



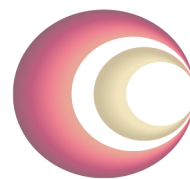
IT'S ALL IN THE DETAIL

STARTER HOMES NEEDS AND IMPLICATIONS

Crawley Borough Council and Horsham
District Council

November 2016

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1. INTRODUCTION

Overview

- 1.1 In September 2016 Chilmark Consulting Ltd. (CCL) was instructed by Crawley Borough Council (CBC) and Horsham District Council (HDC) to undertake a focused analysis of the scale, characteristics and implications of delivering Starter Homes in both local authority areas.
- 1.2 The Government's objectives to deliver new Starter Homes is articulated through the *Housing and Planning Act, 2016* together with a *Written Ministerial Statement* by the Secretary of State for Communities and Local Government and through changes to the *National Planning Policy Framework* (NPPF) that have been the subject of public consultation but are not yet finalised at the time of writing.
- 1.3 These various strategy, policy and legal documents show a clear commitment to support the delivery of 200,000 Starter Homes for sale by 2020 in England.
- 1.4 The Government's intentions are to ensure that there is a greater emphasis on the construction and delivery of new Starter Homes for first time buyers under the age of 40 years.
- 1.5 The legislation establishes that the provision of Starter Homes has the following eligibility criteria:
 - First time buyers under the age of 40 years;
 - Starter Homes must be priced at a minimum 20% discount to the average market purchase price for a first time buyer; and
 - a price cap mechanism restricts the upper price for a Starter Home. The *Housing and Planning Act* establishes the price cap at £250,000 outside Greater London and is the relevant cap for Crawley and Horsham District.
- 1.6 The Government has consulted on changes to national planning policy, including changes to the definition of Affordable Housing to include Starter Homes and other, as yet, undefined home ownership products. The NPPF consultation indicated that Government will publish subsequent details on how local authorities should secure Starter Homes including the scale thresholds of sites where Starter Homes will be required and possibly the proportion of Starter Homes necessary within the overall housing mix for sites of different sizes.
- 1.7 Since the NPPF consultation the *Starter Homes Regulations – Technical Consultation* was published in March 2016. The purpose of the draft Regulations is to set out greater technical detail about the mechanisms and procedures to support Starter Homes clauses in the *Housing and Planning Act* (2016). At the time of writing, the findings of the consultation and any revisions to the Regulations has not been published.

Scope of Work

- 1.8 To support the robustness of the two local authorities adopted Local Plans and to aid future plan-making and planning decisions, the Councils are seeking an analysis of the scale and nature of Starter Homes requirements and the implications that may arise in terms of securing a mix of affordable housing including affordable rent and intermediate tenures.
- 1.9 To achieve this, three inter-related objectives form the principal scope of work:
- identify the current scale and composition of households in Crawley and Horsham that may be eligible to purchase a Starter Home;
 - assess the future scale of households eligible for Starter Homes over the adopted plan periods;
 - review the potential effects of the provision of Starter Homes on meeting the full range of affordable housing needs of Crawley and of Horsham.
- 1.10 The work undertaken in this Report is in accordance with the relevant planning policy guidance and legal framework for the delivery of Starter Homes as described in greater detail in Section 2.

Structure of the Report

- 1.11 Following this introductory section, the Report is set out as follows:
- **Section 2** – summarises the relevant national and local policy and legal context for Starter Homes;
 - **Section 3** – sets out an assessment of the current and future scale and composition of households eligible for Starter Homes in Crawley and Horsham;
 - **Section 4** – considers the potential effects and impacts of delivering Starter Homes for the wider provision of other forms of Affordable Housing;
 - **Section 5** – offers a short review of the types of new housing available on the private market in Crawley and in Horsham that would currently fall within the definition of Starter Homes;
 - **Section 6** – draws the work together with relevant summary conclusions arising; and
 - **Appendices** – provide relevant data analysis and supporting sensitivity testing.

2. BACKGROUND CONTEXT

Introduction

- 2.1 This section of the Report summarises the relevant national policy and emerging legal framework for the delivery of Starter Homes. It also offers an overview of the relevant local policy in the Crawley and Horsham District Planning Framework (HDPF) and its supporting evidence base.
- 2.2 It is not the intention of this section to provide a comprehensive recitation of all policy and legal requirements, but rather to aid the reader to understand the principal matters concerning Starter Homes and the basis for considering the nature and scale of the potential market for such a housing product.

National Policy

Current Policy

- 2.3 The Government has set an objective to create 200,000 new Starter Homes for purchase by 2020/21 across the country and has allocated some £2.3bn to support delivery. The HM Treasury *Autumn Statement and Comprehensive Spending Review* (November 2015) has re-affirmed the Government's commitment to securing new Starter Homes.
- 2.4 Current planning policy on Starter Homes is included in:
- *The Housing and Planning Act, 2016*;
 - *the National Planning Practice Guidance* at Section 55;
 - *Fixing the Foundations: Creating a More Prosperous Nation (the Productivity Plan)*; and
 - *Written Ministerial Statement* (Secretary of State for Communities and Local Government).

The Housing and Planning Act, 2016

- 2.5 The *Housing and Planning Act, 2016* was passed into law on 12th May 2016.
- 2.6 Part I (New Homes in England) of the *Housing and Planning Act* (2016) is concerned with Starter Homes at Chapter 1. This highlights the Government's intention to promote the supply of Starter Homes in England.
- 2.7 Paragraph 2 defines a Starter Home as a building or part of a building that:
- a) is a new dwelling;
 - b) is available for purchase by qualifying first time buyers only;
 - c) is sold at a discount of at least 20% of the market value;
 - d) is to be sold for less than the price cap;
 - e) is subject to any restrictions on sale or letting specified in regulations made by the Secretary of State.

- 2.8 Paragraph 3 defines a ‘qualifying first time buyer’ as an individual who:
- a) Is a first time buyer;
 - b) Is at least 23 years old but has not reached the age of 40 years; and
 - c) meets any other criteria specified in regulations made by the Secretary of State (for example, relating to nationality).
- 2.9 Paragraph 6 sets out the ‘price cap’ which is £250,000 outside Greater London (applicable to both Crawley Borough and Horsham District) and £450,000 in Greater London.
- 2.10 Paragraph 7 allows the Secretary of State to amend the definition of ‘first time buyer’ and disapply the age requirement for certain categories of people. Paragraph 8 allows regulations to amend the ‘price cap’ for different areas inside and outwith Greater London (i.e. offering greater granularity and variation over price caps to align with local market conditions).
- 2.11 Clause 3 is concerned with powers to require payments or discounts on resale of Starter Homes within a specified period and/or to prohibit re-sale within a specified period.
- 2.12 Clause 4 prescribes a general duty to promote the supply of Starter Homes. In paragraph 1 the Act requires local authorities to carry out relevant planning functions with a view to promoting the supply of Starter Homes in their areas.
- 2.13 Clause 5 which is focused in the provision of planning permission for Starter Homes, allows for the making of subsequent regulations to establish particular requirements or conditions for the grant of planning permission for Starter Homes. For example at paragraph 5, the Act identifies that regulations might allow local planning authorities to grant planning permission only if a person has entered into a planning obligation to provide a certain number of Starter Homes, or to pay a sum to be used by the authority for their provision (i.e. off-site contributions in lieu).
- 2.14 Paragraph 7 of Clause 5 identifies that the regulations may confer discretions on a planning authority.
- 2.15 At the time of writing, the final Regulations to support the Act have not been published. A consultation exercise on draft technical regulations has been held (as set out below) but the findings and implications of this engagement have not been made available.

National Planning Practice Guidance

- 2.16 Starter Homes are defined in the *National Planning Practice Guidance* (NPPG) at Section 55 (updated in March 2015) at paragraph 002, as new homes for sale to first time buyers under the age of 40 years (at the date of purchase), at a minimum discount of 20% to the open market value of the area. An upper value cap for Starter Homes has been set at £250,000 (£450,000 in Greater London). The NPPG states:

“A Starter Home is expected to be well designed and suitable for young first time buyers. Local planning authorities and developers should work together to determine what size and type of Starter Home is most appropriate for a particular Starter Home exemption site reflecting their knowledge of local housing markets and sites. A Starter Home is not expected to be priced after the discount significantly more than the average price paid by a first time buyer. This would mean the discounted

price should be no more than £250,000 outside London and £450,000 in London”.

- 2.17 The NPPG also advises at paragraph 005 that there should be appropriate restrictions to ensure that Starter Homes are not resold or let at their market value for five years following the initial sale. The restrictions of eligibility and resale are to be secured by way of planning obligations.

Fixing the Foundations: Productivity Plan

- 2.18 The Government published *Fixing the Foundations: Creating a More Prosperous Nation* (the Productivity Plan) in July 2015. Amongst many matters covered in this document, it sets out the Government's intention to bring forward proposals to extend the rural site exception policies and strengthen the presumption in favour of Starter Homes developments.
- 2.19 The document indicated that unviable, underused brownfield land would be the initial focus of Starter Home developments with policy changes to ensure that un-needed commercial land could be released for housing.
- 2.20 Changes to the *National Planning Policy Framework* now proposed (see below) are intended to make it clear that employment land should be released unless there is significant and compelling evidence to justify why such land should be retained for employment use.

Written Ministerial Statement

- 2.21 The *Starter Homes Written Ministerial Statement* (former Secretary of State for Communities and Local Government, Brandon Lewis MP) (2nd March 2015) forms part of the current national planning policy. The Ministerial Statement confirmed the use of exception site planning policy to release land for Starter Homes.
- 2.22 The Written Ministerial Statement confirmed that:

“Local planning authorities should work in a positive and proactive way with landowners and developers to secure a supply of sites suitable for housing for first- time buyers. In particular, they should look for opportunities to create high quality, well designed starter homes through exception sites on commercial and industrial land that is either under used or unviable in its current or former use, and which has not currently been identified for housing.

Where applications for starter homes come forward on such exception sites, they should be approved unless the local planning authority can demonstrate that there are overriding conflicts with the national planning policy framework that cannot be mitigated.

Planning obligations should be attached to permissions for starter homes on starter homes exception sites, requiring that the homes are offered for sale at a minimum of 20% below open market price, to young first- time buyers who want to own and occupy a home. They should also prevent the re-sale and letting of the properties at open market value for a five-year period.

In view of their contribution to meeting housing needs, starter homes exception sites should not be required to make section 106 affordable housing or tariff-style contributions.

Exception sites may include a small proportion of market homes, at the planning authority's discretion, where this is essential to secure the required level of discount for the starter homes on the site.

Starter homes developments are expected to be well- designed and of a high quality, contributing to the creation of sustainable places where people want to live, work and put down roots to become part of the local community. A new design advisory panel set up by the Government, involving leading industry experts, is developing an initial set of exemplar designs for starter homes which we expect to publish shortly for wider comment. While recognising the need for local flexibility, we would expect these designs over time to become the default approach to design to be considered for starter homes developments.

This new national planning policy should be taken into account in plan-making and decision-taking, and should be read alongside other policies in the national planning policy framework”.

Emerging Policy Requirements

- 2.23 Starter Homes have been the subject of two further policy and regulation consultations conducted during the early part of 2016. The findings of those consultation exercises have not been published and there have not been any further amendments or revision proposed since:

- *Consultation on Proposed Changes to National Planning Policy; and*
- *Starter Homes Regulations – Technical Consultation.*

Consultation on Proposed Changes to National Planning Policy

- 2.24 The Department for Communities and Local Government (DCLG) undertook a public consultation (that closed on 22nd February 2016) focused on changes to national policy in order to support affordable housing delivery and the provision of Starter Homes.

- 2.25 Paragraphs 6 – 12 of the NPPF Consultation are concerned with affordable housing. Paragraph 9 sets out the Government's intention to amend the definition of Affordable Housing in Annex 2 of the NPPF to include:

“a fuller range of products that can support people to access home ownership”.

- 2.26 The definition will continue to include products for rent and for ownership by households whose needs are not met by the market, but critically this will now include low cost market housing, intermediate rent and discount market sales as well as rent-to-buy products.

- 2.27 Paragraph 11 establishes that the *Housing and Planning Act* will introduce a statutory duty on local authorities to promote the delivery of Starter Homes and a requirement for a proportion of Starter Homes to be delivered:

“on all suitable reasonably-sized housing developments”.

The level at which the requirement for Starter Homes to be provided on-site is to be set, is indicated to be the subject of a further consultation process.

- 2.28 In paragraph 41 of the NPPF Consultation, the Government sets out proposals to modify the NPPF to offer greater certainty that planning permission will be granted for suitable Starter Home proposals on exception sites. The policy amendments are suggested to include clarity that:

“planning applications can only be rejected if there are over-riding design, infrastructure and local environmental (flood risk) considerations that cannot be mitigated”.

- 2.29 Paragraphs 43 and 44 of the NPPF Consultation are concerned with encouraging Starter Homes within mixed-use commercial developments. The proposals include bringing Starter Homes into town centres to help drive regeneration and shopper footfall as a benefit to the wider community.
- 2.30 In paragraphs 45 to 47, Starter Homes in rural areas are supported. The NPPF Consultation considers that Starter Homes can provide a valuable source of housing in rural areas and that if they are classified as Affordable Housing then it is possible for them to be delivered through the existing rural exception site policy.
- 2.31 At paragraph 47, the consultation suggests that Starter Homes on rural exception sites should be subject to five-year minimum resale limits to ensure that local people are able to maximise the value of the home and secure a long term place in the local housing market. The consultation proposes that there would be local flexibility and discretion to require a ‘local connection’ test to reflect the particular needs of some rural areas.
- 2.32 Finally, in paragraphs 48 and 49, the NPPF Consultation confirms that Neighbourhood Plans present a further opportunity to provide housing for young people and that the Government supports the role of Neighbourhood Plans to consider such opportunities. The Government intends to modify national policy so that Neighbourhood Plans can allocate small-scale sites in the Green Belt specifically for Starter Homes, and offer discretion to determine the scope of a small-scale site.

