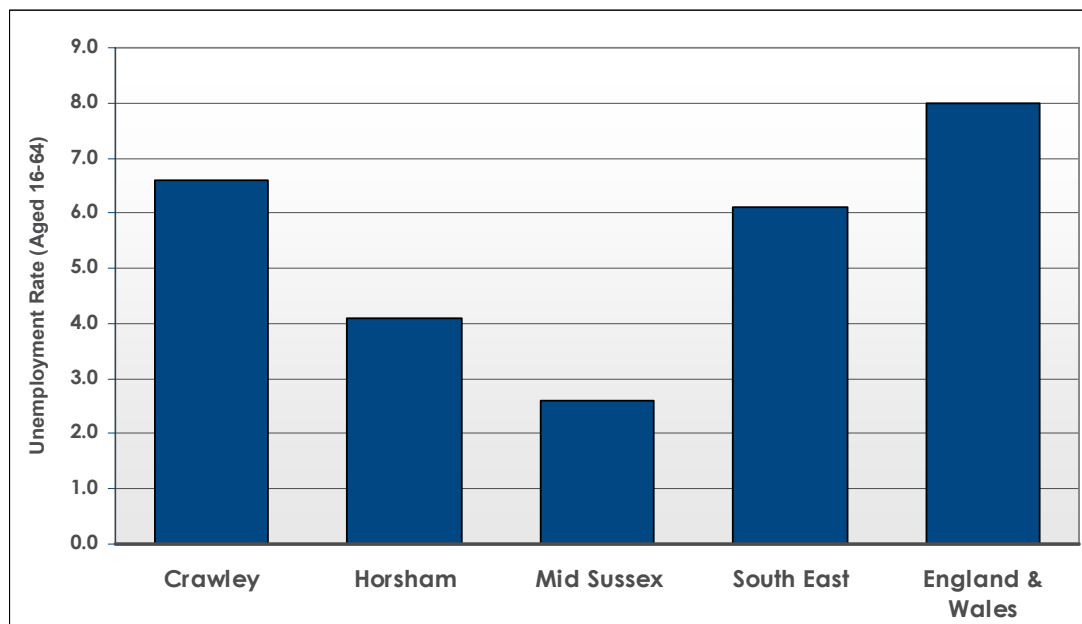


Source: National Statistics and Bank of England 2011 Note: All data are taken from the last quarter/period of the year stated.

2.3 In contrast to much of the last decade, the last three years in the UK has seen a highly volatile economy, with major declines in the GDP during 2008 and 2009. This was followed by recovery in 2010 and slowed growth in 2011. The threat of a 'Double Dip' recession has also materialised with GDP declining in the last quarters of 2011 and the

first half of 2012. How the 'double-dip' recession affects the housing market is yet to be determined.

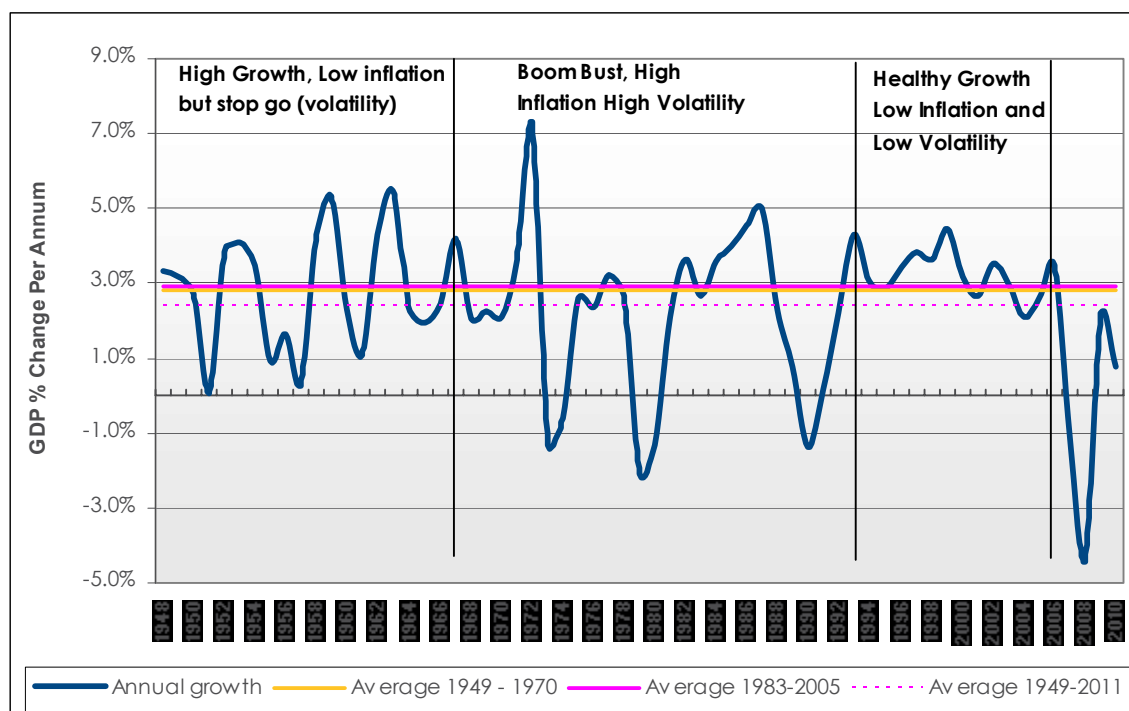
Figure 2: Unemployment in 16-64 Year Olds, September 2011



Source: Nomis, May 2012

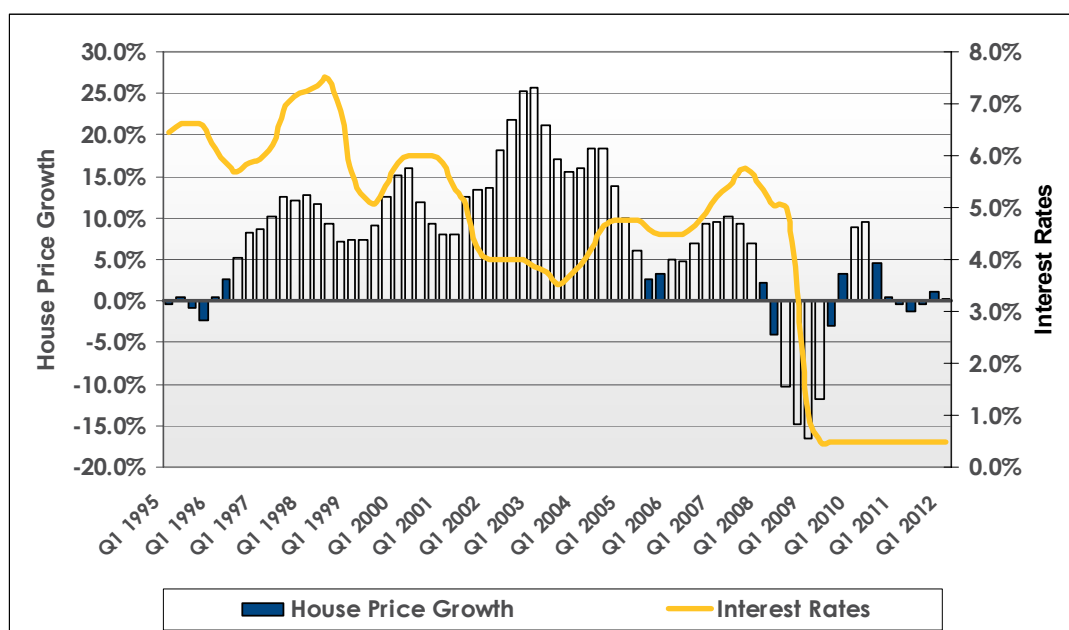
- 2.4 There is significant variance in Local Unemployment rates with Crawley having an unemployment rate (6.6%) more than double that of Mid Sussex (2.6%). All three Local Authority areas are below the national figure of 8.0%, and only Crawley's figure exceeds the regional unemployment rate (6.1%), see Figure 2.
- 2.5 To this point the recession and economic volatility in general has had a negative effect on the housing market, particularly in relation to the large fall in the number of people being able to access mortgage products and subsequent reductions in the number of transactions.

Figure 3: Historic Trends in GDP Growth 1948-2011



Source: ONS, Treasury, EBS and GVA

- 2.6 Although the consistent under supply of housing in the South East has historically boosted house prices, the unhealthy economic conditions (low and negative GDP growth, high and rising unemployment) have resulted in falling house prices. The annual rate of house price growth had been in double digits for much of this century, however since 2008, house prices fell for two years followed by limited recovery in 2011 (see Figure 4).
- 2.7 Despite low interest rates and significant reductions in the inflation rate, which should support continued market confidence and make home ownership more accessible; the lack of access to mortgage products and increased deposit requirements have actually made home ownership more difficult since 2008.

Figure 4: Interest Rates and House Price Inflation 1995-2012

Source: Bank of England; Nationwide Building Society

- 2.8 Although, the lack of access to home ownership products have boosted the private rental market, anecdotal evidence from discussions with local letting agents suggests buy-to-let mortgages, like other finance products, have become harder to access. As a result, financial investment in the private rental sector is unlikely to have seen significant growth.
- 2.9 The critical factor in driving housing demand is population growth; this has not abated and continues to reduce the affordability of market housing. According to the CLG¹, the ratio of median house prices to median earnings has grown over the last decade (2001 – 2011) from 4.47 to 6.65 in England, although the economic downturn has reduced this figure from a 2007 high of 7.23. At a South East regional level the affordability ratio also peaked in 2007 (8.45) but has since fallen to 7.98. Affordability ratios are further explored in the Affordability of Market Housing section in Chapter 2.

¹ Taken from the Annual Survey of Hours and Earnings and Land Registry Data.

Short-Term Dynamics

- 2.10 The economy and housing market are both cyclical and there is a close relationship between the two. In the decade from 1997 to 2007 the UK economy experienced an environment of low inflation, low interest rates and stable economic growth compared with the 'boom and bust' nature that characterised much of the post war period.
- 2.11 All this changed with the 'credit crunch', the part nationalisation of a large part of the UK banking system and the worst post war recession. The UK economy returned to growth in Q4 2009 but after four quarters of rising GDP, economic growth has stagnated and the UK recorded a 0.3% fall in quarterly GDP in Q1 2012 following a 0.3% fall in Q4 2011, resulting in the beginning of a double-dip recession
- 2.12 Increased taxation, consumer indebtedness, the willingness of banks to lend and impending cuts to public sector expenditure suggests that economic growth will remain weak in 2012. The latest consensus view is for 0.6% total output growth in 2012, whilst the Office of Budget Responsibility (OBR) forecasts 0.8% by the year end.
- 2.13 In addition to concerns over the Eurozone, the effects of spending cuts and tax increases are starting to be felt. In the face of continued inflation (3.5% CPI March 2012) and low wage increases (1.1% March 2012), household incomes will fall in real terms this year which will adversely affect affordability.
- 2.14 The outlook for overall employment remains weak, as public sector job losses accelerate and the private sector is unlikely to maintain suitable momentum to keep overall employment rising. In March 2012, unemployment fell by 0.1% to 8.3% due to an increase in part time work, while the number of claimants on unemployment benefit increased 0.2% to 1.61 million.
- 2.15 All of this makes it unlikely that there will be a sustained improvement in underlying housing demand over the short term, although the low level of transactions over the last two years has created a significant pool of pent up demand in some markets.
- 2.16 There is still a large amount of uncertainty with regard to the timing of interest rate moves. March 2012 was the third anniversary of the 0.5% base rate. Despite being above target, CPI inflation is expected to fall to 2% by the end of 2012. When interest rates inevitably rise, the consequences for the housing market will be the deterioration in affordability, acting as a brake on demand. Any rapid upward movement would have a severe impact. At present, no interest rate rise is expected until late 2013 at the earliest.

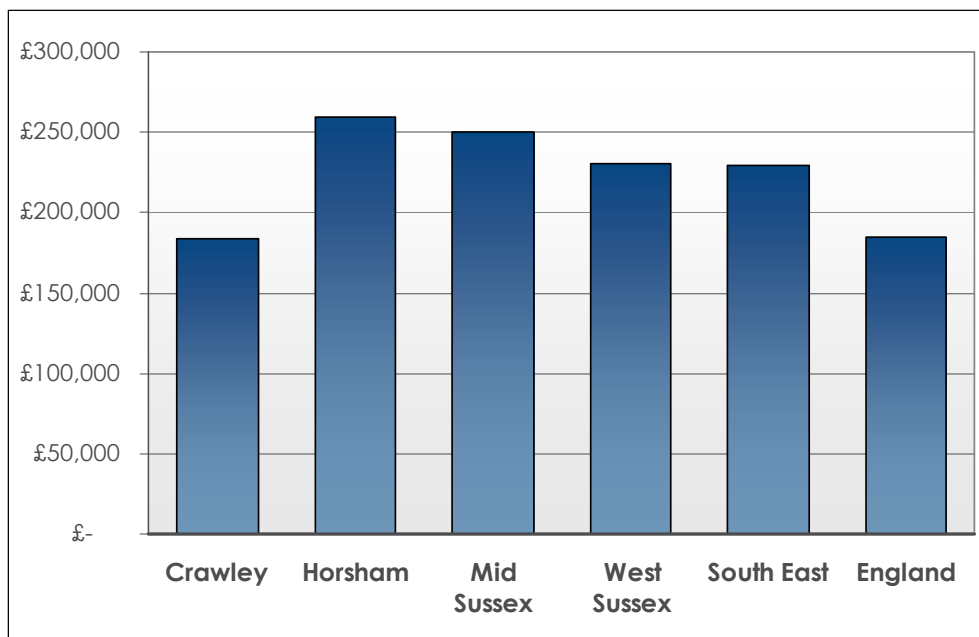
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- 2.17 Nationwide's House Price Index sets out that house prices nationally have fallen 11.6% as at Q1 2012 from their peak in Q3 2007. Average house prices for Q1 2012 are only 0.2% higher year on year, with growth of 2.1% pa in London countered by falls in excess of 2% pa in the North West and Yorkshire and the Humber. House prices are expected to fall by 1.8% nationally in 2012.
- 2.18 Key features of the downturn in the housing market are a general retrenchment of activity (with falling levels of sales) and particularly of first-time buyers and investors. Existing owner occupiers who do not need to move are not selling. While both levels of buyers and sellers have fallen dramatically compared to the peak, buyers have greater choice with sellers having to compromise on prices to secure deals. However the market is not being flooded with stock as in previous downturns.
- 2.19 This is in part due to the rise of 'accidental landlords'. The rental market has performed well in terms of occupier demand with would-be first-time buyers deferring purchasing or unable to do so and other potential buyers waiting to see how far prices will fall. The lack of supply is also pushing up rental demand. Since 2000, the private rented sector has grown from 9% of all households to 18% in 2011. The growth however is being tempered by a lack of access to mortgage products by potential buy-to-let landlords.
- 2.20 Stronger growth in house prices than rents since 2000 has reduced yields on housing investments. The downturn will help these to recover with capital values stagnant as rental values increase. Strict loan to value constraints for first time buyers and increasing rental commitments will erode ability to build necessary deposits for purchase in the short term, sustaining demand for rental property in the short to medium term. This will particularly affect the local housing market in areas such as Crawley where smaller properties are more abundant, and subsequently more attractive to first time buyers.

House Prices

- 2.21 HM Land Registry, via the CLG, provides data on mean and median house prices and sales volumes for all properties sold in a local authority area. This provides further analysis of house prices and house price change at a Local Authority level.
- 2.22 Figure 5 profiles median house prices. It indicates that at a Local Authority level, Horsham has the highest median house prices at £260,000, and Crawley the lowest at £184,025. This reflects not only the quality of stock and perceptions of place in Crawley but also higher numbers of one and two bedroom properties. Median house prices are also lower than mean house prices in all three Districts due to the reduced influence of a small number of higher value property sales.

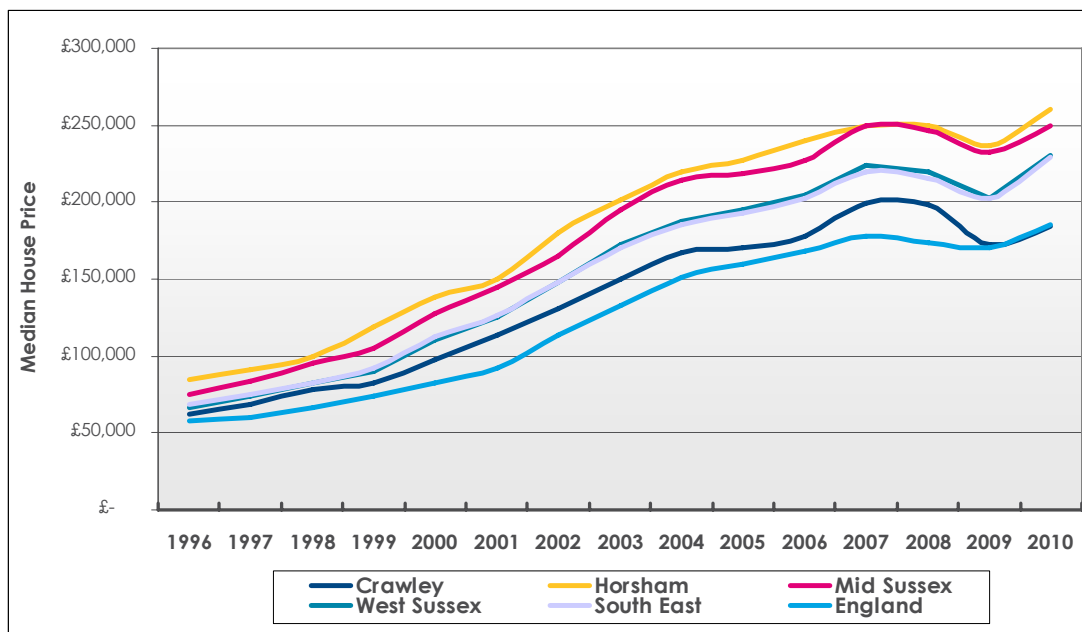
2.23 Median prices in Horsham are 14% above the South East average and 41% above the national average; in Mid Sussex median house prices are 9% above the South East average, while in Crawley they are 20% below average for the Region.

