

South East London

housing partnership



South East London Strategic Housing Market Assessment

June 2014

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Danny Friedman
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Executive summary

Key points

South East London Housing Partnership commissioned Cobweb Consulting to prepare a Strategic Housing Market Assessment (SHMA) for the South East London sub-region comprising the boroughs of Bexley, Bromley, Greenwich, Lewisham and Southwark. This SHMA is compliant with official guidance including the revised and updated 2014 National Planning Policy Guidance.

Main outputs from the SHMA include:

- The quantity of new housing needed in terms of type, tenure, and size to meet future housing requirements
- The extent of affordable (non-market) housing need in terms of type, tenure, and size, including concealed and potential households
- An assessment of the housing needs of particular groups including older people, people with disabilities, and Black and Minority Ethnic communities.

The key national, London and South East London features of this SHMA are:

- The economic crisis of the later 2000s and its impact on the housing market, including impact on incomes
- The low levels of housing starts and completions, in both the social sector and the private sector
- The expansion of the private rented sector (PRS) across London and in South East London, and its impact on the wider housing market
- The welfare reform agenda, and its effect on rents, especially in the PRS
- An acceleration in the rise of London and South East London house prices and rents since 2012
- Accompanied by a recent increase in the number of sales, although these are still below their pre-recession levels
- Increasing homelessness, numbers in temporary accommodation, overcrowded households and concealed households.

Summary housing needs and requirements are:

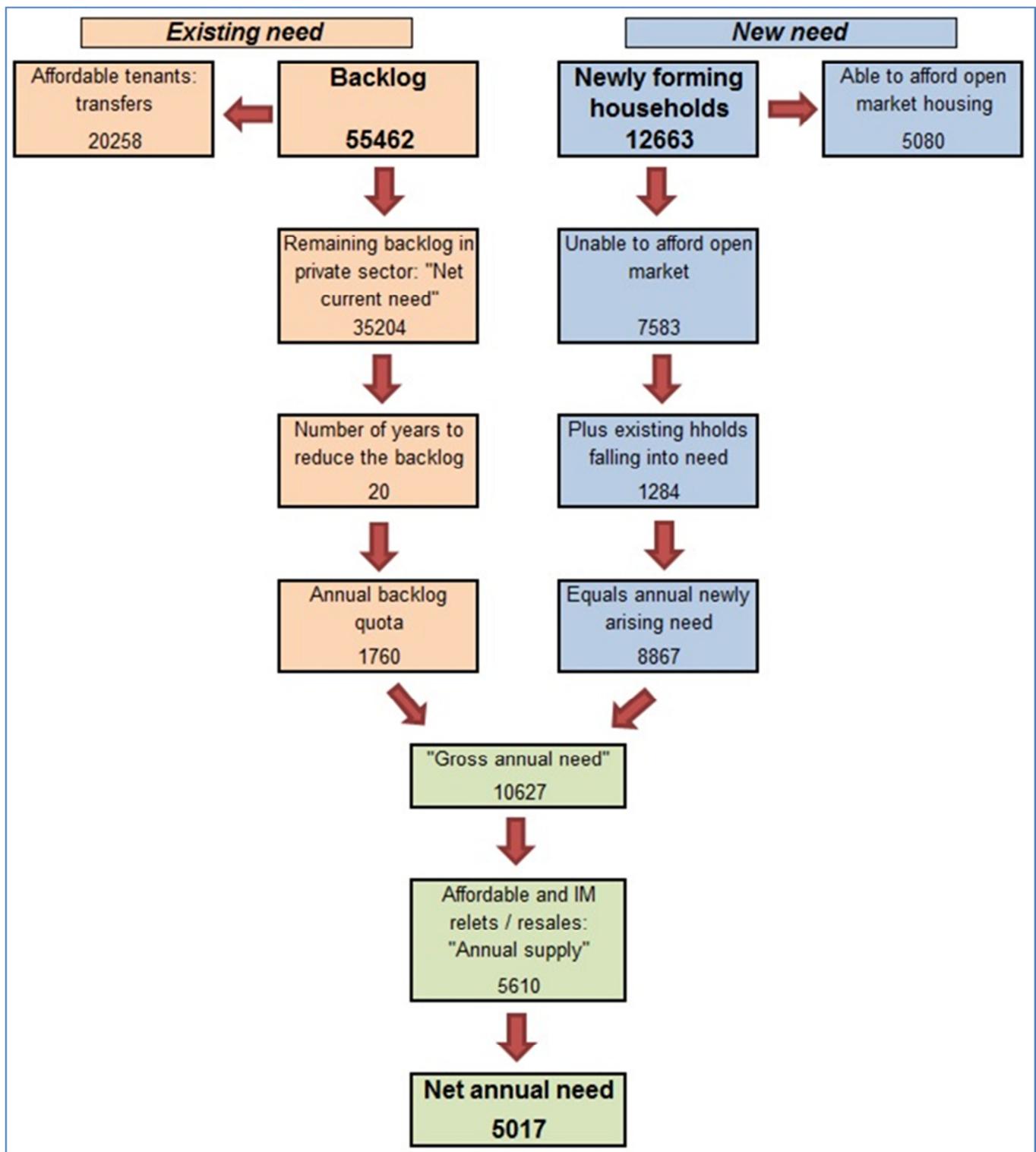
- There is a total housing requirement of about 143,800 dwellings in South East London during the 2011-2031 period, or just under **7,200 per annum**
- The current backlog unmet need for affordable housing in South East London is estimated to be circa **55,500**. We assume that this backlog will be addressed over 20 years (as does the GLA SHMA).
- Newly arising need for affordable housing is **8,900** households per annum.
- The total annual supply of social / affordable rented and intermediate market homes 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 split between tenures and bedroom numbers required within the affordable sector is:

| 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% |

More detail is provided below, in the main report, and in the appendices. Schematic details of the model and calculations follow:

Calculation of the need for affordable housing



Characteristics of the sub-region

Chapter 2 describes the characteristics of the South East London sub-region, in comparison with the four other London sub-regions, in order to contextualise the sub-regions place in the overall London environment. It also summarises the features that make South East London a Housing Market Area (HMA).

South East London is the smallest of the five London sub-regions, both in population and households, holding 17% of London's population. It has a high proportion of both under 15s and over 75s, resulting in the lowest proportion of working age population in London.

However, in terms of its economy, it only holds 12% of London's jobs, reflecting the importance of commuting into Central London; estimated average household incomes are £45,000, below the London average, and second lowest among the sub-regions; this figure is inflated by a long 'tail' of higher earners. More detailed borough-based figures appear in Chapter 4.

As regards tenure, 51% of households are owner-occupiers, the second highest proportion of the sub-regions; the sub-region has relatively high numbers of social renters (29%) and low numbers of private renters (20%). There are substantial variations between the authorities. The sub-region has a lower level of overcrowding and a higher level of under-occupation than the London average and most sub-regions, across all tenures.

Examining housing costs, South East London has the lowest house prices in London, with the sale price running at 72% of the London average. In 2012 it had the highest level of sales among the sub-regions; it has the lowest price to earnings ratio (average house price is 9.2 times earnings), though this is still very high; private sector rents have been increasing substantially.

Significant points differentiating South East London from other sub-regions are high numbers of ageing residents, low incomes, high benefit dependency and relatively low house price to income ratios.

As regards the issue whether South East London still forms a distinct Housing Market Area (as was found in the previous SHMA), we concluded that the five boroughs continue to form a coherent HMA within which travel to work and migration patterns were reasonably self-contained and with sufficiently different characteristics to provide housing for households as their characteristics changed. Given the unique nature of London, and the relative ease of commuting, the SHMA must also take linkages with other areas into account.

The dwelling stock

The key characteristics of the dwelling stock which are of significance in assessing the current and future housing requirements of the sub-region are discussed in Chapter 3

There were 582,790 dwellings in the South East London in 2013. Since 2009 the average increase in the stock has been about 4,300 dwellings per year which is a lower rate of growth than in the early 2000s (circa 5,000 p.a.) but above the rate when the housing market recession was at its most severe (3,800 in 2008-09).

As regards empty homes, when compared to the rest of the country, dwelling vacancy rates in South East London are low and they have been falling since 2010 as a result of the pressure of demand.

In terms of tenure, 28% of the stock is owned by social landlords which is a higher proportion than in London as a whole (24%). 72% of the stock is in the private sector which is split between owner-

occupation (circa 52%) and the private rented sector (circa 20%). By London standards the level of private renting is low, but the sector has been growing quickly.

South East London has a similar dwelling size profile to London as a whole with just over 54% of dwellings having one or two bedrooms. About a third of dwellings in the sub-region had three bedrooms and only 15% had four or more bedrooms. The building type profile shows that purpose built flats are the most common type of dwelling (36%), followed by terraced houses (24%) and semi-detached houses (22%). About 80% of new builds since 2001 have been purpose built flats.

Examining stock condition, the age profile of the dwelling stock is an indicator of dwelling condition issues and the need for investment in repairs, maintenance and improvements. There is a relatively high proportion of older (pre-1944) dwellings in South East London compared to London as a whole, but also more post-1972 dwellings. Just under 40% of private dwellings in South East London were categorised as failing to meet the key decent homes standard. The proportion of non-decent private sector homes was highest in Southwark and lowest in Bromley, but the differences between boroughs were relatively small.

In summary, the sub-region has a diverse housing stock; but there are differences in profile by borough. Broadly there is distinction between Bexley and Bromley, with higher levels of owner-occupation in two or three-bedroomed detached and semi-detached houses; and Southwark and Lewisham, with higher proportions of social rented and private rented purpose built flats, generally with fewer bedrooms. Greenwich falls between the two groupings.

The current housing market and market signals

Chapter 4 examines the operation of the housing market in South East London and identifies signals which the market is providing as evidence of housing requirements.

In London terms South East London is a relatively low value area, except for Southwark (though all boroughs have 'hot spots' of high value housing). Prices quadrupled between 1996 and 2013, an average compound rate of increase of 8.1% per annum. In 2013 the median house price was over ten times the median annual gross earnings level. This ratio had surpassed its 2008 level. Rises have been greatest in Southwark and least in Bexley. After a dip in 2008-09 house prices have resumed their upward trend. Sales volumes fell away sharply during the financial crisis but have been rising again recently, although they are still below pre-crisis levels.

Against a backdrop of strong demand, low interest rates, Government policies to stimulate the market and significant investor activity mean prices have risen to new highs, growing by more than 10% per annum since 2012. It is possible that the market is now (mid 2014) overheating.

Private sector rents have been more stable than prices. Nevertheless they rose by 4.3% per annum between 2010 and mid-2013: significantly above the rate of inflation and household income increases. Private renting is expanding rapidly and is characterised by a high level of moves. 28% of households in the PRS contain dependent children. Given the lack of security of tenure in the sector this is an issue of concern. There are significant issues about the feasibility of lower income households - and particularly younger, single households - accessing the PRS, in the context of lower Local Housing Allowance (LHA) rates and housing benefit caps.

As regards costs in the social housing sector, rents charged for new social sector tenancies rose at an annual rate of 6.6% between 2010-11 and 2012-13. The rate of increase was only 2.4% p.a. if affordable rent tenancies, which began to be introduced in 2011, are omitted. Turnover has declined in recent years and was only 5.7% of the stock in 2012-13. The relet rate of smaller dwellings is higher than for larger dwellings and the former tend to be let to new tenants from outside the social sector while the latter are more often let to transferring tenants.

We examined concealed, overcrowded and under-occupying households. There are estimated to be over 10,000 concealed households and over 53,000 overcrowded households (the latter being almost 10% of all households). Levels of overcrowding are highest in Southwark (15%) and lowest in Bromley (4%). Under-occupation (in terms of the bedroom standard) is far more prevalent among owner-occupiers than it is for renters in both the private and social / affordable sectors. Conversely, overcrowding is more common in rented accommodation. There is scope to at least partially rebalance overcrowding and under-occupation in the social / affordable rented sector by more appropriate matching of stock to household requirements.

As regards homelessness and repossessions, the number of landlord possession orders has been increasing in South East London since the onset of the financial crisis in 2008; however the number of mortgage possession orders has been declining. At the end of 2013 there were 3,689 households classed as homeless and living in temporary accommodation and this number had increased by almost 50% in three years.

In conclusion, steep price rises in all tenures, reduced turnover of social sector stock, worsening affordability ratios, high levels of overcrowding, concealed households, repossessions and homelessness are clear indicators of a housing market under considerable pressure. These market signals suggest that affordability is and will continue to be a key issue for housing planning in South East London.

Drivers of change

The principal drivers of change in housing requirements are demographic and economic factors. These are discussed in Chapter 4.

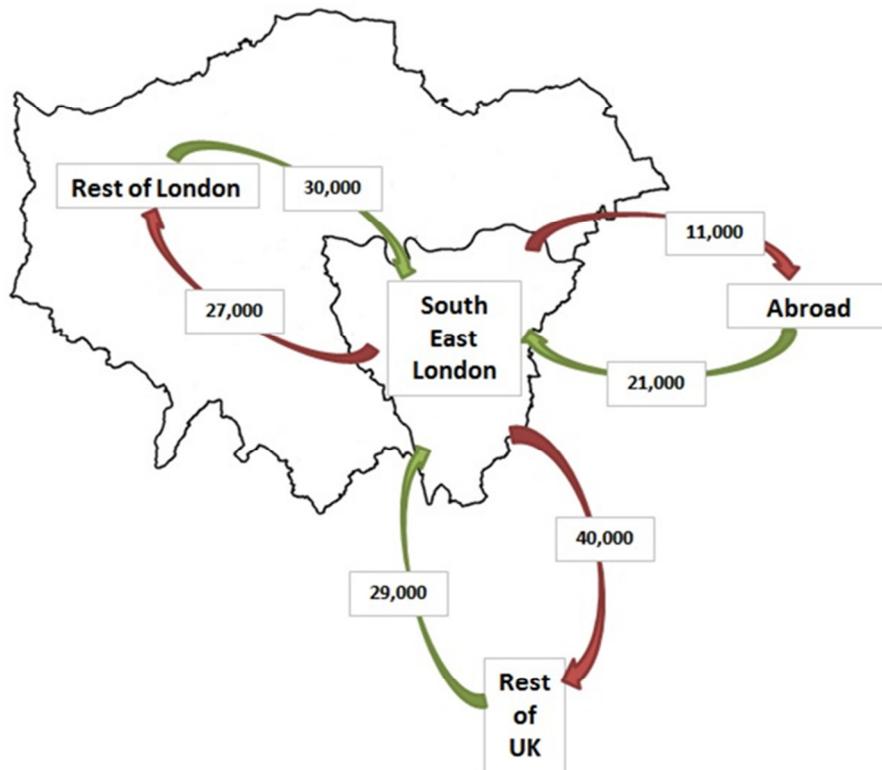
Demographic demand is demand driven by population growth, both natural (more births than deaths) and migrational. The population of South East London is projected to grow by 235,000 over the 2011-2031 period, on average over 11,700 per annum.

Projections suggest that the main feature of future change will be that of an ageing population. The proportion of people aged 65 or more in South East London is projected to grow from 12% to 15% whilst the working age population (16-64) is projected to fall back to 66%.

The number of households is forecast to increase. Projections indicate household growth in South East London will average 6,500 per annum from 2011-2031. The largest increases are projected for Greenwich, Lewisham and Southwark with Bexley and Bromley growing more slowly. The highest rate of growth will be in multi-person households off-set by reductions in the proportions of people living alone and couples without dependent children. The growth in multi-person households and the reduction in people living alone is in part driven by affordability issues.

As noted, one component of demographic change is migration. There has been net out migration from South East London to the rest of the UK outside London, and net in migration from abroad, with a small level of net-in migration from the rest of London. There is considerable variation between Bromley's pattern and those of other authorities in the sub-region.

Average annual migration flows 2009-2012



Sources: ONS (from NHS data) for domestic flows and GLA Central Population Projection.

Housing demand may also be driven by the economy. Employment in South East London is projected to increase by 102,000 between 2011 and 2031.

Over the same period the number of people of working age (16-64) is forecast to increase by 133,000. Changes in the State Pension Age and a worsening in the returns from private or occupational pensions are likely to have an impact on the labour force over the next two decades, as older people choose or are obliged to remain in employment for longer. This represents a substantial addition to the potential working age population.

So, if it is assumed that economic activity and employment rates remain broadly unchanged, population growth will result in about 114,000 additional workers in South East London. This is higher than the forecast for new job creation. Projected employment growth will not therefore exceed labour supply and generate additional in migration – rather it might generate out migration. The additional complexity of commuting patterns also impacts on the position.

Linked to the economy are improvements to the transportation infrastructure, which are likely to impact on the South East London housing market. The most significant of these is Crossrail, which will improve access to and from the northeast of the sub-region by the end of this decade. Crossrail will increase the attractiveness of this area to investors, increasing the likelihood of both employment generation and new housing investment, but it may also impact adversely on affordability by generating a possible boost of up to 20% in property prices and rents. As well, recently-announced additional housing development at Ebbsfleet may also impact on the South East London housing market. This might attract demand from South East London and reduce affordability pressures there, but any major impact is unlikely in the short and medium term, unless there is rapid progress in bringing this development forward.

To conclude, overall this review of housing market drivers produces a picture which suggests a high level of future housing demand in South East London driven by natural population change, continuing migration and by projected future employment growth. Significant housing growth will be needed to support the future economy, to minimise commuting levels, and to maximize the level of affordable housing provision available to existing and newly forming households.

The need for new housing

Chapter 6 examines the overall requirement for new housing up to 2031, and the need for affordable housing. It should be read in conjunction with two appendices: a technical appendix that describes in detail the assumptions, methodology and modelling used to derive the core amount, type and tenure of housing required; and an annex comprising a set of alternative scenarios based on different assumptions to sensitivity test the model.

The “overall requirement for new housing” and the “need for affordable housing” are two separate concepts, and different approaches to their estimation are taken. The overall requirement is 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 need for affordable housing relates to those households with insufficient means to meet their needs on the open market. This concerns both current households whose housing falls short of meeting certain accommodation standards (or who do not have housing at all) and new households that come through the demographic pipeline to form each year.

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.
- Applying 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 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 and households “falling into need”. 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 through repossession for instance. Together, the final estimate for newly arising need for affordable housing is nearly **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). 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 process of calculation is shown here (figures may not add exactly because of rounding):

| | | 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. 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. Detailed figures for each borough are available in the main report and the appendices.

| | | 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 |

The housing requirements of specific groups

National Planning Policy Guidance suggests that SHMAs should consider the needs of various different groups and types of households. Some of these are considered in the main body of the report, but Chapter 6 considers several specific groups, as noted below.

Older people

South East London has the highest projected growth in numbers of 75+ residents among all sub-regions. A 41% increase in the number of households with members aged 65 or more is forecast by 2032. Less than 8% of existing residents aged 65 or over live in specialist elderly accommodation, and tenure, existing provision, support arrangements and overall approach to older persons housing varies across the different boroughs in the sub-region. No single model forecasting requirements in the future is

definitive. Further work is required at a local level to consider future provision.

Households with disabilities and wheelchair requirements

A steady increase in the number of households with physical disabilities is forecast between now and 2020, both of older people and working age households. Currently it is estimated that around 2,500 households have unmet wheelchair accessible accommodation requirements and some 32% of households currently needing wheelchair accommodation require 3 bed or larger homes.

There is a mismatch between the numbers needing social / affordable housing wheelchair accessible stock, and the allocations to that stock. However, much of the mismatch could be accounted for by allocations of wheelchair-accessible accommodation to older people. There are a number of other reasons for such a situation and the process of appropriate allocations to reconcile stock with needs is complex; SELHP are actively considering practices to resolve this situation

Students

In South East London, both Higher Education academic facilities and student residents are concentrated in Southwark and Greenwich, and there is a rough balance between the proportion of student places in the sub-region and the number of student purpose-built bedspaces. However there are a lower proportion of approvals of new student accommodation in the pipeline in South East London compared to rates of completion in recent years.

Only 7% of students in South East London live in halls of residence: 23% live with their parents and probably close to 50% are in the private rented sector. There is a concern that the pressure of increasing demand - especially from higher-paying international students – will put pressure on the PRS, squeezing out lower income non-students. There is a case for developing more purpose built student accommodation but not at the expense of affordable housing for other low-income groups.

Black and Minority Ethnic (BAME) households

South East London will continue to diversify in terms of ethnicity mix between now and 2040. While BAME growth is expected this will not significantly change the proportion in different authorities. Large segments of the BAME community will be reaching the age 65+ over the next decade.

There are differences in tenure between the various BAME communities; there are a range of implications that stem from this, including access to capital resources. The 'Other White' community (which is likely to be predominantly from Central and Eastern Europe) is perhaps most vulnerably housed in the PRS. There are issues related to the proportionately large African community in South East London, including their reliance on the social / affordable rented sector. There may be issues around stock condition for ageing Asian owner-occupier households. BAME households are more likely to be overcrowded and less likely to under occupy than White households, and the welfare reform programme is likely to disproportionately negatively impact on BAME households.

Armed forces households and self-builders

There are limited housing supply and demand issues and scope for strategic intervention by local authorities relating to these two groups.

Chapter 1 Introduction and context

Key Points

South East London Housing Partnership commissioned Cobweb Consulting to prepare a Strategic Housing Market Assessment (SHMA) for the South East London sub-region comprising the boroughs of Bexley, Bromley, Greenwich, Lewisham and Southwark.

The SHMA aims to:

- support the boroughs' strategic planning functions
- inform housing strategies and policies
- be based on existing data sources
- build on and refer to the 2013 London SHMA prepared by the Greater London Authority (GLA)

Key outputs from the SHMA include:

- the quantity of new housing needed in terms of type, tenure, and size to meet future housing requirements
- the extent of affordable (non-market) housing need in terms of type, tenure, and size, including concealed and potential households
- an assessment of the housing needs of particular groups including older people, people with disabilities, and Black and Minority Ethnic communities

The SHMA must be robust to withstand scrutiny and compliant with official guidance including the revised and updated 2014 National Planning Policy Guidance.

The key national and London contextual features of this SHMA are:

- The economic crisis of the later 2000's and its impact on the housing market
- The low levels of housing starts and completions
- The expansion of the private rented sector (PRS)
- The welfare reform agenda
- The rapid rise of London house price and rents in conjunction with static incomes
- The London Plan, its Further Alterations, and the 2013 London SHMA

Introduction

1.1 In January 2014 Royal Greenwich on behalf of the South East London Housing Partnership (SELHP) commissioned Cobweb Consulting to prepare a Strategic Housing Market Assessment (SHMA) for the South East London sub-region. The sub-region is made up of the boroughs of Bexley, Bromley, Greenwich, Lewisham and Southwark.

Purpose of the assessment

1.2 The purposes of the SHMA were:

- To establish the basis for treating South East London as a housing market area.
- To support the boroughs' strategic planning functions, and in particular to provide evidence for the development of Local Plans and local planning guidance.
- To inform housing strategies and policies.

- To inform the targeting of housing resources and spending priorities, as well as bids for resources to address the issues identified.
- To set out local issues, the sub-regional and London context, in comparison with national, regional and other sub-regional data.
- To identify changes in key issues since the previous SHMA.

1.3 The brief also specified that the SHMA should:

- Use existing information and data as its evidence base and the source of its findings.
- Build on and refer to the London SHMA recently prepared by the Greater London Authority (GLA).
- Comply in full with the latest government planning policy and practice guidance and advice on SHMAs and the assessment of housing need, specifically draft guidance issued by the Government in August 2013 (Assessment of Housing and Employment Development Needs), and finalised in March 2014.
- Produce evidence and conclusions sufficiently robust to support policies and proposals for future dwelling supply, tenure and dwelling mix to be set out in Local Plans.
- Be capable of withstanding challenge at Local Plan examination; in negotiation with developers, the formulation of Section 106 planning agreements, and the boroughs' response to any appeals against planning decisions regarding affordable housing that may arise.

Key outputs

1.4 The brief specified that the study should use existing data to:

- Identify patterns of mobility into, out of and within the sub-region by describing and analysing population flows, including the potential implications of different projections of migration.
- Identify the quantity of housing needed in terms of its type, tenure, and size, including concealed and potential households across all tenures.
- Quantify the housing needed over the next 5, 10 and 15 years as well as identify the current backlog (i.e. the current number of households that need housing).
- Identify the future quantity of market and affordable housing needed based on different scenarios.
- Produce a range of estimates for the projected number of households that will require affordable housing and those who will require market housing, resulting in estimates for the mix of affordable housing and market housing that is required.
- Describe and quantify any mismatch between the scale of housing supply necessary to meet demand and capacity within the local housing market with reference to tenure and unit size.
- Identify the extent to which existing and newly forming households are likely to realise their needs
- Identify levels of overcrowding and under-occupation in all tenures.
- Identify current and future need for housing from the following:
 - Older people
 - People with disabilities and medical conditions ("specific needs")
 - Students
 - Black and Minority Ethnic communities
 - Service families
 - People who want to build their own homes

- Include reference to the actual or projected impact of welfare reform, in particular arising from the benefit cap, the housing benefit size criteria and the disconnection of Local Housing Allowance from market rents.

Planning guidance on SHMAs

1.5 The National Planning Policy Framework (NPPF) sets out the Government's planning policies for England. It provides guidance for local planning authorities and decision-takers, both in drawing up plans and making decisions about planning applications. The NPPF places strong emphasis on a plan-led approach supported by a proportionate evidence base. Local planning authorities should ensure that their Local Plans are based on 'adequate, up-to-date and relevant evidence about the economic, social and environmental characteristics and prospects of the area'. They should also 'ensure that their assessment of and strategies for housing, employment and other uses are integrated, and that they take full account of relevant market and economic signals' (NPPF para 158).

1.6 In relation to housing, authorities should 'use their evidence base to ensure their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area...' (NPPF para 47). To do this, they need to 'have a clear understanding of housing needs in their area' and 'prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries'. The Assessment 'should identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period, which

- meets household and population projections, taking account of migration and demographic change;
- addresses the need for all types of housing, including affordable housing and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes); and
- caters for housing demand and the scale of housing supply necessary to meet this demand' (NPPF para 159).

1.7 Government guidance on SHMA preparation was issued in revised and updated form in March 2014 and this SHMA is required to be compliant with that guidance.

1.8 The guidance does not prescribe an exact methodology for SHMA preparation. As the guidance states, 'establishing future need for housing is not an exact science. No single approach will provide a definitive answer'¹. Housing markets are dynamic and complex and strategic housing market assessments cannot provide definitive estimates of housing demand or need. What is important is that an assessment should use up to date high quality data to analyse the characteristics of housing markets, the key factors driving markets now and in the future, and from this, develop the most probable scenarios showing the direction of change in future housing need and demand.

1.9 It is also important to recognise uncertainties in the future pattern of housing demand and need. To address this we have sought to provide a transparent approach in which data sources are clearly identified and the stages in the assessment of demand and need are clearly set out along with the assumptions which underlie them. As a result, it will

¹ National Planning Policy – Planning Practice Guidance: Housing and economic development needs assessments, March 2014 <http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/>

be possible to incorporate revisions or updates to data sources (for example updated population and household projections), or changes to assumptions (for example changes to mortgage interest rates) in the future. In part this is facilitated by the use of existing (secondary) data sources rather than a reliance on primary research such as social surveys.

1.10 As the NPPF indicates, the estimates of housing requirements and housing needs set out in this report are not targets which must be incorporated in Local Plans. Rather they are one important source of evidence to be taken into account when developing policies and targets for housing provision, alongside other factors such as land capacity, economic viability, and the expectations of local communities and stakeholders.

The national context

1.11 This section of this chapter sets out the key features of the national housing context and the London-wide context which determine the issues facing the South East London boroughs over coming years and the responses which they will need to make to address housing needs and demands within the city more widely and within their own boundaries.

1.12 National housing policy is at present mainly focused on the problems associated with housing market weakness, difficulties in affording to buy or to rent, a lack of readily available and affordable mortgage finance for first-time buyers; measures to stimulate the low level of new housing construction across the country; and the delivery of housing's contribution to the wider process of welfare reform which the government sees as vital to economic recovery and future growth.

1.13 The period since 2007 has seen economic changes of a scale and type which stand comparison to anything which has taken place over the last 100 years. This began with the global crisis in the banking system which affected the availability of credit for business and housing, and was followed by economic recession, increased unemployment, and a widespread loss of confidence. The housing market was one of the worst affected sectors of the economy, with falling house prices for a period, and a sharp and sustained reduction in the volume of sales as buyers shunned the market or were unable to secure loan finance on reasonable terms, and a collapse in the output of new housing supply. It is only in the last two years that the housing market has shown signs of recovery, and even this recovery has been partial and fragile, with London leading the way in terms of price recovery and growth; but with sales volumes rising only slowly and still below those which characterised the pre-crisis period. Mortgage advances fell from over 1 million in 2007 to half this level, with advances to first time buyers most severely affected. The Help to Buy Scheme represents one of the government's responses to supporting the provision of lending to first time buyers and to kickstart the market more generally.

1.14 There are long term and well-publicised concerns about the low levels of housing starts/completions nationally, with private sector production remaining at around half of its 2007 level and production in total well below the level needed to cater for household growth, even at the reduced levels apparent since 2007. The government is providing financial incentives to developers and local authorities to develop stalled sites; and the Local Infrastructure Fund to support larger sites for development going forward. In addition a range of reforms to the planning system have introduced simplifications to planning guidance to speed up the development of planning policies and the process of dealing with applications.

1.15 The housing market recession and its aftermath have speeded up growth in the private rented sector although this was already evident in the early 2000s². Since deregulation in 1989, the private rented sector (PRS) has grown by more than 100% in England. Growth has occurred mainly at the expense of owner occupation and in the lower value sector of the market, where investors have out-competed first-time buyers and other low income groups. Much of the growth was supported by the development of Buy to Let mortgages, launched in the late 1990s. Contrary to the aspirations of successive governments to attract larger-scale institutional investors into the private rented sector, most of the growth has followed the traditional pattern of dominance by individual landlords with small portfolios. The private rented sector serves a complex range of markets, including those for students (fuelled by growth in participation levels in further and higher education), the young professional market (characterised by groups of unrelated young adults living together), and households on benefits. This last group has been particularly affected by reforms to housing and welfare benefits introduced by the Coalition Government as part of its programme of welfare reform. The availability of benefits to assist with rents had up to now supported an increased role for the private rented sector in meeting housing needs including some homeless households.

1.16 There have also been a number of reforms to the social rented housing sector, including provision for more flexible tenancy types, the introduction of affordable rents (at up to 80% of market rents) for new tenancies, and changes to the management of waiting lists and allocations. For the sake of clarity, and in conformity with the terminology of the London Plan, we will refer to the combined old-style social and new-style affordable rented sectors as the 'social / affordable rented sector'. The resources generated by these changes to social housing finance, along with programmes to rescue stalled private sector schemes and other forms of investment, have to some extent protected the social / affordable rented sector from decline, although nationally, in 2013 the private rented sector exceeded the social rented sector in size for the first time in many decades.

1.17 In November 2010, the Coalition government began the process of introducing a range of other changes to welfare benefits. These included a cap on the total level of benefits working age people can receive (which impacted particularly on London with its high rent levels); capping of housing benefit levels by number of bedrooms; reductions in the level of Local Housing Allowance (LHA) through rebalancing its relationship with market rents; restrictions to the shared room rate of LHA benefits for younger people aged 25-34; and in the social / affordable rented sector, and the introduction of the social sector size criteria. Universal Credit is being gradually introduced starting in 2013, and is projected by the Government to have fully rolled out by 2017 (though there is now considerable doubt about whether this target will be met). These changes have had and will continue to have major implications, particularly for social / affordable and private landlords, and tenants.

The London context

1.18 The most high-profile recent development in the housing market in London is the rise in turnover, dwelling prices and rent levels which has taken place over the last two years in many areas. Although a recent report argued that international investors played only a small role in the market outside central London, it admitted that their impact on the market there was significant, and that other investors played an important part in the market elsewhere, often being the driving force behind new developments³.

² See for example evidence to CLG Select Committee, 18 July 2013, and *The UK private rented sector as a source of affordable accommodation*, Michael Ball / JRF, 2010

³ *Who buys new homes in London and why?* Moliur London Limited for the British Property Federation, 2014.

1.19 While welcomed by some as evidence of housing market recovery, rising prices have not been accompanied by an increase in supply or in average incomes. Evidence from the 2011 Census suggested that there had been some suppression of household new household formation over the 2008-11 period across London (and in parallel, increases in multi-person households) due to the impacts of the global financial crisis on employment, consumer confidence, and the shortage of mortgage finance, but the Census also revealed that London's population had grown faster than previously thought, suggesting increased occupancy levels and pressures on the market. Studies are also emerging⁴ to suggest that the suppression of demand was short term and that longer term population and household growth trends will reassert themselves as the market picks up. Data on overcrowding also indicates that the backlog of unmet housing need in London has grown.

1.20 In London, authorities and groups of authorities working together on housing and planning policies need to have regard to the London Plan. The London Plan dates originated in 2011, but the current iteration is the 'Revised Early Minor Alterations' versions published in 2013. In January 2014 the Mayor published Further Alterations to the London Plan (FALP) for consultation. This contains a range of revisions to the Plan's policies and targets but with a strong emphasis on housing. In order to update the evidence base for the Plan and to comply with the requirements of the National Planning Policy Framework, the GLA prepared a new Strategic Housing Market Assessment (SHMA) in 2013. This provides updated estimates of London's future housing requirements and affordable housing needs. This will sit alongside the 2013 Strategic Housing Land Availability Assessment (SHLAA).

1.21 The 2008 London Strategic Housing Market Assessment, published in April 2009, estimated London's annual housing requirement to be around 34,900 new homes a year, most of them affordable. The 2013 SHMA has produced a revised estimate of 49,000 homes per annum, based on a 'Central' scenario, of which 52% are required to be intermediate tenure housing or social / affordable housing to rent, although the Mayor's proposal is to cater only for a proportion of this requirement. An alternative 'Low' scenario gives a requirement of 43,200 new homes a year, 55% of which should be intermediate or social / affordable rented, and a 'High' scenario that would result in 54,600 new homes a year, of which half would be intermediate or social / affordable rented.

Structure of the SHMA

1.22 This report provides a Strategic Housing Market Assessment covering the five London boroughs listed in para 1.1. Previous SHMAs included separate reports for each individual borough, but as specified in the brief, this SHMA consists of a single report providing evidence on the housing market and estimates of housing demand and housing need for both the five boroughs in combination and for individual boroughs. Detailed data and summaries of findings for individual boroughs are attached as appendices.

1.23 The remainder of the report is structured as follows:

- Chapter 2 examines evidence on the pattern of housing market areas in South East London. The 2014 (and earlier) National Planning Practice Guidance lays considerable emphasis on the identification of an appropriate housing market area or

⁴ See for example: Holmans, A (2013) *New estimates of housing demand and need in England, 2011 to 2031*, Town and Country Planning Association Tomorrow Series Paper 16; Neil McDonald and Peter Williams (2014) *Planning for housing in England*, RTPi Research Report No 1.

areas for assessment and the sources to be used to inform this assessment. The chapter also compares the South East London sub-region with the four other Housing Partnership areas in London.