Starter Homes Regulations – Technical Consultation

- 2.33 The *Starter Homes Regulations – Technical Consultation* was published in March 2016.
- 2.34 The purpose of the draft Regulations is to set out greater technical detail about the mechanisms and procedures to support Starter Homes clauses in the *Housing and Planning Act (2016)*.
- 2.35 The proposed regulations relate only to England and were subject to public consultation ending on 30th June 2016.
- 2.36 Section 1 of the Regulations summaries the Government’s commitment to increasing home ownership and widening housing opportunities, particularly for young first time buyers. It re-states the objective to deliver 200,000 Starter Homes in England and confirms that such homes should be exclusively available for first time buyers under the age of 40 years and sold at a discount of at least 20% of the market price.
- 2.37 The *Housing and Planning Act* proposes a statutory framework to deliver the objectives, including:

- a statutory definition of a starter home;
 - a general duty on local planning authorities to promote the supply of starter homes when carrying out their planning functions;
 - the ability to set a starter homes requirement, meaning that local planning authorities may only grant planning permission for residential development if the starter homes requirement is met;
 - reporting arrangements to ensure local communities, and especially first time buyers, are aware of what action local planning authorities are taking to support the delivery of starter homes; and
 - powers for the Secretary of State to intervene if local planning authorities fail to carry out their functions related to starter homes.
- 2.38 Section 2 reconfirms the definition of a Starter Home as a new dwelling only available for purchase by qualifying first-time buyers and which is made available at a price which is at least 20% less than its market value but which is below a price cap. The relevant price cap for Crawley and for Horsham is £250,000 as specified in the *Housing and Planning Act*.
- 2.39 The proposed technical regulations include the imposition of a restriction on the re-sale of Starter Homes at full market value for a specified period. A tapered approach to sale value over time is also being considered, stepping up to 100% market value sale over time and the Government has indicated that it does not support extending the restricted sale period beyond eight years from occupation. Further restrictions to prohibit Starter Homes to be used as Buy-to Let properties are suggested with the Regulations noting that these properties are intended for owner occupation.
- 2.40 Section 2 of the Regulations considers the age eligibility criteria and states that buyers must be under the age of 40 but where there are joint purchasers and both are qualifying first time buyers but one is over 40 years, they should be able jointly to buy a Starter Home. The Regulations propose that injured service personnel (and those whose partner has died in service) should be exempt from the age restriction.
- 2.41 Section 3 *considers the requirements for Starter Homes*. The *Housing and Planning Act* provides the Secretary of State with the power to make regulations to ensure that Starter Homes are developed on all reasonably sized housing sites.
- 2.42 Starter Home requirements could therefore include the provision of a specific number or proportion of such homes on a site or the payment of a commuted sum to the planning authority for provision off-site.
- 2.43 Critically, the Regulations recognise the importance of continuing local flexibility to secure additional S106 planning obligations that support shared ownership and other forms of affordable housing where it is viable and where there is a demonstrable local need.
- 2.44 The Regulations therefore propose that the Starter Homes requirement applies to sites which meet at least one of the following criteria as a minimum:
- **10 units or more; or**
 - **0.5 hectares site size.**
- 2.45 Section 3 also sets out the Government's intention that there will be a clear percentage requirement for the number of Starter Homes to be delivered on

relevant residential developments. The requirement would be secured by S106 agreement.

- 2.46 The proposal is for a national minimum requirement of **20%** of all homes to be delivered as Starter Homes on relevant residential sites.
- 2.47 There are some exemptions to this requirement proposed and the consultation Regulations suggest that this could include situations where it can be demonstrated that the Starter Homes requirement would render a site unviable. Clear evidence from the developer that the scheme could not support Starter Homes and that no other affordable housing contributions are being provided would be needed. The Government intend to introduce flexibility in the Regulations to allow lower percentages of Starter Homes to be provided.
- 2.48 The Regulations also identify that in most cases, the Starter Homes requirements should be an on-site provision. However, some flexibility is anticipated and the *Housing and Planning Act* does allow for off-site, commuted sums in lieu of on-site provision. Such sums would be used for Starter Homes provision elsewhere. The off-site contribution should be based on the cost to the developer of meeting the Starter Homes requirement.
- 2.49 Since the consultation on the Technical Regulations there has been a change in the Government's Minister for planning and housing.
- 2.50 The New Minister for Housing, Planning and Minister for London, the Hon Gavin Barwell MP has signalled a potential change to the Government's approach to Starter Homes. The Minister has identified that there is the possibility that other tenures (such as discounted rent) may be included within the target of delivering 200,000 Starter Homes by 2020. In a conference speech on 13th September 2016, the Minister noted that he would be looking at whether a wider range of affordable housing products could be included, not just homes for sale. A Housing White Paper is now awaited in autumn 2016 that may provide additional details.

Local Policy

Planned Housing Requirements: Crawley Borough

- 2.51 Crawley Borough adopted its *Crawley Borough Local Plan 2015-2030* on 16th December 2015.
- 2.52 The Plan identifies a planned housing requirement of **5,100** dwellings in the plan period (**340** dpa). The Plan's strategy for housing set out in Policy H1 (Housing Provision) is based on meeting housing needs in the Borough and then accommodating the acknowledged unmet needs (some **5,000** dwellings) within other local authority areas principally in the Northern West Sussex Housing Market Area that includes Horsham District and Mid Sussex District.
- 2.53 A total affordable housing need of between **197** and **456** dpa (modelled for housing those groups in reasonable preference categories) has been identified through the *Northern West Sussex Affordable Housing Needs Update* (October 2014) and confirmed in the *Objective Assessment of Crawley's Housing and Economic Needs* (March 2015) (OACHEN) which supported the Crawley Borough Local Plan.

- 2.54 The Plan confirms in Policy H4 (Affordable and Low Cost Housing) that **40%** of new residential development should be affordable housing with a **70:30** affordable rent and intermediate tenure split.
- 2.55 Policy H4 also requires **10%** low cost housing provision in addition to the 40% affordable housing requirement. Low cost housing is defined as offering up to 10% discount to first time buyers. Low cost housing as defined in this way lies outside the definition of Affordable Housing as set out in the NPPF at Annex 2.
- 2.56 Crawley's plan policies do not include explicit provision for Starter Homes as, at the time of its preparation, such housing products were not actively promoted by Government nor were they included within the definition of Affordable Housing set out in the NPPF. The provision for low cost housing in Policy H4 does not have the same characteristics or basis as the definition of Starter Homes set out in the *Housing and Planning Act, 2016*.

Planned Housing Requirements: Horsham District

- 2.57 Horsham District adopted its Local Plan on 27th November 2015.
- 2.58 Policy I5 (Strategic Policy: Housing Provision) has a housing requirement of 16,000 dwellings in the plan period from 2011-2031 (representing **800** dpa).
- 2.59 Affordable housing needs are dealt with in Policy I6 (Strategic Policy: Meeting Local Housing Needs). This establishes a **35%** affordable housing provision on sites of more than 15 dwellings or over 0.5 Ha and a **20%** provision on sites of 5-14 dwellings. A tenure split of 70:30 affordable rent : intermediate tenures is sought.
- 2.60 The total affordable housing needs for Horsham were established through the *Northern West Sussex Affordable Housing Needs Update* (October 2014). This identified an affordable housing need range of between **225** and **382** dpa (for those groups in reasonable preference categories).
- 2.61 Horsham's plan policies do not include explicit provision for Starter Homes as, at the time of its preparation, such housing products were not actively promoted by Government nor were they included within the definition of Affordable Housing set out in the NPPF.

3. ELIGIBILITY FOR STARTER HOMES

Introduction

- 3.1 In this section the scale and composition of households eligible for Starter Homes is identified and assessed. The section also considers house prices in Crawley Borough and Horsham District in order to understand the market average and therefore the Starter Home discounted price level within the statutory price cap established by the *Housing and Planning Act*. Household eligibility and house prices are then examined together, both as at 2016, and inflated over the period to 2031, in order to understand the future scale and composition of eligibility for Starter Homes.

Data Sources and Assumptions

- 3.2 The analysis set out herein uses published secondary source data and information available from a variety of public sources including DCLG, ONS, HMLR and TPD. All data sources are shown and the calculations or manipulations undertaken are described in each sub-section as necessary.
- 3.3 Given that detailed information about the nature of provision and expectations from Government concerning Starter Homes delivery is still developing, it has been necessary to make a series of assumptions concerning the definition of average house prices against which the market cap and discount can be established for Crawley and Horsham. The assumptions and limitations are detailed in the relevant sub-sections that follow.

Scale of Eligible Households

- 3.4 The approach to assessing the potential scale of 'eligible households' to the Starter Homes initiative has used the following broad 'cascade' structure:
- what is the current and projected total number of households in Crawley and Horsham? This was used as a reference point for the data analysis;
 - how many households are in the 24-39 age group category within Crawley and Horsham? This identified the theoretical 'maximum' market for Starter Homes;
 - what proportion of households in the 24-39 age group category **do not** already own a dwelling in some form? This identified the theoretical 'effective maximum' market for Starter Homes;
 - what proportion of the above 'non-owning' households can afford to buy a Starter Home? This identified the 'maximum affordability' market based on reasonable assumptions about house price and income levels; and
 - in addition, as an alternative approach, an analysis of the potential market for Starter Homes based on sales transaction evidence was assessed.

- 3.5 Table 3.1 summarises the current and projected total number of households in Crawley and Horsham and those in the 24-39 age cohort¹.
- 3.6 The CLG 2012-based Household Projections have been used as the primary basis of assessing the impacts of the Starter Home initiative, as this is the base upon which the Crawley Borough and Horsham District Local Plans have both been adopted. An analysis has however also been carried out on the CLG 2014-based Household Projections, and the results are summarised in **Appendix A2**. The results are also applied as part of the sensitivity analysis presented at the end of this Section.
- 3.7 In terms of the 24-39 age group, the number of households in 2016 is identified as **13,084** in Crawley and **9,806** in Horsham based on the CLG 2012 Household Projections.
- 3.8 An additional **575** households are expected to be added to this total by 2031 in Horsham², although Crawley may see a small net reduction in such households by **5**. This net reduction has not been included in the assessment of the 'potential starter home market' in order to provide the most demanding assessment.
- 3.9 In total, therefore, the theoretical maximum market for Starter Homes in Crawley and Horsham is **24,035**, or an annual equivalent of **1,602** households. It should be emphasised that this is the **theoretical** maximum. It takes no account of 24-39 year olds who already own a property, and does not take into account affordability factors.
- 3.10 The equivalent analysis has been carried out based on the CLG 2014 Household Projections. On this basis the number of households in 2016 in the 24-39 Age Group is identified as **12,952** in Crawley and **9,643** in Horsham. Taking account of net additions to households in the 24-39 Age Group category between 2016 and 2031 (and discounting any negative change in household numbers), then the theoretical maximum market for Starter Homes in Crawley and Horsham is **23,438**, or an annual equivalent of **1,563** households.

¹ CLG and ONS data is typically based upon Age Group cohorts of 25-29, 30-34 and 35-39. The aggregate of this data has normally been used as the basis for determining the 24-39 Age Group analysis presented in this Section.

² The 575 may be a slight under-recording of potential demand as it is a net figure (i.e. people entering the 24-39 age group and people leaving this group). There may be a higher number of people entering the 24-39 age group who would be technically eligible for the Starter Home initiative, whilst a proportion of those leaving the 24-39 age group may have purchased a residential property by that stage.

Table 3.1: Crawley and Horsham Household Projections, 2016 - 31

	Location	2016	2031	Net Change 2016-31	Potential Starter Home Market
All Households (CLG 2012 Projections)	Crawley	45,949	54,637	8,688	-
	Horsham	57,813	66,943	9,130	-
	Total	103,762	121,580	17,818	-
24-39 Age Group	Crawley	13,084	13,079	-5	13,079
	Horsham	9,806	10,381	575	10,956
	Total	22,890	23,460	570	24,035
All Households (CLG 2014 Projections)	Crawley	45,587	54,219	8,632	-
	Horsham	57,805	66,854	9,049	-
	Total	103,392	121,073	17,681	-
24-39 Age Group	Crawley	12,952	12,833	-119	12,833
	Horsham	9,643	10,124	481	10,605
	Total	22,595	22,957	362	23,438

Source: 2012 CLG Household Components Projections, March 2015; 2014 CLG Household Components Projections, July 2016

- 3.11 Table 3.2 examines the issue of existing home-ownership in the 24-39 age group in Crawley and Horsham in more detail. This is developed from the household data summarised in Table 3.1.
- 3.12 The number of 24-39 year olds living with parents is identified (**1,832** in Crawley and **1,373** in Horsham). In addition, 38% of households in Crawley and 23% of households in Horsham rent in some form, and it is assumed that these proportions apply to the 24-39 years' cohort group as well. Arguably, the proportion may be higher, but a cautious approach has been taken; this equates to **7,227** households in total across the two authorities.
- 3.13 In total it is estimated that **10,432** of households in the 24-39 age group in 2016 are not already property owners across Crawley and Horsham, and therefore qualify as first-time buyers. It is further assumed that all of the net additions to households over the 2017-31 period (575) will be potential first time buyers.
- 3.14 This gives an overall '**effective maximum**' total of **11,007** households in the 24-39 age group that would theoretically qualify for the Starter Home initiative across Crawley and Horsham. This is an annual equivalent of **734**.

Table 3.2: Crawley and Horsham Home Ownership in the 24-39 Age Group

	Households (2016)		
Assumption	Crawley	Horsham	Total
1. Total Households 24-39 Age Group	13,084	9,806	22,890
2. 14% of 24-39 Age Group live with parents	1,832	1,373	3,205
3. 38% Crawley and 23% Horsham households rent	4,972	2,255	7,227
4. Assuming renting ratios applies to 24-39 Age Group and 14% living with parents is additional. (2+3)	6,804	3,628	10,432
5. Assuming ALL net addition of 24-39 Age Group households are eligible for Starter Home	-	575	575
6. Effective maximum potential Starter Home market 2016-31 (4+5)	6,804	4,203	11,007
7. Annual Equivalent (2016-31)	454	280	734

Source: ONS, *Young Persons Living with Parents Release (November 2015)*; ONS, *2011 Census. (Table QS405EW)*; CLG *2012 Household Component Projections, March 2015*

- 3.15 As a cross-check on the 'home ownership' aspect, an alternative approach to assessing this was undertaken, and the results are summarised in Table 3.3 below.
- 3.16 The alternative approach looked at home ownership by age groups, as recorded by the *English Housing Survey*. In particular, the age groups 25-34 and 35-44 were examined and specifically the proportion who were identified as home owners. These proportions were then applied to Crawley and Horsham District (see Table 3.3 at under row A: BASE), with an adjustment to include those aged 20-24 and discount those over the age of 39 years (Table 3.3 at row B: ADJUSTED).
- 3.17 The results of the analysis indicate an overall 'effective maximum' total of **11,682** households in the 24-39 age group that could theoretically qualify for the Starter Home initiative in Crawley and Horsham. This is an annual equivalent of **779** households. It is consistent with the figures of **11,009** households, and an annual equivalent of **734** households summarised in Table 3.2 above.

Table 3.3: Crawley and Horsham Home Ownership, 24-39 Age Group – Sensitivity

% Households in Each Age Group that are Home Owners ³				
	24-34	35-44	Total 24-39	Overall 24-39 Total
England	36.7%	58.9%	-	-
A: BASE	24-34	35-44	Total 24-44	Overall 24-39 Total (CLG 2012)
Crawley H/Holds (2016)	7,725	10,079	17,804	13,084
Horsham H/Holds (2016)	5,732	8,858	14,590	9,806
Total	13,457	18,937	32,394	22,890
B: ADJUSTED	24-34	35-39	Total 24-39	Overall 24-39 Total
Crawley H/Holds (2016)	7,725	5,359	13,084	13,084
Horsham H/Holds (2016)	5,732	4,074	9,806	9,806
Total	13,457	9,433	22,890	22,890
	Based on National Rates of % H/Holds in 24-39 category, Home Ownership is:			
	24-34	35-39	Total 24-39	
Crawley	2,835	3,156	5,992	
Horsham	2,104	2,400	4,503	
Total	4,939	5,556	10,495	
% Households in 24-39 Age Group that are NOT Home Owners				
Crawley: 5,992 as % 13,084 = 46% are Home Owners. Therefore residual 54% are potentially Starter Home eligible				6,564
Horsham: 4,503 as % 9,086 = 50% are Home Owners. Therefore residual 50% are potentially Starter Home eligible				4,543
Total				11,107
Crawley - Assuming ALL net addition of 24-39 age group households 2017-31 are eligible for Starter Home				0
Horsham - Assuming ALL net addition of 24-39 age group households 2017-31 are eligible for Starter Home				575
Total				575
Overall Total				11,682
Annual Equivalent				779

Source: English Housing Survey (EHS) 2014 to 2015, Table AT1.4, DCLG (July 2016)

³ Source: English Housing Survey (EHS) 2012 to 2013, Table FC2101, DCLG. Data for 2011/12

- 3.18 The analysis in Tables 3.2 and 3.3 does **not** take account of household affordability. This is considered below, but the overall effect would be to reduce the 'potential market' figures.
- 3.19 An alternative approach to the 'demand-based' scenarios was also undertaken. This considered house sale and new build transactions levels in Crawley and Horsham and the proportion that were purchased by first time buyers in the 24-39 age group. This provides a proxy as to the actual number of Starter Home transactions, although it is more of a 'supply constrained' approach than the scenarios discussed above.
- 3.20 Table 3.4 summarises the results of this alternative analysis. It provides an idea of the potential Starter Home market based on new build transaction levels.
- 3.21 The overall result for Crawley and for Horsham is a potential demand figure of **3,218** Starter Homes in total over the period 2016-31, or **215** homes per annum. This is appreciably lower than the previous analysis results, which realistically ranged from 11,007 households (734 per annum) to 11,682 (779 per annum) households.

