Chapter 6 The need for new housing

Key points

- This chapter examines the overall requirement for housing up to 2031, and the need for affordable housing. Concerning the overall requirement:
  - Projected household growth from 2011-2031 under the GLA Central Trend household projection is just over 129,000 in South East London.
  - In 2013 there were approximate 11,900 concealed and homeless households to be added to this.
  - Allowing for a vacancy rate of 1.8% (the South East London-wide rate for 2013) leads to a total housing requirement during the 2011-2031 period of about 143,800 dwellings or just under **7,200 per annum.**
- In terms of the breakdown of future dwelling requirements by size, high levels of under-occupancy and changes in future household composition point to a need for more small private sector dwellings (with 1-2 bedrooms). Under-occupation in the private sector arises from consumer preferences for higher occupancy levels, but the current occupancy patterns may reflect restricted choice or historic trends. In the future, the high costs of housing may bring pressure to bear on many households to accept tighter occupancy standards even in the private sector.
- Estimates of the need for affordable housing are derived from a separate official methodology. The calculation involves adding the current unmet housing need ('backlog') and projected future housing need and then subtracting the current supply of affordable housing stock from this. The current unmet need for affordable housing in South East London, is estimated to be circa 55,500. It is made up of overcrowded households (42,650), concealed households (9,150) and homeless households currently housed in temporary accommodation (3,700). We assume that this backlog will be addressed over 20 years (as does the GLA SHMA).
- The next component of affordable housing need concerns newly forming households. Based on the GLA "Central" household projection, there will be approximately 12,700 newly forming households per annum over the next 20 years. Based on price and income information, near 60% of these households (circa 7,600) cannot afford open market housing. Around 1,300 existing households are also expected to "fall into need of affordable housing" each year. Together, the final estimate for newly arising need for affordable housing is **8,900** households per annum.
- Around 20,300 social sector homes are occupied by households in backlog need. Based on social housing re-lets and intermediate sector re-sales the total annual supply is calculated to be close to 5,600 units per annum. The components of the model are brought together to generate a final estimate of net annual need: close to **5,000**. This is 70% of the total requirement (7,200). The process of calculation is shown here (figures may not add exactly because of rounding):

Existing need	A: Backlog need	55,462
	B: Affordable stock available	20,258
	C: Net current need (A-B)	35,204
	D: Backlog reduction period	20
	E: Annual backlog quota (C/D)	1,760
New need	F: Newly forming households	12,663
	G: % unable to afford market	60%
	H: Newly forming households in need (F*G)	7,583
	I: Existing households falling into need	1,284
	J: Annual newly arising need (H+I)	8,867
Final steps	K: Gross annual need (E+J)	10,627
	L: Annual supply	5,610
	M: Net annual need (K-L)	5,017

- At borough level estimates for net annual affordable housing need are: 837 in Bexley, 1,404 in Bromley, 835 in Greenwich, 1,144 in Lewisham and 799 in Southwark. The model also indicates the tenure and size mix needed across the sub region.

		Bexley	Bromley	Greenwich	Lewisham	Southwark	SE London
Existing need	A:Backlog need	4,785	6,112	10,746	14,085	19,734	55,462
	B: Affordable stock available	779	1,724	3,627	4,620	9,508	20,258
	C: Net current need (A-B)	4,006	4,388	7,119	9,465	10,226	35,204
	D: Backlog reduction period	20	20	20	20	20	20
	E: Annual backlog quota (C/D)	200	219	356	473	511	1,760
New need	F: Newly forming households	1,839	2,659	2,323	3,013	2,829	12,663
	G: % unable to afford market	49%	57%	53%	64%	71%	60%
	H: Newly forming hh in need (F*G)	894	1,508	1,238	1,923	2,020	7,583
	I: Existing hh falling into need	254	226	271	321	212	1,284
	J: Annual newly arising need (H+I)	1,148	1,734	1,509	2,244	2,232	8,867
Final steps	K: Gross annual need (E+J)	1,348	1,953	1,865	2,717	2,743	10,627
	L: Annual supply	512	549	1,031	1,573	1,945	5,610
	M: Net annual need (K-L)	837	1,404	835	1,144	799	5,017

- The SHMA is also required to provide evidence about the size and tenure breakdown of affordable housing need. The household profile of those in need is translated into demand for various sized homes by applying the bedroom standard. An affordability test applied to these households results in a distinction between those that require the social and affordable rented tenure and those that can afford intermediate housing but not open market housing. These figures are then compared to the annual supply of affordable housing which is also broken down by size and tenure. This results in the balance between demand and supply by size and tenure.

		1 bed dwellings	2 bed dwellings	3 bed dwellings	4+ bed dwellings	All dwellings
Social and affordable rent	Gross annual need	2,709	2,975	1,744	586	8,014
	Annual supply	2,986	1,822	590	92	5,491
	Net annual need	(278)	1,152	1,154	494	2,523
Intermediate sector	Gross annual need	633	1,062	665	253	2,613
	Annual supply	40	67	12	-	119
	Net annual need	593	996	653	253	2,495
Total	Gross annual need	3,341	4,037	2,409	839	10,627
	Annual supply	3,027	1,889	602	92	5,610
	Net annual need	315	2,148	1,808	747	5,017

Introduction

6.1 This chapter looks firstly at the overall amount of new housing required to meet future demand, as determined by reference to key market drivers such as demographic or economic change. It is derived by estimating household numbers at the end of the plan period and deducting from this the current dwelling supply, including provision for any current shortage of housing or households not in self-contained housing, and making an allowance for vacancies in the dwelling stock to facilitate household movement between dwellings. The second part of the chapter focuses specifically on the need for affordable housing for those with insufficient means to meet their needs on the open market[1]. This concerns both current households whose housing falls short of meeting certain accommodation standards (or who do not have housing at all) and households that form each year. "Overall housing

[1]Under the previous Strategic Housing Market Assessment Practice Guidance (DCLG, August 2007) the term "housing need" referred only to the need for affordable housing while "housing demand" was used to denote open market housing requirements. This distinction has been discontinued under the new guidance "Housing and economic development needs assessments" (March 2014). In the new guidance the term "housing need" covers all housing requirements across every sector.

need" and "affordable housing need" are different concepts and different approaches to estimation are specified in the official guidance. The chapter concludes by comparing these two aspects, discussing their relationship and setting out implications for housing and planning policy responses.