- Chapter 3 provides a profile of the existing housing stock in the area, including the supply, tenure profile, dwelling type and size breakdown, physical condition and occupancy levels. It focuses on key trends over time which will impact on supply and demand in the future.
- Chapter 4 looks at the current housing market and examines trends in house prices, rents and turnover in the private sector, including private rented housing market trends. It also examines the social / affordable rented housing sector, including rents, allocations and turnover. The chapter concludes by highlighting key thresholds determining the costs of access to market housing for sale or to rent, intermediate tenures (including for sale, partial sale or rent), and social / affordable rented housing.
- Chapter 5 presents a picture of the key factors driving the South East London housing market. The main factors examined are demographic (natural population growth, migration, the composition of the population, household formation and trends in household type); and economic (employment growth, the breakdown of employment by industry and occupational status, and trends in incomes/resources).
- Chapter 6 combines estimates of overall housing requirements and estimates of affordable housing need, and appropriate supply to meet this need over the period 2011-2031. It sets out the SHMA estimates of the overall requirement for housing derived from the demographic and economic drivers of future housing demand. It also examines how the estimates produced relate to existing London Plan provision. It then examines levels of future housing need in South East London. The methodology follows the approach set out in 2007 official guidance on SHMA preparation, by identifying:
 - backlog housing need,
 - new need arising in the future from gross new household formation, and
 - need arising from changes in the circumstances of existing households.
- Levels of need are identified by comparing household incomes with the costs of access to market housing and to intermediate/social rented housing. Future need levels are offset against the estimated supply of non-market dwellings, and overall estimates are broken down by type of supply and by the size of dwelling required.
- Chapter 7 examines the requirements of specific types of household set out in the brief and in para 1.4 above

Chapter 2 Identifying a housing market area: the South East London profile

Key points

Characteristics of the sub-region

- South East London is the smallest of the five London sub-regions, both in population households, holding 17% of London's population. It has a high proportion of both under 15s and over 75s, resulting in the lowest proportion of working age population in London;
- The sub-region only holds 12% of London's jobs, reflecting the importance of commuting into Central London; estimated average household incomes are £45,000, below the London average, and second lowest among the sub-regions; this figure is inflated by a long 'tail' of higher earners, and more precise borough-based figures appear in Chapter 4
- 51% are owner-occupiers, the second highest proportion of the sub-regions; the sub-region has relatively high numbers of social / affordable renters (29%) and low numbers of private renters (20%). There are substantial variations between the authorities
- The sub-region has a lower level of overcrowding and a higher level of under-occupation than the London average and most sub-regions, across all tenures
- South East London has the lowest house prices in London, with the sale price running at 72% of the London average. In 2012 it had the highest level of sales among the sub-regions; it has the lowest price to earnings ratio (prices running at 9.2 times earnings), though this is still very high; private sector rents have been increasing substantially
- Significant points differentiating South East London from other sub-regions are high numbers of ageing residents, low incomes, high benefit dependency and relatively low house price to income ratios.

Identifying a housing market area

- Official guidance requires that Housing Market Assessments should be based on housing market areas (HMAs). HMAs are areas within which patterns of travel to work and household movement/migration are substantially self-contained.
- In London and other major urban centres however, the variety of economic and employment foci, transport networks, all mean that levels of self-containment are lower than elsewhere.
- The 2010 SHMA concluded that the five boroughs formed a coherent HMA within which travel to work and migration patterns were reasonably self-contained and with sufficiently different characteristics to provide housing for households as their characteristics changed.
- The pattern of house prices also provides evidence on HMA boundaries. There is a wide spread across the spectrum, suggesting that the area as a whole provides variety and choice.
- Given the unique nature of London and this variety and choice within South East London, we conclude that the sub-region continues to be a coherent HMA. However, the SHMA must take into account linkages with other areas.

Introduction

2.1 This chapter has two roles: firstly, to compare some of the key characteristics of the South East London housing market to those of the four other London sub-regions, in order to identify if there are significant differences or factors that should be considered in comparing South East London to the rest of London; and secondly to assess how closely the five boroughs form a coherent housing market area (HMA).

South East London in context: key characteristics

2.2 The South East London Partnership is one of five sub-regional housing partnerships covering the capital, the other four being South West, West, North East and North London. This section gives a 'snapshot' showing the current similarities and differences between South East London and other sub-regions. Future trends and projections are described more fully in chapter 5

Map 2.1 The London sub-regions



Population and population change

2.3 In terms of population, South East London is the smallest of the five sub-regions. In terms of households South East London is also the smallest sub-region

Table 2.1 Population and households

| | Population 2011 | | Households 2011 | |
|------------|-----------------|------|-----------------|------|
| | No. | % | No. | % |
| South East | 1,366,480 | 17% | 562,894 | 17% |
| South West | 1,718,660 | 21% | 708,591 | 22% |
| West | 1,766,722 | 21% | 674,880 | 21% |
| North East | 1,791,203 | 22% | 671,461 | 20% |
| North East | 1,574,410 | 19% | 660,514 | 20% |
| London | 8,217,475 | 100% | 3,278,340 | 100% |

Source: GLA, 2013 Round Central Trend Population and Household Projections

2.4 In 2011 South East London had the highest proportion of people aged 75 or more in London and the second highest proportion of children aged 0-15, so the proportion of the population aged 16-64 (the working age population) was the smallest of the five sub-regions.

2.5 Population change in South East London in recent years has been driven by natural growth and by net migration in from abroad, with a small net loss to other areas within the UK (including other parts of London).

2.6 All the sub-regions of London have a broadly similar pattern, but with higher levels of net population change, higher natural change, and a higher level of net international in migration. All the other sub-regions also have a higher level of net out migration to the rest of the UK except South West London, where internal migration flows in 2011 were more or less in balance. Looking at gross migration flows, South East and South West London have much lower levels of 'churn' than the three other sub-regions, or in other words they are more stable in population terms.

Jobs and economic activity

2.7 GLA projections indicate that there were 588,000 jobs in South East London in 2011, the smallest number of any sub-region. South East London had 17% of London's population but only 12% of jobs. South West London and West London also had a 'jobs gap', whilst North and North East London had more than their proportionate share of jobs. This reflects the greater importance of commuting into Central London from the south and west.

2.8 Table 2.2 shows economic activity and inactivity in 2011. South East London had an overall economic activity rate equivalent to the London-wide average (72%). Only South West London had a higher rate overall. The proportion of people employed or self-employed was also relatively high (63%) with lower rates in the West, North and North East sub-regions. Unemployment levels were similar across all the sub-regions, though slightly higher in North East London and lower in South West London. The proportions of people economically inactive, and within this, levels of retired people, those looking after family or home and the proportions of long term sick people were all relatively similar across sub-regions. South East London had a lower than average proportion of students, with only South West London having a smaller proportion and the North and North East London sub-regions having the highest proportions of students.

Table 2.2 Economic activity/inactivity 2011, London sub-regions

| | % of persons aged 16-74 | | | | | | | |
|-------------------|-----------------------------|----------------------------|---|-----------------|----------|---------|---|-----------------------|
| | Econ- omically active | Emp- loyed/ self emp | Part time emp as % of employ- ed/self emp | Unemp- loyed | Inactive | Retired | Looking after home /long term sick | Full time students |
| South East | 72 | 63 | 24 | 5 | 28 | 9 | 9 | 11 |
| South West | 75 | 67 | 21 | 4 | 25 | 8 | 8 | 10 |
| West | 71 | 62 | 23 | 5 | 29 | 9 | 9 | 12 |
| North East | 70 | 58 | 25 | 6 | 30 | 8 | 10 | 13 |
| North | 70 | 61 | 24 | 5 | 30 | 8 | 9 | 13 |
| Greater London | 72 | 62 | 23 | 5 | 28 | 8 | 9 | 12 |

Source: ONS, 2011 Census, Table QS601EW

Incomes

2.9 Detailed estimates of the distribution of household incomes for the South East London boroughs sourced from CACI Paycheck are presented in Chapter 4, but up to date data on incomes from this source is not available for the other London sub-regions. Estimates of local incomes are produced periodically by the Office of National Statistics, but the most recent estimates at the time of writing are for 2007-08. Actual incomes are likely to have changed substantially since then, but Table 2.3 shows sub-regional incomes relative to the London average in 2007. If these relative positions have been maintained since 2007-08, North East London had the lowest average incomes at about 85% of the London-wide average, with South East London households averaging about 94% of the London average. The other three sub-regions had incomes above the London average, with the South West sub-region having the highest incomes at 11% above the London-wide average.

2.10 Table 2.3 also shows estimates of incomes prepared by GLA and made available to this study on the basis that the results are experimental and subject to future revision. These estimates produce higher average incomes for each sub-region in 2013. For South East London and North East London, average incomes are estimated to have roughly the same relationship to the London average as in 2007-08. The main difference in the 2013 estimates is a much higher average income level for North London in 2013 relative to the London-wide average. These figures should be treated with caution, and are only used for sub-regional comparison purposes. More detailed figures for the South East London boroughs are shown in Chapter 4 and in particular Table 4.4 and Figure 4.17. This shows that incomes are concentrated at the lower end of the range, with a very long 'tail' at the upper end of the earnings spectrum.

Table 2.3 Average household incomes relative to London average, London sub-regions

| | ONS estimates 2007-08 | | GLA estimates 2013 | |
|----------------|--------------------------------------|------------------------------|-----------------------------------|------------------------------|
| | Estimated average income 2007-08 (£) | Ratio to London-wide average | Estimated average income 2013 (£) | Ratio to London-wide average |
| South East | 40,933 | 0.938 | 45,120 | 0.970 |
| South West | 48,380 | 1.109 | 49,535 | 1.065 |
| West | 46,043 | 1.055 | 46,712 | 1.004 |
| North East | 36,826 | 0.844 | 41,086 | 0.883 |
| North | 45,016 | 1.032 | 49,975 | 1.074 |
| Greater London | 43,635 | 1.000 | 46,521 | 1.000 |

Source: ONS, Model-Based Estimates of household incomes at MSOA Level, 2007/08 and GLA estimates

2.11 A recent GLA report¹ on low pay in London indicates that there is an association between low pay and high proportions of people working part time, or working in the cleaning, retail, hospitality and catering and social care sectors. Detailed local data on these sectors is not available but Table 2.4 below shows the proportion of people working in related industries in the five London sub-regions in 2011

Table 2.4 Employment by industry 2011, London sub-regions

| | % of all people 16-74 | | |
|----------------|---|---|---|
| | Wholesale and retail trade; repair of motor vehicles and motor cycles | Accommodation and food service activities | Human health and social work activities |
| South East | 12.0 | 5.9 | 11.9 |
| South West | 12.2 | 5.3 | 11.1 |
| West | 14.6 | 6.6 | 9.6 |
| North East | 13.9 | 7.3 | 10.7 |
| North | 12.3 | 6.4 | 10.5 |
| Greater London | 13.1 | 6.3 | 10.7 |

Source: ONS, 2011 Census, Table QS605EW

2.12 In terms of other information on incomes, Table 2.2 suggested that South East London was relatively close to the London averages for the proportion of people who were retired in the under 75 age groups, and for those in part-time employment (who tend to have lower incomes). South West and West London tended to have lower proportions of these groups than the average, whilst the North and North East sub-regions had higher proportions.

2.13 Table 2.5 shows the proportions of the working age population receiving benefits in 2008 and 2013. This shows a similar pattern, with South East London having slightly higher proportions receiving out-of-work benefits and receiving Job Seekers Allowance (JSA) than London as a whole, and North and North East London having higher benefit recipient levels than South East London.

¹ Working Paper 59, Low pay in London by Jonathan Hoffman, February 2014, GLA Economics

Table 2.5 Working age population in receipt of benefits, 2008 and 2013, London sub-regions

| | % of working age population | | | | | |
|----------------|-----------------------------|-----|--------------------------|-------------|-----|--------------------------|
| | 2008 | | | 2013 | | |
| | Any benefit | JSA | All out of work benefits | Any benefit | JSA | All out of work benefits |
| South East | 13.6 | 2.5 | 11.9 | 13.4 | 3.5 | 11.2 |
| South West | 10.6 | 2.0 | 9.2 | 10.6 | 2.9 | 8.9 |
| West | 11.9 | 2.1 | 10.4 | 11.6 | 3.0 | 9.7 |
| North East | 15.8 | 3.3 | 13.8 | 14.4 | 4.2 | 12.1 |
| North | 14.2 | 2.6 | 12.6 | 13.3 | 3.3 | 11.4 |
| Greater London | 13.2 | 2.5 | 11.5 | 12.6 | 3.4 | 10.6 |

Source: DWP via NOMIS; JSA = Jobseekers Allowance

2.14 Finally, looking at earnings rather than incomes, the 2013 Annual Survey of Hours and Earnings (ASHE) indicates that South East London residents had average gross annual earnings almost identical to the London-wide average (£35,500). North and South West London had earnings levels above the London average and West and North East London earnings levels below the London average.

2.15 Drawing these sources together suggests that incomes in South East London fall in the middle of the distribution for sub-regions, with the South West and West sub-regions tending to have higher incomes and the North and North West having lower incomes.

Housing stock

2.16 Some 51% of households in South East London in 2001 were owner-occupiers or shared owners, though there are substantial variations between the authorities. After South West London (54%) this was the highest proportion of any of the five sub-regions. Owner-occupation rates in North and North East London were the lowest. South East London (along with North East London) also had the highest rate of social / affordable rented housing (29%), distinguishing the sub-region from South West and West London, where levels of social / affordable renting were much lower. South East London had by far the lowest proportion of private rented housing (20%), six points below the London-wide average (26%) and 11 points below North London.

Table 2.6 Tenure 2011, London sub-regions

| | % of households | | |
|----------------|-----------------|-----------------------------------|-----------------------|
| | Owner occupier | Social / affordable rented sector | Private rented sector |
| South East | 51 | 29 | 20 |
| South West | 54 | 21 | 26 |
| West | 49 | 22 | 28 |
| North East | 45 | 29 | 26 |
| North | 42 | 26 | 31 |
| Greater London | 48 | 25 | 26 |

Source: ONS, 2011 Census, Table KS402EW

2.17 In terms of dwelling type, compared to London as a whole South East London has relatively high proportions of semi-detached houses and terraced houses (and of houses generally), and hence fewer flats, especially flats converted from other dwellings or other buildings. There are considerable variations between the South East London boroughs

Table 2.7 Dwelling type 2011, London sub-regions

| | % of households | | | | | |
|----------------|-----------------|---------------|----------|--------------------|----------------|-------|
| | Detached | Semi-detached | Terraced | Purpose built flat | Converted flat | Other |
| South East | 7 | 22 | 24 | 36 | 9 | 1 |
| South West | 7 | 19 | 25 | 34 | 13 | 2 |
| West | 7 | 24 | 20 | 33 | 14 | 2 |
| North East | 5 | 17 | 29 | 40 | 8 | 2 |
| North | 5 | 13 | 18 | 43 | 18 | 2 |
| Greater London | 6 | 19 | 23 | 37 | 13 | 2 |

Source: ONS, 2011 Census, Table DC4407EW

2.18 In terms of dwelling occupancy, South East London has a lower than average level of overcrowding (9% compared to 11% for London as a whole), and a high rate of under-occupation, especially households with two or more bedrooms above the standard. The position is similar for the social / affordable rented and private rented sectors in isolation.

Table 2.8 Occupancy rates (bedroom standard) 2011, London sub-regions

| | Occupancy rating (% of households) | | | |
|--|------------------------------------|----|-------------|-------------|
| | +2 or more | +1 | At standard | Overcrowded |
| All tenures | | | | |
| South East | 24 | 30 | 36 | 9 |
| South West | 25 | 30 | 37 | 9 |
| West | 21 | 28 | 39 | 12 |
| North East | 18 | 27 | 40 | 14 |
| North | 18 | 27 | 43 | 12 |
| Greater London | 21 | 28 | 39 | 11 |
| Social / affordable rented sector | | | | |
| South East | 9 | 22 | 54 | 15 |
| South West | 8 | 20 | 56 | 15 |
| West | 6 | 18 | 58 | 18 |
| North East | 8 | 20 | 54 | 19 |
| North | 6 | 18 | 57 | 18 |
| Greater London | 8 | 20 | 56 | 17 |
| Private rented sector | | | | |
| South East | 8 | 26 | 50 | 16 |
| South West | 8 | 25 | 53 | 14 |
| West | 8 | 22 | 51 | 19 |
| North East | 6 | 20 | 51 | 22 |
| North | 7 | 21 | 56 | 15 |
| Greater London | 7 | 23 | 52 | 18 |

Source: ONS, 2011 Census, Table LC4108EW

House prices

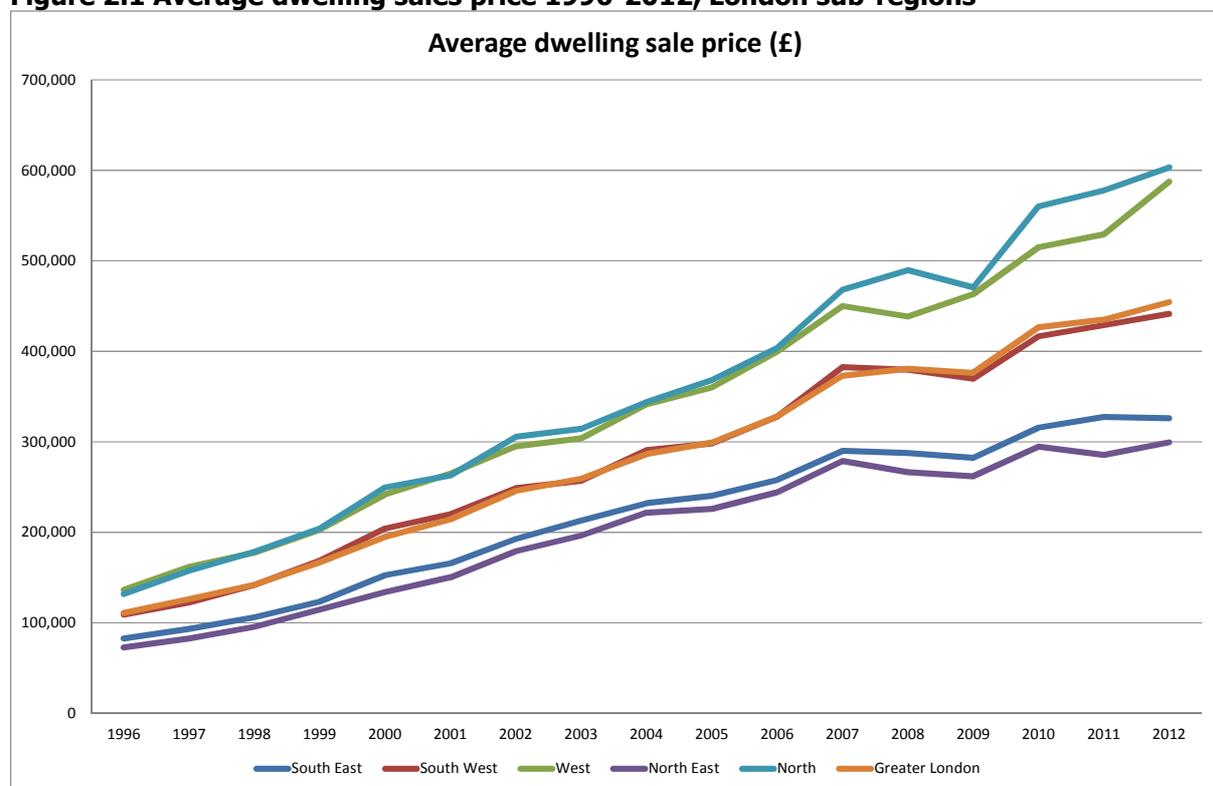
2.19 Figure 2.1 shows house prices by sub-region over the period from 1996-2012. The North and West London sub-regions have consistently had the highest average prices, with the South West London sub-region close to the London-wide average, and South and North East London having lower average values. By 2012, the average sale price in South East

London was only 72% of the London-wide average and 54% of the average for the highest-priced sub-region, North London.

2.20 Comparing average prices with earnings suggests that in 2012, South East London had the lowest price-earnings ratio (house prices were 9.2 times earnings) of all the London sub-regions, although this is still, of course, a very high absolute figure. The ratio in North East London (house prices 9.6 times earnings) was similar. South West London had a ratio of 11.3 earnings to price, and the London average was 12.8. In North London the ratio was 15.1 and in West London 17.9, almost twice the ratio for South East London

2.21 In 2012, South East London had the highest rate of sales in comparison to the size of the private sector stock (4%), compared to 3.5% for London as a whole. South West London had a slightly lower rate of sales (3.9%), whilst the other sub-regions had rates of around 3.1-3.2%..

Figure 2.1 Average dwelling sales price 1996-2012, London sub-regions



Source: CLG Live tables 100, 580, 581, 582, 583, 584; ONS, Annual Survey of hours and earnings 2012, Residence based

Conclusion: South East London in context

2.22 The five London housing partnership areas are made up of combinations of inner and outer boroughs grouped primarily on a sectoral basis. As a result, the differences between sub-regions are less prominent than those which would be evident from sub-regions made up of groups of exclusively inner or outer London boroughs. Nevertheless some significant differences are apparent between sub-regions. In demographic terms South East London is projected to show growth in the middle of the spectrum across London as a whole. A more significant demographic feature is the ageing of the population and especially of people aged 75 or more, which shows the highest rate of growth of any of the sub-regions in London. This is reflected in relatively high proportions of retired people, people in part-time employment, and a lower proportion of students than other sub-regions. Consistent

evidence on household incomes is difficult to obtain, but the data suggests that, along with North East London, the South East is one of the lowest-income sub-regions in London, with a higher level of dependency on out-of-work benefits. This feature probably relates to the relatively high level of social / affordable rented housing in the sub-region. Despite lower (by London standards) house prices, price to income ratios are still extremely high suggesting that affordability is likely to be a major issue

2.23 The pressures on the lower end of the market are also likely to be exacerbated by the reforms to the benefits system described in Chapter 1 particularly changes to the Local Housing Allowance, the under-occupation charge and the cap on benefits. These have disproportionately impacted on the affordability of accommodation for lower-income households in London, particularly Inner London. A report from London Councils last year noted that LHA reductions had not caused private sector rents to fall generally; and that Lower Quartile rents were increasing in most Inner London authorities (by 14% and 11% in Southwark and Lewisham respectively².) One of the South East London authorities – Lewisham – appears in the top 10% of authorities across England where households have been most severely negatively affected by the combined impact of welfare benefit changes³.

2.24 Indeed, over the last year South East London (excluding Bromley) experienced an 11.7% increase in private sector rents, the highest rate in Greater London (Bromley's increase was 4.8%). Linked to this is the changing nature of 'affordable' housing provision, with most new homes and a proportion of relets now commanding rents of up to 80% of market rates. The roles of s106 contributions and of intermediate market rented and ownership models are constantly evolving within this new development environment. As regards the owner-occupier market, many commentators also believe that Help to Buy will further overheat the London house purchase market⁴.

2.25 The following chapters provide a more detailed description of the housing market in South East London and the key issues arising.

Identifying a housing market area

2.26 Paragraph 159 of current National Planning Policy Guidance requires local authorities to draw up Strategic Housing Market Assessments (SHMAs). It further requires these to be based on *housing market areas*⁵. A housing market area (HMA) is defined as 'a geographical area determined by household demand and preferences for all types of housing, reflecting the key functional linkages between places where people live and work'. The Guidance suggests that a variety of evidence should be examined to develop an understanding of housing market areas and the operation of the housing market locally, including:

- House prices and rates of change in house prices.
- Household migration and search patterns.
- Functional linkages as defined by travel to work areas and patterns, retail and school catchment areas.

² *Tracking welfare reform: the impact of Housing Benefit (LHA) reform in London*, London Councils, 2013

³ *The local impacts of welfare reform: An assessment of cumulative impacts and mitigations*, LGA/CESI, 2013

⁴ For example, Intermediary Mortgage Lenders Association Bulletin, Spring 2014

⁵ <http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/scope-of-assessments/>

2.27 A key concept in identifying a housing market area is that of 'self-containment' in terms of travel to work and the economy, or patterns of search and movement by households seeking housing (excluding those moving long distances as a result of a change of employment or for other reasons such as retirement or to move closer to friends or family). Nowhere is completely self-contained, so an important factor is the level of self-containment considered significant in determining a housing market area. There is no agreed threshold, and important differences in housing market boundaries arise when different thresholds of self-containment are used. National Planning Practice Guidance refers to 70% as a typical threshold for self-containment, though far lower proportions are acceptable in London.

2.28 This study was commissioned by the five London boroughs making up the South East London Housing Partnership and its prime focus is on the area which these boroughs cover. It is undertaken in the spirit of the duty to co-operate, as required under the Localism Act 2011. However, the factors determining the extent of HMAs are not necessarily constrained by administrative boundaries, especially in large conurbations such as London. As a first step in a Strategic Housing Market Assessment it is therefore essential to examine ways in which housing markets operate across the study area and whether the study area forms or lies within a single housing market area, or covers parts of several housing market areas.

Existing definitions of Housing Market Areas (HMA)

2.29 A considerable volume of research and analysis has been carried out to try to identify housing market areas across the UK and in London. A study for CLG by Jones et al (2010)⁶ summarised previous findings and sought to put forward a classification of HMAs covering the whole of England. It included a concept of 'second tier' HMAs, defined by migration patterns with a lower (50%) threshold of self-containment than the 70% standard. Broadly, there were nine second tier areas within London.

2.30 This research illustrated the difficulty of defining HMAs both in general and especially in and around London with its complex pattern of internal linkages between boroughs or urban centres and external linkages with surrounding areas. For this reason official guidance indicates that local authorities should undertake their own analysis using the appropriate data sources to justify an appropriate HMA boundary.

Greater London SHMAs

2.31 The Greater London Authority has carried out a series of Strategic Housing Market Assessments, the latest published early in 2014, with a previous SHMA published in 2009. The 2014 report stresses London's global role in the world economy, and its links with the rest of the UK. It notes that aside from the administrative area of Greater London, there are a number of other possible wider definitions of London's boundaries. There is a high level of commuting into London, but areas around London's fringe account for a disproportionate share of this. The 2014 SHMA refers to the work of Jones et al (2010) but notes that they identified a range of alternative boundaries for a housing market area centred on London, with the boundaries identified being highly sensitive to the specific level of self-containment used. The 2014 SHMA does not define a specific HMA boundary covering or including London. Effectively it examines the whole of Greater London but takes account of wider linkages and accepts that its findings relate to the strategic level, with a need for more detailed analysis by individual boroughs or borough partnerships.

⁶ *Geography of Housing Market Areas Final Report*, Colin Jones, Mike Coombes and Cecilia Wong, Department for Communities and Local Government (2010)

2010 South East London SHMA

2.32 A Strategic Housing Market Assessment for the South East London boroughs and the South East London Housing Partnership was published in 2010⁷. This study examined migration and travel work patterns and house prices across South East London in detail as specified in official guidance. On the basis of this, the SHMA concluded (page 25) that 'it is possible to argue that Lewisham, Bexley, Bromley, Greenwich and Southwark form a coherent London sub-region as a whole. As a combined sub-region, the five authorities have sufficiently different characteristics to allow them to provide housing for households as their characteristics change. This means that households could potentially meet all their housing requirements without having to look outside the sub-region'. This report will now review the evidence used in previous work to see if this conclusion is still justified.

Commuting patterns

2.33 The Office of National Statistics has identified travel to work areas (TTWAs) across the UK derived from 2001 Census data. The current criteria for defining TTWAs is that generally at least 75% of an area's resident workforce work in the area and at least 75% of the people who work in the area also live in the area. In larger urban areas a threshold of 66% or more self-containment is accepted. This resulted in a single travel to work area covering the whole of London and some surrounding areas in order to achieve this level of self-containment. This data is now 13 years old and as levels of commuting have tended to increase over time, this threshold is now likely to be out of date. Although much of the data from the 2011 Census has been published, at the time of writing detailed data on travel to work patterns is not available. The most up to date data on travel to work is derived from a regular national survey, the Annual Population Survey (APS). Results are published showing travel between local authority areas including individual London Boroughs, but as this is a sample survey, its results are subject to a margin of error. To reduce the potential error, APS data for 2010 and 2011 has been combined and averaged. In practice the picture revealed by each year's data separately was very similar, giving confidence in the results.

2.34 Not surprisingly given the concentrations of employment within each borough in South East London, the presence of central London close by, the generally good transport links to a wide range of other boroughs, and the presence of further employment opportunities in areas outside London to the South East, all of the South East London boroughs have complex patterns of inward and outward commuting (Table 2.9). Levels of self-containment are much lower than for Greater London as a whole. In 2010-11, the Annual Population Survey estimated that about 379,000 people commuted into South East London from other areas. Of these, 56% were from other London boroughs, leaving 44% who commuted from outside London, with a predominance of commuting from areas to the south and east in Kent and Surrey. However, some 329,000 people living in South East London commuted out of the area, resulting in net outward commuting of only about 50,000 people. In contrast to the pattern of inward commuting, 86% of the outward commuters from South East London travelled to other parts of London, especially (but not exclusively) to Central London.

2.35 Some 305,000 people living in the area remained within it for employment, so the level of self-containment was 45%, well below the 75% level referred to as representing reasonable self-containment, and below that identified in the 2010 SHMA from 2001 Census data (68%). There is a margin of error associated with this estimate but it is also likely to

⁷ *South East London Strategic Housing Market Assessment 2009: Main report of study findings*, SELHP/ ORS (2010)

arise from the increasing tendency since 2001 for people to travel for greater distances to work.

2.36 Levels of self-containment in employment terms tend to increase with size of area, but in South East London, all of the boroughs except Southwark have a higher rate of self-containment, 59% in Bexley, 55% in Bromley, 53% in Lewisham and 47% in Greenwich. This is because of the extremely low self-containment rate (13%) in Southwark (see Table 2.9). This table shows the proportions of the population that commute to and from the South East London boroughs, and areas outside.

2.37 Southwark has more in common in commuting terms with the other Central London boroughs, receiving a much larger number of commuters (340,000) than people who live and work in the borough (51,000). Bexley has its strongest links with Greenwich and Bromley and relatively few commuters to the rest of London. Greenwich follows broadly the same pattern as Bexley, within a lower overall level of self-containment. Lewisham has relatively strong commuting links with all the other South East London authorities, and a notably small proportion of people commuting to areas outside London.

2.38 Bromley has relatively weaker linkages to the other South East London boroughs in commuting terms, but Southwark is the most distinctive in commuting profile. It has its strongest internal link to Lewisham, but many more people commute to other areas in London, or to areas outside London. Given its role as a Central London employment location, Southwark clearly represents an exceptional case but does have linkages with the other South East London boroughs.

2.39 As noted, for London a self-containment threshold lower than the national threshold is acceptable, given the high general level of commuting movement. This would support the previous SHMA, which concluded that South East London could be treated as a coherent sub-region, but also suggests that the SHMA must take into account linkages with other areas.

Table 2.9 South East London commuting patterns 2010/11 combined: proportions of working age population commuting to and from South East London boroughs and beyond

| To | From | | | | | | Rest of London | Outside London | Total | % commuting in |
|---------------------------------|--------|---------|-----------|----------|-----------|-----------|----------------|----------------|-------|-----------------|
| | Bexley | Bromley | Greenwich | Lewisham | Southwark | Southwark | | | | |
| Bexley | 58.9 | 4.7 | 7.7 | 1.7 | 0.4 | 3.2 | 23.5 | 100.0 | 41.1 | |
| Bromley | 2.9 | 55.4 | 2.7 | 2.3 | 0.9 | 21.4 | 14.5 | 100 | 44.6 | |
| Greenwich | 14.7 | 4.6 | 47.1 | 8.5 | 2.7 | 7.3 | 15.1 | 100 | 52.9 | |
| Lewisham | 5.4 | 7.8 | 9.0 | 52.8 | 6.4 | 7.7 | 11.0 | 100 | 47.2 | |
| Southwark | 1.9 | 1.9 | 2.6 | 3.6 | 13.1 | 46.6 | 30.2 | 100 | 53.4 | |
| From | To | | | | | | Rest of London | Outside London | Total | % commuting out |
| | Bexley | Bromley | Greenwich | Lewisham | Southwark | Southwark | | | | |
| Bexley | 38.6 | 2.4 | 10.6 | 3.0 | 7.0 | 24.9 | 13.6 | 100.0 | 61.4 | |
| Bromley | 2.2 | 32.6 | 2.4 | 3.0 | 5.0 | 45.5 | 9.3 | 100.0 | 67.4 | |
| Greenwich | 5.1 | 2.2 | 34.3 | 5.0 | 9.7 | 37.5 | 6.2 | 100.0 | 65.7 | |
| Lewisham | 0.9 | 1.6 | 5.1 | 23.9 | 11.1 | 51.0 | 6.4 | 100.0 | 76.1 | |
| Southwark | 0.2 | 0.5 | 1.4 | 2.5 | 35.3 | 56.9 | 3.2 | 100.0 | 64.8 | |
| Working and living within area* | 40,867 | 48,802 | 36,033 | 30,600 | 51,374 | | | | | |
| Working within the area* | 69,407 | 88,114 | 76,562 | 57,980 | 391,018 | | | | | |
| Self-containment (%)* | 59 | 55 | 47 | 53 | 13 | | | | | |

Source: ONS Annual Population Survey 2010, 2011 *Average of 2010 and 2011

Migration within London and England

2.40 Data on migration flows between local authorities is published annually by ONS drawing on NHS data related to general practitioner (GP) registration. This is the main source of data on migration within the UK between Censuses of Population. The assumptions underlying this source are that people moving between local authority areas will change their GP and re-register; adjustments are made for groups such as younger people who might delay or omit reregistration. It is also assumed that many people moving within a borough/local authority area will not need to re-register as they will not change their GP, but the proportion of movers who this applies to is unknown so the data source excludes moves within local authority areas. As a result, levels of self-containment in migration patterns cannot be determined from this source.

2.41 While in broad terms a long-term migratory pattern of movement into inner parts of London, and then flow to outer parts and beyond is apparent, at a more local level patterns are complex. Table 2.10 shows a matrix of migration patterns for each borough in South East London based on average movement levels over the 2009-2012 period. For Bexley, 52% of in-migrants come from other South East London Boroughs, but only 27% of out migrants move elsewhere in South East London. The main destinations for Bexley out migrants are outside London (63% of the total), with Dartford, Sevenoaks and Medway making up three of the five main destinations (Table 2.11). Only 16% of in-migrants come from elsewhere in London. This process of migration flows from inner areas to the suburbs

and areas beyond London is long established and referred to as the migration *cascade*. Map 2.2 displays these gross flows graphically.

2.42 Bromley is similar, with 59% of out-migrants leaving London. Croydon and Sevenoaks are major destinations for out-migrants, along with Lewisham, Bexley and Greenwich within South East London. Bromley also receives more in-migrants from the rest of South East London than out-migrants to it (33% compared to 18%), but the majority of in-migrants come from outside South East London, notably Croydon and Lambeth.

2.43 Greenwich and Lewisham have relatively similar migration profiles to one another, with moves to and from the rest of South East London roughly in balance, and representing about one third of all movements in/out. For both boroughs, the main origins and destinations for movement are within South East London. For Greenwich, the main source of migrants from elsewhere in London is Lambeth, and the main destination outside South East London is Dartford. For Lewisham, Lambeth and Croydon are significant sources and destinations. Hence Greenwich and Lewisham also demonstrate the cascade pattern, but to a lesser extent. It is notable that Lambeth has links with all the South East London boroughs except Bexley.

2.44 Southwark has a different pattern of migration links to the other South East London Boroughs. As the most Central London borough in the sub-region, it is unsurprising that it takes in-migrants from a wider London geography than the rest of the sub-region, with only 13% of in-migrants to Southwark coming from elsewhere in the sub-region. Almost 50% of both in-migrants and out-migrants come from or move to other parts of London – especially Lambeth, Wandsworth, Tower Hamlets and Westminster. Nonetheless, nearly a quarter of out-migrants move to the rest of the sub-region, suggesting there is still a strong sub-regional alignment.

2.45 So the pattern which emerges in terms of overall migration linkages is of moves to areas outside London as being of significance in all the boroughs except Southwark, and moves into South East London being sourced mainly from the sub-region or elsewhere in London. Bexley, Greenwich and Lewisham have the strongest internal linkages within South East London, with Southwark and to a lesser extent Bromley having weaker linkages. This provides a similar conclusion to that which emerges from commuting patterns. It is not possible to comment on the extent of self-containment of South East London or of the individual boroughs in terms of migration, but there is a substantial case for considering South East London as a sub-regional grouping, as long as additional linkages with other areas are also recognised.

