



CHILMARK  
CONSULTING

## NORTHERN WEST SUSSEX HOUSING MARKET AREA

### Affordable Housing Needs Model Update

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## EXECUTIVE SUMMARY

### Overview

Chilmark Consulting Ltd. (CCL) was commissioned in May 2014 by Mid Sussex and Horsham District Councils and by Crawley Borough Council to undertake an update of various elements of the existing Northern West Sussex Housing Market Assessment and the Housing Market Assessment Update.

The Northern West Sussex Housing Market Area was defined and examined in detail within the Northern West Sussex Strategic Housing Market Assessment published in May 2009.

Consultants GVA completed a focused update of the 2009 SHMA in October 2012. This SHMA Update report provided a refresh of key housing market information including the current, active housing market, local economic situation and the level of affordable housing need at that time.

In order to bring the Northern West Sussex Housing Market Area (NWS HMA) up-to-date the commissioning authorities have identified the need to review the affordable housing needs model for the three local authorities and update contextual information to support this including:

- residential sales prices and the rental market;
- the role of intermediate housing products;

- that the basis for defining the Northern West Sussex HMA area remains valid as the primary Housing Market Area for Mid Sussex, Crawley and Horsham.

The work in this Report builds upon the previous analyses in the SHMA, 2009 and SHMA Update, 2012 and demonstrates continued close co-operation and joint working between the three constituent local authorities in the Housing Market Area.

This update has been undertaken in accordance with the National Planning Practice Guidance (section id 2a, Housing and Economic Development Needs Assessment) as at July 2014.

### The Northern West Sussex Housing Market Area

A Housing Market Area can be spatially defined, as in the case of the Northern West Sussex HMA, through analysis of a variety of indicators and market characteristics including: house prices; household migration and search patterns; travel to work areas; and service catchments (such as schools or retail facilities). This analysis was undertaken in the SHMA, 2009.

There is a clear inter-relationship and operation between the individual, active housing sub-markets in the key settlements of Crawley, Horsham and south to Haywards Heath and Burgess Hill focused on the strategic road and

rail routes along the London – Brighton corridor. This is due to:

- **Market characteristics** - the changes and variations in house prices, sales and rental market signals follow the same patterns as those previously considered and assessed in the SHMA, 2009 and the SHMA Update, 2012. The current market price, sales and rental data continues to show a strong and focused primary housing market centred on the M23/A23 corridor including the towns of Crawley, Horsham, Haywards, Heath and Burgess Hill with their immediate hinterlands.
- **Commuting patterns** - new travel to work origin and destination commuting data published on 25th July 2014 using Census 2011 data allows a re-confirmation of the principal commuting flows into and out of Northern West Sussex local authorities. It demonstrates the continued, significant and strong levels of out and in-commuting flows between the centres in Northern West Sussex particularly, but also highlights the continued economic relationships with Brighton & Hove (and the Coastal West Sussex area) and with London. The commuting pattern is reflective of a strong level of self-containment within Crawley, Horsham and Mid Sussex as the primary travel to work area; and then of a wider secondary contained pattern of commuting

flows to/from other local authority areas in Northern West Sussex as well as to Brighton and London. Overall the Census 2011 commuting data illustrates strongly similar patterns and characteristics to the commuting flow detailed in the SHMA, 2009.

The future effects and implications arising from London's population growth leading to un-met housing needs 'overspilling' into Northern West Sussex local authority areas is emerging but cannot be quantified or evaluated with any detail or precision while the Draft Further Alterations to the London Plan remains subject to public examination and potential change.

On this basis, it is concluded that the Northern West Sussex HMA continues to represent the primary Housing Market Area that Crawley Borough, Horsham and Mid Sussex Districts should consider and plan for, following the functional housing and economic geographies established in the SHMA, 2009.

## The Active Market

The housing market nationally, and in Northern West Sussex, suffered a series of systemic shocks with the withdrawal of development investment, loss of housing consumer confidence and an inability to secure housing mortgage finance in the period from 2008 to 2012. Since that time, the market has shown positive

signs of price recovery and increased sales volumes.

Increasingly the national concern is now turning from the dampening effects of recession towards the pressures of growing housing demand, supply challenges and the resultant growth in house prices and rental values to the detriment of affordability for many households. Government initiatives such as Help to Buy and new investment into residential development projects has supported the housing market and the residential construction sector nationally and in the Northern West Sussex HMA.

The national picture of growing demand, rising prices and affordability challenges is reflected within Northern West Sussex as Section 3 of the Report demonstrates. It shows that:

- From the current data that annual house price growth will continue (although perhaps dampened slightly in late 2014/2015 onwards as mortgage affordability tests increase through the Mortgage Market Controls policy) in Northern West Sussex as the market re-bounds from the recession and as demand is driven by newly forming households in the HMA as well as those seeking to locate in Northern West Sussex from elsewhere in London and the south-east.
- Market housing affordability has been reviewed in Section 3 and Figures 8 and 9 that set out the

current and longer-term historic trends of lower quartile house prices to lower quartile household incomes. The current and longer-term trend identified is one of rising unaffordability for entry-level housing (lower quartile prices to household incomes) in all three Northern West Sussex local authorities and the current purchase affordability pressures with ratios at circa 7:1 in Crawley; 11:1 in Horsham; and 10:1 in Mid Sussex.

- Rental letting and market activity has grown over the period from 2010 to 2014 with a particular increase identified in the Valuation Office Agency (VOA) private market rental data from 2013 – 2014. It shows the consistent growth of lettings in the past 12 months, which evidence from Association of Residential Letting Agents (ARLA) and discussions with local property agents in Northern West Sussex confirm.

Drawing the data together it is evident that the Northern West Sussex HMA has witnessed a significant price and sales decline during the recession and has now started to emerge as the economy recovers and housing consumer confidence grows. Price, sales and rental signals demonstrate more upward growth now than when last considered in the SHMA Update, 2012. The underlying challenges of affordability and access to housing finance remain however.

## Affordable Housing Needs

### Levels of Affordable Housing Need

The assessment of affordable housing need is required to inform planning policies for meeting housing needs. Its purpose is to establish the level and nature of needs that cannot be met by existing affordable housing provision and must therefore be planned for in future. Section 4 of this Report examines the current affordable housing needs and establishes a range for future provision in each of the three local authorities in the Northern West Sussex HMA.

The authorities have each made good progress in reducing the social housing waiting lists since the SHMA Update in 2012. Work has also been on-going to review and re-appraise households on the waiting list; to re-categorise and handle longer-standing applications and to establish new frameworks for managing and categorising new applications.

In parallel each authority has shown a significant increase in the number of affordable homes completed and have larger committed supply 'pipelines' of new affordable housing.

The current affordable housing needs of each authority remain acute with evident need to continue to deliver new affordable housing in future.

Four affordable housing needs scenarios are presented in Table 13 and Appendix B, representing a reasonable range within which

planning policies can seek to secure and deliver new affordable housing.

- Scenarios A and B show the affordable housing needs for those in reasonable preference categories (the Low Estimate) using the CLG Household Projections 2011-base figures (2013) for new household formation.
- Scenarios C and D set out the affordable housing needs calculations for the whole Housing Register Waiting List (the High Estimate) based on CLG Household Projections constrained to changes in household growth in only the 16-44 years age cohorts.

Net additional affordable housing needs range across the four scenarios from:

- 197 – 527 dwellings per annum (dpa) in Crawley;
- 225 – 404 dpa in Horsham; and
- 116 – 474 dpa in Mid Sussex.

When considering the two Reasonable Preference Group (Low Estimate) scenarios (A and B), the range of net affordable housing need per annum is:

- 197 – 456 dpa in Crawley;
- 225– 382 dpa in Horsham; and
- 116 – 367 dpa in Mid Sussex.

The Total Gross Waiting List (High Estimate) scenarios (C and D) have a larger net affordable housing need range:

- 268 – 527 dpa for Crawley;

- 246 – 404 dpa for Horsham; and
- 223 – 474 dpa for Mid Sussex.

The overall level of affordable housing to be secured will ultimately be established by each local authority's Local Plan policies and will need to take account of a variety of other factors including the viability of housing delivery, the supply and capacity of land and sites for residential and mixed-use development; and the availability of any public funding to support housing delivery. Critically the level set must be realistic and deliverable so that they do not reduce the ability of new developments to meet objectively assessed housing requirements in a sustainable manner.

### Sizes of Affordable Housing

The SHMA 2009 and the 2012 Update both established recommendations on the size of affordable housing provision required. This Report has updated that analysis.

There remains a requirement for a mix of affordable housing sizes in each of the three local authority areas.

Section 4 establishes the recommended housing mix by bedroom size. The mix has been refined for each authority with a greater emphasis on securing two-bedroom accommodation and a reduced focus on three-bed accommodation.

### Mix of Affordable Housing

There is a need to ensure a choice and mix of affordable housing available to households in Northern West Sussex. The demand for social housing remains significant in Northern West Sussex overall and in each of the three local authorities. The current waiting lists maintained by each local authority show substantial numbers of households requiring housing, of which many lie within reasonable preference groups.

Within the total demand for social housing, the revealed 'latent' demand for Intermediate Housing remains significant. The new analysis of Intermediate Housing gives a continued sense of the potential scale of this housing market segment for Northern West Sussex and for each local authority individually.

It offers clear evidence of a significant level of demand from those living or working within Northern West Sussex as well as those living outside the HMA seeking to move into the area.

It is concluded and recommended that the split of affordable housing to be provided as social rent and as intermediate housing (shared ownership, part buy/part rent and equity loan) should be between 80:20 and 70:30; i.e. that between 20% and 30% of all affordable housing is provided as intermediate housing.

Within this overall affordable housing mix it will be the responsibility of each local authority to determine the proportion of social rented and intermediate housing within each property size.



	1-Bed	2-Bed	3-Bed	4+Bed	Total
Crawley	25%	50%	20%	5%	100%
Horsham	20%	45%	25%	10%	100%
Mid Sussex	25%	50%	20%	5%	100%

# 1. INTRODUCTION

## Overview

- 1.1 Chilmark Consulting Ltd. (CCL) was commissioned in May 2014 by Mid Sussex and Horsham District Councils and by Crawley Borough Council to undertake a joint, focused update of the Affordable Housing Needs Model including various elements of the existing Northern West Sussex Housing Market Assessment (2009) and the Housing Market Assessment Update (2012), required to support this.
- 1.2 The Northern West Sussex Housing Market Area was defined and examined in detail within the Northern West Sussex Strategic Housing Market Assessment published in May 2009. That report set out extensive analyses and data concerning the definition, role and function of the West Sussex Strategic Housing Market and defined the Northern West Housing Market Area as broadly covering Crawley, Horsham and Mid-Sussex local authority areas.
- 1.3 Consultants GVA completed a focused update of the 2009 SHMA in October 2012. This SHMA Update report provided a refresh of key housing market information including the current, active housing market, local economic situation and the level of affordable housing need at that time.
- 1.4 Since the Update's publication there have been some significant changes to national planning policy and practice, the state of the national and local economy and new local circumstances emerging including the review of local Housing Registers, new Housing Strategies and advances to Local and Neighbourhood Plans by each local authority.

## Purpose

- 1.5 In order to update of the Affordable Housing Needs Model and bring the Northern West Sussex Housing Market Area (NWS HMA) up-to-date, the commissioning authorities have identified the need to review the affordable housing needs model for the three local authorities and update contextual information to support this including:
  - residential sales prices and the rental market;
  - the role of intermediate housing products;

- that the basis for defining the Northern West Sussex HMA area remains valid as the primary Housing Market Area for Mid Sussex, Crawley and Horsham.
- 1.6 This Report builds upon the previous analyses in the SHMA, 2009 and SHMA Update, 2012 and demonstrates continued close co-operation and joint working between the three constituent local authorities in the Housing Market Area.
- 1.7 This update, together with the 2009 and 2012 reports provides the expected core outputs established in the National Planning Practice Guidance (NPPG) at paragraph 011 (id: 2a-011-20140306) and summarised in Table 1 below. The work provides a short-term review of particular housing market conditions in accordance with the NPPG.

**Table 1: SHMA Core Output Requirements**

	Requirement	NPPG Ref	Report Location
1	Definition of housing market areas <ul style="list-style-type: none"> <li>• House prices and rates of change</li> <li>• Household migration and search patterns</li> <li>• Travel to work areas</li> </ul>	2a-011	SHMA 2009, sections 2 and 3
2	Market signals <ul style="list-style-type: none"> <li>• Land prices</li> <li>• House prices</li> <li>• Rents</li> <li>• Affordability</li> <li>• Rate of development</li> <li>• Overcrowding</li> </ul>	2a-019	SHMA 2009, sections 2 - 4  SHMA Update 2012, section 2  Affordable Housing Needs Update Report 2014, section 2
3	Needs of certain groups <ul style="list-style-type: none"> <li>• Private rented sector</li> <li>• People wishing to build their own homes</li> <li>• Family housing</li> </ul>	2a-021	SHMA 2009, sections 9 and 10  SHMA Update 2012, section 4  Affordable Housing Needs Update Report

	<ul style="list-style-type: none"> <li>• Housing for older people</li> <li>• Households with specific needs</li> </ul>		2014, section 4
4	Current, unmet gross need for affordable housing	2a-024	Affordable Housing Needs Update Report 2014, section 4
5	Number of newly arising households likely to be in affordable housing need	2a-025	Affordable Housing Needs Update Report 2014, section 4
6	Current total affordable housing supply available	2a-026	Affordable Housing Needs Update Report 2014, section 4
7	Likely level of future housing supply of social re-lets and intermediate affordable housing (excluding transfers)	2a-027	Affordable Housing Needs Update Report 2014, section 4
8	Relationship between current housing stock and current and future needs	2a-028	SHMA Update, 2012, section 4 and 5 Affordable Housing Needs Update Report 2014, section 4
9	Total need for affordable housing converted into annual flows	2a-029	Affordable Housing Needs Update Report 2014, section 4

Source: *National Planning Practice Guidance, 2014*

1.8 This update has been undertaken in accordance with the National Planning Practice Guidance (section id 2a, Housing and Economic Development Needs Assessment) as at July 2014.

## Structure of Report

1.9 Following this introductory section, the Report is structured as follows:

- **Section 2** - reviews the definition and wider key issues affecting the Northern West Sussex Housing Market Area;
- **Section 3** – examines the active housing market providing commentary on current house price and private rental market signals;

- **Section 4** – sets out the background to and calculation of affordable housing needs in the Northern West Sussex HMA and for each of the three constituent local authorities;
- **Section 5** – draws the work together and summarises the principal conclusions;
- **Appendix A** – contains the detailed calculations and outputs for each of the Affordable Housing Need Model scenarios.
- **Appendix B** – contains a summary of key data sources and calculation steps for assessing affordable housing needs.
- **Appendix C** – sets out the net commuting flows for each local authority area based on the Census 2011 travel to work data.

## 2. NORTHERN WEST SUSSEX HOUSING MARKET AREA

### Introduction

- 2.1 In this section, the definition and consistency of the Northern West Sussex HMA are reviewed, re-affirming the functional housing market area as that identified and described in detail in the SHMA, 2009 (see section 2 of that Report).
- 2.2 The National Planning Practice Guidance defines a Housing Market Area at Section 2a, paragraph 010 as “a geographical area defined by household demand and preferences for all types of housing, reflecting the key functional linkages between places where people live and work. It might be the case that housing market areas overlap”. It continues, “the extent of the housing market areas identified will vary, and many will in practice cut across various local planning authority administrative boundaries”.
- 2.3 A Housing Market Area can be spatially defined, as in the case of the Northern West Sussex HMA, through analysis of a variety of indicators and market characteristics including: house prices; household migration and search patterns; travel to work areas; and service catchments (such as schools or retail facilities). This analysis was undertaken in the SHMA, 2009.

### The Northern West Sussex Housing Market Area

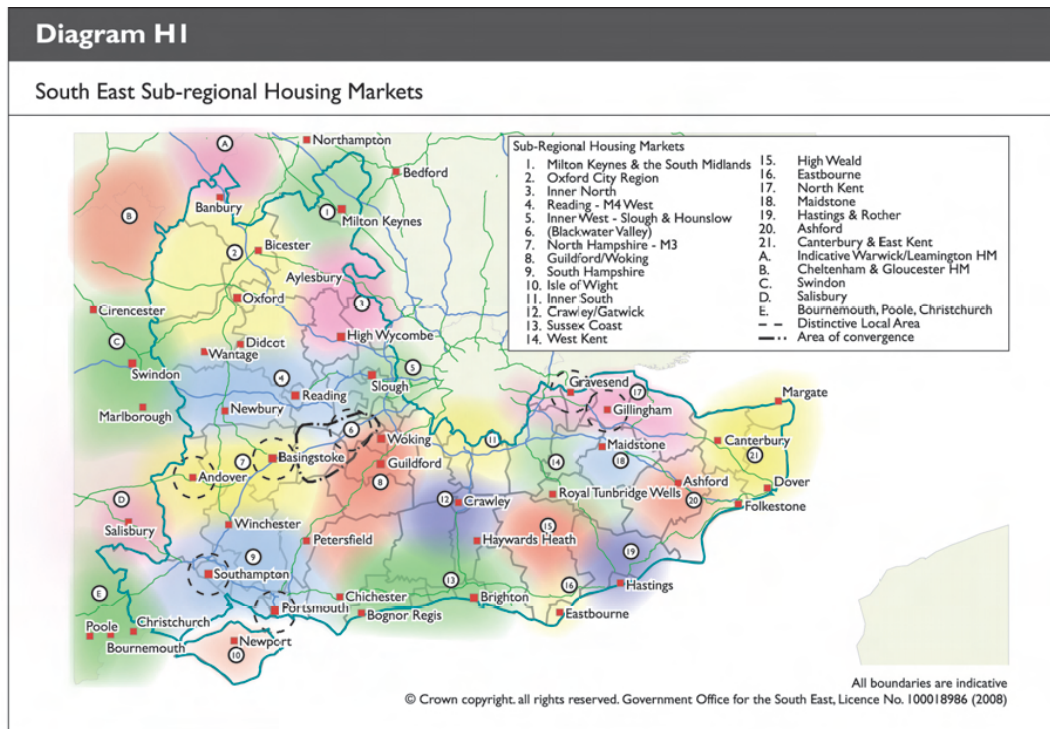
- 2.4 The Northern West Sussex Housing Market Area was originally identified and defined in regional level work undertaken in 2004 by DTZ Pinda Consulting<sup>1</sup> for GOSE and SEERA that identified a Crawley-Gatwick sub-regional housing market with a high level of self-containment. The study concluded that the local authorities of Crawley, Horsham and Mid Sussex should work together to prepare a Strategic Housing Market Assessment. The overlap with the Sussex Coastal Housing Market and to a lesser extent the Mole Valley, Reigate & Banstead, and Tandridge market was also identified.
- 2.5 These sub-regional housing markets were subsequently incorporated into the South East Plan<sup>2</sup> (see Diagram H1 of the former South East Plan, 2009 as reproduced below) and the Crawley/Gatwick Sub-Regional Housing Market

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<sup>1</sup> *Identifying the Local Housing Markets of South East England, DTZ Pinda, 2004*

<sup>2</sup> *The South East Plan, GOSE/South East Regional Assembly, 2009*

became a key spatial component of the now revoked Regional Spatial Strategy.



- 2.6 The Northern West Sussex SHMA, 2009 set out an extensive analysis of the various economic, travel and housing market indicators and characteristics, concluding at paragraph 2.60 that: *“the Northern West Sussex Sub-Regional Housing Market extending south to Haywards Heath and Burgess Hill, to East Grinstead, Horley and west/ south-west to Billingshurst, Petworth and Pulborough”*. The SHMA, 2009 identified in detail the secondary and partial overlap with the Coastal West Sussex area in locations to the west/south-west in Figure 2.26 of that report.
- 2.7 The SHMA, 2009 continued at paragraph 2.62, concluding that: *“the Housing Market includes the main towns of Crawley, Burgess Hill and Haywards Heath which are adjacent to the A23/ M23 and served by the London – Brighton Rail Corridor. This corridor offers strong accessibility to employment and services (including in London and Brighton), and this is reflected in strong housing demand”*.
- 2.8 In paragraph 2.63 the SHMA, 2009 concluded the importance of the western, more rural area of the Housing Market (to the west of Horsham as shown in Figure 2.26 of the SHMA, 2009) and commented on the *“attractive smaller settlements offering a high quality of place and housing offer focused more on larger properties with evident strong demand”*. It also identified that people in this area commute *“to the larger economic centres of Crawley and Horsham and north to London (particularly in the north of Horsham District)”*.



- 2.9 Finally, at paragraph 2.65, the SHMA, 2009 concluded that *“there are important inter-relationships between the Northern West Sussex Housing Market and that in Brighton and East Sussex to the south/south-east; to the Coastal West Sussex Housing Market (particularly for Horsham District); and to Surrey to the north as well as key links to London”*.
- 2.10 In Section 7 at paragraph 7.2, the SHMA, 2009 concluded that *“there is a single functional Northern West Sussex Housing Market centred on Crawley and Horsham and extending south to Haywards Heath and Burgess Hill, to East Grinstead, Horley and west/south-west to Billingshurst, Petworth and Pulborough”*.
- 2.11 The SHMA therefore assessed a broad range of market indicators and contextual data in 2009. It clearly identified and confirmed the earlier regional level work undertaken for GOSE/SEERA and highlighted the heart of the Northern West Sussex Housing Market focusing on Crawley, Gatwick, Horsham and Mid Sussex as a distinct market area, but with overlaps and interactions with Coastal West Sussex, Brighton and Hove, Surrey and London.
- 2.12 The SHMA Update, 2012 did not further consider the boundaries of the Housing Market Area given the short period of time elapsed between the 2009 and 2012 work.
- 2.13 Similarly within the period to 2014, the defining characteristics of the HMA and its interactions/overlaps with surrounding areas previously identified will not have fundamentally altered such that the primary focus of the HMA should be considered as out-dated.

### **Commuting Patterns**

- 2.14 The latest Travel to Work data available from Census, 2011 was published in late July 2014 and offers a timely update to the patterns and scale of commuting interactions within and outside the Northern West Sussex HMA area.
- 2.15 The data shows similar patterns of in and out-commuting for work to the local authorities in Northern West Sussex as the SHMA, 2009 (see Section 2, paragraphs 2.36 – 2.47 of that report) and the principal locations of in and out-commuting are unchanged from those previously identified.
- 2.16 The following Tables 2 and 3 provide a summary of the key in and out-commuting patterns from the Census, 2011. Appendix C shows the principal net commuting flows for each local authority area in a set of charts.
- 2.17 Crawley has a total in-commuting flow of 43,232 people. Horsham is 16,728 and Mid Sussex 20,410 people. Key inward flows for each authority are:



- Crawley has a strong inward commuting flow from both Mid Sussex (16.5%) and Horsham (14%), but also from Reigate & Banstead (11%) and Brighton and Hove (8.5%), no doubt due at least in part to the scale of employment offered in and around Gatwick Airport.
- For Horsham, the in-commuting position is more mixed with a wider spread of in-commuting locations including Crawley (14.5%), Worthing (12%) and Arun (11%) in the Coastal West Sussex HMA area and from Mid Sussex (10.8%).
- In Mid Sussex the picture is 19.5% commuting to work from Brighton and Hove, 13% from Crawley and 11.5% from Wealden. Lewes (10.5%) and Horsham (9.8%) are also significant in-commuting locations to Mid Sussex.

2.18 The patterns and spread of in-commuting to the Northern West Sussex authority areas is similar in its composition and characteristics to that set out in the SHMA 2009 (see Figure 2.11 and 2.12 of that report), albeit that the overall levels of in-commuting have increased.

**Table 2: In-Commuting to Northern West Sussex HMA**

<b>Crawley</b>			<b>Mid Sussex</b>		
	<b>Total</b>	<b>%</b>		<b>Total</b>	<b>%</b>
Mid Sussex	7,119	16.47%	Brighton and Hove	4,008	19.64%
Horsham	6,159	14.25%	Crawley	2,651	12.99%
Reigate and Banstead	4,735	10.95%	Wealden	2,375	11.64%
Brighton and Hove	3,715	8.59%	Lewes	2,131	10.44%
Croydon	1,885	4.36%	Horsham	2,011	9.85%
Tandridge	1,492	3.45%	Tandridge	940	4.61%
Wealden	1,263	2.92%	Adur	779	3.82%
Worthing	1,057	2.44%	Worthing	688	3.37%
Lewes	934	2.16%	Reigate and Banstead	598	2.93%
Mole Valley	879	2.03%	Eastbourne	332	1.63%
Arun	823	1.90%	Arun	326	1.60%
Adur	709	1.64%	Croydon	271	1.33%
Sutton	624	1.44%	Tunbridge Wells	266	1.30%
Bromley	440	1.02%	Sevenoaks	210	1.03%

<b>Horsham</b>		
	<b>Total</b>	<b>%</b>
Crawley	2,438	14.57%
Worthing	2,040	12.20%
Arun	1,887	11.28%
Brighton and Hove	1,862	11.13%
Mid Sussex	1,805	10.79%
Chichester	1,084	6.48%
Adur	995	5.95%
Mole Valley	447	2.67%
Reigate and Banstead	431	2.58%
Waverley	382	2.28%
Lewes	314	1.88%
Wealden	214	1.28%

Source: Nomis using Census 2011 and CCL Calculation, July 2014

- 2.19 For out-commuting from Northern West Sussex, Table 3 identifies the principal flows.
- 2.20 The total out-commuting flows are 19,029 in Crawley, 26,688 in Horsham and 31,745 in Mid Sussex. The key out-commuting characteristics are:

- From Crawley the main out-commuting flows are to Reigate and Banstead (18%) and Mid Sussex (14%) and Horsham (13%).
- In Horsham the picture is similar with 23% of out-commuting flows to Crawley and 7.5% to Mid Sussex. 6.5% of out-commuting is to Westminster and the City of London and 6% to Brighton and Hove.
- For Mid Sussex the position is 22% of out-commuting flows to Crawley Borough, 11% to Brighton and Hove and 10.5% to Westminster and the City of London respectively. Work out-commuting to Horsham is less significant at 5.5%.