Table 3.4: Starter Home Market Based on New Build Transaction Levels

Component	Households (2016)		
	Crawley	Horsham	Total
1. % of housing transactions from First-Time Buyers ⁴	36%	36%	36%
2. % First-Time Buyers Aged 25-44 ⁵	77%	77%	77%
3. Annual average of ALL sales in Crawley & Horsham ⁶	1,799	2,755	4,554
4. Annual average New-Build rate in Crawley & Horsham ⁷	168	606	774
5. New Build as % All Transactions	9%	22%	17%
6. Assuming annual average ALL sales levels 2016-31 same as 2010-15, & New Build proportion same. Assuming 36% of New Build Transactions are from First-Time Buyers, and 77% are aged 24-39. Then total New Build 24-39 Age Group demand =	699	2,520	3,218
7. Annual Equivalent (2016-31)	47	168	215

Source: *Young Persons Living with Parents Release (November 2015)*; ONS, 2011 Census (Table QS405EW); CLG 2012 Household Component Projections, March 2015

Affordability Levels

- 3.23 As a final element of the Starter Homes eligible households analysis, an assessment of likely affordability levels was undertaken. This uses data on house prices in Crawley and Horsham set out later in this section of the report.
- 3.24 Tables 3.5 and 3.6 provide a breakdown of household incomes in Crawley and Horsham respectively. This is based on detailed CACI data for the District from mid-2014 and as used in the *Northern West Sussex Affordable Housing Needs Update* report (October 2014). The data has been adjusted for forecast

⁴ Source: English Housing Survey, Table FA2221. July 2016. Covering period 2014-15

⁵ Source: Mortgage Solutions (January 2014). Identified First Time Buyers in 25-44 age group made up 67% of First Time Buyer market in 2003 expected to increase to 87% by 2023. The mid-point range of 77% was taken to apply for the period 2016-31. These assumptions were applied to Crawley and Horsham and assumed to apply to the 25-39 Age Group; English Household Survey (July 2016). Table FA2211 identifies that 67% of First-Time Buyers are in the 25-44 Age Group in 2014-15.

⁶ Source: ONS HPSSA Dataset 1 (June, 2016). This was based on the average for the period 2000-2015

⁷ Source: CLG Live Table 253 (August, 2016)

inflation to 2016, and annually to 2031. It provides the baseline benchmark of affordability for households in Crawley and Horsham, and this profile is assumed to apply to the 24-39 age group.

- 3.25 An assumed mortgage multiplier of 3.5 times income has been applied to these household income levels. This is in order to identify the proportion of 24-39 year households that could meet the 'affordability' criteria likely to be applied to Starter Homes by mortgage finance lenders.

Table 3.5: Household Income Profile in Crawley Borough

Average Household Income	No. of Households	% Split	2014	2016	2031 ⁸
£2,500	834	1.9%	£2,500	£2,619	£3,423
£7,500	3,660	8.2%	£7,500	£7,856	£10,270
£12,500	4,902	11.0%	£12,500	£13,094	£17,116
£17,500	4,601	10.3%	£17,500	£18,331	£23,963
£22,500	3,920	8.8%	£22,500	£23,569	£30,809
£27,500	3,637	8.2%	£27,500	£28,806	£37,655
£32,500	3,400	7.6%	£32,500	£34,044	£44,502
£37,500	2,952	6.6%	£37,500	£39,281	£51,348
£42,500	2,780	6.2%	£42,500	£44,519	£58,195
£47,500	2,318	5.2%	£47,500	£49,756	£65,041
£52,500	1,963	4.4%	£52,500	£54,994	£71,888
£57,500	1,646	3.7%	£57,500	£60,231	£78,734
£62,500	1,344	3.0%	£62,500	£65,469	£85,580
£67,500	1,095	2.5%	£67,500	£70,706	£92,427
£72,500	929	2.1%	£72,500	£75,944	£99,273
£77,500	706	1.6%	£77,500	£81,182	£106,120
£82,500	630	1.4%	£82,500	£86,419	£112,966
£87,500	542	1.2%	£87,500	£91,657	£119,813
£92,500	465	1.0%	£92,500	£96,894	£126,659
£97,500	397	0.9%	£97,500	£102,132	£133,505
£110,000	1,014	2.3%	£110,000	£115,225	£150,622
£130,000	464	1.0%	£130,000	£136,175	£178,007
£150,000	243	0.5%	£150,000	£157,126	£205,393
£170,000	116	0.3%	£170,000	£178,076	£232,779
£190,000	37	0.1%	£190,000	£199,026	£260,165
£225,000	27	0.1%	£225,000	£235,688	£308,090

⁸ 2031 figure is adjusted for forecast inflation over the period 2016 - 2031

Source: Office for Budget Responsibility (March 2016); CACI, 2014

Table 3.6: Household Income Profile in Horsham District

Average Household Income	No. of Households	% Split	2014	2016	2031 ⁹
£2,500	723	1.3%	£2,500	£2,619	£3,423
£7,500	3,251	5.7%	£7,500	£7,856	£10,270
£12,500	4,655	8.2%	£12,500	£13,094	£17,116
£17,500	4,615	8.1%	£17,500	£18,331	£23,963
£22,500	4,201	7.4%	£22,500	£23,569	£30,809
£27,500	4,075	7.2%	£27,500	£28,806	£37,655
£32,500	4,023	7.1%	£32,500	£34,044	£44,502
£37,500	3,668	6.5%	£37,500	£39,281	£51,348
£42,500	3,599	6.3%	£42,500	£44,519	£58,195
£47,500	3,161	5.6%	£47,500	£49,756	£65,041
£52,500	2,840	5.0%	£52,500	£54,994	£71,888
£57,500	2,483	4.4%	£57,500	£60,231	£78,734
£62,500	2,054	3.6%	£62,500	£65,469	£85,580
£67,500	1,770	3.1%	£67,500	£70,706	£92,427
£72,500	1,602	2.8%	£72,500	£75,944	£99,273
£77,500	1,291	2.3%	£77,500	£81,182	£106,120
£82,500	1,238	2.2%	£82,500	£86,419	£112,966
£87,500	1,102	1.9%	£87,500	£91,657	£119,813
£92,500	922	1.6%	£92,500	£96,894	£126,659
£97,500	821	1.4%	£97,500	£102,132	£133,505
£110,000	2,296	4.0%	£110,000	£115,225	£150,622
£130,000	1,092	1.9%	£130,000	£136,175	£178,007
£150,000	647	1.1%	£150,000	£157,126	£205,393
£170,000	362	0.6%	£170,000	£178,076	£232,779
£190,000	122	0.2%	£190,000	£199,026	£260,165
£225,000	94	0.2%	£225,000	£235,688	£308,090

Source: Office for Budget Responsibility (March 2016); CACI, 2014

Sales Prices for Starter Homes

- 3.26 An assessment of relevant house price levels has been undertaken in parallel with the affordability analysis in order to understand the nature of house prices

⁹ 2031 figure is adjusted for forecast inflation over the period 2016 - 2031

in both Crawley and Horsham and to derive the market average price in accordance with the requirements of the *Housing and Planning Act*, 2016.

- 3.27 Current house prices and recent trends in prices have been assessed at the local authority level using the most current data drawn from the HM Land Registry (HMLR) by The Property Database Ltd (TPDL).
- 3.28 Table 3.7 using TPDL data sets out current housing prices (for new-build and second hand stock) for Crawley and Horsham District as at 31st July 2016. The table also shows the mean and median average sale prices in the District and the Lower Quartile (LQ) mean average price. The data is based on **841** total sales in Crawley and **1,353** total sales in Horsham during the six-month period Q1 – Q2 2016.
- 3.29 The table highlights that the mean average market sale price (for all new and second hand stock) was £280,129 in Crawley and £383,130 in Horsham and that the LQ sale price was £225,000 in Crawley and £255,000 in Horsham for all housing purchased.

Table 3.7: Summary ALL House Prices in Crawley and Horsham District, 2016

All Sales	Crawley	Horsham
Mean	£280,129	£383,130
Median	£270,000	£339,950
Mode	£300,000	£310,000
LQ Average	£225,000	£255,000
Lowest Price Paid	£55,500	£68,000
Highest Price Paid	£695,000	£2,325,000
Total Sales: 01 Jan – 31 July 16	841	1353
LQ Sales Count	210	338

Source: TPDL 2016 and CCL calculation, 2016

- 3.30 The definition of Starter Homes set out in the *Housing and Planning Act* (2016) includes a requirement that the dwelling is a new-build property (i.e. not previously occupied).
- 3.31 Table 3.8 therefore provides a more refined analysis of residential sale prices, focused on new-build sales only in Crawley and Horsham. The Table shows a mean average new build sale price of **£238,645** in Crawley and **£356,315** in Horsham and an LQ sale price average of **£211,250** in Crawley and **£225,000** in Horsham.
- 3.32 The price data in this table are those used subsequently in calculating the current Starter Home discounted price in Crawley and Horsham. Although the volume of sales data for new-build properties in Crawley is limited, the relative differential between new-build and all sales values is similar to that identified in Horsham. As such, it is taken to provide a reasonable indicator of new-build property values in Crawley that are sufficient for the purposes of modelling impacts of the Starter Home initiative.

Table 3.8: New Build Only House Prices in Crawley and Horsham District, 2016

New Build Only	Crawley	Horsham
Mean	£238,645	£356,315
Median	£218,250	£337,500
Mode	£220,000	£310,000
LQ Average	£211,250	£225,000
Lowest Price Paid	£140,000	£90,000
Highest Price Paid	£499,950	£950,000
Total Sales: 01 Jan – 31 July 16	10	285
LQ Sales Count	2.5	71

Source: TPD L 2016 and CCL calculation, 2016

- 3.33 Using the data on house prices in Crawley and Horsham, two Starter Homes price point scenarios have been derived as shown in Table 3.9 below:
- a Starter Home discount of 20% on the **lower quartile house values** (Q1 – Q2 2016) in Crawley and Horsham District (£211,250 minus 20% = **£169,000** in Crawley; and £225,000 minus 20% = **£180,000** in Horsham); and
 - an assumed maximum-priced Starter Home of **£250,000** in accordance with the capped level for areas outside Greater London as set in the *Housing and Planning Act (2016)*¹⁰.
- 3.34 A mortgage deposit of 10% is assumed including the £3,000 maximum through the Help to Buy ISA savings scheme (that has at October 2016 been closed to further business by the Government). This identifies the potential house price affordability level for the 24-39 age group households with reference to the CACI household income distribution data.
- 3.35 In order to ensure the longevity of this analysis of house prices and the discounted price for Starter Homes, it is appropriate to inflate residential sale prices over the plan period in order to better understand the possible average prices by 2031. A scenario which adjusts house prices for inflation over the period to 2031 has therefore been included.
- 3.36 In order to achieve this, the current average prices for new build properties have been inflated using longer term house price inflation data published by the Office for Budget Responsibility (OBR).

¹⁰ The £250,000 maximum-priced Starter Home is based on a full-market value property of £312,500, to which a minimum 20% discount can be applied. When discounted by 20% this would equate to the maximum-priced Starter Home of £250,000 outlined in the legislation. The full-market value of the property could potentially be higher than £312,500, but this would be influenced by viability issues related to the development. In terms of the analysis presented here, however, the key issue is the ability of prospective purchasers to afford a £250,000 capped price irrespective of the full-market value of the property.

- 3.37 In addition, a 'flat rate' scenario for the Starter Home initiative has also been prepared (i.e. the Starter Home discount remains at a maximum of 20% on a ceiling house price figure of £250,000). The analysis for this is contained in **Appendix A2**.

Table 3.9: Starter Home Market Based on New Build Transaction Levels

Price Basis	Inflation Adjusted		
	House Price Crawley	House Price Horsham	Max Starter Home Discount Price
A. LQ Value (from Table 3.8)	£211,250	£225,000	£250,000
B. Minus 20% Starter Home Discount	£169,000	£180,000	-
C. Assuming 10% Deposit (including Help to Buy ISA)	£16,900	£18,000	£25,000
D. Discounted Sale Price 2016 (Minimum can purchase)	£152,100 (B - C)	£162,000 (B - C)	£225,000 (A - C)
E. Discounted Sale Price Inflated to 2031 prices (Minimum can purchase)	£251,770	£268,158	£372,441

Source: *TPDL and CCL calculation*

- 3.38 Section 5 sets out a brief and indicative summary of what types of new-build market properties are currently available (as at October 2016) in Crawley and Horsham that could be purchased either at the LQ or Starter Homes market cap purchase price points.

Starter Homes Market Price and Affordability

- 3.39 The previous analyses in this section can be combined to identify the likely proportion of the 24-39 age group households that could afford Starter Homes.
- 3.40 The year by year profile of 24-39 age group households 'mortgage potential' income (i.e. household income multiplied by 3.5) has been compared with the various Starter Home house price levels summarised in Table 3.9. From this matching of datasets the proportion of 24-39 year old households that could afford a Starter Home across the period 2016-31 is identified.
- 3.41 There are two ways to consider the scale of affordability for Starter Homes for households:
- A '**Restricted Market**', or narrow approach where only those eligible households that can afford to purchase a Starter Home, but could not afford to purchase on the open market are included; and

- An '**Unconstrained Market**' approach where all those eligible households that can afford a Starter Home, or could potentially purchase a property on the open market are included.

3.42 The Restricted Market is considered to be the most appropriate in terms of policy development as it focuses on those eligible households who can afford a Starter Home but not an open market purchase and therefore accords with the Government's proposal that Starter Homes are included within the definition of Affordable Housing in the NPPF. The Restricted Market is therefore discussed in more detail below.

3.43 **Appendix A2** contains details on the Unconstrained Market analysis for reference purposes. The appendix also provides a further breakdown of the Restricted Market analysis.

'Restricted Market'

3.44 The 'Restricted Market' analysis examines the potential demand for Starter Homes arising from a narrow group of eligible households.

3.45 It is focused on those households that are eligible for a Starter Home (in terms of age and first-time buyer status) and would be able to purchase a Starter Home, but could not afford to purchase on the open market.

3.46 The households in this 'Restricted Market' have household incomes capable of supporting a mortgage of between **£152,100** and **£250,000** in Crawley and **£162,000** and **£250,000** in Horsham at the outset of the analysis period (2016). This is illustrated, diagrammatically in **Appendix A1**. The affordability level has been adjusted for future inflation in the Inflation Adjusted Scenarios.