Table 2.10 Net internal migration within England, 2009-12

| To | From | | | | | | South East London | Rest of London | Outside London | Total | % from within South East London |
|-------------------------------|--------|---------|-----------|----------|-----------|--------|-------------------|----------------|----------------|-------|---------------------------------|
| | Bexley | Bromley | Greenwich | Lewisham | Southwark | London | | | | | |
| Bexley | | 590 | 3,230 | 780 | 530 | 5,130 | 1,650 | 3,530 | 9,900 | 52 | |
| Bromley | 600 | | 910 | 2,470 | 920 | 4,900 | 4,930 | 5,450 | 14,700 | 33 | |
| Greenwich | 1,700 | 570 | | 2,120 | 1,150 | 5,540 | 4,820 | 5,720 | 15,700 | 35 | |
| Lewisham | 310 | 1,170 | 1,750 | | 3,300 | 6,530 | 6,880 | 6,110 | 19,100 | 34 | |
| Southwark | 180 | 380 | 530 | 2,050 | | 3,140 | 11,550 | 8,570 | 23,500 | 13 | |
| South East London | 2,790 | 2,710 | 6,420 | 7,420 | 5,900 | 25,240 | 29,830 | 29,380 | 82,900 | | |
| Rest of London | 1,140 | 3,380 | 3,830 | 6,270 | 11,990 | 26,610 | | | | | |
| Outside London | 6,580 | 8,690 | 7,560 | 7,850 | 8,390 | 39,070 | | | | | |
| Total | 10,510 | 14,780 | 17,810 | 21,540 | 26,280 | 90,920 | | | | | |
| % moves to other SEL Boroughs | 27 | 14 | 18 | 31 | 20 | | | | | | |

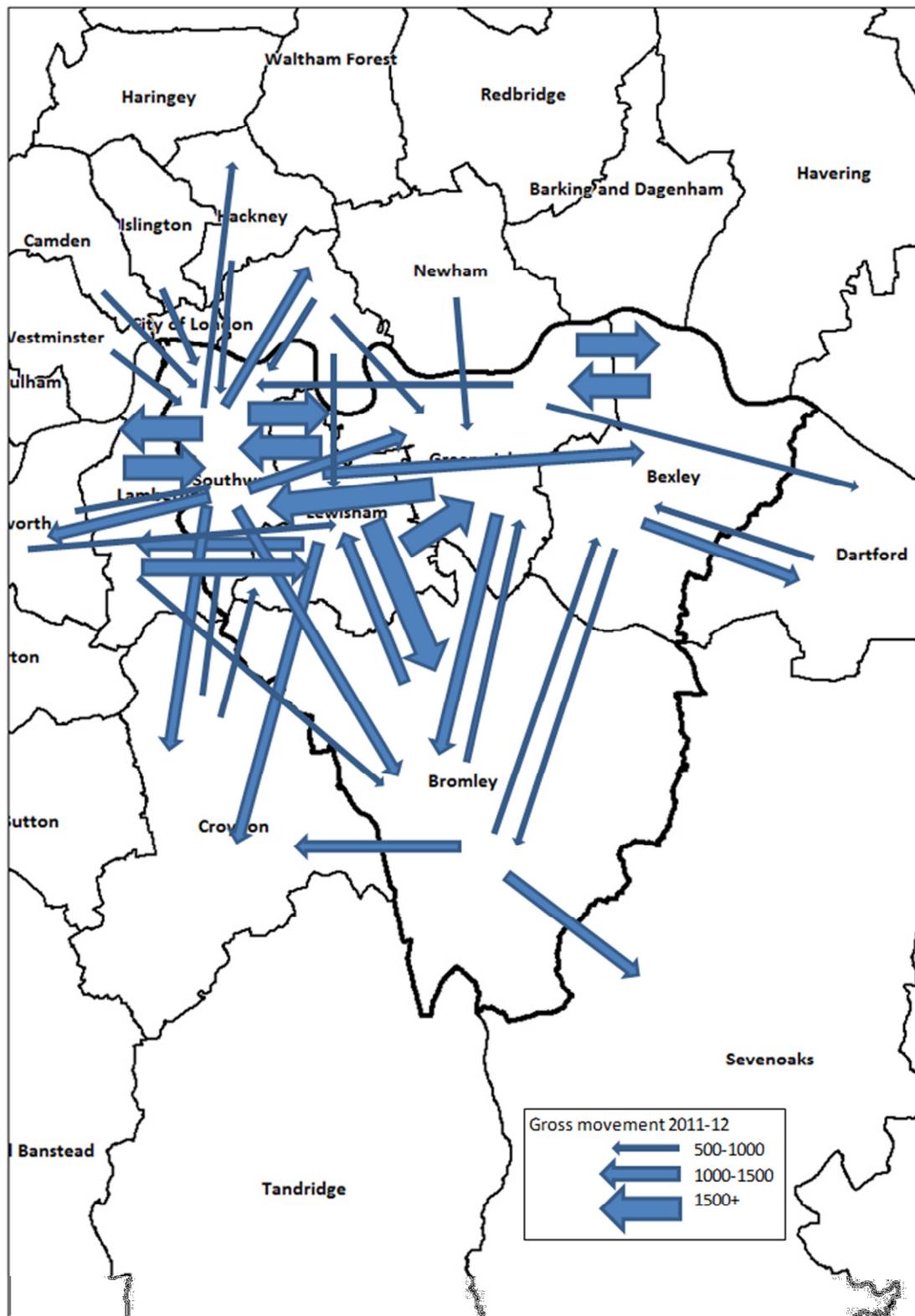
Source: ONS Annual Population Survey 2010, 2011 *Average of 2010 and 2011

Table 2.11 Main migration linkages

| Top 5 outward destinations | Bexley | Bromley | Greenwich | Lewisham | Southwark |
|----------------------------|------------------|------------------|------------------|------------------|------------------|
| | Greenwich | Croydon | Bexley | Bromley | Lewisham |
| | Dartford | Lewisham | Lewisham | Greenwich | Lambeth |
| | Bromley | Sevenoaks | Bromley | Southwark | Greenwich |
| | Sevenoaks | Bexley | Southwark | Lambeth | Wandsworth |
| | Medway UA | Greenwich | Dartford | Croydon | Bromley |
| Top 5 inward origins | Greenwich | Lewisham | Lewisham | Southwark | |
| | Lewisham | Croydon | Bexley | Greenwich | Lewisham |
| | Dartford | Southwark | Southwark | Lambeth | Wandsworth |
| | Bromley | Greenwich | Lambeth | Bromley | Tower Hamlets |
| | Southwark | Lambeth | Bromley | Croydon | Westminster |

Source: ONS Annual Population Survey 2010, 2011 *Average of 2010 and 2011

Map 2.2 Inter-London migration flows



Source: Cobweb analysis of ONS Annual Population Survey 2010, 2011 *Average of 2010 and 2011

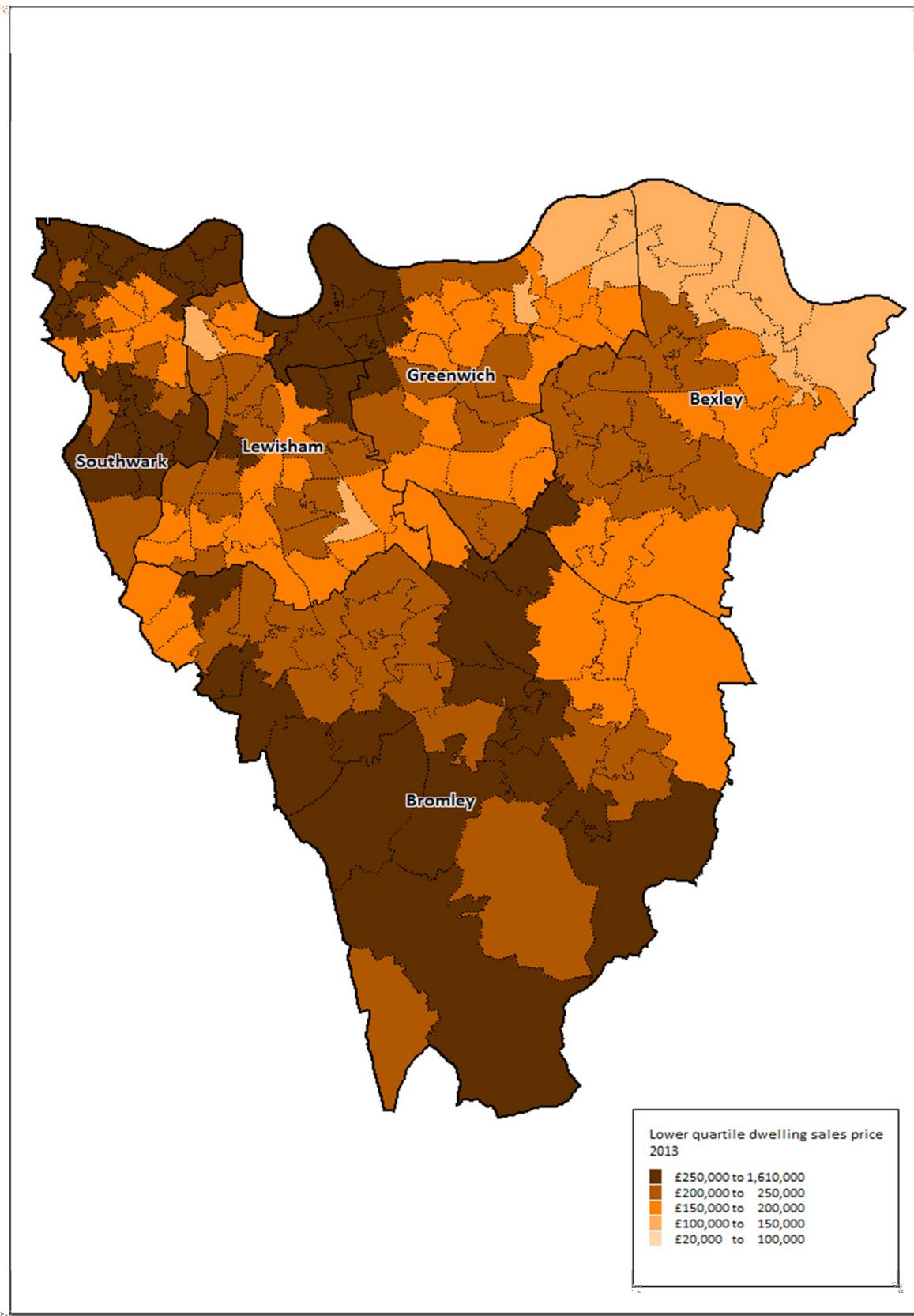
House prices, private rents and the housing market

2.46 The National Planning Policy Guidance also indicates that the pattern of house prices also provides evidence on housing market area linkages. As a housing market area is relatively self-contained in terms of migration and travel to work, there should be a reasonable degree of variety in the housing offer as indicated by price levels. In the case of London, the best comparison is with prices across the capital, as a comparison with prices nationally would give a misleading picture. It is also important to look at prices at a reasonably fine grain, as borough-wide averages conceal rather than reveal patterns of local variation. We have mapped 2013 price paid data from the Land Registry at Middle Super Output Area (MSOA) level. There are 168 MSOAs in South East London, each containing on average just over 3,000 dwellings.

2.47 Table 2.12 shows that average prices across South East London are below the London average, even in the highest value boroughs, Southwark and Bromley. Relative to the South East London average the boroughs are reasonably spread, with Southwark and Bexley about 30 percentage points above and below the average respectively and Greenwich close to the average. At MSOA level, South East London is under-represented in terms of areas with high mean values relative to London as a whole and over-represented in terms of areas with low mean values (72% of the London-wide average), but there is a wide spread of mean values across the spectrum. This suggests that the area as a whole provides a wide variety of dwellings by value. Maps 2.3 and 2.4 below show the distribution of prices by MSOA across the sub-region for both lower quartile and median price thresholds. As the previous SHMA found, house prices in parts of Southwark (Bankside and Dulwich), Greenwich (West Greenwich/Blackheath) and Bromley were typically higher than those in Lewisham, Bexley and large areas of Greenwich.

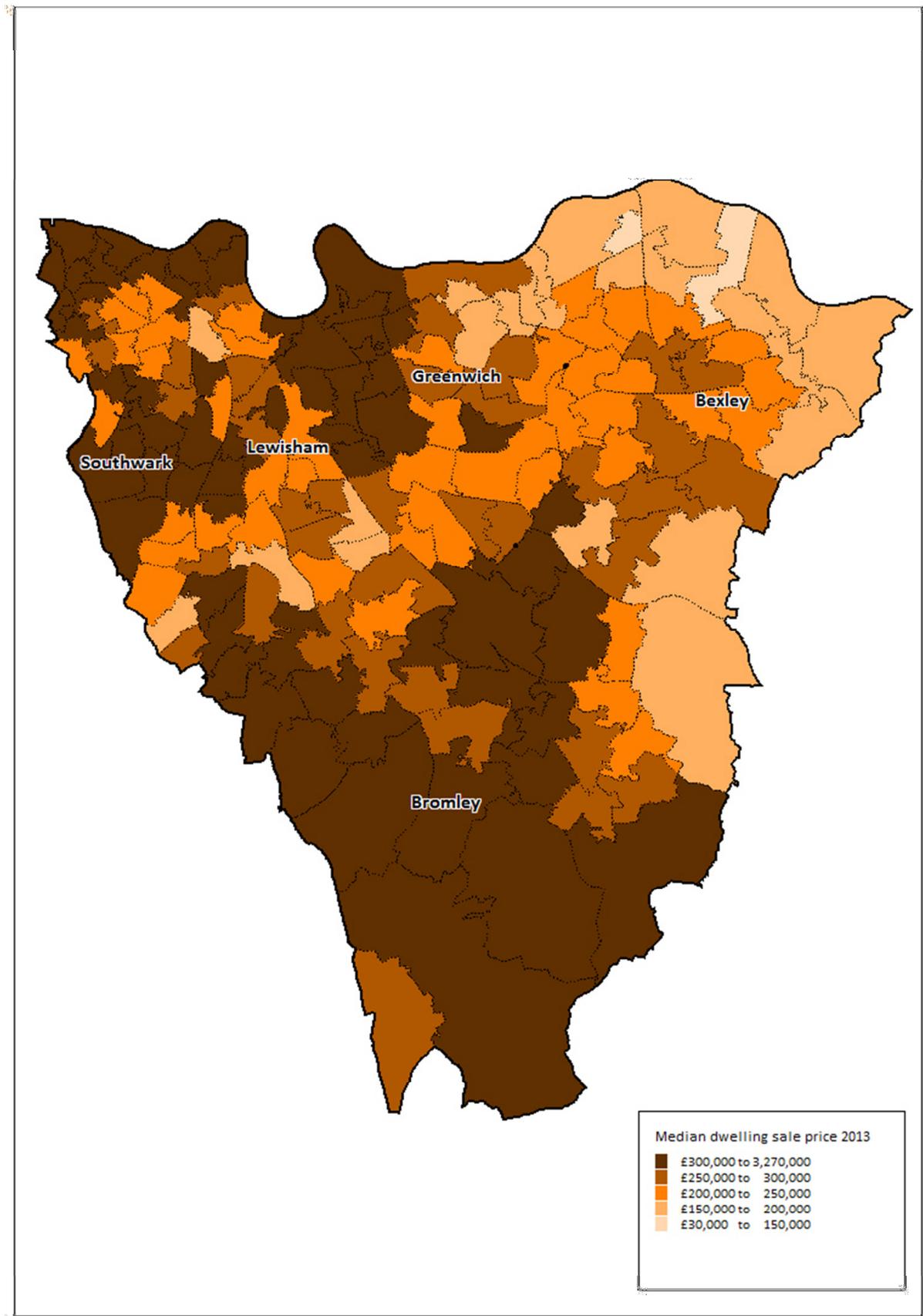
2.48 As regards private sector rents, the fact that the sub-region is covered by two distinct Broad Rental Market Area (BRMA) designations by the Valuation Office Agency is an indicator of variety of accommodation size, type and quality within the private rented sector. Rents range from 24% higher than the sub-regional average (Southwark) to 35% below the sub-regional average (Bexley).

Map 2.3 Lower quartile dwelling sale prices 2013



Source: Land Registry price paid data

Map 2.4 Median dwelling sale prices 2013



Source: Land Registry price paid data

Table 2.12 South East London market profile

| | 2013 prices | | | % MSOAs with mean price relative to London mean price | | | | | |
|-----------|-------------|----------------------------|-------------------------|---|---------|----------|-----------|-----------|--------------|
| | Mean price | Ratio to London mean price | Ratio to SEL mean price | Up to 50% | 50%-75% | 75%-100% | 100%-125% | 125%-150% | 150% or more |
| Bexley | 236,457 | 0.50 | 0.70 | 48 | 52 | 0 | 0 | 0 | 0 |
| Bromley | 355,012 | 0.75 | 1.05 | 11 | 47 | 28 | 11 | 3 | 0 |
| Greenwich | 327,140 | 0.69 | 0.97 | 44 | 41 | 7 | 7 | 0 | 0 |
| Lewisham | 305,855 | 0.65 | 0.90 | 21 | 61 | 18 | 0 | 0 | 0 |
| Southwark | 440,483 | 0.93 | 1.30 | 9 | 34 | 38 | 9 | 3 | 6 |
| SE London | 338,547 | 0.72 | 1.00 | 25 | 47 | 19 | 6 | 1 | 1 |
| London | 473,282 | 1.00 | 1.40 | | | | | | |

Source: Land Registry price paid data

Conclusion: South East London Housing Market Area

2.49 In 2010 the previous SHMA for South East London concluded that South East London represented a coherent sub-region which was treated as a housing market area in the assessment which followed. Patterns of migration and travel to work in London are complex, as the analysis in this chapter has shown. The thresholds for self-containment recommended in official guidance are not appropriate in a London context, because of the variety of economic and employment foci, the complex transport networks, and the extent to which people from outside London commute (often long distances) to employment in the capital.

2.50 This suggests that lower thresholds of self-containment are more appropriate in a London context. Given the established linkages between the South East London boroughs, this analysis supports the finding of the previous SHMA that South East London forms a coherent sub-region which provides a sound basis for a housing market assessment, provided that the assessment also recognises the main linkages between boroughs and local authorities outside London and takes these into account. The long-standing process of outward migration from inner to outer London and to areas beyond is also important to recognise, along with the commuting patterns which it has generated.

2.51 In practical terms, this means that the assessment which follows needs to provide a profile of both the sub-region and its constituent boroughs, together with the linkages between them, in order to develop the necessary understanding of housing requirements and the ways in which they may be met. It also highlights the importance of partnership between the boroughs and the development of good linkages with adjacent areas of London and the south east.

2.52 This area contains five local planning authorities, so the SHMA will also provide an assessment of overall housing requirements and housing needs for each planning authority. This is to enable compliance with the requirement within the NPPF (para 47) on planning authorities to ensure that their Local Plan meets full, objectively assessed needs for housing, and to identify and update annually a supply of deliverable sites sufficient to provide five years' worth of housing against their housing requirements.

Chapter 3 The dwelling stock

Key points

- There were 582,790 dwellings in South East London in 2013. Since 2009 the average increase in the stock has been about 4,300 dwellings per year which is a lower rate of growth than in the early 2000s (circa 5,000 p.a.) but above the rate when the housing market recession was at its most severe (3,800 in 2008-09).
- When compared to the rest of the country, dwelling vacancy rates in South East London are low and they have been falling since 2010 as a result of the pressure of demand. The vacancy rate in 2012 was 2.2% overall and was significantly higher in the private sector (2.7%) than in the stock owned by social / affordable rented sector landlords (1.1%).
- 28% of the stock is owned by social landlords which is a higher proportion than in London as a whole (24%). 72% of the stock is in the private sector which is split between owner-occupation (circa 52%) and the private rented sector (circa 20%). By London standards the level of private renting is low, but the sector has been growing quickly. The number of households in the sector climbed from 12.1% to 19.7% between the 2001 and 2011 Censuses.
- Purpose built flats are the most common type of dwelling in South East London (36%), followed by terraced houses (24%) and semi-detached houses (22%). This is similar to London as a whole. In recent years the number of purpose built flats has been rising much faster than other dwelling types. About 80% of new builds since 2001 have been purpose built flats.
- South East London has a similar dwelling size profile to London as a whole with just over 54% of dwellings having one or two bedrooms. About a third of dwellings in the sub-region had three bedrooms and only 15% had four or more bedrooms.
- The sub-region has a diverse housing stock; but there are differences in profile by borough. Broadly there is distinction between Bexley and Bromley, with higher levels of owner-occupation in two or three-bedroomed detached and semi-detached houses; and Southwark and Lewisham, with higher proportions of social / affordable rented and private rented purpose built flats, generally with fewer bedrooms. Greenwich falls between the two groupings. Detached and semi-detached properties form 50% of the stock in Bexley and Bromley compared to only 23% in Greenwich, 17% in Lewisham and 9% in Southwark. Three-quarters of the dwelling stock in Southwark is flats, compared to only 29% in Bromley and 23% in Bexley. Lewisham (55%) also has a high proportion of flats but more of these are converted rather than purpose built.
- The age profile of the dwelling stock is an indicator of dwelling condition issues and the need for investment in repairs, maintenance and improvements. There is a relatively high proportion of older (pre-1944) dwellings in South East London compared to London as a whole, but also more post-1972 dwellings. Just under 40% of private dwellings in South East London were categorised as failing to meet the key decent homes standard compared to an average of 36% for England as a whole in 2006. The proportion of non-decent private sector homes was highest in Southwark and lowest in Bromley, but the differences between boroughs were relatively small.

Introduction

3.1 A large volume of information is available on the existing dwelling stock in South East London from sources such as local authority data, the South East London Partnership, DCLG Live Tables and the 2011 Census of Population. This chapter pulls out the key characteristics of the dwelling stock which are of significance in assessing the current and future housing requirements of the sub-region.

Number of dwellings

3.2 Local authority data and DCLG Live Tables indicate that there were 582,790 dwellings in South East London in 2013 (table 3.1). Bromley has the largest dwelling stock, followed by Southwark, with Bexley having the smallest stock.

3.3 The average rate of increase in the stock across South East London was just less than 5,000 dwellings per annum in the early 2000s, falling to 3,800 in 2008-09 when the housing market recession was at its most severe. Since then the rate of addition has increased to around 4,300 dwellings per annum. This represents an increase of about 0.75% of the stock per annum. There are significant differences in rates of addition between the boroughs, with Southwark having by far the highest rate (averaging 1.21% per annum from 2009-2013), followed by Lewisham (1.08%), Greenwich and Bromley (0.50%), and Bexley (0.34%). At borough level the rate of increase of the stock has fluctuated significantly from year to year over the past four years, especially in Greenwich (see Table 3.1). However at sub-regional level the rate has been much more consistent as a trough in one borough has been compensated for by a peak in another.

3.4 Housing stock additions in London as a whole have been more severely affected by the recession than those in South East London. In 2009-10 the rate of additions in South East London was well below that for London as a whole but in 2012-13 exceeded the London rate slightly. Rates of addition in South East London have exceeded the England average since 2009 by an increasing margin, as additions to the stock in England as a whole continued to remain at very low levels up to 2013.

Table 3.1 Dwelling stock and rates of addition

| | Dwelling stock | | % addition to dwelling stock per annum | | | | |
|-----------|----------------|------------|--|---------|---------|---------|-----------|
| | 2009 | 2013 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2009-2013 |
| Bexley | 94,370 | 95,660 | 0.46 | 0.25 | 0.21 | 0.44 | 0.34 |
| Bromley | 133,670 | 136,300 | 0.47 | 0.55 | 0.43 | 0.51 | 0.49 |
| Greenwich | 102,560 | 104,620 | 0.09 | 0.52 | 1.28 | 0.11 | 0.50 |
| Lewisham | 115,580 | 120,640 | 0.92 | 0.87 | 1.01 | 1.51 | 1.08 |
| Southwark | 119,660 | 125,570 | 1.47 | 1.52 | 0.85 | 1.01 | 1.21 |
| SE London | 565,840 | 582,790 | 0.70 | 0.77 | 0.76 | 0.74 | 0.74 |
| London | 3,308,000 | 3,404,060 | 0.86 | 0.65 | 0.74 | 0.62 | 0.72 |
| England | 22,694,000 | 23,235,720 | 0.64 | 0.60 | 0.59 | 0.54 | 0.59 |

Source: DCLG Live Tables 100, 122, 123

Vacant dwellings

3.5 Dwelling vacancy rates are generally low in London as a result of the pressure of demand, except in exceptional circumstances where dwellings are deliberately kept vacant

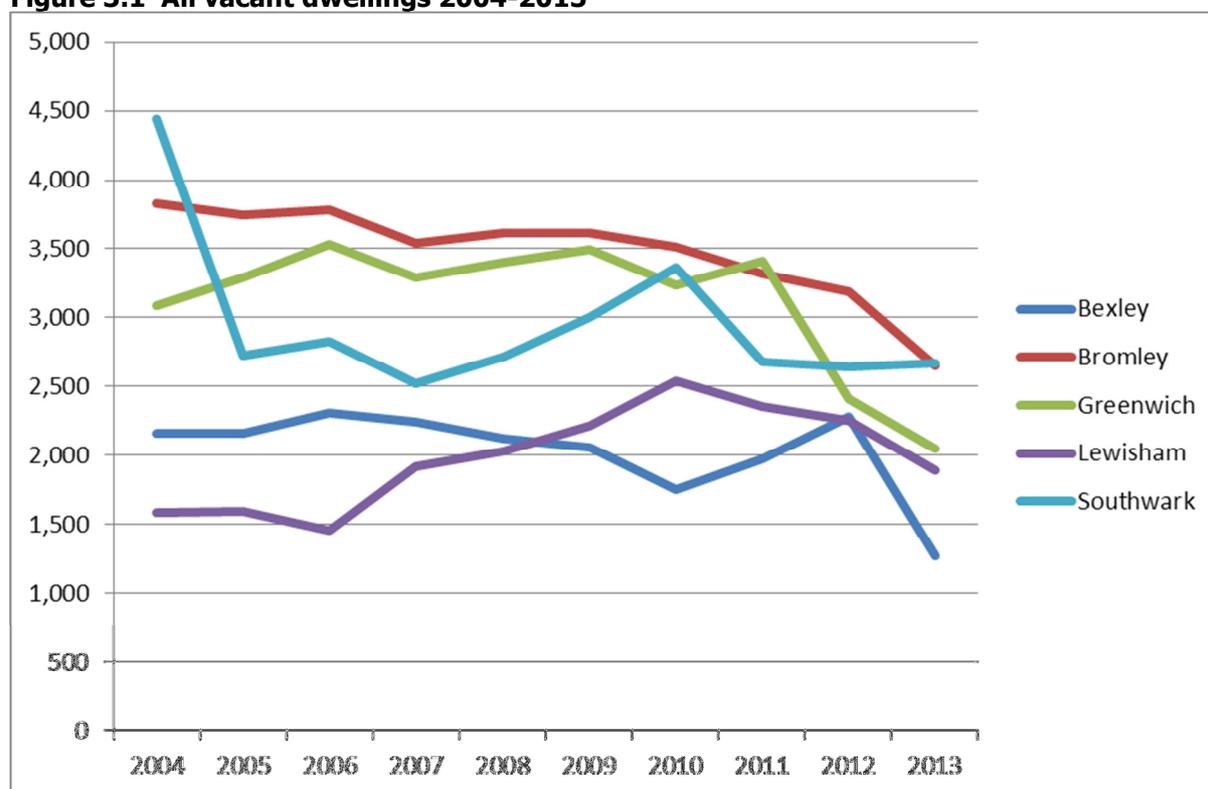
by owners. Over the three years since 2010 the proportion of vacant London homes has continued to fall sharply. In 2013 2.7% of dwellings in England were vacant, compared with 1.7% in London and 1.8% in South East London (Table 3.2). Southwark, Greenwich and Bromley had slightly higher rates than Bexley and Lewisham. Just under one in four vacant dwellings in South East London had been vacant for more than six months (0.57%).

Table 3.2 Vacancy rates 2011 and 2013

| | All vacant | | Long term vacant | | Social rented | | Private sector | |
|-------------------|------------|------|------------------|------|---------------|------|----------------|------|
| | 2010 | 2013 | 2010 | 2013 | 2010 | 2013 | 2010 | 2013 |
| Bexley | 1.85 | 1.33 | 0.71 | 0.55 | 1.20 | 3.47 | 1.96 | 0.97 |
| Bromley | 2.62 | 1.95 | 0.69 | 0.52 | 1.97 | 0.96 | 2.72 | 2.11 |
| Greenwich | 3.15 | 1.96 | 1.31 | 0.50 | 1.88 | 2.51 | 3.81 | 1.68 |
| Lewisham | 2.18 | 1.57 | 0.81 | 0.61 | 1.30 | 1.32 | 2.59 | 1.69 |
| Southwark | 2.77 | 2.12 | 1.34 | 0.66 | 1.50 | 1.02 | 3.84 | 2.97 |
| South East London | 2.53 | 1.81 | 0.97 | 0.57 | 2.82 | 1.62 | 2.42 | 1.88 |
| London | 2.40 | 1.74 | 1.03 | 0.64 | 1.80 | 1.52 | 2.58 | 1.81 |
| England | 3.23 | 2.73 | 1.31 | 0.93 | 1.57 | 1.38 | 3.59 | 3.03 |

Source: DCLG Live Tables 125 and 615

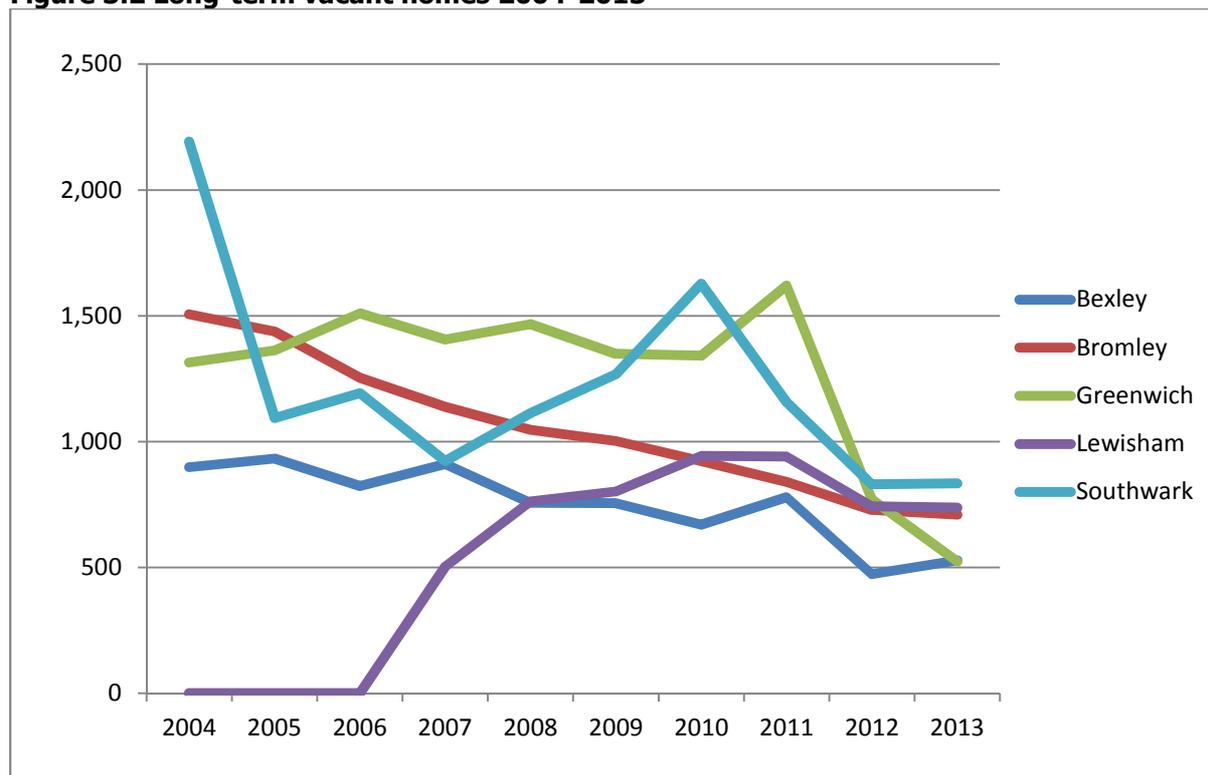
Figure 3.1 All vacant dwellings 2004-2013



Source: HSSA, LAHS and DCLG Live Table 615

3.6 The vacancy rate in 2013 was marginally higher in the private sector (1.9%) than in the stock owned by social / affordable rented sector landlords (1.6%). The private sector vacancy rate was similar to the London average (1.8%). Southwark (3.0%) and Bromley (2.1%) had the highest private sector vacancy rates in South East London and Bexley (1.0%) had the lowest (2.5%). In the social / affordable rented sector South East London had a marginally higher vacancy rate than the London average (1.6% compared to 1.5%). Bromley had the lowest rate at 1%. Bexley appears to be somewhat of an outlier, with a social / affordable sector void rate of 3.5%. However, a substantial proportion of this comprises long-term voids, related to the planned regeneration of parts of Thamesmead

Figure 3.2 Long-term vacant homes 2004-2013



Source: HSSA, LAHS and DCLG Live Table 615

Tenure

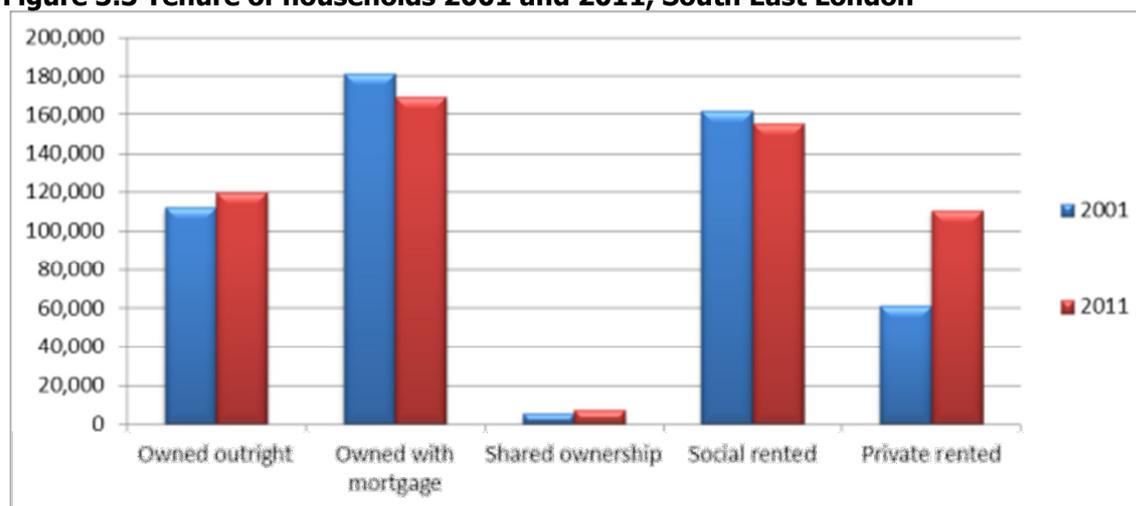
3.7 There are no data sources providing a detailed up-to-date breakdown of housing tenure since the Census 2011. A broad breakdown between social / affordable rented and private sector housing can be identified from Council Tax data, but crucially this does not distinguish between rented and owner occupied housing in the private sector. Across South East London as a whole, 29% of dwellings in 2013 were rented from social landlords and 71% were in the private sector (owned or rented). This was a higher proportion of social / affordable renting than the London average (24%) and the average for England (18%). But this overall level of social / affordable renting concealed significant differences between boroughs within the sub-region. The proportion of social / affordable rented (local authority or RP-owned) dwellings was highest in Southwark (44%) and Greenwich (40%), followed by Lewisham (32%). Bexley and Bromley (each 14%) had a markedly lower proportion of social / affordable rented housing, well below both the London-wide and national averages.

3.8 The Census provides detailed tenure data every ten years. This pertains to households rather than dwelling stock as empty properties are not counted. While most commentators consider the 2011 Census to be the most accurate to date, there were concerns about undercounting in the 2001 Census. Although this was redressed in some measure by ONS Mid-Year projections, this does mean that assumptions about the rate of change between 2001 and 2011 should be treated with a degree of caution. Figure 3.3 shows the shift in tenure that occurred between 2001 and 2011. Overall the number of households in owner-occupation fell slightly, due to a significant fall in the number of households owning with a mortgage. This was counterbalanced to a certain extent by an increase in those owning outright). This reflects both the ageing of longer standing owner-occupiers (who have paid off their mortgage) and a substantial reduction in the number of cohorts of younger owners (especially first-time buyers) coming into the sector, most of

whom would have had a mortgage. Those in shared ownership only made up 1.3% of the total in 2011. The social / affordable rented tenure also contracted during the period from 31% of households in 2001 to 27.7% in 2011.

3.9 The most significant growth concerns the number of households in the private rented sector (including those renting from relatives or living "rent free"). This was 60,978 in 2001 (11.7% of all households) and rose to 110,389 in 2011 (19.7% of all households), which represents an 81% increase. These changes reflect the increasing competition which potential owner occupiers faced from investors and the deteriorating affordability of housing and are in line with trends in most parts of England.