The overall requirement for new housing

6.2 GLA population and household projections, described in Chapter 5, provide three alternative scenarios of future household growth, based in the main on variations made in assumptions on future migration into and out from South East London. Alternative Interim ONS Population Projections were felt likely to be less accurate but they are shown below for comparative purposes in the table below.

Table 6.1 South East London: projected household growth 2011-2031

			GLA Trend Projection 2013 Round			CLG
			Low	Central	High	Interim*
Households	Number	2011	562,894	562,894	562,894	562,892
		2021	629,104	633,689	638,296	608,786
		2031	677,048	692,180	707,606	654,137
	2011-2021	Increase	66,210	70,795	75,403	45,894
		Ave pa	6,621	7,080	7,540	4,589
		% increase	11.8	12.6	13.4	8.2
	2011-2031	Increase	114,154	129,286	144,712	NA
		Ave pa	5,708	6,464	7,236	NA
		% increase	20.3	23.0	25.7	NA

Sources: GLA, ONS, CLG (*2011-based)

6.3 Table 6.1 summarises projected levels of household change under the three GLA scenarios, showing total projected household change over the 2011-2021 and 2011-2031 periods, together with annual average change and the percentage increase in each case. This SHMA is primarily concerned with the 2011-2031 period, but as the table shows, projected rates of growth in the first ten years are somewhat higher than those over the whole projection period. The Central projection indicates that the number of households in South East London will grow by just under 6,500 per annum.

6.4 Table 6.2 below breaks this data down by borough. Relative to the number of households in 2011 in each borough, the level of household growth is highest in Greenwich, followed by Lewisham, Southwark, Bexley and Bromley.

6.5 In addition, households which currently exist but which do not have a separate dwelling must be added to net new household formation, as additional supply will be required to house these households. There are two groups of households in this situation, both of which are identified in Chapter 4 of this report. First there are concealed households currently sharing the accommodation of another household, which is estimated to be 10,330 in South East London. Second there are homeless households currently housed in certain types of temporary accommodation: bed-and-breakfast accommodation, hostels, women's refuges and the like. There are 1,577 of these households. The remaining households in temporary accommodation are occupying self-contained dwelling stock and therefore do not add towards future requirement. Overcrowded and under-occupied households and other households living in unsuitable accommodation are similarly not counted as they already occupy houses and thus do not require provision of an additional dwelling to meet their needs.

6.6 An allowance must also be made for vacant dwellings within the new dwelling stock. Although the current dwelling stock includes vacancies, there will also be a need for vacant dwellings to allow for movement within the additional dwellings to be added to the stock over the next 20 years. Frequently this is assumed to be equivalent to 3% of net new household formation. In South East London however, vacancy rates are low, even in the private sector, probably reflecting the high pressure of housing demand in the area. Vacancy rates in 2013 have therefore been utilised. Across South East London as a whole the vacancy rate across all tenures was 1.81%, with borough rates ranging from 1.33% in Bexley to 2.12% in Southwark.

Table 6.2 Overall housing requirements by borough and demographic scenario

		Bexley	Bromley	Greenwich	Lewisham	Southwark	SE London
Net household growth 2011-2031	Low	15,501	20,521	25,013	26,947	26,172	114,154
	Central	*17,865*	*23,813*	*27,798*	*30,222*	*29,588*	*129,286*
	High	20,276	27,167	30,637	33,559	33,073	144,712
Concealed		1,643	1,614	2,597	2,146	2,331	10,330
Homeless		180	418	139	515	325	1,577
Net additional households requiring housing 2011-2031	Low	17,324	22,553	27,749	29,608	28,828	126,061
	Central	*19,688*	*25,845*	*30,534*	*32,883*	*32,244*	*141,193*
	High	22,099	29,199	33,373	36,220	35,729	156,619
Vacancy rate		1.33	1.95	1.96	1.57	2.12	1.81
Net additional dwelling requirement allowing for vacancies 2011-2031	Low	17,554	22,993	28,293	30,072	29,439	128,351
	Central	*19,950*	*26,349*	*31,133*	*33,399*	*32,927*	*143,758*
	High	22,393	29,768	34,027	36,788	36,486	159,463
Net additional dwelling requirement per annum allowing for vacancies	Low	878	1,150	1,415	1,504	1,472	6,418
	Central	*997*	*1,317*	*1,557*	*1,670*	*1,646*	*7,188*
	High	1,120	1,488	1,701	1,839	1,824	7,973

Sources: GLA 2013 Round Household Projections, DCLG Interim 2011-based Household Projections.

6.7 Overall, as a result of these adjustments, future housing requirements across South East London range from just over 128,000 (approximately 6,400 dwellings per annum from 2011-2031) to just over 159,000 (8,000 per annum) with the total based on the Central household forecast being **143,758** which works out to be just under **7,200 dwellings per annum**. If it is anticipated that there will be significant levels of demolition in the dwelling stock, an addition also needs to be made to the required supply to allow for the net loss. At present no adjustment for demolitions is included.