Figure 5: Median House Prices, 2010



Source: HMLR / CLG 2012

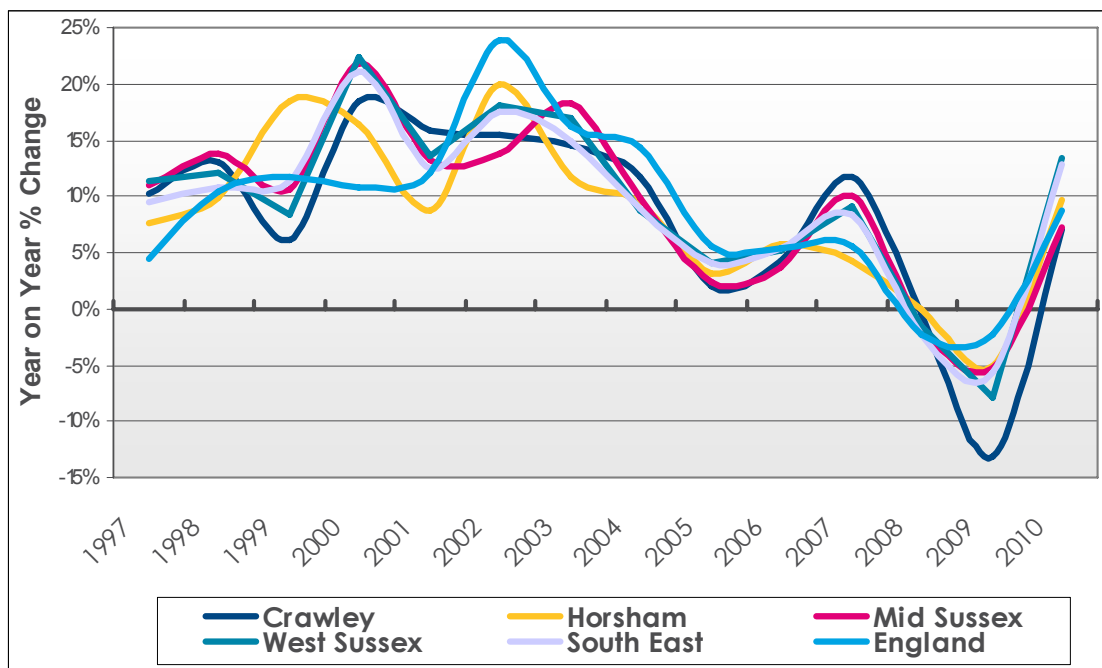
2.24 Median house prices have grown substantially in all Local Authorities over the longer term, as Figure 6 demonstrates. The recent falls during 2008 and 2009 have to some extent been counterbalanced by growth in 2010, bringing levels back into close similarity with those in 2007. Unlike mean house price data, median data does not include information for the last two years; therefore a direct comparison is not possible.

Figure 6: Median House Price Trends, 1997 – 2010

Source: HMLR/CLG 2012

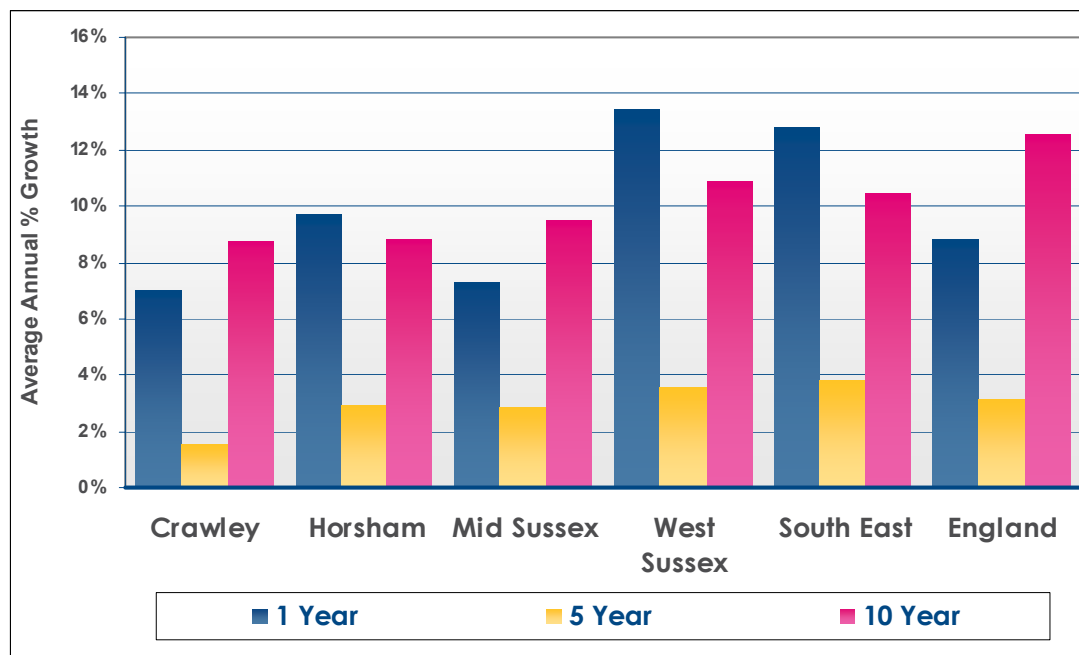
- 2.25 The similarity in house price growth trends reflects the influence of macro-economic factors and regional supply/demand balance on the performance of the housing market at the local level. As Figure 6 indicates, median price growth in Crawley closely tracked the national average although fell more sharply when the recession began. In Horsham and Mid Sussex, price growth has been more substantial in absolute terms, closely mirroring trends in the South East region.
- 2.26 Figure 7 indicates annualised rates of house price inflation since 1996/7. It demonstrates sustained strong performance of the housing market until 2008, with annualised rates of growth of 10% or more recorded each year between 1996/7 – 2003/4.
- 2.27 There was a notable downturn in market performance in 2005, linked to an increase in the base interest rate, with growth in 2004/5 and 2005/6 notably more subdued. Since that time annual house price change has been negative with Crawley showing the most significant decline of the three Northern West Sussex Local Authorities. Its recovery since that fall in part explains the high level of growth in the last year as illustrated in Figure 7.

Figure 7: Annual House Price Inflation 1997- 2010



Source: HMLR/CLG 2012

2.28 Figure 8 assesses annualised house price inflation over the single year, five year and ten year period to 2010. It provides a mixed picture, due to the recent market volatility. As a result the medium five year growth, during which time house prices were affected most, is significantly lower than the short and long term growth levels. What can be seen is that West Sussex (13%) and the South East (13%) have recovered more quickly than the rest of England (9%), with annualised growth in the last year higher than the average over the last ten years.

Figure 8: House Price Appreciation (Annualised)

Source: HMLR/CLG 2012

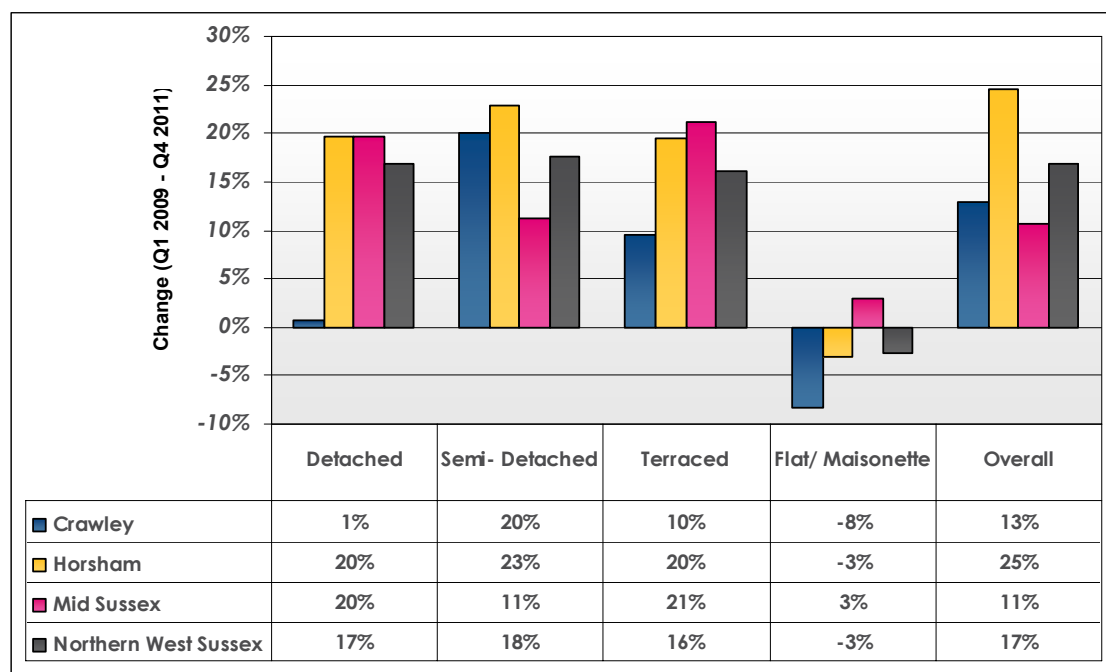
- 2.29 Over the last ten years, Mid Sussex has witnessed the strongest proportional growth in house prices (10% annualised), marginally above levels in Horsham and Crawley (both 9%) and in line with the region as a whole (10%). In the last five years the local authorities have witnessed much smaller rates of growth of 2-3%.
- 2.30 Relative to the regional mean average, mean average prices for houses in Crawley are lower (particularly for detached properties for which prices are 72% of the regional average). Prices for flats/maisonettes are closer to the regional mean average, with flatted prices just 13% lower than the South East benchmark.
- 2.31 Horsham house prices are above the South East regional mean average for detached properties (+£39k), but below the regional mean average for the other three house types. Similarly Mid Sussex house prices are above average for detached properties (+£19k), similar for terraced housing and below the regional average for flats and semi-detached properties.
- 2.32 There are no official statistics on house prices by type at a local authority level therefore it is necessary to calculate 2011 figures using Land Registry (HMLR) data, provided by The Property Database. This has subsequently been benchmarked against 2010 national and regional figures provided by the HMLR/Department for Communities and Local Government (DCLG).

Table 3: Average House Prices by Type, 2010 and 2011

	Detached	Semi Detached	Terraced	Flat	Overall
Crawley	£331,511	£217,870	£177,502	£144,058	£200,596
Horsham	£488,013	£276,413	£219,812	£153,092	£327,372
Mid Sussex	£467,195	£277,696	£226,666	£152,007	£297,638
NW Sussex	£460,739	£265,867	£206,347	£149,947	£285,123
South East*	£448,163	£306,489	£224,989	£161,874	£287,167
England & Wales*	£350,734	£250,225	£208,299	£212,609	£257,267

Source: HMLR & The Property Database, 2012 *2010 figures

- 2.33 Figure 9 assesses relative house price growth for different types of stock between Q1 2009 and Q4 2011. While prices for flats witnessed the strongest growth in proportional terms in the 2009 SHMA (buoyed to a notable degree by investment interest), they now show an overall decline. This is largely due to the purchasers of flats, i.e. first time buyers and the buy-to-let market, no longer being able to access the market as easily. In contrast, the flatted market in Mid Sussex has shown a slight growth in prices.
- 2.34 The detached house market has seen some of the strongest growth in prices (outside of Crawley). Levels of price appreciation have been particularly strong for all property types, excluding flats, in Horsham District.

Figure 9: House Price Growth by Type, Q1 2009 – Q4 2011

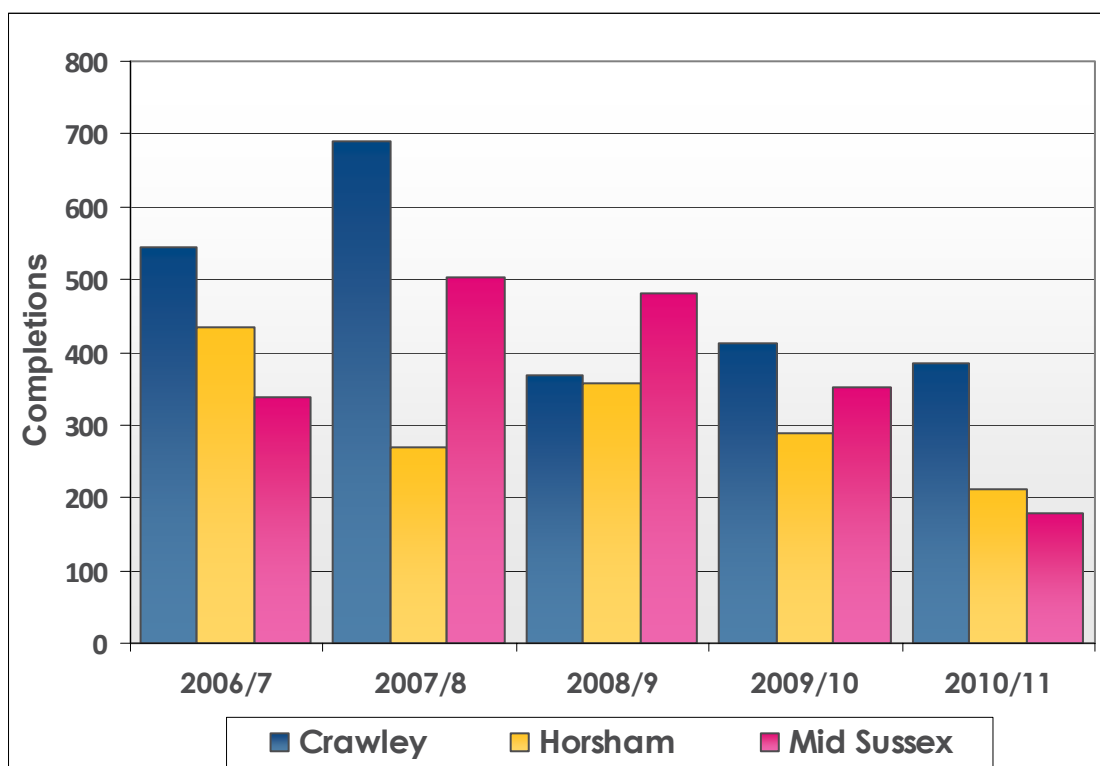
Source: The Property Database, 2012

- 2.35 The Crawley semi-detached and terraced markets have still seen price growth over the last three years, indicating that there remains an active a market for mid-range family property in the Borough.
- 2.36 Mid Sussex was the only District in the Northern West Sussex Housing Market Area to see growth in price across all four property types. The District saw equally high growth in the Detached and Terraced house prices (20% and 21% respectively), more modest growth in Semi-Detached prices (11%) and just 3% growth in flatted house prices. Horsham saw strong growth in the three larger property types of around 20%, however the flatted stock has decreased in value by approximately 3% in the same time.

Build Rates

- 2.37 In the last five years approximately 1,145 new dwellings per annum have been built in Northern West Sussex. As shown in Figure 10, Crawley has delivered the highest number of homes (480 per annum) in the Housing market Area. In contrast Horsham has delivered 312 homes per annum over the last five reported years.

Figure 10: Completion Rates in Northern West Sussex 2006/7 – 2010/11

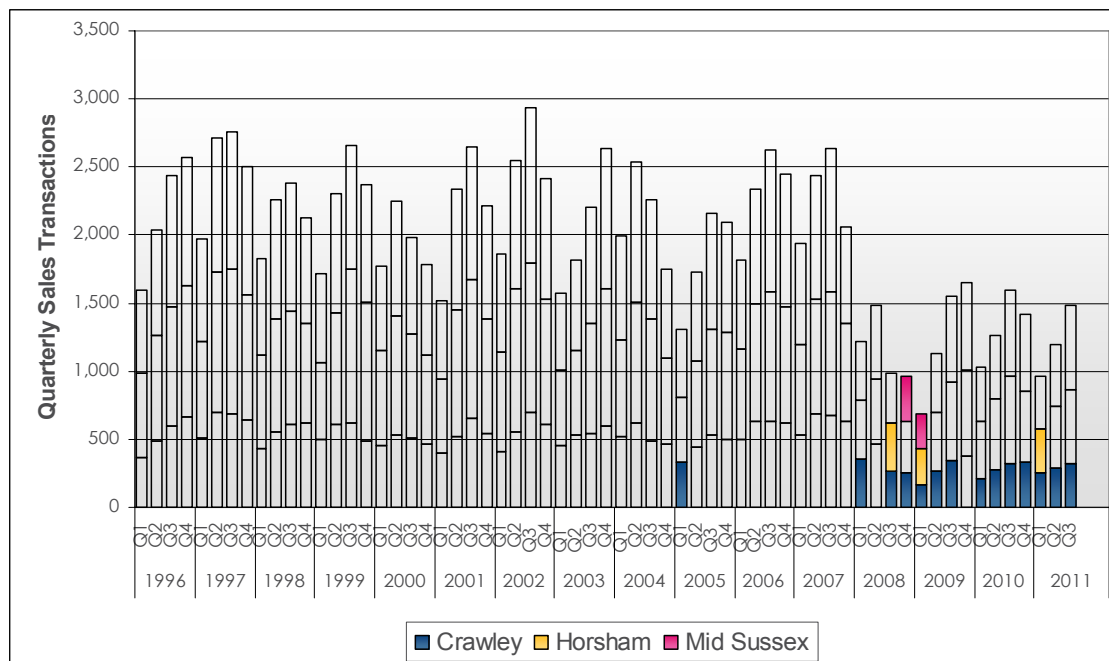


Source: Annual Monitoring Reports

- 2.38 Both Horsham and Mid Sussex had significantly reduced delivery levels in the last reported year, falling 26% and 49% respectively. While Crawley also reduced its dwelling output it was by a more modest 6%. The delivery figures for 2010/11 are also significantly below average for the last five years, although in Crawley's case (386 dwellings) this is still higher than 2008/9 figure (369 dwellings). Mid Sussex have also reported higher than average levels of demolition which will have significantly reduced the net completions.
- 2.39 Over the last three full years, sales in new build properties have numbered 1,347 across all three authorities. The largest numbers of new build transactions were in Crawley (184 per annum) followed by Mid Sussex (157 per annum) and Horsham (108 per annum).
- 2.40 Over the same period only 2,947 new properties were built in northern West Sussex, this would suggest a significant number new build properties lying vacant for a considerable time before being sold. This suggests that the lack of access to mortgage products is restricting the new build market and is likely to lead to further reductions in delivery.

Sales Trends

- 2.41 Figure 11 sets out quarterly sales trends since 1996 and provides an understanding of market activity and buoyancy. There has been a notable break in the long defined cyclical pattern of higher number of transactions recorded in the summer months than in Q1 and Q4. In 2009 and 2010 the largest number of transactions were in Q4.
- 2.42 The short-term picture is particularly gloomy. Transactions in Q1 2008, when the first major drop in transactions occurred, were 43% down on previous quarter and 37% down on same quarter the previous year. At its lowest, Q1 2009, transactions were at only 35% of what they were five years previously; and transactional trends have remained depressed since 2009 in each of the three constituent local authority areas.