Figure 3.3 Tenure of households 2001 and 2011, South East London



Source: 2001 and 2011 Censuses

3.10 Table 3.3 shows a more detailed tenure breakdown from the 2011 Census. The proportion of social / affordable rented housing in 2011 was slightly lower (27.7%) than that derived from local authority Council Tax data for the same year (28.0%) and conversely the level of private sector housing was slightly greater. Just over a quarter of private sector housing (19.7% of all dwellings) was rented from private landlords. This is a lower figure than the London average (26.4%), largely because the latter is skewed upwards by very high levels of private renting in Kensington and Chelsea, Westminster and Camden. The proportion of owner-occupied housing in South East London (52.7%) was higher than the London-wide average (49.5%) but much lower than the average for England (64.1%).

Table 3.3 Tenure of households 2011, by borough

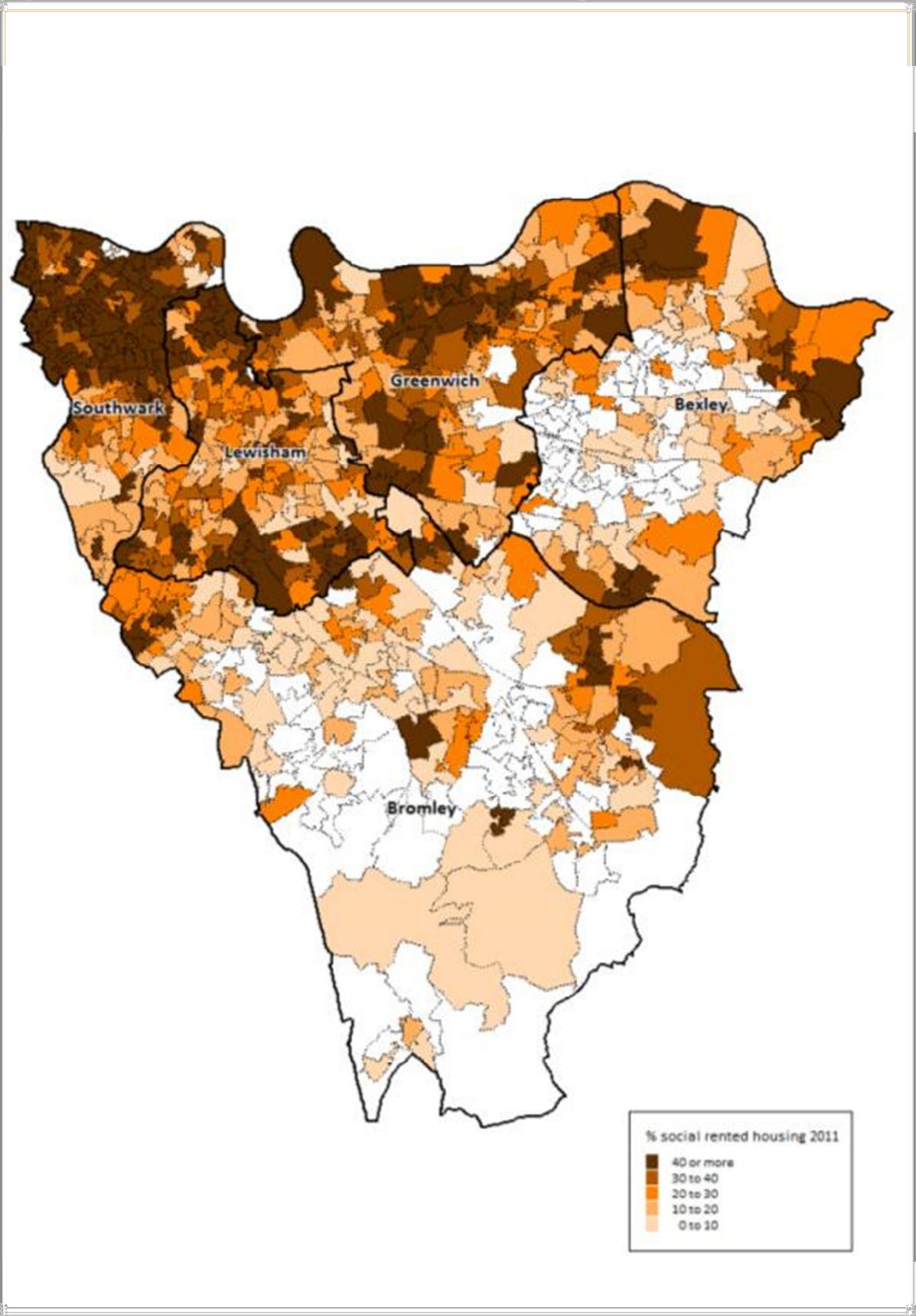
| | Percentage of all households | | | | | | | |
|-----------|------------------------------|----------------|---------------------|--------------|--------------------------------|----------------|---------------------------|-------------------------|
| | All owner-occupied | Owned outright | Owned with mortgage | Shared owner | All social / affordable rented | Private rented | Private landlord or agent | Other rented/ rent-free |
| Bexley | 73.3 | 32.5 | 40.0 | 0.8 | 14.4 | 12.2 | 10.5 | 1.7 |
| Bromley | 71.7 | 33.4 | 37.5 | 0.8 | 14.1 | 14.2 | 12.4 | 1.8 |
| Greenwich | 44.9 | 16.4 | 26.9 | 1.6 | 34.3 | 20.9 | 18.5 | 2.4 |
| Lewisham | 43.6 | 14.9 | 27.5 | 1.2 | 31.1 | 25.3 | 23.0 | 2.3 |
| Southwark | 31.3 | 9.8 | 19.5 | 2.0 | 43.7 | 24.9 | 22.2 | 2.6 |
| SE London | 52.7 | 21.3 | 30.1 | 1.3 | 27.7 | 19.7 | 17.5 | 2.3 |
| London | 49.5 | 21.1 | 27.1 | 1.3 | 24.1 | 26.4 | 23.7 | 2.6 |
| England | 64.2 | 30.6 | 32.8 | 0.8 | 17.7 | 18.2 | 15.4 | 2.7 |

Source: Census 2011, table KS402EW

3.11 Within South East London, the proportion of private rented housing in the stock is highest in Lewisham and Southwark (25.3% and 24.9% respectively). Greenwich (20.9%) also has a relatively large private rented sector. All three (but especially Southwark) have relatively small proportions of owner occupied housing. Bromley (14.2%) and Bexley (12.2%) both have relatively small private rented sectors, and conversely, much larger proportions of owner occupied housing than the other South East London boroughs.

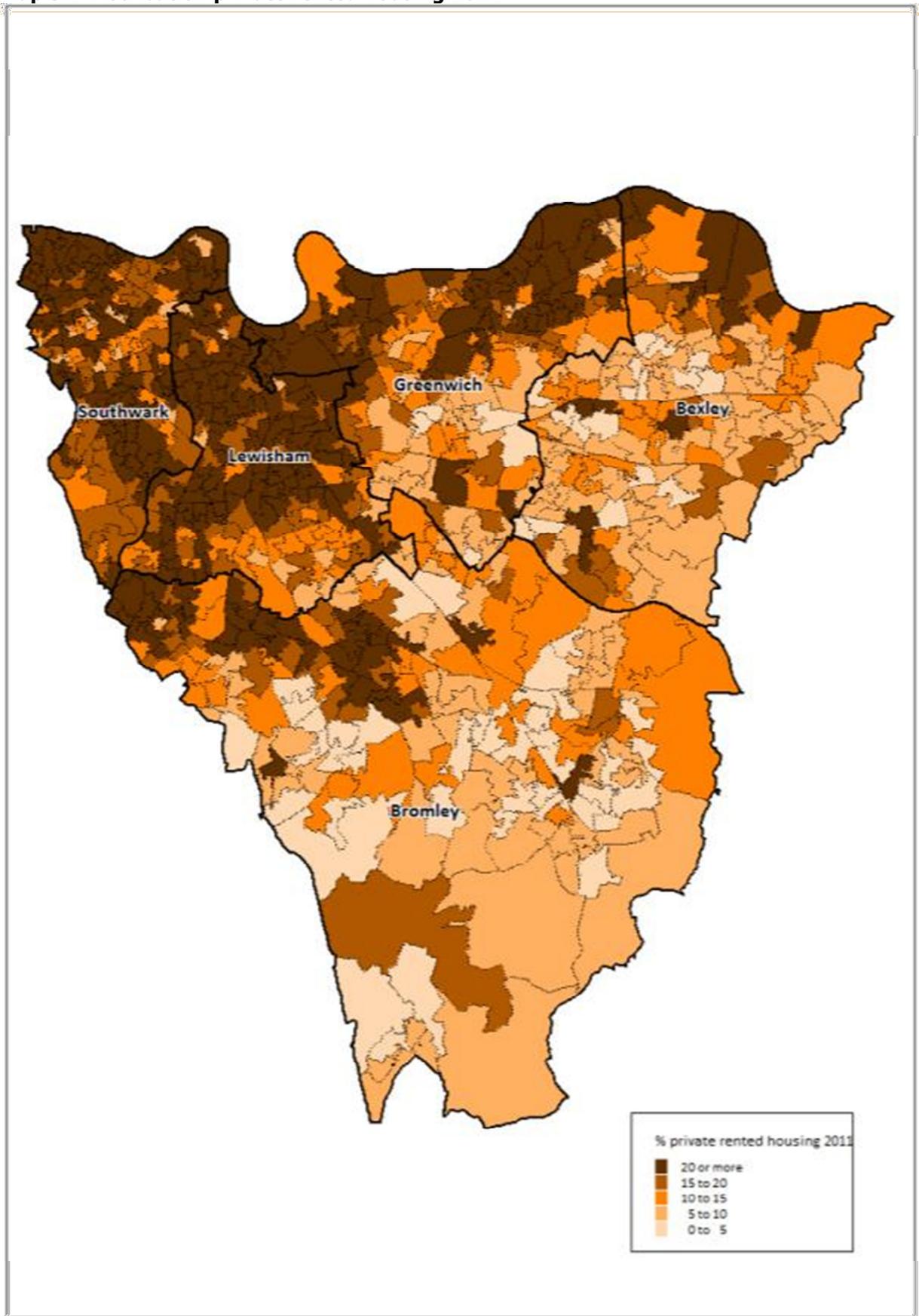
3.12 As Maps 3.1 and 3.2 show, rented housing is concentrated mainly in the northern part of the sub-region, in Southwark, Lewisham, Greenwich and the north of Bexley. There are also high levels of private renting in Penge, Beckenham and Bromley centre. Map 3.3 shows that owner-occupation is more prevalent in Bromley and Bexley.

Map 3.1 Distribution of social / affordable rented housing 2011



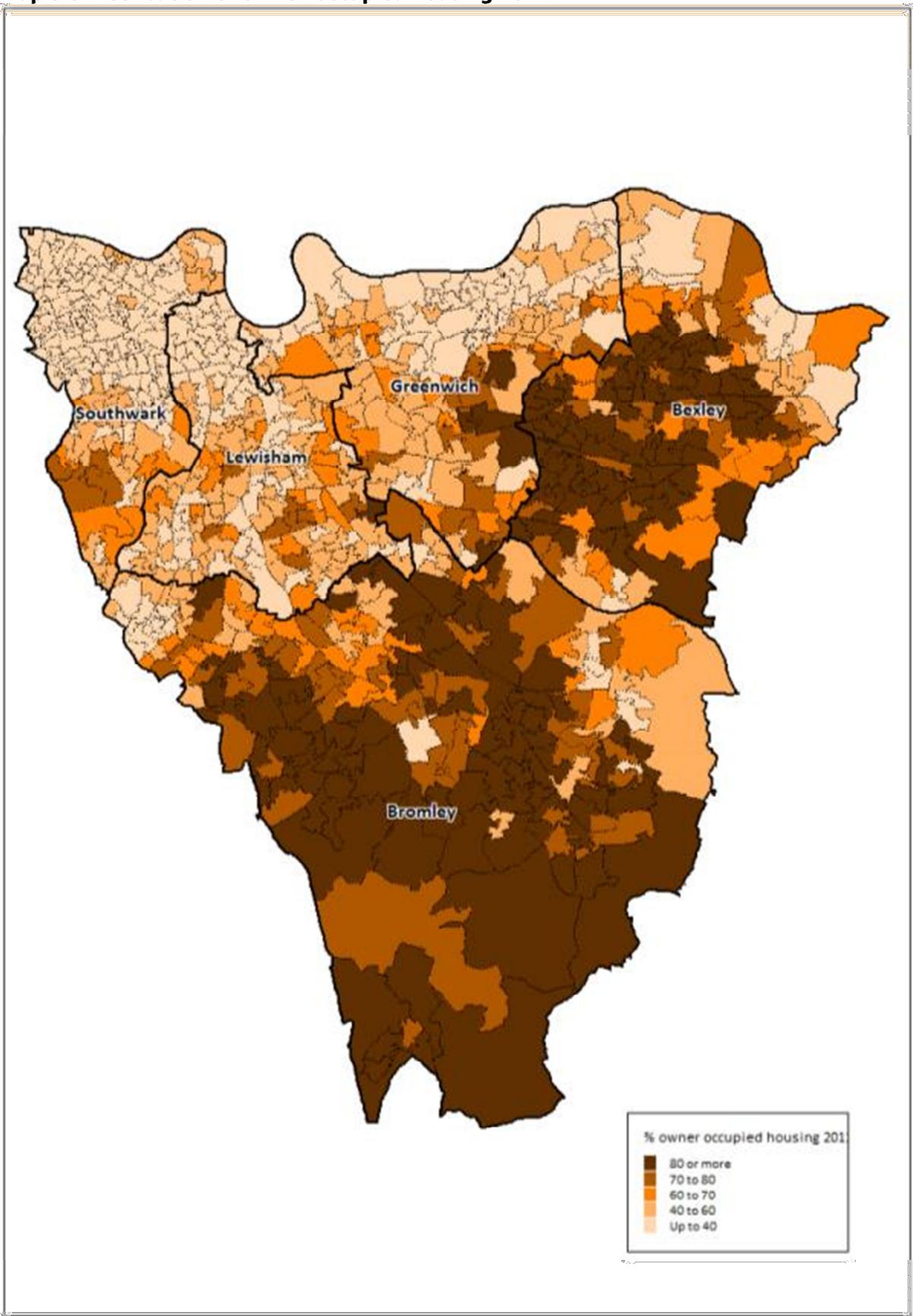
Source: Census 2011 Table KS402EW

Map 3.2 Distribution private rented housing 2011



Source: Census 2011 Table KS402EW

Map 3.3 Distribution of owner-occupied housing 2011

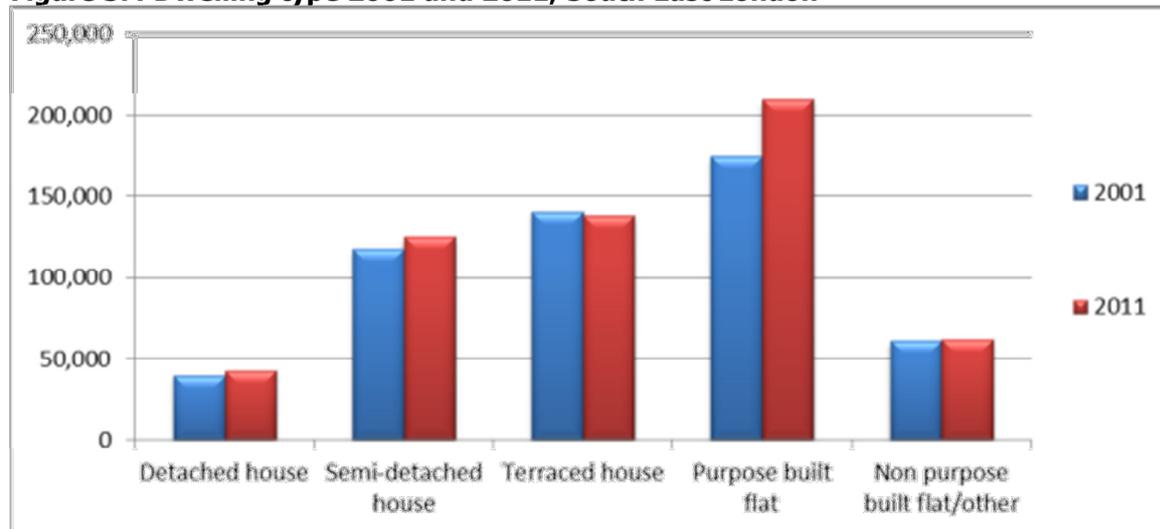


Source: Census 2011 Table KS402EW

Type of dwelling

3.13 Comparing 2001 and 2011 Census data, figure 3.4 shows the number of dwellings of each type in South East London. Purpose built flats are the most common type of dwelling in the sub-region, making up 36% of the total in 2011, followed by terraced houses (24%) and semi-detached houses (22%). According to the Census data the South East London stock grew by 43,514 in the ten year inter-census period and almost 80% of this growth (34,580 additional dwellings) was of purpose-built flats.

Figure 3.4 Dwelling type 2001 and 2011, South East London



Source: ONS, 2001 and 2011 Censuses

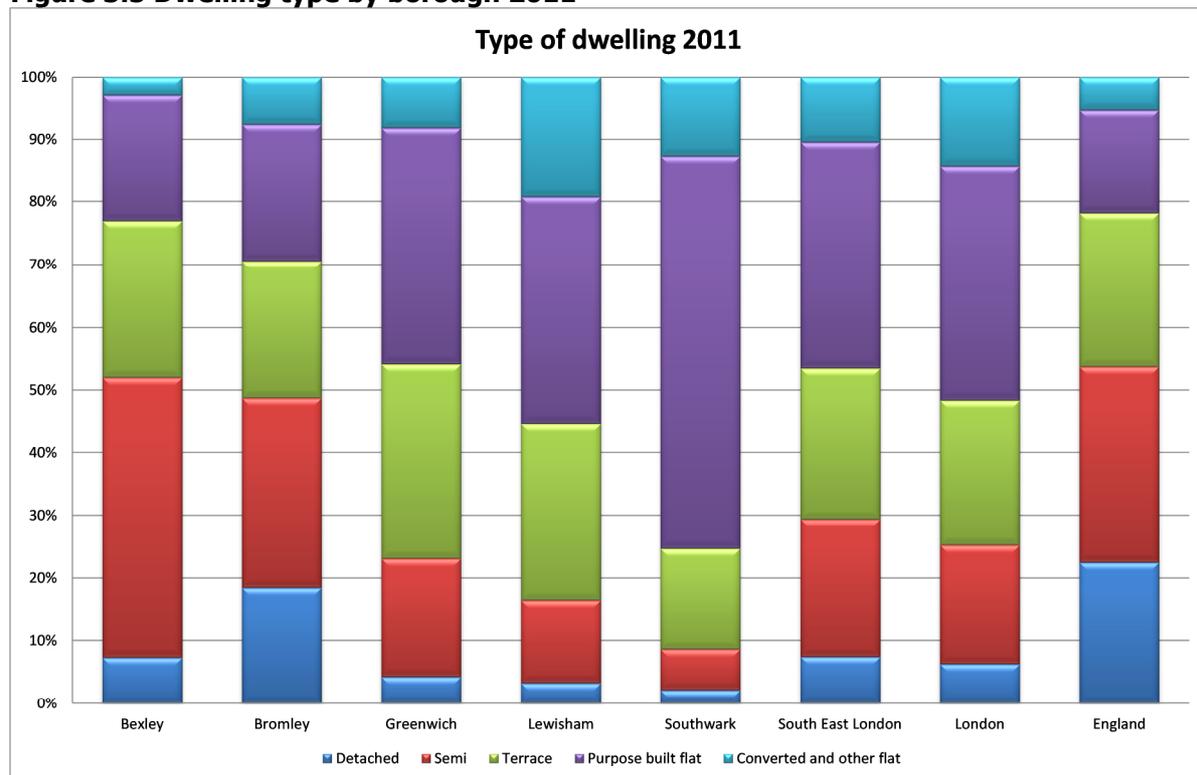
3.14 Since the 2011 Census flats have continued to make up the bulk of the new-build programme in South East London. To illustrate the point, flats made up 1,598 of the 1,833 new build sales in the sub-region in 2013 (87%) according to Land Registry Price Paid Data.

3.15 The breakdown of the stock by dwelling type in South East London (figure 3.5) has a broadly similar profile to that of London as a whole, although there are fewer converted flats in the sub-region than across London as a whole. However there are major differences in the stock profile by borough. Detached and semi-detached properties form about 50% of the stock in both Bexley and Bromley (a similar picture to the national average), compared to 23% in Greenwich, 17% in Lewisham and only 9% in Southwark. Three quarters of the dwelling stock in Southwark is in the form of flats, compared to only 29% in Bromley and 23% in Bexley. Lewisham (55%) also has a relatively high proportion of flats compared to the London average, but around one third of these (19% of all dwellings) are converted rather than purpose built flats. In Southwark only 13% of dwellings are converted flats.

3.16 There are significant differences in dwelling type by tenure. In 2011, detached and semi-detached houses in South East London were predominantly owner-occupied (80% or more of the total). Over two thirds of terraced dwellings were also owner-occupied, with the remainder equally split between registered providers (RPs) and private tenants. Three quarters of purpose-built flats were rented, with the largest proportion rented from local authority landlords. About two thirds of converted flats were rented, (40% from private landlords), but just over a third were owner-occupied, with the majority of owners having a mortgage, demonstrating the importance of this dwelling sector in the lower cost market. Figure 3.6 shows the same picture from the viewpoint of tenure. It reveals that the owner-occupied and local authority rented sectors have relatively mixed profiles in terms of

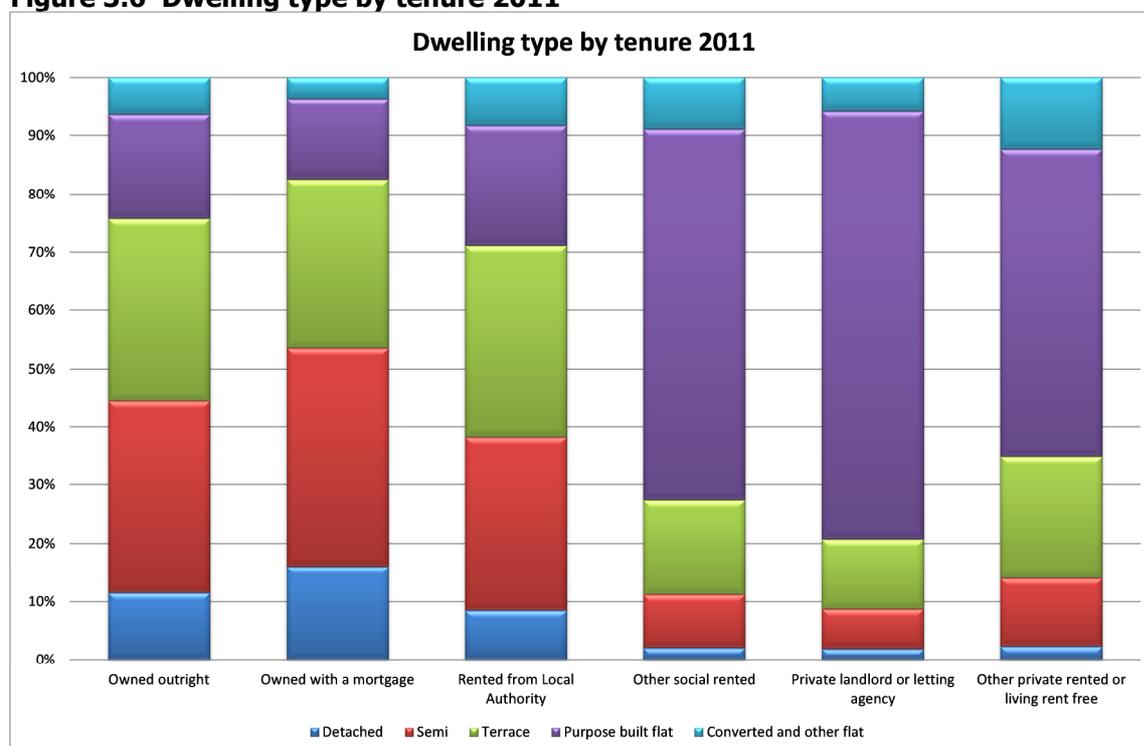
dwelling stock whereas the Registered Provider rented ('other social rented') and private rented sectors are dominated by purpose-built flats.

Figure 3.5 Dwelling type by borough 2011



Source: Census 2011 table LC4402EW

Figure 3.6 Dwelling type by tenure 2011



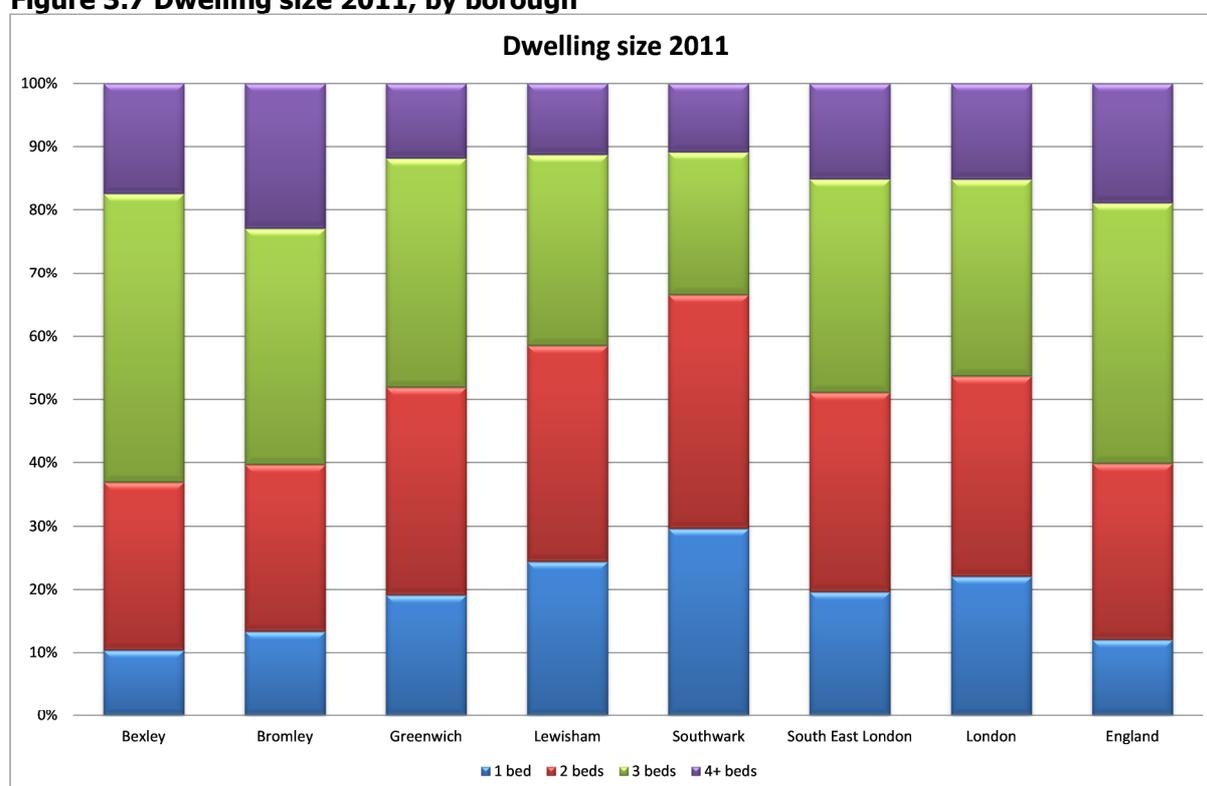
Source: Census 2011 table LC4407EW

Dwelling size

3.17 As Figure 3.7 shows, South East London had a similar dwelling size profile (in terms of the number of bedrooms) to London as a whole in 2011, with just over 50% of dwellings having one or two bedrooms. This is a higher figure than the national average (40%) but is not surprising given London's high land values. About a third of dwellings in South East London had three bedrooms and only 15% had four or more bedrooms.

3.18 Within South East London there are again major differences at borough level in terms of dwelling size. In Southwark, two thirds of dwellings had one or two bedrooms and 30% had only one bedroom. Only 11% of dwellings had four or more bedrooms. Lewisham also had a high proportion of one and two bedroom units (59%) but rather more three bedroom units than Southwark. Greenwich resembled the London-wide profile with just over 50% of one or two bedroomed units.

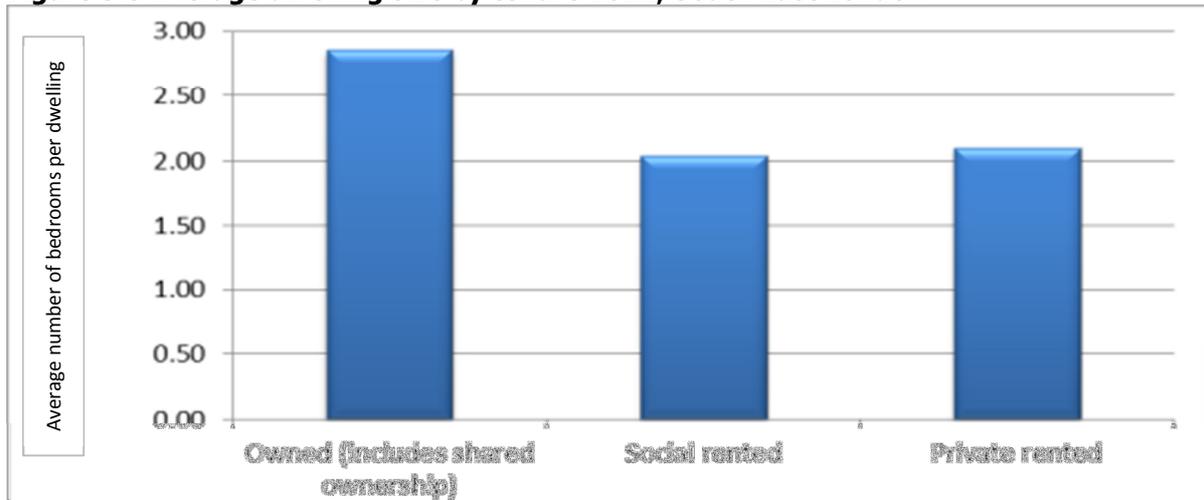
Figure 3.7 Dwelling size 2011, by borough



Source: Census 2011 table DC4405EW

3.19 As with dwelling type there are major differences in dwelling size by tenure. In the owner-occupied sector, two thirds of dwellings have three or more bedrooms. In the social / affordable rented sector, this proportion falls to just under one third, with another third having only one bedroom. The private rented sector breakdown is broadly similar. Figure 3.8 illustrates the point further by showing the average number of bedrooms for each of the three main tenures.

Figure 3.8 Average dwelling size by tenure 2011, South East London



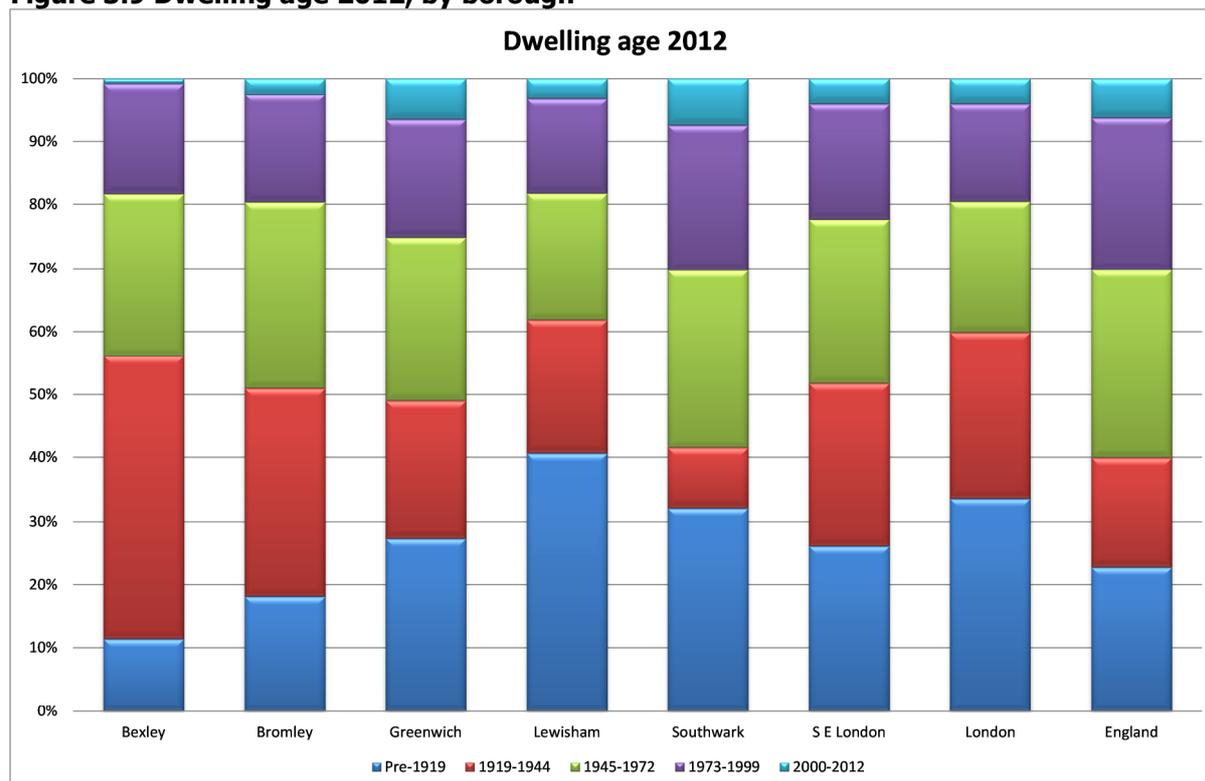
Source: Census 2011 table DC4405EW with calculation by Cobweb Consultants. It is assumed, for the purpose of this output, that all dwellings larger than 4 bedrooms have exactly five bedrooms.

Dwelling age

3.20 The age profile of the dwelling stock is a significant indicator of potential dwelling conditions and the need for investment in repairs, maintenance and improvements to the stock. The Valuation Office Agency produces estimates of the age of the dwelling stock (Figure 3.9). The picture is a complex one, with South East London differing from both the London-wide and national profiles. There were a greater proportion of older (pre-1919 and 1919-44) dwellings in South East London in 2012 than the national average (52% compared to 40% nationally) but a smaller proportion than in London as a whole (60%). South East London also had fewer post-1972 dwellings than England but more than London as a whole.

3.21 At borough level, Lewisham had the highest proportion of pre-1945 dwellings (62%), but Bexley (56%) and Bromley (51%) also had relatively high proportions of older dwellings. Looking specifically at pre-1919 stock, Lewisham still retained the highest proportion, but Southwark also had a relatively high share of pre-1919 stock (32%) with a very small proportion of inter-war dwellings. Both Greenwich and Southwark have relatively high proportions of post 2000 dwellings (8% and 7% respectively).