2.21 The effect of London and of Brighton and Hove is notable in each local authorities out-commuting pattern but the levels are not dissimilar to those identified in the SHMA, 2009.

**Table 3: Out-Commuting from Northern West Sussex Local Authorities**

<b>Crawley</b>			<b>Mid Sussex</b>		
	<b>Total</b>	<b>%</b>		<b>Total</b>	<b>%</b>
Reigate and Banstead	3,468	18.22%	Crawley	7,119	22.43%
Mid Sussex	2,651	13.93%	Brighton and Hove	3,492	11.00%
Horsham	2,438	12.81%	Westminster and City	3,313	10.44%
Westminster and City	1,161	6.10%	Tandridge	1,834	5.78%
Mole Valley	1,100	5.78%	Horsham	1,805	5.69%
Tandridge	1,008	5.30%	Lewes	1,803	5.68%
Croydon	526	2.76%	Reigate and Banstead	1,727	5.44%
Brighton and Hove	484	2.54%	Wealden	1,358	4.28%
Hillingdon	380	2.00%	Croydon	667	2.10%
Sutton	241	1.27%	Tower Hamlets	592	1.86%
Southwark	240	1.26%	Camden	534	1.68%
Tower Hamlets	228	1.20%	Southwark	442	1.39%
Luton	227	1.19%	Mole Valley	426	1.34%
Camden	227	1.19%	Worthing	351	1.11%
Chichester	199	1.05%	Adur	334	1.05%

<b>Horsham</b>		
	<b>Total</b>	<b>%</b>
Crawley	6,159	23.08%
Mid Sussex	2,011	7.54%
Westminster and City	1,738	6.51%
Brighton and Hove	1,720	6.44%
Mole Valley	1,600	6.00%
Reigate and Banstead	1,443	5.41%
Worthing	1,303	4.88%
Chichester	1,081	4.05%
Waverley	1,076	4.03%
Guildford	847	3.17%
Adur	836	3.13%
Arun	628	2.35%
Croydon	343	1.29%
Hillingdon	318	1.19%
Lewes	306	1.15%
Tandridge	290	1.09%
Camden	273	1.02%

Source: Nomis using Census 2011 and CCL Calculation, July 2014

### Role of Horley

- 2.22 The role and function of Horley as part of the Northern West Sussex HMA area was considered in the SHMA, 2009 which concluded that the town (in the southern part of Reigate & Banstead Borough) had some characteristics in common with the northern part of the Northern West Sussex HMA (for example the travel to work catchment area of Crawley extending widely in the Gatwick Diamond area and encompassing Horley).
- 2.23 Horley was identified, at that time, as forming part of Reigate & Banstead's Growth Point location and new residential development (totalling some 2,600 dwellings) was being promoted as an integral part of the regeneration of Horley town centre and its immediate surrounding neighbourhoods.
- 2.24 Horley is however fundamentally separated from the rest of the Northern West Sussex HMA area by the significant physical divide created by Gatwick Airport and the A23 and M23 spur road. Its town centre retail offer is in competition with other centres in Reigate & Banstead (Redhill particularly) and also with Crawley town centre as well.
- 2.25 The town is included specifically and in-depth within the East Surrey Housing Market Area SHMA (which covers broadly the five local authority areas of Elmbridge, Epsom & Ewell, Mole Valle, Reigate & Banstead and Tandridge). The East Surrey SHMA was completed in 2008 by DCA.
- 2.26 The East Surrey SHMA identified a high level of self-containment for people moving house within each of the individual local authority areas (see East Surrey SHMA, Table 2-3, page 21). Similarly the data of travel to work showed a strong correlation with housing moves in each district, including Reigate & Banstead (see paragraph 2.6.5). For Reigate & Banstead the level of self-containment was considered to be 56.1% of all housing moves, with inter-authority moves being largely to the neighbouring authorities in East Surrey rather than elsewhere. The East Surrey SHMA concluded at paragraph 2.6.8 that, other than the impact of London, "*migration from adjoining authorities in East Surrey is relatively low with the vast majority of moves from households moving within the Local Authority area*".
- 2.27 The role of Horley in helping to meet wider housing needs of both the East Surrey and Northern West Sussex HMA's is identified in the adopted Reigate and Banstead Core Strategy (July 2014). Paragraph 6.8.4 and policy CS8 (Area 3 – The Low Weald) of the Plan identifies that Horley will provide for at least 2,440 new homes in the urban area between 2012 and 2027. The majority of the development will be in two new planned neighbourhoods to the north-east and north-west of the town.
- 2.28 At paragraph 7.4.3 the Core Strategy identifies that Reigate and Banstead's housing requirement (6,900 new dwellings in total 2012 – 2027) includes provision to address the un-met needs of other local authorities including

those within the wider East Surrey and North West Sussex HMAs. Sites will be allocated through the Development Management Policies (DMP) document to be prepared.

- 2.29 The Core Strategy Examination in Public Inspector's Report 3 provides additional information on the connections between Reigate and Banstead with Crawley Borough. At paragraph 9, the Inspector confirmed "*in terms of cross-boundary co-operation...evidence [Statement of Common Ground with Crawley BC RBBC/10] showed that part of Crawley's unmet housing need would be met within Reigate & Banstead borough*". The Inspector's Report continued at paragraph 67 that the housing target: "*would cater for the full need arising from the local population (330-370 dwellings per annum) and allow for some continued in-migration (90-130 dwellings per annum) from other parts of the housing market (and wider) area, including some of the unmet need from Crawley Borough*".
- 2.30 Horley is therefore identified as falling principally into the East Surrey HMA, but with some recognised overlap with the Northern West Sussex HMA. The town's future housing role is the subject of continued, on-going liaison between Reigate & Banstead and Crawley Borough Councils with an assumption that a part of the housing growth in the Borough (and therefore in Horley as the closest urban centre to Crawley) will be to assist Crawley in meeting un-met housing needs.

### **The Effects of London**

- 2.31 The influence of the London housing market and the influence particularly of strategic road and rail connections between London and the Northern West Sussex HMA area was recognised in the SHMA, 2009 (see paragraph 2.23; Figures 2.6 – 2.8; and paragraph 2.36, et seq).
- 2.32 The SHMA, 2009 identified the bearing and effect that out-migration of households from London (some 5% of total household migration to West Sussex, based on 2001 Census data) had on the Northern West Sussex HMA.
- 2.33 The pattern of work commuting from the HMA into London was also identified (see Figure 2.15 of the SHMA, 2009), with the SHMA drawing the conclusion that London's primary travel to work catchment area is contiguous with the border of West Sussex and that large swathes of the County fall into its secondary catchment area. The SHMA noted the evidence of strong levels of commuting from parts of Crawley and Haywards Heath to London influenced by the area's road and rail transport accessibility.

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<sup>3</sup> Reigate & Banstead Core Strategy Local Plan Examination Report, 31<sup>st</sup> January 2014

- 2.34 More recently the debate and analysis of London's role and effect on wider south-east housing markets has been re-invigorated as London's lower quartile price to income affordability ratio has hit an average of some 10:1 in 2013.
- 2.35 The publication of the Draft Further Alterations to the London Plan (FALP)<sup>4</sup> by the Greater London Authority (GLA) in January 2014 set out updated evidence prepared to address the key housing and employment issues emerging from Census 2011 data that indicate a substantial increase in the capital's population.
- 2.36 The Draft FALP identifies at paragraph 3.14A the *"pressing need for more homes in London and to help boost significantly the supply of housing"*. The Draft FALP sets out at paragraph 3.16 an assumption that London's population will increase by up to 2 million by 2036 with the level of growth reducing over time but still substantially higher than that assumed in the 2011 Plan<sup>5</sup>. The Draft FALP notes the uncertainty over future household levels, size and composition.
- 2.37 The Draft FALP concludes at paragraph 3.16a and 3.16b that it is not realistic to plan in detail for the whole period to 2036 but rather to take the long-term trend as a 'direction' of travel that the Mayor will plan, monitor and manage. The Plan therefore proposes to accommodate 40,000 new households per annum from 2011 – 2036. However, as the Draft FALP highlights in paragraph 3.16b, *"this level of household growth does not represent the growth in housing requirements over the life of the Plan"*. It continues, stating *"the central projection in the SHMA indicates that London will require between approximately 49,000 and 62,000 homes (2015 – 2036) a year"*. The FALP's policy 3.3 (Increasing Housing Supply) then sets a provision for 42,000 net additional homes across London per annum, with a further review in 2019/20.
- 2.38 Correspondence between the GLA<sup>6</sup> and Bedford Borough Council responding to Bedford's Local Plan consultation in February 2014 reflects an initial warning from the GLA that *"there is considerable uncertainty as to the long term trajectory of this growth [housing growth in London]"* and continues *"planning authorities in the south-east with housing markets which are influenced by that of London are strongly advised to take account of these uncertainties when addressing NPPF paragraph 47"*. The letter suggests that the Mayor will seek to accommodate London's growth within

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<sup>4</sup> *Draft Further Alterations to the London Plan, January 2014; and Suggested Changes, July 2014, Greater London Authority*

<sup>5</sup> *Adopted London Plan, 2011, Greater London Authority*

<sup>6</sup> *Letter to Bedford Borough Council from Mr Stewart Murray, Assistant Director, Greater London Authority, 22<sup>nd</sup> February 2014*

its boundaries, but concludes, "*despite these proposed policies, there could still be a 'gap' between demand and supply of housing in London. Until the demographics 'bed down' it is not clear how big the gap will be*".

- 2.39 The GLA's warning to Bedford is instructive and notable as it raises the issue of un-met, overspill housing need from London, but does not identify how significant or where the need may be concentrated.
- 2.40 The matter of meeting the un-met housing need has subsequently been made in a letter to the GLA, from Mole Valley District Council<sup>7</sup>, in July 2014, undersigned by 51 Local Authorities in the South East including the three Northern West Sussex HMA authorities.
- 2.41 The letter questions whether the Draft FALP in any way seeks to accommodate London's growth anywhere other than London. It underlines the impact that the uncertainty with how the un-met housing need will be met will have on the south-east local authorities and that any such alteration or full review, would need to be a via a substantial strategic planning exercise. In addition, it expresses concern with how each individual local authority in the south-east will apportion the shortfall and that there are other solutions to resolve the problem such as a Green Belt review or growth corridors that have not been explored, and that which could ultimately prove to be more sustainable.
- 2.42 A Written Statement submitted August 2014 on behalf of 41 south east local authorities to the Draft FALP underlines that these authorities are seeking that the un-met housing need is met entirely within London and that should monitoring point to a consistent undersupply of housing against relevant targets, then any role which surrounding areas might be required to play in contributing to meeting London's longer term housing needs will be the subject of formal cross boundary working and, if necessary, a future review of the London Plan.
- 2.43 The Draft FALP has attracted over 300 representations and objections from both private and public sector organisations and is subject to an Examination in Public commencing in September 2014. There is potential that the final version of the FALP may contain different housing growth targets for London following public scrutiny and objection.
- 2.44 The implications for the level of housing provision to be made in London through the FALP are significant but uncertain at this time. Effectively the Draft FALP is planning to provide 42,000 homes a year but recognises that new households will form at a rate of 49,000 – 62,000 per year. The FALP

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<sup>7</sup> Letter to Mr Stewart Murray, Greater London Authority from Mole Valley District Council, 10<sup>th</sup> July 2014



does not identify what should happen to the shortfall in housing supply and the consequent un-met needs arising.

- 2.45 The London Infrastructure Plan 2050 was published by the GLA in July 2014 and is subject to public consultation until October 2014. The Plan, while at this time a draft for consultation reaffirms the extent and scale of the future growth of London.
- 2.46 The Infrastructure Plan reviews the impacts of London's growth on the wider South East and suggests the potential for population increase in the areas surrounding London. The Infrastructure Plan emphasises that large reservoirs of brownfield land within the capital will enable London to accommodate its growth until at least 2025 within existing boundaries.
- 2.47 Finally, the Mayor of London's Examination in Public Statement for Session 2: Housing<sup>8</sup> states at paragraph 2e1: *"sufficient housing capacity has been identified within London's boundaries to meet need. Scenario testing in the SHLAA shows that housing capacity is significantly higher than 42,000 homes a year if different assumptions are made about density, probability and constraints. These assumptions are based on appropriate, realistic, and policy compliant assumptions. They suggest London has the capacity to deliver 49,000 homes a year"*.
- 2.48 The implication from both the Draft FALP and the Infrastructure Plan is that there will be unmet housing needs arising from London that may need to be accommodated outside the Capital in other neighbouring south-east Housing Market Areas. However the Infrastructure Plan is based upon London meeting its own housing needs until at least 2025 and this is reflected in the Mayoral Statement to the Examination in Public, Session 2.
- 2.49 When assessing their Objectively Assessed Needs for housing, the Northern West Sussex authorities already make an allowance for migration and past trends of migration from London will have been accounted for when calculating the Objectively Assessed Need. Pressure may be placed on the local authorities in the Northern West Sussex HMA in the medium – longer term to accommodate some of London's un-met housing needs in addition to their own Objectively Assessed Needs. However, at the time of preparing this Northern West Sussex Affordable Housing Needs Update Report, the effects of London's population growth and the spatial distribution of any un-met needs arising is uncertain and cannot therefore be taken into account.

## Conclusions on the Northern West Sussex HMA Definition

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<sup>8</sup> Mayor of London, FALP EIP Statement: Session 2, Housing, August 2014

- 2.50 There is a clear inter-relationship and operation between the individual active markets in the key settlements of Crawley, Horsham and south to Haywards Heath and Burgess Hill focused on the strategic road and rail routes along the London – Brighton corridor. This is due to:
- Market characteristics - the changes and variations in house prices, sales and rental market signals follow the same patterns as those previously considered and assessed in the SHMA, 2009 and the SHMA Update, 2012. The current market price, sales and rental data continues to show a strong and focused primary housing market centred on the M23/A23 corridor including the towns of Crawley, Horsham, Haywards, Heath and Burgess Hill with their immediate hinterlands.
  - Commuting patterns - new travel to work origin and destination commuting data published on 25<sup>th</sup> July 2014 using Census 2011 data allows a re-confirmation of the principal commuting flows into and out of Northern West Sussex local authorities. It demonstrates the continued, significant and strong levels of out and in-commuting flows between the centres in Northern West Sussex particularly, but also highlights the continued economic relationships with Brighton & Hove (and the Coastal West Sussex area) and with London. The commuting pattern is reflective of a strong level of self-containment within Crawley, Horsham and Mid Sussex as the primary travel to work area; and then of a wider secondary contained pattern of commuting flows to/from other local authority areas in Northern West Sussex as well as to Brighton and London. Overall the Census 2011 commuting data illustrates strongly similar patterns and characteristics to the commuting flow detailed in the SHMA, 2009.
- 2.51 The future effects and implications arising from London's population growth leading to un-met housing needs 'over spilling' into Northern West Sussex local authority areas is emerging but cannot be quantified or evaluated with any detail or precision while the Draft FALP remains subject to public examination and potential change.
- 2.52 On this basis, at the time of preparing this update to elements of the SHMA, it is concluded that the Northern West Sussex HMA continues to represent the primary Housing Market Area that Crawley Borough, Horsham and Mid Sussex Districts should consider and plan for, following the functional housing and economic geographies established in the SHMA, 2009.

## 3. ACTIVE MARKET

### Introduction

- 3.1 This section of the Report reviews and updates key elements of the performance of the current, active housing market with respect to house prices, sales trends, the affordability of market housing and the private rental market.

### Short Term Dynamics

- 3.2 There is a close relationship between the state of the economy and the strength of the housing market. The decade to 2007 was characterised by low inflation and stable economic growth. The on-set of the recession in late 2007 and early 2008 shifted this period of stability leading to the worst post-war recessionary period and a very lengthy period of economic restructuring, negative growth and faltering recovery.
- 3.3 The residential housing market suffered a series of systemic shocks as development and investment finance were withdrawn, consumer confidence and attitude to long-term exposure to the housing market was significantly eroded and taxation and household indebtedness rose.

### Economic Growth

- 3.4 In 2011 and 2012 economic growth averaged 0.5% pa. During 2013 and into the first half of 2014 economic growth has improved significantly, to an annual increase of 3.1% in Q1, 2014 according to HM Treasury. This is broadly based with similar growth experienced in most sectors.
- 3.5 The construction sector has performed particularly well with an annual increase in output of over 5%, in marked contrast to a decline of 10% over the previous two years.
- 3.6 Economic growth is anticipated to slow in the next few years according to the latest HM Treasury Consensus forecasts, from 2014's above trend growth, but an average of 2.4-2.5% pa growth is very close to trend and should be sustainable.
- 3.7 Stronger economic growth is unlikely due to weak business investment and productivity and continued significant public sector capital and revenue expenditure cuts.

## Residential

- 3.8 The residential market picture in mid-2014 is rather different from that experienced even 12 months previously. UK economic growth is above trend over the past six years and the outlook is positive, residential occupier demand is stronger (with the release of previously pent-up demand).
- 3.9 Government initiatives such as Help to Buy, Funding for Lending (now no longer available to the residential sector), Build to Rent and the Housing Guarantee Scheme have all demonstrated a clear national commitment from Government to support housing delivery and to assist the construction sector.
- 3.10 The strengthening economy and Government initiatives have supported greater residential development activity in 2013 (after a fall in 2012) in the South East and London, with private sector residential new construction orders increasing by over 30%. Since the low point in 2009 the value of private sector new orders has increased by 130%, but remain nearly 30% below the 2005 peak. Government initiatives have stimulated a surge in house building, but private sector sentiment remains wary of the potential risks of sustained expansion.
- 3.11 House prices have increased in the past 12 months, with Nationwide Building Society recording prices around 2% below their market peak in 2007, nationally, and 20% above the previous peak in London and 10% in the South East.
- 3.12 House price capital growth is anticipated to continue throughout 2014 (8% for the UK) and into 2015 (6%) with a slowing rate of increase expected in the 2016 – 2018 period (5.5% and down to 4.5% by 2018).
- 3.13 The Governor of the Bank of England, Mark Carney, has recently raised the issues of residential price inflation and the Bank's concerns in various speeches and statements. In his Mansion House Speech on 12th June 2014<sup>9</sup> he identified the concern of recent price rises of around 10% nationally and noted that the *"underlying dynamic of the housing market reflects a chronic shortage of housing supply"*. He continued, emphasising the problems created by over-extended borrowers with increased indebtedness representing a threat to *"the resilience of the core financial system as credit to households represents the lion's share of UK banks' domestic lending"*.
- 3.14 The Government's response through HM Treasury has been to grant the Bank of England's Financial Policy Committee additional directive powers in relation to mortgage portfolio composition and to adjust the Help to Buy Mortgage Guarantee Scheme if necessary.

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<sup>9</sup> Mark Carney, Governor BoE, Lord Mayor's Mansion House Speech, pages 6 - 8, 12 June 2014

- 3.15 It is therefore expected that stricter mortgage lending criteria through the Mortgage Market Review measures and rising interest rates along with a reigning in of the Help to Buy Scheme will be used to lessen effective demand in the second half of 2014 and into 2015 until new housing supply increases significantly and in a sustained manner.

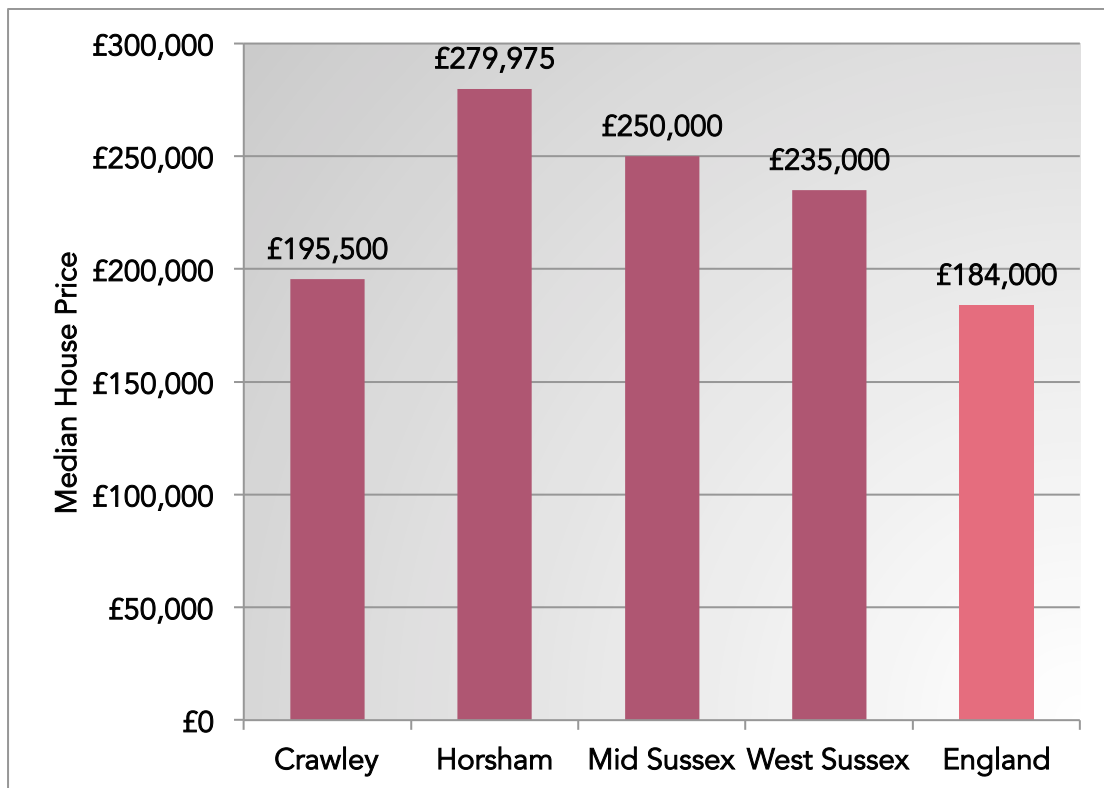
### **Current Prices and Trends**

- 3.16 Current house prices and recent trends in prices can be assessed at the local Housing Market Area level using data drawn from the HM Land Registry (HMLR) and the Department for Communities and Local Government (CLG). CLG publish regular house price data.

#### **Median House Prices**

- 3.17 Figure 1 below sets out the current median house prices as at Q2, 2013 (the latest available from CLG) for each of the three Northern West Sussex housing market authorities.
- 3.18 Median house prices for the three constituent local authorities have increased in the period from the SHMA Update in 2012 (which was based on 2010 data) to the latest available CLG figures in 2013. The median in Crawley has increased to £195,000 from £184,000 in 2012; Horsham has risen from £260,000 to £279,975. The increase in Mid-Sussex is less marked, with median prices showing no overall growth between 2010 to 2013 at £250,000 (although this masks a median price decrease and recovery in the intervening period) according to the CLG data.
- 3.19 Median prices in Crawley are 6% above the England average, but below the median average for West Sussex. In Horsham, the median price is 52% above the England average; and in Mid Sussex the price is 36% greater.

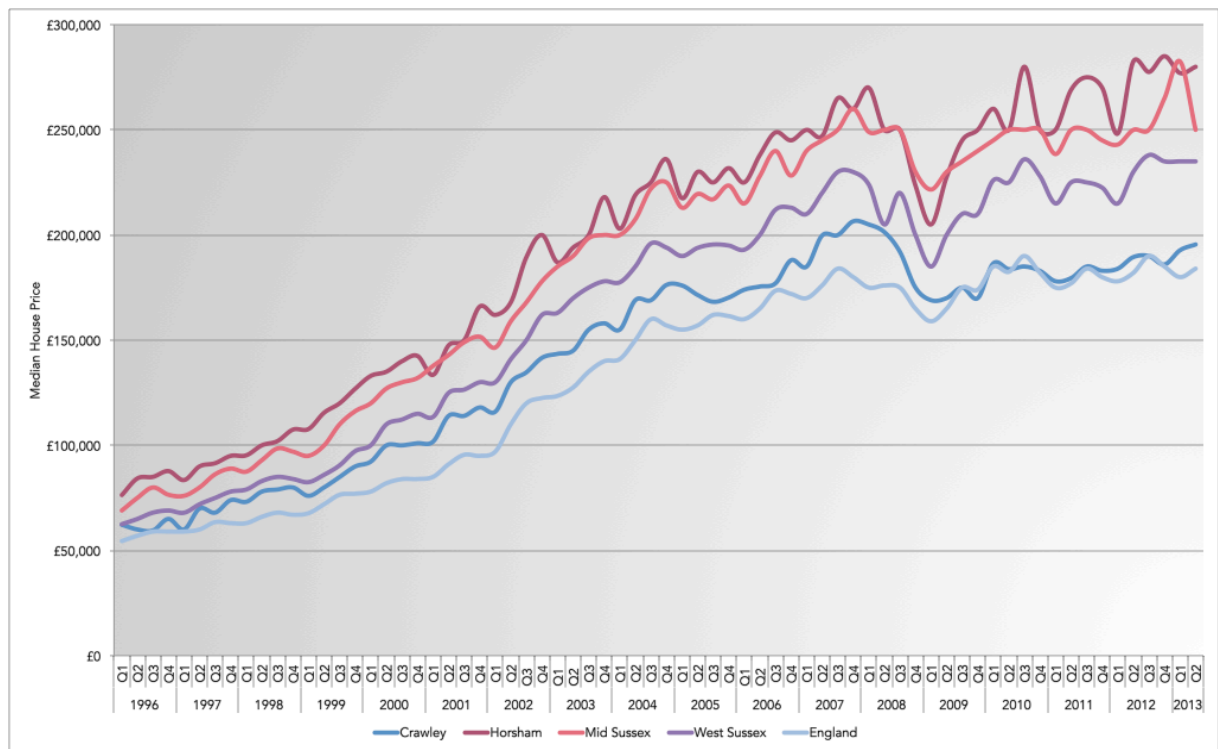
**Figure 1: Median House Prices at Quarter 2, 2013**



Source: CLG Table 582, June 2014

- 3.20 Median House Price Trends over the longer-term period from Q1 1996 to Q2 2013 are shown in Figure 2 below. This identifies the substantial increases during the 1990s and early 2000's prior to the on-set of the recession in Q2/Q3, 2008. The chart also shows the subsequent slow paced recovery since 2008 with median price recovery still to consistently reach above the pre-recessionary market in peak in 2008. The chart demonstrates the continued volatility in median house prices on a quarter-by-quarter basis during 2010 – 2013 especially in Horsham and latterly in Mid Sussex.
- 3.21 In Crawley the median price growth has continued to closely track the England average in the period from 2009 – 2013. Horsham and Mid Sussex have shown more substantial price growth, with a sharp fall but quicker recovery during the early part of the recession. These two authority areas have also seen greater volatility than either West Sussex as a whole or the England average in the 2009 – 2013 period. However, this volatility is likely to be a result of short-term localised sales dynamics that are affected by small numbers of higher value purchases (above £1.5m) on a quarter-by-quarter basis as data from HM Land Registry (through The Property Database Ltd) on house sale prices confirms.