Figure 11: Sales Trends, 1997 – Q3 2011

Source: HMLR / CLG

Market Perceptions

- 2.43 To supplement the desk-based research and house-price analysis undertaken, GVA have consulted with a select number of estate and letting agents² active across Northern West Sussex to provide an up-to-date understanding of the very current dynamics.
- 2.44 As we have highlighted, the market is in a period of significant downturn although most commentators have noted recent upsurge in interest and sales prices. Local agents identified that the market can be segmented with different dynamics evident in the housing sales. For example, the owner occupier market for housing was seen as suffering a significant and sustained downturn, with prices dropping significantly three years ago, although slowly recovering to previous levels particularly over the last year.
- 2.45 A particular dynamic has been the retrenchment of first-time buyers, rightly considered the lifeblood of the market, linked particularly to changes in lending criteria and requirements for deposits. Tightening lending criteria and increasing borrowing costs have also impacted on investors. More recently the reduced

² Agents consulted include Courtney Green, Folwers, Ashton Burkinshaw, Leaders, PSP Homes, Brock Taylor, New Move and Swan Property Management.

number of potential house buyers has resulted in many developers, perceiving a lack of profitability, halting or not starting permitted developments. In Northern West Sussex, agents report that this has particularly affected the lower value end of the housing market.

- 2.46 The impact however is not exclusively felt in this lower value market segment. At the upper value end, households are not easily able to trade up, and market activity remains subdued as potential buyers hold on to their existing assets. Areas which have been affected least are those closest to railway stations providing fast links to urban centres and particularly London, and those areas closest to the Surrey border where demand has continued to be supported by those households looking for better value and an enhanced quality of life.
- 2.47 In the sales market, there is a current dynamic affecting new-build properties and particularly flats on larger development schemes that are witnessing a slowdown in sales. Conversely it is these properties which local agents identify are witnessing the largest growths in rental yields. This is linked to a marked retrenchment in demand for one and two-bed properties. It relates specifically to very low and falling levels of first-time buyers and of investment purchases.
- 2.48 Local agents have also noted that the growth in online agencies such as Rightmove is encouraging buyers to become more informed prior to making their purchase or rental decisions. As a result landlords and agents are increasingly required to be more realistic in their demands and this has also encouraged a swifter turnover in the most reasonably priced properties.
- 2.49 Moving forward, local agents identified that the key to recovery in the housing market will be the release of finance from banks to lenders, however most of the agents agree that this is unlikely to return to pre-recession levels. It will also result in a decrease in rental values in most of the Northern West Sussex Housing Market Area as demand shifts toward the purchasing market.

Rental Market

- 2.50 The private rental market forms a critical element of the intermediate housing offer, traditionally accommodating those households unable or unwilling to purchase housing. Historically the size of the private rented market has been typically driven more by market conditions and investment returns than demand per se from tenants.
- 2.51 This information is drawn from private rental market data produced by the Valuations Office Agency and the Cambridge Centre for Housing and Planning Research (Dataspring).

Rental Levels

- 2.52 In relative terms, market rents are higher in Horsham (11%) and Mid Sussex (7%) than the average for the region. In Crawley, rental levels are 2% below the average for the region. This is likely to reflect availability of cheaper housing, relative property prices and the sizeable social rented sector.
- 2.53 As Table 4 indicates that rental costs were 48-76% of mortgage costs for similar properties, in the three local authority areas.

Table 4: Mean Average Private Rents (2&3 Beds) compared with Mortgage Costs, 2011

	Monthly Mortgage	Monthly Rental Cost	Rents as a % of Mortgage Costs
Crawley	£1,150	£879	76%
Horsham	£1,877	£901	48%
Mid Sussex	£1,707	£923	54%

Source: VOA, Dataspring and BBC

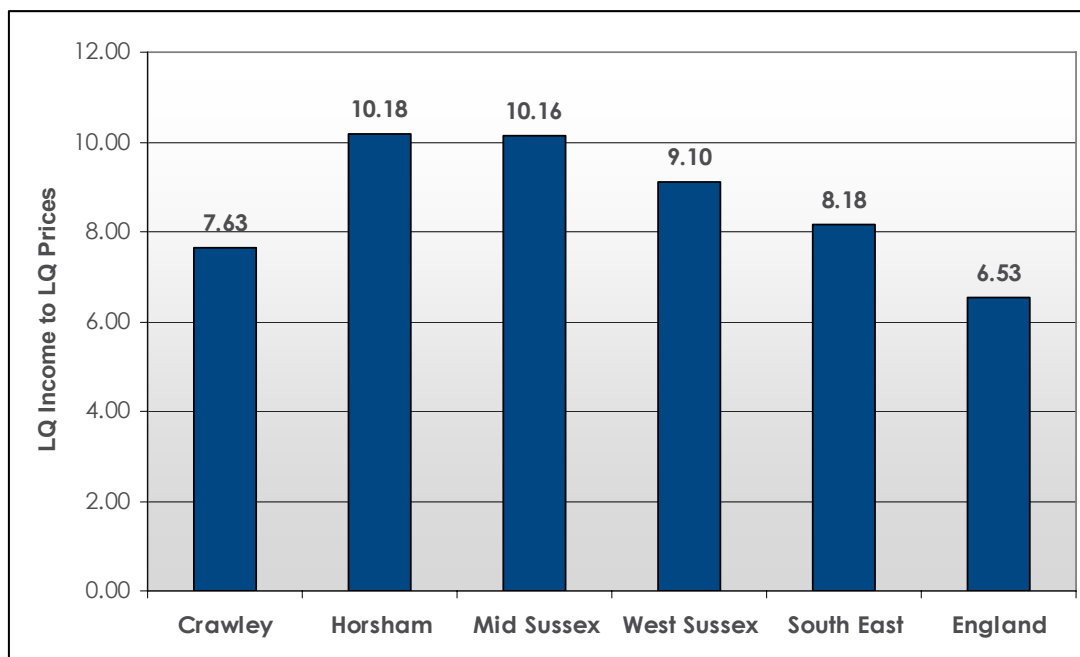
- 2.54 The Association of Residential Lettings Agents (ARLA) Survey Q1 2012 is of interest in terms of market activity trends across the UK. The average life of buy to let investments recorded was 19.4 years, with this figure having been growing slightly for the past three years. Only 3.5% of those surveyed expected the investment to be less than five years and just 0.6% saw them as short term (i.e. less than two years). This is a considerable reduction from 4.6% recorded by the ARLA survey six months earlier although short term investment increased from 0.4%. The majority of investors see long-term rental or equity growth in the buy-to-let investment market.
- 2.55 The implication is that there is unlikely to be a flood of investors looking to sell their properties. Nor is it expected that new investment purchases would increase as they find difficulty in receiving loans. This is also ratified by the survey where only 25% of agents believed they would make a property investment over the next 12 months.
- 2.56 Against a context of relatively consistent supply, our research and consultation with local letting agents indicates that demand is rising as would-be first-time buyers and other households defer from purchasing and continue to rent as a consequence of current market conditions and concerns regarding falling house prices.
- 2.57 The private rental market has been buoyed by a lack of access to the owner occupied market, as a result private rental cost had an initial growth since followed by a steady rate over the last two years. This has particularly been the case at the lower value end of the market in studio and one bedroom flats.

- 2.58 There are mixed signals in terms of rental transactions with some agents noting an increase while others believing that tenants are less likely to move “on a whim”. Although all agree there is no lack of tenants and houses are typically let in a very short time period.
- 2.59 The rental market in Northern West Sussex, particularly in Crawley and to a lesser extent Mid Sussex and northern Horsham, has historically been underpinned by the transient workforce linked to Gatwick Airport and Manor Royal according to local agents. Local agents³ noted that rental prices in Horsham, particularly around the train stations, have remained rigid as the market is slightly cheaper than Surrey and South London but commuting distances are not much higher.

Affordability of Market Housing

- 2.60 This section provides an analysis of the affordability of market housing. Poor affordability can lead to excessive commuting and unsustainable travel patterns, a loss of workers to an area, high dependency and pressure on social housing or housing benefit, health problems, poverty and homelessness. It also puts pressure on the social sector.
- 2.61 Assessing affordability involves comparing housing costs against the ability to pay. Assuming that lower quartile house prices and lower quartile rents reflect entry-level housing costs, recognising that there are often quality issues with the cheapest properties.
- 2.62 Figure 12 provides a comparative analysis of the ratio between lowest quartile earnings and lowest quartile house prices. This suggests that affordability pressures are more severe across the Northern West Sussex Housing Market than in the South East as a whole, with the exception of Crawley. In Horsham and Mid Sussex, entry level housing costs are ten times nominal earnings of all households.

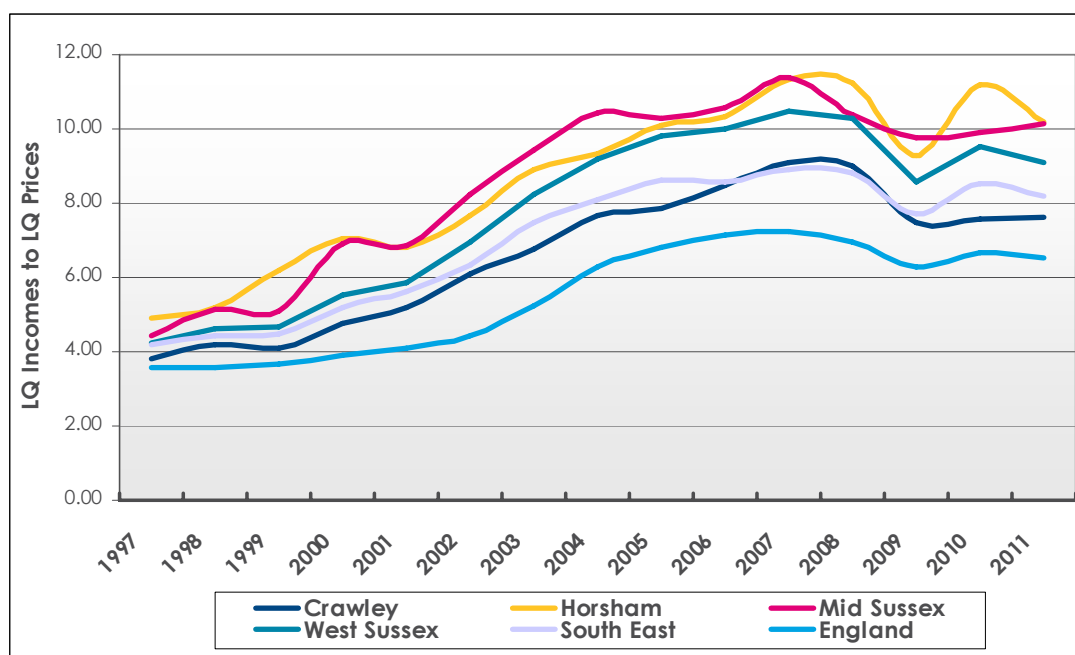
³ Courtney Green Residential Sales and Letting

Figure 12: Lowest Quartile Incomes-House Prices Ratio, 2011

Source: CLG, 2012

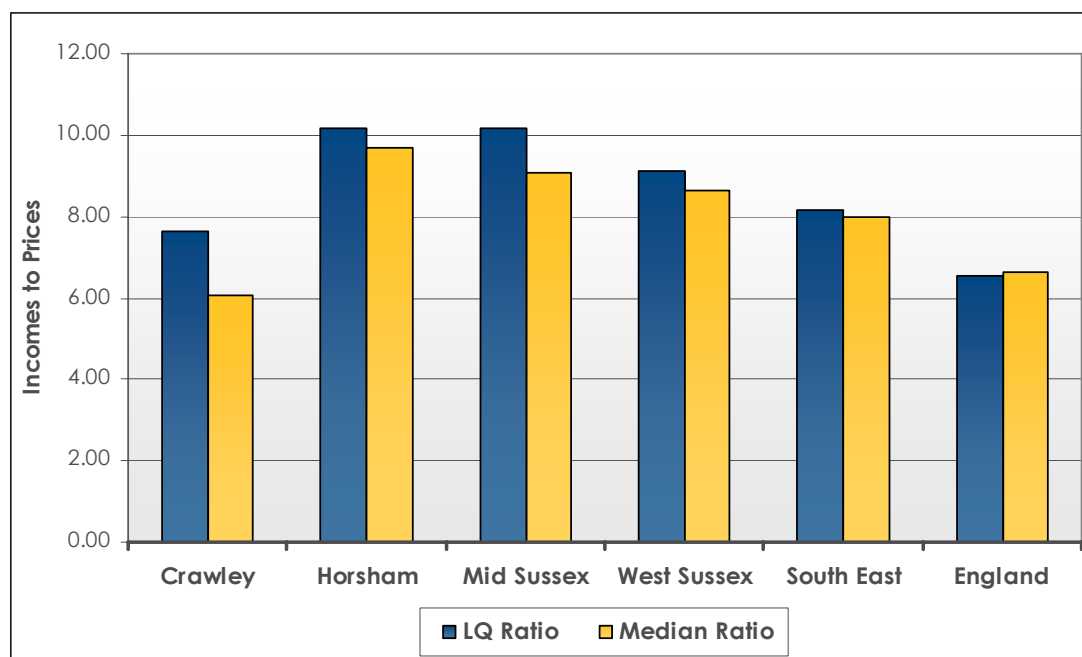
- 2.63 Figure 13 tracks trends in the ratio of lower quartile prices to earnings over the last fifteen years. The trends are broadly similar over all three authorities although Horsham has seen the most significant changes. It indicates a sustained and substantial deterioration in this measure of the relative affordability of entry-level market housing.

Figure 13: Lowest Quartile Price to Income Ratio 1997 – 2011



Source: CLG 2012

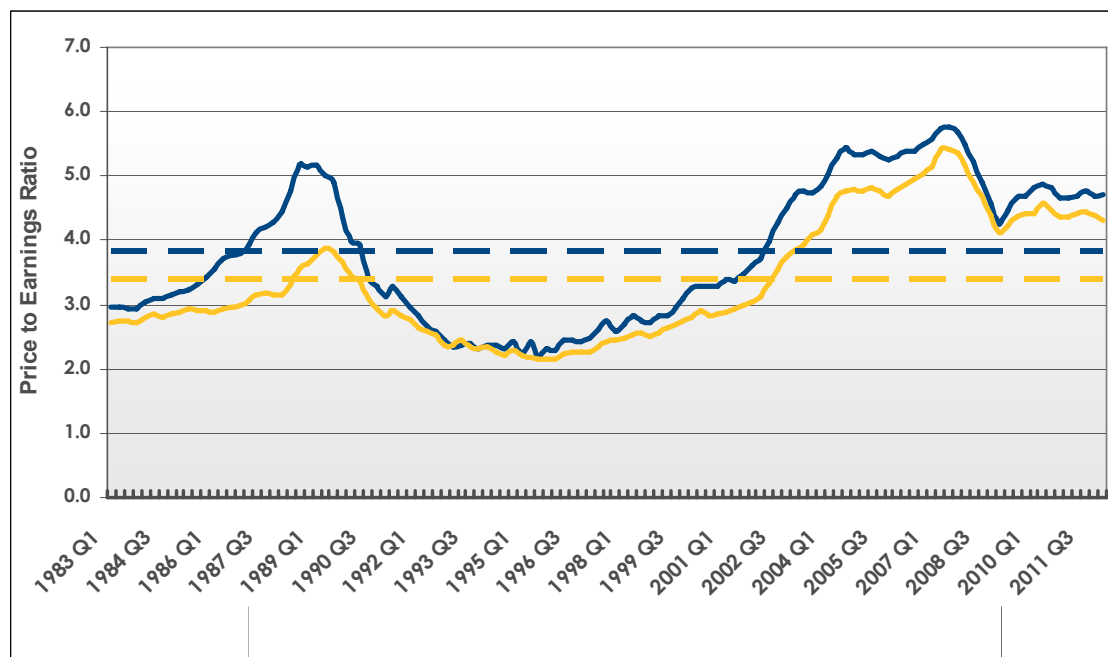
- 2.64 Figure 14 compares the ratios of median prices to incomes as against lower quartile prices to incomes. Across the Northern West Sussex Housing Market, the lower quartile ratio is higher indicating entry-level housing is relatively less affordable. This is particularly the case in Crawley where the stock is characterised by smaller properties.

Figure 14: Lower Quartile and Median House Price to Income Ratios, 2011

Source: CLG 2012

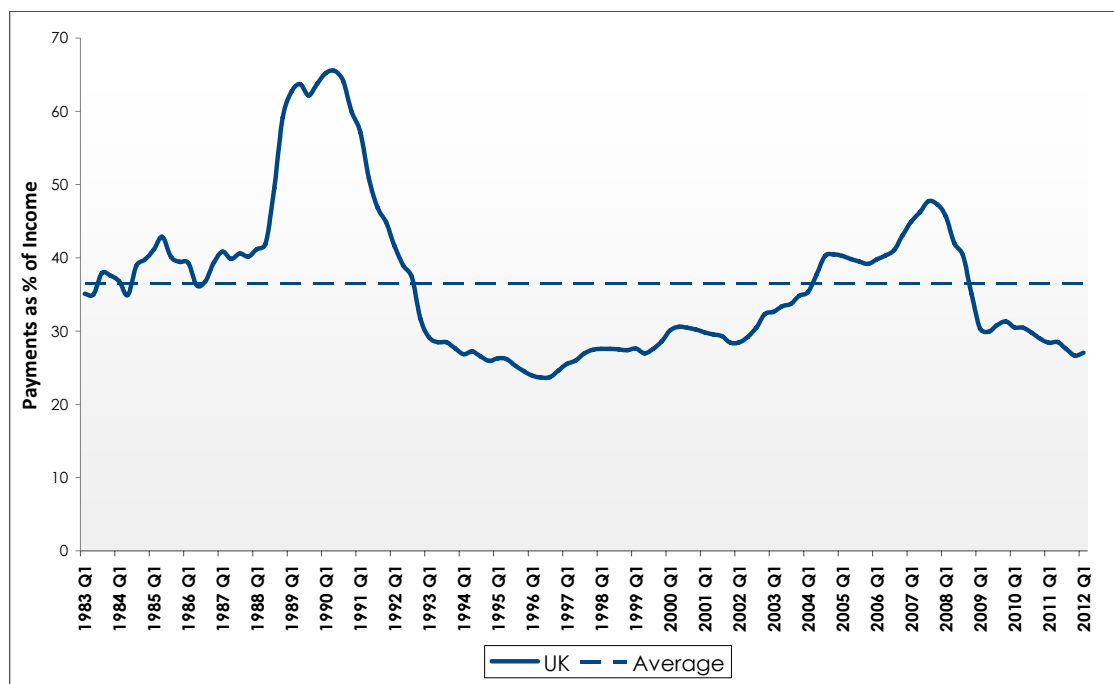
- 2.65 Looking at house prices to earnings ratios in a longer-term context, it is clear that they climbed steeply during the late 1990s and early 2000s and by Q3 2007, had reached a historically high level throughout most of the UK and the Outer South East. They have since fallen from 5.8 to 4.3 by Q1 2009 and recovered to 4.7 by Q1 2012 (Figure 15). This is taken from the Nationwide building society and uses data taken from their own mortgage lending.