Figure 3.9 Dwelling age 2012, by borough



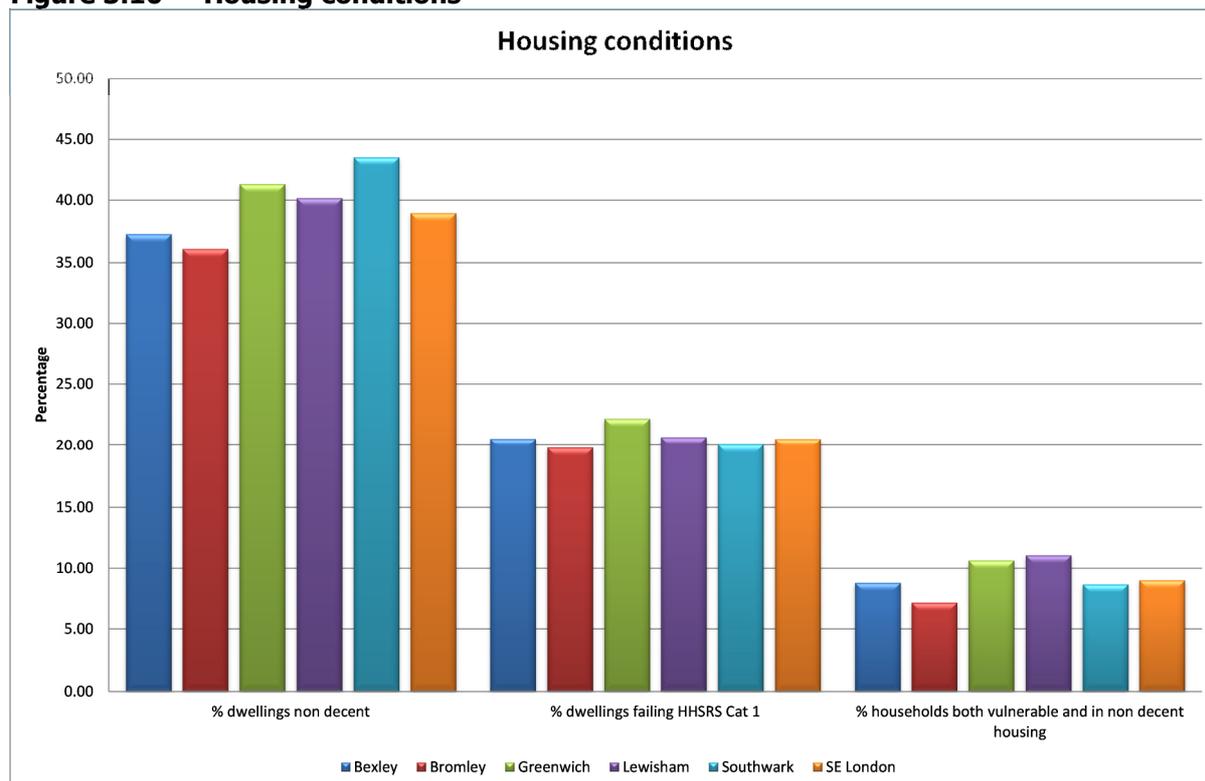
Source: Valuation Office Agency

Dwelling condition

3.22 A detailed study of private sector housing conditions in 2006 was carried out simultaneously across all five South East London boroughs. The study did not directly survey housing conditions in South East London, but modelled conditions using the association between various indicators derived from the English House Condition Survey 2006 and a variety of locally available datasets. The relatively small size of the EHCS (and its successor the English Housing Survey) means key indicators cannot be derived directly for South East London. The use of proxy indicators in this way introduces the potential for inaccuracy if the factors which influence house conditions in South East London differ from those which influence conditions nationally and across London and this must be borne in mind when interpreting the data.

3.23 Figure 3.10 compares the five boroughs and South East London as a whole on three key condition indicators. Just under 40% of private dwellings in South East London were categorised as failing to meet the key decent homes standard compared to an average of 36% for England as a whole in 2006. Nationally, the proportion of non-decent private sector dwellings has fallen to 25% in 2011, so the figure for South East London is also likely to have fallen.

Figure 3.10 Housing conditions



Source: Housing stock models update for the South East London Housing Partnership (Building Research Establishment, 2009).

3.24 The proportion of private sector dwellings failing the decency standard had increased slightly over the period since 2001, but this was attributable to a change in one of the key components of the decency standard (the inclusion of Housing Health and Safety Rating System (HHSRS) Category 1 Hazards rather than unfitness). The proportion of non-decent private sector homes was highest in Southwark (44%) and lowest in Bromley (36%), but the differences between boroughs were relatively small on this and the other condition indicators.

3.25 Overall, 21% of private sector dwellings had an HHSRS Category 1 rating (the most serious hazard category). This compares to 24% for England in 2006. Nationally the proportion of private sector dwellings with at least one Category 1 hazard has fallen to 16% and some improvement is also likely in South East London. On all the other criteria within the decent homes standard (where definitions had remained constant) the condition of the South East London stock had improved, including indicators relating to thermal comfort, disrepair and the absence of modern amenities.

3.26 9% of households were categorised as 'vulnerable' and were living in non-decent private sector housing. Vulnerable households were those in receipt of a range of means-tested benefits and benefits related to disability. This proportion varied from 11% in Greenwich and Lewisham to 7% in Bromley.

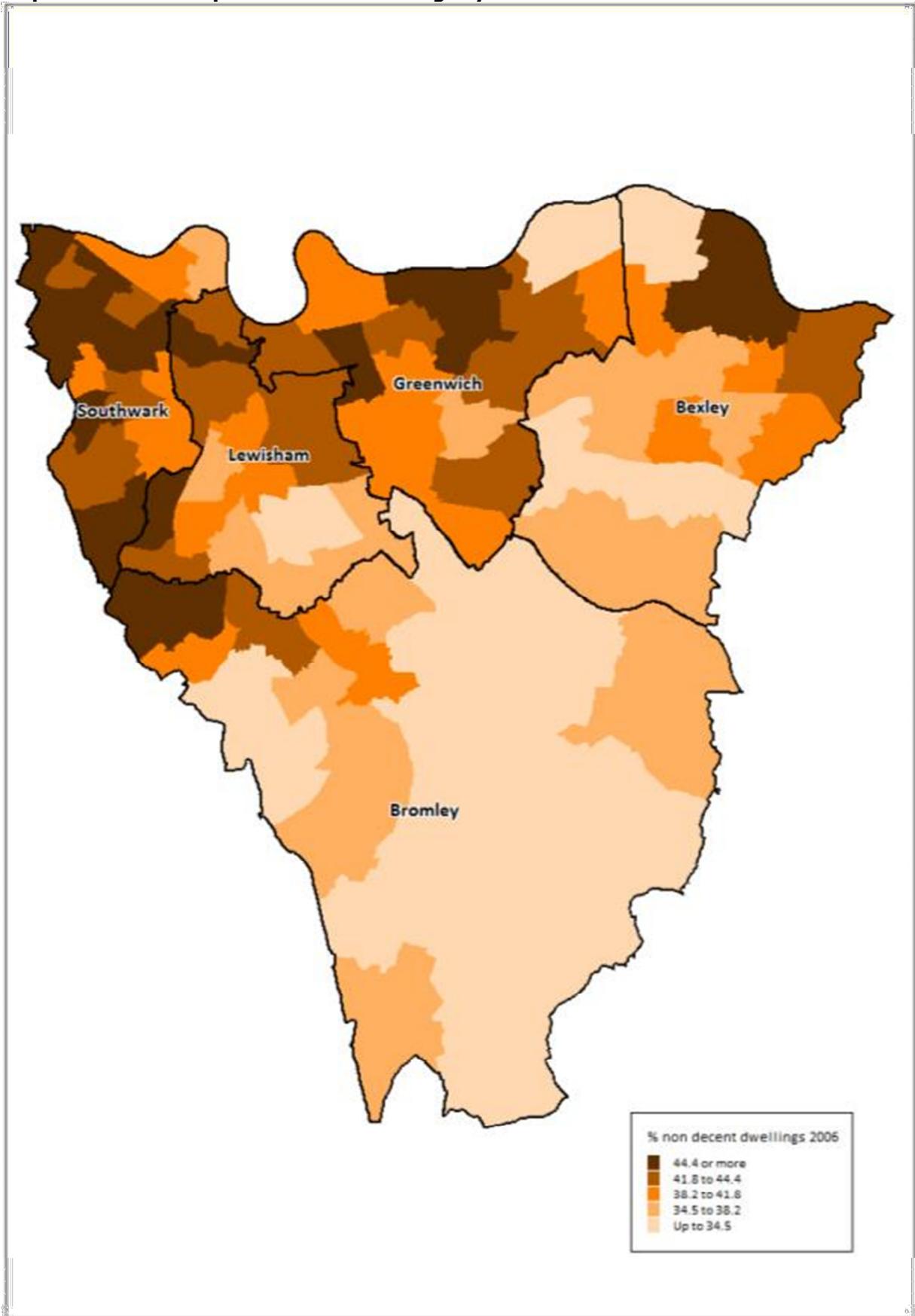
3.27 The study also provided results at ward level. Map 3.4 shows the proportion of non-decent private sector dwellings by ward. The main concentrations of poor condition private sector housing are found in the northern wards of Southwark, Lewisham and Greenwich, in Thamesmead and the north of Bexley, in Dulwich, and in Penge and other wards in the north of Bromley. Further details of housing conditions can be found in the study report

Housing stock models update for the South East London Housing Partnership (Building Research Establishment, 2009).

3.28 There is no South East London-based data to update this picture since 2009, but as noted earlier, national figures indicate a steady reduction in the proportion of non-decent private sector dwellings. In spite of the credit crunch, the recession, and the slowdown in turnover in the housing market between 2008 and 2011, current indications are that both the private renting and owner-occupier market are picking up, and that owners' investment in their homes – either in preparation for selling or post-buying – is likely to have continued to improve private sector conditions across the board.

3.29 Despite this, economic and demographic factors continue to make it difficult for some households such as older people and lower income owners (including sectors of BAME households) to afford to keep their dwellings in good condition. The reduction in the ability of local authorities to provide grant aid for improvements, adaptations and energy-saving measures will have had a negative impact on property conditions for these groups.

Map 3.4 Non-decent private sector dwellings by ward



Source: Source: Housing stock models update for the South East London Housing Partnership (Building Research Establishment, 2009).

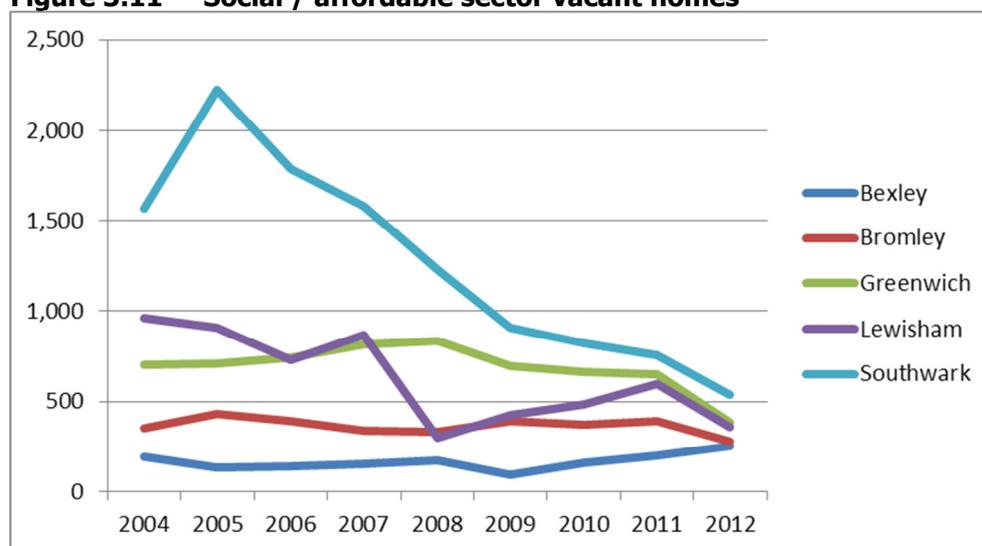
Social / affordable rented sector housing conditions

3.30 In the social / affordable rented sector, with the exception of Southwark, there are a minimal number of dwellings assessed as having Category 1 hazards under the Housing Health and Safety Rating System (HHSRS) according to the Local Authority Housing Statistics returns. Southwark has 596 properties in this condition, but it is understood that the vast majority are in major regeneration schemes, involving demolition and rebuilding. Under the old-style Decent Homes Standard (DHS) criteria, as at 2012 Greenwich had 2,450 properties that failed to meet the standard, Lewisham had 6,663, and Southwark had 16,558. Again, most DHS-failing properties were scheduled for regeneration works.

3.31 As Bexley and Bromley have transferred their stock to Registered Providers, there is no parallel information available for them as stock condition data for this sector is no longer reported on by local authority area.

3.32 The other significant factor associated with social / affordable sector stock condition is the number of vacant homes. Here, the picture is more mixed. As can be seen from figure 3.11, most authorities have managed to bring their overall social sector void level (including RP voids) down over the last ten years. However some voids are properties vacated to facilitate estate regeneration schemes. The sometimes variable progress in reducing void levels therefore reflects funding constraints and regeneration programme timings.

Figure 3.11 Social / affordable sector vacant homes



Source: DCLG Live Table 615

3.33 As regards long-term voids the trajectory is now downwards for all authorities, with the exception of Bexley. This is primarily due to regeneration plans for Thamesmead.

Conclusion

3.34 The picture which emerges for South East London is of a diverse housing stock. Broadly there is distinction between Bexley and Bromley, with higher levels of owner-occupation in two or three-bedroomed detached and semi-detached houses; and Southwark and Lewisham, with higher proportions of social / affordable rented housing in the form of purpose built flats, generally with fewer bedrooms. Greenwich tends to fall between the two groupings. Significantly, across South East London more generally the level of private

renting remains relatively low, although higher in Southwark and Lewisham and increasing generally across the sub-region. As a result there remain areas of (relatively) lower value owner-occupied housing offering opportunities for first time buyers and other lower income households. The next chapter turns to look at prices and rents within the housing market in more detail.

Chapter 4 The current housing market and market signals

Key points

- In a London context South East London is a relatively low value area, except for Southwark. The average house price in 2013 was £338,500 (from £236,500 in Bexley to £440,500 in Southwark). Prices quadrupled between 1996 and 2013, an average compound rate of increase of 8.1% per annum. Rises have been greatest in Southwark and least in Bexley. After a dip in 2008-09 house prices have resumed their upward trend. Sales volumes fell away sharply during the financial crisis but have been rising again recently, although they are still below pre-crisis levels. Against a backdrop of strong demand, low interest rates, and Government policies to stimulate the market, house prices in South East London have risen significantly, rising by more than 10% per annum since 2012. It is possible that the market is now overheating
- PRS rents have been more stable than prices. Nevertheless they rose by 4.3% per annum in the three years to mid-2013, significantly above the rate of inflation and growth in household incomes. The average monthly rent in mid-2013 was £1,674 (from £1,084 in Bexley to £2,057 in Southwark). Private renting is expanding rapidly and is characterised by a high level of household moves. More than half of all household moves each year concern moves into private rented accommodation. The tenure is dominated by younger households as 85% of tenants in South East London are younger than 50. 28% of households in the PRS contain dependent children. Given the lack of security of tenure in the sector this is an issue of concern. There are significant issues about the feasibility of lower income households - and particularly younger, single households - accessing the PRS, in the context of lower LHA rates and housing benefit caps.
- Average rents of new lettings in the social / affordable rented sector in during 2012-13 ranged from £428 per month for 1 bedroom units to £599 per month for units with more than 3 bedrooms. Size-based price differences are much narrower in the social / affordable sector than in the private sector. Rents charged for new social / affordable sector tenancies rose at an annual rate of 6.6% between 2010/11 and 2012/13. The rate of increase was only 2.4% p.a. if affordable rent tenancies, which began to be introduced in 2011, are omitted. Turnover in the sector has declined in recent years and was only 5.7% of the stock in 2012-13. The relet rate of smaller dwellings is higher than for larger dwellings and the former tend to get let to new tenants from outside the social / affordable sector while the latter are more commonly let to transferring tenants. This is likely to be the result of an allocations policy that prioritises the alleviation of overcrowding within the social / affordable sector.
- In 2013 the median house price in South East London was over ten times median annual gross earnings. This ratio had surpassed its 2008 level as a result of recent price increases. There are estimated to be over 10,000 concealed households. The 2011 Census counted just over 53,000 overcrowded households, almost 10% of all households. Levels of overcrowding are highest in Southwark (15%) and lowest in Bromley (4%). Under-occupation (in terms of the bedroom standard) is more prevalent among owner-occupiers than it is for renters in both the private and social / affordable sectors. Conversely, overcrowding is more common among renters. There is scope to at least partially rebalance overcrowding and under-occupation in the social / affordable rented sector by more appropriate matching of stock to household requirements.
- The number of landlord possession orders has been increasing in South East London since the onset of the financial crisis in 2008; however the number of mortgage possession orders has been declining, most likely as a result of increased forbearance on the part of lenders. At the end of 2013 there were 3,689 households classed as homeless and living in temporary accommodation and this number had increased by almost 50% in three years. Steep price rises in all tenures, reduced turnover of social / affordable sector stock, worsening affordability ratios, high levels of overcrowding, concealed households, repossessions and homelessness are clear indicators of a housing market under considerable pressure. These market signals suggest that affordability is and will continue to be a key issue for housing planning in South East London.

Introduction

4.1 This chapter examines the operation of the housing market in South East London and identifies signals which the market is providing as evidence of housing requirements. It firstly examines house prices and the volume of sales, followed by a review of the private rented sector. This is followed by information on rents and allocations in the social / affordable rented sector and an analysis of the intermediate sector. This evidence is then used to derive a range of threshold cost levels for market housing for sale and to rent, for intermediate tenures, and for social / affordable rented housing. These thresholds form an important input into the calculation of the need for affordable housing in Chapter 6. Finally, the chapter examines evidence of what might be termed “market failure” – concealed households, overcrowding and homelessness.

The owner-occupied market

4.2 The average dwelling sale price in South East London in 2013 was just over £338,500 according to Land registry Price Paid Data. Prices were lowest in Bexley and highest in Southwark.

Table 4.1 House prices and sales 2013

| | Bexley | Bromley | Greenwich | Lewisham | Southwark | SE London |
|---------------------------------------|---------|---------|-----------|----------|-----------|-----------|
| Number of sales | 3,319 | 5,305 | 3,409 | 4,123 | 4,171 | 20,327 |
| Average price (£) | 236,457 | 355,012 | 327,140 | 305,855 | 440,483 | 338,547 |
| 5 th percentile price (£) | 121,000 | 155,000 | 136,500 | 141,000 | 170,000 | 141,000 |
| 25 th percentile price (£) | 175,000 | 225,000 | 205,000 | 205,000 | 250,000 | 210,000 |
| Median price (£) | 225,000 | 295,000 | 270,000 | 260,000 | 349,995 | 277,500 |
| 75 th percentile price (£) | 275,000 | 415,000 | 382,500 | 360,000 | 500,000 | 390,000 |
| 95 th percentile price (£) | 400,000 | 750,000 | 690,000 | 590,000 | 974,000 | 725,000 |

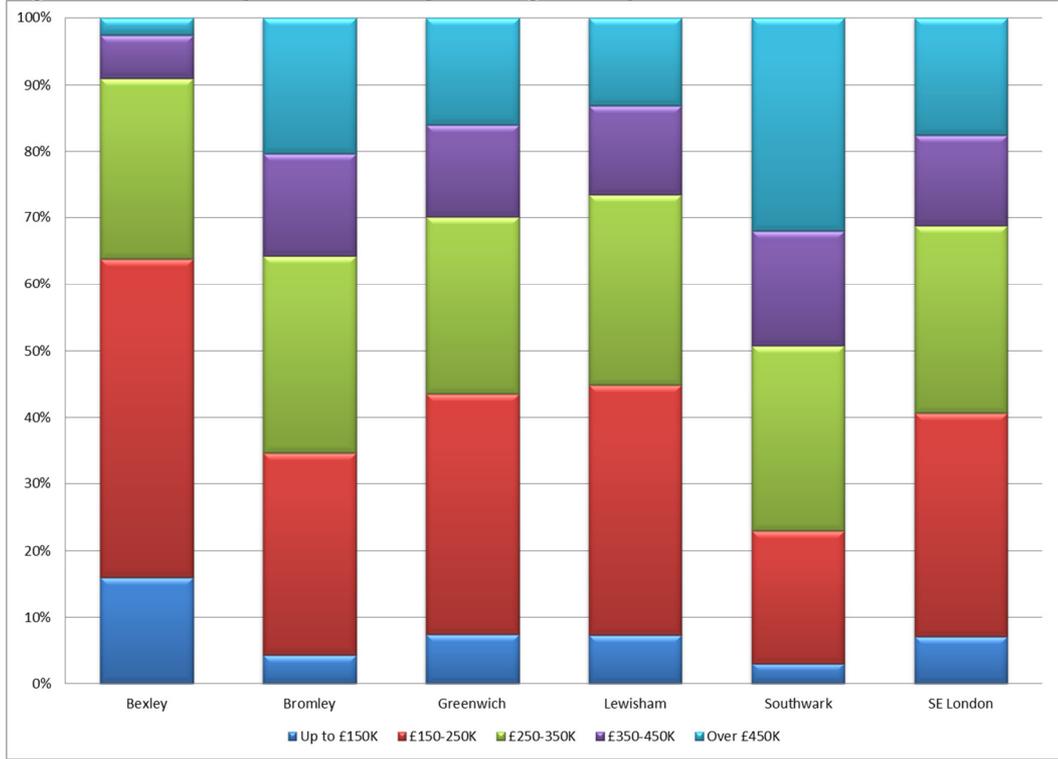
Source: Land Registry Price Paid Data, HMLR website.

4.3 Average prices show trends over time but can obscure details of the distribution of property sale prices across the spectrum. Figure 4.1 below shows the distribution of house prices in each borough across five price bands. 64% of sales in Bexley were cheaper than £250,000, a far higher percentage than in the other four boroughs. Southwark had the lowest percentage of sales below £250,000 (23%), followed by Bromley (35%).

4.4 Land Registry data reveals that the average house price in South East London is about 18% lower than the average price across the whole of London. When the five boroughs in the sub-region are ranked amongst all 32 boroughs in London according to average price Southwark is the 9th most expensive borough followed by Lewisham and Bromley (18th and 19th respectively), then Greenwich (24th) and finally Bexley (30th out of 32). In London terms South East London is a relatively low value area with the exception of Southwark. However to put this in perspective the South East London average price was higher than any other English regional average, including the South East, making South East London a high-priced area.

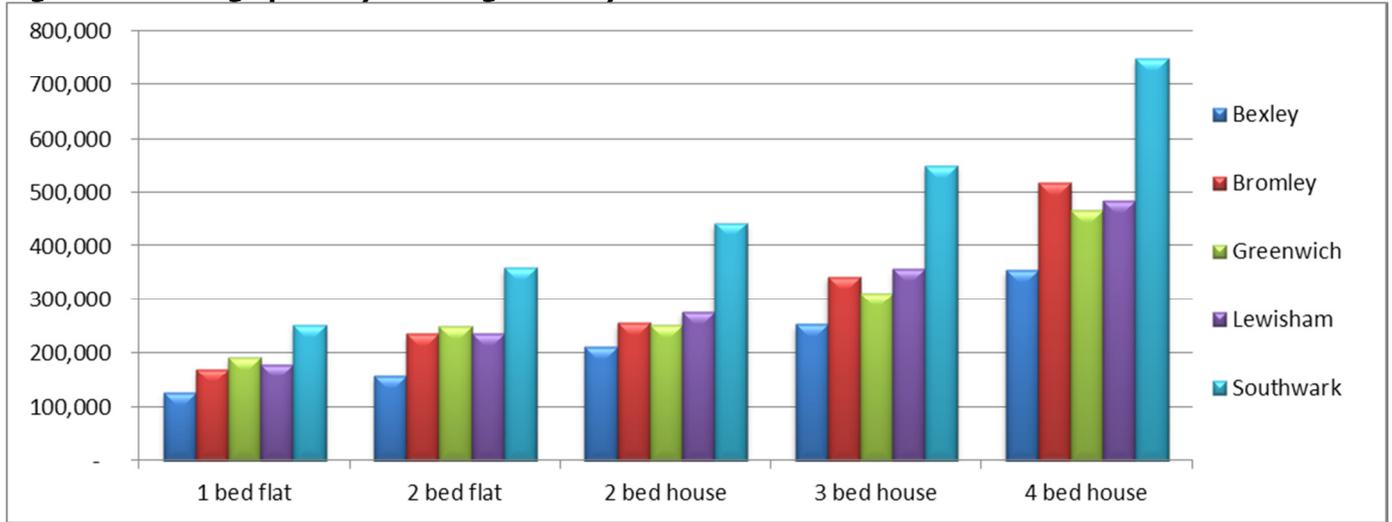
4.5 Data from the South East London Housing Partnership Housing Market Trends Bulletin shows the average price of housing mid-2013 by borough, dwelling type and size (Figure 4.2). Bexley is the cheapest borough and Southwark is the most expensive borough across all types/sizes. However the relative positions of the other three boroughs differ by type/size which may indicate pressure points within local markets. For example the average price of flats in Lewisham is lower than in Greenwich but the situation is reversed with regard to houses.

Figure 4.1 House prices 2013 by borough and price band



Source: Land Registry Price Paid Data.

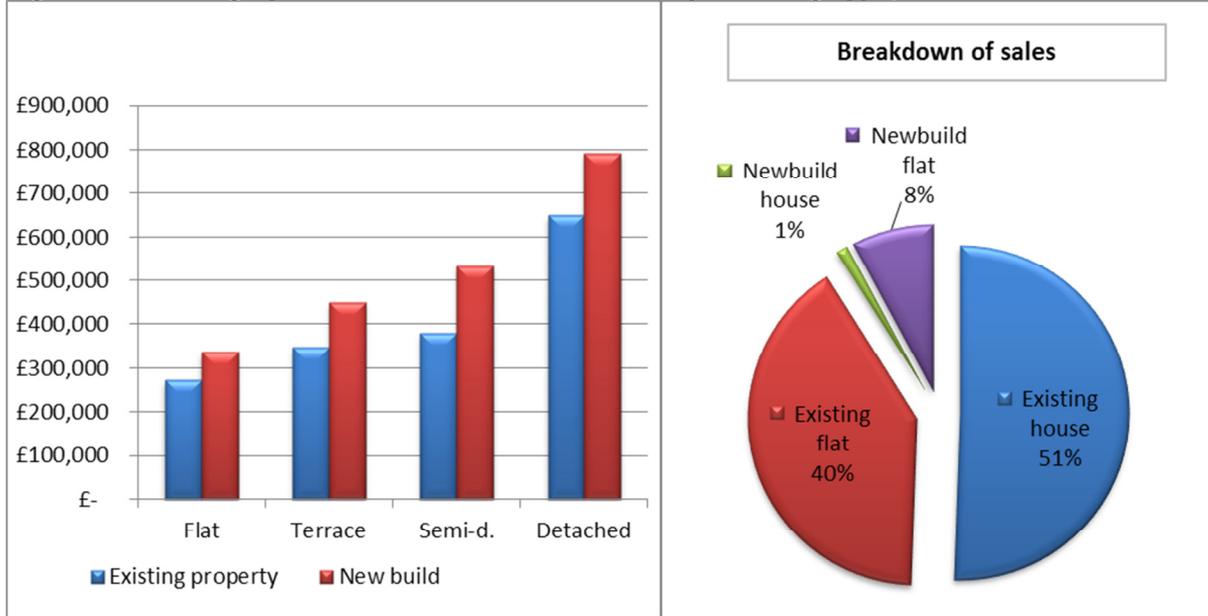
Figure 4.2 Average price by dwelling size July 2013



Source: SELHP Housing Market Trends Bulletin

4.6 Of the circa 20,000 sales in South East London recorded by the Land Registry in 2013, 91% were existing dwellings and 9% were new builds. There was an average new build premium of 29%, ranging from 22% for detached houses to 40% for semi-detached properties. Flats made up 87% of the new build properties sold, a much higher share than existing properties (44%).

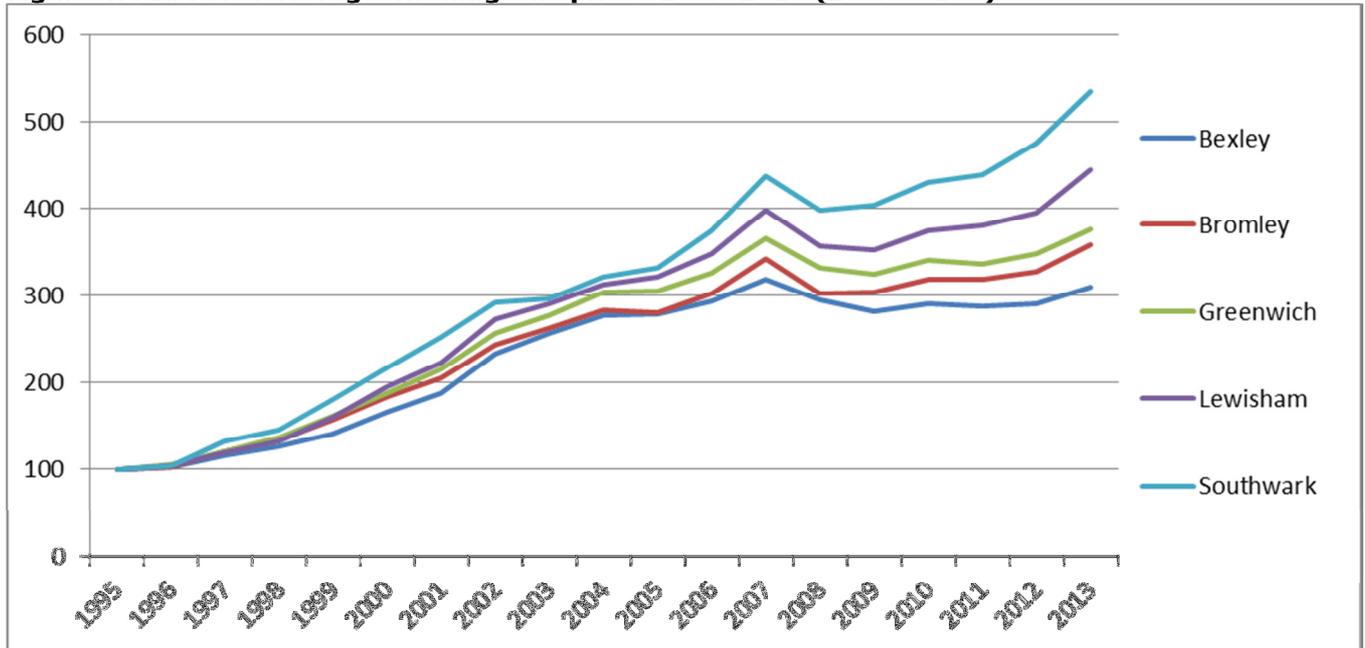
Figure 4.3 Average price and breakdown of sales by dwelling type, South East London 2013



Source: Land Registry Price Paid data

4.7 Figure 4.4 shows how prices in South East London have changed over time. The average sale price in South East London in 2013 was four times the 1995 level. This represents a compound growth rate of 8.1% per annum over the 18 years. Over the whole 1996-2013 period, prices across South East London have increased at close to the same rate as those across London as a whole, although growth rates diverged at times over the period. Prices increased steadily until 2004, and then increased more rapidly over the next three years before the global financial crisis affected the housing market in 2008. But in 2010 prices began to recover and by late 2012 they had risen past their 2007 peak. The rate of increase from 2012 to 2013 was 10.1%, accelerating further to 12.2% in the year to February 2014. This is beginning to fuel speculation in some quarters that the market is now overheating and possibly entering a “bubble” phase.

Figure 4.4 Indexed average dwelling sale prices 1995-2013 (1995 = 100)



Source: DCLG Live table 581 based on HM Land Registry data

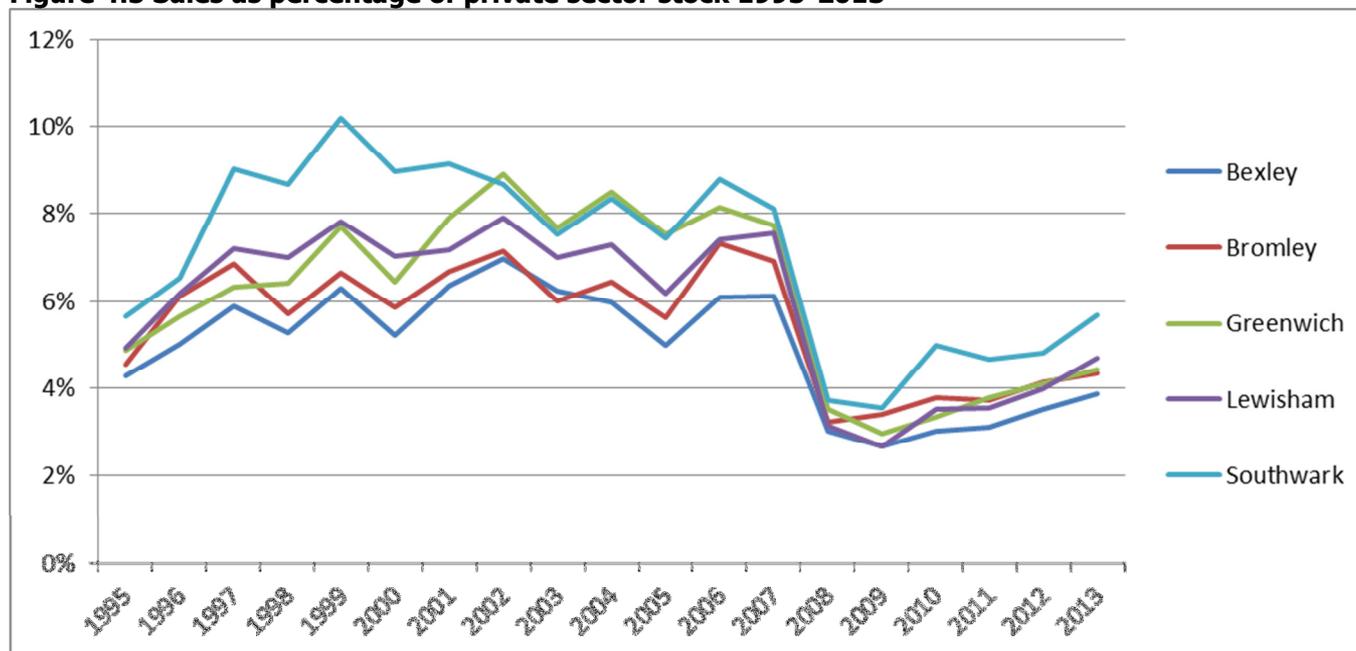
4.8 Within South East London, prices in Southwark have increased by a factor of 5.3 between 1995 and 2013. Increases were lowest in Bexley where the average price rose by a factor of 3.1 over the 18 years. The pattern emerging is one of steeper price rises in relation to the area’s proximity to central

London. House prices in Bromley were the most severely affected by the problems in the market after 2007, but have now recovered to their previous position relative to the other boroughs.

Volume of sales and interest rates

4.9 Between 1996 and 2007, there were on average around 25,000 sales of private dwellings per annum in South East London. This fell sharply to around 13,000 per annum in financial crisis years of 2008 and 2009. Sales volumes have risen year on year since 2009 but still remain far below their pre-crisis level. Figure 4.5 shows annual turnover (sales as a percentage of the private sector dwelling stock) since 1996. Turnover averaged around 7% of the stock between 1996 and 2007 but was just 4.6% in the sub-region in 2013. The reduction in market turnover may not be exclusively a result of the impact of the global recession on consumer confidence and the availability of mortgages. The ageing of the owner occupier population (with older people tending to move less frequently) and the increase in purchases by investors may also have contributed, so even in the longer term the market may not see a return to the turnover rates achieved in the early 2000s. Within South East London, turnover rates have fairly consistently been lowest in Bexley and Bromley and highest in Southwark or Greenwich, but since 2008, rates have converged, with the exception of Southwark where they recovered more quickly and have remained above those in the other boroughs.

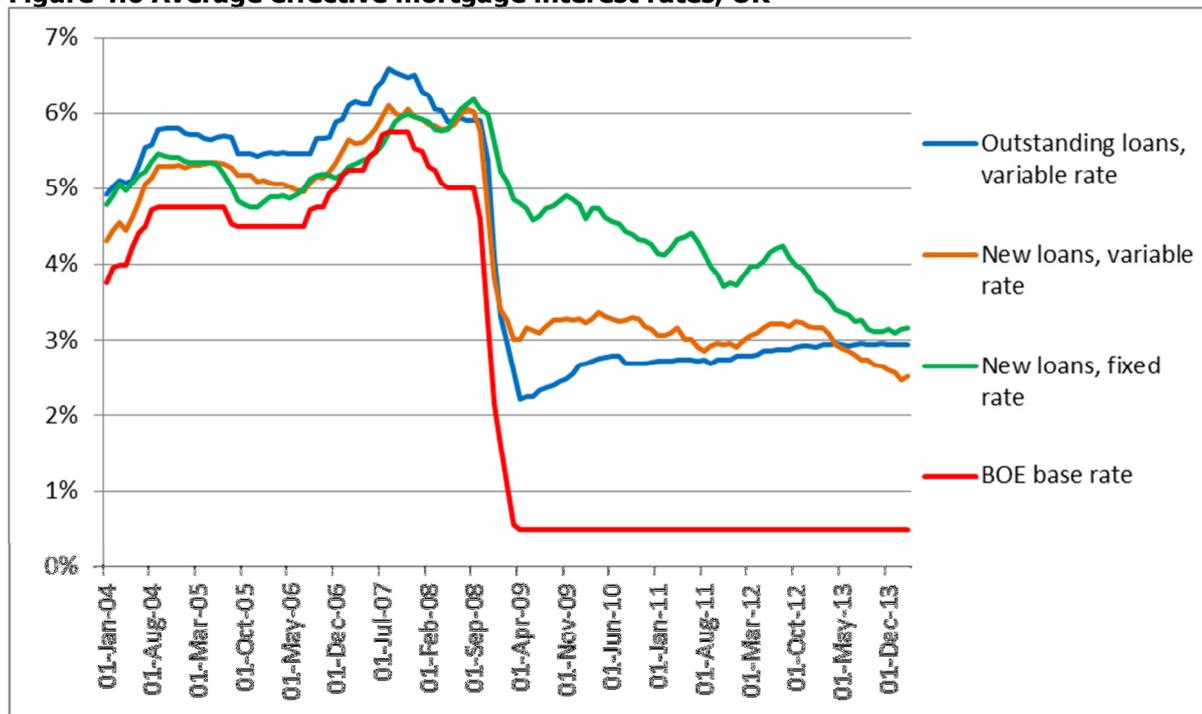
Figure 4.5 Sales as percentage of private sector stock 1995-2013



Sources: DCLG Live tables 100, 581 and historical Housing Investment Programme returns data.