Comparison with existing targets

6.8 The original London Plan 2011 (since updated by the 'Revised Early Minor Alterations' version 2013) set out housing targets for London Boroughs as shown in Table 6.3 below[2]. Revised targets have been proposed in Draft Further Alterations to the London Plan January 2014 (FALP). For South East London as a whole, 2011 London Plan and FALP targets roughly match the housing requirements estimated above based on the lower and higher population growth scenarios respectively. Though targets and requirements appear roughly equivalent at sub-regional level, the differences at Borough level are considerable, with targets for Bexley, Bromley and Lewisham considerably below assessed requirements and those for Greenwich and Southwark above assessed requirements.

Table 6.3 Comparison of housing requirements by borough with London Plan targets and proposed new targets

		Bexley	Bromley	Greenwich	Lewisham	Southwark	SE London
Net additional dwelling requirement per annum allowing for vacancies	Low	878	1,150	1,415	1,504	1,472	6,418
	Central	*997*	*1,317*	*1,557*	*1,670*	*1,646*	*7,188*
	High	1,120	1,488	1,701	1,839	1,824	7,973
2011 LP		335	500	2,595	1,105	2,005	6,540
2014 FALP consultation		446	641	2,685	1,385	2,736	7,893
Change between annualised 2011 and proposed 2014 targets		33%	28%	4%	25%	37%	21%

Sources: GLA, 2011 London Plan, FALP 2014

[2] The 2013 Revised Early Minor Alterations to the 2011 London Plan did not contain any significant changes relating to housing, and did not change the housing targets. Hence, for the sake of simplicity, we refer to the original 2011 version when comparing the targets their compared to the new ones in the 2014 Further Alterations to the London Plan documentation.

Completions, pipeline supply and capacity

6.9 Net additions to the dwelling stock since 2011 will have an impact on the requirements shown in Table 6.2 above. Based on Authority Monitoring Report data for the years 2011-12 and 2012-13 and other local sources, Table 6.4 shows net additions to stock for 2011-13 and the impact on overall and average annual dwelling requirements. Additions over this period have been below the rates needed to meet requirements both overall and in each borough, so the future required annual rate of additions to the stock has increased. Against 2011 London Plan targets however, the shortfall is less, and in Bexley, Bromley and Lewisham average net annual additions in 2011-12 and 2012-13 have exceeded the 2011 London Plan target.

Table 6.4 Comparison of completions with housing requirements by borough

		Bexley	Bromley	Greenwich	Lewisham	Southwark	South East London
Estimated supply 2011/12 - 2012/13		1,103	1,047	2,163	2,993	2,337	9,643
Net additional requirement less supply above	Low	16,451	21,946	26,130	27,079	27,102	118,708
	Central	18,847	25,302	28,970	30,406	30,590	134,115
	High	21,290	28,721	31,864	33,795	34,149	149,820
Requirement per annum 2013-2031	Low	914	1,219	1,452	1,504	1,506	6,595
	Central	1,047	1,406	1,609	1,689	1,699	7,451
	High	1,183	1,596	1,770	1,878	1,897	8,323

Sources: Local Authority Monitoring Reports 2011-12 and 2012-13; local reports on Five Year Land Supply, and CLG Live Table 123.

6.10 Table 6.5 shows housing requirements against projected supply over the 2013-2031 period based on data from the 2013 GLA Strategic Housing Land Availability Assessment (SHLAA) and local authority housing trajectory estimates. For the period 2013-15, supply is derived from local trajectory data or other local sources where this was not available. For 2015-2025, supply is derived from the GLA SHLAA. For 2025-31, the SHLAA 2015-2025 estimates have been projected forward on a pro rata basis.

Table 6.5 Comparison of housing requirements and Greater London Plan targets with GLA SHLAA 2013 capacity

		Bexley	Bromley	Green-wich	Lewis-ham	South-wark	SE London
Net additional requirement p.a. less net supply 2011-13	Low	914	1,219	1,452	1,504	1,506	6,595
	Central	1,047	1,406	1,609	1,689	1,699	7,451
	High	1,183	1,596	1,770	1,878	1,897	8,323
Projected supply 2013-15 (AMR)		939	988	6,189	2,533	4,279	14,928
Proj. supply 2015-25 (GLA SHLAA)		4,457	6,413	26,850	13,847	27,362	78,929
Projected supply 2025-31		2,674	3,848	16,110	8,308	16,417	47,357
Net additional requirement 2013-25, less projected supply	Low	5,571	7,229	-15,619	1,673	-13,573	-14,718
	Central	7,168	9,467	-13,726	3,891	-11,247	-4,448
	High	8,797	11,746	-11,796	6,150	-8,875	6,023
Net additional requirement 2013-31, less projected supply	Low	8,381	10,696	-23,019	2,391	-20,956	-22,506
	Central	10,777	14,053	-20,179	5,718	-17,468	-7,100
	High	13,220	17,472	-17,285	9,107	-13,909	8,606

Sources: 2013 GLA SHLAA Appendix 1 page 109, Local Authority Monitoring Reports 2011-12 and 2012-13; local reports on Five Year Land Supply, and DCLG Live Table 123, and Table 7.4.

6.11 Based on these calculations, projected supply levels across South East London as a whole are sufficient to cope with overall housing requirements under both the Low and Central Trend forecasts up to both 2025 and 2031 (a surplus of sites is indicated in the table by a negative figure). However this is largely a result of the high level of identified supply from large sites in Southwark and Greenwich. Taken individually Bexley, Bromley and Lewisham do not have sufficient capacity to meet the requirement

under any of the three household growth scenarios. However, if capacity is compared to London Plan targets (up to 2025), the picture changes. Bexley, Bromley and Lewisham have sufficient capacity to meet their (lower) targets whilst Greenwich falls short of its higher target. Southwark has sufficient capacity to meet the requirements under all of the growth scenarios. Please note that assessed capacity does not necessarily provide a forecast of what will actually be delivered – there are many external factors that can hinder (or expedite) delivery.