Figure 15: First-Time Buyer House Price to Earnings Ratio



Source: Nationwide 2012

- 2.66 Whilst some commentators have seen the high ratio of house prices to earnings as an indicator that prices must inevitably fall, others have viewed this measure as less relevant due to today's relatively low interest rate and low inflation environment, which is not comparable with most of the 1970s-1990s, i.e. what is relevant is the ratio of payments to earnings rather than prices to incomes.
- 2.67 The following chart shows mortgage payments (interest and capital) relative to household disposable income. Rather than the traditional measure of house prices to earnings, this can be viewed as a more accurate measure of affordability, as it takes interest rates into account.

Figure 16: Average UK Mortgage Payments to Household Disposable Income

Source: Halifax 2012

2.68 Affordability (nationally) remained relatively stable from the mid-1990s to around 2001, despite the increasing rate of house price inflation over the period, as lower interest rates kept affordability reasonably stable and better than in the 1980s (although capital repayment is more onerous due to lower income growth). There was a sustained deterioration in affordability until 2007 when housing was at its most unaffordable since 1991, but still more affordable than in the late 1980s boom, and similar to the early/mid 1980s.

Summary

- The recession has had a significant impact on the national and local economy. Despite low interest rates and an initial fall in house prices, access to mortgage products and higher unemployment has restricted the number of buyers in the market. This has been exacerbated by continued population growth.
- Median house prices have grown substantially in all Local Authorities over the longer term. The recent falls during 2008 and 2009 have to some extent been

counterbalanced by growth in 2010. Median prices in Horsham are 14% above the South East average and 41% above the national average; in Mid Sussex median house prices are 9% above the South East average, while in Crawley they are 20% below average for the Region.

- Horsham has the highest median house prices at £260,000, and Crawley the lowest at £184,025. Median house prices in Mid Sussex £249,499. Over the last ten years, Mid Sussex has witnessed the strongest proportional growth in house prices (10% annualised), marginally above levels in Horsham and Crawley (both 9%) and in line with the region as a whole (10%). In the last five years the local authorities have witnessed much smaller rates of growth of 2-3%.
- Both Horsham and Mid Sussex had significantly reduced delivery levels in the last reported year, falling 57% and 49% respectively, although Mid Sussex have reported higher than average levels of unit loss through demolition which has significantly reduced their net completion figure. While Crawley also reduced its dwelling output it was by a more modest 6%. This is a result of falling delivery and lapsing permissions rather than a lack of suitable sites. There has also been a significant fall in the number of transactions.
- In relative terms, market rents are higher in Horsham (11%) and Mid Sussex (7%) than the average for the region. In Crawley, rental levels are 2% below the average for the region.
- There has been a sustained and substantial deterioration in relative affordability of entry-level market housing. With the exception of Crawley, affordability pressures are more severe across the Northern West Sussex Housing Market than in the South East as a whole.

3. Future Housing Market

- 3.1 In the preceding sections, the profile of the housing stock and trends in the housing market over the last decade have been explored. Historic and demographic trends and the affordability of market housing as key structural drivers of change in the housing market have been assessed. Consideration has also been made to the significant downturn in the housing market and the ongoing economic recession.
- 3.2 The SHMA needs to consider and assess future trends over the longer term to inform strategic policy development. Current and short-term dynamics as set out in the short term outlook in the previous chapter are likely to influence the level and form of housing delivery, householders' behaviour and potentially the number of households requiring housing assistance from local authorities. In the longer term it is expected that economic performance, demographic trends and a range of supply-side and policy measures will influence the level and form of housing demand in Northern West Sussex.

Medium-Term Housing Demand Outlook

Macro scale

- 3.3 The current expectation among industry forecasters is that the economy will start to recover from 2013 with the Treasury predicting 0.8% economic growth in 2012, 2.0% in 2013 and a near trend 2.7% in 2014. Experian predict that this will be matched by improved performance of the housing market and expect house prices to grow nationally by 1.2% in 2014 and 2.4% in 2015.
- 3.4 Over the medium-term, most commentators see housing market fundamentals as soundly linked to projected, continued strong demand resulting from economic and demographic growth and anticipated continued supply shortages. This is based on both an increasing population and household growth.
- 3.5 England's population is set to rise by an average of 0.7% pa from 2008 to 2033. Of more relevance to housing demand is the projected increase in households of 1% pa over the same period, an increase of 5.8 million at an annual rate of 232,000 pa. In

- 2008, the average household size was 2.33 people in England. By 2033, this will fall to 2.16, with implications for the type and size of housing demanded, as well as overall volume.
- 3.6 The Government's household projections are linked to assumed changes in the age structure of the existing population, fertility and mortality rates, migration trends and assumptions on future changes to household structures. They include assumptions on changes in household structures observed between the 1991, 2001 and 2011 Censuses, and on migration trends (both internally and internationally) over the past decade. A number of downside risks are foreseen, linked particularly to economic performance and affordability.
- 3.7 Economic performance and affordability will both affect access to housing and household structures, influencing for instance at what age young people are able to set up independent households or buy a home. With declining affordability of market housing over the last decade coupled with the impact of the recession, an increasing number of young people are likely to have either continued living with parents or have chosen to live in shared houses for longer than their counterparts a decade previously. This has been demonstrated through national research by www.checkmyfile.com on the increasing age of first time buyers. The implication is that the Government's forecasts may over-estimate reductions in household size. Whether all of these households should be regarded as concealed households is a moot point. It could be argued that households' ambitions are always shaped to some degree by housing affordability.
- 3.8 The second significant factor is the level of migration to the UK from overseas. The 1999 – 2002 period saw significant levels of net international migration to the UK relative to the early to mid 1990s. The CLG 2010- Based Sub National Population Projections assume that these trends will broadly continue to 2035. In reality levels of economic performance particularly, and to some degree immigration policies, are likely to influence future trends. These result in both upside and downside risks to the forecasts. Furthermore there are wider impacts on the forecasts resulting from differences in household structures and fertility in migrant groups.
- 3.9 It is suggested that the relevance of these forecasts to the next economic cycle needs to be carefully examined.
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- 3.10 Notwithstanding these issues, it is expected that housing supply will continue to fall short of underlying demand from household growth in the short and medium-term and for supply deficiencies and affordability to constrain household growth. This is considered by most commentators to continue to support price growth over the medium to longer-term.
- 3.11 National house price growth is expected to rebound in 2014 at 1.2%, following further falls of 0.5% in 2013. The expectation is that the recovery will be led by London and the South East regions. Average prices in the capital have increased by 22.9% since the lowest point of the market in Q2 2009, and are currently 1.4% below peak levels (as of Q1 2012).
- 3.12 Significant pressure is being applied to the social housing market, particularly in London. Waiting lists for social housing have increased by 9.7% in England between 2007 and 2011 as development has slowed. Reforms to housing benefit have seen payments capped at £400 per week whilst social landlords are now able to set a maximum rent at 80% of open market values using the affordable rent model. These changes may, in practice, make affordability worse, particularly when the universal credit benefit system is adopted.
- 3.13 In conjunction with slowly rising housing costs, over the longer-term, this may result in increasing numbers of households being priced out of the market, particularly non home-owners who are unable to afford increased equity deposits and ongoing mortgage costs.
- 3.14 With slowly rising house prices and record low interest rates, affordability ratios are expected to improve with regard to mortgage payments as a percent of income, although it will be mitigated in part by inflation. For first-time buyers, improving price-to-income ratios in the medium-term will be moderated by the changes in the availability of mortgage products and deposit requirements as banks continue to strengthen capital.
- 3.15 As the market recovers and begins to grow, there is a significant risk that the polarisation that has developed over the last decade between the “equity rich” home owners with a stake in the growing market, as against those without, may once again increase. Growth in this differential would support significant growth in demand for intermediate housing tenures, for those able to pay more than social rents but
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- unable to afford to buy a home. This market is catered for by the private rented sector, intermediate purchase and rental housing products and low cost market housing.
- 3.16 Current house building levels are at their lowest since the war. In 2010, 103,000 dwellings were completed nationally, of which 81,000 were private. This compares to 175,000 units in 2007 and a post war average of 205,000 pa. Influenced critically by sales levels, medium term development will also be influenced by reduced house builder capacity, and pressures on viability of both consented sites and those in the planning pipeline as a result of increasing build costs and falling or at best static values.
- 3.17 Once sales levels pick up, it is expected that there will be a time lag for construction activity to improve. National evidence from previous downturns in the early 1970s and early 1990s points to a lag of up to six years. A likely continued under-supply of new homes in the near and medium term will though help to stimulate market recovery.
- 3.18 In terms of house types, it is expected that need and demand in the medium-term will be focused more towards traditional products: houses as opposed to flats as investors and first-time buyers make-up a significant segment of demand for the latter.
- 3.19 Over the last decade there has been a notable shift towards development of smaller properties, particularly in town centre and other higher-density flatted schemes. While this has partly been influenced by former national density policies in PPS3 (replaced in the NPPF by locally derived standards reflecting local circumstances) in the past, growth in buy-to-let and investment purchases together with affordability pressures have supported this market.
- 3.20 In 2007/8, 52% of all new units built in England were houses, compared to 80% in 2000/1. By 2010/11, the number of new build houses had increased back to 65%. In the South East, the increase in houses as a share of all new homes has been even more noticeable, rising from 43% in 2007/8 to 63% in 2010/11.
- 3.21 New build flats are probably the segment of the market most prone to a price readjustment given the retrenchment of both first-time buyers and investors. A key question is how this market, which has grown strongly in recent years, will fare in the next market cycle. It is expected that some delay will occur for instance to town
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centre development projects, those in lower-value areas and others with marginal viability from changes in market conditions.

Micro scale

- 3.22 Demand in the North West Sussex area is set to be driven by household growth, in particular single households and young couples and families. Over the 25 year period to 2033, an additional 44,000 households are expected in Crawley, Horsham and Mid Sussex. Between 2008 and 2013, the household growth rate for Crawley will be 4.7%, while for Horsham and Mid Sussex, it will be 5.6% each (England 5.2%, South East 5.4%). In the decade from 2013 to 2023, household growth in the North West Sussex area will be 12.2% equivalent to an additional 20,000 households, exceeding national and regional growth rates of 10.4% and 10.9% respectively.
- 3.23 Average house prices in the local area (as recorded by the Land Registry) mirror the mild low growth fluctuations which are happening at a national scale. In Crawley, average house prices as of Q3 2011 are 1% lower yr/yr, whilst Horsham (3% yr/yr) and Mid Sussex (4% yr/yr) are showing modest signs of growth. For the year to Q3 2011, average house prices in the South East and England are down by 2% and 2.2% respectively.
- 3.24 According to the DCLG using Land Registry Data, the average price for a house in Crawley in Q3 2011 is £204,057 – lower than the regional (£290,686) and national (£245,426) averages. Meanwhile the average house price for Horsham is £341,265 and £318,046 for Mid Sussex in the same period.
- 3.25 The local market has seen a marked fall in transactional activity as limited availability to finance and a benign investment market backdrop have slowed demand. In Crawley, the 324 recorded transactions in Q3 2011 showed no change on a yr/yr basis, yet were 34% below the long term average (1996-2011) and 52% lower than the height of the market in Q3 2007.
- 3.26 Of the three local authorities in the North West Sussex market, Crawley is the smallest in terms of sales. Horsham (545) and Mid Sussex (610) both recorded higher sales in Q3 2011, although these were 15% and 4% lower yr/yr. In terms of the long term average (1996-2011), transactions are 25% lower in Horsham and 14% lower in Mid Sussex, while compared to the peak of the market, sales are over 40% down in both markets.

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- 3.27 Despite lower sales activity, new flat sales have retained a strong market share. In 2011, 10.4% of all sales in Crawley were new flats compared to 13.7% for old flats. New houses accounted for just 3% of sales. In 2010, half of all flats sold were new build. Overall though, the share of the new build market has declined from 18.9% in 2008 to 13.4% in 2011. It would appear that the majority of new build development in Crawley was focused in the later part of the last decade. Between 2000 and 2007, new build accounted for 4.5% of all sales. Although this was in a higher transactional market, the number of new build transactions in 2011 (167) is still higher than in 2006 (151).
- 3.28 New build sales in Horsham and Mid Sussex had the highest volume in the earlier part of the previous cycle, both exceeding 11% in 2004, with flats accounting for over 50% in each local authority. Since then, new build sales have fallen to just 2.9% in Horsham in 2011, while in Mid Sussex, the latest figure of 9% new build sales is based on houses outselling flats by a ratio of 3:1.

Long-Term Housing Demand Scenarios

- 3.29 Strategic planning activities are particularly geared towards delivering new housing to match projected demand over the longer-term. While it is important to recognise and develop an appropriate policy response to the short-term dynamics described; planning for housing provision inherently needs to adopt a longer-term perspective, and set out a framework for a time span of fifteen years or more.
- 3.30 Changing interest rates, inflationary pressures and tight lending criteria; coupled with weakening economic performance and falling market confidence are combining to have a significant impact on effective demand for market housing. However in the long-term it is still going to be necessary to meet demand from household growth in Northern West Sussex local authority areas.
- 3.31 Over the long term, a prolonged lack of finance coupled with high affordability levels will result in further polarisation of tenure within the housing market between the equity 'haves' and the 'have nots'. Combined with a shortfall of affordable housing, the private rented sector will increase in importance. Buy to let has already proven popular and the majority of landlords in the sector are private individuals. There is however growing interest among institutional investors in purpose built private rented

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- accommodation although high land costs for new build residential development continue to act as a barrier of entry for most.
- 3.32 As identified, there are a complex set of factors which influence housing demand in both the short, medium and long term. It is considered that it is both possible to identify a set of structural long-term drivers, linked to demographic trends (particularly an ageing population and rising household creation); economic performance and trends; and affordability and access to market housing.
- 3.33 For housing market areas and at more local levels, there are then a number of external factors which impact on the housing market, including policy factors, transport investment, supply-side economic interventions, and regeneration and place-making activities. These factors can affect the relative attractiveness of different locations as places to live.
- 3.34 The market however does not operate completely internally to identified housing market areas. This is as applicable to Northern West Sussex as to other sub-regional housing markets. It is therefore important to assess inter-relationships across market areas and how these might develop and evolve over time. This is particularly applicable where there are supply constraints. It is foreseen that the key factors are:
- The continued influence of economic and housing growth proposals in South Hampshire (PUSH) Surrey and the Coastal West Sussex area;
 - Continued levels of migration from London and Surrey, in terms of both economically active and retired households, linked potentially to supply constraints in these areas and the lifestyle, connectivity and quality of place offer in Northern West Sussex;
 - Investment in capacity in the transport network (both public transport and roads) which affect the relative accessibility of different areas to economic centres influencing future commuting patterns.
- 3.35 The three Northern West Sussex Local Authorities have undertaken individual 'Local Housing Assessments' or 'Locally Generated Housing Needs Studies' to inform their understanding of future housing requirements. They have tested a number of scenarios, which include projections of population and economic growth to further their understanding of the implications of various factors. This SHMA Update has been commissioned to supplement this work and to provide a market perspective on future levels of housing demand and need.
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Housing Requirement Studies

3.36 Each of the three Authorities in the Northern West Sussex Housing Market Area have produced their own locally driven housing requirement studies. The following subsection summarises these.

3.37 **Crawley Borough Council** is currently consulting on a range of themes to feed into the early preparation of the Local Plan "Crawley 2029". These are:

- Option A is to continue current levels of house building (less than 350 per year);
- Option B provides enough housing for a greater proportion of future population growth and any growth in jobs (350 - 450 homes per year);
- Option C provides enough housing to meet the needs of the future population as it grows and encourage people to move into the town (450 - 550 homes per year); and
- Option D provides sufficient affordable housing for those who need financial support with their housing needs. (More than 550 homes per year).

3.38 For the purposes of this update exercise, Crawley Borough Council has agreed to model the future affordable housing needs based on three possible housing delivery scenarios, notably 300, 400 and 542 additional households per annum. The lowest figure reflects historic delivery rates, whilst the mid point figure is broadly comparable to a "natural change" scenario. The final figure represents the baseline projection identified in the Council's Locally Generated Housing Needs Assessment, and is similar to the Government's household projections for the area.

3.39 **Horsham District Council** has consulted (10 February – 10 April 2012) on a range of locally derived housing figures to cover the period 2011 – 2031. The housing options are derived from the Locally Generated Needs Study, including subsequent updates. The consultation document, 'How much housing does Horsham District need?' sets out four options:

- Option A for a total of 11,800 new homes (590 per annum);

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- Option B for a total of 12,700 new homes (635 per annum);
 - Option C for a total of 13,400 new homes (670 per annum); and
 - Option D for a total of over 14,600 new homes (730 per annum).
- 3.40 In 2009, Horsham District Council carried out a consultation on nine potential strategic sites within the District, 'Leading change in partnership to 2026 and beyond'. A 'preferred strategy' will be produced for consultation in Spring 2013, which will identify a preferred housing figure for the District and a preferred development strategy, which will include potential strategic sites.
- 3.41 For the benefit of this SHMA update, Horsham District Council has agreed to model the affordable housing needs based on housing requirements for 590, 635, 670 and 730 additional households per annum.
- 3.42 **Mid Sussex District Council** has produced a draft Local Housing Assessment (June 2011), that tested a number of Demographic and Economic scenarios. The preferred scenario housing requirement of 530 units per annum assumes a 3% increase in Gross Value Added (380 new jobs) per annum within the District.
- 3.43 A Consultation Draft District Plan was subject to a public consultation early 2012. The District Plan sets a housing requirement at 530 homes per annum (10,600 homes from 2011 to 2031). This figure has been used as the basis for modelling future affordable housing needs.
- 3.44 Despite these targets, it is important to note that the current constrained nature of the housing market makes it unlikely that the required levels of housing as set out in the targets will be delivered.
- 3.45 The analysis of affordable housing needs for each of the locally derived housing growth scenarios is set out in the following chapter.

Summary

- The current expectation among industry forecasters is that the economy will start to recover from 2013 with the Treasury predicting 0.8% economic growth in 2012,

2.0% in 2013 and a near trend 2.7% in 2014. Experian predict that this will be matched by improved performance of the housing market and expect house prices to grow nationally by 1.2% in 2014 and 2.4% in 2015.