3.47 Effectively this 'Restricted Market' comprises a narrower group of households who are in affordable housing need (in accordance with the NPPG approach to calculating such needs; and assuming that the current consultation on changes to the NPPF that include widening the definition of affordable housing to include Starter Homes is eventually adopted).

3.48 In order to assess the scale of the market four scenarios have been assessed. Scenarios A and B are based on a flat rate projection of house prices over the period to 2031, namely:

- **A: Flat Rate Lower Quartile House Price Basis (Afford to Buy Starter Home and in Affordable Housing Need);**
- **B: Flat Rate, Max Capped House Price Basis (Afford to Buy Starter Home and in Affordable Housing Need);**

3.49 Two inflation-adjusted, Scenarios have also been assessed - Scenarios C and D - which it is considered are realistic approaches as they consider changes to market house prices and affordability over time rather than a static position as per Scenarios A and B. Scenarios C and D are therefore considered to form the Reference Case:

- **C: Inflation Adjusted LQ House Price Basis (Afford to Buy Starter Home and in Affordable Housing Need); and**
- **D: Inflation Adjusted Max Capped House Price Basis (Afford to Buy Starter Home and in Affordable Housing Need).**

3.50 The results for Scenarios C and D are shown in Table 3.10 below, while the results for other Scenarios is set out in detail in **Appendix A2**).

Table 3.10: Scenario C and D – Inflation Adjusted House Price Basis (Afford to Buy Starter Home and in Affordable Housing Need) – CLG 2012 Based

REFERENCE CASE		Inflation Adjusted House Price Basis			
		Total H/Hold 24-39	% Income Based Qualifying H/Holds	Total Eligible H/Holds	Annual Average
Starter Home Market Scenario	Location				
	Crawley	6,804	9.09%	618	41
	Horsham	4,203	10.02%	421	28
	Total	11,007	9.6%*	1,039	69
Scenario C - Using LQ Median House Price Basis (Based on effective maximum demand potential 2016-31)	Crawley	6,804	9.09%	618	41
	Horsham	4,203	10.02%	421	28
	Total	11,007	9.6%*	1,039	69
Scenario D - Using Max Capped House Price Basis (Based on effective maximum demand potential 2016-31)	Crawley	6,804	2.82%	192	13
	Horsham	4,203	3.90%	164	11
	Total	11,007	3.4%*	356	24

Source: CCL calculation

* Simple average of the overall results for each authority

- 3.51 From Table 3.10 it can be seen that there is a Restricted Market range of potential Starter Home demand of **13-41** households per annum in Crawley and **11-28** households in Horsham. The 'effective maximum demand' basis of eligibility over the 2016-2031 period is considered to be the most realistic of the various approaches to household eligibility.

Sensitivity Analysis

- 3.52 A summary set of sensitivity analyses have been carried out and are summarised in Table 3.11.
- 3.53 These sensitivity tests have been prepared on the same modelling basis discussed in this Section, which essentially revolves around variations in terms of Flat Rate and Inflation Adjustment, LQ Median House Price and Max Capped House Price, and Restricted Market and Unconstrained Market scenarios. These assessments are compared against the Reference Case summarised above in Table 3.10.
- 3.54 The results from Table 3.11 show a maximum potential Starter Home demand of **193** units per annum over the period 2016-31 in Crawley and **139** units per annum in Horsham on the LQ Median House Price basis. This compares to the Reference Case figure of **41** units per annum in Crawley and **28** units per annum in Horsham.
- 3.55 There is a maximum potential Starter Home demand of **103** units per annum over the period 2016-31 in Crawley and **92** units per annum in Horsham on the

Max Capped House Price basis. This compares to the Reference Case figure of **13** units per annum in Crawley and **11** units per annum in Horsham.

- 3.56 A further form of sensitivity analysis was carried out on the basis of a 'top-down' application of the Government's national Starter Home target of 200,000 Starter Homes to be delivered in England by 2020.
- 3.57 Assuming these dwellings are delivered on a *pro rata* basis to the population of each local authority in England, then Crawley would be expected to deliver **0.2%** of these homes and Horsham **0.25%** (Based on CLG 2012 Household Projections).
- 3.58 This translates into the equivalent of **66** units per annum in Crawley and **83** units per annum in Horsham. This compares to the Reference Case range of 13 to 41 units per annum for Crawley and 11 to 28 units per annum for Horsham.

Table 3.11: Comparison of Reference Case to selected Sensitivity Analysis Assessments (CLG 2012 Household Projections and on per annum basis)

	Potential Unit Demand 2016-2031 (per annum basis)							
Scenario	Reference Case		Sensitivity Analysis Comparisons (see Appendix A2)					
	Restricted Market		Restricted Market		Unconstrained Market			
	Inflation Adjusted		Flat Rate		Inflation Adjusted		Flat Rate	
	C	D	A	B	C1	D1	A1	B1
Location	LQ Median House Price	Max Capped House Price	LQ Median House Price	Max Capped House Price	LQ Median House Price	Max Capped House Price	LQ Median House Price	Max Capped House Price
Crawley	41	13	50	20	129	56	193	103
Horsham	28	11	29	14	101	57	109	92

Source: CCL calculation

- 3.60 Table 3.12 establishes the effects on affordable housing provision in the Borough and the District of applying the 'Restricted Market' scenarios C and D to the identified range of total affordable housing needs arising (taken from the *Northern West Sussex Affordable Housing Needs Update* report).

Table 3.12: Effects of Delivering Starter Homes ('Restricted' Household Incomes - Effective Demand Potential) on Affordable Housing

A	B	C	D
Effective Demand Scenarios	Starter Homes Demand (DPA)	Affordable Need Range Low and High Estimates (DPA)**	Residual Need if Starter Homes Need met from Affordable Housing Total Need
From Table 3.11			C - B
Crawley (Scenario C)	41	197	156
		456	415
Crawley (Scenario D)	13	197	184
		456	443
Horsham (Scenario C)	28	225	197
		382	354
Horsham (Scenario D)	11	225	214
		382	371

Source: CCL calculation

* - Total Starter Homes Effective Potential DPA figures are drawn from Table 3.11

** - Affordable Housing Needs Range Low and High estimates are drawn from *Northern West Sussex Affordable Housing Needs Update, October 2014*

4. IMPLICATIONS FOR OTHER AFFORDABLE HOUSING PROVISION

Introduction

- 4.1 In this section, the effects of making provision for Starter Homes on the wider provision of affordable housing in Crawley Borough and Horsham District is examined.
- 4.2 It is the Government's stated intention that the delivery of Starter Homes forms part of the supply-side response to meeting affordable housing needs. The expectation, as described in the NPPF Consultation document, is that Starter Homes (together with as yet other undefined housing products) will be used to meet affordable needs (see paragraph 6, et seq.).
- 4.3 Simply put, Starter Homes are to become a part of the supply-led response alongside other existing housing products/mechanisms to meeting housing needs that "*are not met by the market*" through the widening definition proposed at Annex 2 of the NPPF. This means that Starter Homes will be a form of affordable housing in addition to:
- **Social Rent;**
 - **Intermediate Housing (part equity and rent); and**
 - **Affordable Rent.**
- 4.4 There is no specific direction from Government to secure a particular target proportion of Starter Homes in any individual local authority area, other than the 20% requirement set nationally for reasonable sized sites. There is however the possibility that such targets may be set in future regulations or national policy as the *Housing and Planning Act* allows flexibility for the Secretary of State to do this.
- 4.5 This section therefore considers the effects of the provision of a 20% nationally-derived Starter Homes target imposed on Crawley Borough and Horsham District's current planned housing requirements using the Reference Case scenarios C and D (see Table 3.11) from Section 3. This will offer a clear indication of the level and potential effects on other forms of affordable housing supply arising from the Government's proposed approach.

Effects Arising from the 20% Starter Homes Target

Crawley Borough

Basis for Calculation

- 4.6 The adopted Crawley Local Plan identifies a planned housing requirement of **5,100 dwellings (340 dpa)** with a further **5,000 homes (333 dpa)** as un-met needs arising that need to be accommodated in other local authority areas. A total housing requirement (planned requirement + unmet needs arising) of **10,100 dwellings (673 dpa)** is therefore established in the Plan. The main basis

for considering the effects in Crawley is against the total housing requirement. However, as a sensitivity, the same analysis is set out in **Appendix A2** based on the housing provision to be made in the Borough (**340 dpa**) excluding unmet needs being accommodated elsewhere.

- 4.7 The Borough's Local Plan establishes that there is a **40%** affordable housing contribution from the total planned requirement (split 70:30 Social / Affordable Rent : Intermediate tenure) and a further 10% contribution in the form of low-cost market housing. As previously noted, the low-cost market housing is not within the definition of affordable housing in the NPPF and is therefore set aside for the basis of the analysis herein. The total affordable housing provision equates to **4,040** dwellings (**269 dpa**).
- 4.8 If Crawley Borough sought to ensure that its modelled affordable housing needs (as set out in the *Northern West Sussex Affordable Housing Needs Update* and the OACHEN reports) were met in full then the Borough would need to ensure the delivery of between **197** (low-range estimate – reasonable preference groups) and **456** (high-range estimate) affordable dwellings per annum.
- 4.9 Those households that are within the reasonable preference categories (effectively the low-range estimate of affordable housing need) require a rental tenure in order to access housing (as they are unable to buy or rent on the open market). On this basis the reasonable preference groups needs are not addressed by Starter Homes (which require the ability to purchase). Therefore, **the effects of Starter Homes herein are only considered against the high-range estimate of affordable housing needs (456 dwellings per annum) herein.**
- 4.10 If a 20% Starter Homes delivery target is applied to Crawley's housing overall requirement, then there will be a need to supply **2,020** such homes (**135** Starter Homes per annum).
- 4.11 This adopts a cautious approach, assuming that all housing sites meet the criteria for the provision of Starter Homes, which of course will not be the case as there will be a number of small sites and possibly windfalls that are not of sufficient size or scale to require a Starter Home contribution is made on them.
- 4.12 Table 4.1, below, considers the effects of this level of Starter Homes provision against the Borough's potential supply of affordable housing (based on a 40% affordable housing supply target).
- 4.13 The table also shows the effects if the affordable housing policy requirement for Crawley Borough was varied upwards to 45% and 50%.
- 4.14 This assumes that the delivery of the requisite proportion of Starter Homes is a priority and therefore models the resulting 'residual' affordable housing supply available. It shows how this would be pro-rated on a 70:30 sub-split (to account for the Borough's current policies seeking 70% Affordable Rent and 30% Intermediate tenure affordable housing).
- 4.15 It is also important to consider the impact of meeting the potential effective demand for Starter Homes in Crawley as calculated in Section 3 of this Report (see Tables 3.11 and 3.12). This needs to be set against the overall affordable housing needs high estimate identified in the *Northern West Sussex Affordable Housing Needs Update* report as discussed previously.
- 4.16 As noted, the Government has not imposed a household income cap on eligibility for Starter Homes, however it is possible that this may occur. The

'Restricted' (i.e. household incomes restrained) market provides the critical test as it is those households who are both eligible to purchase a Starter Home and also fall within the definition of affordable housing needs in Crawley Borough.

- 4.17 The 'Unconstrained' market Effective Demand includes households both within the definition of affordable housing needs, but also those who are not. Meeting the 'Unconstrained' market demand would therefore provide Starter Homes to those households both within and outside affordable housing needs definitions.
- 4.18 For the purposes of this analysis of the potential effects, it is therefore considered appropriate to focus on the 'Restricted' market in order to examine the potential impacts on other forms of affordable housing supply.
- 4.19 Analysis of the effects of a changing affordable housing contribution requirement in Table 4.1 below (and for the sensitivity set out in **Appendix A2**) assumes that:
- Starter Home effective demand is **delivered in full** as a 'top slice' of the affordable housing policy target; and
 - 'Residual' affordable housing needs (column E) (i.e. other forms of affordable housing provision – Affordable Rent and Intermediate) **form the balance** of the affordable housing policy target requirement.
- 4.20 The table then identifies the residual affordable housing over or under supply to meet other affordable needs (column I) that would result from each alternative scenario.

Table 4.1: Crawley Borough - Effects of 20% Starter Homes Requirement at Various Affordable Housing Policy Requirement Levels

A	B	C	D	E	F	G	H	I
Affordable Housing Policy Requirement	Total Planned Housing (DPA)	Total Affordable Housing Supply	Starter Homes Supply Delivered (20%)	Non-Starter Home Affordable Housing Supply	Affordable Rent Supply	Shared Ownership Supply	Residual Affordable Housing Need	Over/Under Supply of Affordable Rent and Intermediate Housing
	Crawley Local Plan	B x A	B x 20%	C - D	E x 70%	E x 30%	High Range Estimate Affordable Needs minus 13 to 41 dpa (Table 3.12 – Column D)	E - H
40%	673	269	135	134	94	40	415 to 443	-281 to -309
45%	673	303	135	168	118	50	415 to 443	-247 to -275
50%	673	336	135	201	141	60	415 to 443	-214 to -242

Source: CCL calculation

Conclusions for Crawley

- The 20% Starter Homes target on a total planned requirement of **673** dpa, results in the need to deliver some **135** Starter Homes per annum.
- If Crawley Borough sought to ensure that 20% Starter Homes were delivered in full and subject to the local authority being able to target Starter Homes at those within the 'Restricted' market scenario, then the modelled affordable housing needs would not also be met from the current level of affordable housing contribution (40%). There would be a significant level of annual under-provision with regards to meeting the high-range affordable housing estimate) of the Borough as set out in the *Affordable Housing Needs Update* report. The effects would include:
 - an affordable housing contribution policy of 40% (269 dpa) together with a 20% Starter Homes top-slice would deliver an insufficient level of affordable housing to meet the high-range need (456 dpa) (total waiting list including those households not in reasonable preference groups);
 - at the 45% and 50% affordable housing contribution levels and above there would still be insufficient affordable housing delivered to allow for meeting the high-range affordable housing need if there is a 20% Starter Homes delivery top-sliced from the overall affordable housing supply;
 - In order to meet the high range estimate of affordable housing needs together with a 20% Starter Homes delivery, the overall proportion of affordable housing would need to be circa 80% which is significantly above current policy and would undoubtedly result in significant development viability challenges.

Horsham District

Basis for Calculation

- 4.21 The same approach as for Crawley Borough has been adopted for Horsham District.
- 4.22 The adopted Horsham District Planning Framework establishes a planned housing requirement of **16,000** dwellings (**800** dpa) and this represents the Planned Requirement (OAN + un-met needs arising from other local authority areas).
- 4.23 The Plan's policy is for 35% affordable housing contribution for sites over 15 dwellings in size and 20% for smaller sites. This contribution is split 70 : 30 Social / Affordable Rent : Intermediate tenure).
- 4.24 The total affordable housing provision therefore equates to **5,600** dwellings (**280** dpa) at the most, assuming that all eligible sites contribute at the higher 35% target rate.
- 4.25 If Horsham's modelled affordable housing needs (as set out in the *Northern West Sussex Affordable Housing Needs Update* report) were met in full in the District, there would be a need to ensure the delivery of between **225** (low-range estimate – reasonable preference groups) and **382** (high-range estimate based on the overall housing waiting list) affordable dwellings per annum.