**Figure 2: Median House Price Trends, 1996 – 2013**



Source: CLG Table 582, June 2014

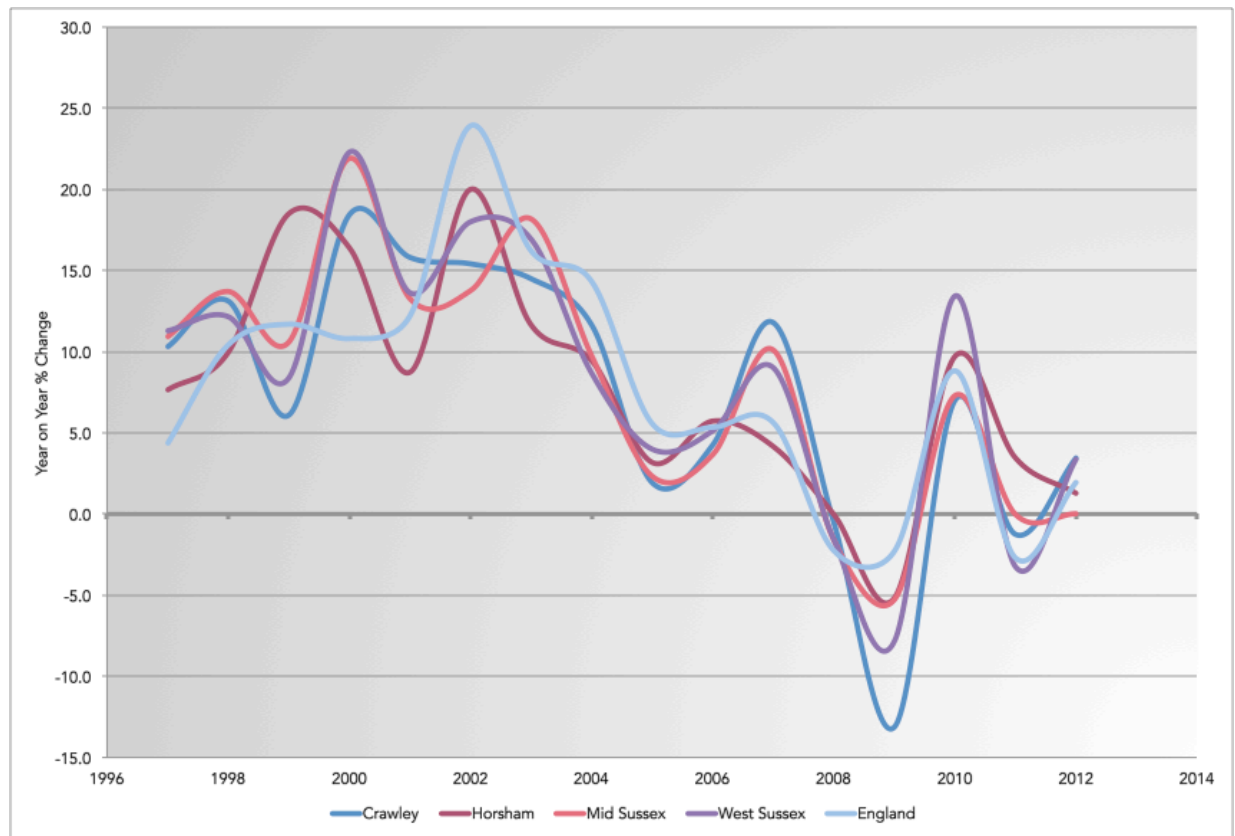
### Annual House Price Inflation

- 3.22 House Price appreciation is set out in Figure 3 that charts annualised price growth (and negative growth) during the period from 1997 to 2012. The chart demonstrates strong annual price growth in each of the three local authority areas in the period to 1996/97 to 2007/08 when the recession started, with growth of circa 10% per annum and above recorded for each authority in the late 1990s and early 2000s.
- 3.23 The base interest rate rise in 2004/05 can be seen with a lower level of price inflation in that year before a return to higher levels of price inflation in 2006 and 2007, although at a more subdued rate than witnessed earlier in the decade.
- 3.24 The post-2008 situation clearly emphasises the market downturn significant negative price inflation between 2008 and 2010 with annual decreases of some -5% (in Horsham and Mid Sussex) to -10% (in Crawley) during the immediate recessionary period. The chart also indicates a short-term price inflation during 2010 and 2011 with prices increasing by approximately 10% in those years before much more modest levels of price inflation (circa 2.5% - 3%) during 2012 and into 2013.
- 3.25 The CLG data does not record the 2013-14 situation yet, but it is likely that the price inflation recovery will show strongly in data for the current year as

the London, South East and West Sussex economies show up-turns emerging. The picture beyond 2014 is likely to be more restrained as Mortgage Market Controls and rising interest rates bite into effective demand and dampen the rate of price inflation.

3.26 Indeed, the latest ONS House Price Index house price inflation data (published July 2014) covering the annual price change in the year May 2013 – May 2014 shows a 9.6% inflation in the south east region and a mean average monthly house price inflation from January 2014 to May 2014 of 8.0%. The data is not sub-divided down to individual local authority level, but it does provide a clear indication of a recent return to significant house price inflation in the South East.

**Figure 3: Annual House Price Inflation, Northern West Sussex Authorities, 1997 – 2012**



Source: CLG Table 586, June 2014

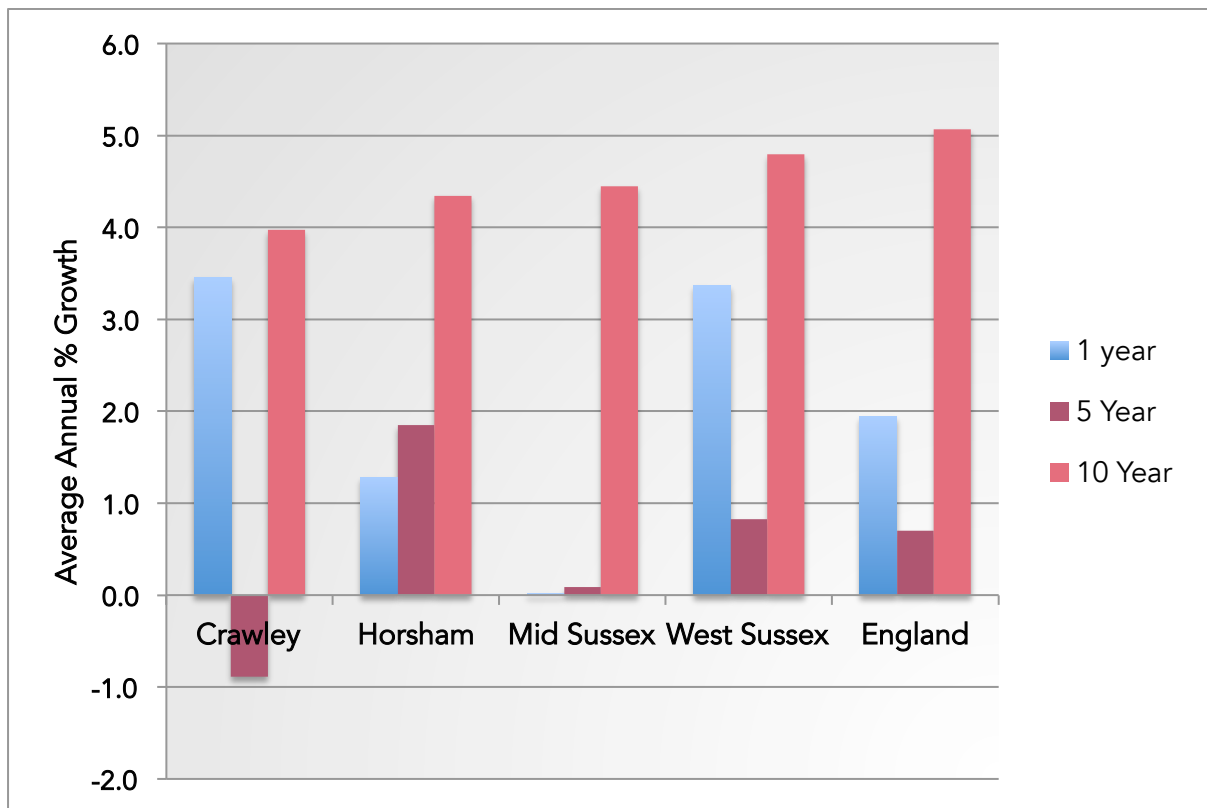
**House Price Appreciation (Annualised)**

3.27 Using the latest available CLG data, Figure 4 offers a more detailed view of annual house price appreciation over the single year (2012), five (2008-12) and ten year periods (2002-12).



- 3.28 The Figure emphasises strong one-year average price growth for 2012 for each local authority. This follows a five year period during the recession of, at best, subdued price growth (between -0.9% and +1.9% average per annum), with negative average annualised growth in Crawley over the five year period of -0.9%.
- 3.29 The five year annualised price appreciation is lower now than that evidenced in the SHMA Update 2012 as this latest data for the five year period aligns wholly with the on-set of the recession and the subsequent very slow recovery of the housing market during 2009 – 2011 particularly.
- 3.30 The ten year average annualised growth (2002 – 12) encompasses both the pre-recession and recessionary periods showing a longer term trend towards annual average growth of 4 – 4.5% for the three local authorities. The effects of the pre-recession price boom and then the recessionary effects themselves are more balanced in this ten-year trend. Nevertheless, the overall trend is for positive annualised house price appreciation.
- 3.31 Growth in Horsham has averaged 4.4% over the past decade with lower levels of growth experienced in the shorter one-year and five-year periods reflecting the effects of the recession on average price growth. A similar pattern is evidenced in Mid Sussex with a 4.5% increase over the decade. In Crawley Borough, the pattern is for 3.95% growth over the decade with a considerable price growth evidenced in the last year (3.5%) following a period of negative growth in the five-year period (-0.9%).

**Figure 4: House Price Appreciation, Annualised, Northern West Sussex HMA**



Source: CLG Table 586, June 2014

### Price by Residential Type

- 3.32 Table 4 below shows the average house prices by type in June 2014. The data is drawn from The Property Database Ltd. (that uses detailed HM Land Registry transaction information) for the local authority level data. The ONS annual house price data is used for the South-east region and England figures (which represent the latest benchmark data available from 2013).
- 3.33 The Table shows the current differential in mean average house prices by dwelling type for each local authority. Horsham and Mid Sussex prices are above the South East regional mean average overall by +£16,000 and +£52,000 respectively, while Crawley's overall average is -£78,000 below the regional average.
- 3.34 The Table shows wide differences between the average prices of detached housing in Crawley (£353,000) with Horsham (£515,000), but less marked differences between the three authorities for semi-detached and flatted housing stock.

**Table 4: Average House Prices by Type, 2014**

	Detached	Semi-Detached	Terraced	Flat	Overall
Crawley	£353,910	£260,217	£208,386	£145,701	£219,789
Horsham	£515,368	£295,629	£283,000	£177,001	£351,561
Mid Sussex	£451,967	£311,596	£254,935	£185,390	£315,791
South East England	£478,000	£280,000	£218,000	£158,000	£299,000
England	£363,000	£229,000	£215,000	£225,000	£261,000

Source: TPD, 2014; ONS House Price Table 512, 2014. ONS data is for the 2013 year and is rounded to the nearest thousand

- 3.35 Table 5 below considers the change and growth in average house prices from the SHMA Update 2012 report that was prepared using 2011 data with the situation found now and shown in Table 4 above.
- 3.36 The overall average house price across all dwelling types has grown in each local authority area since the SHMA Update 2012 demonstrating the overall resilience and underlying demand for housing even during the latter part of the national economic recession and despite limited access to mortgage finances for many purchasers. The greatest overall average increase is in Horsham (+£24,000) and particularly for terraced housing stock (+£63,000). Smaller overall average increases are apparent in both Crawley and Mid Sussex of +£19,000 and +£18,000 respectively.
- 3.37 Detached house prices have increased in both Crawley (+£22,000) and in Horsham (+£27,000) but appear to have decreased in Mid Sussex (-£15,000) over the period (possibly due to a more limited number of higher value transactions for detached properties). For semi-detached, terraced and flatted housing, the average prices now are significantly above those recorded in the SHMA Update 2012. Both Crawley and Horsham have experienced growth in prices across all dwelling types in the period.

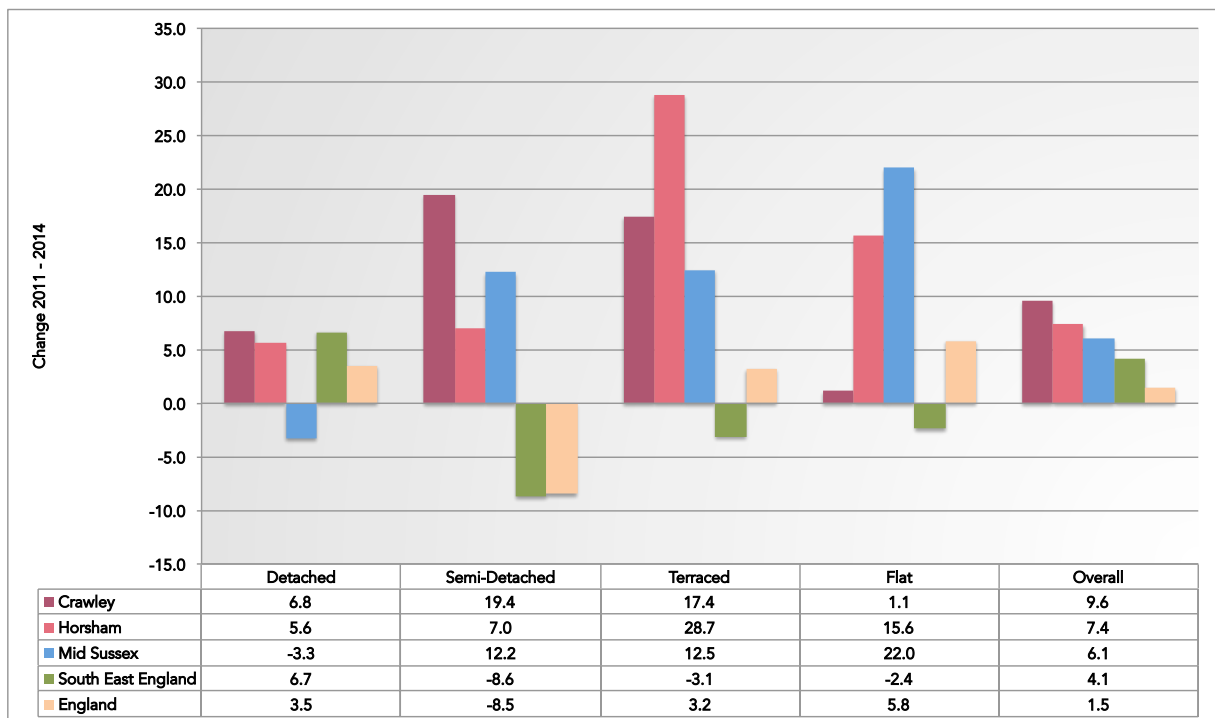
**Table 5: Change in Average House Prices 2014 Compared to SHMA Update 2012 (Table 3)**

	Detached	Semi-Detached	Terraced	Flat	Overall
Crawley	£22,399	£42,347	£30,884	£1,643	£19,193
Horsham	£27,355	£19,216	£63,188	£23,909	£24,189
Mid Sussex	-£15,228	£33,900	£28,269	£33,383	£18,153
South East England	£29,837	-£26,489	-£6,989	-£3,874	£11,833
England	£12,266	-£21,225	£6,701	£12,391	£3,733

Source: Table 4 and SHMA 2012 Update, Table 3 (p.15)

3.38 Figure 5 shows the proportional price change over the period from 2011 to 2014 comparing the SHMA Update 2012 average prices with those set out herein.

**Figure 5: Percentage House Price Growth by Type, 2011 – 2014**



Source: TPD, ONS and CCL Calculation, 2014

## Sales Trends

3.39 In Figure 6 the quarterly residential sale completions trends since 1996 are shown which provide an understanding of activity and buoyancy of the market over time.

3.40 The long-term trend from Q1, 1996 to Q3, 2007 shows the strength of the sales market, with clear sales peaks in Q3, 1997, Q3, 1999 and again in 2001 and 2002, 2003 and then in Q2, 2006 and Q2, 2007. The highest level of sales was recorded in Q2, 2002, closely followed by peaks in 2006 and 2007.

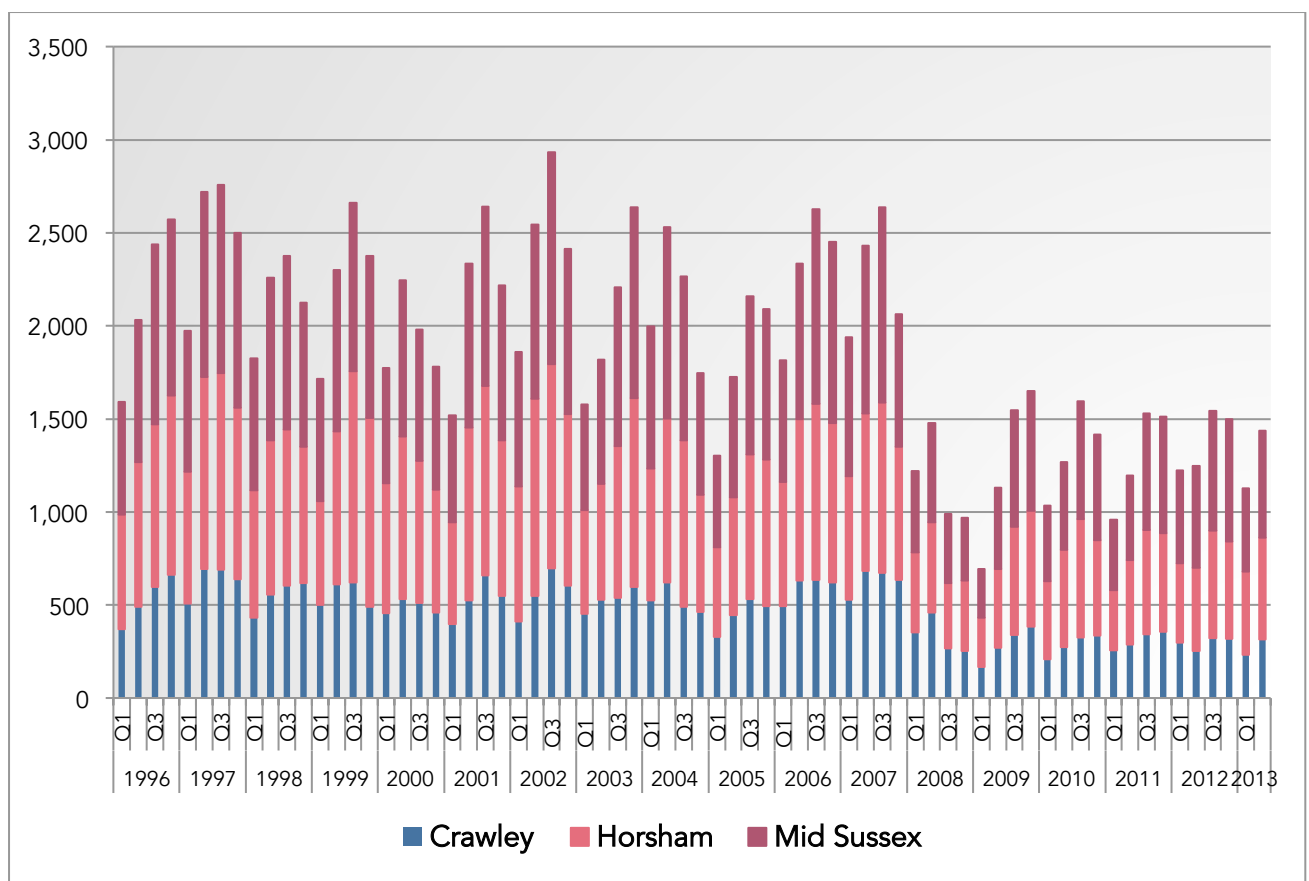
3.41 The more recent sales trends mark the onset of the national economic recession in Q1, 2008 and the depths of Q1, 2009 where sales volumes in the Northern West Sussex authority Housing Market Area decline to less than 25% of the volume in the 2002 peak and some 35% down on the previous five years.

3.42 The shorter term position set out in Figures 6 and 7 shows a growth in sales transaction volumes from the low point in Q1, 2009, with volume peaks of

5,313 sales in 2010 and 5,515 in 2012. The first two quarters of 2013 also witnessed sales growth with a total of 2,566 sales in Q1 and Q2 alone. Overall, the total sales transactions trends continue to show a depressed market in the post recession period up to Q4 2012 and then a stronger sales volume trend emerging in Q1 and Q2 of 2013.

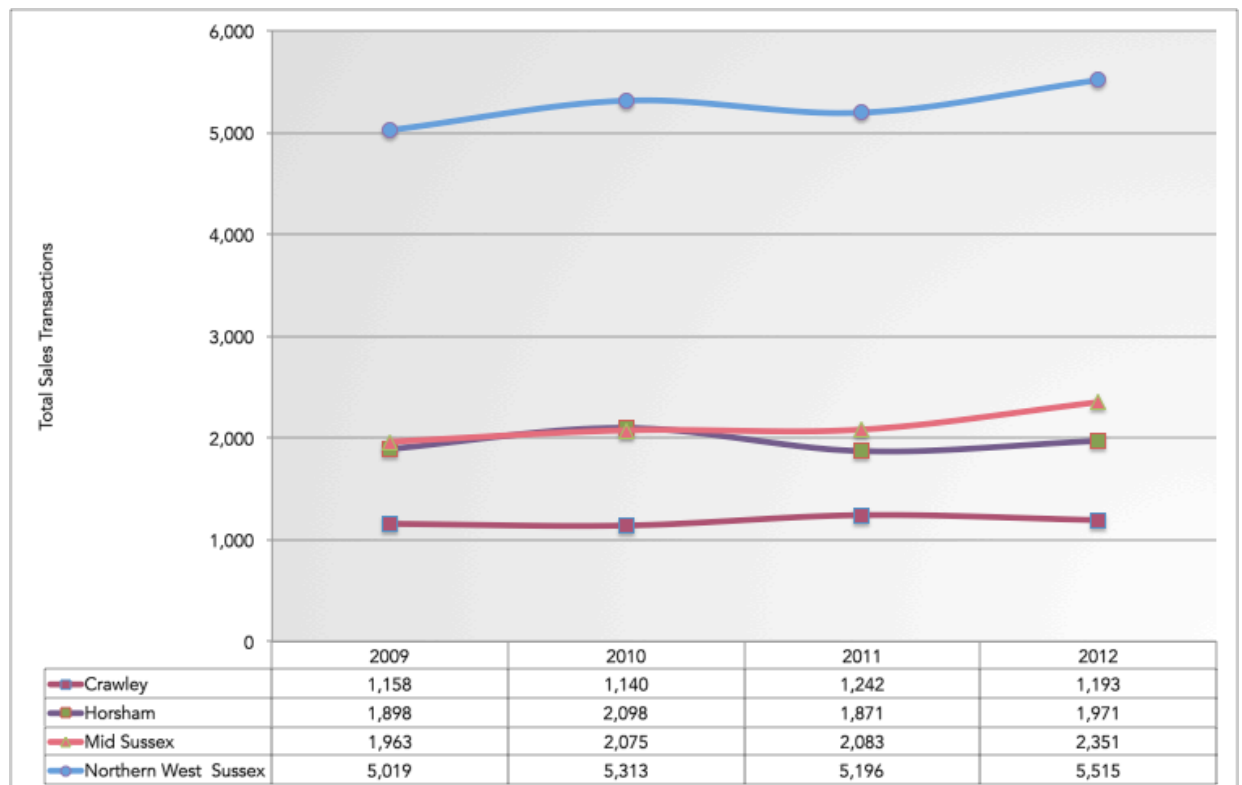
3.43 Figure 7 shows the recent sales picture with a growing total level of new build and re-sales in Northern West Sussex from 2009 – 2012 as the effects of recession impacted upon market purchasers and then as a greater positive market sentiment emerged in 2011 and 2012. The operation of the sales market appears relatively stable over the 2009 – 2012 period for each of the three local authorities with average sales of 1,183 dwellings in Crawley, 1,960 in Horsham and 2,118 in Mid Sussex.