- England's population is set to rise by an average of 0.7% pa from 2008 to 2033. Of more relevance to housing demand is the projected increase in households of 1% pa over the same period, an increase of 5.8 million at an annual rate of 232,000 pa. In 2008, the average household size was 2.33 people in England. By 2033, this will fall to 2.16, with implications for the type and size of housing demanded, as well as overall volume.
- The CLG Household Projections predict that over the 25 year period to 2033, an additional 44,000 households are expected in Crawley, Horsham and Mid Sussex. Between 2008 and 2013, the household growth rate for Crawley will be 4.7%, while for Horsham and Mid Sussex, it will be 5.6% each (England 5.2%, South East 5.4%).
- Over the long term, a prolonged lack of finance coupled with high earnings to price ratio will result in further polarisation of tenure within the housing market between the equity 'haves' and the 'have nots'. Combined with a shortfall of affordable housing, the private rented sector will increase in importance.
- The three Northern West Sussex Local Authorities have undertaken individual 'Local Housing Assessments' or 'Locally Generated Housing Needs Studies' to inform their understanding of future housing requirements. Crawley presented four housing growth scenarios ranging from 350 to over 550 new homes per annum. Horsham also presented four scenarios ranging from 590 new homes per annum to 730 new homes per annum. Mid-Sussex have set a housing requirement for 530 new homes per annum to 2031.

4. Housing Needs Assessment

Introduction

- 4.1 GVA has worked with each of the local authorities in the Northern West Sussex Housing Market to develop a robust understanding of housing need. Housing need was defined in PPS3 as “the quantity of housing required for households who are unable to access suitable housing without financial assistance.” It includes households who lack their own housing or live in unsuitable housing and who cannot afford to meet their needs in the market. The NPPF states that this should “address the need for all types of housing, including affordable housing and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes” .
- 4.2 An up-to-date assessment of housing need is a statutory requirement to inform planning policies for the delivery of affordable housing. Affordable housing, adopting the definition set out by the Government, includes social rented housing and intermediate housing, provided to eligible households whose needs are not met by the market. The new National Planning Policy Framework also includes the more recent affordable rent tenure within the definition of affordable housing (see Annex 2).
- 4.3 Affordable housing should be available at a cost low enough for eligible households to afford with regard to local incomes and house prices; and include provision for the home to remain at an affordable price for future eligible households, or if these restrictions are lifted, for the subsidy to be recycled. Affordable housing excludes low cost market housing.

Approach

- 4.4 A detailed approach to the Housing Needs methodology is set out in the 2009 SMHA. The methodology used here remains the same with the exception of the following minor amendments:
- The proportion of households unable to rent is calculated using a lower quartile rental value rather than an average rental value provided by the Valuation Office Agency (VOA). Lower quartile data was previously unavailable and has only been published by the VOA since summer 2011. Lower quartile data better reflects the lower end of the rental market available to those on low incomes,

than average rental values. In addition it also aligns with the lower quartile house prices used for open market housing. As a result the number of households unable to afford to rent decreases;

- The proportion of households unable to buy or rent is calculated using the minimum value percentage of households of those that are unable to afford to buy and those households that unable to afford to rent. Previously this was taken as an average of those unable to afford and those unable to rent. This has been changed as it was decided that taking an average of the two figures did not accurately reflect the percentage unable to buy or rent but rather the percentage unable to buy and/or rent. As a result the number of households being unable to access housing decreased; and
- Percentage of Affordable Housing requirement is no longer calculated against RSS housing targets but against the locally derived housing forecasts, as set out in the previous chapter for each local authority area. This change was made due to the proposed abolition of the Regional Spatial Strategy targets and subsequent production of locally derived housing requirements. This has no material effect on the net annual housing need in real terms but may affect the affordable housing requirement as a percentage of the total housing requirement.

Overview of the Model

- 4.5 The approach is consistent with CLG's Strategic Housing Market Assessment Guidance. It is structured around the following stages:
- Stage 1 Current Housing Need (Gross Backlog);
 - Stage 2 Future Housing Need (Gross Annual Estimate);
 - Stage 3 Affordable Housing Supply;
 - Stage 4 Housing Requirements of Households in Need; and
 - Stage 5 Bringing the Evidence Together.
- 4.6 Stages 1-3 and Stage 5 together provide the overall assessment of housing need, with Stage 4 looking to populate this by indicating the types of housing required by those in need.
- 4.7 To summarise the methodology, the net annual estimate for total households in housing need relates to the difference between newly arising need annually and the supply coming forward on an annual basis through lettings; plus a quota to address

current housing need (the backlog) once the affordable housing supply pipeline is considered.

- 4.8 Table 5 outlines the key steps in the model and the data sources used. The remainder of this section sets out the key inputs in relation to each of the stages in the model and presents housing needs estimates for each local authority in the Housing Market Area. Data sources and assumptions are clearly catalogued.

A number of assumptions are inherent in this model including some elements which are taken as a snap-shop of most recent data. Although liable to change during the model period, these variables have been kept constant due to difficulty projecting change. This includes the proportion of households unable to buy or rent. This uses credible and publicly available data sources and assumes continuing trends in the measures.

- 4.9 There are also a number of additional assumptions based on continuing trends. These include:

- A continuation of existing households falling into need;
- A continuation of the annual supply of social re-lets; and
- A continuation of the annual supply of intermediate affordable housing for re-let or resale at sub-market level.

In each case, trends over the last three years have been used. This represents a credible and robust timeframe from which to assume continuing trends.

- 4.10 Finally it is also assumed that there will be no local or national policy impact over time, this would include the possibility of increased wage levels or employment in the districts which would affect affordability nor would it include a change in housing delivery rates which would affect the supply and in turn local affordability patterns.

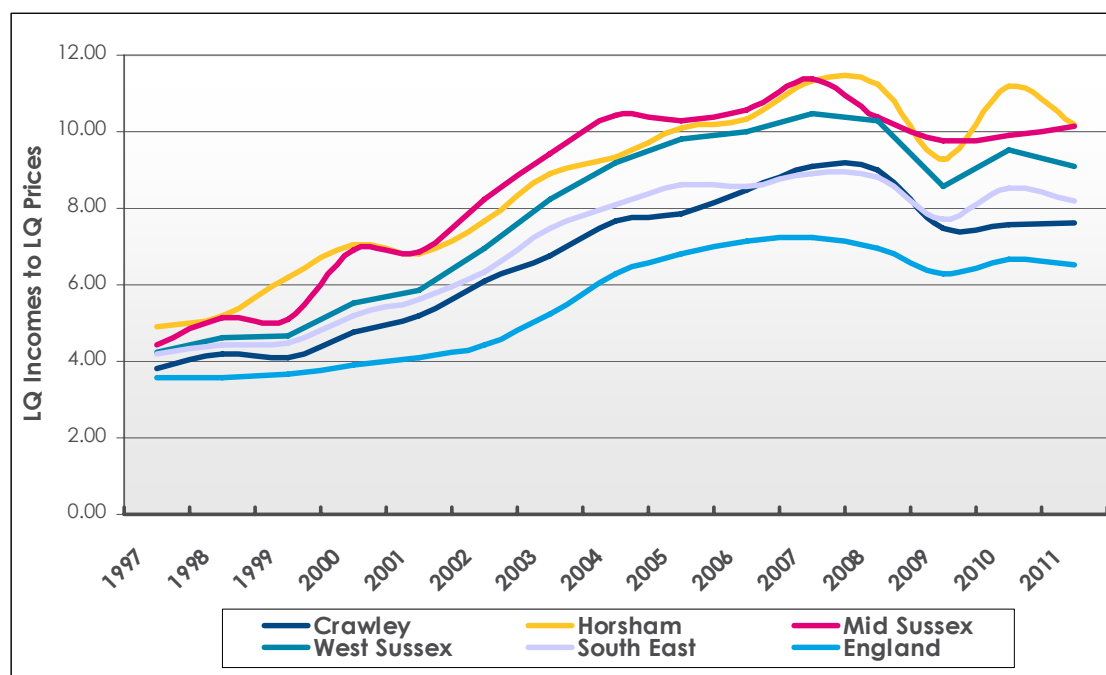
Table 5: Housing Needs Model & Data Sources

Step	Calculation	Data Sources & Assumptions
Stage 1 Current Housing Need (Gross)		
1.1 Homeless households and those in temporary accommodation		Assumed to be included within waiting list figures (Step 1.3). Assumed to remain constant
1.2 Overcrowded and concealed households		Assumed to be included within waiting list figures (Step 1.3). Assumed to remain constant
1.3 Other groups		Local authority waiting lists excluding transfer requests. Low estimate based on households in defined reasonable preference groups. Assumed to remain constant
1.4 Total current housing need (gross backlog)	= 1.1 + 1.2 + 1.3	
Stage 2 Future Need		
2.1 New Household formation (per annum)		As set out in LA housing requirement studies.
2.2 Proportion of newly emerging households unable to buy or rent		Comparison of housing costs for purchase (at lower quartile house prices, 2009-2011) and for Lower Quartile rent (using VOA data) with distribution of households incomes (CACI Paycheck) in each local authority. Assumed to remain constant
2.3 Existing households falling into need		Annual estimates derived from CORE Lettings Data for 2008/9, 2009/10 and 2010/11, once newly-forming households and transfers are excluded. Trends assumed to remain constant.
2.4 Total newly arising need (gross per year)	= (2.1 x 2.2) + 2.3	
Stage 3 Affordable Housing Supply		
3.1 Affordable dwellings occupied by households in need		Transfers are excluded from Stages 1, 2 and 3 as they release supply of housing, having a nil net effect.
3.2 Surplus stock		Local authority estimates of vacant properties which could be brought back into use.
3.3 Committed supply of new affordable housing		Local authority estimates of affordable housing expected to be delivered. Assumed that 100% of supply is built.
3.4 Units to be taken out of management		Local authority estimates of properties currently let which are due to be demolished or refurbished. Assumed to be taken out of management during model period
3.5 Total affordable housing stock available	= 3.1 + 3.2 + 3.3 - 3.4	
3.6 Annual supply of social re-lets (net)		Estimates of annual lettings, excluding transfers, in both local authority and RP sectors based on CORE Lettings Data for 2008/9, 2009/10 and 2010/11. Trends assumed to remain constant.
3.7 Annual supply of intermediate affordable housing for re-let or resale at sub-market levels		Estimates from local authorities or an assumed 10% annual turnover of current stock. Trends assumed to remain constant.
3.8 Annual supply of affordable housing	= 3.6 + 3.7	
Stage 5 Bringing the Evidence Together		
5.1 Total Net Need	= 1.4 - 3.5	
5.2 Annual Flow	= 10% x 5.1	10% of total net need per annum, based on addressing the backlog over a 10 year period.
5.3 Net Annual Housing Need	= (2.4 + 5.2) - 3.8	

Context

- 4.11 The housing needs methodology was developed to demonstrate the amount of affordable housing required to meet objectively assessed housing needs at a local level. It is based on assessing the ability to meet current and future housing need through the use of both the current and planned stock of affordable housing. The results of the assessment are hence affected both by the level of housing need which arises, and by the current stock of affordable housing and planned provision.
- 4.12 Over the last few years affordability has slightly increased although that followed a decade of sustained deterioration in the affordability of market housing, and does not reflect getting access to mortgage products. As Figure 17 indicates, the ratio of lower quartile house prices to lower quartile earnings (as an indication of barriers to house purchase for young households) has increased from 5.87 in West Sussex in 2001 to 9.10 in 2011. In Horsham, entry-level house prices are over 10 times the average household earnings.

Figure 17: Lower Quartile Price to Income Ratios



Source: CLG Table 576

- 4.13 Affordability pressures are however particularly related to the ability of households to purchase housing. While rental levels in the private rented sector have increased, the growth in the cost of Owner Occupation has decreased due to lower interest rates. Again this does not reflect the ability of households to be granted a mortgage.

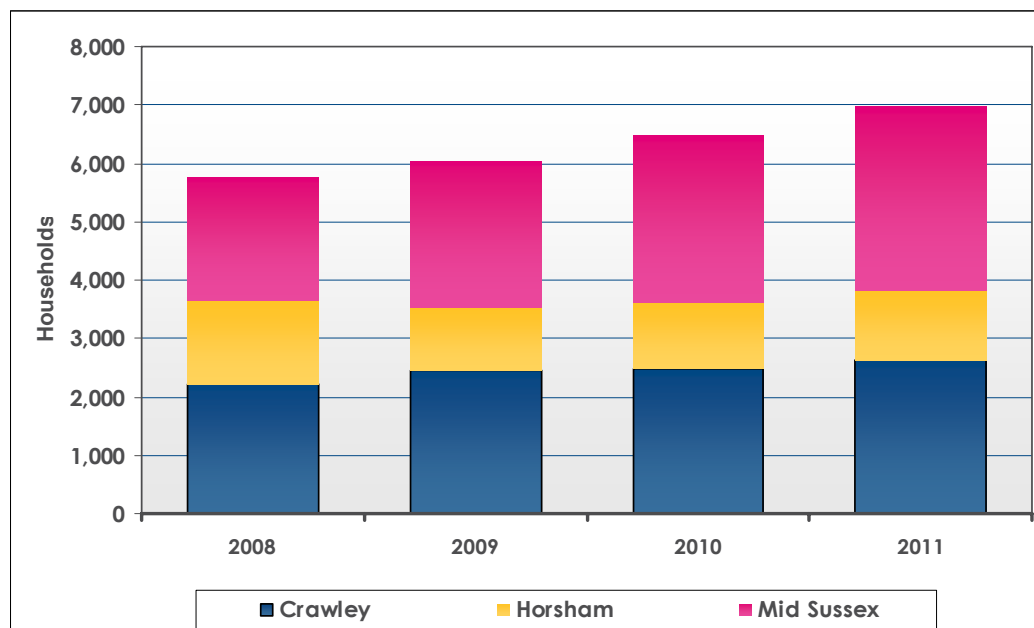
- 4.14 Horsham's supply of social sector accommodation has grown over the last 11 years however it has fallen by 4.3% in the last four years to 2011 (see Table 6).

Table 6: Properties in Social Sector Ownership

	Apr 02	Apr 07	Apr 11/12	% Change 07 11/12
Crawley	10,550	10,395	10,459	0.6%
Horsham	6,113	6,677	6,390	-4.3%
Mid Sussex*	5,820	6,420	6,956	8.3%
Northern West Sussex	23,082	24,383	24,310	-0.3%

Source: HSSA 2002, 2007 and 2011, Tennant Services Authority, Regulatory Statistical Return 2011 * Mid Sussex data is for 2012 and reflects the Council's own statistics.

- 4.15 With increasing levels of new applicants for social housing, waiting lists have increased in Northern West Sussex by 21% between April 2008 and April 2011. This is shown in Figure 18 below. It indicates that demand for social housing has grown at a faster rate than the supply of affordable housing stock in comparative terms.
- 4.16 At a local level Horsham, which has seen reductions in its social sector stock, has also reduced its total waiting list by 17%. This is as a result of changes to the way in which households are added to the waiting list.
- 4.17 The total waiting list in Crawley has seen significant increases over the last four years, growing by 19%. Despite the increased affordable housing stock, Mid Sussex has also increased in its waiting list by 49% over the last four years. Conversely Horsham has reduced its waiting list by 17%. Please note that these tables reflect the total waiting list and not the reasonable preference groups used in the Housing Needs model.
- 4.18 The reasonable preference waiting list has also changed in this time. Crawley's reasonable preference list has grown by 13% since the last SHMA report 2009 (+107). Over the same period Mid Sussex reasonable preference list has also grown by 27% (+236).

Figure 18: Growth in Local Authority Social Housing Total Waiting Lists

Source: HSSA Returns 2011

- 4.19 It is these trends of an increasing backlog of housing need and strong affordability barriers to purchasing or renting housing privately which are borne out in the assessment of housing needs.
- 4.20 The core output of the assessment of housing need is the net annual estimate of households in need. This is often compared to the housing requirement (as established previously through the Regional Spatial Strategy) to inform affordable housing policies. The housing figures in these documents are however not informed solely by levels of housing demand and need, but take into account the availability of suitable development land (housing land capacity) and apply a spatial strategy to direct new housing to sustainable locations. The appropriate comparison is hence with estimates of future annual change in the total number of households, as the Guidance makes clear. However even in these circumstances, a percentage figure is influenced by current barriers to market entry and levels of affordable housing supply at the local level.
- 4.21 In line with CLG guidance the three main steps in the model are to establish the current housing need; this deals with the backlog housing requirement, and is complemented with the second step, which is to calculate future housing need to establish a total need. This second step calculates a future housing supply which is proportionate to the housing requirement e.g. if there is no population growth then there is no need beyond the backlog of existing need. This does not take into account additional household requirement caused by decreasing headship rates,

which will have been taken into account through locally derived household growth forecasts.

- 4.22 The Strategic Housing Market Assessments Practice Guidance (step 4.2) also makes clear that there are a range of other factors to be considered in deciding what proportion of future housing supply should be affordable, including pressures in the private rented sector, poor market supply, poor access to home ownership and changing economic performance. Furthermore the NPPF (para. 173) makes it clear that the viability of residential development and available funding to support delivery of affordable housing must be considered in determining appropriate affordable housing policies.
- 4.23 In summary, the key output of the assessment of housing need is the net annual estimate of households in need. This is a statutory requirement to underpin affordable housing policies in demonstrating that need for affordable housing cannot be met from the current stock of affordable housing and planned provision.

Entry-Level Housing Costs

- 4.24 In this section, estimates of the proportion of households who cannot afford to access market housing are made; considering those who cannot afford either to purchase housing in the open market or to pay private sector rents without financial support.
- 4.25 Entry-level housing costs for house purchase using lowest quartile house prices 2009 to 2011 and Lower Quartile private sector rents for 2 and 3 Bedroom properties in 2011 have been assessed. This is consistent with the 2009 SHMA and reflects average property costs. Income thresholds for access to the market sector assuming that households have a 10% deposit with mortgage cost not exceeding 25% of gross household income have been established. It also establishes income thresholds for access to the private rental market by assuming again that housing costs should not exceed 25% of gross household income. These assumptions are consistent with page 42 of the Strategic Housing Market Assessments Practice Guidance.