6.12 The levels of need assessed in this SHMA for South East London as a whole are of the same order as current and proposed GLA targets, although the proposed targets are at the upper end of the assessed need spectrum. Overall, South East London can meet its projected household growth and backlog needs, but not within individual borough boundaries. In particular, Bexley, Bromley and Lewisham have identified insufficient land supply to meet projected needs.

Dwelling size, type and tenure requirements

6.13 The National Planning Policy Framework (NPPF), supported by official guidance, indicates that a SHMA should estimate the size, type and tenure requirements for new housing provision. If actual 2011 occupancy levels within the housing stock in South East London are compared to a measure such as the bedroom standard, it is clear that the existing stock is significantly under-occupied. Across South East London as a whole, 33% of households occupied their housing at the bedroom standard level. 7% were overcrowded and in theory at least could be accommodated within the under-occupied stock. The remaining 60% of households were living in dwellings too large for their needs as assessed against the standard. If a better fit with the bedroom standard were to be achieved in South East London there would be an overwhelming requirement for smaller dwellings.

6.14 However this approach is impractical, mainly because the bedroom standard plays no part in determining occupancy rates in the private sector, where occupancy levels are instead determined by the market. Households can consume the amount of space which they are willing and able to pay for, especially in the private sector. Options to address occupancy rates in the social / affordable sector are considered in section 6.39.

6.15 This might suggest that existing patterns of occupancy in the private sector should be assumed going forward, as in the recent GLA SHMA[3]. However cost concerns play an important part in influencing household space consumption decisions, especially in London where affordability is severely constrained. Some households do adjust their consumption, for example through the process of trading down by households which have contracted in size. Over a longer time-scale, the market has also adjusted the housing stock in London to create smaller units in response to cost pressures, for example through the conversion of single family houses into flats. Further pressures for adjustments of the existing housing stock of this kind must be expected in London, given the intensification of demand and resultant squeeze on affordability.

6.16 Changes in the projected composition of household types also provide an indication of the required dwelling size mix. Table 6.6 shows the breakdown of bedroom requirements in 2011 and 2031 compared to actual housing stock in 2011. This calculation is based to the following:

- One person and couple households are assumed to require one bedroom and couples/single parents with one child two bedrooms.
- Each additional child is assumed to require one bedroom up to a maximum of four bedrooms for the whole household.
- Other adults in couple households are assumed to require one bedroom.
- Multi-adult households are assumed to require three bedrooms.

[3] See for example para 6.10, *The 2013 London Strategic Housing Market Assessment*, GLA 2014

Table 6.6 Actual housing stock and projected bedroom requirements 2011-2031

		% requiring each number of bedrooms			
		1	2	3	4
Bexley	2011 actual	10.2	26.6	45.7	17.6
	2011 projected	51.1	20.2	23.2	5.6
	2031 projected	44.6	23.3	25.5	6.5
Bromley	2011 actual	13.1	26.4	37.5	23.0
	2011 projected	56.1	18.5	20.8	4.6
	2031 projected	53.3	21.7	20.4	4.6
Greenwich	2011 actual	18.9	32.8	36.5	11.8
	2011 projected	49.3	18.1	26.2	6.3
	2031 projected	43.9	20.7	28.6	6.8
Lewisham	2011 actual	24.0	34.4	30.3	11.3
	2011 projected	49.9	17.5	27.4	5.3
	2031 projected	48.5	17.9	28.8	4.8
Southwark	2011 actual	29.3	37.0	22.8	10.9
	2011 projected	49.9	15.5	29.1	5.5
	2031 projected	48.4	15.4	31.6	4.6
South East London	2011 actual	19.4	31.5	34.0	15.1
	2011 projected	51.4	17.9	25.3	5.4
	2031 projected	48.1	19.6	27.0	5.4
Greater London	2011 actual	21.7	31.7	31.5	15.1
	2011 projected	50.0	17.5	26.6	6.0
	2031 projected	45.6	19.9	28.2	6.2

Source: GLA 2013 Round Central Trend Household projections, ONS 2011 Census Table QS411EW, with assumptions as indicated in text.

6.17 Based on these assumptions there was apparently a very substantial under-supply of one-bedroomed dwellings and an over-supply of all other dwelling sizes across South East London as a whole and in all boroughs in 2011, reflecting under-occupancy levels as described above. Looking at changing requirements over the period 2011-2031 for South East London as a whole, the requirement for one-bedroom units will decline as a result of a projected fall in the proportion of single person households and couples. The requirement for two and three bedrooms is projected to increase slightly, whilst the requirement for four or more bedrooms will remain more or less static. Overall, Table 6.6 confirms a clear requirement for smaller homes if occupancy levels are assessed against a standard similar to the bedroom standard.

6.18 The mix of dwellings by type in South East London reflects a variety of factors. Overall, the proportion of flats is high by national standards but compared to London as a whole there are currently more houses (especially semi-detached houses). Between 2001 and 2011 there was an increase of three percentage points in the proportion of purpose built flats, a small decline in the proportion of terraced houses, and a small increase in the proportion of converted flats. Rather than household preferences, these changes are likely to reflect the intensity of demand for housing in London and high land values which is likely to continue over the period up to 2031.

Affordable housing need

6.19 So far this chapter has dealt with the overall requirement for new dwellings across all tenures. The rest of this chapter concerns only the requirement for affordable dwellings. Government guidance issued in March 2014[4] sets out how the need for affordable housing is to be calculated. The calculation involves adding together the current unmet need for affordable housing and the projected future need for affordable housing and then subtracting this from the current supply of affordable housing stock.

[4] *Housing and economic development needs assessments*, National Planning Policy Framework: Planning Practice Guidance, DCLG March 2014

The main components and outputs of the calculation are set out here while a more detailed account of the approach is provided as an appendix to this report.