4.10 The Bank of England base rate was reduced to a historically low level of 0.5% in the wake of the financial crisis and it has not risen since. Mortgage interest rates are higher, but are at a historically low level. This may be one of the factors contributing to the current surge in house prices in London and elsewhere. Looking ahead it is important to bear in mind that if interest rates rise, this may create difficulties for purchasers with high loan to income ratios, create further affordability problems for those seeking to enter the market, and potentially impact on house prices.

Figure 4.6 Average effective mortgage interest rates, UK



Source: Bank of England.

The private rented housing market

4.11 The private rented sector includes all rented housing other than that owned by local authorities, Registered Providers, and other public bodies (see Glossary for further details). Private renting is rapidly expanding in South East London, as in many other places. As noted in chapter 3 the proportion of households in the tenure in the sub-region increased from 11.7% to 19.7% between 2001 and 2011. In absolute numbers this represents a net increase of nearly 5,000 households per annum entering the sector over the decade. Given a continuation of the trend the percentage share of private renters is likely to have risen to well above 20% by early 2014. New build is one of the drivers behind the increase in the PRS. According to the report "Who buys new homes in London and why?"¹ some 56% of new London homes sold in 2013 were bought by either 'Buy to Let' or 'Build to Let' investors and a further 5% were bought by speculators to sell on, possibly ending up as rental properties too. However the report noted important variations between different parts of London. In general, the higher the value the development, the higher the proportion of investor buyers compared to owner-occupiers, with the exception of the absolute top of the regional market (London Prime). These findings reinforce evidence provided by South East London stakeholders that pointed to particularly high levels of investor activity in Southwark, including foreign investment in student accommodation. In more detail, the breakdown between investors and owner occupiers was estimated by Molior to be as follows:

- Inner London: 50% - 70% investor; 30% - 50% owner occupiers;
- Outer London higher value areas: 30% - 50% investor; 50% - 70% owner-occupiers;
- Outer London regeneration schemes: 10% - 30% investor; 70% - 90% owner occupiers².

4.12 Private renting is primarily a tenure used by younger households. Table 4.2 shows the age breakdown and household composition of private rented tenants in 2011. The overall South East London profile by age was very similar to that for London as a whole with about 50% aged 16-34 and a further 34% aged 35-49. Only 5% were aged 65 or more. The age profiles for individual boroughs were similar, with the exception of Southwark where the profile was even younger.

¹Who buys new homes in London and why? British Property Federation/Molior London Ltd, Feb. 2014.

²idem.

Table 4.2 Private rented sector tenants by age group of household reference person and household type 2011

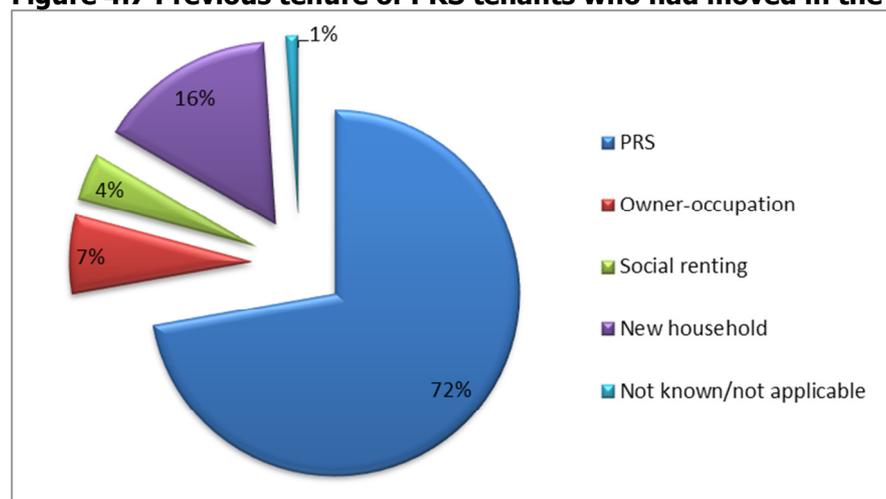
| | Percentage of households | | | | | | |
|-----------------------------------|--------------------------|---------------|---------------|---------------|---------------|----------------|----------------|
| | Bexley | Bromley | Greenwich | Lewis-ham | South-wark | SE London | London |
| 16 to 34 years old | 42 | 40 | 50 | 51 | 59 | 50 | 50 |
| 35 to 49 years old | 36 | 38 | 35 | 35 | 30 | 34 | 34 |
| 50 to 64 years old | 13 | 14 | 10 | 9 | 8 | 10 | 10 |
| Aged 65 and over | 9 | 9 | 5 | 5 | 3 | 5 | 5 |
| One person households | 28 | 37 | 28 | 30 | 23 | 29 | 28 |
| Couple with dep children | 21 | 18 | 21 | 16 | 11 | 16 | 18 |
| Couple w/o dep children | 18 | 23 | 24 | 22 | 29 | 24 | 24 |
| Lone parent with dep children | 23 | 14 | 12 | 13 | 6 | 12 | 10 |
| Lone parent w/o dep children | 3 | 2 | 2 | 2 | 1 | 2 | 2 |
| Multi-person all students | 1 | 0 | 3 | 2 | 5 | 3 | 2 |
| Multi-person other | 5 | 6 | 11 | 15 | 25 | 15 | 15 |
| Total number of households | 11,318 | 18,616 | 21,079 | 29,365 | 29,989 | 110,367 | 861,570 |

Source: ONS, 2011 Census, Tables DC4605EW and DC4408EW

4.13 In terms of household composition, people living alone, couples without children, and multi-person households made up nearly three-quarters of private renting households in South East London in 2011. 28% of households had dependent children, the same proportion as across London as a whole. There were major differences in the proportion of private rented households with dependent children at borough level, ranging from only 17% in Southwark to 44% in Bexley, with Bromley (32%) and Greenwich (33%) also having a high proportion of dependent children households.

4.14 Private renting is characterised by high rates of turnover and is less secure than other tenures. Given this lack of security the high numbers of dependent children housed in the PRS is an issue of concern. According to 2011/12 English Housing Survey (EHS) data for the whole of London, 53% of tenants in the PRS had been in their current home for a year or less compared to just 12% of social / affordable sector tenants and 7% of owner occupiers. Close to a half of all house moves in London each year involve the private rented sector. As shown in the pie-chart below, of those private renters who had recently moved (in the year up to the survey date) 72% had moved from other private rented accommodation and 16% were newly formed households.

Figure 4.7 Previous tenure of PRS tenants who had moved in the previous year (London)

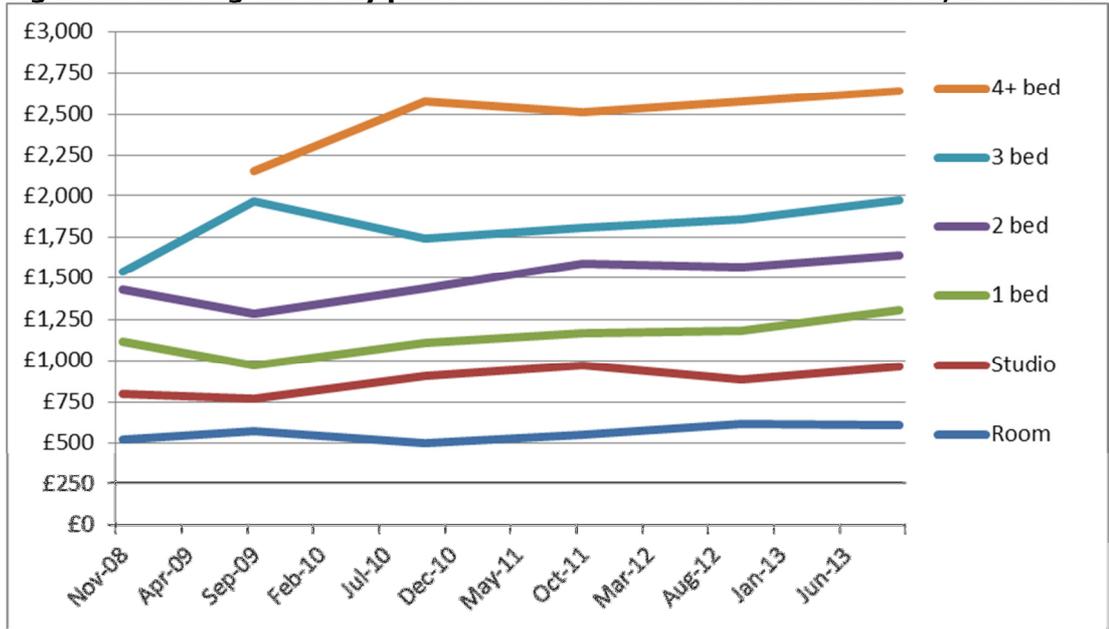


Source: English Housing Survey 2011/12

4.15 According to data from the South East London Housing Partnership Housing Market Trends Bulletin, private sector rents in the sub-region have increased by an average of 4.3% per annum in the three years to October 2013 (Figure 4.8). This is significantly above inflation and also above the average rise in incomes (average gross weekly pay of full time workers in South East London went up by 1.3%

per annum over the same period). This is clear evidence of an ongoing affordability squeeze being experienced by those renting from private sector landlords.

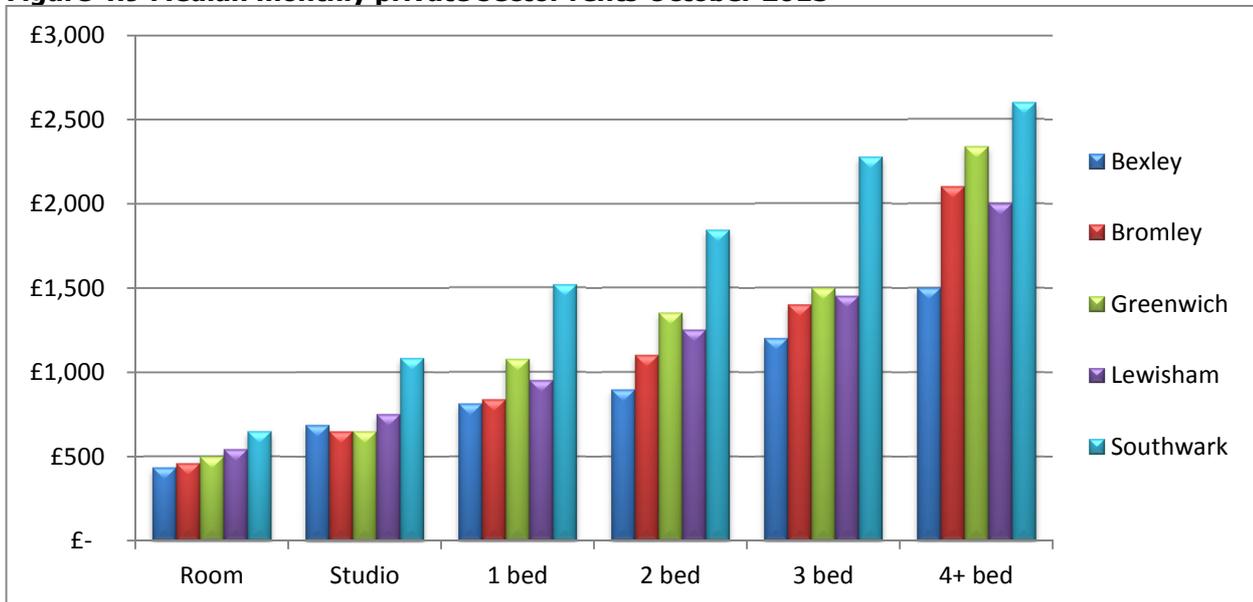
Figure 4.8 Average monthly private sector rents in South East London, 2008-2013



Source: SELHP Housing Market Trends Bulletin

4.16 The latest available median monthly rents for the various dwelling sizes are shown in Figure 4.9. Rents in Southwark are considerably higher than in the other four boroughs, overall around 24% higher than the sub-regional average. Rents are lowest in Bexley, some 35% below the average South East London level.

Figure 4.9 Median monthly private sector rents October 2013

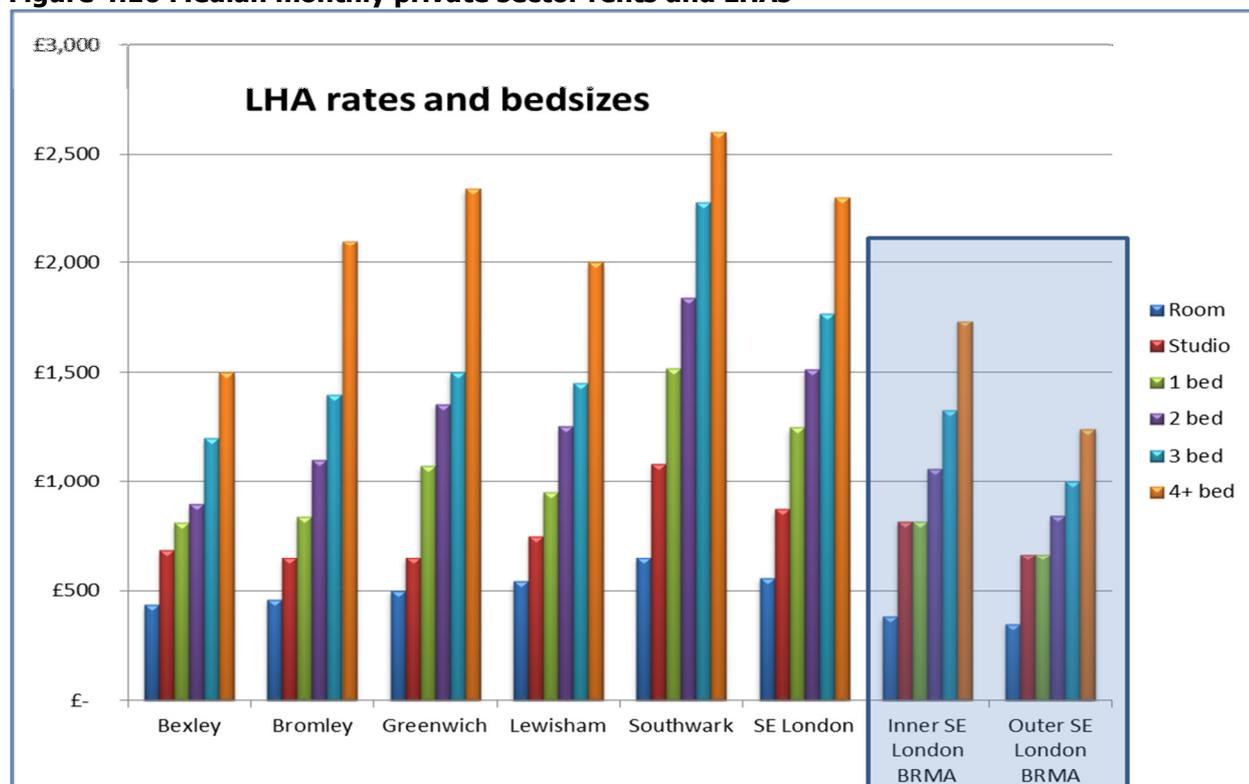


Source: SELHP Housing Market Trends Bulletin

4.17 The relationship between these rents and the Local Housing Allowance (LHA) in force is important in understanding the role which the PRS plays in meeting the needs of households on lower incomes who are unable or who do not wish to access the owner-occupied or social / affordable rented sectors. Figure 4.10 uses this data to illustrate price differentials between different sized accommodation between boroughs and, most importantly, juxtaposes these against LHA limits for different bedsizes (in the box to the right). There are two Broad Rental Market Areas (BRMAs) that are relevant to the sub-region – Inner South East London and Outer South East London. Bexley is solely covered by Outer South East London, and Southwark by Inner South East London, but the other three boroughs include parts of

both. LHA rates are higher in Inner South East London. There are virtually no median rents for any bedsizes in any authorities that fall below the LHA limit, other than studio flats in parts of Bromley, Lewisham and Greenwich. The market in studio flats is also very small covering only about 3% of lettings recorded by the latest edition of the SELHP Housing Market Bulletin.

Figure 4.10 Median monthly private sector rents and LHAs



Source: SELHP Housing Market Trends Bulletin and VOA

4.18 Linked to this must be an analysis of the nature of the lower-income end of those who would normally access the PRS. When we look at the data on housing benefit claims from PRS residents (Table 4.3), we can see that there are 33,589 PRS claimants, of whom 34% are under the age of 35. Given that many of these will be subject to the Shared Accommodation Rate, and given that median rents for rooms across all authorities are outside the rate, there must be concern about the ability of this group to remain housed in the PRS, unless market conditions change substantially.

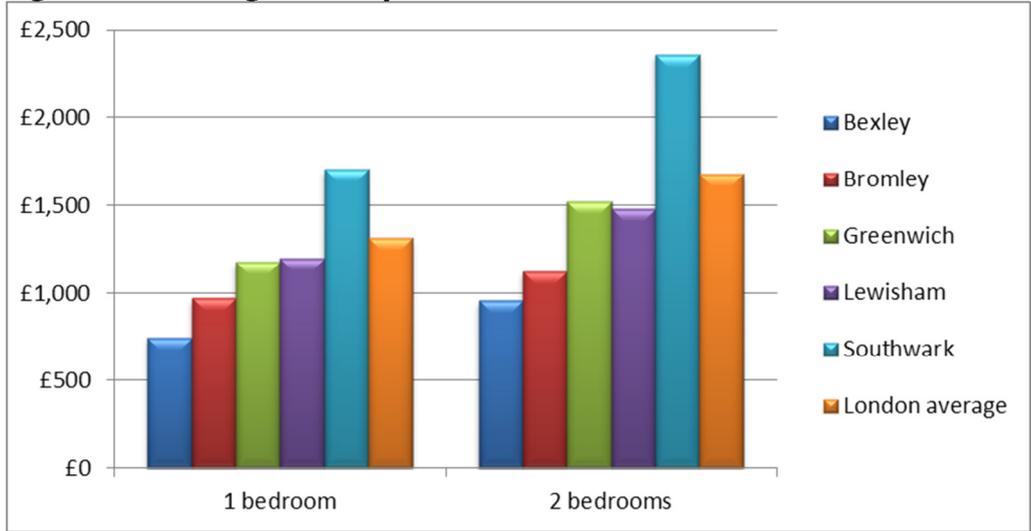
Table 4.3 Private rented sector Housing Benefit claimants

| | Under 25 | 25 to 34 | 35 to 64 | 65 plus | Total | % under 35s |
|--------------|----------|----------|----------|---------|---------|-------------|
| Bexley | 477 | 1,564 | 2,770 | 550 | 5,361 | 38% |
| Bromley | 351 | 1,447 | 3,139 | 803 | 5,740 | 31% |
| Greenwich | 463 | 1,667 | 3,423 | 800 | 6,353 | 34% |
| Lewisham | 717 | 3,018 | 6,594 | 840 | 11,169 | 33% |
| Southwark | 314 | 1,294 | 2,915 | 443 | 4,966 | 32% |
| Total by age | 2,322 | 8,990 | 18,841 | 3,436 | 33,589 | 34% |
| London | 14,056 | 67,961 | 166,357 | 29,116 | 277,490 | 30% |

Source: DWP Stat-Xplore, Housing Benefits claimants, November 2013

4.19 When comparing data from the study "Who buys new homes in London and why?" to data from the SELHP Market Trends Bulletin it emerges that new build rents were lower than rents for the existing stock in South East London in 2013 – approximately 12% lower. New build rents in South East London were on average around 14% lower than the overall level of new build rents in London as a whole. Southwark is the only borough in the sub-region with average values higher than the London average. Bexley has the lowest rents of all London boroughs: it was the only borough where the average 2-bedroom new build unit could be rented for less than £1,000 per month in 2013 (Figure 4.11).

Figure 4.11 Average monthly new build rents 2013

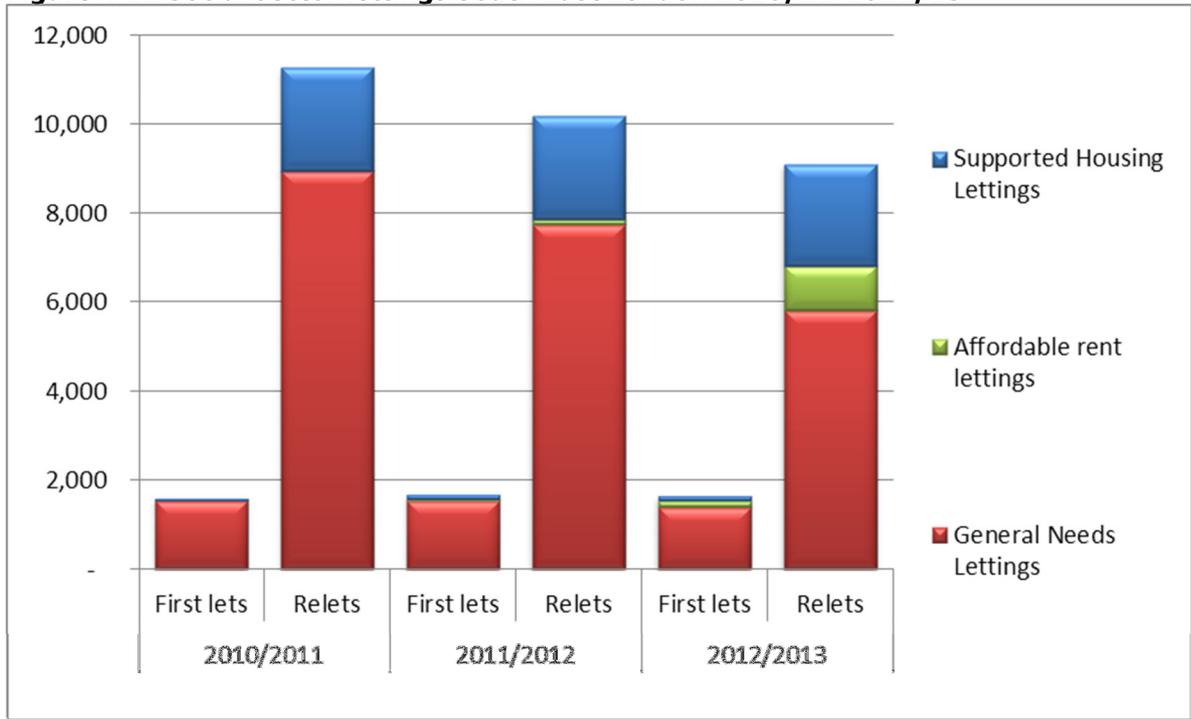


Source: "Who buys new homes in London and why?" (BPF/Molior London Ltd, Feb. 2014)

The social and affordable rented sector

4.20 There is considerably more information available on social / affordable rented housing than on the private rented sector. Social / affordable sector lettings are recorded in the CORE data system, providing a range of information on the dwellings that are let as well as the tenants they are let to. The total number of social / affordable sector lettings across the five boroughs of South East London fell from 12,900 in the 2010/11 financial year to 10,800 in the 2012/13 financial year (Figure 4.12). These figures encompass both first lets (i.e. new build units being let for the first time) and re-lets of existing dwellings, across the three sub-sectors of Supported Housing lettings, General Needs Lettings and Affordable Rent lettings. Affordable Rent lettings can be seen as a sub-set of General Needs lettings. The number of Supported Housing lettings did not decline over the period – they oscillated either side of 2,400 per annum. Rather it was General Needs relets that fell away.

Figure 4.12 Social sector lettings South East London 2010/11-2012/13



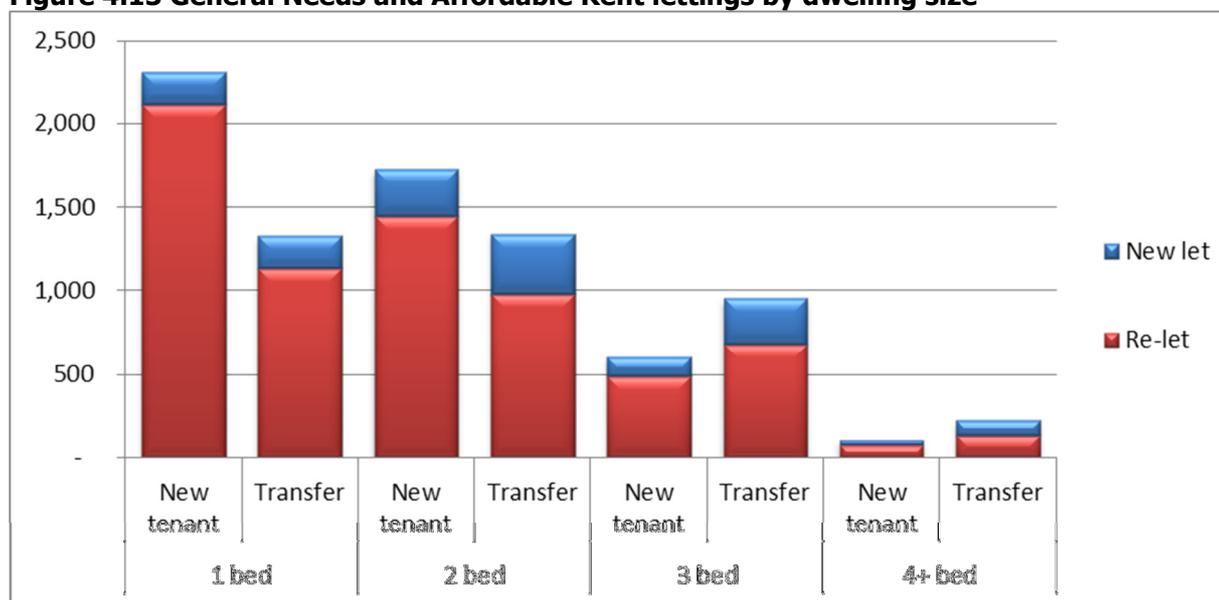
Source: CORE data and Royal Borough of Greenwich

4.21 Turnover in the social / affordable sector, or the rate of churn, is calculated by dividing the number of re-lets by the total number of dwellings in the social / affordable sector stock. The picture that emerges is one of declining turnover during this three year period:

- 2010/11: 7.1% turnover (re-lets 11,273/stock 159,178)
- 2011/12: 6.4% turnover (re-lets 10,197/stock 159,780)
- 2012/13: 5.7% turnover (re-lets 9,117/stock 159,950)

4.22 It is also important to distinguish between lettings to those transferring within the social / affordable sector and lettings to new tenants that newly enter the social / affordable sector. The proportion of lettings going to new tenants fell from 66% in 2010/11 to 56% in 2011/12 and 2012/13. When combined with the overall fall in the number of lettings the result is a 29% reduction in the number of new tenant households entering the social / affordable sector (8,386 in 2010/11 down to 5,974 in 2012/13). The data reinforces comments made during the stakeholder consultation sessions that the social / affordable sector in South East London has shown signs of 'silting up' in recent years, with fewer departures due to household dissolution or a move to another tenure.

Figure 4.13 General Needs and Affordable Rent lettings by dwelling size

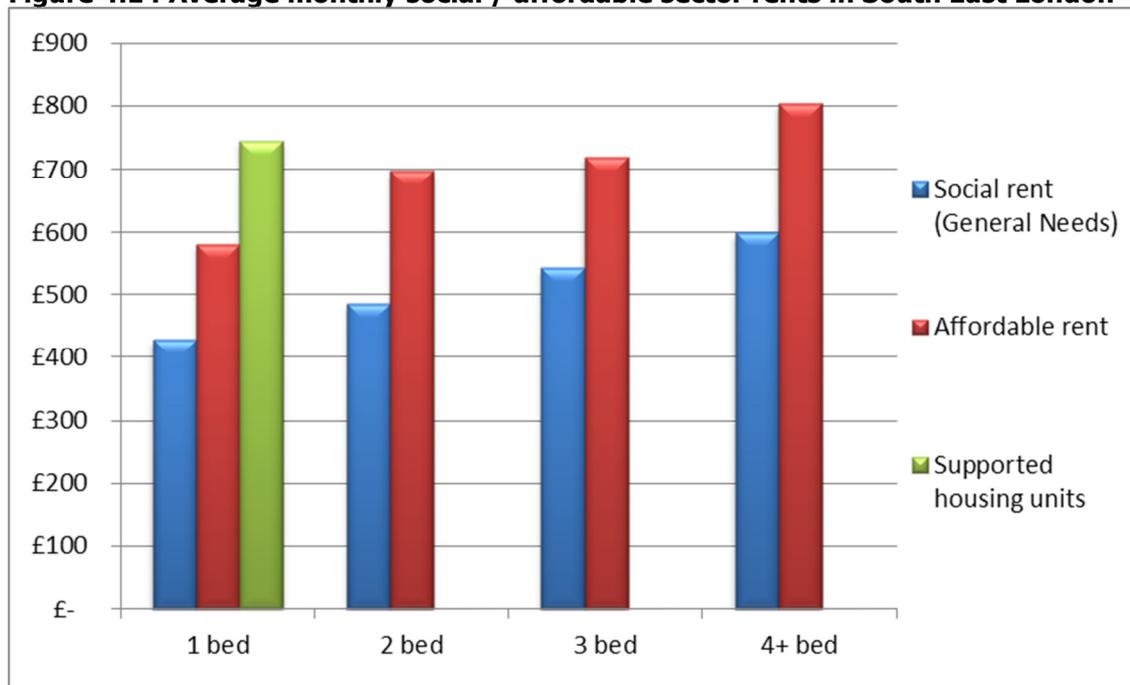


Source: CORE data; the figures represent the annual average 2010/11-2012/13

4.23 Smaller dwellings are far more prevalent than larger ones in the supply of social / affordable rented housing to let: 42% of affordable rent general needs lettings were 1-bed units, 41% 2 bed units, 16% 3 bed units and 1% dwellings with more than 3 bedrooms. When a distinction is made between lettings to transferring tenants and lettings to new tenants, the smaller (1 and 2 bed) units tend to be allocated more often to new tenants while most of the larger (3 bed and larger) dwellings are let to transferring tenants in need of larger accommodation. It is possible that changes made to the Housing Benefit size criteria will have an impact on this distribution. It may be resulting in an increase in the proportion of smaller dwellings being let to transferring tenants during the 2013/14 financial year, which would in turn leave a greater number of larger homes available for new tenants to occupy.

4.24 Rent levels in the social / affordable sector are considerably lower than those in the private rented sector. Furthermore the rent difference between smaller dwellings and larger ones is relatively limited. This contrasts greatly with the open market price structure which means that the price difference between the social / affordable sector and the PRS is especially great for 3-bed and larger dwellings.

Figure 4.14 Average monthly social / affordable sector rents in South East London

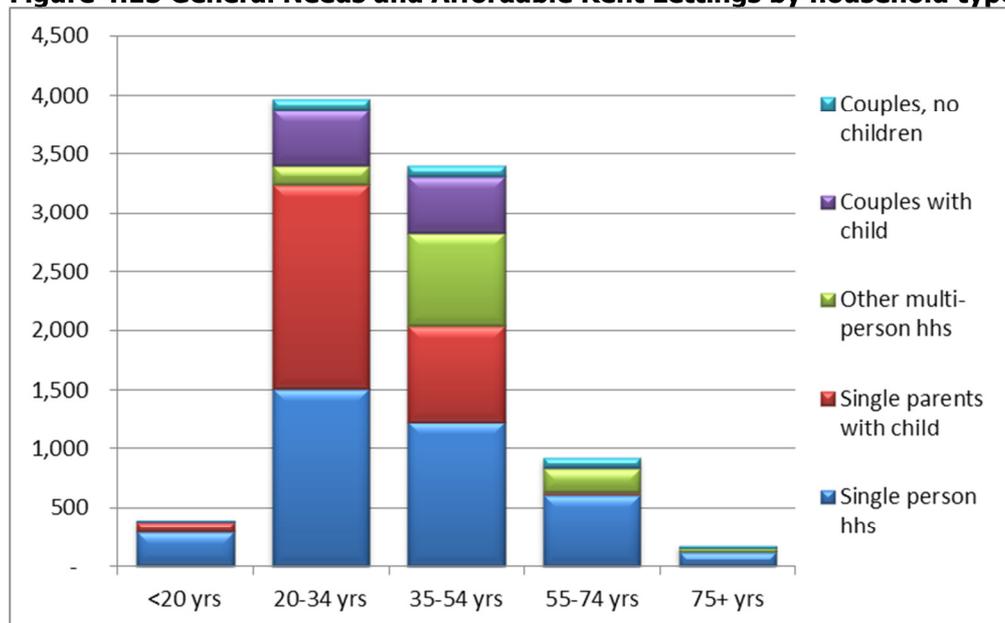


Source: CORE Data; new tenancies 2012/13

4.25 The average monthly rent of new general needs lettings in South East London across all dwelling sizes was £429 in the first quarter of the 2010/11 financial year (this is the total monthly cost including service charges). This rose to £512 per month in the fourth quarter of the 2012/13 financial year. This represents an annualised rate of increase of 6.7% over the period. These figures include the higher-cost affordable rent tenancies which began to be introduced at the end of 2011. When these affordable rent lettings are removed from the dataset the average rent in the fourth quarter of 2012/13 was £477 per month, yielding an annualised rate of increase of 3.9%. This analysis concerns new tenancies, not rent rises for existing tenants.

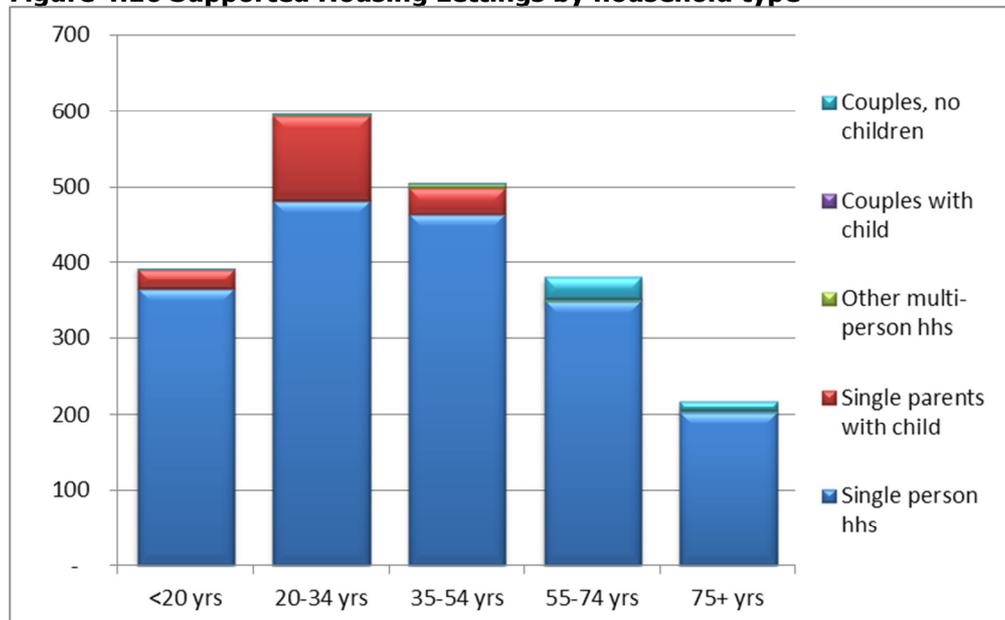
4.26 In terms of the profile of those households receiving new tenancies in South East London between 2010 and 2013 42% of new General Needs and Affordable Rent tenancies went to single person households and 30% went to single parent households (Figure 4.15). Very few tenancies went to couples without children. With regard to Supported Housing tenancies 89% went to single person households and 8% went to single parent households. The overwhelming majority of new tenancies went to those aged between 20 and 54 years. Even in the Supported Housing sector, where a greater proportion of lettings might be expected to be to younger and older age bands, it is still the 20-54 age groups that predominate (Figure 4.16).