- 4.26 Those households that are within the reasonable preference categories (effectively the low-range estimate of affordable housing need) require a rental tenure in order to access housing (as they are unable to buy or rent on the open market). On this basis the reasonable preference groups needs are not addressed by Starter Homes (which require the ability to purchase). Therefore, **the effects of Starter Homes herein are only considered against the high-range estimate of affordable housing needs (382 dwellings per annum) herein.**
- 4.27 Applying a 20% Starter Homes delivery target to Horsham's planned housing requirement results in the need to supply **3,200** Starter Homes over the plan period (**160** dpa).
- 4.28 Again this necessarily adopts a cautious approach, assuming that all housing sites fall within the size and scale criteria for the provision of Starter Homes in order to derive a maximum figure. This will not, of course, be the case as there will be a number of small sites and possibly windfalls that are not of sufficient size or scale to require a Starter Home contribution is made on them.
- 4.29 In Table 4.2, the effects of this level of Starter Homes provision are considered against the District's potential supply of affordable housing (based on a 35% affordable housing supply target). This level is used as the basis for the calculations herein as many smaller sites that would attract the lower affordable housing contribution would be too small to be required to provide Starter Homes in any event.
- 4.30 As with the analysis for Crawley Borough set out previously, it is important to consider the impact of meeting the potential effective demand for Starter Homes in Horsham as calculated in Section 3 of this Report (see Tables 3.11 and 3.12). This needs to be set against the overall affordable housing needs range identified in the *Northern West Sussex Affordable Housing Needs Update* report.
- 4.31 The 'Restricted' (i.e. household incomes restrained) market provides the critical test as it is those households who are both eligible to purchase a Starter Home and also fall within the definition of affordable housing needs in Horsham District.
- 4.32 The 'Unconstrained' market Effective Demand includes households both within the definition of affordable housing needs, but also those who are not. Meeting the 'Unconstrained' market demand would therefore provide Starter Homes to those households both within and outside affordable housing needs definitions.
- 4.33 For the purposes of this analysis of the potential effects, it is considered appropriate to focus on the 'Restricted' market in order to examine the potential impacts on other forms of affordable housing supply.
- 4.34 As with the analysis for Crawley Borough, the table also shows sensitivity effects if the District's affordable housing contribution policy was increased to 40% or 45% assuming that the delivery of Starter Homes is a pre-requisite (i.e. top-sliced from the overall affordable housing contribution supply).
- 4.35 The analysis sets out how the effects would be pro-rated on a 75:30 sub-split (to account for the District's current policies seeking 70% Affordable Rent and 30% Intermediate tenure affordable housing).

4.36 Analysis of the effects of a changing affordable housing contribution requirement in Table 4.2 below assumes that:

- Starter Home effective demand is **delivered in full** as a 'top slice' of the affordable housing policy target; and
- 'Residual' affordable housing needs (column E) (i.e. other forms of affordable housing provision – Affordable Rent and Intermediate) **form the balance** of the affordable housing policy target requirement.

4.37 The table then identifies the residual affordable housing over or under supply to meet other affordable needs (column I) that would result from each alternative scenario.

Table 4.2: Horsham District - Effects of 20% Starter Homes Requirement at Various Affordable Housing Policy Requirement Levels

A	B	C	D	E	F	G	H	I
Affordable Housing Policy Requirement	Total Planned Housing (DPA)	Total Affordable Housing Supply	Starter Homes Supply Delivered (20%)	Non-Starter Home Affordable Housing Supply	Affordable Rent Supply	Shared Ownership Supply	Residual Affordable Housing Need	Over/Under Supply of Affordable Rent and Intermediate Housing
	Horsham District Planning Framework	B x A	B x 20%	C - D	E x 70%	E x 30%	High Range Estimate Affordable Needs minus 11 to 28 dpa (Table 3.12 – Column D)	E - H
35%	800	280	160	120	84	36	354 to 371	-234 to -251
40%	800	320	160	160	112	48	354 to 371	-194 to -211
45%	800	360	160	200	140	60	354 to 371	-154 to -171

Source: CCL calculation

Conclusions for Horsham

- The 20% Starter Homes target on a total planned requirement of **800** dpa, the results in the need to deliver some **160** Starter Homes per annum.
- If Horsham sought to ensure that 20% Starter Homes were delivered in full and subject to the local authority being able to target Starter Homes at those within the ‘Restricted’ market scenario, then the District’s modelled affordable housing needs would not be met from the current level of affordable housing contribution (35%). There would be a significant level of annual under-provision with regards to meeting the high-range estimate of affordable housing needs of the District set out in the *Affordable Housing Needs Update* report. The effects would include:
 - neither an affordable housing contribution policy of 35% (280 dpa) nor a 40% or 45% affordable housing (320 dpa or 360 dpa) with a 20% Starter Homes top-slice would deliver sufficient affordable housing to also meet the high-range affordable housing need (382 dpa);
- It would only be at or above circa 65% affordable housing policy target that there would be sufficient total supply of affordable housing to meet the delivery of Starter Homes together with meeting the affordable housing high-range estimate of need.

Implications of Starter Homes on Viability

- 4.38 The Government’s policies indicate that Starter Homes form part of the supply-response to help meet the modelled affordable housing needs. The Borough and District affordable housing needs are therefore to be met by a combination of affordable housing products including Starter Homes, as well as Affordable / Social Rent and Intermediate Housing.
- 4.39 Both the Crawley Local Plan and the Horsham District Planning Framework policies (H4 and I6 respectively) were prepared and adopted prior to the Government revealing its intentions for Starter Homes to form a fundamental element of affordable housing provision.
- 4.40 It is clear that the Government’s expectations are that affordable housing needs will be met through a range of housing products. It is also equally evident that in Crawley and Horsham there is an existing need for both Affordable Rent and Intermediate Housing products as the *Affordable Housing Needs Update* and other SHMA evidence reveals. Starter Homes also need to form part of the response to affordable housing need and Government has signalled its expectation that this form of provision be prioritised.
- 4.41 Affordable housing policy targets are not simply set against the identified affordable housing needs, but also must reflect development viability considerations.
- 4.42 Detailed viability analysis of the effects of Starter Homes on the delivery of other forms of affordable housing are not within the scope of this particular study. Viability will therefore need to be considered in a wider context including

the effects of other planning policies, CIL and S106 contributions sought by each local authority.

- 4.43 There are, however a number of important viability issues arising from the implementation of Starter Homes policies nationally and development industry experience. These are considered further in the following sub-sections.

Continued Uncertainties

- 4.44 One of the main viability issues and considerations for many developers is the ongoing uncertainty over the nature and extent of contributions that will be sought by Government to the delivery of Starter Homes.
- 4.45 The consultation exercises undertaken during 2016 by Government have not, at the time of writing, yielded a final, consolidated set of regulations and firm policy for Starter Homes provision.
- 4.46 In addition, recent Ministerial comments have not offered certainty that Starter Homes will ultimately be implemented in the manner described in the *Housing and Planning Act* and that there may yet be further refinements to include a wider range of housing products as Starter Homes.

Restrictions on Sales and Lettings

- 4.47 The current legal and policy basis includes qualifications on eligibility for households (including subsequent purchasers during the restricted period) and also that the discount (20%) is to remain for a set period following purchase of a Starter Home. The *Housing and Planning Act* does not however establish the details which are to be left to subsequent secondary regulations.
- 4.48 The *Starter Homes Regulations: Technical Consultation* that were consulted on in March 2016 include a five – eight year restricted period for sale and letting and the potential for tapering the market value that a sale is able to realise. The consultation document has not however firmly set the position and there has been no further detail to emerge since.
- 4.49 For valuation and residential project viability cashflowing it is critical that there is a clear approach to restrictions of onward sales and lettings, the value that they may realise and over what time period.

Exempt Developments

- 4.50 The Technical Consultation proposes that there may be certain types of development that are exempt from providing Starter Homes, including supported housing, estate regeneration projects, affordable housing led developments, student housing and custom build projects. Again the list of exemptions and the potential effect that this has are issues that go to the heart of viability assessments for developments which propose forms of development that may be exempted.

Size and Specification of Starter Homes

- 4.51 Where prevailing market values for new housing are substantially above the maximum value caps imposed in the legislation (and in this case Horsham and to a lesser extent Crawley could be included here) there is concern within the development industry that the quality and size of Starter Homes may be compromised in order to achieve viable developments that would otherwise prove unviable.
- 4.52 Product differentiation is considered to be essential to aid viability and to ensure that Starter Homes sales do not poach or erode full market sales on development sites (especially larger sites where a range of housing products may be available) given that there are households in both Crawley and Horsham that are eligible for Starter Homes but could also purchase on the open market.
- 4.53 While this will be a judgement for individual developers to consider on a site-by-site basis it is clear that where there are higher underlying development costs (for example in areas of particularly high land purchase value, sensitive landscapes/townscapes or on contaminated brownfield sites) viability of developments including Starter Homes may prove to be more challenged particularly where Starter Homes contributions are in addition to other CIL payments or S106 planning obligations.

Market Perception of the Value of a Starter Home

- 4.54 The price that households are willing to pay for Starter Homes remains a significant unknown at present. There is very limited comparable evidence available for development viability or valuation assessments and no clear benchmarks exist as to whether Starter Homes will have a market perception that is any different to other forms of affordable housing or market housing.
- 4.55 Clearly the 20% price discount has a value at the point of onward sale (depending upon the length of restrictions ultimately put in place by Government) and this capital value uplift at the point of sale may mean that there is a highly attractive opportunity for eligible households to secure an additional end value at the point of purchase which could lead to buyers being prepared to pay the equivalent of full market value. Various industry commentators have suggested that the value to buyers at the outset could be around 85-90% of full market value as they will know that there is the additional 20% value to be secured on sale after the restricted period.

Development Cashflow

- 4.56 Starter Homes are anticipated to be built and sold directly by developers as they are constructed. This means that sales of completed Starter Homes will be on a staggered basis to eligible households.
- 4.57 This approach is different from the development and block sale/transfer of other affordable housing products from private developers onto Registered Providers, or indeed the development of such affordable housing by Registered Providers themselves.

- 4.58 Staggered sales may leave some development schemes with a greater, negative cashflow situation compared to the block sale and lump sum receipt for affordable housing.
- 4.59 While for volume house builders the economies of scale and their existing marketing and sales mechanisms should be able to smooth out and accelerate Starter Homes sales to eligible households, this may be a more significant issue for smaller and mid-cap developers.

Land Values

- 4.60 Local authorities are intended to retain flexibility in imposing S106 affordable housing requirements in addition to Starter Homes where it is viable and there is a demonstrable need (as there is clearly in both Crawley and Horsham).
- 4.61 Ultimately therefore viability issues will reflect in land values for development sites. Where there is a strong history of securing significant contributions to affordable housing (development industry comment indicates at around the 30% contribution level) then there is likely to be some capacity to continue delivery of affordable housing (social/affordable rent and intermediate) as well as deliver 20% Starter Homes as there is likely to be an assumption in-built into blended land values that anticipates affordable housing contribution costs as part of development schemes.
- 4.62 This is not to say that 20% Starter Homes will be viable in every case (given sub-market variations in pricing and individual site characteristics) in Crawley or Horsham, just that with a careful balance between Starter Home contribution alongside S106 affordable housing contributions there is in general likely to be sufficient head room in the underlying land value to secure contributions to both.

5. MARKET OFFER FOR STARTER HOMES

Introduction

- 5.1 This section is concerned with the types of housing available on the market in Crawley and Horsham that could be purchased within the lower quartile and market capped Starter Homes price caps. It is intended to offer a current snapshot of the range of new-build housing stock available for eligible Starter Home households.
- 5.2 The types of housing available has been examined using HMLR data (from The Property Database Ltd – TPD) for completed sales (rather than asking prices for stock currently available for sale). Records of current new build properties for sale have been drawn from data published by commercial property estate agencies including Zoopla and Rightmove. The data has been sifted to include only new build properties (in accordance with the requirements for eligibility as a Starter Home).

Sales and New-Build Pricing

Crawley Borough: Sales and Pricing

- 5.3 The discounted Starter Homes sale price range in Crawley is between **£169,000** (representing the LQ average less 20% discount) and **£250,000** as the market price cap (see Table 3.9).
- 5.4 In the period Q1 to end Q2 (January to July) 2016, there was a total of:
- **10 new build residential sales completed;**
 - **841 second hand residential sales completed;**
 - **851 total residential sales completed.**
- 5.5 Of the ten new build sales completed:
- the minimum sale price was £140,000 (flat in Bowthorpe House, Gatwick Road). The maximum sale price was £499,950 (a detached house in Leafield Close);
 - the mean average sale price was £238,645 and the lower quartile average of the ten new build sales was £211,250;
 - only one property (a leasehold flat) was priced below the LQ market average of £169,000;
 - eight of the properties were sold at a price between £169,000 and £250,000 (all are leasehold flats).
 - none of the new properties sold were terraced or semi-detached properties.
- 5.6 To give an indication of the current position (as at October 2016), and to include more detail on the number of bedrooms available at various asking price points, analysis of new-build properties for sale currently in Crawley from Zoopla and Rightmove data indicates the following broad price ranges:

- **£235,000 - £240,000** guide price for a new build 1-bed flat (e.g. The Broadway Inspired Homes development in central Crawley);
 - **£267,500 - £315,000** guide price for a new build 2-bed flat (e.g. West Green Drive, Crawley);
 - There are no new-build three-bed properties currently offered for sale in Crawley on either Rightmove or Zoopla;
 - **£405,995 - £539,950+** guide price for a new 4-bed house (eg. Forge Wood or Beaufort Place).
- 5.7 It is interesting to note that, of the new-build properties currently advertised, virtually all those of 1-bed size (all flatted apartments) and nearly all 2-beds would be priced above the maximum capped Starter Homes price of £250,000.
- 5.8 All of the new houses (rather than flats) for sale are priced in excess of £405,000 and at the time of writing there is no new 3-bed housing stock for sale.
- 5.9 Effectively, the only type of new-build property available now in Crawley that would fit within the price cap and therefore be capable of being purchased as a Starter Home are 1-bed flats.

Horsham District: Sales and Pricing

- 5.10 The discounted Starter Homes sale price range in Horsham is between **£180,000** (representing the LQ average less 20% discount) and **£250,000** as the market price cap (see Table 3.9).
- 5.11 In the period Q1 to end Q2 (January to July) 2016, there was a total of:
- **285** new build residential sales completed;
 - **1,353** second hand residential sales completed;
 - **1,638** total residential sales completed.
- 5.12 Of the 285 new build sales completed:
- the minimum completed sale price was £90,000 (a leasehold flat in Mousfell Close, Pulborough). The maximum sale price was £950,000 (Churchill Way, Broadbridge Heath);
 - the mean average sale price was £356,315 and the lower quartile average for new build sales was £225,000;
 - 40 properties were sold at prices below the LQ market average of £180,000;
 - 35 of the properties were sold at a price between £180,000 and £250,000; the remainder (210 properties) were sold above the £250,000 price cap.
 - All of the new build properties sold for less than £250,000 were leasehold flats.
- 5.13 Looking in more detail at the current (as at October 2016) new build housing available for purchase in Horsham District indicates the following broad price ranges:
- **£250,000+** guide price for a new build 1-bed flat (e.g. Horsham Gates, North Street in Horsham);

- **£255,000 - £320,000** guide price for a new build 2-bed flat (e.g. Linden House or Highwood in Horsham). 2-bed houses for sale include properties in Watermeadow Lane, Storrington for a **£324,950** guide price;
- **£399,950 – £429,950** for 3-bed properties (such as Oaklands in Parsonage Road, or Millpond Lane);
- **£445,000+** guide price for a new 4-bed house (eg. Oaklands in Parsonage Road).