"Backlog" need

6.20 The first stage of the calculation of affordable housing need concerns the current unmet need (i.e. "backlog."). In line with the guidance the following types of households are considered to be in affordable housing need:

- homeless households or insecure tenure (e.g. housing that is too expensive compared to disposable income);
- households where there is a mismatch between the housing needed and the actual dwelling (e.g. overcrowded households);
- households containing people with social or physical impairment or other specific needs living in unsuitable dwellings (e.g. accessed via steps) which cannot be made suitable in-situ
- households that lack basic facilities (e.g. a bathroom or kitchen) and those subject to major disrepair or that are unfit for habitation;
- households containing people with particular social needs (e.g. escaping harassment) which cannot be resolved except through a move.

6.21 Sources providing output at local authority and/or sub-regional level are not available for many of the above categories, necessitating the partial use of regional sources in some cases. Furthermore it is reasonable to expect there to be a considerable degree of overlap between some of the categories – for example households that are both overcrowded and in housing that is too expensive for them. To reduce the possibility of double-counting a conservative approach, one erring on the side of caution, has been taken in arriving at an estimate of backlog need for affordable housing in South East London.

6.22 Concealed households include "couples, people with children or single adults over 25 years of age sharing a kitchen, bathroom or WC with another household"[5]. They concern households that are sharing the accommodation of another household out of necessity rather than out of choice, with the underlying assumption being that they do not have their own independent accommodation because, in the main, they cannot afford it. As described in Chapter 4 data from the 2011 Census, the English Housing Survey and work done by the GLA for the London-wide SHMA leads to an estimate of concealed households in South East London: approximately 10,300. However calculations by the GLA indicate that some of these households could afford housing on the open market. When these are subtracted just over **9,100 concealed households** in South East London are estimated to be in need of affordable housing.

6.23 Evidence of overcrowding in South East London from the 2011 Census was presented in Chapter 4: there are just over 53,000 overcrowded households, 83% of which were one bedroom short of the bedroom standard and the remaining 17% two or more bedrooms short. However evidence from the English Housing Survey points to an overlap between this group and concealed households – if concealed households were to be provided with their own home then some of the remaining households would no longer be overcrowded. The survey data also indicates that some overcrowded households are likely to have sufficient income to rectify their situation in the open market should they choose to do so. Following adjustment for these two factors an estimate is arrived at concerning the number of **overcrowded households** in South East London in need of affordable housing: just over **42,600**.

6.24 According to the latest available local authority administrative data on homelessness for the South East London boroughs (end of year 2013) there were a total of **3,689 homeless households** housed in temporary accommodation across the sub-region. All of these households are considered to be in need of affordable housing. In paragraph 6.5 above it was noted that only 1,577 homeless households in temporary accommodation in South East London contribute to overall need for new

[5] *Strategic Housing Market Assessments Practice Guidance Version 2*, DCLG, August 2007, p. 44.

housing. This is because 2,112 of the 3,689 households are already occupying self-contained dwelling stock either in the private or social sector.

6.25 There are no secondary data sources providing a clear picture of other categories of need at the local or sub-regional level. English Housing Survey data analysed by the GLA as part of the London-wide SHMA estimated just over 20,000 London households in various categories including sharers, accommodated in homes lacking basic facilities, non-homeless households in non-self-contained accommodation and households suffering from harassment. Given that there is no way of apportioning these households across the boroughs of South East London these households have been excluded from the estimate of current unmet gross need for affordable housing. The figures shown in the table below are therefore considered to be a conservative estimate.

Table 6.7 Current unmet gross need for affordable housing in South East London

	Bexley	Bromley	Greenwich	Lewisham	Southwark	SE London
Concealed	1,455	1,429	2,300	1,900	2,064	9,147
Overcrowded	2,830	3,877	8,198	10,814	16,909	42,628
Homeless	501	806	249	1,372	761	3,689
Total	4,785	6,112	10,747	14,086	19,734	55,464

Source: Cobweb Consulting based on data from Census 2011, English Housing Survey 2010-2012, GLA SHMA (2013) and SELHP Administrative data (final quarter 2013).

6.26 Gross backlog need for affordable housing in South East London is estimated to be just under **55,500**. Some of these households are already occupying affordable housing units. With regard to overcrowded households and homeless households in temporary accommodation the resolution of their needs would in effect free up their current home for re-use and therefore would not require any additional affordable supply. The number of these households is estimated using the available data: Census 2011 on overcrowded households and administrative data on homeless households in temporary accommodation. The affordable supply that would become available if existing social / affordable sector tenants were to have their needs met totals **20,258** in South East London. This is equivalent to 37% of the total backlog.

Newly arising need

6.27 The next component of affordable housing need concerns newly forming households each year that are unable to afford access to market housing. Household projections supplied by the GLA are used: specifically the Central trend projection. The total number of newly forming households in SE London is estimated to be just under **12,700** per annum.

6.28 Next an affordability test is applied to these households. In line with the Guidance the market entry price level is deemed to be the lower quartile price of either renting or buying on the open market, whichever is the cheaper. Market entry prices were shown in Chapter 4, although the model takes account of price variations between boroughs. The calculation also takes account of the differing income profile and demand for different sized units of each household type. Further details of the affordability calculation are described in the appendix to this report but one key assumption is worth noting here: housing is considered unaffordable to a household if it needs to spend more than one-third of its gross income (33.3%) to access it. Later in this Chapter and in the appendices the implications of varying this key assumption are examined. Following the application of the affordability test 5,080 (40%) of the newly forming households are estimated to be able to afford open market housing and the remaining **7,583** are not. This second group of households is deemed to be in need of affordable housing and/or assistance of one kind or another.