**Figure 6: Sales Transactions Completed in Northern West Sussex, Q1, 1996 to Q2, 2013**



Source: CLG Live Table 584, 2014

**Figure 7: Total Sales Transactions, Northern West Sussex HMA, 2009 – 2012**



Source: CLG Live Table 584, 2014 and CCL Calculation

### Help to Buy

- 3.44 Help to Buy is an equity loan scheme that makes new build homes available to purchasers. The Help to Buy equity loan is funded by the Government through the HCA. Help to Buy is available in England from registered house builders and will run until 31 March 2016, or earlier if the funding is taken up.
- 3.45 The Help to Buy product available to eligible purchasers is paid directly to registered house builders. It offers a maximum 20% equity loan (minimum 10%) on new build properties up to a maximum purchase price of £600,000. The equity loan will be made by the HCA to the purchaser and there is no house builder contribution.
- 3.46 CLG Help to Buy Equity Loan data shows nationally that:
- in the first 14 months (to the end May 2014) there were 22,831 properties bought (legal completions) with the support of the Help to Buy: equity loan scheme, up 2,283 (11%) from the total as at 30 April
  - the majority of sales were to first-time buyers, representing 86% of total sales;
  - the average (mean) purchase price was £206,084;

- the top 5 local authorities in terms of legal completions are Leeds, Wiltshire, Central Bedfordshire, Milton Keynes and Peterborough.

3.47 The position in the Northern West Sussex HMA authorities is shown in Table 6 below revealing a total of 287 Help to Buy: Equity Loan completions in the first 14 months of the scheme’s operation to May 2014. A further 35 NewBuy completions were made in the 12 month period to March 2014. The scheme has been operating for an insufficient period to be able to make an assessment of its performance trends over a longer timeframe, however the number of loans and support offered will positively support sales of new build and re-sale property in each local authority area.

**Table 6: Total Help to Buy Equity Loan and NewBuy Completions, Northern West Sussex HMA**

	Total Help to Buy: Equity Loans April 2013 - May 2014	Total Help to Buy: NewBuy Completions March 2012 - March 2014
Crawley	29	5
Horsham	141	14
Mid Sussex	117	16
Northern West Sussex	287	35

Source: CLG Live Tables Help to Buy, 2014

3.48 In terms of the value of Help to Buy equity loans, the following table establishes the total value of equity loans advanced on a quarterly basis from Q2, 2013 to Q1, 2014. The data is drawn from CLG’s Help to Buy statistical series. The table highlights the swift and significant increases in the total value of the equity loan take-up over the first 12 months period.

3.49 Across Northern West Sussex HMA, the Help to Buy equity loan value has increased from just £676,000 in Q2, 2013 to £7,979,000 loaned in Q1, 2014.

3.50 The highest take-up has been in Horsham where a total of £7,943,756 has been loaned; a significant amount that will help support sales in the area. In Mid Sussex the total is £7,032,737, while Crawley has a significantly lower level of equity loan advanced, totalling £1,019,392 in the 12 month period. The total value of loans in Crawley reflects the far lower level of Help to Buy completions in the Borough (29) compared with the Horsham (141) and Mid Sussex (117) respectively. The loan value in Crawley is probably also due to the lower average value of the housing stock in the Borough compared with Horsham and Mid Sussex. The effects of this investment into the local sales markets in each local authority area will support the growth of residential

sales and this is likely to be more clearly evidenced as the Help to Buy scheme operates over a longer-time frame.

**Table 7: Total Value of Help to Buy Equity Loans by Quarter, Northern West Sussex HMA**

	2013			2014	Total
	Q2	Q3	Q4	Q1	
Crawley	£0	£160,999	£303,399	£1,019,392	£1,483,790
Horsham	£103,980	£1,456,637	£2,460,985	£3,922,154	£7,943,756
Mid Sussex	£572,320	£836,920	£2,585,662	£3,037,835	£7,032,737
Northern West Sussex	£676,300	£2,454,556	£5,350,046	£7,979,381	£16,460,283

Source: CLG Live Tables Help to Buy, 2014

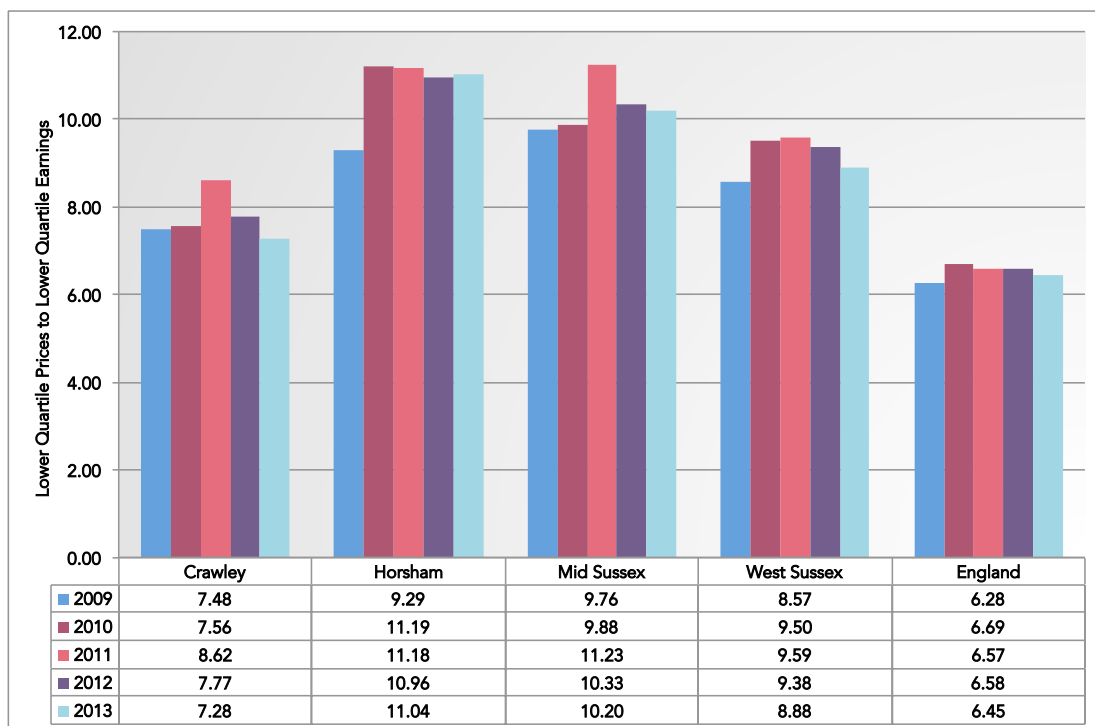
## Affordability of Market Housing

- 3.51 In this sub-section the affordability of market housing is examined. High levels of unaffordability can lead to distortions in the housing market including unmet housing needs, and inability to support economic and employment growth, increased pressure on commuting for work, loss of economically active households and increased social pressures on housing benefits, healthcare and poverty. Increasing unaffordability places greater pressure on social rented housing needs as well as increasing the demand for intermediate and shared equity housing products.
- 3.52 In order to assess affordability, housing costs are compared with the ability to pay. The lower quartile house prices and private sector rents are used to reflect entry-level housing costs.
- 3.53 Figure 8 sets out the most up-to-date comparative analysis of the ratio between lower quartile house prices and lower quartile earnings.
- 3.54 The Figure identifies the affordability pressures currently experienced in each of the three Northern West Sussex HMA local authority areas and hence the need for the three authorities to continue to work proactively together on strategic housing market matters as part of a wider programme of Duty to Co-operate activities. There remains a significant affordability issue for entry to the private housing market. Indeed, the relative unaffordability of lower quartile housing for those entering the housing market has continued with lower quartile prices to lower quartile earnings remaining at or above 7.28:1 in Crawley; up to 11.04:1 in Horsham and at 10.2:1 in Mid Sussex in 2013. The ratios for both Horsham and Mid Sussex remain above that for West Sussex as a whole (8.88:1) and substantially higher than the ratio for England as a whole (6.45:1).



3.55 The recent trends in the ratio over the period from 2009 to 2013 do not offer much in terms of any positive story, with price to earnings ratios generally rising through the recession in each local authority area. Coupled with continued difficulties for many households to secure housing finance and increased deposit borrowing requirements and checks implemented by lenders in the past three years, the picture remains of an acute level of relative unaffordability for entry-level market housing.

**Figure 8: Ratio of Lower Quartile Prices to Lower Quartile Earnings, 2009 – 2013**



Source: CLG Live Table 576, 2014

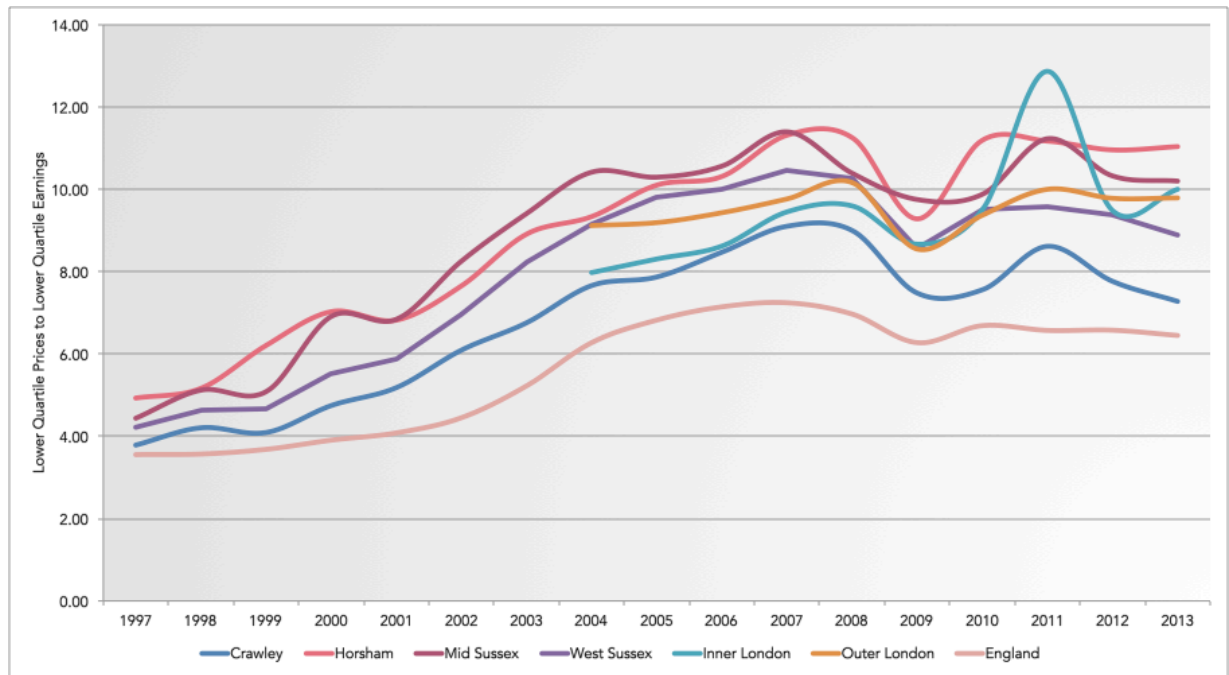
3.56 The longer-term lower quartile price to earnings ratio is shown in Figure 9 below. This again serves to highlight the growing and sustained reductions in affordability of market housing over the period from 1997 to 2013 for Northern West Sussex and Inner and Outer London boroughs by way of comparison.

3.57 The house price reductions evidenced during the early parts of the recession in 2008/09 did not support a significant or sustained improvement in the affordability of entry-level market housing. Horsham has continued to show the most significant change in the affordability ratio, but Mid Sussex has also demonstrated volatility between 2011 and 2013 (see Para 3.21).

3.58 The longer-term trend continues to be of rising unaffordability in all three Northern West Sussex local authorities, broadly reflecting nation-wide trends

through the 1990s and 2000s, with Mid Sussex and Horsham demonstrating high and increasing levels of unaffordability.

**Figure 9: Ratio of Lower Quartile Prices to Earnings, 1997 – 2013**

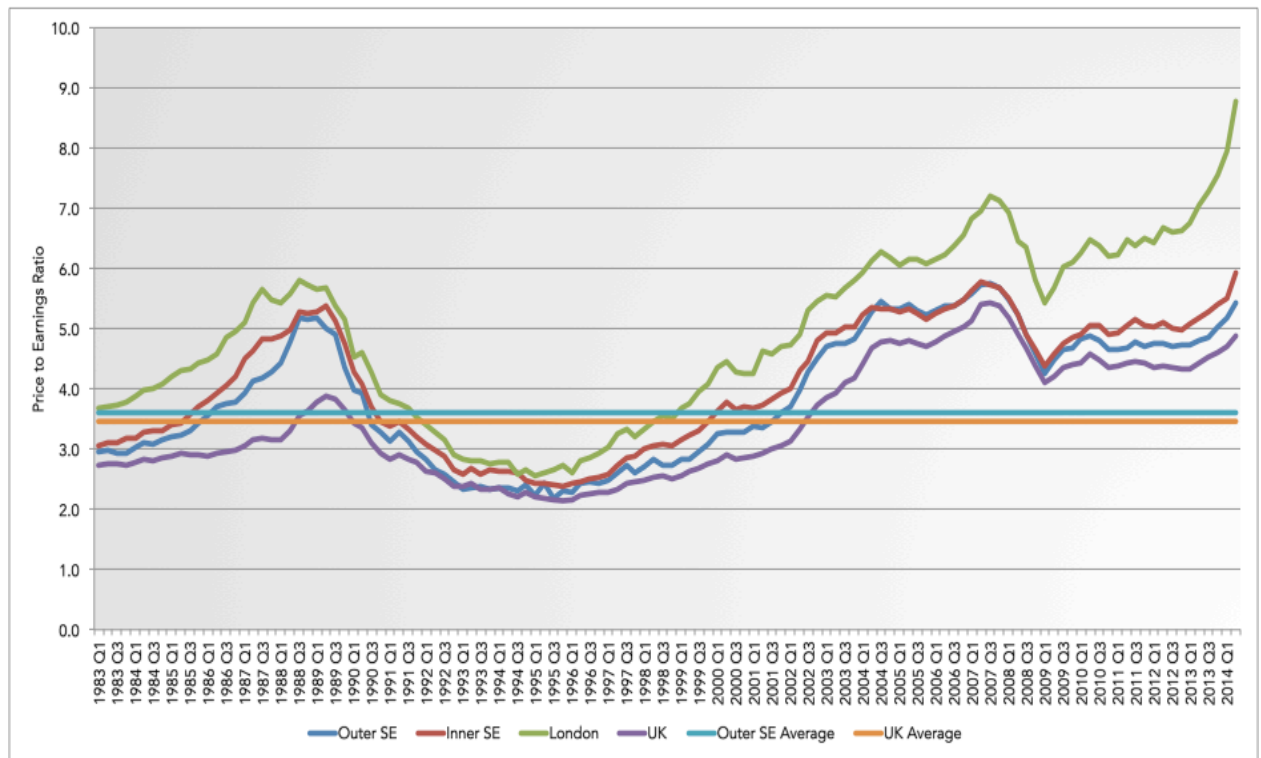


Source: CLG, Live Table 576, 2014

- 3.59 House price to earnings ratios can be set into a longer-term context. Figure 10 below shows how first time buyer earnings to house price ratios have grown over the whole period from 1983 to 2014 for the UK, South East region and in London. The data is drawn from the Nationwide Building Society utilising information from their mortgage lending statistics on a quarter-by-quarter basis.
- 3.60 The Figure clearly identifies the growth in house price to earnings ratio during the late 1990s and early 2000s and then its relative fall and swift recovery during the recession from Q3, 2007 to Q3, 2009.
- 3.61 The Outer South East long-term regional average is 3.6:1 house price to earnings, while the UK average is 3.5:1 over the period from 1983 to 2014. This means that the current Outer South East ratio level of 5.4:1 is 50% over the long-term average and show signs of continuing to rise quarter-by-quarter.
- 3.62 The current position in the Outer South East is a ratio of 5.4:1 that has grown each quarter since 2010. The Inner South East (which encompasses the metropolitan home counties) has seen the ratio increase to 5.9:1 in 2014 from 4.9:1 in 2010.

- 3.63 The ratio growth for London is most marked as the growth has witnessed a significant surge such that the current first time buyer house price to earnings ratio now stands at 8.8:1 where in 2010 it was 6.2:1.
- 3.64 With the ratios continuing to grow at such a fast rate particularly in London over the past three years, due to rapid house price growth; modest improvements to household incomes and earnings; and continued housing supply/demand imbalances; this trend will place greater demand pressures on those relatively more affordable locations outside London and the Inner South East area, including Horsham, Crawley and Mid Sussex where earnings to price ratios are lower (albeit still well above the long-term average).

**Figure 10: First Time Buyer House Price to Earnings Ratio, South East, London and UK**



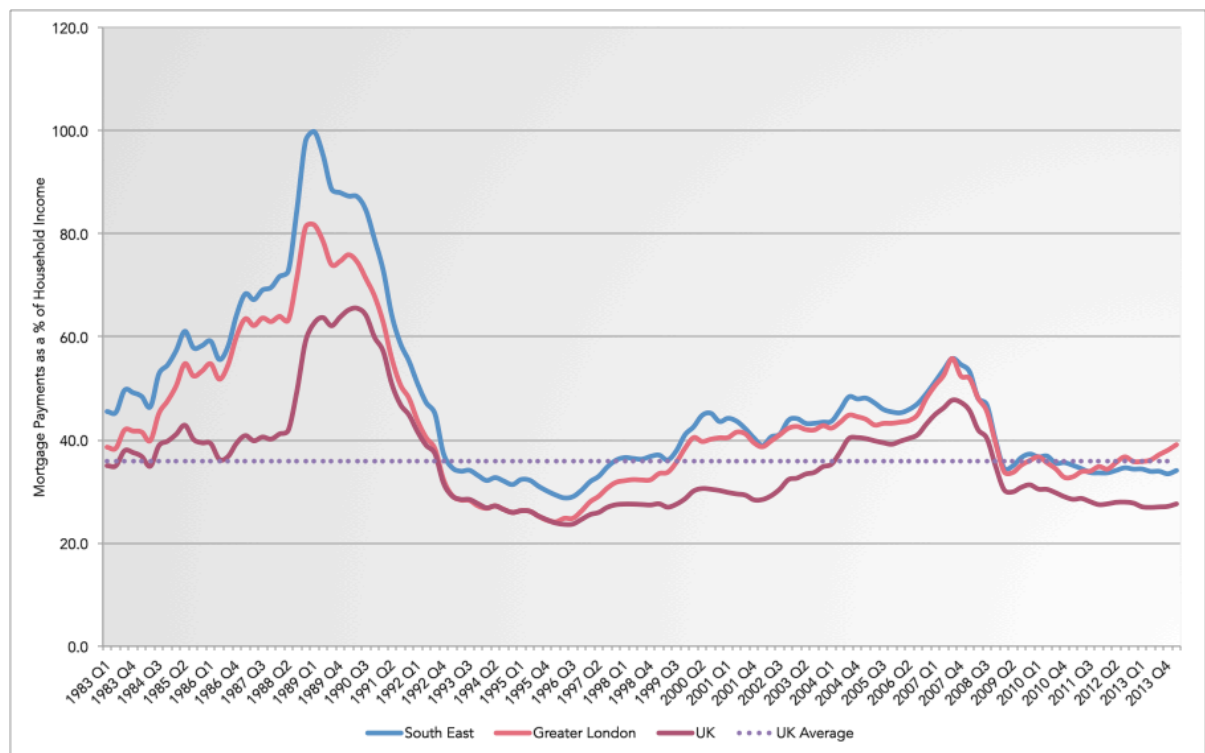
Source: Nationwide, 2014

- 3.65 The 2012 SHMA Update noted the importance of the ratio of mortgage payments to earnings rather than simply house prices to incomes. Figure 11 below sets out the mortgage payments (interest and capital) relative to household disposable income. This measure takes account of interest rates and is perhaps a more accurate measure of affordability.
- 3.66 The Figure highlights the relative stability of housing affordability during the mid and late 1990s up to 2002 in the South East, Greater London and for the UK as a whole. Affordability worsened in each area from 2002 through to

Q4, 2007 when the recession began to bite, marking the end of a lengthy period of increasing unaffordability.

- 3.67 During the recessionary period and then subsequently as the UK and South East economies have started to show signs of sustained recovery, there has been a relatively stable period of affordability although recent trends show an increase in the proportion of household income spent on housing mortgage payments in Greater London and for the South East.
- 3.68 As at Q4, 2013 and Q1, 2014, the South East region shows an affordability level (34.1% of household income) that is slightly below the long-term UK average (35.9% of household income). Greater London shows a stronger, rising trend with mortgage payments currently accounting for 39.1% of household incomes at Q1, 2014.

**Figure 11: Mortgage Re-Payments to Household Incomes**



Source: Lloyds Banking Group (Halifax Housing Data), 2014

### Private Rental Market

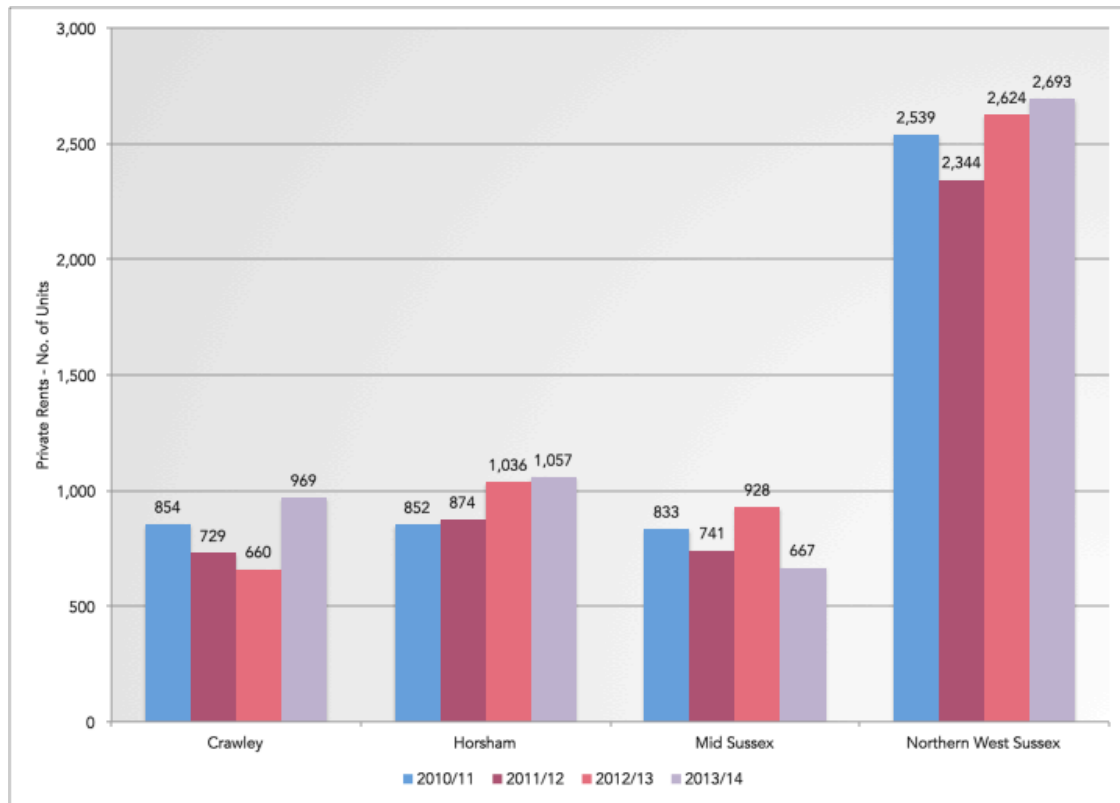
- 3.69 The private rental market comprises a significant element of the housing market and traditionally accommodates those unable or unwilling to purchase housing.

- 3.70 The size of the private rental market has historically tended to be driven by market conditions and investment returns for buy-to-let investors rather than supply and demand from tenants. However in recent years and particularly through the recession, private rental markets have expanded significantly as households that would usually have chosen to purchase have become increasingly excluded from the sales market due to factors such as mortgage finance lending restrictions, economic uncertainty and employment insecurity.
- 3.71 The private rental market in Northern West Sussex today is therefore underpinned by structural changes in the way that the UK housing market operates, the effects of housing finance changes and the growth in the unaffordability of market purchase property in London as well as within the Housing Market Area itself.
- 3.72 A further layer of demand for private rental property is due to the local circumstances of major employment locations such as Gatwick Airport that tend to support transient and temporary workforces requiring private rental accommodation near to their place of work.

### **Rental Lettings and Market Activity**

- 3.73 The Valuation Office Agency (VOA) records the number of private rental properties let each month at a local authority level.
- 3.74 Figure 12 shows the number of properties let in the private market as recorded on the VOA Lettings Administrative Information Database (excluding all lettings where no evidence of a financial transaction was recorded).
- 3.75 The dataset offers a useful measure of the extent and relative strength of the private rental market in each of the three local authority areas of Northern West Sussex.
- 3.76 The Figure evidences the increase in private rental lettings over the period from April 2010 to March 2014. The increase in lettings for Northern West Sussex has been consistent in the past three years, with a significant increase in the number of lettings between 2013 and 2014.