Figure 4.15 General Needs and Affordable Rent Lettings by household type



Source: CORE data; the figures represent the annual average 2010/11-2012/13

Figure 4.16 Supported Housing Lettings by household type



Source: CORE data; the figures represent the annual average 2010/11-2012/13

4.27 An analysis of CORE data looking at the reasons behind the granting of new General Needs tenancies reveals that 45% of cases relate to the unsuitability of the tenant's old accommodation. In two-thirds of these cases the unsuitability is due to overcrowding and the remaining one-third is related to ill health/disability, poor condition and under-occupation. 72% of the lettings stemming from unsuitability concern transfers rather than new tenants. For almost a half (47%) of new tenancies the reason given was either 'to move to independent accommodation' or 'asked to leave by family or friends'. Domestic violence, racial harassment and other problems with neighbours accounted for 5% of lettings.

The intermediate sector

4.28 The intermediate sector fills an important gap between the social and affordable rented sectors on the one hand and the open market on the other. For the most part it is made up of new build shared ownership homes. For these products a proportion of the value of the property is bought (commonly financed via a mortgage) and the remainder is rented from the social housing provider which holds the remaining ownership share. The intermediate sector in South East London is currently very small

compared to the other tenures. At the time of the 2011 Census there were 7,259 shared owners in the sub-region, which was 1.3% of all households. This increased from 5,394 in 2001 (1.0%). The number of shared owners increased by just under 190 per year during the inter-census period.

4.29 Authorities Monitoring Reports (AMRs) and data assembled by the South East London Housing Partnership suggest an increase in intermediate new build supply in recent years. Across South East London an average of 518 units were completed per annum over the 2010-13 period together with an average of 121 re-sales. Outputs varied from year to year at borough level. Bexley averaged 58 additional units per annum between 2008/9 and 2012/13, Bromley averaged 63 p.a. 2009/10-2013/14, Greenwich averaged 237 p.a. 2010/11–2012/13, Lewisham averaged 160 p.a. 2007/8–2011/12 and Southwark delivered 418 net additional intermediate units in 2010/11. Adding these figures together results in an annual average of 936 new intermediate sector units in the sub-region in recent years.

4.30 Administrative data from the Share-To-Buy "First Steps" system (the London-wide portal for consumers interested in buying shared ownership housing) shows that 8,331 individuals or households resident in South East London had registered an interest in shared ownership. Of these 11% were social / affordable sector tenants. The most registered users were in Southwark (3,064) followed by Lewisham (1,923), Greenwich (1,556), Bromley (1,116) and Bexley (672). These figures give some kind of indication of both relative and absolute levels of demand for shared ownership across the sub-region.

4.31 Some 355 shared ownership sales in South East London were recorded in the CORE data for the 2012/13 financial year and 90% of these were in Greenwich, Lewisham and Southwark. Of these properties the average equity share sold was 39%. To aid the analysis and for the purpose of comparability total monthly expenses were estimated by calculating the nominal cost of financing a mortgage for the equity share³ and adding this to the monthly rent and any service charge. The dataset contained:

- 136 one bedroom units, median total monthly expense: £763
- 190 two bedroom units, median total monthly expense: £952
- 29 three bedroom units, median total monthly expense: £1,232

4.32 CORE data provides information on the financial position of those households who became shared owners. The median annual income of these households was £35,000, with the lower quartile income being £28,500 and the upper quartile income being £44,500. The median amount of savings they had available was close to £12,000. 81% of new shared owners were less than 40 years of age. Nearly two-thirds of those moving into shared ownership accommodation were previously housed in the private rented sector while 27% had previously been living with family or friends (in all likelihood in the vast majority of cases living with parents). In just 3.5% of cases the household was previously housed in the social / affordable sector.

Incomes

4.33 Evidence on household incomes needs to be set against the picture of rents and prices above. Sources of data on incomes are limited and it is important to differentiate between personal and household incomes and between different sources of income. The Annual Survey of Hours and Earnings published by ONS provides a reliable time series of estimates of average gross earnings but this relates to individuals not households and of course excludes those not working. The average annual gross income of residents in full time work in 2013 ranged from £30,511 in Bexley to £41,131 in Bromley (Table 4.4). These earnings levels are slightly below the London-wide average but the annual rate of increase over the last five years has been similar to that for London.

4.34 The average earnings level of people who work in South East London is well below that for people who live there (£30,471 compared to £35,452) and the annual rate of increase has been much lower (1.9% compared to 3.0%). The difference is especially marked in Bromley, where workers'

³ The calculation is based the following key assumptions: a 5% APR interest rate, a 25 year repayment mortgage and 95% LVT (i.e. 5% deposit assumed to be available as savings).

earnings average only 60% of residents' earnings. This is significant because it indicates the difficulties which people working in the South East London area would face in trying to relocate there if they wished to do so (for example to reduce commuting levels).

Table 4.4 Gross annual average earnings of full time workers

| | £ per annum | | | | | | |
|-------------------------|-------------|---------|-----------|----------|-----------|--------|--------|
| | Bexley | Bromley | Greenwich | Lewisham | Southwark | SEL** | London |
| Residence-based* | | | | | | | |
| 2008 | 28,148 | 35,199 | 31,850 | 26,400 | 31,429 | 30,814 | 32,001 |
| 2013 | 30,511 | 41,131 | 35,242 | 31,439 | 37,767 | 35,452 | 36,781 |
| % increase p.a. | 1.7 | 3.4 | 2.1 | 3.8 | 4.0 | 3.0 | 3.0 |
| Workplace-based* | | | | | | | |
| 2008 | 22,942 | 24,783 | 25,412 | 23,738 | 33,701 | 27,805 | 34,476 |
| 2013 | 24,763 | 25,839 | 26,304 | 24,429 | 38,479 | 30,471 | 41,143 |
| % increase p.a. | 1.6 | 0.9 | 0.7 | 0.6 | 2.8 | 1.9 | 3.9 |

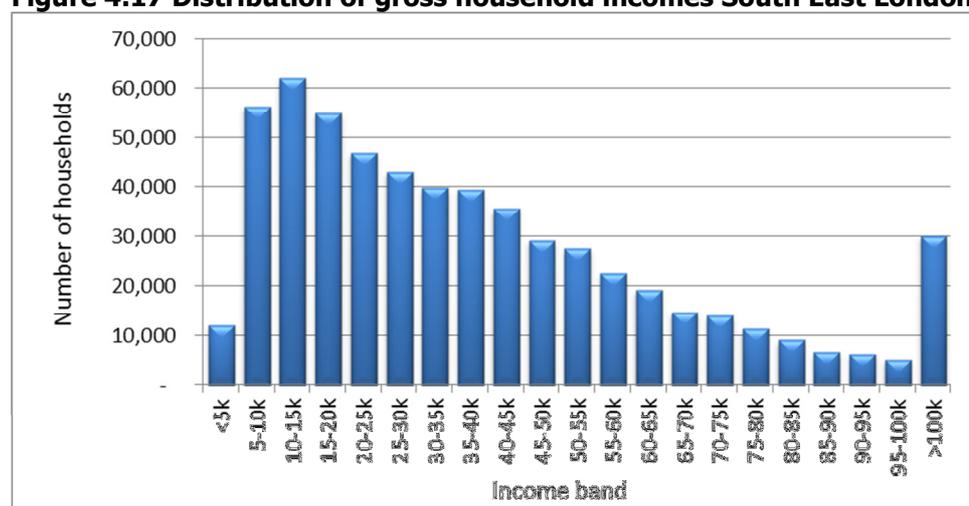
Source: Annual Survey of Hours and Earnings, 2008 and 2013*Residence-based earnings are those of people living in the area; workplace-based earnings are those of people working in the area. **South East London estimated from job-weighted borough data.

4.35 On the basis of Table 4.4 an average two-earner household in South East London would have an annual income from employment of about £70,000 per annum, but in practice many households have only one or no earners, and are reliant on other sources of income including savings interest or other investment income, retirement pensions (private and State), and State benefits. According to estimates of household income produced by CACI Paycheck, the median annual gross household income in South East London was less than half this amount or approximately £32,200 in 2012. There were significant variations at borough level, with the average income considerably higher in Bromley than in the rest of the sub-region:

- Lewisham: £30,050
- Southwark: £30,100
- Greenwich: £30,450
- Bexley: £32,300
- Bromley: £37,200.

4.36 CACI estimates also provide details of the distribution of incomes. Income distributions are always skewed towards the lower part of the range with a very long 'tail' at the upper end of the spectrum and South East London follows this pattern (Figure 4.17).

Figure 4.17 Distribution of gross household incomes South East London 2012

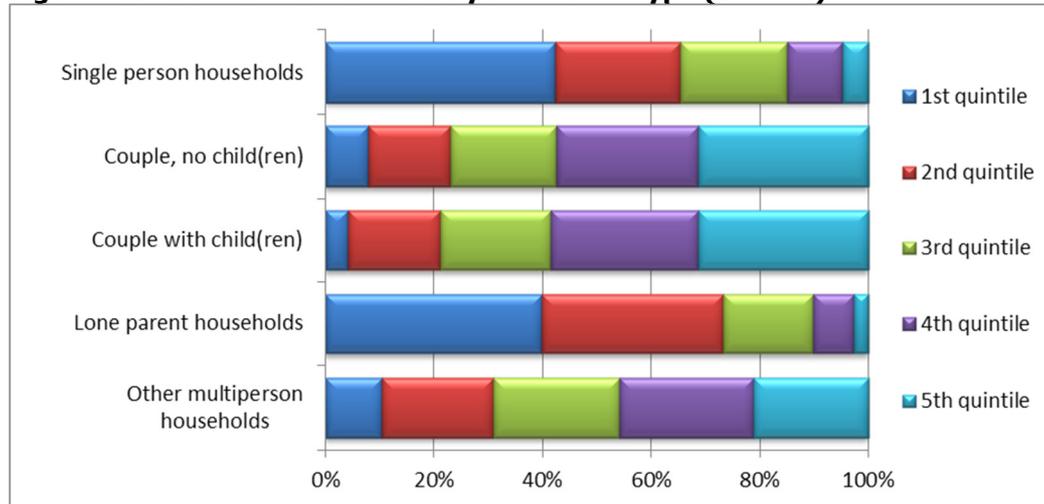


Source: CACI Paycheck 2012

4.37 Data for London as a whole from the English Housing Survey shows a strong correlation between household type and household income, with single person households and single parent households generally concentrated in the lower income bands and couple households (with and without dependent children) taking up a greater share of the higher income bands (Figure 4.18). Assuming that these

relationships apply in South East London goes a long way to explaining on the one hand the higher median incomes in Bromley and Bexley (where family accommodation predominates), and on the other hand the lower median incomes in Lewisham, Southwark and Greenwich, where the housing stock is generally more suited to the housing of smaller households. The following graph, drawing on London-wide data, illustrates this relationship. It is an important input for the affordability calculations presented later in this report.

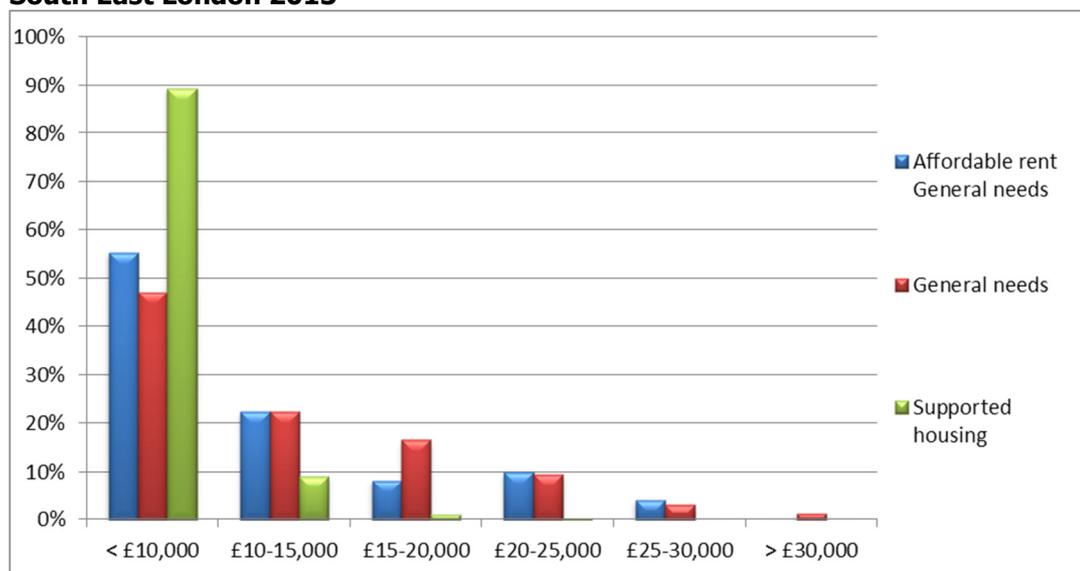
Figure 4.18 Income-distribution by household type (London)



Source: English Housing Survey (London-wide) 2009-2012

4.38 The incomes of social / affordable sector tenants are considerably lower than those of the population at large, as revealed by an analysis of CORE lettings data. Based on the available information (income data is missing in about 50% of cases) the average annual income of households taking up a new tenancy in South East London in 2013 (including transferring tenants) was £11,660 in the case of social / affordable rent general needs tenancies. The average income was £10,571 for affordable rent tenants and £5,317 for those taking up a supported housing tenancy. Based on those cases for which information is available 80% of social rent general needs tenants were in receipt of housing benefit rising to 90% in the case of affordable rent tenants and 98% in the case of supported housing tenants. The spread of incomes across six bands is shown in the next output.

Figure 4.19 Income of households taking up new social sector tenancies, South East London 2013



Source: CORE Data 2013

Affordability

4.39 Comparisons show that house prices and housing costs in South East are high relative to incomes and earnings (Table 4.5). In 2013 the residence-based ratio of median house prices in South East London to median annual gross earnings levels was more than 10. The ratio in Southwark (12.8) was the highest of the individual boroughs. Bromley had a relatively low ratio (9.7) because although prices were high so were earnings. The table also shows this ratio calculated on the basis of the median earnings of people working in South East London (workplace-based). The workplace-based ratios are generally higher, because workers in South East London earn less than residents. This demonstrates the problems which people seeking to move into South East London for employment reasons would face. The contrast between the resident and worker ratios is greatest in Bromley, where the median house price in 2013 was almost fourteen times the median level of earnings for people working in the borough.

4.40 Table 4.5 also shows the ratio of median house prices in 2013 to median *household* income from all sources, as distinct from *individual* earnings. The ratio for South East London was just under 8.5. As with earned income, Southwark had the highest ratio (11.4).

Table 4.5 Ratio of median house prices to earnings for full time workers/median household incomes and median private rents to median incomes

| | Bexley | Bromley | Greenwich | Lewisham | Southwark | South East London** | London |
|--|--------|---------|-----------|----------|-----------|---------------------|--------|
| Residence-based | | | | | | | |
| 2008 | 8.34 | 8.77 | 9.22 | 10.01 | 11.52 | 9.57 | 10.12 |
| 2013 | 8.69 | 9.70 | 10.03 | 9.49 | 12.80 | 10.14 | 11.83 |
| Change | 0.34 | 0.93 | 0.81 | -0.53 | 1.27 | 0.56 | 1.71 |
| Workplace-based | | | | | | | |
| 2008 | 10.76 | 12.61 | 10.25 | 10.66 | 10.22 | 10.90 | 9.47 |
| 2013 | 11.42 | 13.73 | 11.07 | 10.73 | 11.15 | 11.62 | 10.84 |
| Change | 0.66 | 1.11 | 0.82 | 0.07 | 0.93 | 0.72 | 1.37 |
| Ratio of median price to median household income 2013 | | | | | | | |
| | 6.68 | 7.85 | 8.21 | 8.28 | 11.41 | 8.48 | NA |
| Ratio of median private rent per annum to median household income 2013 | | | | | | | |
| | 0.36 | 0.39 | 0.54 | 0.47 | 0.70 | 0.49 | NA |

Sources: DCLG, Live Table 582; ONS Annual Survey of Hours and Earnings, 2008 & 2013, CACI Paycheck. **South East London figure is the job-weighted average for individual boroughs as SE London median prices and earnings not available.

4.41 Additionally, Table 4.5 shows the ratio of the median private rent in South East London to the median household income. For South East London as a whole this is almost 0.5 – that is the median private rent represented almost 50% of the median household income per annum. The ratio was highest in Southwark (0.7 – i.e. 70% of income) largely because of the high median rent level, and lowest in Bexley (because rents were much lower) and in Bromley (because of higher incomes). This again demonstrates the difficulties faced by households in affording private rented housing.

Key affordability thresholds

4.42 For the purpose of gauging affordability, the monthly costs of accessing different tenures in South East London need to be compared. Using the latest available data these costs are shown in Table 4.6. It is notable that the price difference between the social sector and the market sector widens as properties become larger. A concern voiced during stakeholder consultation was that the price of shared ownership products has been increasing recently to the point that these new build homes were no longer affordable by the households for which they were originally intended. This is especially the case if shared ownership is priced close to the market entry threshold, especially with regard to the larger size properties.

Table 4.6 Comparison of housing costs South East London: monthly costs

| | 1 bed | | 2 bed | | 3 bed | | 4+ bed | |
|------------------------|----------------|--------|----------------|--------|----------------|--------|----------------|--------|
| | Lower Quartile | Median |
| Social rent (1) | £374 | £421 | £421 | £468 | £474 | £522 | £524 | £601 |
| Affordable rent (1) | £520 | £562 | £617 | £680 | £628 | £718 | £718 | £782 |
| Shared ownership (1) | £693 | £763 | £833 | £952 | £1,119 | £1,232 | | |
| Private renting (2) | £879 | £1,038 | £1,114 | £1,287 | £1,361 | £1,565 | £1,734 | £2,108 |
| Open market buying (3) | £826 | £1,093 | £1,050 | £1,585 | £1,598 | £2,148 | £2,136 | £3,046 |

Source: (1) CORE data January 2012-March 2013 (total monthly charge incl. Service charge); (2) SELHP Monitor Q3 2013; (3) SELHP Monitor Q3 2013, calculated using 95% LTV with a 25 year repayment mortgage @ 5% APR.

4.43 Based on the above information key affordability thresholds can be determined. These feed into the affordability calculation which is part of the assessment of the need for affordable housing in Chapter 6 of this report. The first threshold concerns the market entry threshold which, in line with the official SHMA Guidance, is deemed to be the lower quartile price of either renting or buying on the open market – whichever is the cheaper of the two tenures. The second key price threshold concerns the so-called “intermediate threshold” which demarcates the lower end of the intermediate sector from the upper end of the social and affordable rent sector. The prices are the midpoint between the lower quartile intermediate price and the upper quartile price of affordable rent properties that have recently been let in South East London. The threshold prices are shown in the next table.

Table 4.7 Key monthly price thresholds South East London, 2013

| Dwelling size | Intermediate threshold | Market entry threshold |
|------------------|------------------------|------------------------|
| 1 bedroom units | £ 660 | £ 826 |
| 2 bedroom units | £ 839 | £ 1,050 |
| 3 bedroom units | £ 885 | £ 1,361 |
| 4+ bedroom units | £ 954 | £ 1,734 |

Source: Cobweb Consulting modelling

Evidence of market failure

4.44 This sub-section brings together evidence of pressure points in the South East London housing market by examining a number of aspects of what might be termed market failure or dysfunction. These are overcrowding and under-occupation, concealed households, house repossessions, and homelessness.

Overcrowding, under-occupation and concealed households

4.45 The 2011 Census counted 8,257 concealed families in South East London, ranging from 1,290 in Bromley to 2,076 in Greenwich. These are families needing their own independent accommodation but sharing the accommodation of another household. As such it is an indicator of suppressed housing need. The breakdown by family type was as follows:

- Couple, no children: 43%
- Couple with dependent children: 12%
- Couple, all children non-dependent: 4%
- Lone parent family with dependent children: 32%
- Lone parent family: all children non-dependent: 9%

4.46 However the Census definition of concealed families excluded single person concealed households such as adult children in their late 20s and 30s still living with their parents due to a lack of affordable housing options. The 2013 London-wide SHMA made use of the English Housing Survey to arrive at an estimate of 85,826 concealed households in the whole of London⁴. The Census figure for concealed families in the region was lower: 68,600. The two figures were derived from different methodologies and are therefore not directly comparable. Nevertheless the exclusion of single people

⁴ This is based on 3 years of EHS data.

from the Census estimate can be used as an argument in favour of adopting the higher estimate yielded by the EHS-based approach. If the South East London Census figure were to be up-scaled by the factor of 1.25 (the difference between 68,600 and 85,826) this provides a proxy estimate of the number of concealed households in the sub-region including single people: 10,330.

4.47 By measuring the actual occupancy of homes against the bedroom standard, the 2011 Census generated "occupancy standard" outputs, showing levels of overcrowding as well as (nominally) the under-occupation of homes. The Census counted 53,092 overcrowded households in South East London, which was 9.5% of all households in the sub-region. This is a slightly lower percentage of overcrowding than in London as a whole (11%). Overcrowding was most prevalent in Southwark (18,475:15%) followed by Lewisham (14,018:12%), Greenwich (11,011:11%), Bexley (4,367:5%) and lastly Bromley (5,221:4%). 83% of the overcrowded households in South East London had one bedroom too few when measured against the bedroom standard and 17% were two or more bedrooms short of the required number. These households, 9,138 in number, constitute the category "severely overcrowded".

Figure 4.20 Overcrowding and under-occupation

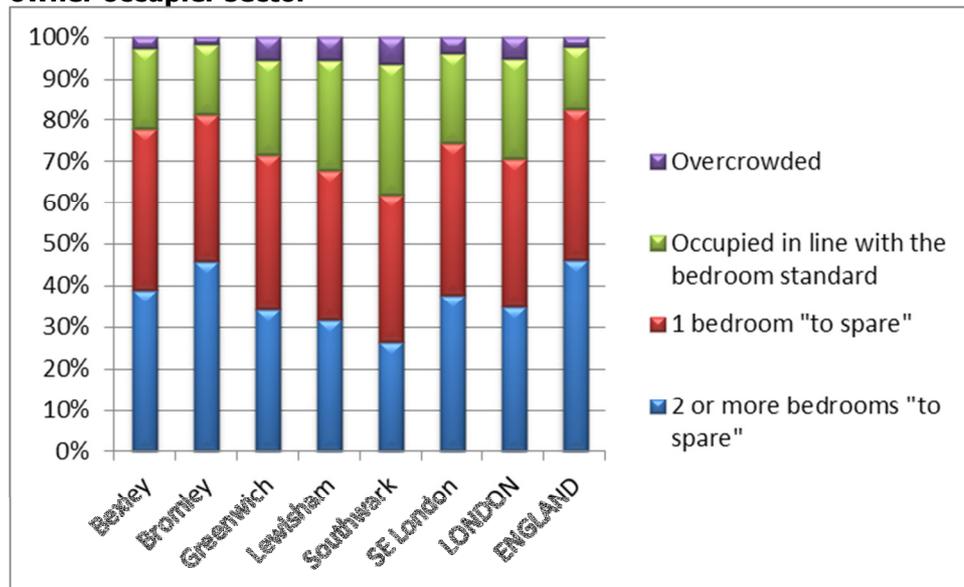


Source: Census 2011 table DC4105EW1a

4.48 Under-occupation is far more common than overcrowding, although it should be recognised that the bedroom standard was intended as a minimum standard and should not be interpreted as constituting a recommended level of occupation, or that households under-occupying according to this standard would recognise themselves as such. Under-occupation is far more prevalent in the owner occupier sector than in the social / affordable rented and private rented sectors.

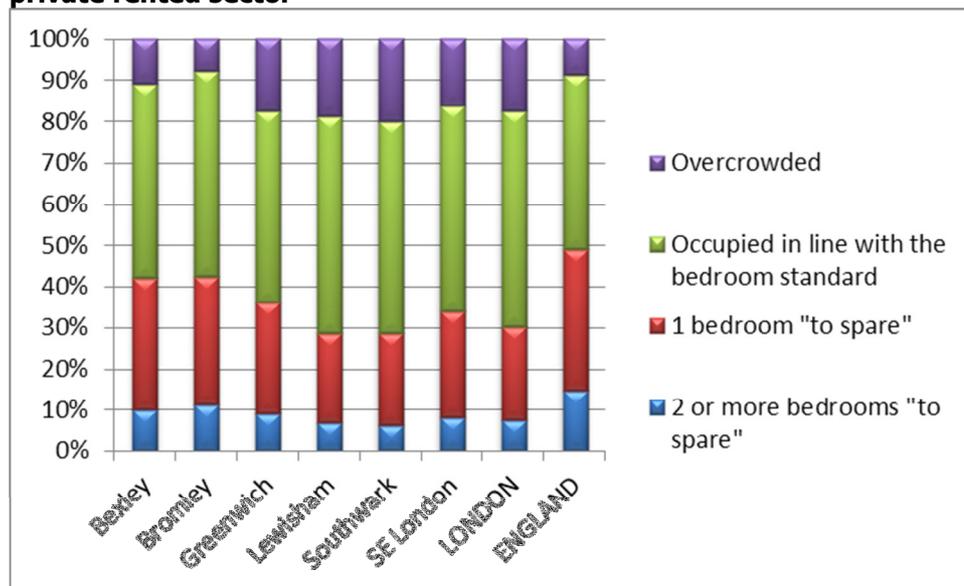
4.49 The next three figures show overcrowding and under-occupation by borough and by tenure. Under-occupation in terms of the bedroom standard is far more prevalent among owner occupiers than it is for renters in both the private and social / affordable sectors. Conversely, overcrowding is more common in rented accommodation. Even when taking account of tenure differences under-occupation is most prevalent in Bromley and Bexley, which correlates with the higher proportion of older "empty-nest" households in these boroughs. Overcrowding is most common in Southwark, followed by Lewisham and Greenwich.

Figure 4.21 Proportion of overcrowding and under-occupation in the owner occupier sector



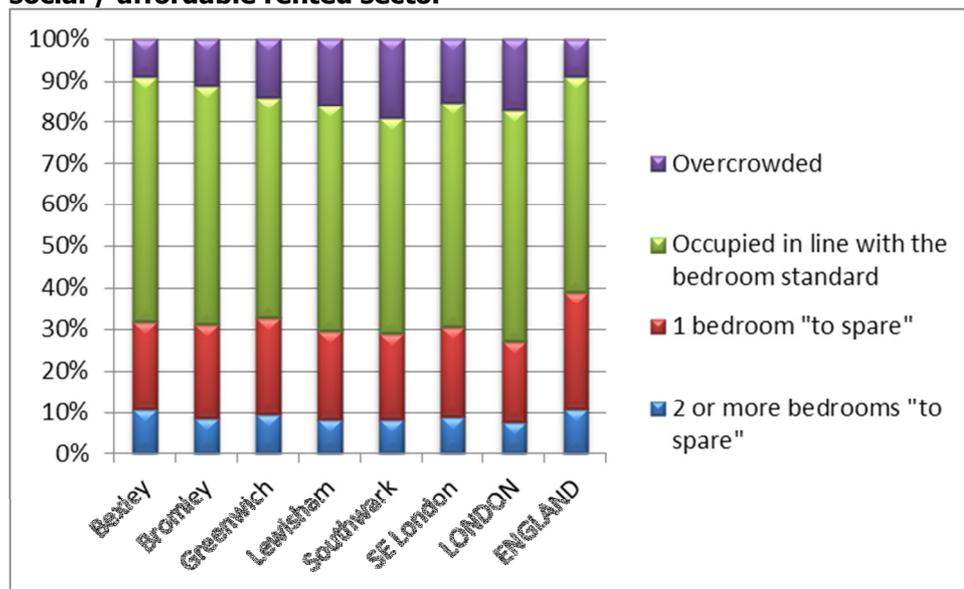
Source: Census 2011 table LC4108EW

Figure 4.22 Proportion of overcrowding and under-occupation in the private rented sector



Source: Census 2011 table LC4108EW

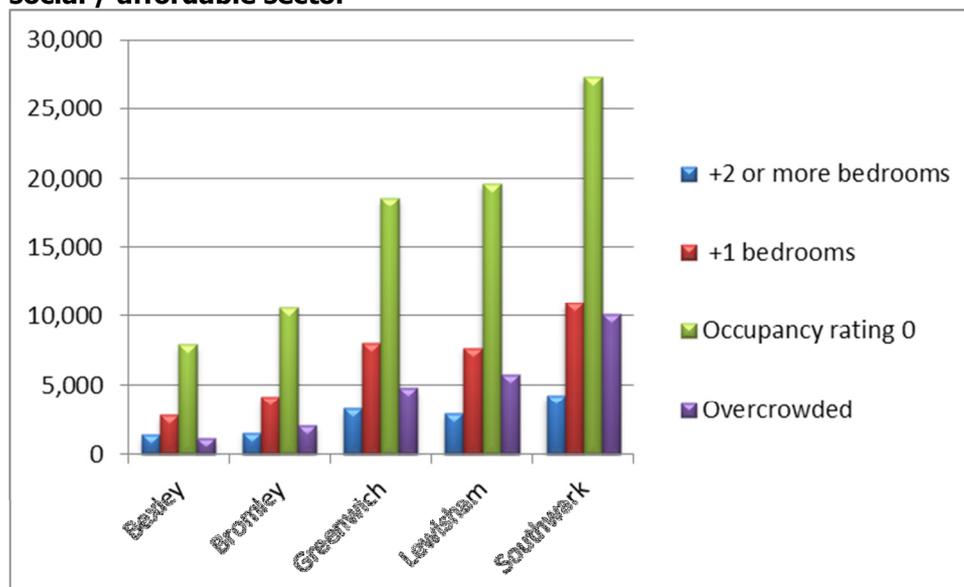
Figure 4.23 Proportion of overcrowding and under-occupation in the social / affordable rented sector



Source: Census 2011 table LC4108EW

4.50 Focusing just on the social / affordable rented sector where authorities may have some influence over the use of stock, we can see that over half (54%) of the stock in South East London is occupied in line with the bedroom standard. 31% are under-occupying by one bedroom or more, and 15% are overcrowded by one bedroom or more. Of the under-occupiers, 9% under-occupy by two bedrooms or more and 22% by one bedroom. There is some variation between authorities, with 9% of Bexley's social / affordable housing tenants being overcrowded, compared to 19% in Southwark for example. The absolute level of over- and under-occupation in the social / affordable rented sector is shown in the next graph. At the time of the 2011 Census there were 52,644 households in the social / affordable rented sector in Southwark and of these 10,111 were overcrowded (19.2%).

Figure 4.24 Volume of overcrowding and under-occupation in the social / affordable sector



Source: Census 2011 LC4108EW

4.51 There is clearly scope to at least partially rebalance overcrowding and under-occupation in the social / affordable rented sector by more appropriate matching of stock to household requirements. The introduction of the changes in housing benefit size criteria is an important factor in this discussion. Under-occupation in the social / affordable sector is likely to be decreasing at present due to government policy aimed at making best use of existing stock and at reducing housing benefit payments for social / affordable housing tenants who are deemed to have spare bedrooms.

4.52 We demonstrate the *potential capacity* for the South East London authorities to use social / affordable housing stock to rebalance the mismatch between the sizes of homes occupied and the sizes required in social / affordable housing – be they smaller or larger – through a number of scenarios that are outlined in Chapter 6 and the appendices. Boroughs and housing associations in South East London are already pursuing a number of downsizing initiatives to improve the efficiency of use of their stock. The scenarios offer some indication of the potential impact of such initiatives. Promotion of mutual exchange, for example, is able to address both overcrowding and under occupation. Boroughs and housing associations report anecdotally that there is a significant increase in mutual exchanges.

4.53 However, it must be acknowledged that there is no simple solution to this mismatch. Over-occupying social / affordable housing tenants, especially older ones, may be reluctant to downsize for a variety of reasons: attachment to their current homes (even if unsuitable), proximity to family and friends, and discomfort with the logistics of moving home, for example. Further thought into an appropriate 'offer' for potential social / affordable housing downsizers will be required to address this issue. Additional research into the reasons that older social / affordable housing tenants are reluctant to re-locate and the 'offer' that would encourage them to re-locate would also be useful.

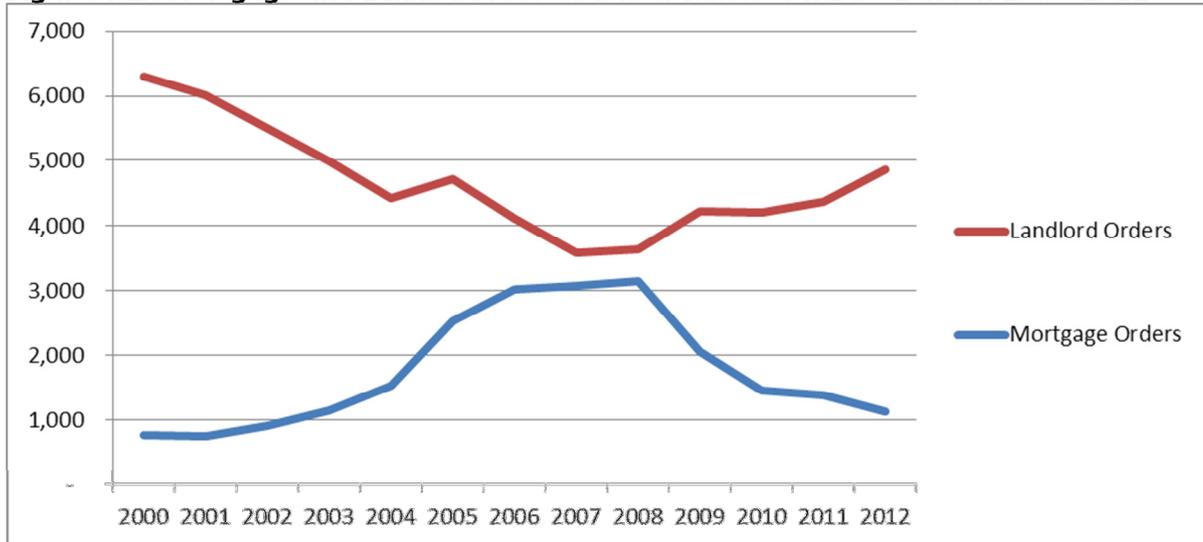
4.54 As regards the mismatch within the owner-occupied sector, it should be borne in mind that over 70% of properties in South East London are in the private sector, and over 50% are owner-occupied. As noted above, there are considerable levels of under-occupation, for reasons of choice and natural change (e.g. grown children leaving home). The process of housing dissolution of an ageing population, and the flexibility that owning a housing asset entails, enables the owner-occupied sector to substantially resolve mismatch (that is, by up-sizing or down-sizing) substantially within the existing stock. However, as discussed further in Chapter 5, issues around affordability within the market sector are increasing the demand for smaller properties, with some newly-entering households having to compromise their desire for extra space against what they can afford.

4.55 The same arguments around the choices that older residents have to downsize within the social housing sector also apply to older residents in the private sector: is there suitable accommodation available, both in terms of the physical and social quality of alternative provision? What are the barriers preventing older people accessing this? What would be the impact on family and social support networks? Is there suppressed demand for the right product? The essential difference here is of course that elderly owner occupiers will have capital assets they can re-cycle to deliver their optimal housing outcome; whereas most social / affordable housing tenants will be reliant on their current tenure.

Homelessness and repossessions

4.56 The 2008 financial crisis marked a turning point with regard to home repossessions. The number of renters (tenants) being evicted from their homes had been falling in the 7 years up to that point while the number of mortgage holders (primarily owner occupiers although the data covers other types of mortgage holders such as Buy-To-Let investors) had been on the rise. Since 2008 both these trends were reversed as there has been a sharp decline in the number of mortgage possession orders and a steady rise in the number of landlord possession orders. With regard to the former this is likely to be the result of increasing forbearance on the part of lenders, not foreclosing on those who are behind on their mortgage payments. Tenants however have not been shown the same level of leniency and the increasing affordability squeeze is resulting in increasing numbers of them being evicted each year.