6.29 A second component of newly arising need concerns existing households who "fall into need" each year. The Ministry of Justice data on mortgage possessions has been chosen as a proxy estimate for existing households falling into need: **1,284** households per annum in South East London. This number is added to the number of newly forming households in need to arrive at a total figure for annual newly arising need for affordable housing: **8,868**.

Table 6.8 Total newly arising affordable housing need (gross per year)

	Bexley	Bromley	Greenwich	Lewisham	Southwark	SE London
Newly forming households	1,839	2,659	2,323	3,013	2,829	12,663
% unable to afford in open market	49%	57%	53%	64%	71%	60%
Number unable to afford	894	1,508	1,238	1,923	2,020	7,583
Existing h.holds falling into need	254	226	271	321	212	1,284
Total newly arising affordable need	1,148	1,734	1,509	2,244	2,232	8,868

Affordable supply

6.30 The next stage of the calculation of affordable housing need concerns the total affordable stock available. Firstly there are the social sector dwellings currently occupied by households in need as set out in paragraph 6.26 above: **20,258**. To this is added surplus stock (the number of affordable properties that can be normally expected to be vacant at any one time). It is generally considered that approximately 3% vacant stock is a necessary feature of a normal functioning market as these voids are required to facilitate household movements, renovations and the like. As shown in Chapter 3 the percentage of empty social sector properties is below 3% in all boroughs except for Bexley. However the high figure in Bexley is due to regeneration activities – these empty homes are scheduled for demolition and therefore cannot be counted among the available supply. In conclusion, this component of affordable housing supply is considered to be zero. In other words there is no "spare capacity" from empty properties to meet affordable housing need.

6.31 A further step could involve committed additional housing stock i.e. homes that are certain to be built at the point of assessment. The decision was made to omit this from the calculation because to do so would confuse the "snap shot" picture of housing need we are endeavouring to present (this rationale is further explained in the technical appendix). This step could also involve subtracting the number of units to be taken out of management. These are social sector homes that are currently occupied by households in need of affordable housing but which are due to be demolished. No homes have been confirmed as being in this category, so again no adjustment is made at this stage. The estimate of total current affordable housing supply available remains **20,258**.

6.32 The next component of supply is called "future housing supply" and consists of an annual estimate of future annual supply of social / affordable housing re-lets, calculated on the basis of past trends - an average of the past three years is advised. It concerns the expected turnover of existing stock and excludes new build lettings. It is also limited to re-lets to new tenants and excludes transfer lettings. Social rent and affordable rent are treated together and longer-term supported housing lettings are also included. For the most part this supply consists of General Needs lettings but a half of supported housing lettings are also included due to the fact that many of these units are being let to the very households in need (both "backlog" and "newly arising") estimated above. Not all units are included because a significant proportion are let on a temporary basis or are units reserved for older people and/or specific vulnerable groups. CORE is the data source used for these estimates, with the exception of Greenwich Council stock lettings data which was supplied by the borough itself.

6.33 A second component of future housing supply is the supply of intermediate affordable housing. Again it concerns the number of homes that come up for re-let or re-sale and as such excludes new build properties. It is also an estimate based on an average from the past three years. Data from the South East London Housing Partnership has been used for this estimate. The two parts are then added together, as shown in the next table.

Table 6.9 Future annual supply of affordable homes

	Bexley	Bromley	Greenwich	Lewisham	Southwark	SE London
Social/affordable re-lets	498	530	1,003	1,555	1,906	5,491
Intermediate re-lets/re-sales	14	20	28	18	39	119

Total annual supply	512	549	1,031	1,573	1,945	5,610

Sources: CORE, SELHP and Royal Borough of Greenwich; average of annual figures for 2010-11,2011-12 and 2012-13

Finalising the calculation

6.34 At this stage of the calculation the various components are brought together to arrive at an estimate for net annual need for affordable housing. This is done in a number of steps, briefly:

1. Total affordable stock available is subtracted from current unmet gross need ("backlog") to calculate net current need;
2. Net current need is converted into an annual flow by dividing it by a backlog reduction period, generating a so-called annual backlog reduction quota. A 20 year period is assumed in keeping with the period used by the GLA for the London-wide SHMA 2013;
3. This quota is then added to total newly arising need, with the sum termed "gross annual need";
4. Future housing supply is then subtracted from gross annual need resulting in a final figure for "net annual need."