**Figure 12: Annual Private Rental Lettings for Northern West Sussex Authorities, Q2, 2010 – Q1, 2014**



Source: VOA, 2010 - 2014

- 3.77 The growth and strength of the private rental market in the period since the onset of the recession in 2008 is further corroborated by the Association of Residential Letting Agents (ARLA) latest survey<sup>10</sup> of members as at Q2 2014.
- 3.78 This survey provides regular evidence of market activity trends across the UK drawing its results from 700 ARLA members completing the quarterly survey.
- 3.79 The survey identifies that demand in the rented residential sector has strengthened considerably in terms of demand for tenancies exceeding available properties. 59% of ARLA members confirmed that they have more prospective tenants than available property to rent. The position was found to be the same for London, the South East region and elsewhere in the UK.
- 3.80 Tenancy lengths average 19.6 months; a figure that has grown slightly from previous surveys but remains markedly stable. The survey also identified that achievable rent levels have increased over the past six months with a strong sentiment from those surveyed that rental levels would be sustained or increased in future.

<sup>10</sup> *Arla Members Survey of the Private Rented Sector, Second Quarter, 2014*

- 3.81 Investors surveyed reported increased capital asset values over the past year and particularly in the previous three months (back to Q4, 2013). The increases come as a result of the increases in average value of rented housing.
- 3.82 Given the increasing average tenancy length and the growth in achievable rents this tends to indicate a growing stability and maturity in the private rental market where investors are more cautious about making new buy-to-let investment purchases, but equally are not selling existing private rental properties back into the market in great numbers. The supply situation should therefore remain relatively buoyant in the short term and the picture now appears more stable than that reported in the NW Sussex SHMA Update, 2012.
- 3.83 Discussions with local letting agents anecdotally confirm the situation in Northern West Sussex. Demand for rental properties continues to out-pace supply leading to resultant increases in rental prices across all property sizes and types.
- 3.84 The market was supported during the recession by a lack of access for households to the owner occupier housing market leading to growth in the private rental sector, particularly for entry-level housing (one and two bed properties).
- 3.85 Local agents have confirmed that rental demand in each local authority area continues to be driven by the inability of households to secure mortgage funding for purchases, but that this is increasingly due to the levels of mortgage deposit required (typically 25% deposit on the purchase value) and the level of affordability and background checks now performed by mortgage lenders under the new Mortgage Market Controls. Therefore while rental costs have increased in comparison to monthly mortgage costs, it remains easier to secure a private rental letting agreement than to secure a mortgage for purchase.
- 3.86 Local letting agents have also affirmed the role that relatively transient populations working at Gatwick Airport and within the Manor Royal Business Park play in supporting the Crawley and Mid Sussex private rental market.

In Horsham, the private rental market was noted to continue to have a broad role although some consider that it has a particular role for younger, professional households to live in the area who might not otherwise be able to afford to live in the District. This position remains unchanged from that identified by agents in the SHMA Update, 2012.

## Rental Prices

- 3.87 Table 8 examines and compares the current average monthly private rental cost (across all properties) with the monthly mean average mortgage cost (based on repayment of a 90% loan over 25 years at 4.4% interest).
- 3.88 The Table identifies that private rental costs are between 56% and 80% of mortgage costs for similar properties in the three local authority areas.

**Table 8: Private Rental Costs (All Properties) Compared to Average Monthly Mortgage Costs (Repayment), 2014**

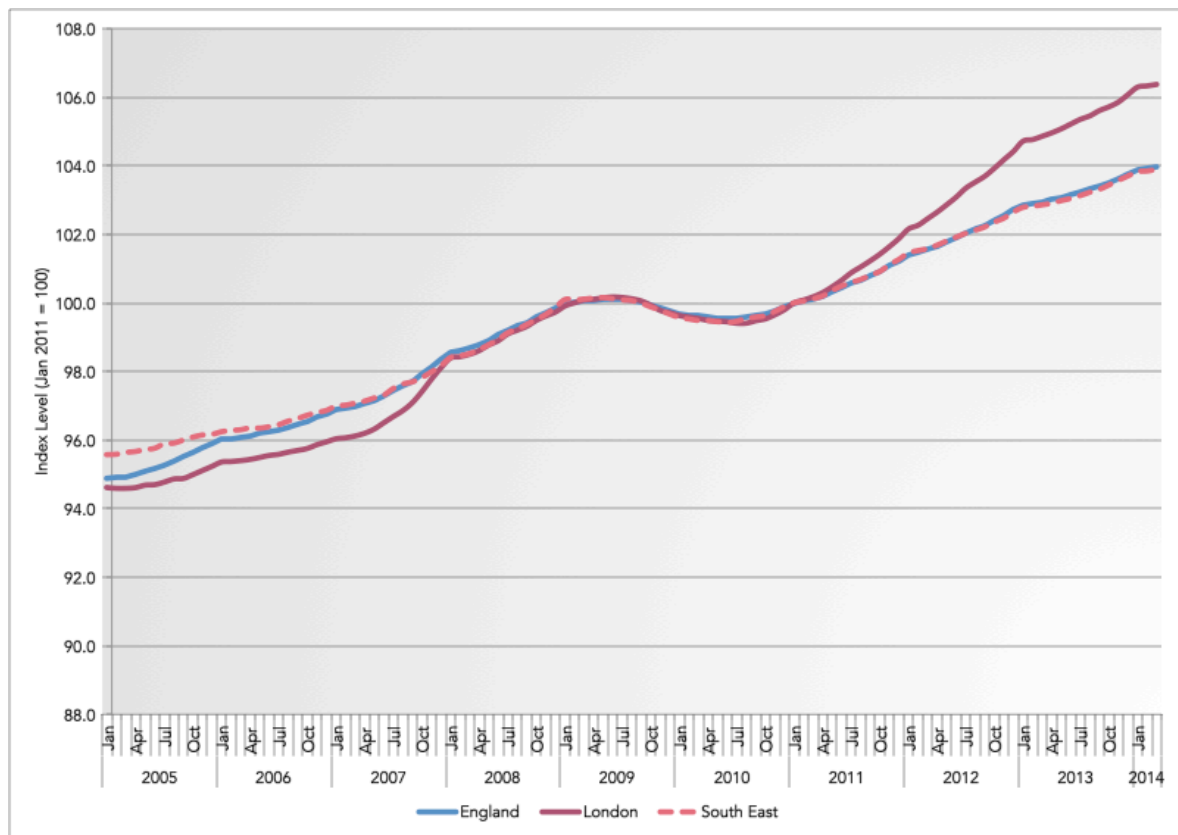
	Mean Average Monthly Mortgage Cost (Repayment)	Mean Average Monthly Rental Cost (All Properties)	Rent as % of Mortgage Cost
Crawley	£1,088	£870	80%
Horsham	£1,741	£980	56%
Mid Sussex	£1,564	£934	60%

Source: VOA, Money Supermarket Mortgage Calculator and CCL Calculation

- 3.89 The Index of Private Housing Rental Prices (IPHRP) published by the VOA measures the change in price of renting residential property from private landlords. The index is published as a series of price indices covering Great Britain, its constituent countries and the English regions. The data is not published on a local authority level basis.
- 3.90 The IPHRP offers a useful indication of the change in price of renting residential property from private landlords, thereby allowing a comparison between the prices tenants are charged in the current month as opposed to the same month in the previous year. The Index does not measure the change in advertised rental prices.
- 3.91 Figure 13 below sets out the latest IPHRP. The chart shows the growth in private rents at a national and South East regional level. January 2011 is taken as the index base level (100) and the highlights the significant growth in private rents in the recent period to 2014. Indeed, over that time the South East regional index has grown by 3.9 points to 103.9 as at March 2014. By comparison, London has seen growth of 6.4 points to 106.4 in the same period. Both at national and South East regional level, the growth in private rents has been sustained on a month-by-month basis since 2011.
- 3.92 Looking back over a longer period, the South East region's index level has grown by 5.5 points from 98.4 in Q1, 2008. Growth in London over the same period has been 8.0 points.



**Figure 13: Index of Private Rental House Price Growth, 2005 – 2014**



Source: VOA, Private Housing Rental Prices Index, March 2014

## Conclusions on The Active Market

- 3.93 The relationship between the state of the economy and the strength of the housing market is a close one. The decade to 2007, characterised by low inflation and stable economic growth, gave way to a period from early 2008 of extreme instability, economic recession and volatility in the housing market.
- 3.94 The housing market nationally, and in Northern West Sussex suffered a series of systemic shocks with the withdrawal of development investment, loss of housing consumer confidence and an inability to secure housing mortgage finance.
- 3.95 Economic growth has however showed signs of recovery during the latter part of 2013 and into 2014, with an annual increase in economic growth of 3.1% in Q1, 2014 according to HM Treasury.
- 3.96 Increasingly the national concern is turning from the dampening effects of recession towards the pressures of growing housing demand, supply challenges and the resultant growth in house prices and rental values to the

detriment of affordability for many households. Government initiatives such as Help to Buy and new investment into residential development projects has supported the housing market and the residential construction sector.

- 3.97 Concurrently, the Bank of England and Government are now actively implementing financial measures to control risk exposure in the housing market through the new Mortgage Market Controls (including tightening and raising the levels of scrutiny for new mortgage applications). The expectation is that demand-side financial controls will have to work in parallel with efforts to stimulate housing supply through changes to the planning policy regime and from direct investment into new housing construction projects.
- 3.98 The national picture of growing demand, rising prices and affordability challenges is reflected within Northern West Sussex as this section of the Report demonstrates.
- 3.99 Median and mean average house prices in the three Northern West Sussex HMA authorities have shown volatility over the recession 'trough' in 2008/09 period, growing significantly to values now that are reaching close to and above the pre-recession peak in 2007 (see Table 5 for the change in average price from that recorded in the SHMA Update, 2012 to that found now in 2014).
- 3.100 There is every sign from the current data that annual house price growth will continue (although perhaps dampened slightly in late 2014/2015 onwards as mortgage affordability tests increase through the Mortgage Market Controls policy) in Northern West Sussex as the market re-bounds from the recession and as demand is driven by newly forming households in the HMA as well as those seeking to locate in Northern West Sussex from elsewhere in London and the south-east.
- 3.101 Sales volumes have also followed a decline and recovery trend with a growth in sales transactions from the low point in Q1, 2009 with peaks in 2010 and 2012 of circa 5,500 sales per annum across Northern West Sussex. The latest data shows a significant increase in sales volumes during 2013 as positive market demand sentiments have improved.
- 3.102 Market housing affordability has been reviewed in this section at Figures 8 and 9 that set out the current and longer-term historic trends of lower quartile house prices to lower quartile earnings. The longer-term trend identified is one of rising unaffordability in all three Northern West Sussex local authorities and the current purchase affordability pressures with ratios at circa 7:1 in Crawley; 11:1 in Horsham; and 10:1 in Mid Sussex. All levels are significantly above the ratio for England as a whole at around 6:1 demonstrating particularly high and increasing levels of unaffordability.

- 3.103 In the SHMA Update, 2012 the role and growth of the private rental sector was identified, with the Update identifying the growth of the sector driven by housing consumer risk aversion, household economic uncertainty and inability to secure mortgage finance following the on-set of the recession.
- 3.104 In this Report, the conclusion is reached that the private rental sector in Northern West Sussex is underpinned by structural changes in the way the UK housing market operates, the effects of housing finance changes and the growth in the unaffordability of market purchase property in London as well as in Northern West Sussex itself.
- 3.105 Rental letting and market activity has grown over the period from 2010 to 2014 with a particular increase identified in the VOA private market rental data from 2013 – 2014. It shows the consistent growth of lettings in the past 12 months, which evidence from ARLA and discussions with local property agents in Northern West Sussex confirm. Data from the VOA's Index of Private Housing Rental Prices (IPHRP) measures the change in price of renting residential property from private landlords. While the data is not available at local authority level it records the clear growth in rental prices from 2011 to 2014 with a 4% increase across the south-east and 6.5% in London over the same period.
- 3.106 Drawing the data together it is evident that the Northern West Sussex HMA has witnessed a significant price and sales decline during the recession and has now started to emerge as the economy recovers and housing consumer confidence grows. Price, sales and rental signals demonstrate more upward growth now than when last considered in the SHMA Update, 2012, and the underlying challenges of affordability and access to housing finance remain.

## 4. AFFORDABLE HOUSING NEEDS

### Introduction

- 4.1 CCL has worked with each of the three local authorities in the Northern West Sussex Housing Market Area to develop a robust understanding of affordable housing needs in the area.
- 4.2 The approach follows that previously taken by consultants GVA in the preparation of the SHMA, 2009 and the SHMA Update, 2012 and it is intended to make the analysis of affordable housing needs as comparable as possible over the whole period during which the Northern West Sussex SHMA has been published.
- 4.3 The assessment set out here in this section of the Report updates the affordable housing needs previously identified in the SHMA, 2009 and the SHMA Update, 2012.
- 4.4 Affordable housing is defined in Annex 2 of the National Planning Policy Framework (NPPF) as “social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market...Affordable housing eligibility is determined with regard to local incomes and local house prices”.
- 4.5 Paragraph 159 of the NPPF confirms that local authorities 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); and cater for housing demand and the scale of housing supply necessary to meet this demand”.
- 4.6 The National Planning Practice Guidance (NPPG) at section 2a states that there are a range of other market demand and supply-side contextual factors that are relevant for plan-makers to consider in order to determine policies for the proportion of future total housing supply that should be sought as affordable housing. The viability of new residential development to provide affordable housing is also identified as a critical factor in the NPPF at paragraph 173.
- 4.7 An up-to-date assessment of affordable housing need is therefore necessary in order to help inform the planning policies, housing targets and spatial plans for the local authorities in Northern West Sussex. It does not, in and of itself, determine the proportion of affordable housing that should be sought as a component of the total planned future housing supply as this is a function of the Local Plan process which combines affordable housing needs

information with other analyses including: objectively assessed housing requirements, development viability, land capacity and housing investment data.

## Approach and Model Overview

- 4.8 The Affordable Housing Needs model accords and aligns with the guidance contained in the National Planning Practice Guidance (as at July 2014) in section 2a paragraphs 024 - 029. The method includes various steps:
- Step 1: Current Affordable Housing Needs (gross and backlog);
  - Step 2: Future Affordable Housing Needs (gross annual estimate);
  - Step 3: Affordable Housing Supply;
  - Step 4: Housing Requirements of Households in Need.

### Assumptions and Limitations

- 4.9 There are a number of assumptions inherent in the model:
- **Snapshot data** – some data components are taken as a snapshot at the current time that the Affordable Needs model is run. This is in accordance with the appropriate NPPG advice;
  - **Continuation of current trends** – a number of trends are assumed to continue into the future. These include: a continuation of existing households falling into need; a continuation of the annual supply of social re-lets and the annual supply of intermediate affordable housing for re-let or re-sale at a sub-market level.
  - **No policy or legislative impact over time** – that could change household incomes through wage changes or levels of employment in each of the three local authority areas; this would affect affordability. It is also assumed that the housing delivery rates that would alter the overall level of housing supply remain the same.
- 4.10 Appendix B sets out the Affordable Housing Needs model steps and the data sources used in more detail.

### Changes to the Model from the SHMA Update, 2012

- 4.11 There are a limited number of changes to the Affordable Housing Needs model from the version run previously and reported in the SHMA Update, 2012. The changes are due either to the availability of data-sets previously used, or in order to ensure alignment with the process established in the NPPG. In summary, the changes are:

- Dataspring RSR data was used in the SHMA Update 2012 to identify the annual supply of intermediate affordable housing (Step 3.7 of the Affordable Housing Needs Model). The Dataspring RSR dataset is no longer published and updated in the same form and the Affordable Housing Needs Model now uses data drawn from CLG Live Table 1007 in its place.
- Gross New Household Formation rates (for Step 2.1) are used rather than new household formation figures as set out in Local Authority Housing Requirement studies used in the SHMA Update 2012. Two sets of Household Formation rates are utilised for the calculations. The first uses the CLG Household Projections 2011-base (2013) figures for each local authority. The second is based upon a projection of Gross Household Formation restricted to those in 16-44 years age cohorts following the approach set out in the former SHMA Practice Guidance, 2007.

## Context

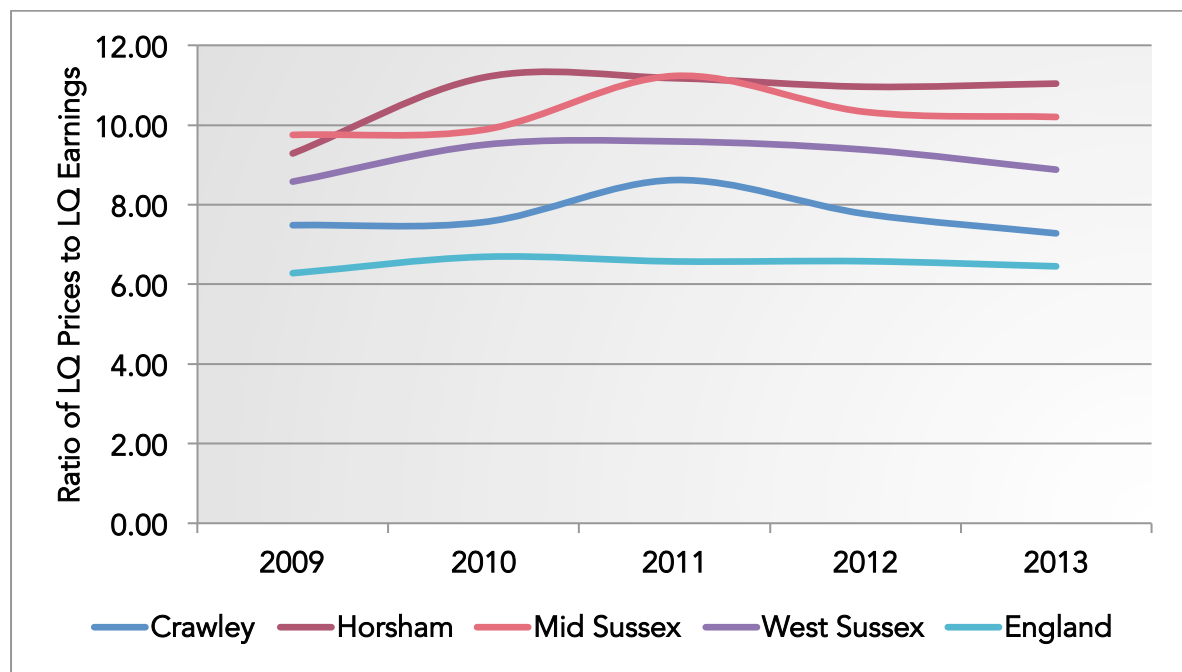
- 4.12 The Affordable Housing Needs model is designed to demonstrate the amount of affordable housing that will be necessary in order to meet housing needs at the local level in Northern West Sussex.
- 4.13 The model is based upon an assessment of the ability to meet current and future affordable housing need through existing and committed future affordable housing stock. The results of the assessment are therefore influenced by the level of affordable housing need (demand) that arises, but also by the supply of stock to meet that need.

### Lower Quartile Price to Income Ratios

- 4.14 Housing affordability remains a critical issue for the Northern West Sussex Housing Market Area authorities. Affordability, measured by the relationship of lower quartile house prices to lower quartile household incomes showed a brief period of improvement immediately after the on-set of the recession in 2008. However, affordability has broadly deteriorated again during the period from 2009 onwards for each local authority and remains at levels that preclude many households from accessing the owner occupation market.
- 4.15 Figure 14 below shows the price to income ratios over the past five years using data from CLG.
- 4.16 With increasing mortgage affordability testing for new households (and particularly those with no existing housing equity or limited deposits available) the affordability barrier is compounded by the ability to secure any form of access to mortgage products.

4.17 For Crawley, the lower quartile price to income ratio representing entry-level housing stands at 7:1. In Horsham, the ratio is currently 11:1; while Mid Sussex is slightly better at 10:1. The trend data and the current position indicate the severity of the barriers to home ownership and market entry that exist now and are likely to increase across each of the Northern West Sussex authority areas. The level of unaffordability is significantly above both the West Sussex County and England averages (8.8:1 and 6.4:1 respectively in 2013).

**Figure 14: Ratio of Lower Quartile Prices to Lower Quartile Incomes**



Source: CLG Live Table 576, 2014

### Properties in Social Sector Ownership

4.18 Table 9 and Figure 15 highlight the current position and recent trends in the level of social sector properties (encompassing local authority, registered provider and other public sector stock). The overall number of social sector properties in Northern West Sussex has remained relatively static in the 2009 – 2013 period (2% increase over the period to a total of 24,280 properties). Horsham has the greatest stock increase (+3%), with lower increases in Crawley (+1.8%) and Mid Sussex (+1.4%).

**Table 9: Properties in Social Sector Ownership**

	2009	2010	2011	2012	2013	% Change 2009-13
Crawley	10,043	10,569	10,459	10,430	10,220	1.8%
Horsham	6,349	6,388	6,390	6,490	6,540	3.0%
Mid Sussex	7,418	7,460	7,461	7,380	7,520	1.4%
Northern West Sussex	23,810	24,417	24,310	24,300	24,280	2.0%

Source: CLG Live Table LT100 using Local Authority Housing Statistics, 2014

- 4.19 Figure 15 identifies the composition of social sector stock ownership. The local authority owned stock is almost entirely in Crawley, while Horsham and Mid Sussex stock is largely provided through Registered Providers (Housing Associations) and a modest amount through other public sector owners (such as the MoD, NHS, etc.).
- 4.20 The position in Crawley from 2010 onwards shows a decline in properties in social sector ownership. The stock is diminishing due to Right to Buy purchases.

### **Right to Buy and Right to Acquire**

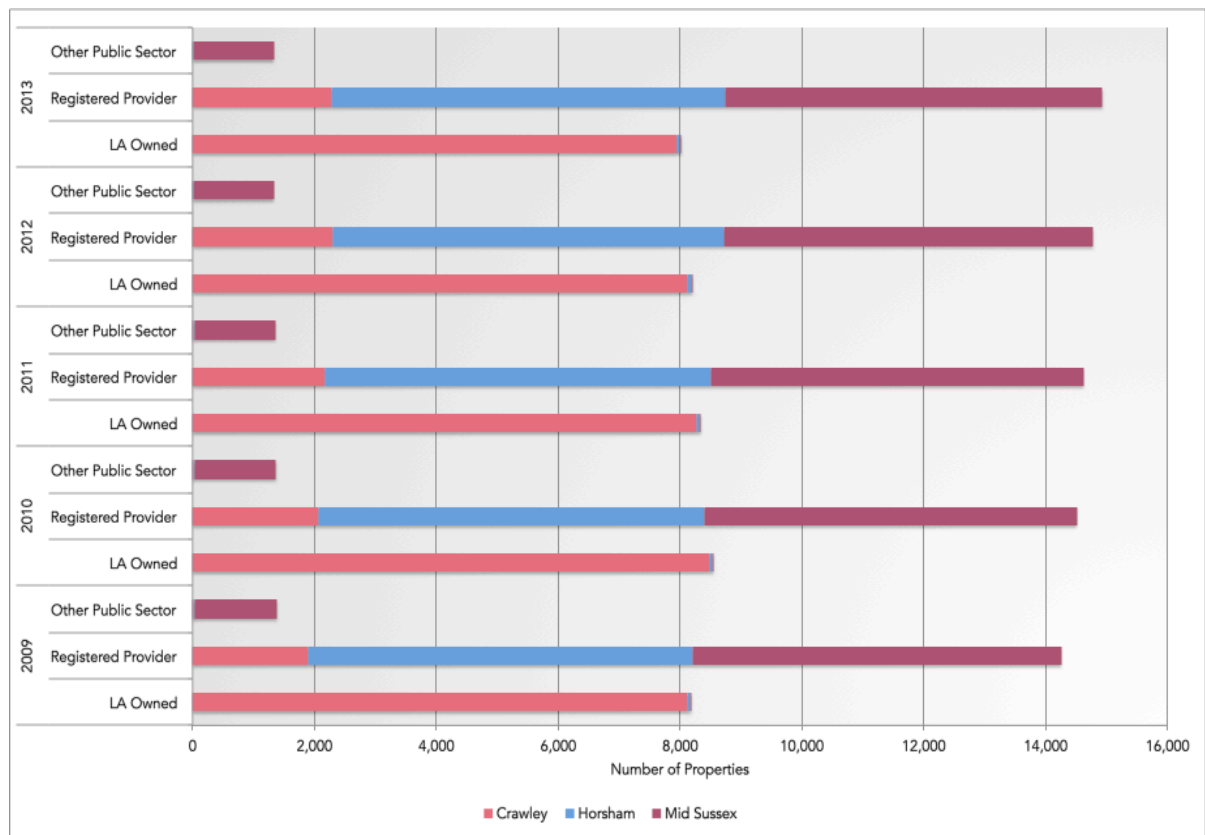
- 4.21 The Right to Buy scheme was introduced by the 1980 Housing Act. Right to Buy is available to:
- secure tenants of local authorities and registered providers;
  - registered providers assured tenants who have been transferred with their homes as part of a stock transfer from a local authority to a registered provider - these tenants have a Preserved Right to Buy.
- 4.22 Qualifying tenants may purchase the home they rent from their social landlord at a discount.
- 4.23 There are very small numbers of affordable housing stock losses through Right to Buy purchases in northern West Sussex HMA according to CLG Live Table data (Live Table 685) as Right to Buy only affects Crawley Borough which retains its local authority owned stock. Over the past three years a total of 195 dwellings have been purchased through Right to Buy in Crawley.
- 4.24 CLG's data for Crawley shows that in 2010/11 22 units were purchased under Right to Buy; in 2011/12 the figure was 22; for 2012/13 it was 72 and in 2013/14 the figure increased substantially to 101 units purchased (an average of 65 dwellings per annum over the past three years). The national level of sales across England through Right to Buy totalled 19,820 units (an average of 6,607 per year) from 2011/12 to 2013/14. There are signals that



the trend of Right to Buy will continue in 2014 and beyond given the Government's current incentives regime.