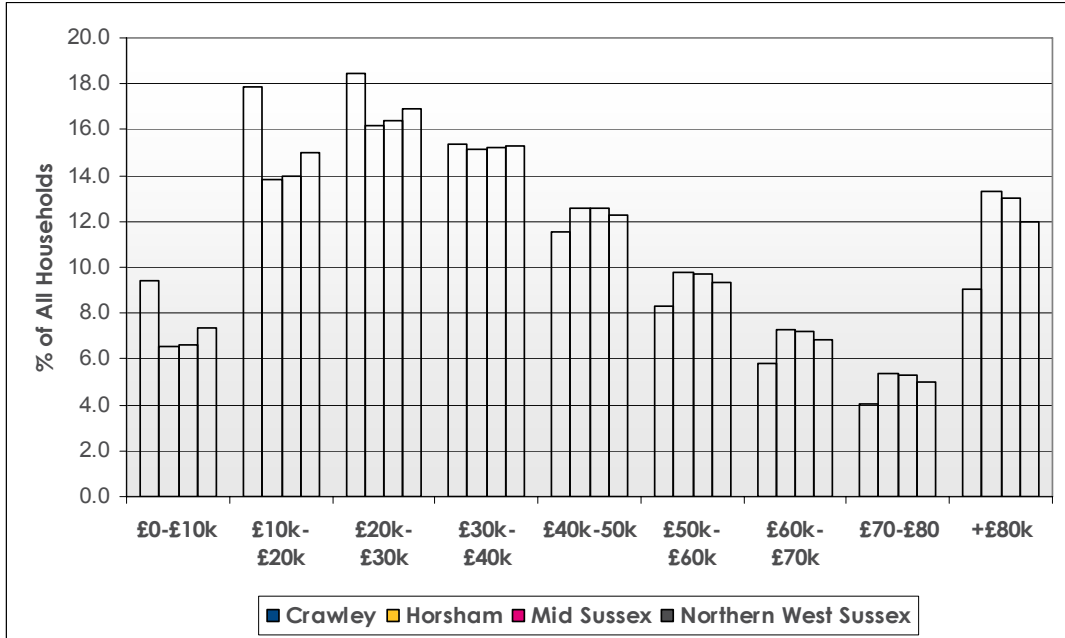
Table 7: Entry-Level Housing Costs and Income Thresholds

					Purchase	Rental
Crawley	£155,000	£852	£800	94%	£46,500	£38,400
Horsham	£192,500	£1,059	£785	74%	£57,750	£37,680
Mid Sussex	£188,500	£1,037	£823	79%	£56,550	£39,480

Source: GVA, The Property Database and VOA 2012

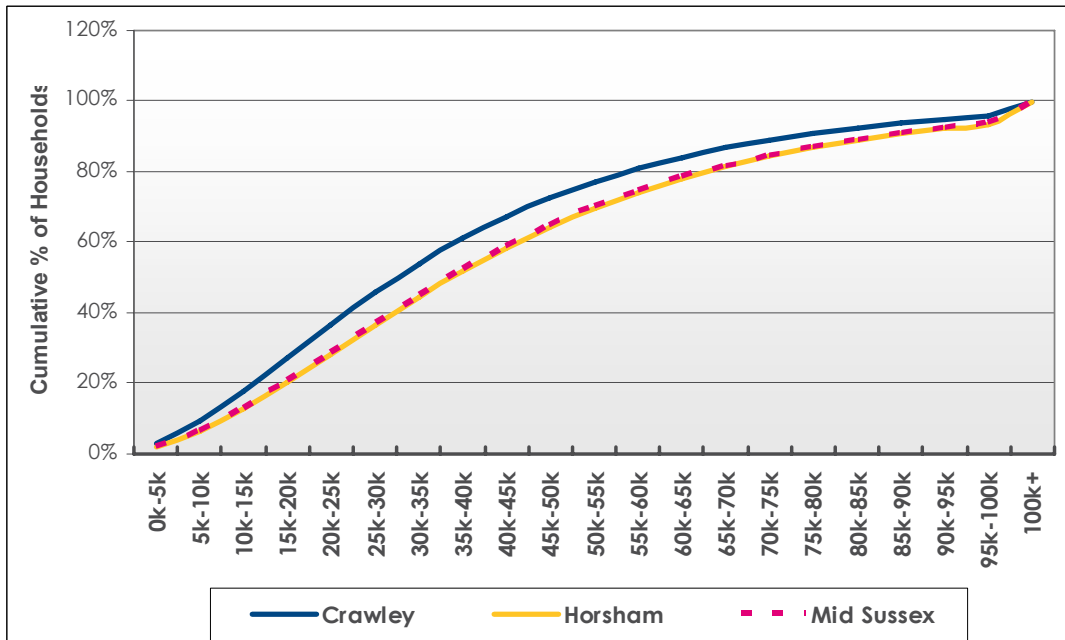
- 4.26 As Table 7 outlines cross tenure lower quartile monthly housing costs and illustrates the lower costs for private renting than home ownership in each of the local authorities (Note that this table differs from Table 4 which illustrates mean average costs). The difference in costs for each tenure however varies with the highest differential in Horsham District and the Lowest in Crawley at 94% equivalent to £52 per month. This reflects the quality, size and location of the respective tenure types and the buoyancy of the rental market in Crawley.
- 4.27 Monthly rental costs are taken from VOA Private Rental Market Statistics data and the income thresholds are a result of the Monthly rental costs being annualised and then assuming that the annualised cost represents a maximum of 25% of annual household income.
- 4.28 The purchase threshold is calculated by netting off 10% of the Lower Quartile house price in each district (2009-2011) to reflect purchase deposits. The resultant cost is then divided by three to reflect standard income requirements to access mortgage products. Monthly housing costs are purely indicative and calculated through the Money Supermarket Mortgage Calculator. The costs shown are based on a 100% mortgage on a 4.4% interest rate and a 25 year repayment period.
- 4.29 Using data from CACI Paycheck on the distribution of household incomes at a local authority level, GVA have modelled the proportion of households unable to afford to buy or rent without support. This is based on current prices and earnings but does not take into account households which have already purchased their house or people who are renting with the aid of housing benefit. This will then be used to calculate the number of newly forming households who will be unable to buy or rent.
- 4.30 Figure 19 and Figure 20 indicate the distribution of household earnings by income band across each of the local authorities. Horsham has a higher percentage of households than Crawley and Mid-Sussex in the top four income brackets. The mean household earnings in Horsham are £45,855, however the median income bracket is lower at £35,000 – £40,000. The mean household income is considerably higher than that in Crawley (£39,414) but aligns with that in Mid Sussex (£45,456).

Figure 19: Household Earnings by Income Band 2011



Source: CACI Paycheck 2011

Figure 20: Cumulative Household Earnings Distribution 2011

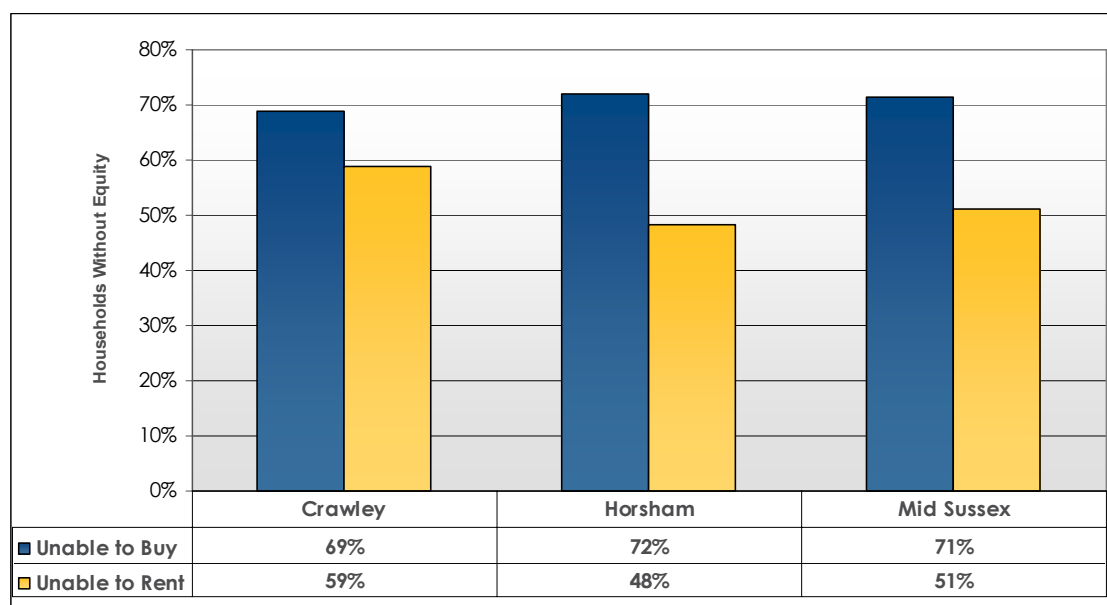


Source: CACI Paycheck, 2011

4.31 The income distribution is compared to the income thresholds for rental and house purchase to establish the proportion of households assumed to be without equity in

their existing homes or substantial other savings who could afford to buy or rent at the current levels in each LA without assistance. This is calculated using the Income Thresholds as set out in Table 4 with the CACI income data, which provides the number of households above and below each threshold in £5,000 income brackets. Where the income thresholds falls within a £5,000 income bracket a proportional number of households are taken.

Figure 21: Percentage of Households Unable to Buy or Rent Without Assistance



Source: CACI Paycheck 2011 / GVA 2012

- 4.32 The proportion of households assumed to be without equity in their existing homes, who cannot afford to buy or rent housing in the private sector without support varies from 59% in Crawley to 48% in Horsham and 51% in Mid Sussex. This increases to 69% in Crawley, 72% in Horsham and 71% in Mid Sussex when referring to the number of households unable to buy. This however does not take into account households who may already own their own property. It is also assumed that these households are without equity. The figures reflect a significantly higher number of low income households in Crawley than in Mid Sussex and Horsham.
- 4.33 Between the 2009 SHMA and this update the percentage of households unable to buy has increased in all three local authorities; most significantly in Horsham (67% - 72%). Again this is based on the current earnings and house prices and does not take into account households that have already purchased their home. This is largely due to a significant increase in Lower Quartile house prices, which itself is a result of fewer transactions in the lower end of the market. Horsham also has the only significant reduction in the percentage of households unable to rent (54% - 48%), this

is due to a reduction in rental costs, possibly as a result of changing the cost calculation from average to lower quartile. Crawley had the largest growth in those unable to afford to rent (50% - 59%). This is likely to be as a result of increased rental costs, brought on by a lack of access to the purchase market.

Needs Assessment Model

- 4.34 The basic needs assessment model follows the stages and steps used in the 2009 Strategic Housing Market Assessment and outlined in **Table 5**.
- 4.35 The following table(s) show the steps and results to calculate:
- Current Affordable Housing Need;
 - Future Affordable Housing Need;
 - Affordable Housing Supply;
 - Net Annual Housing Need; and
 - Annual Need as a percentage of Total Housing Requirement.
- 4.36 Horsham has modelled four different household formation rates across two different scenarios. The scenarios reflect housing requirements to accommodate the entire waiting list (High Scenario) and just those households on the waiting list in Reasonable Preference categories (Low Scenario). The Low Scenario reflects only the need for rented accommodation, as opposed to intermediate homes, whereas the whole register takes into account the requirement for both tenures. In Horsham the reasonable preference group comprise 36% of the entire waiting list.

Table 8: Overall Housing Needs Assessment: High Estimate

Step	Comments	Horsham A	Horsham B	Horsham C	Horsham D	Source
Stage 1 Current Housing Need (Gross)						
1.1 Homeless households and those in temporary accommodation	Assumed picked up in waiting lists	0	0	0	0	N/A
1.2 Overcrowding and concealed households	Assume that households in need registered on waiting lists	0	0	0	0	N/A
1.3 Other Groups	Households on waiting list excluding transfers	1039	1039	1039	1039	Local Authority Waiting list information - Transfers taken from CoRe
1.4 Total current housing need (gross)	1.1 + 1.2 (+1.3)	1039	1039	1039	1039	GVA Calculated
Stage 2 Future Need						
2.1 New Household formation (gross per year)	Agreed scenarios from Locally Generated Housing Requirement Studies	590	635	670	730	Agreed annualised growth from Housing Requirement Studies
2.2 Proportion of newly emerging households unable to buy or rent	Those unable to buy at LQ Prices or Rent Privately without Housing Benefit	48%	48%	48%	48%	GVA calculated from Paycheck, The Property Database & VOA
2.3 Existing households falling into need	Households falling into need and housed per annum	41	41	41	41	CoRe Data three year average of total new general needs letting minus newly forming households (all excluding transfers)
2.4 Total newly arising need (gross per year)	(2.1 x 2.2) + 2.3	326	348	365	393	Calculated
Stage 3: Affordable Housing Supply						
3.1 Affordable dwellings occupied by households in need	Assume zero	-	-	-	-	N/A
3.2 Surplus Stock		0	0	0	0	
3.3 Committed supply of new affordable housing	Based on Sites with PP 2012-15	523	523	523	523	Local Authority Records
3.4 Units to be taken out of management	Housing currently let which is due to be demolished or refurbished	0	0	0	0	Local Authority (does not include right to buy)
3.5 Total affordable housing stock available	3.1 + 3.2 + 3.3 - 3.4	523	523	523	523	GVA Calculated
3.6 Annual supply of social re-lets (net)	LA and HA sectors exc. transfers	128	128	128	128	CoRe Data 3 Year Average relets
3.7 Annual supply of intermediate affordable housing available for re-let or resale at sub market levels	10% turnover of shared ownership properties	28	28	28	28	10% of Shared ownership stock taken from Dataspring/RAR
3.8 Annual supply of affordable housing	3.6 + 3.7	156	156	156	156	GVA Calculated
Total net need	1.4 - 3.5	516	516	516	516	GVA Calculated
Annual flow	10% of total net need (Assume ten year period to relieve backlog of need)	52	52	52	52	GVA Calculated
Net Annual Housing Need	(2.4 + Annual flow) - 3.8	221	243	260	289	GVA Calculated

Table 9: Overall Housing Needs Assessment: Low Estimate

Step	Comments	Horsham A	Horsham B	Horsham C	Horsham D	Source
Stage 1 Current Housing Need (Gross)						
1.1 Homeless households and those in temporary accommodation	Assumed picked up in waiting lists	0	0	0	0	N/A
1.2 Overcrowding and concealed households	Assume that households in need registered on waiting lists	0	0	0	0	N/A
1.3 Other Groups	Households on Reasonable Preference waiting list excluding transfers	419	419	419	419	Local Authority Waiting list information - Transfers taken from CoRe
1.4 Total current housing need (gross)	1.1 + 1.2 (+1.3)	419	419	419	419	GVA Calculated
Stage 2 Future Need						
2.1 New Household formation (gross per year)	Agreed scenarios from Locally Generated Housing Requirement Studies	590	635	670	730	Agreed annualised growth from Housing Requirement Studies
2.2 Proportion of newly emerging households unable to buy or rent	Those unable to buy at LQ Prices or Rent Privately without Housing Benefit	48%	48%	48%	48%	GVA calculated from Paycheck, The Property Database & VOA
2.3 Existing households falling into need	Households falling into need and housed per annum	41	41	41	41	CoRe Data three year average of total new general needs letting minus newly forming households (all excluding transfers)
2.4 Total newly arising need (gross per year)	(2.1 x 2.2) + 2.3	326	348	365	393	Calculated
Stage 3: Affordable Housing Supply						
3.1 Affordable dwellings occupied by households in need	Assume zero	-	-	-	-	N/A
3.2 Surplus Stock		0	0	0	0	
3.3 Committed supply of new affordable housing	Based on Sites with PP 2012-15	523	523	523	523	Local Authority Records
3.4 Units to be taken out of management	Housing currently let which is due to be demolished or refurbished	0	0	0	0	Local Authority (does not include right to buy)
3.5 Total affordable housing stock available	3.1 + 3.2 + 3.3 - 3.4	523	523	523	523	GVA Calculated
3.6 Annual supply of social re-lets (net)	LA and HA sectors exc. transfers	128	128	128	128	CoRe Data 3 Year Average relets
3.7 Annual supply of intermediate affordable housing available for re-let or resale at sub market levels	10% turnover of shared ownership properties	28	28	28	28	10% of Shared ownership stock taken from Dataspring/RAR
3.8 Annual supply of affordable housing	3.6 + 3.7	156	156	156	156	GVA Calculated
Total net need	1.4 - 3.5	-104	-104	-104	-104	GVA Calculated
Annual flow	10% of total net need (Assume ten year period to relieve backlog of need)	-10	-10	-10	-10	GVA Calculated
Net Annual Housing Need	(2.4 + Annual flow) - 3.8	159	181	198	227	GVA Calculated

- 4.37 Net Affordable Housing need in Horsham ranges from 159 to 289 homes per annum. As a percentage of the planned household growth this ranges from 27% to 40%. These represent a relatively modest Affordable Housing need requirement in comparison to the other local authorities in Northern West Sussex.

Table 10: Net Annual Housing Need as a Percentage of Housing Requirement

Scenario	Planned Household Growth Formation	Net Annual Affordable Housing Need	Annual Need as % Housing Requirement
Horsham A High	590	221	38%
Horsham B High	635	243	38%
Horsham C High	670	260	39%
Horsham D High	730	289	40%
Horsham A Low	590	159	27%
Horsham B Low	635	181	29%
Horsham C Low	670	198	30%
Horsham D Low	730	227	31%

Source: GVA 2012

- 4.38 The needs analysis represents a snapshot picture of current affordability issues. A critical factor is that the ability to meet housing need is determined to a notable extent by the level of existing affordable housing, which in turn reflects past investment decisions.
- 4.39 It should also be noted that the private rented sector plays a growing role in meeting housing need supported by housing benefit (particularly over the short term period given the challenging housing sales market and economic situation).
- 4.40 The housing needs analysis should therefore be regarded as an evidence base that demonstrates that in each of the local authorities 'need' for affordable housing is greater than the 'supply' of affordable housing on an annual basis. This provides justification for affordable housing policies in LDFs.

Sizes of Affordable Housing

- 4.41 GVA have analysed the level of households on the waiting list (excluding transfers) requiring different sizes of property in each local authority using data provided by the Councils. In absolute terms, demand is greatest for one bedroom and two bedroom property sizes (51% and 32% respectively), with 14% requiring three beds and 3% four bedrooms or more. The total in Table 11 differs from the Households on Reasonable Preference waiting list figure in Table 8 due to sheltered housing/retirement home requests being omitted.

- 4.42 The exclusion of transfers masks the fact that while transfers free up housing, they often do not free up homes of the same size as those they move in to. Typically transfers move from smaller to larger homes, with the effect of increasing demand on those larger homes.