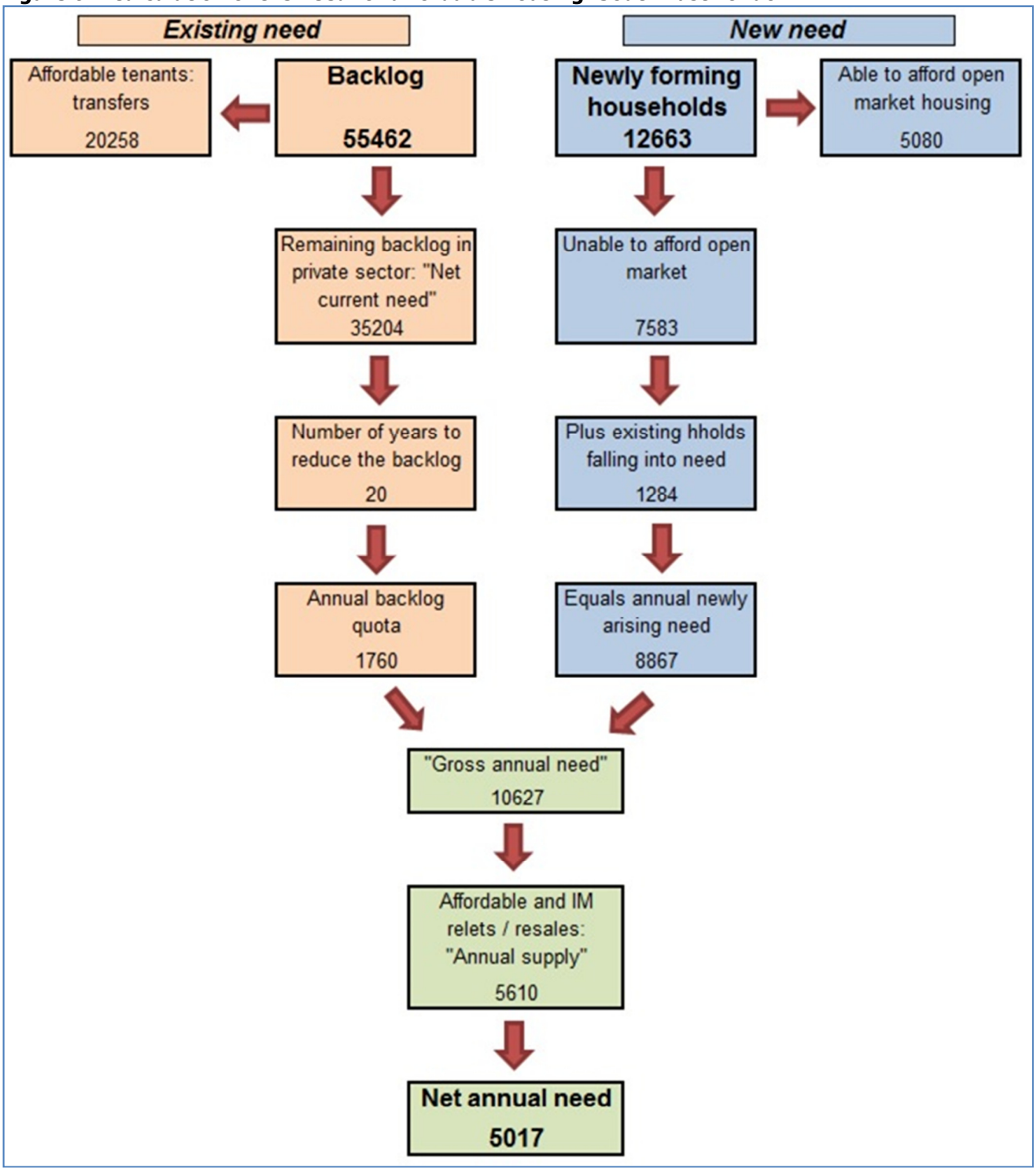
6.35 This results in an estimate for the net annual need for affordable housing in South East London: **5,017**. All components of the calculation for each of the five boroughs of South East London are shown in the next table. Net annual need ranges between 799 in Southwark and 1,144 in Lewisham. While Southwark has the largest backlog and the largest gross annual need it also has the highest annual supply.

Table 6.10 Calculation of the need for affordable housing: borough-level outputs

		Bexley	Bromley	Greenwich	Lewisham	Southwark	SE London
Existing need	A:Backlog need	4,785	6,112	10,746	14,085	19,734	55,462
	B: Affordable stock available	779	1,724	3,627	4,620	9,508	20,258
	C: Net current need (A-B)	4,006	4,388	7,119	9,465	10,226	35,204
	D: Backlog reduction period	20	20	20	20	20	20
	E: Annual backlog quota (C/D)	200	219	356	473	511	1,760
New need	F: Newly forming households	1,839	2,659	2,323	3,013	2,829	12,663
	G: % unable to afford market	49%	57%	53%	64%	71%	60%
	H: Newly forming hh in need (F*G)	894	1,508	1,238	1,923	2,020	7,583
	I: Existing hh falling into need	254	226	271	321	212	1,284
	J: Annual newly arising need (H+I)	1,148	1,734	1,509	2,244	2,232	8,867
Final steps	K: Gross annual need (E+J)	1,348	1,953	1,865	2,717	2,743	10,627
	L: Annual supply	512	549	1,031	1,573	1,945	5,610
	M: Net annual need (K-L)	837	1,404	835	1,144	799	5,017

6.36 Figure 6.1 overleaf is a flow diagram providing a schematic overview of the calculation. The numbers pertain to the whole sub-region. It should be noted that "total affordable stock available" is the same as affordable tenant transfers as shown in the top left-hand box - the former concerns the actual dwellings while the latter concerns the households that currently reside in these homes.

Figure 6.1 Calculation of the need for affordable housing: South East London



Required size and tenure of affordable housing

6.37 In addition to estimating the overall magnitude of housing need the SHMA is also required to provide evidence about the size and tenure breakdown of affordable housing need. The household profile of those in need of affordable housing is translated into demand for various sized homes by applying the bedroom standard. The affordability test applied to these households results in a distinction between those that require the social and affordable rented tenure and those that can afford intermediate housing but not open market housing. These figures are then compared to the annual supply of affordable housing which is also broken down by size and tenure. This results in the balance between demand and supply by size and tenure. The results for South East London are shown in Table 6.11.

Table 6.11 Balance of affordable housing needed by tenure and dwelling size

		1 bed dwellings	2 bed dwellings	3 bed dwellings	4+ bed dwellings	All dwellings
Social and affordable rent	Gross annual need	2,709	2,975	1,744	586	8,014
	Annual supply	2,986	1,822	590	92	5,491
	Net annual need	(278)	1,152	1,154	494	2,523
Intermediate sector	Gross annual need	633	1,062	665	253	2,613
	Annual supply	40	67	12	-	119
	Net annual need	593	996	653	253	2,495
Total	Gross annual need	3,341	4,037	2,409	839	10,627
	Annual supply	3,027	1,889	602	92	5,610
	Net annual need	315	2,148	1,808	747	5,017

6.38 The model indicates a shortfall of all sized dwellings in both tenures with the exception of 1 bed social and affordable rent dwellings for which supply and demand are more or less in balance; in fact there is a surplus of supply according to the model due to the large numbers of 1 bed units becoming available for re-let each year, particularly in Southwark. Under the proviso that all affordable housing need will be able to be met by future new build supply the outputs shown above can serve as the basis for sub-regional recommendations regarding the mix of new affordable housing supply to be targeted going forward. These conclusions are shown in the next table.