- 4.25 The drivers for continued levels of Right to Buy purchases are the discount levels available to qualifying households that have been a public sector tenant for five years (subject to Parliamentary approval the qualifying period is likely to be reduced to three years from early 2015 which may see a further increase in Right to Buy purchases). The discounts offered are linked to the Consumer Price Index and the maximum discount is increased in accordance with CPI every April. The current discount rates are a 35% discount for houses plus 1% increased discount for every extra year up to a maximum of 70% or £77,000. For flats the discount is 50% and a 2% per annum increase up to 70% or £77,000.
- 4.26 The Right to Acquire scheme was introduced by the Housing Act 1996. The scheme enables eligible Housing Association tenants living in qualifying properties to buy their rented home at a discount. Right to Acquire only applies to properties built or acquired by Housing Associations from April 1997 onwards. Properties transferred from a local authority to a housing association after 1<sup>st</sup> April 1997 are also eligible. The current discount rates for Right to Acquire range up to a maximum of £16,000 and are set at different levels for each local authority. In Crawley and Horsham the level is £13,500 according to CLG's Rights to Acquire Discounts by Location (January 2013). There is a significant differential in the discount rates applied to Right to Buy and Right to Acquire properties.
- 4.27 Right to Acquire data is not published by CLG at a local authority level and does not allow analysis to be undertaken for each of the Northern West Sussex HMA local authorities. However, nationally, the levels of Right to Acquire sales are very low, with a total of 140 sales in 2011/12 and 150 sales in 2012/13. It is therefore anticipated that the levels of Right To Acquire sales in the Northern West Sussex HMA are insignificant given the overall size of the social housing sector in the HMA area.

**Figure 15: Composition of Social Sector Ownership**



Source: CLG Live Table LT100 using Local Authority Housing Statistics, 2014

### Affordable Housing Supply

- 4.28 Recent affordable housing completions in the period 2009 – 2013 are shown in Table 10 below. The table draws from the latest CLG information (Live Table 1008) of gross affordable housing supply as at April 2014. It demonstrates the levels of affordable housing supply across social rent, affordable rent and intermediate housing sectors.
- 4.29 The table charts the total level of affordable housing supply and shows the decline from a peak in 2009-2010 to 2010-11 as a result of the recessionary effect on housing construction.
- 4.30 While the levels of supply are lower in 2012/13 than those prior to the on-set of the recession, the future committed supply of affordable housing (shown in the right-hand column) reflects a recent growth in the volume of residential permissions granted and a resultant increasing supply of affordable housing stock committed from extant planning permissions in future.
- 4.31 The completions data in Table 10 will differ from the level of actual occupations (handovers) recorded by each authority. This is due to the lag

between confirmation of completion for planning monitoring purposes and the letting of the affordable unit to its first occupant household.

- 4.32 For example, in Horsham District, the actual handovers recorded by the authority were 33 in 2009/10; 83 in 2010/11; 98 in 2011/12 and 136 in 2012/13. The latest year figures 2013/14 showed 239 handovers in Horsham.
- 4.33 The committed supply of affordable housing is drawn from each local authority's housing trajectory and monitoring records. The overall committed affordable housing supply is 2,593 dwellings. Crawley and Mid Sussex have commitments of 1,063 and 906 affordable dwellings respectively and Horsham supplying 624 affordable dwellings.
- 4.34 It is notable that for Crawley, the majority of the future committed affordable supply (some 760 dwellings) is expected to come from the large-scale urban Forge Wood (North East Sector) extension scheme due to be constructed over the next ten to fifteen years. The picture in Horsham and Mid Sussex is more mixed, with a greater spread of individual, smaller and medium sized committed schemes comprising the total.
- 4.35 Each of the authorities has work on going to review, evaluate and identify appropriate supplies of housing land in order to meet objectively assessed housing needs. The ability for each authority to secure appropriate levels of affordable housing supply in future (beyond the committed supply recorded here) will depend upon the outcomes of continuing collaborative joint-working across the Housing Market Area and with other authorities external to the HMA.

**Table 10: Recent Affordable Housing Supply and Future Committed Supply**

	Affordable Housing Completions				Committed Affordable Housing Supply
	2009-10	2010-11	2011-12	2012-13	
Crawley	270	150	60	50	1,063
Horsham	60	70	70	100	624
Mid Sussex	160	100	190	110	906
NW Sussex	490	320	320	260	2,593

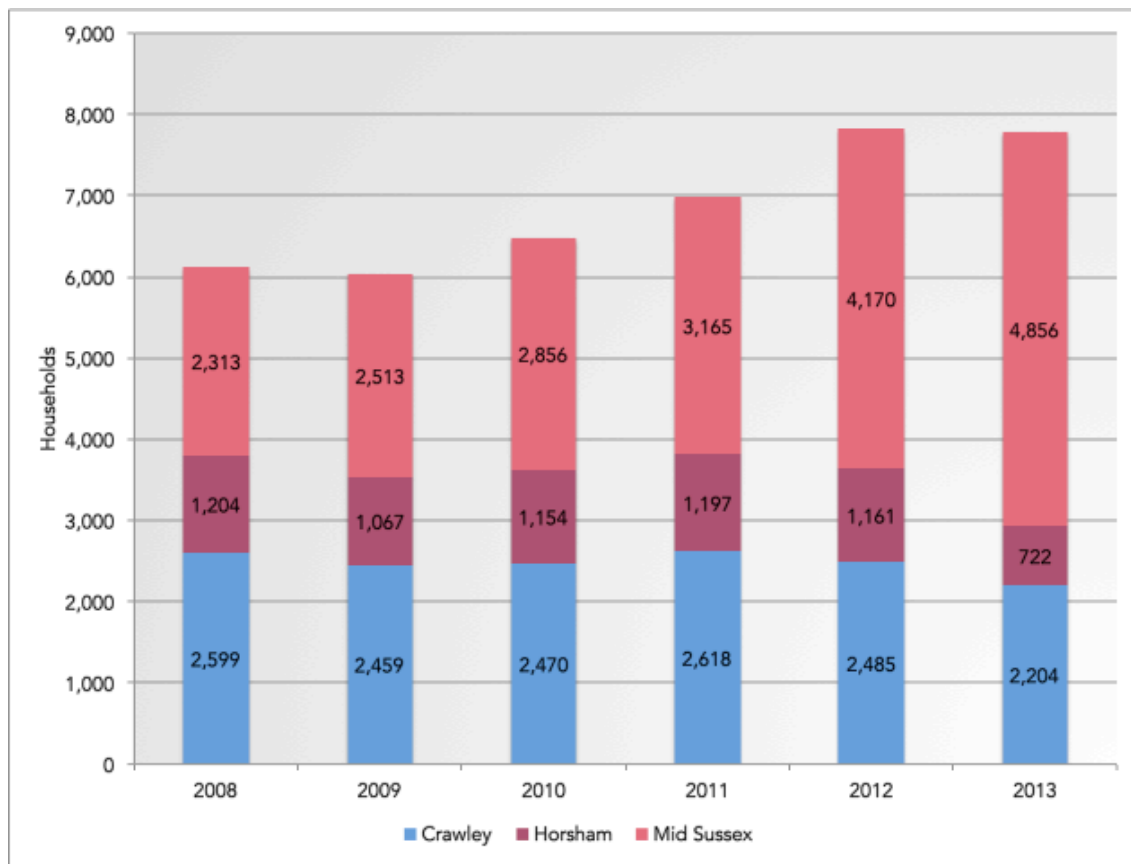
Source: CLG Live Table 1008, June 2014 and Local Authorities Monitoring Data/Housing Trajectories, July 2014

Note – CLG figures are provided as per the dataset, rounded to nearest ten dwellings

### Local Authority Social Housing Total Waiting Lists

- 4.36 The demand for social housing in Northern West Sussex has continued to increase from 2008 to 2013 as Figure 16 below sets out.
- 4.37 Data from CLG using the Local Authority Housing Statistics (and prior to 2011 the Housing Strategy Statistical Appendix) demonstrates the total level of general needs households (including transfers) on the local authority housing waiting lists. The total for Northern West Sussex HMA is 7,782 households in 2013; a slight decrease from the peak figures in 2012 (7,816 households).
- 4.38 Crawley and Horsham have seen reductions in their total housing waiting lists between 2012 and 2013 (Horsham has seen a significant decrease) and there are further reductions in 2014 that are not yet included in the latest CLG data.
- 4.39 There are a number of reasons for the reductions in waiting lists including:
- increases in the level of affordable housing supply delivered and available for the social sector in each of the local authority areas;
  - revisions to the way in which housing registers are managed and households included within the registers. For example Mid Sussex has implemented a new 'local connection criteria' for inclusion on its waiting list and has also removed households that were previously registered but where there had been no application bid for housing in the past 12 months. A similar process has been applied in Horsham reducing the waiting list from over 1,100 households to 479;
  - In Crawley, the waiting list has also been reviewed with an emphasis on accepting those households with a local connection to Crawley of three years residence, together with changes to the eligibility of applicants depending upon their financial status, their actual housing need and the number offers of housing that applicants can receive from 3 to 2.

**Figure 16: Social Housing: Total Local Authority Waiting Lists 2008-13**



Source: CLG Live Table 600, 2014

4.40 The housing waiting lists in each authority area remain significant and substantial, but when transfers are excluded show a considerable reduction on the levels evident and reported in the SHMA Update 2012.

4.41 Since the Localism Act, 2011, local authorities have the responsibility and freedom to decide the eligibility criteria for entry onto the social housing waiting list in their area. CLG Guidance<sup>11</sup> of June 2012 relating to the Housing Act, 1996 establishes the basis for identifying those in 'reasonable preference' or priority groups. These include:

- people who are homeless;
- people occupying insanitary or overcrowded housing or otherwise living in unsatisfactory housing conditions;
- people who need to move on medical or welfare grounds including relating to a disability;

<sup>11</sup> Allocation of Accommodation: Guidance for Local Housing Authorities in England, CLG, June 2012

- people who need to move to a particular locality in the district of the housing authority, where failure to meet that need would cause hardship to themselves or others.
- 4.42 In addition, members of the Armed Forces (serving or former members) and bereaved spouses and partners may be given additional preference.
- 4.43 Reasonable preference does not require an absolute priority over everyone else. An allocation scheme may therefore provide for other factors to be taken into account in determining which applicants are to be given preference under a scheme. The intention is that this approach offers flexibility to meet local needs and priorities.
- 4.44 Excluding transfer households, the current general needs housing registers for each local authority are:
- Crawley: 1,578 households; with 872 households in reasonable preference groups;
  - Horsham: 479 households; with 265 households in reasonable preference;
  - Mid Sussex: 1,383 households, with 314 households in reasonable preference.
- 4.45 Backlog housing needs trends and strong affordability barriers to purchase or rent housing privately continue to be evidenced by the latest available information and are borne out in the assessment of affordable housing needs.

### **Entry-level Housing Costs**

- 4.46 Estimating the proportion of households who cannot afford to access the private housing market is a key step in understanding affordable housing needs. The level of households unable to access the market includes those who cannot afford either to purchase housing or pay an appropriate private rent without financial support.
- 4.47 Entry-level housing costs for purchase are calculated using current lower quartile average house prices and lower quartile private sector rents in 2014. The lower quartile figures are used as these represent the entry-level for private market housing purchase or rent.
- 4.48 Average lower quartile house prices are taken from HM Land Registry data supplied by The Property Database as at June 2014. Private rental costs are derived from VOA Private Rental Market Statistics also from June 2014.
- 4.49 Income thresholds for access to the market sector assume that households have a 10% deposit (for consistency with the SHMA 2009 and SHMA Update 2012) with mortgage costs not exceeding 25% of gross household income.

The calculation assumes that households do not have existing housing equity.

- 4.50 Income thresholds are derived as a result of the annualisation of the monthly rental cost and then assuming that the annualised cost represents a maximum of 25% of annual household income. This is consistent with the previous SHMA Update methodology.
- 4.51 The purchase threshold is calculated by netting 10% off the lower quartile house price to reflect purchase deposit. The resulting cost is divided by three to reflect the standard household income requirement to access mortgage products.
- 4.52 Monthly housing costs are calculated using Money Supermarket Mortgage Calculator assuming a 10% deposit, 25-year repayment period and an interest rate over the term of 4.4%.

**Table 11: Entry-level Housing Costs and Income Thresholds, 2014**

	LQ House Prices	LQ Monthly Housing Costs		Monthly Rent as % of Purchase Cost	Income Threshold (Annual)	
	Purchase	Purchase	Rent		Purchase	Rent
Crawley	£134,740	£667	£700	105%	£40,422	£33,600
Horsham	£174,249	£863	£700	81%	£52,275	£33,600
Mid Sussex	£168,432	£834	£695	83%	£50,530	£33,360

Source: TPD, VOA and CCL Calculation

- 4.53 Current 2014 data on household incomes from CACI Paycheck are used to assess the proportion of households that are unable to purchase or rent property in the private market without financial subsidy. Figures 17 and 18 set out the distribution of household earnings by income bands. These identify that more than 50% of households in Crawley have household incomes of less than £30,000, while those in Horsham and Mid-Sussex are more affluent with 50% of households having an annual income below £35,000.
- 4.54 The CACI household incomes data replicated in Table 12 identifies the mean average household incomes for each local authority area are between £38,299 in Crawley; £46,915 in Horsham; and £47,472 in Mid Sussex. There is a significant differential in mean average household incomes across the Northern West Sussex HMA. However the spread and differentials identified here are similar to those recorded previously in the SHMA Update, 2012.
- 4.55 The table also highlights the mode average representing the income band within which the greatest number of existing households lies. This shows

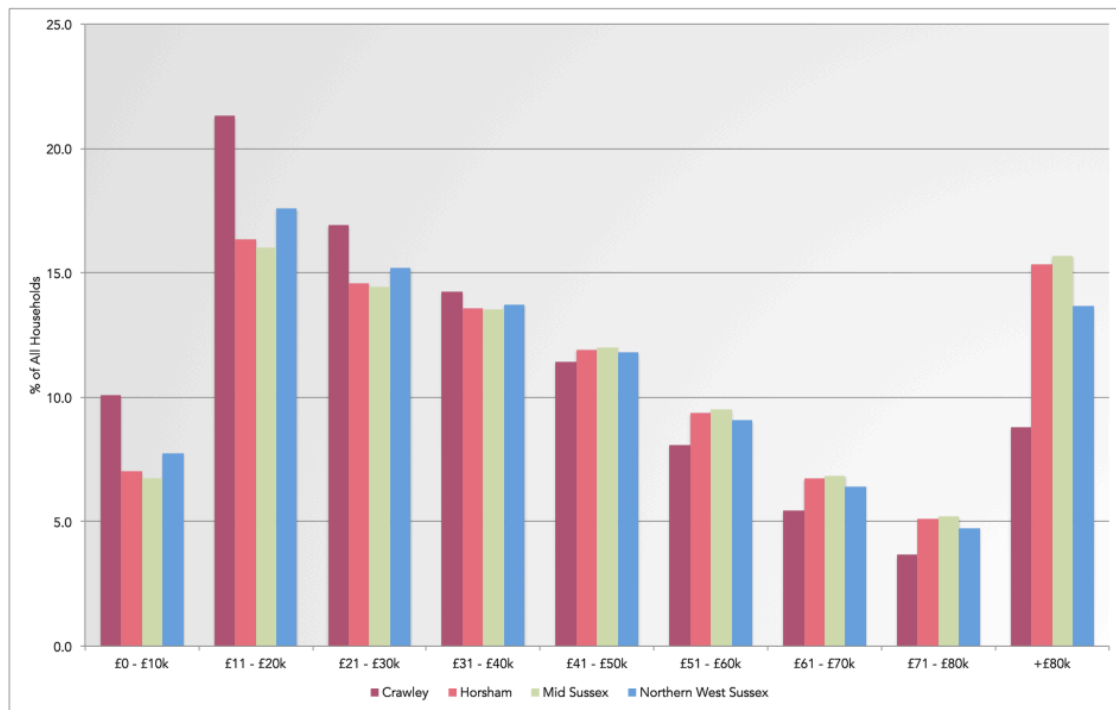
that for each local authority area the largest household income band is at a very low level of £10,000 - £15,000 in Crawley and Horsham and slightly higher in Mid Sussex at £15,000 - £20,000.

**Table 12: Average Household Incomes, Northern West Sussex HMA**

	Mean Average	Median Average	Mode Income Band Average
Crawley	£38,299	£31,111	£10,000 – 15,000
Horsham	£46,915	£38,831	£10,000 – 15,000
Mid Sussex	£47,472	£39,450	£15,000 – 20,000

Source: CACI Paycheck Household Incomes Data, July 2014

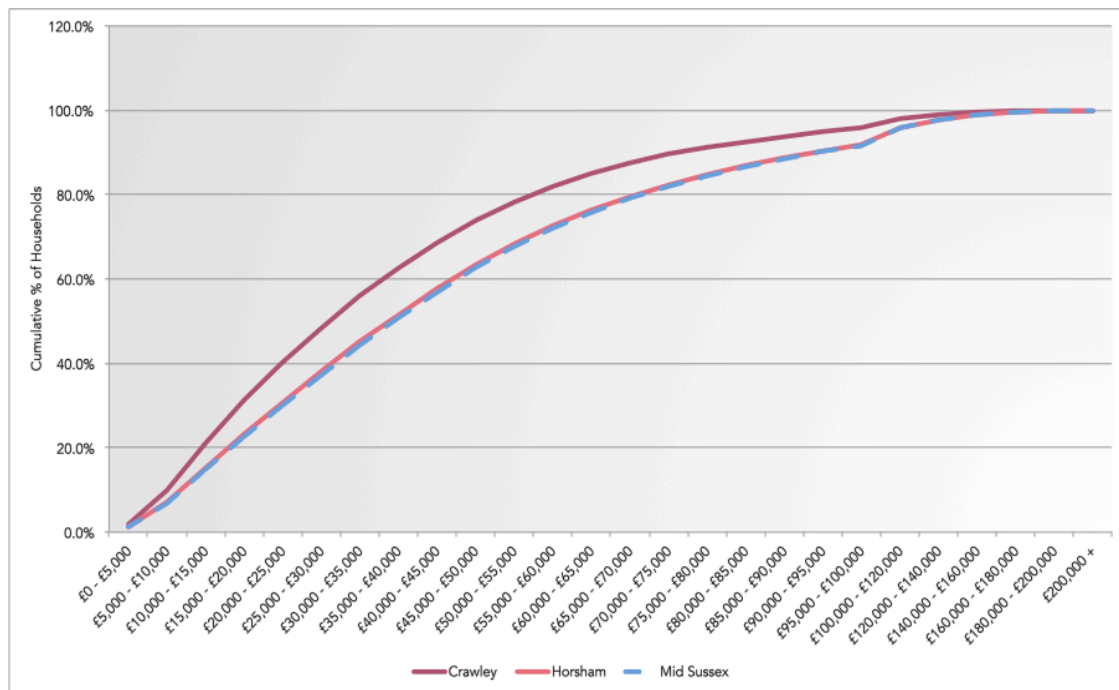
**Figure 17: Household Earnings by Income Band, 2014**



Source: CACI Paycheck Household Incomes, July 2014



**Figure 18: Cumulative Household Earnings Distribution, 2014**



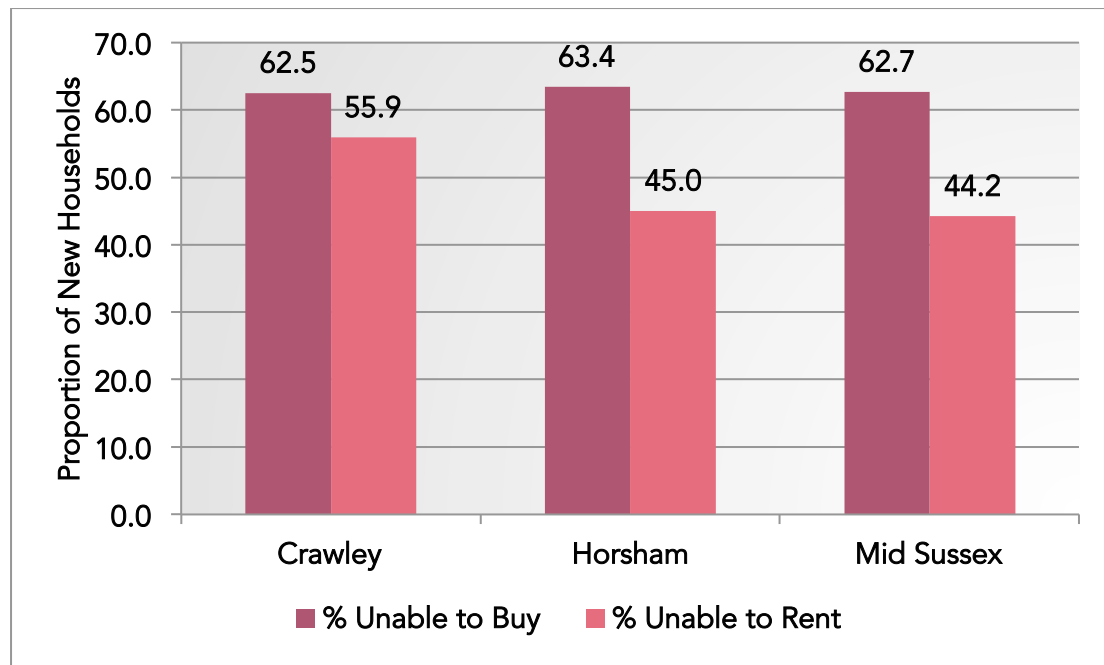
Source: CACI Paycheck Household Incomes, July 2014

- 4.56 When the income distribution is compared to the income thresholds to allow access to private rental or house purchase the scale of new emerging households unable to buy or rent without financial subsidy is revealed. The proportions are calculated using the CACI household income data that provides the number of households above and below each income band.
- 4.57 There are no detailed records or information relating to equity and household savings that can be applied at the local level and it is therefore assumed that all households will have no equity or savings. Of course, in reality, as the previous SHMA Update noted, a number of households will have substantial housing equity or savings that would reduce their overall mortgage borrowing requirement or cushion private rental costs. There will also be some households earning above the minimum purchase thresholds but with no equity or savings will have no access to the significant deposit funds required by mortgage lenders.
- 4.58 Considering the position set out here and that previously recorded in the SHMA 2009 and the SHMA Update 2012, there are a number of notable changes in the proportions of new households unable to buy or rent privately.
- 4.59 The SHMA Update 2012 noted that there was a significant increase in the proportion of households unable to buy and considered that this was due to an increase in lower quartile house prices reflecting few transactions in the

lower value end of the private sales market. Crawley was identified at the time of the SHMA Update 2012 to have experienced growth in those unable to afford to rent (from 50% in the SHMA 2009 to 59% in the SHMA Update).

- 4.60 The current picture has, as expected given the on-going volatility of the economy and housing markets, changed once again. Figure 19 shows that the proportion unable to buy or rent in all three local authority areas has decreased slightly from the position in the SHMA Update 2012; indeed the position now is closer to that recorded in the SHMA 2009.
- 4.61 There are no particularly clear reasons why the proportions unable to buy or rent has decreased between 2012 and 2014, but it is probable that a combination of factors are at play, including:
- recent improvements in the level and extent of job creation with new employment opportunities emerging to reduce unemployment as the UK and local economies show signs of sustained improvement from the depths of recession;
  - removal of some wage and salary restraints that were particularly evident in both the private and public sectors from 2008; although noting that public sector pay remains strongly restrained in 2014;
  - average and lower quartile house price reductions during the recession reducing the base entry-level purchase price in each local authority area. Such reductions in lower quartile purchase prices have, however, been largely eroded now as prices have grown significantly during 2013 and into 2014.
- 4.62 Despite the changes, there remain a significant proportion of new households that are unable to purchase or rent on the private market without financial support in each of the Northern West Sussex HMA authorities.
- 4.63 These newly forming households unable to buy or rent are reflected in the Affordable Housing Needs model. The level of existing households unable to buy or rent is reflected through the local authorities total and reasonable preference housing waiting lists.

**Figure 19: Proportion of Households Unable to Buy or to Rent without Assistance, 2014**



Source: CACI Paycheck Household Incomes, July 2014 & CCL calculation

### Affordable Housing Needs Assessment Model

- 4.64 The Affordable Housing Needs model results are set out in Table 13 below and in detail in Appendix A. Four affordable housing needs scenarios are presented representing a reasonable range within which planning policies can seek to secure and deliver new affordable housing.
- 4.65 Four scenarios are presented in Appendix A:
- Scenarios A and B show the affordable housing needs for those in reasonable preference categories (the Low Estimate) using the CLG Household Projections 2011-base figures (2013) for new household formation.
  - Scenarios C and D set out the affordable housing needs calculations for the whole Housing Register Waiting List (the High Estimate) based on CLG Household Projections constrained to changes in household growth in only the 16-44 years age cohorts.
- 4.66 Two different gross new household formation figures are used at Step 2.1 of the Affordable Housing Needs model for each local authority because it is important to recognise and reflect on the different interpretations of the NPPG Guidance as to what constitutes the Gross New Household Formation.