5.14 There is currently very little new build housing stock for sale in Horsham District that sits under the Starter Homes market price cap of £250,000. Indeed, the only properties for sale are 1-bed flats currently offered at £250,000. All other types of new-build property have guide asking prices in excess of the upper market cap.

Conclusions on Pricing

- 5.15 There is a limited range of different new-build housing stock available for purchase that would be eligible as a Starter Home. The average dwelling prices in both Crawley and Horsham are such that very little new stock falls within the headline market price cap of £250,000.
- 5.16 With a static Starter Homes price cap set within the *Housing and Planning Act*, 2016 the range of such housing available for purchase will likely further decline given a continuation of trends in both local authority areas of sustained house price increases. If the market price cap was increased over time (which the Act allows the Secretary of State to do) then pricing caps and market availability of eligible new housing may be better balanced.

Preferred Starter Homes Market Mix

- 5.17 The Government's policy and legal basis for Starter Homes does not specify any particular requirements for the provision of dwellings of a specific size or type. Nevertheless, both Crawley Borough and Horsham District are clear that the delivery of Starter Homes should seek to align with identified housing needs.
- 5.18 In this respect there are two different ways to consider an appropriate mix of types and sizes of Starter Homes:
- with reference to the defined affordable housing mix set out in the *Northern West Sussex Affordable Housing Needs Update (2014)*;
 - the preferred market housing mix drawing on work undertaken to establish an appropriate mix in Crawley and Horsham.
- 5.19 The *Northern West Sussex Affordable Housing Needs Update (2014)* established the preferred affordable housing mix by reference to the size of housing by number of bedrooms (see Table 17 of that report, reproduced in part below). The affordable housing mix sought was determined by a number of factors including review of the existing pipeline of affordable housing developments and analysis of the Borough and District's housing waiting lists.

Table 5.1: Recommended Affordable Housing Mix: Crawley Borough and Horsham District

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

Source: Extract from Table 17, Northern West Sussex Affordable Housing Needs Update, October 2014

- 5.20 Both Crawley and Horsham have recently commissioned new research to establish a preferred market housing mix in the Borough and District. That work is being completed in parallel to this Starter Homes report and its findings are relevant here in terms of helping the authorities to deliver a mix and choice of housing opportunities.
- 5.21 The headline findings of the *Crawley and Horsham Market Housing Mix* report are reproduced in Tables 5.2 – 5.5 below. As that
- 5.22 The market mixes are set out separately for each local authority and for various sub-areas. The mixes are expressed in broad proportions as they are not intended to be entirely prescriptive as there will be site specific considerations, not least development viability, that will affect the precise market mix to be secured in individual cases. Nevertheless, the mixes proposed are established to give a clear indication of both local authorities expected market mix in bed-space sizes and to ensure that there is sufficient market housing choice, balance and flexibility available.

Table 5.2: Crawley Borough – Overall Future Market and Private Rental Mix

Dwelling Size	Owner Occupier Market Housing	Private Rental Market Housing
1 Bed	10%	5%
2 Bed	30%	30%
3 Bed	35%	40%
4+ Bed	25%	25%
Total	100%	100%

Source: *Crawley and Horsham Market Housing Mix Study, 2016*

Table 5.3: Crawley Town Centre Area – Future Market and Private Rental Size Mix

Dwelling Size	Owner Occupier Market Housing	Private Rental Market Housing
1 Bed	15%	20%
2 Bed	45%	40%
3 Bed	35%	35%
4+ Bed	5%	5%
Total	100%	100%

Source: Crawley and Horsham Market Housing Mix Study, 2016

Table 5.4: Horsham Town – Future Market and Private Rental Size Mix

Dwelling Size	Owner Occupier Market Housing	Private Rental Market Housing
1 Bed	15%	15%
2 Bed	40%	40%
3 Bed	30%	40%
4+ Bed	15%	5%
Total	100%	100%

Source: Crawley and Horsham Market Housing Mix Study, 2016

Table 5.5: Horsham Rural Areas/Smaller Towns – Future Market and Private Rental Size Mix

Dwelling Size	Owner Occupier Market Housing	Private Rental Market Housing
1 Bed	15%	15%
2 Bed	45%	40%
3 Bed	35%	40%
4+ Bed	5%	5%
Total	100%	100%

Source: CCL modelling and analysis

- 5.23 Starter Homes form an affordable housing product in accordance with the proposed amendments to the definition of affordable housing in the NPPF.
- 5.24 By their nature Starter Homes are effectively an intermediate or low-cost market housing product and are targeted at those households who can afford to purchase and who meet the relevant eligibility criteria. In this respect it is considered that, while they may be affordable housing by definition in the NPPF, the appropriate size mix that they should meet is better reflected by the wider market housing mixes set out.
- 5.25 On this basis it is concluded that the market housing mixes described above and in the *Market Housing Mix Report* should form the starting reference point for assessing the appropriate Starter Home mix provision for individual development schemes.

6. CONCLUSIONS

Introduction

- 6.1 This section of the report brings together the analysis and findings set out previously. It provides a brief summary of the main findings and then draws relevant conclusions.

Summary Findings

Government Objectives for Starter Homes

- 6.2 Section 2 considered the policy and legal objectives for Starter Homes and also explored the current local planning policy position in Crawley and Horsham.
- 6.3 The Government's objectives to deliver new Starter Homes is articulated through the *Housing and Planning Act, 2016* together with a *Written Ministerial Statement* by the Secretary of State for Communities and Local Government, and through changes to the *National Planning Policy Framework* (NPPF) and *Starter Homes Regulations* that have been prepared in draft form at the time of writing.
- 6.4 Both the adopted Crawley Local Plan and the adopted Horsham District Planning Framework policies relevant to affordable housing delivery (policies H4 and I6 respectively) were prepared and adopted prior to the Government revealing its intentions to support the delivery of Starter Homes as a fundamental element of affordable housing provision.
- 6.5 The various national strategy, policy and legal documents show a clear commitment to support the delivery of new-build Starter Homes for sale in England, although this has been tempered by more recent comments from the Housing, Planning and Minister for London, the Right Hon Gavin Barwell MP in September 2016 who has signalled the potential for a wider range of housing products to be considered within the definition of Starter Homes (such as private rental schemes).
- 6.6 The Government's current intentions are to ensure that there is a greater emphasis on the construction and delivery of Starter Homes for first time buyers over 23 years and under the age of 40 years.
- 6.7 The legislation establishes that the provision of Starter Homes has the following eligibility criteria:
- First time buyers under the age of 40 years and above the age of 23 years;
 - Starter Homes must be priced at a minimum 20% discount to the average market purchase price for a first time buyer; and
 - a price cap mechanism restricts the upper price for a Starter Home. The *Housing and Planning Act* establishes the price cap at £250,000 outside Greater London and is the relevant cap for Crawley and Horsham District.

- 6.8 The Government has consulted on changes to national planning policy, including changes to the definition of Affordable Housing to include Starter Homes and other, as yet, undefined home ownership products. The NPPF consultation results have not been announced however and it remains to be seen whether the changes proposed will be brought forward and whether there will be other details covering the operation of Starter Homes beyond those set out in the draft Starter Homes Regulations consultation.
- 6.9 At this time, it therefore remains the Government's intention that the delivery of Starter Homes forms part of the supply-side response to meeting affordable housing needs. The expectation, as described in the NPPF consultation document, is that Starter Homes (together with as yet other undefined housing products) will be used to meet affordable needs.
- 6.10 Starter Homes are to become a part of the supply-led response alongside other existing housing products/mechanisms to meeting housing needs that "*are not met by the market*" through the widening definition proposed at Annex 2 of the NPPF. This means that Starter Homes will be a form of affordable housing in addition to:
- Social Rent;
 - Intermediate Housing (part equity and rent); and
 - Affordable Rent.

Scale and Composition of Starter Homes Eligibility

- 6.11 Section 3 established and tested the scale and composition of eligible Starter Homes households in both Crawley and Horsham.
- 6.12 The approach to assessing the potential scale of 'eligible households' to the Starter Homes initiative has used a broad 'cascade' structure:
- what is the current and projected total number of households in Crawley and Horsham? This was used as a reference point for the data analysis;
 - how many households are in the 24-39 age group category within Crawley and Horsham? This identified the theoretical 'maximum' market for Starter Homes;
 - what proportion of households in the 24-39 age group category **do not** already own a dwelling in some form? This identified the theoretical 'effective maximum' market for Starter Homes;
 - what proportion of the above 'non-owning' households can afford to buy a Starter Home? This identified the 'maximum affordability' market based on reasonable assumptions about house price and income levels; and
 - in addition, as an alternative approach, an analysis of the potential market for Starter Homes based on sales transaction evidence was assessed.
- 6.13 The analysis showed that there was an effective maximum potential Starter Homes market (with reference to all of the appropriate eligibility criteria other than affordability) over the 2016-31 period of
- **6,804** households in Crawley (**454** households per annum); and
 - **4,203** households in Horsham (**280** households per annum).

- 6.14 This analysis was cross-checked in Table 3.3 by a sensitivity analysis looking at household composition and eligibility from English Housing Survey and other national data. The sensitivity analysis concluded that there was a total of **6,564** households eligible in Crawley over the period; and **4,543** households in Horsham.
- 6.15 The analysis of effective maximum demand does **not** take account of household affordability. When this is also considered the overall effect is to reduce the 'potential market' figures significantly.

Starter Home Prices and Market Cap

- 6.16 The definition of Starter Homes set out in the *Housing and Planning Act* (2016) includes a requirement that the dwelling is a new-build property.
- 6.17 Evidence on the average purchase prices for new housing in the Borough and the District was compiled from HM Land Registry information and takes into account the period Q1 and Q2 of 2016 (i.e. to the end of July 2016).
- 6.18 The data reveals a mean average new build sale price of **£238,645** in Crawley and **£356,315** in Horsham and a Lower Quartile (LQ) new build sale price average of **£211,250** in Crawley and **£225,000** in Horsham.
- 6.19 Using the data on house prices in Crawley and Horsham, two Starter Homes price point scenarios were derived:
- a Starter Home discount of 20% on the **lower quartile house** in Crawley and Horsham District (£211,250 minus 20% = **£169,000** in Crawley and £225,000 minus 20% = **£180,000** in Horsham); and
 - an assumed maximum-priced Starter Home of **£250,000** in accordance with the capped level for areas outside Greater London as set in the *Housing and Planning Act* (2016).
- 6.20 In order to ensure the longevity of this analysis of house prices and the discounted price for Starter Homes, it was also appropriate to inflate residential sale prices (using OBR inflation data) over the period in order to better understand the possible average prices for Starter Homes by 2031. A scenario which adjusts house prices for inflation over the period to 2031 was therefore included as Table 3.9 highlighted.

Starter Homes Affordability

- 6.21 The analyses of eligible households and house prices were combined to identify the likely proportion of 24-39 age group households that could afford Starter Homes.
- 6.22 The year by year profile of 24-39 age group households 'mortgage potential' income (i.e. household income multiplied by 3.5) has been compared with the various Starter Home house price levels. From this matching of datasets, the proportion of 24-39 years old households that could afford a Starter Home across the period 2016 - 2031 was identified.
- 6.23 Section 3 outlined that there are two ways to consider the scale of affordability for Starter Homes for households:
- A '**Restricted Market**', or narrow approach where only those eligible households that can afford to purchase a Starter Home, but could not afford to purchase on the open market are included; and

- An '**Unconstrained Market**' approach where all those eligible households that can afford a Starter Home, or could potentially purchase a property on the open market are included.
- 6.24 The Restricted Market is considered to be the most appropriate in terms of policy development as it focuses on those eligible households who can afford a Starter Home but not an open market purchase and therefore accords with the Government's proposal that Starter Homes are included within the definition of Affordable Housing in the NPPF.
- 6.25 The assessment for the 'Restricted Market' considered a series of price and income scenarios (A – D):
- **A: Flat Rate Lower Quartile House Price Basis;**
 - **B: Flat Rate, Max Capped House Price Basis;**
 - **C: Inflation Adjusted LQ House Price Basis; and**
 - **D: Inflation Adjusted Max Capped House Price Basis.**
- 6.26 In summary these scenarios were to allow a consideration of Starter Homes prices caps and household incomes remaining static over the plan period (Flat Rate); and to also evidence the outcomes should price caps and incomes be inflated over the period (Inflation Adjusted).
- 6.27 Scenarios C and D which it is considered are realistic approaches as they consider changes to market house prices and affordability over time rather than a static position as per Scenarios A and B. Scenarios C and D are therefore considered to form the **Reference Case**.
- 6.28 The **Reference Case** (Scenarios C and D) highlighted a range of potential effective Starter Homes demand (see Table 3.11) from:
- **13 – 41 households per annum in Crawley; and**
 - **11 – 28 households per annum in Horsham.**

Effects of Starter Homes Provision on Affordable Housing Provision

- 6.29 In Section 4, the effects of making provision for Starter Homes on the wider delivery of affordable housing in Crawley and Horsham was considered.
- 6.30 The effects of the provision of a 20% Starter Homes requirement was assessed against Crawley Borough and Horsham District's current planned housing requirement and the affordable housing needs of the District.
- 6.31 For the analysis of the effects of a changing affordable housing contribution requirement it was assumed that:
- Starter Home effective demand (i.e. the Reference Case scenarios C and D) were **delivered in full** as a 'top slice' of the affordable housing policy target; and
 - 'Residual' affordable housing needs (i.e. other forms of affordable housing provision – Affordable Rent and Intermediate) **form the balance** of the affordable housing policy target requirement.
- 6.32 This approach estimates the likely effects for the Borough and the District considering their own, local affordable housing circumstances (including the preferred affordable housing tenure mixes).

Crawley Borough

6.33 The testing highlighted (Table 4.1) the following effects and implications:

- The 20% Starter Homes target on a total planned requirement of **673 dpa**, results in the need to deliver some **135** Starter Homes per annum.
- If the Borough sought to ensure that 20% Starter Homes were delivered in full and subject to the local authority being able to target Starter Homes at those within the 'Restricted' market scenario, then the modelled affordable housing needs would not also be met from the current level of affordable housing contribution (40%).
- Sensitivity analysis, raising the overall affordable housing contribution level up to 45% or 50% showed that there would not be sufficient affordable housing delivered (including Starter Homes) to meet the high-range estimate affordable housing need described in the *Northern West Sussex Affordable Housing Needs Update* report (456 dpa) in any of the scenarios modelled.
- Indeed, to meet the high range estimate of affordable housing needs together with a top-sliced 20% Starter Homes delivery, the overall proportion of affordable housing target would need to be circa 80% which is significantly above current policy and would undoubtedly result in significant development viability challenges.

Horsham District

6.34 The effects for Horsham (Table 4.2) were similar to those in Crawley:

- The 20% Starter Homes target on a total planned requirement of **800 dpa**, the results in the need to deliver some **160** Starter Homes per annum.
- If Horsham sought to ensure that 20% Starter Homes were delivered in full, then the District's modelled affordable housing needs would not be met from the current level of affordable housing contribution (35%). There would be a significant level of annual under-provision in meeting the high-range estimate of affordable housing needs of the District set out in the *Affordable Housing Needs Update* report:
 - neither an affordable housing contribution policy of 35% (280 dpa) nor a 40% or 45% affordable housing (320 dpa or 360 dpa) with a 20% Starter Homes top-slice would deliver sufficient affordable housing to also meet the high-range affordable housing need (382 dpa);
- It would only be at or above circa 65% affordable housing policy target that there would be sufficient total supply of affordable housing to meet the top-sliced delivery of Starter Homes together with meeting the affordable housing high-range estimate of need.