Table 11: Overall Housing Size Requirements Northern West Sussex

	1 Bed	2 Bed	3 Bed	4 Bed	Total
Crawley	1,043	745	453	72	2,313
Horsham	565	386	176	34	1,161
Mid Sussex	1,990	1,101	381	75	3,552
Northern West Sussex	3,561	2,218	1,001	188	7,063
% of Total	51.2%	31.8%	14.4%	2.6%	100.0%
	1 Bed	2 Bed	3 Bed	4 Bed	Total
Crawley	45.1%	32.2%	19.6%	3.1%	100.0%
Horsham	48.7%	33.2%	15.2%	2.9%	100.0%
Mid Sussex	56.0%	31.0%	10.7%	2.1%	100.0%

Source: GVA, 2012. This table includes transfers in Horsham hence difference from Table 9

- 4.43 In proportional terms, Table 11 establishes that the overall waiting list for each Local Authority has different characteristics. Horsham has fairly standard requirements for each of the individual bedroom sizes, although it does have a slightly higher requirement for 2-bedroom properties.
- 4.44 Since the 2009 SHMA, the increases in the waiting list for Crawley and Mid Sussex have seen changes in the housing requirement by size. Crawley has a marked increase in the need for 3-bed properties (previously 286) and with significant increases in one and two bed requirements (previously 474 & 325 respectively) also. Whilst the waiting list in Horsham has remained static, the trends have changed slightly with numbers on demand for one-bedroom properties falling from 655 to 565 and two bedroom raising from 349 to 386. In contrast Mid Sussex significantly increased the requirement for one and two-bed properties (previously 1,281 and 731 respectively) with reductions in the requirement for three-bed properties (previously 430).
- 4.45 In both real terms and proportionally, the requirement for four-bed properties is smallest. However the low turnover in availability of these properties is likely to result in lengthy delays in housing those requesting it.
- 4.46 To provide an indication of pressures in the social sector and the need for new affordable housing of different sizes, it is also important to take account of the current stock mix and differential rates of turnover of different property sizes. This is achieved by comparing lettings to waiting lists to provide an indication of comparative pressures. This is based on available data provided by CoRe lettings and is based on

a three year average of general needs properties. The results are set out below in Table 12.

Table 12: Requirements by Bed Size in Horsham – General Needs

Horsham	1 Bed	2 Bed	3 Bed	4 Bed	Total
Waiting List	565	386	176	34	1,161
Lettings Per Annum	106	126	64	3	299
Ratio	5.3	3.1	2.7	11.3	3.9

Source: GVA, LA and CoRe lettings 2012

- 4.47 Horsham's figures show that in absolute terms the need for one and two bedroom properties is greatest. However, as a ratio of overall need there appears to be pressure for larger four or more bedroom properties and to a lesser extent one-bedroom properties.
- 4.48 This may change with the introduction of the Welfare Reform Act 2012. The Act, which is due to be implemented from March 2013 is likely to result in households in under-occupied properties losing benefits. The cut will be a fixed percentage of the Housing Benefit eligible rent. The Government has stated that this will be set at 14% for one extra bedroom and 25% for two or more extra bedrooms. As a result there is expected to be a demand for smaller property sizes as households seek to maintain their benefits and a subsequent release of larger properties.

Towards Affordable Housing Policies in Local Plans

New-Build Affordable Housing

- 4.49 In 2005 the local authorities across West Sussex had a consistent requirement for 30% affordable housing provision over specified site size thresholds of either 15 or 25 units.
- 4.50 Since this point Crawley and Horsham have a revised policy in an adopted Core Strategy whilst Mid Sussex has recommended changes to policy in its emerging District Plan. As Table 13 sets out current affordable housing policies across the Northern West Sussex Housing Market Area. The policies set out currently form the basis of negotiations, with the exception of the policy from Mid Sussex's Draft District Plan.

Table 13: Current Affordable Housing Policies

Local Authority	Current Threshold	Current Percentage Requirement	Policy Basis
Crawley	15 units/ 0.5 ha	40%	Adopted Core Strategy
Horsham	15 units/ 0.5 ha	40%	Adopted Core Strategy
Mid Sussex	15 units / 0.5ha	30%	Adopted Local Plan (2004)
Mid Sussex	1 unit	30% or, on sites of 1-3 units, a Commuted Payment for Off site Provision of 30%	Emerging District Plan (2011)

Source: GVA 2012

Role of Intermediate & Private Rented Sectors in Meeting Housing Need

- 4.51 There are a range of segments of the housing market that cater for those who cannot afford to buy a house. There is an important role which both intermediate housing and the private rented sector can play in meeting housing need from those who require some support to meet their housing needs and aspirations.

Intermediate Housing

- 4.52 Intermediate affordable housing is defined as housing at prices and rents above those of social rent, but below market prices or rents, and which meet the needs of eligible households (including provision at a cost which local people can afford) and include provision for the property to remain at an affordable price for future households and for provision for the subsidy to be recycled. These can include shared ownership and equity products and other low cost homes for sale and intermediate rent.
- 4.53 There are various intermediate housing products currently available. It is important to understand what these are and the various eligibility criteria for them. It is considered possible to structure the products available into two groups: those which represent new build affordable housing; and loan products which support purchase of housing either from social housing providers or on the open market.
- 4.54 The current new build affordable housing products were set out in the Housing Strategy for England (November 2011) and the Affordable Homes Programme Framework and comprise:
- **Shared Ownership** - This shared ownership option offers brand new homes for sale on a part buy / part rent basis. Tenants can buy shares up to 75% of the property's market value and then pay a subsidised rent on the remaining share. Households

are also able to buy a share of these homes once the current owner decides to move on.

- **Rent to Buy** - This option offers new build homes to rent for a pre-defined period of time with the expectation that tenants will buy a share of the property at the end of the rental period. Homes are available on assured short hold tenancies with an affordable rent of 80% (or less) of market rents. The rent is payable for a pre-defined and limited period, after which time there is an expectation that the property will be purchased on shared ownership terms.

4.55 Loan products are available which aim to support and enable households to purchase housing

- **FirstBuy** – Provides the opportunity to buy a new home with the help of an equity loan. Buyers are required to pay for a minimum of 80% of the market value of their property. An equity loan of up to 20% is provided to assist their purchase. Buyers are required to have a minimum of 5% for their mortgage deposit.

4.56 Intermediate housing options are therefore not limited to new-build provision. On this basis, the existing housing stock can play some role in meeting housing need either through purchase or rental of housing.

Potential Need for Intermediate Housing

4.57 As Table 14 shows the current position with regard to those households in Northern West Sussex Housing Market that potentially fall into the intermediate housing market. Since 2007, when this analysis was last prepared by Wilcox, the market has grown significantly.

4.58 The required income threshold to rent social accommodation was calculated on the basis of annualised weekly rent comprising a maximum of 25% of weekly income. As with those unable to afford market prices, the number of households were calculated using the Income thresholds as set out in Table 4 with the CACI income data, which provided the number of households below the threshold.

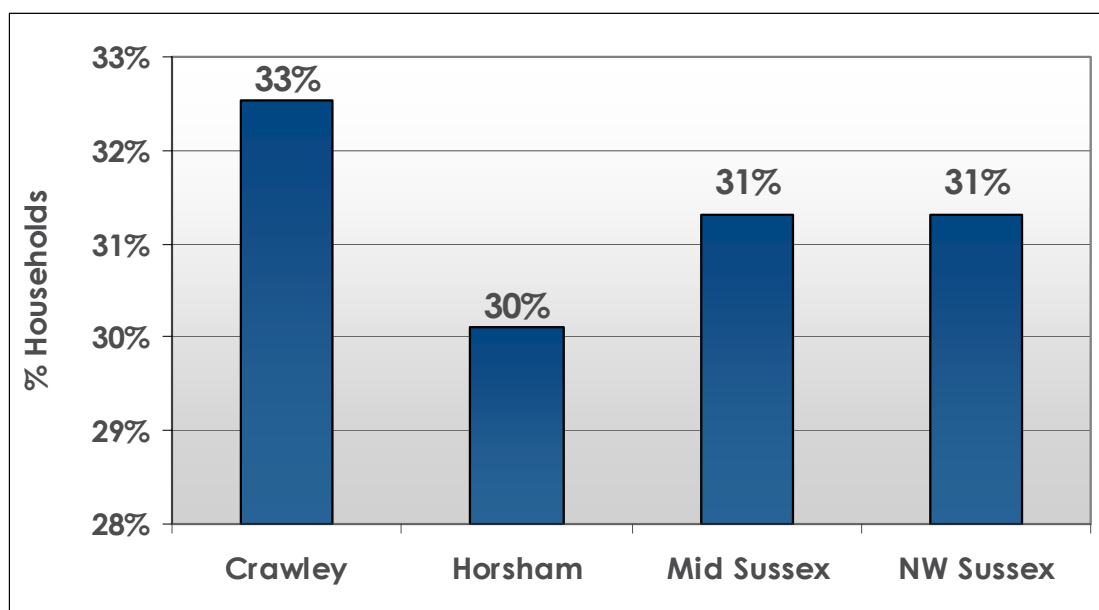
Table 14: Potential Scale of Intermediate Housing Market

	Weekly Social Rent	Required Income to Social Rent	% House holds Unable to Afford Social Rents	Lowest Decile House Prices	Monthly Costs for Lower Decile House Prices	Required to buy at Lower Decile	Intermediate Housing Market
Crawley	£94	£19,479	26%	£128,000	£704	£38,400	51%
Horsham	£89	£18,570	18%	£145,000	£797	£43,500	56%
Mid-Sussex	£94	£19,487	20%	£145,000	£797	£43,500	50%

Source: GVA 2012, Dataspring 2011 and The Property Database 2012

- 4.59 The original Wilcox report found that in some local authorities, particularly London, the South East and South West regions, over 40% of households potentially fell into the intermediate housing market. The updated figures show that in Horsham the Intermediate market has increased from 47% to 56%, the highest in Northern West Sussex, although these figures are not directly comparable.
- 4.60 The intermediate housing market, based on this definition, includes those households who can afford both intermediate housing products and to access the private rented sector. These two sectors compete to a strong degree for the same market, with product differentiation the key difference between them.
- 4.61 The potential for the intermediate housing market has clearly grown as house prices have grown, and at a more significant rate than private and social sector rental levels. Recent changes in the market that have increased access difficulties to housing purchase for young buyers are likely to support demand for both private renting and intermediate housing products, including shared ownership and equity.
- 4.62 Figure 22 demonstrates the potential scale of the Intermediate Market in Northern West Sussex. In this case it is defined as the proportion of households with incomes that lie between social and market rent threshold i.e. those that can afford to socially rent but not market rent. This differs from Table 14 which refers to the wider group between those who can afford social rent but not to purchase property outright.
- 4.63 As shown in Figure 22, Horsham at 30% has the lowest potential for intermediate housing in Northern West Sussex, although similar to the other Local Authorities. This represents the group of households that should be encouraged to use shared ownership products.

Figure 22: West Sussex Households with Incomes Between Social and Market Rent Levels



Source: GVA 2012, Dataspring 2011 and The Property Database 2012

Evidence of Demand for Intermediate Housing at Local Level

- 4.64 Local level evidence for the demand for Intermediate Housing in West Sussex has been drawn from data provided by Moat who are the Zone Agent for Intermediate Housing. Moat is responsible for compiling and controlling the housing list for those seeking Intermediate Housing in West Sussex.
- 4.65 The basic requirements for inclusion within the eligible list are that the household will have a maximum of £60,000 income with savings of at least £4,000. Priority is given to existing social tenants and serving MoD personnel; local priorities based on local needs and first time buyers. All Registered Providers that offer HomeBuy products must advertise their stock on the HomeBuy website and are obliged to use Moat to access the eligible list of households.
- 4.66 Evidence from Moat indicates that there is strong demand for intermediate shared ownership schemes although there has been a downturn in interest linked to the removal of open market schemes and key worker schemes, coupled with the availability of credit, and deposit requirements. Despite this, intermediate shared

ownership housing will continue to sell in Northern West Sussex although the shorter term view remains that the absence of financial credit will impact all housing markets.

- 4.67 As Table 15 illustrates, there continues to be significant interest in intermediate housing in Northern West Sussex, and not only from those currently living in the Local Authority areas as over 40% of the eligible applicants currently live outside but work in the area. In Horsham 43% of the eligible applicants live outside but work in the District, but 61% work outside but live in the area.

Table 15: Demand for Intermediate Housing Products (March 2012)

	Total Active Applicants	% Living in Area	% Working in Area
Crawley	400	59%	51%
Horsham	296	57%	39%
Mid-Sussex	424	59%	37%

Source: Moat and GVA 2012

- 4.68 Drawing the analysis of Intermediate Housing together, a number of overarching conclusions can be identified.
- 4.69 There continues to be an evident latent demand for Intermediate Housing products for purchase and rent. The Wilcox Report data showed a strong overall requirement based on recent data (2006 and 2007) and gave a sense of the relative variances in requirements for Intermediate Housing products across West Sussex. This analysis is further supported at the local level through appraisal of the Zone Agent's own current data on waiting lists and demand.
- 4.70 There continues to be a need to raise the profile of intermediate and affordable housing products including shared ownership and equity options across Northern West Sussex. Intermediate and Affordable Housing opportunities are still not widely understood or suitably visible, despite the high demand demonstrated for intermediate ownership.
- 4.71 There continues to be a need to raise the profile of intermediate housing including shared ownership and equity options as well as intermediate rent across Northern West Sussex. Intermediate Housing opportunities are still not widely understood or suitably visible, despite the high demand demonstrated for intermediate ownership.

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- 4.72 There is also a need to increase the delivery Affordable Rent housing. As with other affordable tenures this could be achieved through attracting additional private finance and by supporting developers to build homes on council owed sites through subsidy.
- 4.73 However, the access to credit and financial products issues will have an ongoing impact on the Intermediate Housing market. With a lengthening economic downturn, the lack of available finance and growing risk awareness by both lenders and households will tend to push back decisions on committing finance to intermediate home ownership, similar to the market housing experience.
- 4.74 There is a strong long term potential for Intermediate Housing to deliver a greater choice and level of accessibility in the Northern West Sussex Housing Market. The strength of Intermediate Housing will though depend on changes in access to credit and house price to income ratios over the medium and long term. It will also depend, critically, on the actual supply of Intermediate Housing stock.
- 4.75 Changes to the eligibility criteria for Intermediate Housing, have ensured that Key Workers no longer have priority over those most in need. While it was important to provide housing choice to Key Workers, it masked the access and choice of housing provision for others who are unable to meet open market housing costs. While eligibility criteria has been relaxed to avoid limiting intermediate and shared ownership schemes to key workers, changes have ensured that MOD personnel are now prioritised in the same way. It is important that Intermediate Housing is made available to more people as a way to open a ladder of housing opportunity up to communities in Northern West Sussex.
- 4.76 In order to stimulate choice and access to the Intermediate Housing market, and to meet evident existing demand both from key and non-key workers we continue to believe that at least 20% of all affordable housing in Northern West Sussex should be provided on an intermediate basis (shared ownership, equity loans and rent to buy) at a District level in the short term to 2017 (largely following the existing levels of intermediate housing provision, balanced against the current housing market viability conditions in this area), with this increasing to 30% in the longer term (post 2017) as the viability of the housing market improves over time. Many of the individual districts have target splits that are higher, however we consider that setting a standard basis for the Northern West Sussex Housing Market as a whole will ensure a long-term
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commitment to achieving increased proportions of intermediate housing as part of the overall affordable housing mix in a housing growth context.

Affordable Rented Sector

- 4.77 Affordable Rent is a newly formed social housing tenure which is defined in the NPPF as properties let by local authorities or private registered providers of social housing who have a development contract with the HCA, to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require the rent to be no more than 80% of the local market rents. New build properties are likely to be let on this basis with existing social rented properties converted to affordable rent upon re-letting over time. The increases in rent are to be used to finance the development of new housing.
- 4.78 There are significant differences between the current social rent and the potential maximum 'affordable' rent (see Table 16). This would indicate that many people in social rented tenure are likely to experience weekly rent increases up to £77, over £4,000 per annum if maximum affordable rents were applied. For existing tenants, this would occur only if they moved to an affordable rented property; they are protected if they remain in their existing home. As most properties are being converted from social to affordable rents upon re-letting, this is likely to affect most tenants who move.

Table 16: Different Tenure Costs 2011

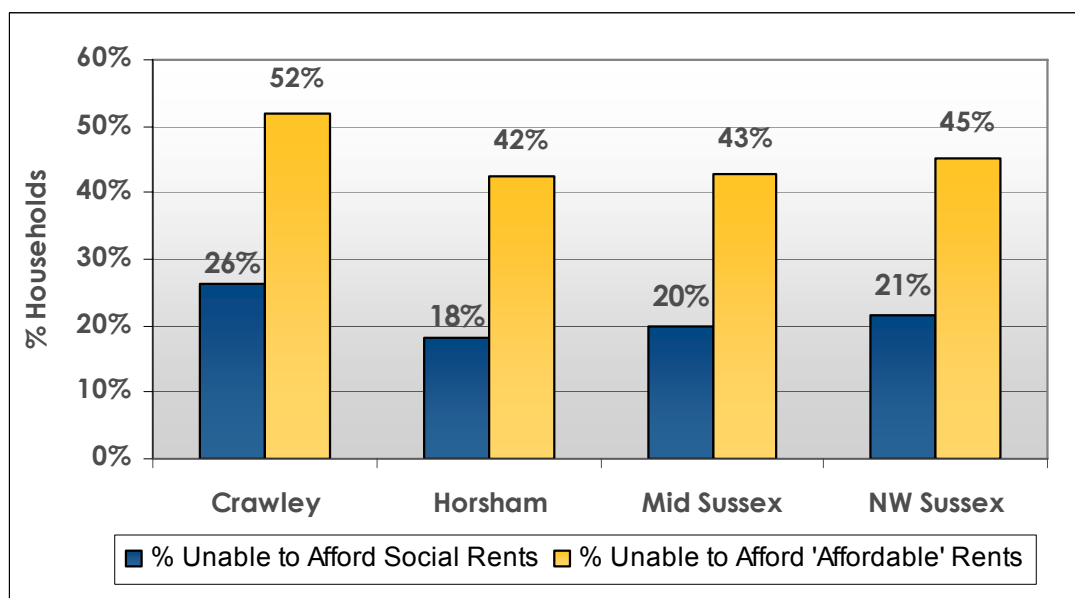
	Social Weekly Rent	Average Market Weekly rent	80% of Average Market Weekly rent	Difference between social and Affordable Rent
Crawley	£94	£203	£162	£69
Horsham	£89	£208	£166	£77
Mid-Sussex	£94	£213	£170	£77
NW Sussex	£92	£208	£166	£74

Source: *Dataspring 2011 and The Property Database, 2012*

- 4.79 Assuming a constant 25% of household income is spent on accommodation costs, the income required to rent socially in Horsham would increase from £18,570 (existing social rent) to an 'affordable' rent average of £34,594.
- 4.80 As Figure 23, illustrates there is likely to be a much higher number of households in each of the local authorities that will not be able to afford maximum 'affordable' rent

levels without assistance. In Horsham over 40% of the households in the District would be unable to afford 80% of the current private market rents. In total around 37,000 additional households in Northern West Sussex would be unable to afford the new 'affordable' rents without assistance.

Figure 23: Northern West Sussex Households Unable to Afford Current Social Rents and 'Affordable' Rent



Source: GVA 2012, Dataspring 2011 and The Property Database 2012

- 4.81 The full impact of changing social rent costs to an affordable rent has yet to materialise however, North West Sussex, as with the Rest of the South East, is likely to face significant challenges in accommodating social tenants on 80% of market rents. Councils in Northern West Sussex are therefore likely to require significantly lower ratio than 80% to increase affordability while increasing rent to a realistic level.
- 4.82 At a rate of 80% the affordable rent model could make social rental costs exceed that of intermediate tenures and in some cases lower quartile market housing. Therefore it is likely that affordable rents in Northern West Sussex would be set below the 80% maximum.