- 4.67 The NPPG identifies at section 2a, paragraphs 16 and 26 the use of the CLG Household Projections as forming the basis for identifying gross new household formation. The former SHMA Practice Guidance (2007) identified in Annex B, paragraphs 15-17, a variant approach that restricts the formation of new households to those in the 16-44 years age cohort on the basis that new household formation plateaus at ages 45 and above.
- 4.68 There are different views as to which approach to establishing gross new household formation is most appropriate, noting that it is not an exact science. The SHMA Practice Guidance approach, in limiting household formation to those aged 16-44 years does not take account of formation in older age groups arising from changing household circumstances such as divorce/separation and does not take account of the dissolution of households arising from deaths in the older age groups. By not accounting for a source of housing that will arise as a result of changing household circumstances, this approach may present an artificially high net annual housing need figure on which to base future planning policies for meeting housing needs.
- 4.69 On this basis and as a sense check, it was considered appropriate to model Affordable Housing Needs scenarios using both the CLG Household Projections and the SHMA Practice Guidance approaches and to present the results for each. This helps inform the potential ranges of affordable housing required, recognises the different ways in which the figures can be calculated and offers greater transparency for the three local authorities in preparing their Local Plans to understand the different results arising.
- 4.70 The Scenarios also consider the differences in affordable housing needs arising from those groups that the law requires local authorities to give "reasonable preference" to, as opposed to the entirety of the local authority housing waiting list. The Reasonable Preference groups form the Low Estimates of affordable housing needs in the Model. Reasonable preference groups include those households that are homeless and in priority need, those occupying unsanitary or overcrowded housing, and people who need to move on medical or welfare grounds.
- 4.71 The Total Waiting List (High Estimates) represent the total Housing Register and include other households who cannot afford to rent or buy property without assistance and may therefore be living with parents and unable to set up their own home. Even the full Housing Register is usually a poor indicator of demand for shared ownership as it is often perceived as a list for those wanting affordable rented housing.

**Table 13: Net Annual Affordable Housing Needs (Dwellings Per Annum) – Scenarios A-D Outputs**

	Crawley	Horsham	Mid Sussex
Scenario A – CLG Projection, Reasonable Preference Groups (Low Estimate)	197	225	116
Scenario B – 16-44 Years Cohort Constrained, Reasonable Preference Groups (Low Estimate)	456	382	367
Scenario C – CLG Projection, Total Waiting List (High Estimate)	268	246	223
Scenario D – 16-44 Years Cohort Constrained, Total Waiting List (High Estimate)	527	404	474

Source: CCL calculated (see Appendix B), 2014

4.72 Net additional affordable housing needs range across the four scenarios from:

- 197 – 527 dwellings per annum (dpa) in Crawley;
- 225 – 404 dpa in Horsham; and
- 116 – 474 dpa in Mid Sussex.

4.73 When considering the two Reasonable Preference Group (Low Estimate) scenarios (A and B), the range of net affordable housing need per annum is:

- 197 – 456 dpa in Crawley;
- 225– 382 dpa in Horsham; and
- 116 – 367 dpa in Mid Sussex.

4.74 The Total Gross Waiting List (High Estimate) scenarios (C and D) have a larger net affordable housing need range:

- 268 – 527 dpa for Crawley;
- 246 – 404 dpa for Horsham; and
- 223 – 474 dpa for Mid Sussex.

4.75 Each of the scenarios highlights the continuing substantial affordable housing requirement needed in each local authority area, although the levels are different from those previously identified in the SHMA Update 2012.

4.76 The changing position is a result of the combined effects of:

- an increased supply of affordable housing completions;
- an increased, committed future affordable housing supply available;

- reductions in house prices (until very recently in 2013);
  - review and revision to the operation and extent of the local authority housing registers refining the numbers of households on the waiting lists in accordance with CLG Guidance 2012. It may be the case that those falling outside the revised housing registers are finding accommodation through the Private Rental Sector as an alternative.
- 4.77 The result is a marked change in new annual affordable housing needs identified here in comparison with those found previously in the SHMA Update 2012 (see Table 9 of that report).
- 4.78 The affordable housing needs analysis represents a snapshot of the current affordable needs position. The ability to meet affordable housing needs is determined to a significant extent by the levels of affordable housing available that in turn reflects past investment and planning decisions.
- 4.79 The analysis provides the underlying justification for affordable housing policies contained within each local authority's Local Plan. It forms part of the evidence base that demonstrates that there is a need for new affordable housing in future.
- 4.80 The assessment shows that each authority has an affordable housing need that is greater than the supply of such housing on an annual basis despite successes in reducing waiting lists by supplying more new affordable homes over recent years.
- 4.81 This evidence must be combined with other information from each local authority in the Northern West Sussex HMA considering the viability and deliverability of housing developments; the role of new infrastructure provision; and critically the overall Objectively Assessed Housing needs of each authority in order for each local authority to set its affordable housing requirement targets and appropriate thresholds through its Local Plan policies.

## **Size of Affordable Housing**

- 4.82 The different sizes of affordable housing that are required by those on the local authorities housing waiting lists is an important dimension in determining the characteristics of future affordable housing provision. The number of bedrooms required is used as the measurement for affordable housing size in accordance with the NPPG.
- 4.83 Table 14 sets out the overall affordable housing size requirements (excluding transfers). The table shows the different mix of sizes for each of the three Northern West Sussex HMA authorities.

4.84 The greatest demand in the Northern West Sussex HMA is for one and two-bedroom properties in each of the three local authority areas (46.5% and 42% respectively). The level of requirements for three and four bedroom properties is far lower, totalling circa 11% for the HMA as a whole. The individual local authority requirements shown in the lower portion of Table 14 reflect the characteristics as for the HMA as a whole. This position is unchanged from that identified in the SHMA Update 2012, although the overall requirement for two-bedroom properties has increased (from 32% to 42%) and that for one bedroom accommodation has decreased (from 51% to 46.5%).

**Table 14: Affordable Housing Size Requirements (Excluding Transfers)**

	1-Bed	2-Bed	3-Bed	4-Bed	Total
Crawley	342	430	70	46	888
Horsham	125	164	46	7	342
Mid Sussex	705	464	96	27	1292
NW Sussex HMA	1172	1058	212	80	2522
% of Total	46.5%	42.0%	8.4%	3.2%	100%
Crawley	38.5%	48.4%	7.9%	5.2%	100%
Horsham	36.5%	48.0%	13.5%	2.0%	100%
Mid Sussex	54.6%	35.9%	7.4%	2.1%	100%

Source: Northern West Sussex HMA Local Authorities Housing Waiting Lists, 2014

4.85 It is also important to consider housing requirements including transfer households as typically transfer households move from smaller to larger properties with the effect of increasing demand requirements for larger accommodation. Table 15 sets out the affordable housing size requirements including transfers.

4.86 Table 15, including transfers, shows the same overall picture for the HMA, in absolute and broad proportional terms, as Table 14 that excludes transfers. Housing requirements remain greatest for one and two-bedroom accommodation, but three and four-bedroom accommodation have a larger proportional requirement when transfers are included. Two-bedroom accommodation has a reduced proportional requirement.

4.87 Mid Sussex has the greatest proportional requirement for one-bed accommodation (51%), while Horsham shows the greatest proportional requirements for two and three-bed accommodation (46% and 18% respectively). Crawley has the largest requirement for four-bedroom

accommodation (9%) and a requirement for three-bed accommodation (13%).

**Table 15: Affordable Housing Size Requirements (Including Transfers)**

	1-Bed	2-Bed	3-Bed	4-Bed	Total
Crawley	269	171	72	49	561
Horsham	134	187	73	13	407
Mid Sussex	937	674	158	63	1832
NW Sussex HMA	1340	1032	303	125	2800
% of Total	47.9%	36.9%	10.8%	4.5%	100%
Crawley	48.0%	30.5%	12.8%	8.7%	100%
Horsham	32.9%	45.9%	17.9%	3.2%	100%
Mid Sussex	51.1%	36.8%	8.6%	3.4%	100%

Source: Northern West Sussex HMA Local Authorities Housing Waiting Lists, 2014

- 4.88 To provide an indication of the current pressures in the social sector and the need for affordable housing of different sizes it is important to take account of the current stock mix and differential rates of lettings turnover for different property sizes. This is achieved by comparison of current annual lettings to the waiting lists. Table 16 shows this analysis undertaken with the data available and noting that Horsham District could not supply the lettings per annum data to allow the ratio to be calculated for that district.
- 4.89 Requirements by bedroom size in Crawley show the greatest need for small (one and two-bed) accommodation and a pressure for four-bedroom accommodation caused by a low turnover of such properties in the last year.
- 4.90 In Mid Sussex, the requirements are more focused on smaller accommodation (one and two-beds) rather than larger affordable housing. This is a change in the position identified in the SHMA Update, 2012 (see Table 11) where the greatest pressure at that time was for larger four-bed accommodation.



**Table 16: Requirements by Bed Size, General Needs Excluding Transfers**

<b>Crawley</b>	1-Bed	2-Bed	3-Bed	4-Bed	Total
Waiting List	342	430	70	46	888
Lettings per Annum	117	181	102	7	407
Ratio	2.9	2.4	0.7	6.6	2.2
<b>Mid Sussex</b>	1-Bed	2-Bed	3-Bed	4-Bed	Total
Waiting List	705	464	96	27	1292
Lettings per Annum	141	136	87	11	375
Ratio	5.0	3.4	1.1	2.5	3.4

Source: Northern West Sussex HMA Local Authorities Housing Waiting Lists, CORE Lettings, 2014, CCL Calculation

Note: Horsham cannot provide their lettings per annum figure and this is not reported for Horsham District by CORE. The ratio cannot therefore be calculated for that District.

- 4.91 The impacts of the Welfare Reform Act, 2012 which was implemented from March 2013 has led to households that under-occupy properties losing a proportion of housing benefits; the 'spare room subsidy'. The cut in housing benefit is 14% for one extra bedroom and 25% for two or more extra bedrooms.
- 4.92 The impacts of the reductions are starting to become evident with increasing requirements for smaller properties with fewer bedrooms. However the shift is not yet particularly pronounced in Northern West Sussex. This is likely to be due in part to the length of time that the spare-room subsidy cut has been in operation; the time taken for affected households to feel the effects of reduced housing benefits on their household income; and then the time taken to consider and seek to transfer to alternative, smaller accommodation.
- 4.93 Drawing the affordable housing requirements analysis together, it is recommended that a range of different size affordable housing be sought. The majority of those on the housing waiting lists are seeking smaller accommodation (one and two bed units), but there is also a need to supply larger properties (three and four bedrooms) as households requiring larger properties usually have to wait longer to secure appropriate accommodation. The spare-room subsidy effects may start to alter this pattern, but it is still important to ensure that larger affordable housing is provided to ensure choice and mix for households now and in future.

- 4.94 The recommended affordable housing mix is shown in Table 17 below as the starting point for negotiation on a site-by-site basis. The changes proposed are recommended to reflect the current affordable housing size requirements and revealed waiting list demands that show an increasing future need for smaller homes, particularly two-bedroom properties at local authority level and there will be a need to consider the mix of sizes proposed by individual development schemes in different locations within each authority area on a case-by-case basis reflecting the flexibility necessary to ensure individual schemes reflect the characteristics of the site in question and the mix needed over the Local Plan period. Future updates to the affordable housing needs analysis set out here will ensure that the recommended affordable housing mix continues to reflect the broad housing needs at the time.
- 4.95 The recommended size mix is therefore proposed as the overarching basis for each local authority area but recognising that there will be a need for detailed negotiation and agreement for individual residential development schemes in different locations within each authority. This is to ensure that the site-specific housing market circumstances relevant to individual schemes can be properly considered as part of the planning decision-making process.

**Table 17: Recommended Affordable Housing Mix by Bedroom Size**

	1-Bed	2-Bed	3-Bed	4+Bed	Total
Crawley	25%	50%	20%	5%	100%
Horsham	20%	45%	25%	10%	100%
Mid Sussex	25%	50%	20%	5%	100%

Source: CCL, 2014

## Role of Intermediate Housing and Affordable Rent Housing

- 4.96 A range of housing market segments caters for those households that cannot afford to purchase a home on the open market. The SHMA 2009 and SHMA Update 2012 both emphasised the importance of intermediate housing and the private rented sector in helping to support housing choice and in meeting needs from those who require support to meet their housing needs and aspirations.

### Intermediate Housing

- 4.97 Annex 2 of the NPPF defines Intermediate Housing as “homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing”.
- 4.98 Table 18 identifies the level of new intermediate affordable housing supply in the Northern West Sussex HMA authority areas. The data is drawn from the latest CLG published information that covers the period to the end of the 2012/13 financial year.
- 4.99 The supply of new intermediate housing has varied over the past five years but averages at 54 dwellings per annum in Crawley, 22 in Horsham and 30 in Mid Sussex. The average for Northern West Sussex is 126 dwellings per annum.

**Table 18: Additional New Intermediate Affordable Housing**

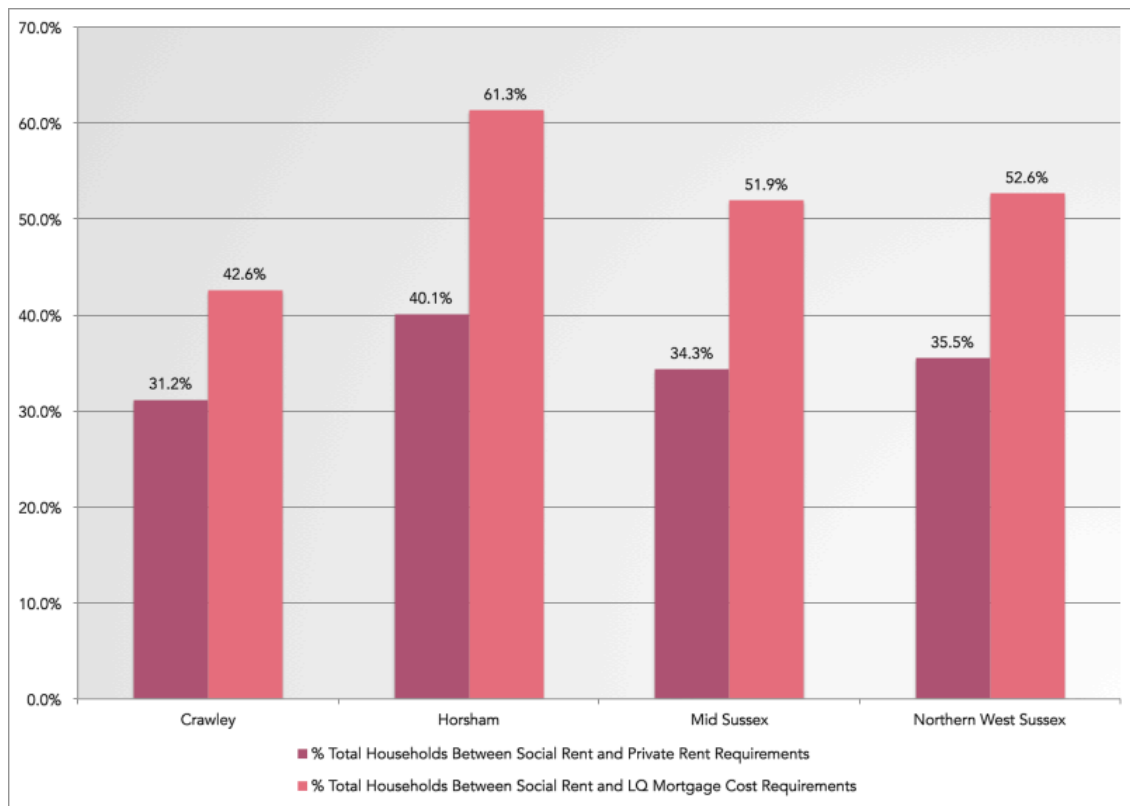
	2008/9	2009/10	2010/11	2011/12	2012/13
Crawley	60	90	70	30	20
Horsham	50	20	10	20	10
Mid Sussex	30	90	30	70	30
<b>Northern West Sussex</b>	<b>140</b>	<b>200</b>	<b>110</b>	<b>120</b>	<b>60</b>

Source: CLG Live Table 1007, 2014

Note: data is rounded to nearest ten units

- 4.100 Figure 20 below illustrates the potential scale and demand for Intermediate Housing products. It shows both a narrow and wider definition of the intermediate market. The Figure shows the proportion of households whose income falls within the social rent to private rent threshold (narrow intermediate market); and the social rent to lower quartile mortgage costs threshold (wider intermediate market).
- 4.101 The scale of the potential market remains significant, as was found to be the case in the SHMA Update, 2012. The market has grown as house prices have recovered and increased and changes to access to mortgage products due to the Mortgage Market Controls now implemented by financial lenders will increasingly, positively effect the potential demand for Intermediate Housing products.

**Figure 20: Potential Scale of the Intermediate Housing Market**



Source: CLG, VOA, TPD and CCL Calculation

4.102 Evidence of the revealed demand for Intermediate Housing at the local level in Northern West Sussex can be drawn from data provided by Bedfordshire Pilgrims Housing Association (BPHA). BPHA are the relevant Zone Agent for Intermediate Housing in Northern West Sussex (having assumed responsibilities from Moat) and are responsible for compiling and managing the Intermediate Housing application and waiting list operating in Crawley Borough and in Horsham and Mid Sussex districts.

4.103 The requirements for inclusion on the Intermediate Housing shared ownership list are:

- An income of £60,000 or less;
- Applicant cannot own another residential property.

4.104 The Zone Agent has confirmed that the current priorities for Intermediate Housing are social rent tenants; local authority nominated households; military households and older persons shared ownership.

4.105 The current evidence demonstrates a strong and continued revealed demand for Intermediate Housing despite financial lending and deposit requirement restrictions. Discussion with the Zone Agent confirms that

demand remains significant and has not been substantially affected by rising house prices, availability of equity or changes to lending controls.

- 4.106 Table 19 sets out an analysis of the current applications waiting list for shared ownership intermediate housing in Northern West Sussex. The table demonstrates the level of current demand as at August 2014 and highlights the proportions of those wishing to live in each of the Northern West Sussex local authority areas. It shows those applicants who are already living in the area who wish to secure intermediate housing (586 in total with a range of 183 – 209 persons in each local authority area individually).
- 4.107 The table also records the proportion of applicants who currently work in Northern West Sussex and who wish to live in the area but do not currently. This shows a strong demand particularly for Crawley (53% working in the area seeking to live in intermediate housing there) and lower proportions in Mid Sussex (41%) and Horsham (34%) respectively.
- 4.108 The proportional and total expressed demand for intermediate housing shown in Table 19 is broadly similar to that identified in the SHMA Update, 2012, although the proportion of applicants working in the area but not living there has increased slightly for Crawley (+3%) and for Mid Sussex (+5%) and reduced marginally for Horsham (-5%). The changes between the current data and that set out in the SHMA 2012 are not considered to be significant.
- 4.109 The average applicant income is £30,802 with a maximum income of £60,000 (the ceiling income for eligibility).

**Table 19: Demand for Intermediate Housing, Northern West Sussex**

	Total Wishing to Live in NW Sussex*	Currently Living in Area	Currently Working in Area	% Living in Area	% Working in Area
Crawley	286	183	152	64%	53%
Horsham	337	209	115	62%	34%
Mid Sussex	285	194	117	68%	41%
NW Sussex	908	586	384	65%	42%

Source: BPHA and CCL Calculation, August 2014

\* - there are 736 total individual applicants currently, but some applicants have expressed an interest in living in more than one of the three Northern West Sussex local authority areas, hence the total of 908 requests across the HMA.

- 4.110 Table 20 sets out the overall position for Northern West Sussex in terms of the minimum number of bedrooms required by applicants for Intermediate

Housing. The Table is based on the current application list as at August 2014 and is therefore only a current snapshot. The nature of the data does not allow a sub-division of these requirements by local authority area. The data does show a strong preference for smaller accommodation with 78% of applicants seeking a one or two bedroom home. Requirements for larger accommodation of four or more bedrooms represent only 4% of applicants.

**Table 20: Minimum Number of Bedrooms Sought by Intermediate Housing Applicants**

	Minimum Number of Bedrooms Sought					Total
	1	2	3	4	5	
Total Northern West Sussex HMA	400	173	130	25	8	736
% Northern West Sussex HMA	54%	24%	18%	3%	1%	100%

Source: BPHA and CCL Calculation, August 2014

4.111 Table 21 provides an insight into the current housing status of applicants for Intermediate Housing across Northern West Sussex. The largest group of applicants are currently privately renting (48%) and then those living with family or friends (35%). Other housing arrangements are significantly less represented in the current application list.

**Table 21: Current Housing Status of Intermediate Housing Applicant**

Applicant's Current Housing Status	Number	%
Private Tenant	355	48.2%
With Family or Friends	257	34.9%
Owner Occupier	44	6.0%
Housing Association Tenant	40	5.4%
Shared Owners	15	2.0%
Council Tenant	13	1.8%
Temporary Accommodation	7	1.0%
Tied Accommodation	2	0.3%
Discounted Rent	2	0.3%
Rent to Buy	1	0.1%
Northern West Sussex Total	736	100.0%

Source: BPHA and CCL Calculation, August 2014

4.112 The long-term trend potential for Intermediate Housing remains significant as it helps support mix and choice in the Northern West Sussex Housing Market. The strength of Intermediate Housing products will however

continue to depend upon access to finance, the application of reasonable eligibility policies and criteria and critically the supply of new Intermediate property stock. With regard to supply, the position shown in Table 20 previously is instructive as it reflects a pipeline characterised by wide variations in the level of supply on an annual basis.

- 4.113 With significant current revealed demand and the potential for further demand in future the split of affordable housing to be provided as social rent and as intermediate housing (shared ownership, part buy/part rent and equity loan) should be in the range 80:20 to 70:30; i.e. between 20 – 30% of all affordable housing is provided as intermediate stock.

### **Affordable Rent**

- 4.114 Affordable Rent is a social housing tenure introduced by the Coalition Government after the 2010 election. It is defined in Annex 2 of the NPPF as *“properties let by local authorities or registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable)”*.
- 4.115 There are substantial differentials between the current social housing average weekly rent and the potential ‘maximum’ Affordable Rent (at up to 80% of current private market rental values).
- 4.116 Households moving from Social Rent to an Affordable Rent model of tenure would therefore experience significant increase in rent as Table 22 shows in the final, right-hand column. For comparative purposes the current Local Housing Allowance (LHA) rate for each local authority area is set out below.
- 4.117 Crawley and Horsham are within the VOA’s defined Crawley & Reigate Broad Market Rental Area (BMRA) for LHA; while Mid Sussex is split such that the northern part of the District is within the Crawley & Reigate BMRA while the southern part (south of Hassocks) is within the Brighton & Hove BMRA.
- 4.118 The LHA range for Crawley & Reigate BMRA as at August 2014 are:
- Shared: £78.76
  - 1-bed: £ 145.67
  - 2-bed: £178.66
  - 3-bed: £220.34
  - 4 bed: £306.60
- 4.119 The LHA range for Mid Sussex (southern part only as part of the Brighton & Hove BMRA) as at August 2014 are:

- Shared: £79.48
- 1-bed: £151.50
- 2-bed: £190.57
- 3-bed: £228.00
- 4 bed: £326.31

4.120 The greatest difference between Social Rent and Affordable Rent is in Horsham (£77 per week variation), while Crawley and Mid Sussex show smaller, but still significant variations (£65 and £61 per week respectively). These variations equate to between £3,185 and £4,050 per annum for the constituent local authorities. The average difference between Social Rent and Affordable Rent levels for Northern West Sussex is £68 per week or £3,456 per year.

4.121 With property rentals being converted from Social Rent to the Affordable Rent model upon re-letting, the rental cost uplift will affect tenants moving, and will over time cover an increasing proportion of the social rental housing stock.

**Table 22: Affordable Rent Costs, Northern West Sussex, 2014**

	Social Weekly Rent	Average Market Weekly Rent	Affordable Rent - 80% of Average Market Weekly Rent	Difference Between Social and Affordable Rent
Crawley	£95.16	£200.77	£160.62	£65.46
Horsham	£103.05	£226.15	£180.92	£77.87
Mid Sussex	£111.18	£215.54	£172.43	£61.25
NW Sussex	£103.13	£214.15	£171.32	£68.19

Source: CLG Live Tables LT702 & LT704, VOA Private Rental Data 2014) and CCL Calculation

\* Excludes shared facility properties

4.122 Figure 21 illustrates the proportion of households in each local authority area that could not afford the maximum Affordable Rent levels without financial assistance.