6.35 If, as an alternative to the **Reference Case** scenarios, the 'Unrestricted' Effective Demand scenarios were used in place of the 'Restricted' market (see Table 3.11 - Scenarios A1, B1, C1 and D1), then the level of Starter Homes demand, and therefore provision required to meet that demand, would be significantly greater in both Crawley and Horsham.

6.36 This would result in the inability of the Borough or the District to meet either affordable needs for those in the low-range 'Reasonable Preference', or the high-range Total Housing Register estimates of need, with a very significant

under-supply of either Affordable Rent or Intermediate tenure housing likely to result.

Types of Housing Available as Starter Homes

- 6.37 There is a limited range of different new-build housing stock available for purchase that would be eligible as a Starter Home in either Crawley or Horsham.
- 6.38 The average dwelling prices in both Crawley and Horsham are such that very little new stock falls within the headline market price cap of £250,000.
- 6.39 Current new build housing for sale in Horsham that falls within the upper market price cap consists of 1-bed flats. In Crawley there is a slightly wider variety available with some 2-bed flats available within the upper cap.

Viability of Starter Homes

- 6.40 General comments and considerations on the viability of Starter Homes were set out in Section 4. While this report has not examined viability in detail it does share a number of key issues that remain concerns within the development industry at this time, namely:
- **Continued uncertainties** on the regulations covering Starter Homes as a final set of technical / secondary regulations detailing the principal points made in the Housing and Planning Act have not yet been published;
 - **Restrictions on sales and lettings**, the period for which and the possible value tapering has not yet been confirmed by regulations;
 - **Exempt developments**, similar to the above, there is not yet clarity on the range, nature of extent of developments that may be exempted from delivering Starter Homes as part of their development mix;
 - **Size and specifications** for Starter Homes are not available and there is a concern in the development industry that quality/size regulations may impact on viability (especially where sites have other high or abnormal development costs). Furthermore, the need to offer a clear differentiation between Starter Homes products and other forms of housing needs to be clear to avoid erosion of the value or ability to sell full market housing on particular development sites;
 - **Market perceptions** of Starter Homes are not evident yet due to a limited number of such sales transactions. There is a view that the opportunity to secure a 20% value uplift at the point of onward sale of a Starter Home may actually increase the potential benefit (and therefore improve market perception) of Starter Homes investments by eligible households.
 - **Development cashflow** may be critically affected where Starter Homes are sold on a staggered basis as opposed to block sales/transfers which is the usual approach to other forms of affordable housing onward sale by private developers to Registered Providers. Staggered sales have a cashflow implication and raise uncertainties/risks in sites of all sizes, although it is considered that the major volume housebuilders are better placed to smooth out cashflow more so than small and mid-cap development firms.

Final Conclusions

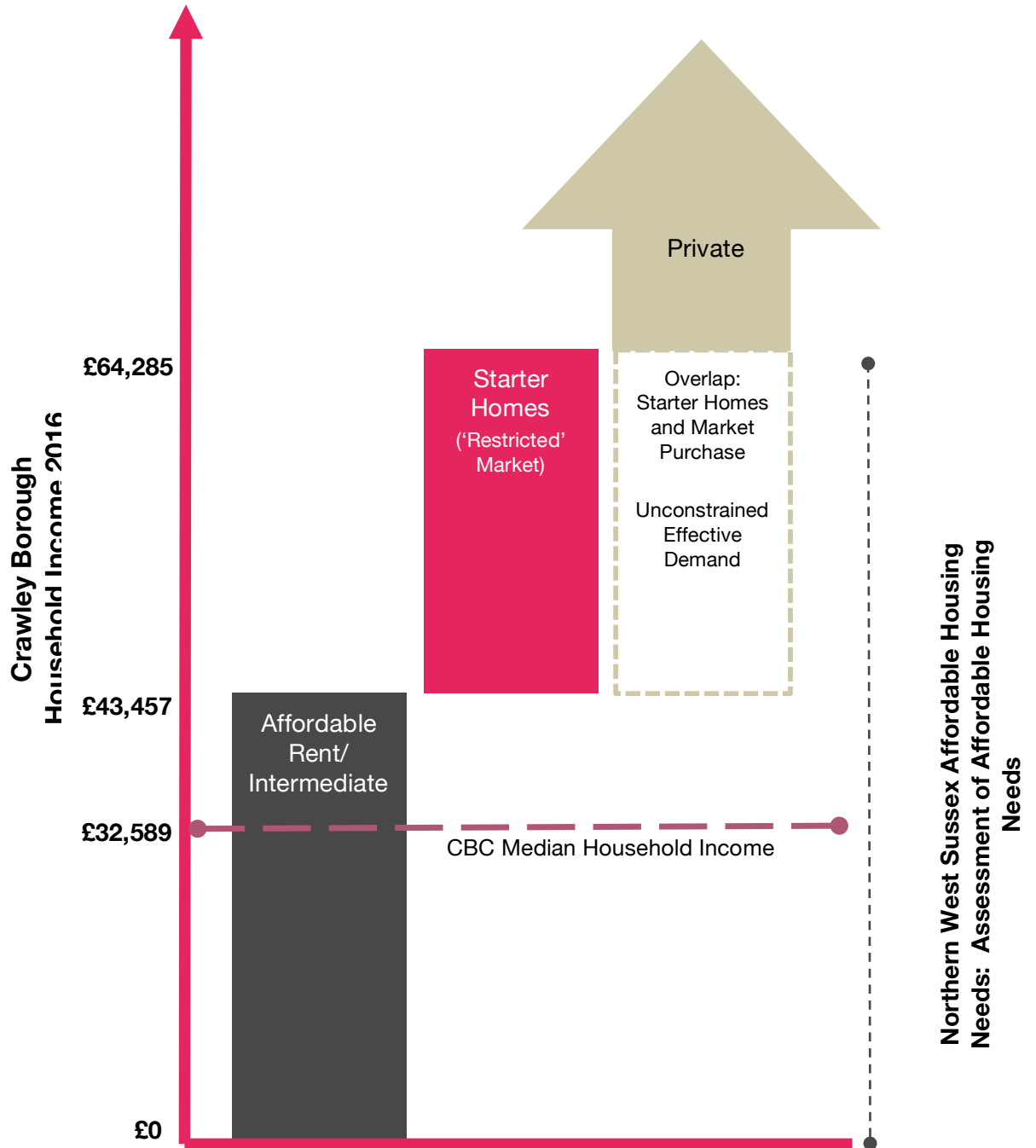
- 6.41 The analysis undertaken in this Report reflects a modelling exercise based on a considerable number of variables and assumptions. These have been necessary in light of the emerging nature of the Government's proposals to ensure the supply of Starter Homes in accordance with the *Housing and Planning Act* and the various national policies and technical regulations.
- 6.42 The lack of a final, adopted set of national Starter Homes technical regulations and confirmation that proposed changes to the definition of Affordable Housing in the NPPF (to include Starter Homes) means that the approach to assessment of the effects and implications is somewhat limited at present and has to include various assumptions (such as price and market cap inflation over time). The use of sensitivity analyses helps understand how assumptions may influence matters over time and assists in identifying the extent of household eligibility and scale of impacts on other affordable housing delivery.
- 6.43 The Government's policies indicate that Starter Homes **form part of the supply-response** to help meet the modelled affordable housing needs.
- 6.44 The modelled analyses set out herein and summarised previously does show that, depending upon the scenario selected, there is potential for Starter Homes to be delivered to meet the Reference Case scenarios but that they cannot meet an imposed target of 20% Starter Homes and other affordable housing needs in full.
- 6.45 An increased affordable housing policy target would therefore be needed in order to just meet the low-estimate affordable housing needs in both Crawley and Horsham, with potential implications for wider housing scheme viability that must be tested alongside any other changes resulting from Starter Homes legislation including the exemption/relief from CIL charges and / or S106 planning obligations.
- 6.46 There are uncertainties and assumptions that have had to be made in constructing and conducting the Starter Homes analysis in this Report including with respect to *inter alia*:
- the treatment of household incomes and house prices over time – whether fixed or subject to inflation;
 - the basis for calculating the 'average local house price as either the mean average or the average of the LQ.
- 6.47 It is therefore recommended that the analyses set out here are reviewed again once the Government has published the final Starter Homes technical regulations (and the Housing White Paper now proposed) and when there is clarity on any further changes to the NPPF, or to the definition and wider support for Starter Homes given recent, public Ministerial comments.
- 6.48 It is recommended that viability testing is carried out to examine the implications and effects of Starter Homes delivery on residential projects in Crawley and in Horsham. Such viability analysis needs to consider site specific factors that are characteristic in the two local authority areas and also reflect local market values arising. Viability testing work should be considered in the context of any other local planning policy changes; CIL charging schedules (and the potential for any reliefs or exemptions under the Housing and Planning Act or CIL regulations).

- 6.49 Until such time, it is concluded that the Borough and District's identified affordable housing needs should be met **through a combination of affordable housing supply including Starter Homes (on reasonable sized sites) as well as Affordable Rent and Intermediate Housing.**

APPENDIX A1

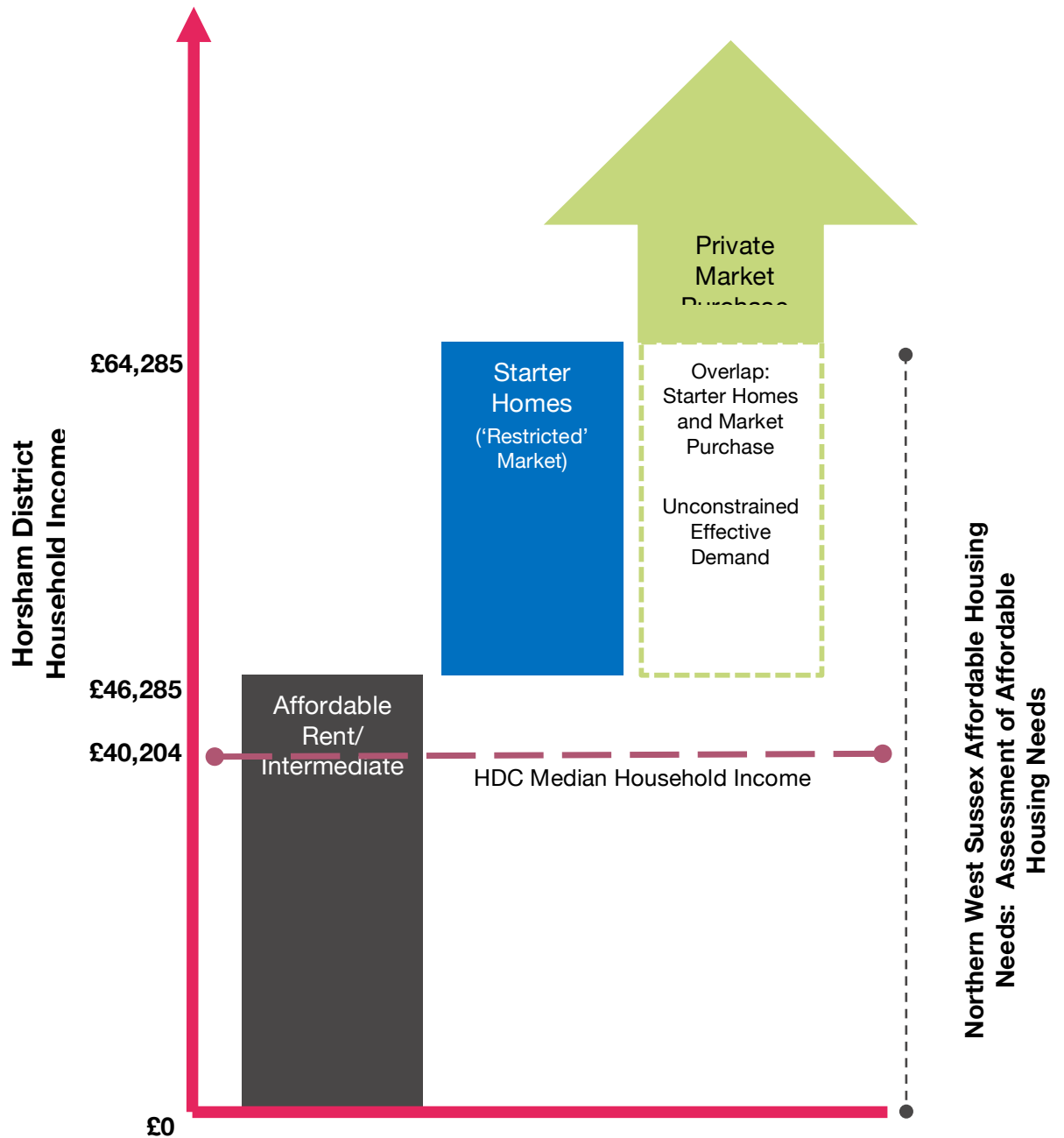
Household Incomes and Related Ability to Purchase Starter Homes

Crawley Borough



* Household Incomes assume max mortgage borrowing of 3.5 x household income and 10% deposit

Horsham District



* Household Incomes assume max mortgage borrowing of 3.5 x household income and 10% deposit

APPENDIX A2

Effects of 20% Starter Homes Requirement for Crawley Borough Based on Housing Delivery Target within Borough Only

Table A2.1: Crawley Borough - Effects of 20% Starter Homes Requirement at Various Affordable Housing Policy Requirement Levels – Based on Housing Delivery Target Within Borough Only (340 DPA)

A	B	C	D	E	F	G	H	I
Affordable Housing Policy Requirement	Total Planned Housing Within CBC Area Only (DPA)	Total Affordable Housing Supply	Starter Homes Supply Delivered (20%)	Non-Starter Home Affordable Housing Supply	Affordable Rent Supply	Shared Ownership Supply	Residual Affordable Housing Need	Over/Under Supply of Affordable Rent and Intermediate Housing
	Crawley Local Plan	B x A	B x 20%	C - D	E x 70%	E x 30%	High Range Estimate Affordable Needs minus 13 to 41 dpa (Table 3.12 – Column D)	E - H
40%	340	136	68	68	48	20	415 to 443	-347 to -375
45%	340	153	68	85	60	25	415 to 443	-410 to -358
50%	340	170	68	102	71	31	415 to 443	-313 to -314

Source: CCL calculation

APPENDIX A3

Modelling Results of the Scale and Composition of Starter Homes Eligibility

Starter Homes - Market Price and Affordability

Table A3.1: Starter Home Market Affordability (Restricted Market Basis, Based on New Build Transaction Values)

	Flat Rate			Inflation Adjusted		
	LQ Median House Price		Max Starter Home Discount Price	LQ Median House Price		Max Starter Home Discount Price
Price Basis	Crawley	Horsham		Crawley	Horsham	
1.Value	£211,250	£225,000	£250,000	£211,250	£225,000	£250,000
2.Minus 20% Starter Home Discount	£169,000	£180,000	-	£169,000	£180,000	-
3.Assuming 10% Deposit (including Help to Buy ISA)	£16,900	£18,000	£25,000	£16,900	£18,000	£25,000
4.Discounted Sale Price 2016 (Minimum can purchase)	£152,100 (2-3)	£162,000 (2-3)	£225,000 (1-3)	£152,100 (2-3)	£162,000 (2-3)	£225,000 (1-3)
5.Discounted Sale Price 2031 (Minimum can purchase)	£152,100 (2-3)	£162,000 (2-3)	£225,000 (1-3)	£251,770	£268,158	£372,441