Private Rented Sector

- 4.83 The private rented sector can play a significant role in meeting general housing demand including those in housing need supported by Housing Benefit. The private

rented sector can provide a good source of housing opportunity for those moving to the area for work, those on lower incomes, the young and older people; indeed there is a broad base of potential demand. Housing Benefit effectively supplements household's income to allow them to meet housing costs in the private rented sector. This may prove particularly important in the short-term in meeting housing need in a context in which need can increase over much shorter timescales than it is possible to deliver a supply response.

- 4.84 The role of the private rental sector to assist in reducing housing need is constrained by a number of barriers to access. There are often issues with landlords accepting tenants who are on housing benefits and with the size of financial deposit required (four to six weeks rent in advance on signing of the rental contract). To increase access to the private rental sector for those in housing need, there is a growing requirement for Councils to act as guarantors for deposits and to help landlords find and assess the suitability of potential tenants.
- 4.85 Institutional investors could also provide further investment into the local private rental sector. Schemes similar to the Private Rental Sector Initiative (PRSI) ran by the HCA can be run at a local level and would encourage investment in the local residential housing market.
- 4.86 Such initiatives would highlight investment opportunity to house-builders and could even provide some initial funding. The Initiative also provides house-builders with an opportunity to pre-sell stock, helping to reduce the speculative nature of house building and attract more volume in development.

Summary

- The approach is consistent with CLG's Strategic Housing Market Assessment Guidance. It is structured around the following stages:
 - Stage 1 - Current Housing Need (Gross Backlog);
 - Stage 2 - Future Housing Need (Gross Annual Estimate);
 - Stage 3 - Affordable Housing Supply;
 - Stage 4 - Housing Requirements of Households in Need; and
 - Stage 5 - Bringing the Evidence Together.
- The total waiting list in Crawley has seen significant increases over the last four years, growing by 19% by 2011. Despite the increased affordable housing stock, Mid Sussex has also increased in its waiting list by 49% over the last four years. Horsham made significant reductions to its waiting list between 2010 and 2011.

-
- The mean household earnings in Crawley are £39,414 which is considerably lower than that in Mid Sussex (£45,456) and Horsham (£45,855). As a result the number of households that cannot afford to buy or rent housing in the private sector without support varies from 59% in Crawley to 48% in Horsham and 51% in Mid Sussex. A significant increase from 2009, largely due to the increased costs of lower quartile house prices.
 - Net Affordable Housing need in Horsham ranges from 159 to 289 homes per annum. As a percentage of the planned household growth this ranges from 27% to 40%. These represent a relatively modest Affordable Housing need requirement in comparison to the other local authorities in Northern West Sussex.
 - Analysis of the waiting list for each Local Authority demonstrates a requirement for 1-bed accommodation (56%) in Mid Sussex which is above Horsham (49%) and Crawley (45%). Crawley has had a marked increase in the demand for all property sizes. Horsham has reduced the requirement for 1-bed properties with converse growth in two-bed properties. In contrast Mid Sussex has increased demand for one and two-bed properties with reductions in the demand for three-bed properties, although turnover in the large properties may mean that although the requirement is less the need is more pressing.
 - The potential for the Intermediate Housing market has clearly grown as house prices have grown, and at a more significant rate than private and social sector rental levels. The potential scale of the Intermediate Housing market in Northern West Sussex, identifying the proportion of households with incomes that lie between social and market purchase levels i.e. those that can afford to socially rent but not purchase property outright. Crawley at 33% has the largest potential for Intermediate Housing in Northern West Sussex, although at 30% and 31% Horsham and Mid Sussex respectively are not far behind.
 - Affordable Rent is a newly formed social housing tenure which requires social rent to be set at no more than 80% of the local market rents. If introduced those in affected households could see weekly rent increases totalling over £4,000 per annum. In Crawley over half of the households would be unable to afford 80% of the current private market rents. In Mid Sussex the figure is 43%, and in Horsham 42%.

5. Conclusions & Recommendations

Introduction

- 5.1 Strategic Housing Market Assessments are intended to inform both the need and demand for affordable and market housing; together with analysis of the current housing stock; of market conditions; and of drivers of change over short-term horizons. The Northern West Sussex SHMA (2009) and this Update Report form an evidence base to inform planning and housing policies for the Northern West Sussex local authorities.
- 5.2 This section sets out our conclusions and recommendations following from the updated analysis. The recommendations are updates or revisions to those made previously in the 2009 Northern West Sussex SHMA and reflect only those issues where the SHMA Update has undertaken new analysis, or where the policy context has changed in the interim period. On this basis other conclusions or recommendations remain valid and this section must be read in conjunction with Chapter 12 of the 2009 Northern West Sussex SHMA.

Supporting Housing Delivery Rates

- 5.3 The 2009 SHMA and this Update Report form one element of the inputs into determining housing requirements and residential land supply in Development Plans (including Neighbourhood Plans).. The three individual Northern West Sussex local authorities need to consider what level of suitable land can be brought forward for development, informed by Strategic Housing Land Availability Assessments (SHLAA) and by their assessments of future local housing requirements. This will be tested by an independent Inspector at the Examination in Public into Local Plans, Core Strategies and other Development Plan Documents (DPD).
- 5.4 The potential to maintain or improve rates of housing delivery is curtailed by the current housing market and economic climate. The reasons behind this have been explored and catalogued for the Northern West Sussex Housing Market in the 2009 SHMA and this Update Report. While the affordability of market housing remains an

issue due to access to mortgage finance and deposit requirements, there is a continued need to maintain housing supply to address the structural imbalance between housing supply and demand; and in order for the Northern West Sussex local authorities to comply with the National Planning Policy Framework (NPPF).

5.5 There are limited tools available to the three Northern West Sussex local authorities allowing them to maintain or drive forward delivery rates in the short-term given the current economic climate and housing market conditions. We recommend that local authorities adopt a comprehensive and proactive approach to managing housing supply, through:

- R1. **Clarity and Coherence** - Working to bring forward a clear and coherent planning policy framework through LDF Core Strategy review, new Local Plans and Site Allocations DPDs as well as Neighbourhood Plans as quickly as possible to provide a strong policy framework to support housing land allocations and planning applications. This work includes the preparation and agreement of locally derived future housing targets in Development Plans to replace the dwelling provision figures set out in the South East Plan;
- R2. **Mix and Range of Sites** - Seeking to deliver a range and mix of sites through Plans that allow different housing products to be brought forward by different developers across local areas. This is also advisable given policy and infrastructure requirements can potentially further hold up the delivery of larger sites;
- R3. **Proactive Work to Support the Five Year Housing Land Supply** - maintain a five year supply of deliverable sites as required through the NPPF (paragraph 47), and working proactively with landowners and developers to address site and infrastructure constraints to development in partnership;
- R4. **Realistic Viability Approach** – Continue to take a realistic approach to the viability testing of housing schemes in the short term and in the negotiation of S106 developer contributions to affordable housing, particularly in light of the requirements of the Community Infrastructure Levy Regulations (2010 and 2011) in order to ensure delivery continues to occur as far as possible. Councils should also ensure that their approach to affordable housing contributions are flexible in the exceptional circumstance where viability is an issue.

5.6 It is important to retain the integrity of the functional housing market in the long term recognising inter-dependencies between housing, infrastructure and quality of place.

Investment in quality of place and regeneration, in social and community infrastructure and in cultural and leisure facilities helps to create attractive places to live and provide houses. The local authorities should work to ensure that this approach is embedded within and across proposed development schemes.

Affordable Housing

Affordable Housing Supply

- 5.7 An assessment of housing needs is a statutory requirement to inform policies for affordable housing. Its purpose is to establish that the 'need' for affordable housing cannot be met by existing or planned supply; and hence that new affordable housing must be built to meet needs. Chapter Four of this Update Report considered the current housing needs of the Northern West Sussex Housing Market.
- 5.8 The current situation in the Northern West Sussex Housing Market is one in which there is an acute estimated level of need evident in each constituent local authority area, ranging between 27% and 88% (the low and high estimate scenarios). It is unlikely that the existing market and funding context will support the higher end requirement of affordable housing delivery in the short term and will be pushed in the medium and longer term even as the market regains its underlying value.
- 5.9 The three Northern West Sussex local authorities should set out clear and strict policies for affordable housing in their Local Plans, Core Strategies and Affordable Housing SPDs as the basis for securing affordable housing on (private) development sites through planning obligations. The NPPF provides clear guidance at paragraph 159 on identifying the scale and mix of housing and range of tenures including for affordable housing (taking into consideration likely economic viability for housing in the area).
- 5.10 Affordable housing policies must be justified in terms of the level of need identified through Housing Needs Assessment. They must be realistic and deliverable; and set against wider objectives of maintaining an adequate supply of market housing to meet demand and delivering mixed income and tenure communities at a local level.

5.11 We recommend that local authorities across the Northern West Sussex Housing Market work to stimulate the supply of new affordable housing. There are a range of policy tools which can be used to achieve this:

R5. **Encourage all Sources of Delivery** – Where viable, direct delivery of affordable housing by the local authorities and Registered Providers where appropriate, must be supported;

R6. **Public Sector Land Assets** – Working with the Homes and Communities Agency where appropriate, public sector land can be utilised to bring forward new affordable housing, based on land value subsidy (e.g. the local authority accepts a reduced site receipt for enhanced delivery of affordable housing);

R7. **Optimising Contributions** – Optimising and stimulating developer contributions to affordable housing through planning policies and S106 negotiations where a realistic testing of viability has been undertaken; and

R8. **Rural Sites** – Work with rural communities and neighbourhoods to identify Community Right to Build opportunities and exceptions sites in rural areas specifically for affordable housing to meet local needs.

5.12 Further recommendations for rural housing are outlined later in this document.

Sizes of Affordable Housing

5.13 The Northern West Housing Market local authorities should set out specific policies regarding the size of affordable housing provision required. We identify below, recommendations regarding the sizes of affordable housing to be sought. This is based on an appraisal of the scale of current reasonable preference waiting lists excluding transfers for different property types together with the levels of lettings and turnover for different property stock sizes. It also takes into account the particular difficulties in meeting larger housing needs (four bedroom and larger) which must be incentivised further to allow greater flexibility to manage affordable housing stock and meet household expectations.

R9. **Planning for a range of affordable housing sizes** - We recommend that a range of different sizes of affordable housing are planned for. Whilst the majority of households on waiting lists often require smaller properties, those in need of larger properties often have to wait much longer for a home, reflecting the

limited current supply of larger properties and lower turnover rates. Provision of larger, family-sized affordable housing meets both this need and allows social housing provision to better use existing stock by creating a 'chain of lettings' to right size households to their housing requirements. **Table 17** sets out our recommended housing size mix.

Table 17: Indicative Affordable Housing Provision by Bedroom Size

	1 Bed	2 Bed	3 Bed	4+Bed	Total
Crawley	20%	35%	35%	10%	100%
Horsham	20%	35%	35%	10%	100%
Mid Sussex	25%	35%	30%	10%	100%

Source:GVA 2012

- 5.14 However if the housing market remains suppressed and annual housing need is not being met then the affordable housing mix should reflect that required by the reasonable preference groups rather than that set out above.

Affordable Housing Mix

- 5.15 There is a clear demand for all social housing within Northern West Sussex. Within this, there is a latent demand for Intermediate Housing, demonstrated across each of the three local authority areas. The updated analysis showed a strong overall requirement for Intermediate Housing and gave a sense of the relative variance between each local authority area. This analysis is further supported at the local level through an updated appraisal of the Intermediate Housing Zone Agent's own current 2012 data on waiting lists and demand.
- 5.16 The local authorities should undertake further work to raise the profile of housing products and assess how the role of Intermediate Housing could be developed in the longer term to meet the needs of households who cannot afford to buy but can afford to pay more than social rents. There are a range of housing options available to those who cannot afford to buy and who would traditionally rent, these include shared ownership models and discounted market sale housing (where subsidy is recycled).
- 5.17 Our recommendations are:

R10. Stimulate choice and access in the Intermediate Housing Market – A minimum target of 20%-25% of all affordable housing should be developed on an intermediate basis (shared ownership, shared equity and intermediate rent) at a District level in the short term, with this increasing to a minimum of 30% in the longer term (this position should be reviewed five years from the adoption of the SHMA) as the viability of the Northern West Sussex Housing Market improves over time. Within this recommended mix it will be for each District to determine the proportion of rented and intermediate housing within each property size. It is likely that a higher proportion of smaller properties will be required for Intermediate Housing tenures as these comprise much of the demand from newly forming households.

Private Rented Sector

Role of the Private Sector

- 5.18 Many households with insufficient income or equity to purchase housing may choose to meet their needs in the private sector, rather than seek affordable housing provision. There is evidence of individuals sharing housing, and the private rented sector plays an important, and increasing, role in the Northern West Sussex Housing Market alongside specific affordable and intermediate housing provision. It plays a particular role in catering for the needs of younger households, or those who are attracted by the flexibility which renting provides (particularly in the short-term housing market).
- 5.19 There is potential for an enhanced role for the Private Rented Sector in the housing market in the future. However, close review and monitoring will be required to ensure the quality and condition of stock is actively managed, to address any overcrowding and to maximise the role which the sector plays in meeting housing need.
- 5.20 Existing rental property will comprise the majority of the rented housing stock for the foreseeable future. In this context, it is important that investment is made in ensuring that it is fit-for-purpose. Local authorities must work to achieve this through the following recommendations:

R11. Targeting Investment in Private Rented Homes Standards – Continue to improve standards of housing in the private rented sector, bringing homes up to the

Decent Homes Standard through targeted investment; use of equity release products where appropriate; through the licensing of Houses in Multiple Occupation; through advice and training to landlords, including Landlord Accreditation Schemes; through a readily accessible lettings database link or published list; and through enforcement action where appropriate.

House Size and Design

General Market Housing

- 5.21 As the 2009 Northern West Sussex SHMA established, there is not a direct relationship between household size and housing size, particularly in the market sector. It is appropriate to establish broad requirements for different types and sizes of new market housing in relation to the existing stock context, taking account of existing pressures and market signals of shortage; as well as broader economic and demographic changes.
- 5.22 The majority of household growth is expected to result from increasing single person households. However a high proportion of these are existing older households who already have housing. There is some, albeit limited, potential to support older households to downsize, releasing supply of larger housing for other groups. We recommend that the Northern West Sussex Housing Market local authorities establish specific policies that support provision of flexible and specialist housing appropriate for older persons, through both public and private sector provision. This will help to release supply of larger housing for younger households and improve use of the existing stock.
- 5.23 A range of different types of sites will be required to provide for the range of housing requirements needed.
- 5.24 We recommend that on larger sites the local authorities look to achieve a mix of housing to deliver mixed communities and support regeneration. This would include a mix of house types and sizes, as well as housing for older persons. Design should include integrated planning of community facilities, service provision, open space and other infrastructure.

5.25 We consider it more appropriate to provide a target range for the bedroom size, or mix of general market housing required through Development Plans, rather than a specific percentage target as this allows for a little flexibility. In the market sector, the market itself is effective at matching the size of dwellings to market demand at a local level.

R12. Provision of Market Housing - Our recommendations for the characteristics of market housing that will be needed in the Northern West Sussex Housing Market area are:

- *Broadening the Mix: Family Housing Focused* - The 2009 SHMA and its Update identify that much of the existing housing provision is of two and three-bedroom properties. Demand for family housing remains strong across all of the districts within the Housing Market. This, rather than flats/apartments, we conclude, are likely to remain the mainstay of housing delivery in the Housing Market. Delivery of family sized housing will need to be through infill developments, new urban extensions, rural settlement expansion and town centre regeneration as appropriate. The larger development sites provide the best opportunity to deliver larger homes and a broader mix of size. We recommend that within the overall housing size mix a proportion of 30% - 45% of new homes on larger sites should be three or more bedroom properties to adequately cater for family housing needs. This will depend upon overall sustainability and design principles for the development in question.
- *A Developed Urban Living Offer* - there remains potential for a continued development of the urban living offer in the longer term, particularly associated with town centre regeneration and making the best use of available land and sites. The market for town centre and edge of centre residential development must consider the opportunities to create family sized housing as well as flatted developments. It should seek to increase the mix of housing types and sizes in town centres away from the typical one bedroom properties in favour of a greater supply of 2 and 3 bedroom accommodation. This however is an area which has been affected by the market downturn, linked particularly to a decline in investor purchasing and first-time buyers. There is however a strong rationale to address this over time,

to enhance the housing offer, use land effectively and support town centre renaissance.

- *Phasing Market Housing* - The provision of homes in the future will need to be phased carefully, with suitable floorspace standards to create sustainable communities in accordance with the NPPF. This will create attractive residential environments and help support the development of related community services, amenities and infrastructure. Phasing is also critical to the viability of housing schemes and must be a key consideration in assessing future residential and mixed use planning applications.

Rural Areas

- 5.26 Analysis of the rural areas of the Northern West Sussex Housing Market has demonstrated that the prices and mix of housing contribute to the identified need and affordability pressures in many rural areas. There is limited current provision for new housing development in the rural areas of Northern West Sussex Housing Market and high resident mobility contributes to declining local service provision.
- 5.27 There is a need for both new market and affordable housing linked to quality of place in the rural settlements; this will include larger and higher value homes where appropriate. This will have some potential economic benefits insofar as it serves to attract more skilled and wealthy households to the area, however as the urban areas will remain the main centres of employment growth and service provision the overall effect is to re-enforce unsustainable patterns of commuting and ready access to services as well as precluding those on lower incomes from accessing the housing market effectively in rural areas.
- 5.28 This is in part off-set by the provision of suitable affordable housing, particularly family housing, which can broaden the social and age mix of rural communities.
- 5.29 In addressing a balanced approach to rural housing supply, our recommendations are:
- R13. Identify More Housing Sites** - More rural housing sites capable of providing a mix of housing, including family homes, should be identified through the

Local/Neighbourhood Plan processes in appropriate rural settlements across the Northern West Sussex Housing Market. Sites should be identified in settlements that are capable of supporting sustainable communities taking account of social, economic and environmental factors. Development management should seek to be flexible and responsive to local needs as housing development proposals arise; and

- R14. **Identify Sites Specifically for Affordable Housing** - Specific sites could be identified particularly for affordable housing in rural settlements through the planning processes. This will help to safeguard the provision of affordable housing subject to the viability of individual sites. The use of Community Right to Build and Neighbourhood Development Orders contained within the Localism Act and the NPPF should be utilised by the local authorities in conjunction with the local communities, in order to secure rural affordable housing sites and their delivery.