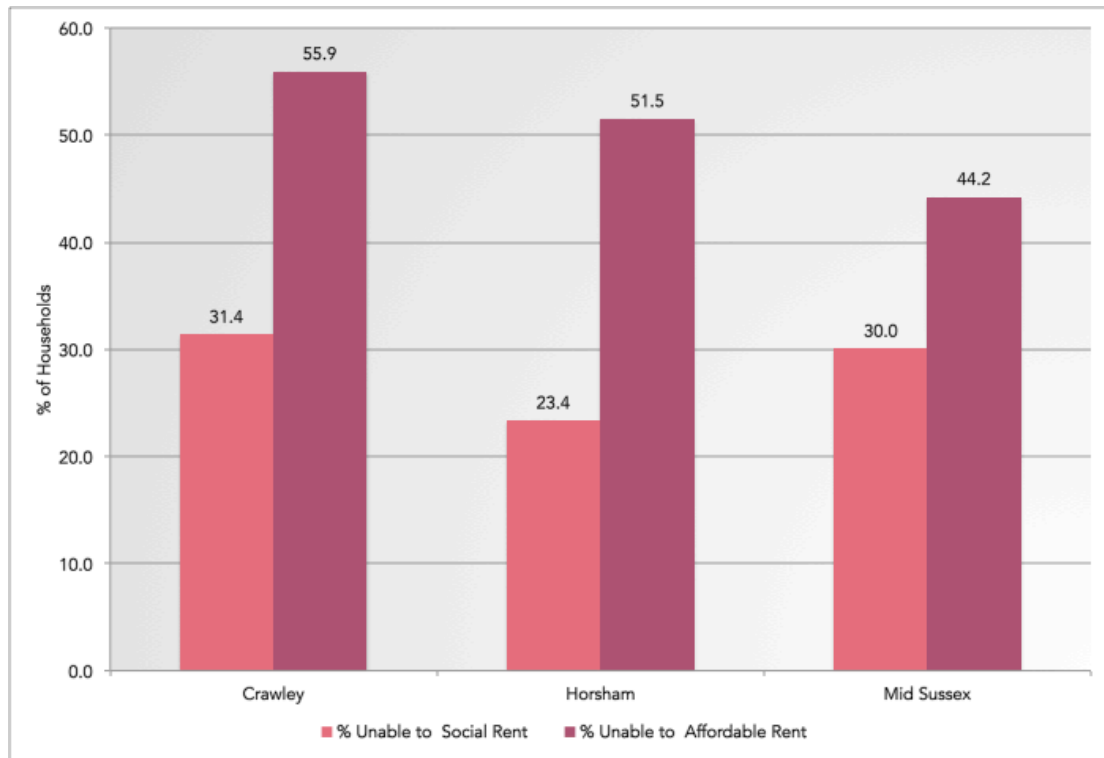
4.123 Crawley has the largest proportion of households who would theoretically be unable to afford 80% of the current private market rents (56%), while Horsham (51%) and Mid Sussex (44%) are somewhat lower. In absolute



terms, approximately 25,000 households in Crawley would be unable to afford Affordable Rent housing without financial assistance if the rent was set at the maximum 80% value. In Horsham, this equates to some 29,000 households and 27,000 households in Mid Sussex. The proportions and totals are high in theory, but in reality, the actual number of households seeking an Affordable Rent product will be more limited as most existing households either already own property or rent accommodation. In addition many will have some level of equity available to support their ability to access Affordable Rent products.

- 4.124 The proportions are broadly similar to those found in the SHMA Update, 2012 (see Figure 23 of that Report), although there has been an increase in the unaffordability of Affordable Rent housing for those households seeking it in each local authority area due to rising rental prices over the intervening period.
- 4.125 The increase in unaffordability of Affordable Rent housing is pronounced in Horsham where the proportion has increased from 42% of households in 2012 to 51% in 2014.
- 4.126 The levels of Affordable Rent at the maximum value affect the ability of those households seeking to access this form of rental product from doing so without assistance. The SHMA Update, 2012 identified this issue as potentially significant, but at that time could not comment on the trend position.
- 4.127 It is clear now, in this 2014 update, that the Northern West Sussex authorities would need to offer lower ratios than 80% of market rent in order for the Affordable Rent model to increase affordability for households. At the 80% level, the Affordable Rent model rivals Intermediate tenure costs and also some lower quartile private housing purchase mortgage costs.

**Figure 21: Households Unable to Afford Current Social Rents and Affordable Rents, Northern West Sussex HMA, 2014**



Source: VOA, CLG, TPD and CCL Calculation, 2014

## 5. Conclusions

### Introduction

- 5.1 This Report presents a joint focused update to the affordable housing need model including various elements of the Northern West Sussex SHMA, 2009 and the SHMA Update, 2012. It has focused on three principal matters:
- re-affirming the definition of the Northern West Sussex Housing Market Area;
  - updating the house price, sales and rental picture for the Housing Market Area and each of the three constituent local authorities;
  - updating the assessment of affordable housing need and the size and mix of affordable housing.
- 5.2 The preceding sections of the report set out the details for each of these issues and in this section the overall conclusions are drawn from the updated analysis.
- 5.3 The conclusions drawn reflect only those matters where this Report has undertaken new analysis or where the policy context has changed in the period since the SHMA Update, 2012. The Report should therefore be read where relevant, in conjunction with the conclusions and recommendations of both the SHMA, 2009 and the SHMA Update, 2012.

### The Northern West Sussex Housing Market Area

- 5.4 There is a reciprocal relationship between housing and economic growth and transport/commuting patterns. The Northern West Sussex HMA was identified and derived from a series of layers of demographic, economic, transport and housing data that was analysed and recorded in detail in the SHMA, 2009 and its update of 2012.
- 5.5 Analysis of updated information on house price, rental and sales data together with new travel to work commuting data from the Census 2011 indicates that the primary definition of the Northern West Sussex HMA remains unchanged from that evidenced in the SHMA, 2009.
- 5.6 Northern West Sussex is therefore identified as a single Housing Market Area centred on Crawley and Horsham and including Haywards Heath, Burgess Hill. The primary focus and coherency of the HMA is through the principal urban settlements in Crawley, Horsham and Mid Sussex integrated by the

strong north-south London to Brighton transport corridor and the work commuting patterns that continue to reflect the strength of this relationship.

- 5.7 The HMA continues to have evident overlaps with the eastern, rural part of the Coastal West Sussex HMA (that includes Chichester, Worthing, Arun and Adur districts) and with Brighton and Hove to the south. To the north, the HMA overlaps with East Surrey HMA and with the larger London Housing market Area that encompasses much of the south-east of England. These overlaps have been evident since the original identification of the Northern West Sussex HMA and are planned for in a proactive manner by each of the three local authorities within the HMA.
- 5.8 It is concluded that the primary focus for Northern West Sussex HMA remains that established in the SHMA, 2009.

### **The Active Market**

- 5.9 The housing market nationally, and in Northern West Sussex, suffered a series of systemic shocks with the withdrawal of development investment, loss of housing consumer confidence and an inability to secure housing mortgage finance in the period from 2008 to 2012. Since that time, the market has shown positive signs of price recovery and increased sales volumes.
- 5.10 Increasingly the national concern is now turning from the dampening effects of recession towards the pressures of growing housing demand, supply challenges and the resultant growth in house prices and rental values to the detriment of affordability for many households. Government initiatives such as Help to Buy and new investment into residential development projects has supported the housing market and the residential construction sector nationally and in the Northern West Sussex HMA.
- 5.11 The national picture of growing demand, rising prices and affordability challenges is reflected within Northern West Sussex as Section 3 of the Report demonstrates.
- 5.12 From the current data that annual house price growth will continue (although perhaps dampened slightly in late 2014/2015 onwards as mortgage affordability tests increase through the Mortgage Market Controls policy) in Northern West Sussex as the market re-bounds from the recession and as demand is driven by newly forming households in the HMA as well as those seeking to locate in Northern West Sussex from elsewhere in London and the south-east.
- 5.13 Market housing affordability has been reviewed in Section 3 and Figures 8 and 9 set out the current and longer-term historic trends of lower quartile house prices to lower quartile household incomes. The current and longer-

term trend identified is one of rising unaffordability for entry-level housing (lower quartile prices to household incomes) in all three Northern West Sussex local authorities and the current purchase affordability pressures with ratios at circa 7:1 in Crawley; 11:1 in Horsham; and 10:1 in Mid Sussex.

- 5.14 Rental letting and market activity has grown over the period from 2010 to 2014 with a particular increase identified in the VOA private market rental data from 2013 – 2014. It shows the consistent growth of lettings in the past 12 months, which evidence from ARLA and discussions with local property agents in Northern West Sussex confirm.
- 5.15 Drawing the data together it is evident that the Northern West Sussex HMA has witnessed a serious price and sales decline during the recession and has now started to emerge as the economy recovers and housing consumer confidence grows. Price, sales and rental signals demonstrate more upward growth now than when last considered in the SHMA Update, 2012, and the underlying challenges of affordability and access to housing finance remain.

## Affordable Housing

### Future Need

- 5.16 An assessment of the future needs of affordable housing is a requirement of paragraph 159 of the National Planning Policy Framework (2012). Section 2a of the National Planning Practice Guidance (2014) establishes the approach and method to establish affordable housing needs.
- 5.17 The assessment of affordable housing need is to inform planning policies for meeting housing needs. Its purpose is to establish the level and nature of needs that cannot be met by existing affordable housing provision and must therefore be planned for in future. Section 4 of this Report examined the current affordable housing needs and establishes a range for future provision in each of the three local authorities in the Northern West Sussex HMA.
- 5.18 The authorities have each made good progress in reducing the social housing waiting lists since the SHMA Update in 2012. Work has been ongoing to review and re-appraise households on the waiting list; to re-categorise and handle longer-standing applications and to establish new frameworks for managing and categorising new applications.
- 5.19 In parallel each authority has shown a significant increase in the number of affordable homes completed and have larger committed supply 'pipelines' of new affordable housing.
- 5.20 Four affordable housing needs scenarios are presented in Table 13 and Appendix B, representing a reasonable range within which planning policies can seek to secure and deliver new affordable housing.

- Scenarios A and B show the affordable housing needs for those in reasonable preference categories (the Low Estimate) using the CLG Household Projections 2011-base figures (2013) for new household formation.
  - Scenarios C and D set out the affordable housing needs calculations for the whole Housing Register Waiting List (the High Estimate) based on CLG Household Projections constrained to changes in household growth in only the 16-44 years age cohorts.
- 5.21 Net additional affordable housing needs range across the four scenarios from:
- 197 – 527 dwellings per annum (dpa) in Crawley;
  - 225 – 404 dpa in Horsham; and
  - 116 – 474 dpa in Mid Sussex.
- 5.22 When considering the two Reasonable Preference Group (Low Estimate) scenarios (A and B), the range of net affordable housing need per annum is:
- 197 – 456 dpa in Crawley;
  - 225– 382 dpa in Horsham; and
  - 116 – 367 dpa in Mid Sussex.
- 5.23 The Total Gross Waiting List (High Estimate) scenarios (C and D) have a larger net affordable housing need range:
- 268 – 527 dpa for Crawley;
  - 246 – 404 dpa for Horsham; and
  - 223 – 474 dpa for Mid Sussex.
- 5.24 The current affordable housing needs of each authority remain acute with evident need to continue to deliver new affordable housing in future. The overall level of affordable housing to be secured will ultimately be established by each local authority's Local Plan policies and will need to take account of a variety of other factors including the viability of housing delivery, the supply and capacity of land and sites for residential and mixed-use development; and the availability of any public funding to support housing delivery.
- 5.25 The final levels of affordable housing sought through each Local Plan must be justified in terms of the level of need identified in the Affordable Housing Needs Assessment. Critically the level set must be realistic and deliverable so that they do not reduce the ability of new developments to meet objectively assessed housing requirements in a sustainable manner.

### **Sizes of Affordable Housing**

- 5.26 The SHMA 2009 and the 2012 Update both established recommendations on the size of affordable housing provision required. This Report has updated that analysis based on a review of the scale of the current waiting lists for different property types together with the experience of each local authority in securing the appropriate sizes of affordable dwellings.
- 5.27 It is concluded that there remains a requirement for a mix of affordable housing sizes in each of the three local authority areas. Table 17 in Section 4 established the recommended housing mix by bedroom size as the starting point for negotiation on a site-by-site basis. The mix has been refined with a greater emphasis on securing two-bedroom accommodation and a reduced focus on three-bed accommodation in each local authority area.
- 5.28 There is however a need to ensure that a range of sizes of affordable housing are provided in each local authority area. There are outstanding requirements evidenced from the current housing waiting lists for larger, family accommodation (four-bed and larger properties) as well as smaller accommodation. The recommended size mix is therefore proposed as the overarching basis for each local authority area but recognising that there will be a need for detailed negotiation and agreement for individual residential development schemes in different locations within each authority. This is to ensure that the site-specific housing market circumstances relevant to individual schemes can be properly considered as part of the planning decision-making process. The size mix recommended is therefore the starting point.

### **Mix of Affordable Housing**

- 5.29 The demand for social housing remains significant in Northern West Sussex overall and in each of the three local authorities. The current waiting lists maintained by each local authority show substantial numbers of households requiring housing, of which many lie within reasonable preference groups.
- 5.30 Within the total demand for social housing, the revealed 'latent' demand for Intermediate Housing remains significant (as the previous SHMA Update, 2012 also demonstrated).
- 5.31 The new analysis of Intermediate Housing gives a continued sense of the potential scale of this housing market segment for Northern West Sussex and for each local authority individually.
- 5.32 The Intermediate Housing Zone Agent's latest application and waiting list information highlights the situation as of August 2014. It offers clear evidence of a significant level of demand from those living or working within Northern West Sussex as well as those living outside the HMA seeking to move into the area.

- 5.33 There is therefore a need to ensure a choice and mix of affordable housing available to households in Northern West Sussex. It is therefore concluded and recommended that the split of affordable housing to be provided as social rent and as intermediate housing (shared ownership, part buy/part rent and equity loan) should be between 80:20 and 70:30; i.e. between 20 – 30% of all affordable housing is provided as intermediate stock
- 5.34 Within this overall mix it will be the responsibility of each local authority to determine the proportion of social rented and intermediate housing within each property size. The local demand data from the Intermediate Housing Zone Agent offers a clear picture of demand for smaller (one-bed and two-bed) intermediate accommodation that from the analysis of the intermediate applications list shown in Table 21 in Section 4 is driven mainly by newly forming households.



## Appendix A: Affordable Housing Needs Model Outputs

### Scenario A: Affordable Housing Needs – Reasonable Preference Using CLG Household Projection 2011

Step		Crawley	Horsham	Mid Sussex	Source
<b>Stage 1: Current Housing Need (Gross)</b>					
1.1	Homeless Households and those in Temporary Accommodation	0	0	0	Local Authority Waiting List
1.2	Overcrowding and Concealed Households	0	0	0	Local Authority Waiting List
1.3	Households in Need in Reasonable Preference Groups	872	265	314	Local Authority Waiting List
1.4	<b>Total Current Affordable Housing Need (Gross) (1.1 + 1.2 + 1.3)</b>	<b>872</b>	<b>265</b>	<b>314</b>	CCL calculation
<b>Stage 2: Future Affordable Housing Needs</b>					
2.1	New Household Formation (Gross)	646	699	546	CLG Household Projections 2011
2.2	Proportion of Households Unable to Buy or Rent	55.9	45	44.2	CACI Paycheck, VOA and TPD
2.3	Existing Households Falling into Need and Housed per Annum	178	134	105	CORE
2.4	<b>Total Newly Arising Need (Gross Per Year) (2.1 x 2.2 + 2.3)</b>	<b>539</b>	<b>449</b>	<b>346</b>	CCL calculation
<b>Stage 3: Affordable Housing Supply</b>					
3.1	Affordable Dwellings Occupied by Households in Need	0	0	0	Local Authority Monitoring Records
3.2	Surplus Affordable Housing Stock	0	0	0	Local Authority Monitoring Records
3.3	Committed Supply of New Affordable Housing	1063	624	906	Local Authority Monitoring Records
3.4	Units to be taken out of Management	0	0	0	Local Authority
3.5	<b>Total Available Affordable Housing Stock (3.1 + 3.2 + 3.3 - 3.4)</b>	<b>1063</b>	<b>624</b>	<b>906</b>	CCL calculation
3.6	Annual Supply of Social Re-lets (net)	283	175	128	CORE
3.7	Annual Supply of Intermediate Affordable Housing for sale/let at sub-market level	40	13	43	CLG Live Table 1007
3.8	<b>Annual Supply of Affordable Housing (3.6 + 3.7)</b>	<b>323</b>	<b>188</b>	<b>171</b>	CCL calculation
A	<b>Total Net Need (1.4 - 3.5)</b>	<b>-191</b>	<b>-359</b>	<b>-592</b>	CCL calculation
B	Annual Flow Backlog (10%) of Total Net Need - 10yr period to relieve (A/10 years)	-19	-36	-59	CCL calculation
C	<b>Net Annual Housing Need (2.4 + Annual Flow (B) - 3.8)</b>	<b>197</b>	<b>225</b>	<b>116</b>	CCL calculation

## Scenario B: Affordable Housing Needs – Reasonable Preference Using CLG Household Projection Constrained to 16-44 Years Age Cohorts

Step		Crawley	Horsham	Mid Sussex	Source
<b>Stage 1: Current Housing Need (Gross)</b>					
1.1	Homeless Households and those in Temporary Accommodation	0	0	0	Local Authority Waiting List
1.2	Overcrowding and Concealed Households	0	0	0	Local Authority Waiting List
1.3	Households in Need in Reasonable Preference Groups	872	265	314	Local Authority Waiting List
1.4	<b>Total Current Affordable Housing Need (Gross) (1.1 + 1.2 + 1.3)</b>	<b>872</b>	<b>265</b>	<b>314</b>	CCL calculation
<b>Stage 2: Future Affordable Housing Needs</b>					
2.1	New Household Formation (Gross)	1110	1049	1113	CLG Household Projections, Constrained 16-44 Years Cohorts
2.2	Proportion of Households Unable to Buy or Rent	55.9	45	44.2	CACI Paycheck, VOA and TPD
2.3	Existing Households Falling into Need and Housed per Annum	178	134	105	CORE
2.4	<b>Total Newly Arising Need (Gross Per Year) (2.1 x 2.2 + 2.3)</b>	<b>798</b>	<b>606</b>	<b>597</b>	CCL calculation
<b>Stage 3: Affordable Housing Supply</b>					
3.1	Affordable Dwellings Occupied by Households in Need	0	0	0	Local Authority Monitoring Records
3.2	Surplus Affordable Housing Stock	0	0	0	Local Authority Monitoring Records
3.3	Committed Supply of New Affordable Housing	1063	624	906	Local Authority Monitoring Records
3.4	Units to be taken out of Management	0	0	0	Local Authority
3.5	<b>Total Available Affordable Housing Stock (3.1 + 3.2 + 3.3 - 3.4)</b>	<b>1063</b>	<b>624</b>	<b>906</b>	CCL calculation
3.6	Annual Supply of Social Re-lets (net)	283	175	128	CORE
3.7	Annual Supply of Intermediate Affordable Housing for sale/let at sub-market level	40	13	43	CLG Live Table 1007
3.8	<b>Annual Supply of Affordable Housing (3.6 + 3.7)</b>	<b>323</b>	<b>188</b>	<b>171</b>	CCL calculation
A	<b>Total Net Need (1.4 - 3.5)</b>	<b>-191</b>	<b>-359</b>	<b>-592</b>	CCL calculation
B	Annual Flow Backlog (10%) of Total Net Need - 10yr period to relieve (A/10 years)	-19	-36	-59	CCL calculation
C	<b>Net Annual Housing Need (2.4 + Annual Flow (B) - 3.8)</b>	<b>456</b>	<b>382</b>	<b>367</b>	CCL calculation

### Scenario C: Affordable Housing Needs – Total Housing Waiting List Using CLG Household Projection, 2011

Step		Crawley	Horsham	Mid Sussex	Source
<b>Stage 1: Current Housing Need (Gross)</b>					
1.1	Homeless Households and those in Temporary Accommodation	0	0	0	Local Authority Waiting List
1.2	Overcrowding and Concealed Households	0	0	0	Local Authority Waiting List
1.3	Households on Waiting List	1578	479	1383	Local Authority Waiting List
1.4	<b>Total Current Affordable Housing Need (Gross) (1.1 + 1.2 + 1.3)</b>	<b>1578</b>	<b>479</b>	<b>1383</b>	CCL calculation
<b>Stage 2: Future Affordable Housing Needs</b>					
2.1	New Household Formation (Gross)	646	699	546	CLG Household Projections 2011
2.2	Proportion of Households Unable to Buy or Rent	55.9	45	44.2	CACI Paycheck, VOA and TPD
2.3	Existing Households Falling into Need and Housed per Annum	178	134	105	CORE
2.4	<b>Total Newly Arising Need (Gross Per Year) (2.1 x 2.2 + 2.3)</b>	<b>539</b>	<b>449</b>	<b>346</b>	CCL calculation
<b>Stage 3: Affordable Housing Supply</b>					
3.1	Affordable Dwellings Occupied by Households in Need	0	0	0	Local Authority Monitoring Records
3.2	Surplus Affordable Housing Stock	0	0	0	Local Authority Monitoring Records
3.3	Committed Supply of New Affordable Housing	1063	624	906	Local Authority Monitoring Records
3.4	Units to be taken out of Management	0	0	0	Local Authority
3.5	<b>Total Available Affordable Housing Stock (3.1 + 3.2 + 3.3 - 3.4)</b>	<b>1063</b>	<b>624</b>	<b>906</b>	CCL calculation
3.6	Annual Supply of Social Re-lets (net)	283	175	128	CORE
3.7	Annual Supply of Intermediate Affordable Housing for sale/let at sub-market level	40	13	43	CLG Live Table 1007
3.8	<b>Annual Supply of Affordable Housing (3.6 + 3.7)</b>	<b>323</b>	<b>188</b>	<b>171</b>	CCL calculation
A	<b>Total Net Need (1.4 - 3.5)</b>	<b>515</b>	<b>-145</b>	<b>477</b>	CCL calculation
B	Annual Flow Backlog (10%) of Total Net Need - 10yr period to relieve (A/10 years)	52	-15	48	CCL calculation
C	<b>Net Annual Housing Need (2.4 + Annual Flow (B) - 3.8)</b>	<b>268</b>	<b>246</b>	<b>223</b>	CCL calculation

## Scenario D: Affordable Housing Needs – Total Housing Waiting List Using CLG Household Projection Constrained to 16-44 Years Age Cohorts

Step		Crawley	Horsham	Mid Sussex	Source
<b>Stage 1: Current Housing Need (Gross)</b>					
1.1	Homeless Households and those in Temporary Accommodation	0	0	0	Local Authority Waiting List
1.2	Overcrowding and Concealed Households	0	0	0	Local Authority Waiting List
1.3	Households on Waiting List	1578	479	1383	Local Authority Waiting List
1.4	<b>Total Current Affordable Housing Need (Gross) (1.1 + 1.2 + 1.3)</b>	<b>1578</b>	<b>479</b>	<b>1383</b>	CCL calculation
<b>Stage 2: Future Affordable Housing Needs</b>					
2.1	New Household Formation (Gross)	1110	1049	1113	CLG Household Projections, Constrained 16-44 Years Cohorts
2.2	Proportion of Households Unable to Buy or Rent	55.9	45	44.2	CACI Paycheck, VOA and TPDL
2.3	Existing Households Falling into Need and Housed per Annum	178	134	105	CORE
2.4	<b>Total Newly Arising Need (Gross Per Year) (2.1 x 2.2 + 2.3)</b>	<b>798</b>	<b>606</b>	<b>597</b>	CCL calculation
<b>Stage 3: Affordable Housing Supply</b>					
3.1	Affordable Dwellings Occupied by Households in Need	0	0	0	Local Authority Monitoring Records
3.2	Surplus Affordable Housing Stock	0	0	0	Local Authority Monitoring Records
3.3	Committed Supply of New Affordable Housing	1063	624	906	Local Authority Monitoring Records
3.4	Units to be taken out of Management	0	0	0	Local Authority
3.5	<b>Total Available Affordable Housing Stock (3.1 + 3.2 + 3.3 - 3.4)</b>	<b>1063</b>	<b>624</b>	<b>906</b>	CCL calculation
3.6	Annual Supply of Social Re-lets (net)	283	175	128	CORE
3.7	Annual Supply of Intermediate Affordable Housing for sale/let at sub-market level	40	13	43	CLG Live Table 1007
3.8	<b>Annual Supply of Affordable Housing (3.6 + 3.7)</b>	<b>323</b>	<b>188</b>	<b>171</b>	CCL calculation
A	<b>Total Net Need (1.4 - 3.5)</b>	<b>515</b>	<b>-145</b>	<b>477</b>	CCL calculation
B	Annual Flow Backlog (10%) of Total Net Need - 10yr period to relieve (A/10 years)	52	-15	48	CCL calculation
C	<b>Net Annual Housing Need (2.4 + Annual Flow (B) - 3.8)</b>	<b>527</b>	<b>404</b>	<b>474</b>	CCL calculation

## Appendix B: Affordable Housing Needs Model Data Sources

Model Step	Input Data	Source	Comments
1.1	Homeless Households and those in Temporary Accommodation	Local Authority Waiting List	Assumed included in LA Waiting List
1.2	Overcrowding and Concealed Households	Local Authority Waiting List	Assumed included in LA Waiting List
1.3	Total Households on Waiting List	Local Authority Waiting List	From current Housing Waiting List
1.3	Households in Need in Reasonable Preference Groups	Local Authority Waiting List	From current Housing Waiting List
2.1	New Household Formation (Gross)	Local Authority	Gross Household Formation - from CLG Household Projection 2011-Base  Gross Household Formation – from CLG Household Projection Constrained to 16-44 Years Cohorts
2.2	Proportion of Households Unable to Buy or Rent	CACI Paycheck, VOA and TPDL data	CCL calculation
2.3	Existing Households Falling into Need and Housed per Annum	CORE	Three year average total new General Needs lettings (minus newly forming households and excluding transfers)

Model Step	Input Data	Source	Comments
3.1	Affordable Dwellings Occupied by Households in Need	Local Authority Monitoring Records	
3.2	Surplus Affordable Housing Stock	Local Authority Monitoring Records	
3.3	Committed Supply of New Affordable Housing	Local Authority Monitoring Records	All Sites with Extant Outline/ Detailed Planning Permission including Affordable Housing
3.4	Units to be taken out of Management	Local Authority	Excluding Right to Buy
3.6	Annual Supply of Social Re-lets (net)	CORE	Three year average number of re-lets
3.7	Annual Supply of Intermediate Affordable Housing for sale/let at sub-market level	CLG Live Table 1007	Three year average number of Intermediate Units supplied
	Backlog Reduction Modelling Period in Years	N/A	Assumes 10 year period to relieve backlog of affordable housing need

## Appendix C: Net Commuting Flows for Crawley, Horsham and Mid Sussex

The following charts show the principal net-commuting flows (in-flows minus out-flows) for each local authority area in Northern West Sussex. The data is drawn from the 2011 Census publication of Travel to Work data in July 2014.