Source: TPDL and CCL calculation

Table A3.2: Starter Home Market Affordability (Unconstrained Market Basis, Based on New Build Transaction Values)

	Flat Rate			Inflation Adjusted		
	LQ Median House Price		Max Starter Home Discount Price	LQ Median House Price		Max Starter Home Discount Price
Price Basis	Crawley	Horsham		Crawley	Horsham	
1.Value	£211,250	£225,000	£250,000	£211,250	£225,000	£250,000
2.Minus 20% Starter Home Discount	£169,000	£180,000	-	£169,000	£180,000	-
3.Assuming 10% Deposit (including Help to Buy ISA)	£16,900	£18,000	£25,000	£16,900	£18,000	£25,000
4.Discounted Sale Price 2016 (Min can purchase)	£152,100 (2-3)	£162,000 (2-3)	£225,000 (1-3)	£152,100 (2-3)	£162,000 (2-3)	£225,000 (1-3)
5.Discounted Sale Price 2031 (Min can purchase) ¹¹	£250,000	£250,000	£250,000	£251,770	£268,158	£372,441

Source: TPDL and CCL calculation

Starter Homes – Summary of Restricted and Unconstrained Market Analysis Results

The year by year profile of 24-39 age group households 'mortgage potential' income (i.e. household income multiplied by 3.5) has been compared with the various Starter

¹¹ Note: These figures relate to the maximum value of property that can be purchased based on the retention of a 'cap'. However, under the Unconstrained Market basis the proportion of 23-39 Age Group people who can afford and are 'eligible' to purchase these properties is substantially higher than on the Restricted Market basis. Under the Flat Rate and Restricted Market basis the average proportion who can afford a LQ Median Value Starter Home over the period 2016-31 in Crawley is 11% and in Horsham 10.2%. On the Unconstrained Market basis, the respective proportions are 42.6% and 49.7%. Similar differentials also apply under the Inflation Adjusted scenarios

Home house price levels. From this matching of datasets, the proportion of 24-39 year old households that could afford a Starter Home across the period 2016-31 was identified.

There are two ways to consider the scale of affordability for Starter Homes for households:

- A '**Restricted Market**', or narrow approach where only those eligible households that can afford to purchase a Starter Home, but could not afford to purchase on the open market are included; and
- An '**Unconstrained Market**' approach where all those eligible households that can afford a Starter Home, or could potentially purchase a property on the open market are included.

The following sub-sections examine both in turn. The analysis summarised here is restricted to the **CLG 2012-based Household Projections**.

The full analysis, including that based on the CLG 2014-based Household Projections is contained in the supporting spreadsheet: *Crawley_Horsham_Starter Home Summary Assessment*.

Restricted Market

The 'Restricted Market' analysis examines the potential demand for Starter Homes arising from a narrow group of eligible households.

It is focused on those households that are eligible for a Starter Home (in terms of age and first-time buyer status) and would be able to purchase a Starter Home, but could not afford to purchase on the open market. The households in this 'Restricted Market' have household incomes capable of supporting a mortgage of between £152,100 and £250,000 in Crawley and £162,000 and £250,000 in Horsham at the outset of the analysis period (2016). This affordability level has been kept constant under the Flat Rate Scenarios, and adjusted for inflation under the Inflation Adjusted Scenarios.

Effectively this 'Restricted Market' comprises a narrower group of households who are in affordable housing need (in accordance with the NPPG approach to calculating such needs; and if the current consultation on changes to the NPPF that include widening the definition of affordable housing to include Starter Homes is eventually adopted).

To assess the scale of this 'Restricted Market' four Scenarios have been assessed - Scenarios A-D. The results of this are shown in Tables A3.3 – 3.6 below:

- **A:** Flat Rate Lower Quartile House Price Basis (Afford to Buy Starter Home and in Affordable Housing Need);
- **B:** Flat Rate, Max Capped House Price Basis (Afford to Buy Starter Home and in Affordable Housing Need);
- **C:** Inflation Adjusted LQ House Price Basis (Afford to Buy Starter Home and in Affordable Housing Need); and
- **D:** Inflation Adjusted Max Capped House Price Basis (Afford to Buy Starter Home and in Affordable Housing Need).

**Table A3.3: Scenario A – Flat Rate Lower Quartile House Price Basis
(Afford to Buy Starter Home and in Affordable Housing Need)**

Starter Home Market Scenario	Location	Flat Rate Lower Quartile House Price Basis			
		Total H/Hold 24-39	% Income Based Qualifying H/Holds	Total Eligible H/Holds	Annual Average
Based on maximum demand potential 2016-31	Crawley	13,084	10.99%	1,438	96
	Horsham	9,806	10.20%	1,000	67
	Total	22,890	10.6%	2,438	163
Based on effective maximum demand potential 2016-31	Crawley	6,804	10.99%	748	50
	Horsham	4,203	10.20%	429	29
	Total	11,007	10.6%	1,177	79
Based on new build transaction levels 2016-31	Crawley	699	10.99%	77	5
	Horsham	2,520	10.20%	257	17
	Total	3,219	10.6%	334	22

Source: CCL calculation

Table A3.4: Scenario B – Flat Rate Max Capped House Price Basis (Afford to Buy Starter Home and in Affordable Housing Need)

Starter Home Market Scenario	Location	Flat Rate Max Capped House Price Basis			
		Total H/Hold 24-39	% Income Based Qualifying H/Holds	Total Eligible H/Holds	Annual Average
Based on maximum demand potential 2016-31	Crawley	13,084	4.41%	577	38
	Horsham	9,806	5.15%	505	34
	Total	22,890	4.9%	1,082	72
Based on effective maximum demand potential 2016-31	Crawley	6,804	4.41%	300	20
	Horsham	4,203	5.15%	216	14
	Total	11,007	4.9%	516	34
Based on new build transaction levels 2016-31	Crawley	699	4.41%	31	2
	Horsham	2,520	5.15%	130	9
	Total	3,219	4.9%	161	11

Source: CCL calculation

**Table A3.5: Scenario C – Inflation Adjusted LQ Median House Price Basis
(Afford to Buy Starter Home and in Affordable Housing Need)**

Starter Home Market Scenario	Location	Inflation Adjusted LQ Median House Price Basis			
		Total H/Hold 24-39	% Income Based Qualifying H/Holds	Total Eligible H/Holds	Annual Average
Based on maximum demand potential 2016-31	Crawley	13,084	9.09%	1,189	79
	Horsham	9,806	10.02%	983	66
	Total	22,890	9.6%	2,172	145
Based on effective maximum demand potential 2016-31	Crawley	6,804	9.09%	618	41
	Horsham	4,203	10.02%	421	28
	Total	11,007	9.6%	1,039	69
Based on new build transaction levels 2016-31	Crawley	699	9.09%	63	4
	Horsham	2,520	10.02%	252	17
	Total	3,219	9.6%	315	21

Source: CCL calculation

Table A3.6: Scenario D – Inflation Adjusted Max Capped House Price Basis (Afford to Buy Starter Home and in Affordable Housing Need)

Starter Home Market Scenario	Location	Inflation Adjusted Max Capped House Price Basis			
		Total H/Hold 24-39	% Income Based Qualifying H/Holds	Total Eligible H/Holds	Annual Average
Based on maximum demand potential 2016-31	Crawley	13,084	2.82%	369	25
	Horsham	9,806	3.90%	382	25
	Total	22,890	3.4%	751	50
Based on effective maximum demand potential 2016-31	Crawley	6,804	2.82%	192	13
	Horsham	4,203	3.90%	164	11
	Total	11,007	3.4%	356	24
Based on new build transaction levels 2016-31	Crawley	699	2.82%	20	1
	Horsham	2,520	3.90%	98	7
	Total	3,219	3.4%	118	8

Source: CCL calculation

Table A3.7 provides a summary of the above scenarios A – D and highlights a Restricted Market range of potential Starter Home demand of 13 to 50 households per annum in Crawley and 11 to 29 households per annum in Horsham. The ‘effective maximum demand’ basis of eligibility over the 2016-2031 period is used as the most realistic of the various approaches to household eligibility.

Table A3.7: Summary of Starter Home Potential Demand Scenarios A, B, C, D (Effective Maximum Demand and Restricted Market) - CLG 2012 Based

Starter Home Market Scenario	Location	Potential Demand			
		Total H/Hold 24-39	% Income Based Qualifying H/Holds	Total Eligible H/Holds	Annual Average
Scenario A – Flat rate, LQ Median House Prices	Crawley	6,804	11%	748	50
	Horsham	4,203	10.2%	429	29
	Total	11,007	10.6%*	1,177	79
Scenario B – Flat rate, Max Capped House Prices	Crawley	6,804	4.4%	300	20
	Horsham	4,203	5.15%	216	14
	Total	11,007	4.8%*	516	34
Scenario C – Inflation Adjusted, LQ Median House Prices	Crawley	6,804	9.09%	618	41
	Horsham	4,203	10.02%	421	28
	Total	11,007	9.6%*	1,039	69
Scenario D – Inflation Adjusted, Max Capped House Prices	Crawley	6,804	2.82%	192	13
	Horsham	4,203	3.90%	164	11
	Total	11,007	3.4%*	356	24

Source: CCL calculation.

* Simple average of the overall results for each authority.

Unconstrained Market

The 'Unconstrained Market' scenarios include all households eligible for Starter Homes with an ability to afford to purchase. There is effectively no upper end to the ability to purchase under these scenarios; i.e. the eligible households included can afford to purchase a Starter Home, but could equally afford to purchase a home on the open market. In this respect the Unconstrained Market includes households that would fall within the definition of being in affordable housing need as well as those that would not. This is illustrated, diagrammatically in Appendix A2.

In order to assess the scale of this 'Restricted Market', sensitivity analysis has been undertaken to Scenarios A-D set out previously. The results of this are shown in Scenarios A1, B1, C1 and D1 below (Tables A3.9 – 3.12):

- **A1: Flat Rate Lower Quartile House Price Basis;**
- **B1: Flat Rate, Max Capped House Price Basis;**
- **C1: Inflation Adjusted LQ House Price Basis; and**
- **D1: Inflation Adjusted Max Capped House Price Basis.**

Table A3.9: Scenario A1 – Flat Rate Lower Quartile House Price Basis

Starter Home Scenario	Location	Flat Rate Lower Quartile House Price Basis			
		Total H/Hold 24-39	% Income Based Qualifying H/Holds	Total Eligible H/Holds	Annual Average
Based on maximum demand potential 2016-31	Crawley	13,084	42.55%	5,567	371
	Horsham	9,806	49.72%	4,876	325
	Total	22,890	46.1%	10,443	696
Based on effective maximum demand potential 2016-31	Crawley	6,804	42.55%	2,895	193
	Horsham	4,203	49.72%	2,090	139
	Total	11,007	46.1%	4,985	332
Based on new build transaction levels 2016-31	Crawley	699	42.55%	297	20
	Horsham	2,520	49.72%	1,253	84
	Total	3,219	46.1%	1,550	104

Source: CCL calculation

Table A3.10: Scenario B1 – Flat Rate Max Capped House Price Basis

Starter Home Market Scenario	Location	Flat Rate Max Capped House Price Basis			
		Total H/Hold 24-39	% Income Based Qualifying H/Holds	Total Eligible H/Holds	Annual Average
Based on maximum demand potential 2016-31	Crawley	13,084	22.73%	2,975	198
	Horsham	9,806	32.73%	3,209	214
	Total	22,890	27.7%	6,184	412
Based on effective maximum demand potential 2016-31	Crawley	6,804	22.73%	1,547	103
	Horsham	4,203	32.73%	1,376	92
	Total	11,007	27.7%	2,923	195
Based on new build transaction levels 2016-31	Crawley	699	22.73%	159	11
	Horsham	2,520	32.73%	825	55
	Total	3,219	27.7%	984	66

Source: CCL calculation

Table A3.11: Scenario C1 – Inflation Adjusted Lower Quartile Median House Price Basis

Starter Home Market Scenario	Location	Inflation Adjusted Median House Price Basis			
		Total H/Hold 24-39	% Income Based Qualifying H/Holds	Total Eligible H/Holds	Annual Average
Based on maximum demand potential 2016-31	Crawley	13,084	28.36%	3,710	247
	Horsham	9,806	36.05%	3,535	236
	Total	22,890	32.2 %	7,245	483
Based on effective maximum demand potential 2016-31	Crawley	6,804	28.36%	1,929	129
	Horsham	4,203	36.05%	1,515	101
	Total	11,007	32.2 %	3,444	230
Based on new build transaction levels 2016-31	Crawley	699	28.36%	198	13
	Horsham	2,520	36.05%	908	61
	Total	3,219	32.2 %	1,106	74

Source: CCL calculation

Table A3.12: Scenario D1 – Inflation Adjusted Max Capped House Price Basis

Starter Home Market Scenario	Location	Inflation Adjusted Max Capped House Price Basis			
		Total H/Hold 24-39	% Income Based Qualifying H/Holds	Total Eligible H/Holds	Annual Average
Based on maximum demand potential 2016-31	Crawley	13,084	12.37%	1,618	108
	Horsham	9,806	20.21%	1,982	132
	Total	22,890	16.3%	3,600	240
Based on effective maximum demand potential 2016-31	Crawley	6,804	12.37%	842	56
	Horsham	4,203	20.21%	849	57
	Total	11,007	16.3%	1,691	113
Based on new build transaction levels 2016-31	Crawley	699	12.37%	86	6
	Horsham	2,520	20.21%	509	34
	Total	3,219	16.3%	595	40

Source: CCL calculation

Table A3.13 provides a summary of the above scenarios A1 – D1 and highlights an Unconstrained Market range of potential Starter Home demand of 6 to 193 households per annum in Crawley and 34 to 139 households per annum in Horsham.

Table A3.13: Summary of Starter Home Potential Demand Scenarios A1, B1, C1, D1 (Effective Maximum Demand and Restricted Market) - CLG 2012 Based

Starter Home Market Scenario	Location	Potential Demand			
		Total H/Hold 24-39	% Income Based Qualifying H/Holds	Total Eligible H/Holds	Annual Average
Scenario A1 – Flat rate, LQ Median House Prices	Crawley	6,804	42.55%	2,895	193
	Horsham	4,203	49.72%	2,090	139
	Total	11,007	46.1%*	4,985	332
Scenario B1 – Flat rate, Max Capped House Prices	Crawley	6,804	22.73%	1,547	103
	Horsham	4,203	32.73%	1,376	92
	Total	11,007	27.7%*	2,923	195
Scenario C1 – Inflation Adjusted, LQ Median House Prices	Crawley	6,804	28.36%	1,929	129
	Horsham	4,203	36.05%	1,515	101
	Total	11,007	32.2 %*	3,444	230
Scenario D1 – Inflation Adjusted, Max Capped House Prices	Crawley	6,804	12.37%	842	56
	Horsham	4,203	20.21%	849	57
	Total	11,007	16.3%*	1,691	113

Source: CCL calculation

* Simple average of the overall results for each authority.



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