Table 6.12 Target mix of new affordable housing supply (baseline scenario)

Tenure	1 bed dwellings	2 bed dwellings	3 bed dwellings	4+ bed dwellings		Tenure split (% ↕)
Social and affordable rent	-	41%	41%	18%		50%
Intermediate sector	24%	40%	26%	10%		50%

6.39 As was noted in Chapter 4 there is both overcrowding and under-occupation within the social sector in South East London. Census figures indicate that 15% of social sector households are overcrowded, while twice that amount has bedrooms to spare. If this under- and over-occupation were to be eliminated through proactive policy interventions (such as are already being put in place) then this will result in a shift in demand particularly as larger homes vacated by 'downsizers' are then occupied by households that were previously overcrowded. This scenario (2nd scenario) has been modelled, assuming that a half of currently under- and over-occupying households will be re-housed through transfer or mutual exchange within the next 10 years, additional to the ongoing transfer movements already reflected in the lettings data. The results of this scenario, presented in the table below, show a net shift in demand for social and affordable rented units: from 2 and 3 bedroom units to 1 and 4+ bedroom units.

Table 6.13 Target mix of new affordable housing supply (2nd scenario addressing under-occupation and over-crowding)

Tenure	1 bed dwellings	2 bed dwellings	3 bed dwellings	4+ bed dwellings		Tenure split (% ↕)
Social and affordable rent	26%	28%	25%	21%		50%
Intermediate sector	24%	40%	26%	10%		50%

6.40 In addition to the sub-regional "target mix" outputs shown above the model also suggests the mix of new affordable housing supply at borough level. These outputs, shown in the next two tables, can serve as a starting point for discussion when it comes to setting development policy at the local level. As stated above the model takes account of the large supply of one bedroom units in the sub-region due to the turnover of the existing stock. 82% of the annual re-lets supply of one bedroom units comes from Greenwich, Lewisham and Southwark, resulting in a "zero" target for this unit size in these three boroughs.

Table 6.14 Target mix at borough level (baseline scenario)

Size/tenure mix	Bexley	Bromley	Greenwich	Lewisham	Southwark
Social and affordable rent					
1 bedroom units	8%	27%	0%	0%	0%
2 bedroom units	49%	39%	34%	35%	27%
3 bedroom units	33%	26%	46%	43%	46%
4+ bedroom units	9%	8%	20%	22%	27%
Intermediate sector					
1 bedroom units	18%	22%	23%	28%	24%
2 bedroom units	43%	42%	38%	37%	40%
3 bedroom units	29%	27%	26%	24%	26%
4+ bedroom units	10%	9%	12%	10%	10%
Tenure split: % intermediate	34%	35%	43%	51%	57%

Table 6.15 Target mix at borough level (2nd scenario addressing under-occupation and over-crowding)

Size/tenure mix	Bexley	Bromley	Greenwich	Lewisham	Southwark
Social and affordable rent					
1 bedroom units	24%	40%	20%	42%	0%
2 bedroom units	42%	34%	20%	13%	4%
3 bedroom units	23%	18%	35%	18%	37%
4+ bedroom units	11%	8%	25%	27%	59%
Intermediate sector					
1 bedroom units	18%	22%	23%	28%	24%
2 bedroom units	43%	42%	38%	37%	40%
3 bedroom units	29%	27%	26%	24%	26%
4+ bedroom units	10%	9%	12%	10%	10%
Tenure split: % intermediate	34%	35%	43%	51%	57%

6.41 The outputs of the model are sensitive to a number of decisions regarding inputs and parameters. For some factors it is not a case of a "right or wrong" approach but rather a case of making a choice following the weighing up of the pros and cons of several options and alternatives. These include the following factors:

- Income affordability threshold: 25% or 40% instead of 33.3%;
- Whether or not an adjustment should be made to annual supply in anticipation of a shift of lettings due to proactive policy to address overcrowding and under-occupation in the existing affordable stock (as per the 2nd scenario above);
- Whether or not to include supported housing as well as general needs housing in the annual supply;
- Changing the intermediate price threshold relative to the market entry price threshold, thus making the intermediate sector broader or narrower.

6.42 The appendix to this report presents other scenarios based on the alternative inputs above. These are provided for illustrative purposes only in order to demonstrate the sensitivity of the model to different assumptions. However the baseline scenario and the 2nd scenario, as presented above, are the only recommended scenarios. The justification for this is set out in the technical appendix document.

Conclusion

6.43 This chapter has identified a requirement for an additional 143,800 dwellings in South East London to be constructed during the 2011-2031 period. This is to meet requirements of future household growth as well as alleviate current unmet demand by catering for existing households currently lacking their own accommodation. This works out to be an average of **7,200** per year which is just over 60% above the recent rate of increase of the housing stock in the sub-region: the stock increased by an average of 4,470 units per year between 2009 and 2013.

6.44 The need for affordable housing in South East London, independently calculated using the methodology set out in the official guidance, is estimated to be circa **5,000** per annum. This equates to 70% of the total requirement.

6.45 This then is the evidence of overall housing requirements and of the need for affordable housing. Boroughs will need to formulate policy in response to this and other sources of evidence. The latest Guidance contains the following instruction:

> "The total affordable housing need should then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes."[6]

[6] *Housing and economic development needs assessments*, DCLG March 2014, Paragraph 030 Reference ID: 2a-030-20140306