Figure 4.25 Mortgage and Landlord Possession Orders South East London 2000-2012

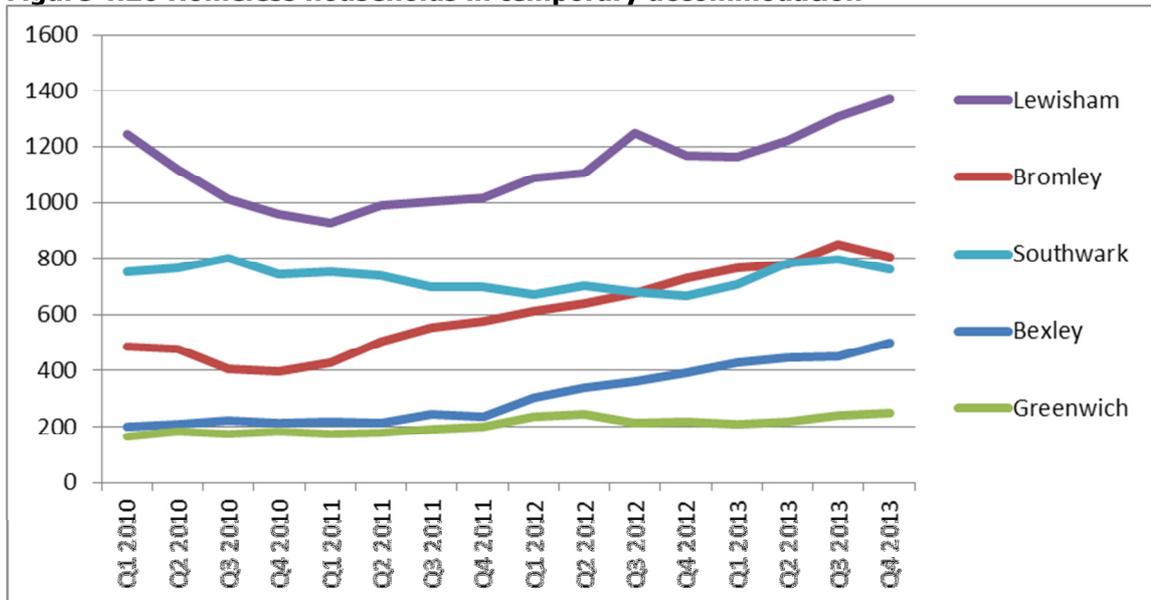


Source: Ministry of Justice Possession Order statistics

4.57 The number of local authority homelessness acceptances in South East London has been increasing gradually since 2010 when there were 1,751 and this rose to 2,424 in the 12 months up to and including the 3rd quarter of 2013. Of those 21% (513) became homeless following the termination of a private sector assured shorthold tenancy. At the end of 2013 there were 3,689 households classed as homeless and living in temporary accommodation in the sub-region. There are significant differences between boroughs with just 249 homeless in temporary accommodation in Greenwich compared to 1,372 in Lewisham. The total across the sub-region has increased by almost 50% in three years. The breakdown of temporary accommodation at the close of 2013 was:

- 39% private sector leased accommodation;
- 18% social / affordable sector (local authority and housing association) stock;
- 15% hostel accommodation;
- 4% bed and breakfast/nightly paid accommodation with shared facilities;
- 24% other forms of nightly paid self-contained accommodation.

Figure 4.26 Homeless households in temporary accommodation



Source: South East London Housing Partnership /PIE administrative data

Conclusion

4.58 This chapter has shown that the housing market in South East London is one which is under considerable pressure. Although average house prices are relatively low by London standards, they are

very high in absolute terms. In 2012 the median dwelling sale price was 8.5 times the median household income. Even the lower quartile price was over eight times the median income. Private rented sector rents are also high relative to incomes and have been rising steeply over the past three years. There are particular issues facing lower-income, younger people in accessing the PRS. The social / affordable rented sector provides a source of lower cost housing, but the supply of social / affordable rented housing is shrinking as fewer new units are added and as existing tenants find it more and more difficult to move into private housing, or even into intermediate tenures.

4.59 Growing affordability pressures are resulting in increased levels of overcrowding with an almost one in ten households in the sub-region being overcrowded at the time of the 2011 Census. Three years on and the level may have climbed to above 10%. There are also more concealed households, increasing numbers of evictions from private rented accommodation and growing numbers of homeless people being placed in temporary accommodation. These market signals suggest that affordability is and will continue to be a key issue in South East London.

Chapter 5 Drivers of Change

Key points

Demographic demand is demand driven by population growth, both natural (more births than deaths) and migrational. The population of South East London is projected to grow by 235,000 over the 2011-2031 period, on average over 11,700 per annum.

- Projections suggest that the main feature of future change will be ageing. The proportion of people aged 65 or more in South East London is projected to grow from 12% to 15% whilst the working age population (16-64) is projected to fall back to 66%.
- Household projections indicate household growth in South East London will average 6,500 per annum from 2011-2031. The largest increases are projected for Greenwich, Lewisham and Southwark with Bexley and Bromley growing more slowly. The highest rate of growth will be in multi-person households off-set by reductions in the proportions of people living alone and couples without dependent children. The growth in multi-person households and the reduction in people living alone is in part driven by affordability issues.

Housing demand may also be driven by the economy. Employment in South East London is projected to increase by 102,000 between 2011 and 2031.

- Over the same period the number of people of working age (16-64) is forecast to increase by 133,000. Changes in the State Pension Age and a worsening in the returns from private or occupational pension are likely to have an impact on the labour force over the next two decades, as older people choose or are obliged to remain in employment for longer. This represents a substantial addition to the potential working age population.
- Assuming that economic activity and employment rates remain broadly unchanged, population growth will result in about 114,000 additional workers in South East London. This is higher than the forecast for new job creation. Projected employment growth will not therefore exceed labour supply and generate additional in migration – rather it might generate out migration. The additional complexity of commuting patterns also impacts on the position.

Improvements to the transportation infrastructure are likely to impact on the South East London housing market.

- The most significant of these is Crossrail, which will improve access to and from the north of the sub-region by the end of this decade. Crossrail will increase the attractiveness of this area to investors, increasing the likelihood of both employment generation and new housing investment, but it may also impact adversely on affordability by generating a boost of 20% in property prices and rents.
- Recently-announced additional housing development at Ebbsfleet may also impact on the South East London housing market. This might attract demand from South East London and reduce affordability pressures there, but any major impact is unlikely in the short and medium term, unless there is rapid progress in bringing this development forward.

Overall, this review of housing market drivers produces a picture which suggests a high level of future housing demand in South East London driven by natural population change, continuing migration and by projected future employment growth. Significant housing growth will be needed to support the future economy, to minimise commuting levels, and to maximize the level of affordable housing provision available to existing and newly forming households.

Introduction

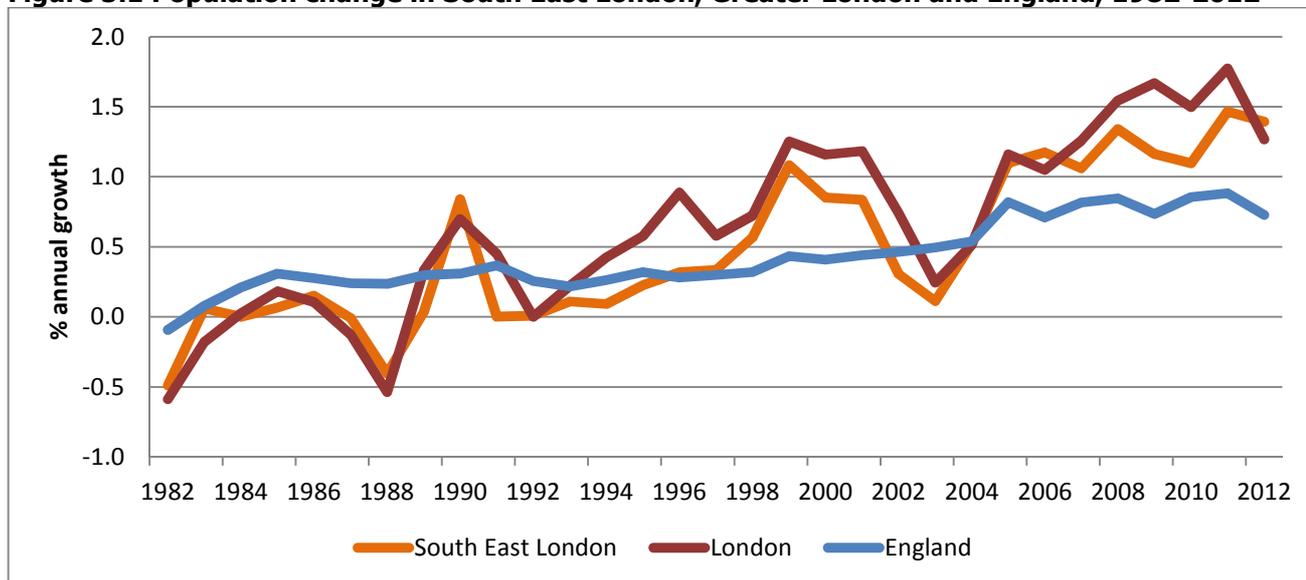
5.1 This chapter examines the key factors which are exerting influence over change in the South East London market now and in the future. *Demographic demand* driven by population change (in London's case population growth as a result of the surplus of births over deaths and by net in-migration) is a major driver. As well as examining overall changes in the scale of demand, it is important to look at changes in the composition of demand arising from changes in the age structure of the population and in the size and composition of households. The second main driver is *economic demand* driven by employment opportunities (again strong employment growth in London's case) and by changes in the nature of employment in London and in commuting patterns. Related to this is the impact of a range of proposals for improvements to transport infrastructure which are also likely to impact on housing demand.

Demographic demand

Population change

5.2 In 2012 South East London was home to 1,383,500 people, an increase of 86,000 (7%) over the previous five years. The population of South East London has increased in every year since 1992, and by more than 1% per annum in each year since 2004, despite economic and housing market problems since 2007. Figure 5.1 compares that annual rate of population change in South East London with London as a whole and with England. Since the early 1990s both South East London and London as a whole have grown more rapidly than England. However the population of South East London (along with the South West and West sub-regions) has generally increased more slowly than that of London as a whole over this period. The highest rates of growth have been concentrated in the North and North East sub-regions.

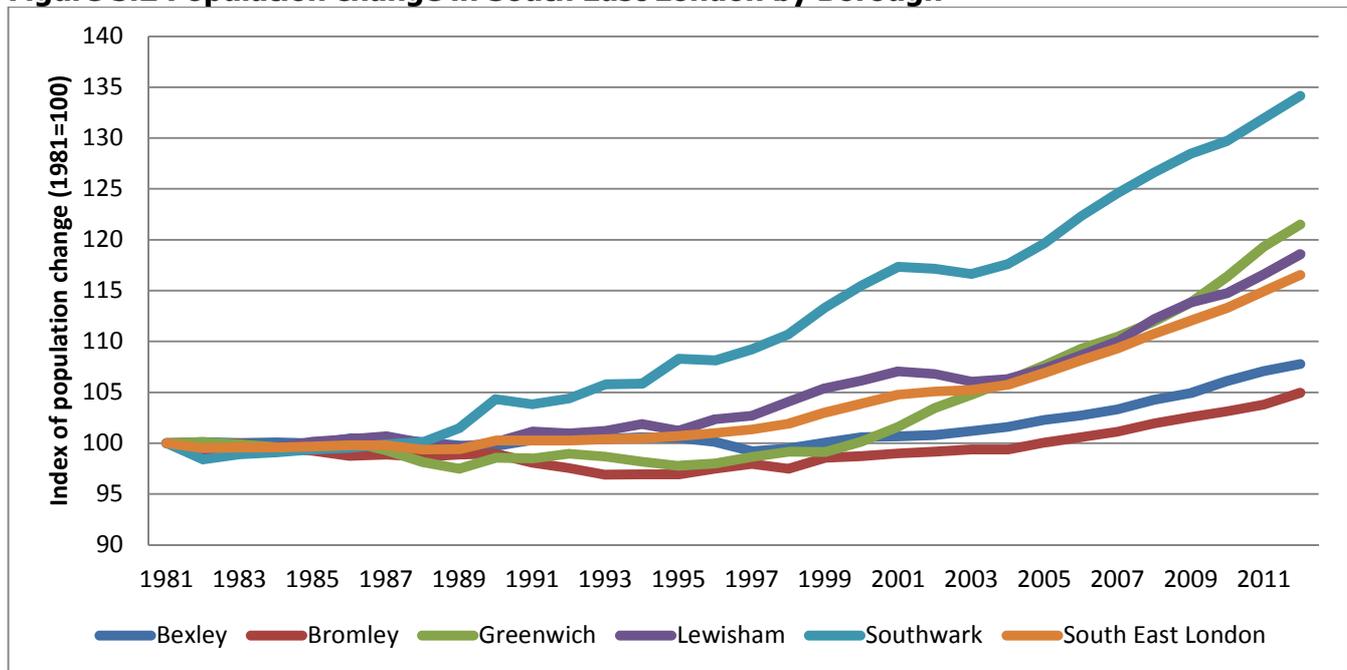
Figure 5.1 Population change in South East London, Greater London and England, 1982-2012



Source: Office of National Statistics, mid year population estimates

5.3 Within South East London, rates of population change have varied substantially. Figure 5.2 shows indexed population change by borough over the 1981-2012 period. Greenwich has consistently shown the highest rate of population increase (20% since 2001), followed by Southwark (14%) and Lewisham (11%). Bexley (7%) and Bromley (6%) have also grown significantly, but at slower rates. These differences between boroughs have generally been consistent across the whole 1981-2012 period, except in the case of Greenwich, where the population declined slightly from 1981 until about 2000, since when growth has been rapid.

Figure 5.2 Population change in South East London by Borough



Source: Office of National Statistics, mid year population estimates

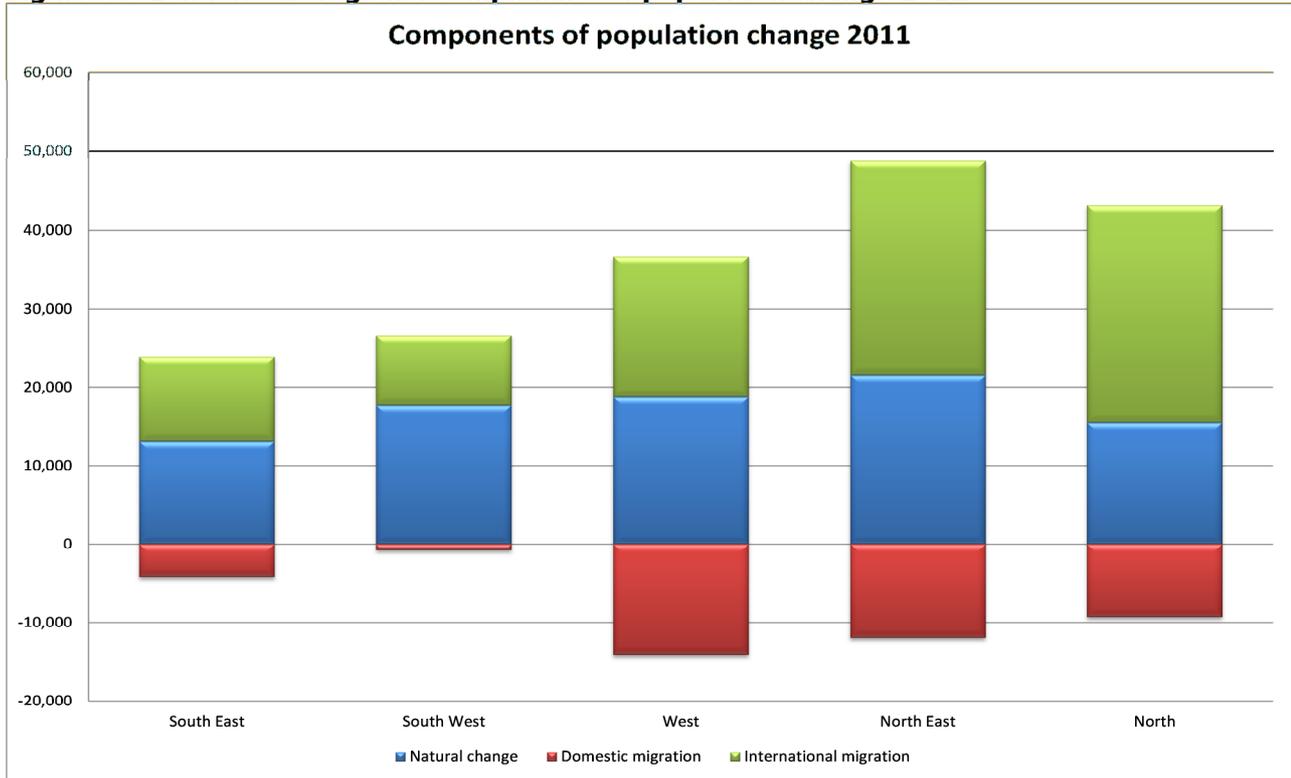
Components of population change

5.4 Population change is made up of *natural change* (births less deaths) and *net migration* (population movement into an area less movement outwards). Migration can be further divided into moves from and to other areas within the UK (*internal migration*) and moves from and to areas outside the UK (*international migration*). Net migration is the difference between inward and outward flows. In 2012, across London as a whole, natural population growth (88,000 people) was the largest component of population change, representing 84% of net growth. Net in-migration from abroad also contributed substantially to growth (69,000) but this was substantially offset by a net *outflow* of people from London to the rest of the UK (52,000). The level of natural population growth in London rose sharply during the 2000-2010 period but since then has remained at about 85,000 per annum. Net international migration has been more volatile but has fallen from a peak of over 100,000 per annum in the early 2000s to about 70,000 per annum in 2012. There has been a consistent picture of net out-migration from London to the rest of the UK, but the level has fallen since 2007 from around 70,000 to about 50,000 per annum in 2012.

5.5 In South East London, population change in recent years has been driven by natural growth and by net migration in from abroad, with a small net loss to other areas within the UK including other parts of London. All the sub-regions of London have a broadly similar pattern, but with higher levels of net population change, higher natural change, and a higher level of net international in migration (Figure 5.3). The other sub-regions also have a higher level of net out migration to the rest of the UK except South West London, where internal migration flows in 2011 were more or less in balance. Looking at gross migration flows, South East and South West London have much lower levels of 'churn' than the three other sub-regions, or in other words they are more stable in population terms.

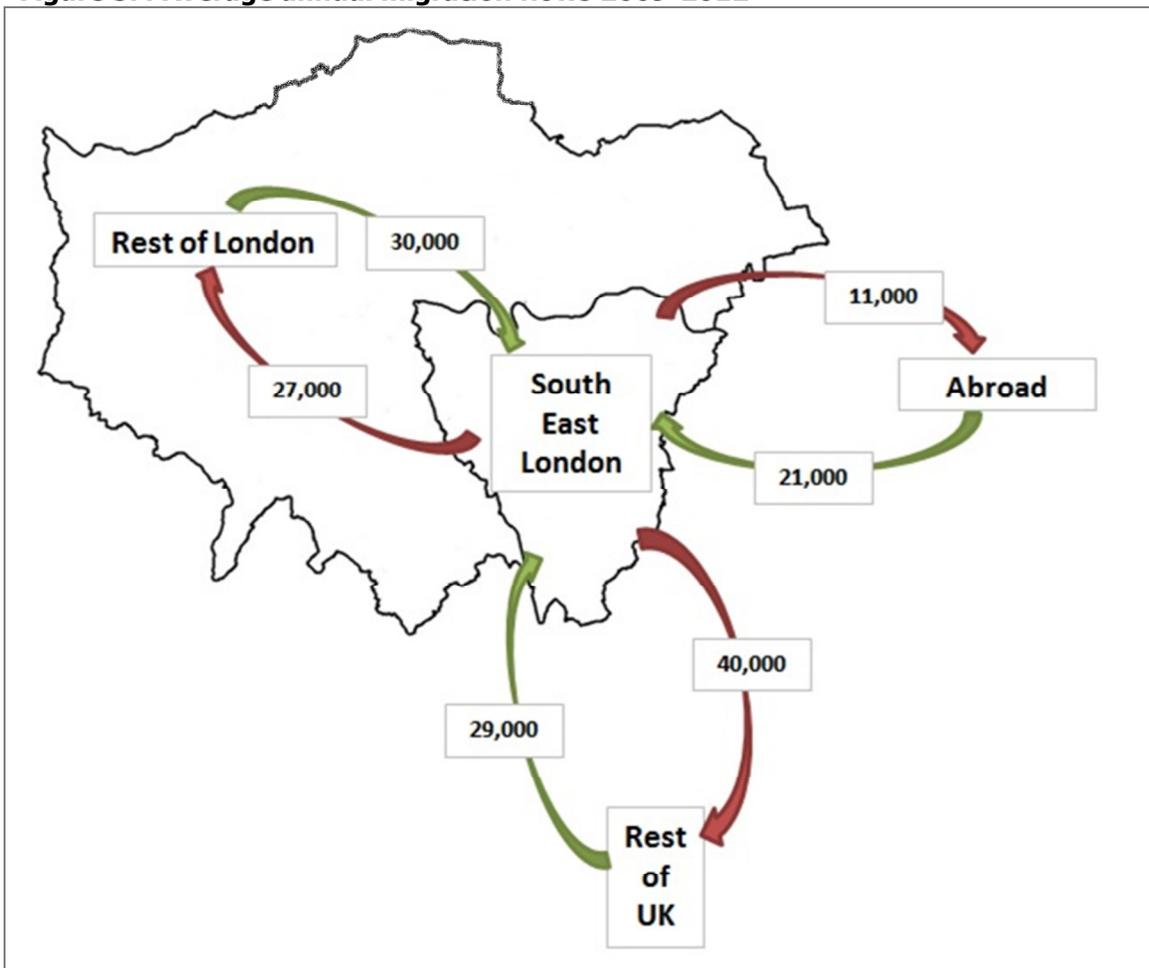
5.6 In South East London, natural population change has increased steadily over the past decade. There has been net out migration to the rest of the UK outside London, and net in migration from abroad, with a small level of net-in migration from the rest of London (Figure 5.4). Levels have fluctuated from year to year (Figure 5.5). Pro rata to the sub-region's population, the level of natural growth and in-migration from abroad have been the same as for Greater London, but the scale of net out-migration to the rest of the UK is only about half that experienced across London as a whole.

Figure 5.3 London sub-regions: components of population change 2011



Source: GLA, 2013 Round Central Trend Population Projections

Figure 5.4 Average annual migration flows 2009-2012



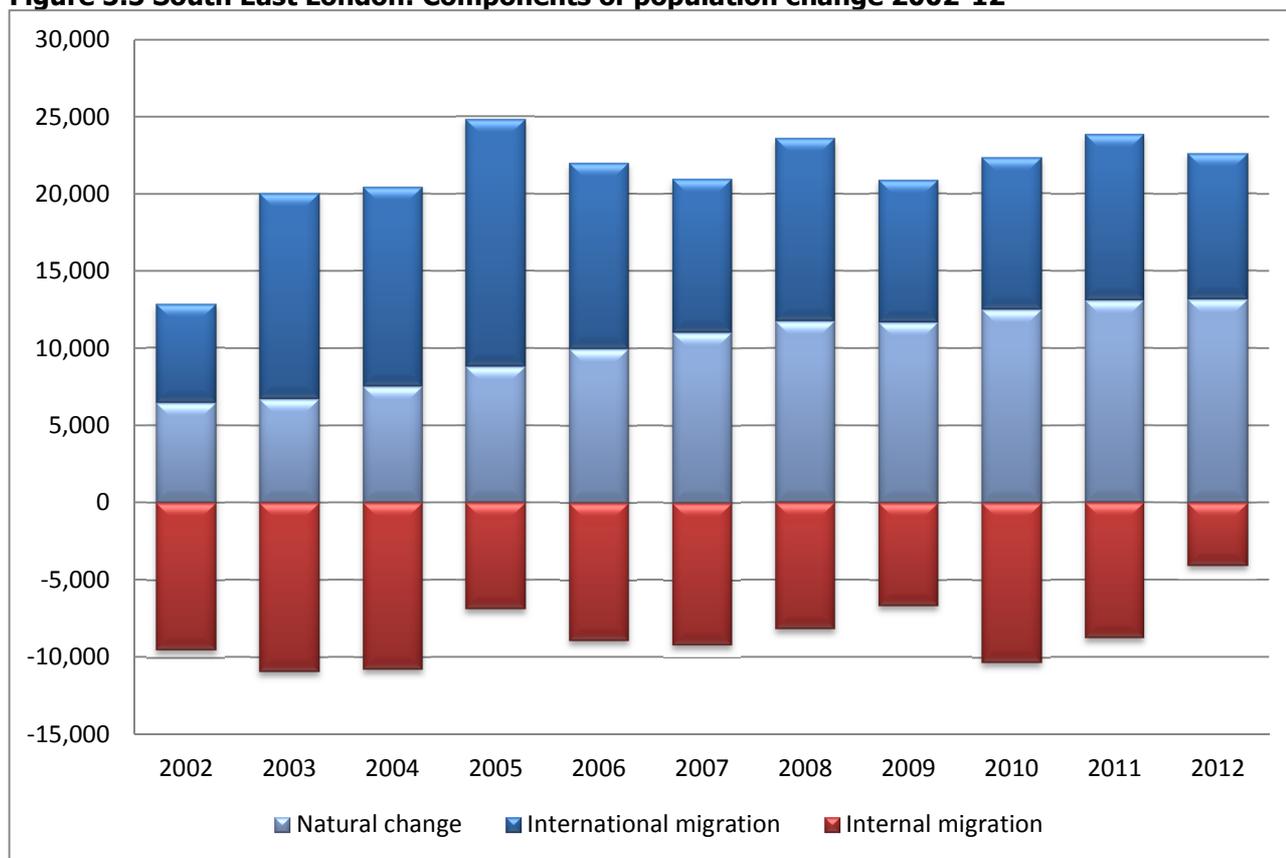
Sources: ONS (from NHS data) for domestic flows and GLA Central Population Projection.

5.7 Within South East London, (Figure 5.6) Lewisham, Southwark and Greenwich show a similar pattern of population change to South East London and Greater London. The scale of change, and of

each of its components, is greater in relation to population than Greater London or the South East sub-region, but the pattern of change since 2001 is similar to that for Greater London. Bexley also tends to experience natural population growth, net in-migration from abroad, and net out-migration to the rest of the UK, but the scale of change is much smaller in relation to population, and trends are more volatile with, for example, some years of net in-migration from the rest of the UK.

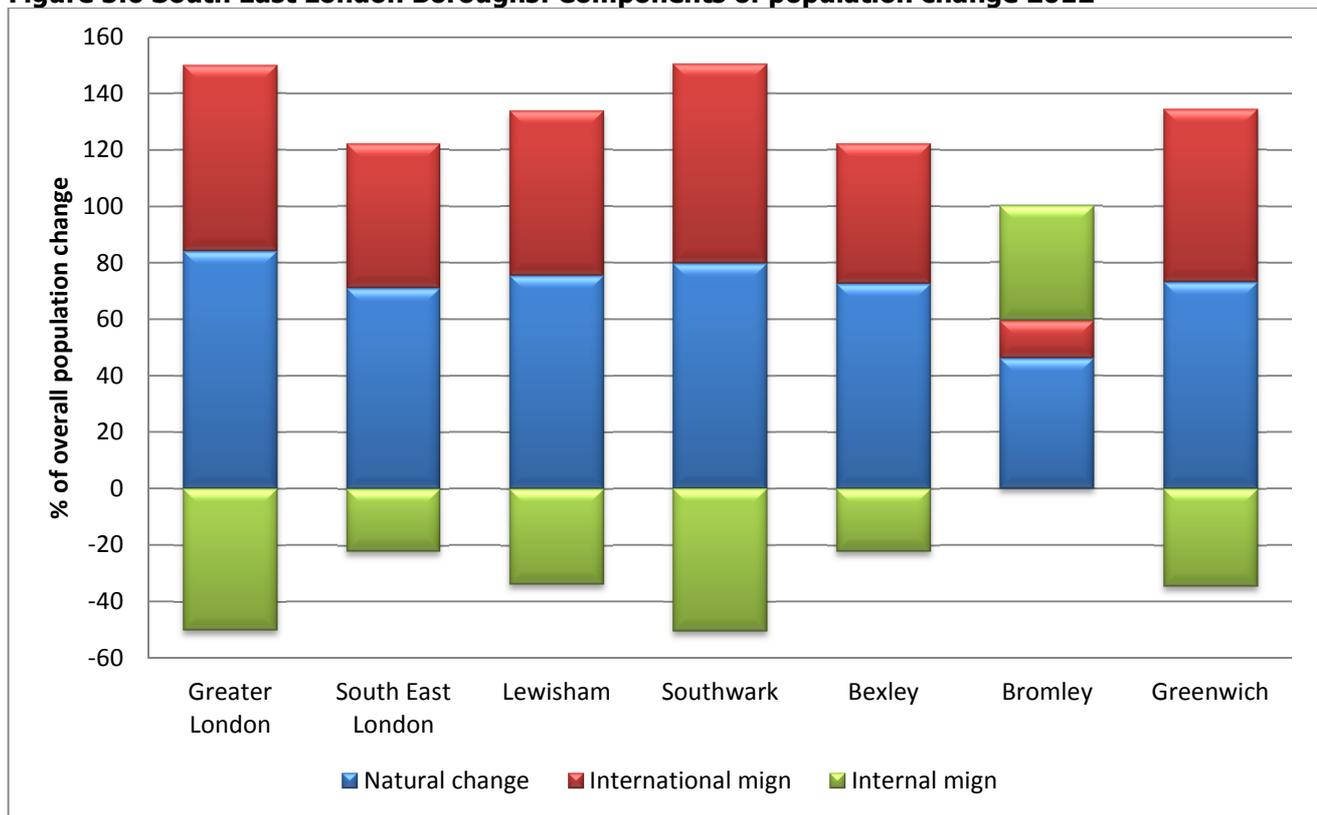
5.8 Bromley shows a distinctly different pattern to those for Greater London, the sub-region and the other boroughs. The level of natural population growth is low relative to population as in Bexley, but increasing rapidly from a low base and there is a low level of net in-migration from abroad. However the major difference is net in-migration from the rest of the UK, unlike any of the other Boroughs in South East London. This has been volatile in recent years but has increased since 2010 as the housing market has recovered. Clearly, Bromley is attracting a greater number of incomers from elsewhere within the UK than it is losing. These patterns of change are important as they determine the likely pattern of future population growth.

Figure 5.5 South East London: Components of population change 2002-12



Source: GLA, 2013 Round Central Trend Population Projections

Figure 5.6 South East London Boroughs: Components of population change 2012



Source: GLA, 2013 Round Central Trend Population Projections

Future population change

5.9 Population projections provide a picture of future demographic change in South East London. Official population projections covering all local authority areas in England over the next 25 years are produced by the Office of National Statistics, and normally revised every two years, but the most recent official projection is the ONS 'interim' 2011-based population projection, released following the publication of the 2011 Census. Despite being the most recent official projection, it is considered inappropriate as a growth benchmark as the normally robust rules on the calculation of long-term migration, fertility and mortality assumptions were not followed. Instead, ONS applied assumptions from the previous official forecast, the 2010-based sub-national population projection, to a 2011 Census base population. This is unsuitable for two reasons:

- Firstly, revisions to historical mid-year populations and subsequent changes in historical migration levels were not taken into account.
- Secondly, the 2011 Census population had a different age structure to the previous 2010-based population.

5.10 As a result, the 2011-based projection is insufficiently robust to underpin the analysis of long-term housing requirements. The National Planning Policy Framework (NPPF) suggests that objectively assessed need should be measured by household and population projections, but does not refer to any specific projections. In London, the Greater London Authority produces population projections for London Boroughs which are revised annually, including both demographic trend projections, and projections constrained by land supply. The GLA's 2013 round population projections are the most up to date available at the time of writing. Three variant trend projections (High, Central, Low) are available based on different assumptions about domestic migration patterns after 2017. Table 5.1 summarises the results of these and the Interim ONS 2011-based projections.

5.11 The High trend GLA projection assumes that the recent decline in net out-migration flows and the increase in in-migration flows between the rest of the UK and London is a permanent feature and will continue in the long term, despite the improving economic outlook. The Low trend projection assumes that the decline in net out-migration flows to the rest of the UK from London since the mid-

2000s is transient and that migration patterns will return to pre-2008 trends after 2018. The Central trend variant assumes that recent migration patterns will be partially transient and partially permanent. The projections of course include a range of additional assumptions. The recent increase in natural population growth was caused by continuing reductions in death rates and by growth in the numbers of people of child-bearing age as a result of in-migration. The number of births is projected to continue to increase slowly, but in the longer term there will be an increase in deaths arising from the increasing number of older people in the population. International migration levels are potentially subject to economic, social and political influences both within the UK and abroad. The projections assume that recent trends will continue.

5.12 The ONS 2011-based Interim population projections were developed by using previous 2010-based projections updated to a 2011 population base using the results of the 2011 Census, without changing assumptions relating to fertility, mortality and migration. As the 2011 Census population had a different age structure to the previous 2010-based population this has led to a number of anomalies which suggest that the GLA 2013 Round Trend Projections are likely to be more realistic in terms of assumptions about future trends. The ONS 2011 projections produce estimates of population growth in South East London which are considerably above even the 'High' GLA trend projection and this also suggests that they may not be as realistic as the GLA projections. A previous set of ONS 2010-based projections are also shown in the table for comparison purposes. These projections were based on assumptions which reflect demographic trends before the impact of the post-2007 economic and housing market crises.

Table 5.1 South East London: Comparison of population and household projections

| | | | GLA Trend Projection 2013 Round | | | ONS/CLG | |
|------------|-----------|------------|---------------------------------|-----------|-----------|---------------------------|----------------|
| | | | Low | Central | High | Interim 2011- based | 2010- based |
| Population | Number | 2011 | 1,366,480 | 1,366,480 | 1,366,480 | 1,364,466 | 1,356,000 |
| | | 2021 | 1,496,067 | 1,507,866 | 1,519,728 | 1,555,662 | 1,533,800 |
| | | 2031 | 1,563,952 | 1,601,266 | 1,639,345 | NA | 1,674,300 |
| | 2011-2021 | Increase | 129,586 | 141,385 | 153,248 | 191,196 | 177,800 |
| | | Ave pa | 12,959 | 14,139 | 15,325 | 19,120 | 17,780 |
| | | % increase | 9.5 | 10.3 | 11.2 | 14.0 | 13.1 |
| | 2011-2031 | Increase | 197,472 | 234,786 | 272,865 | NA | 318,300 |
| | | Ave pa | 9874 | 11739 | 13643 | NA | 15,915 |
| | | % increase | 14.5 | 17.2 | 20.0 | NA | 23.5 |
| Households | Number | 2011 | 562,894 | 562,894 | 562,894 | 562,892 | NA |
| | | 2021 | 629,104 | 633,689 | 638,296 | 608,786 | NA |
| | | 2031 | 677,048 | 692,180 | 707,606 | 654,137 | NA |
| | 2011-2021 | Increase | 66,210 | 70,795 | 75,403 | 45,894 | NA |
| | | Ave pa | 6,621 | 7,080 | 7,540 | 4,589 | NA |
| | | % increase | 11.8 | 12.6 | 13.4 | 8.2 | NA |
| | 2011-2031 | Increase | 114,154 | 129,286 | 144,712 | NA | NA |
| | | Ave pa | 5708 | 6464 | 7236 | NA | NA |
| | | % increase | 20.3 | 23.0 | 25.7 | NA | NA |

Sources: GLA 2013 Round population projections, Low, Central and High Trend Population and Household Projections; ONS 2010-based sub-national population projections; ONS interim 2011-based sub-national population projections; CLG interim 2011-based household projections.

5.13 Looking at the GLA population projections, the assumptions about domestic migration are the most complex. The long term pattern of net out-migration from London to the rest of the UK was disrupted by the economic and housing market crises of 2008 and subsequent years. In particular, the level of in-migration to London from other areas of the UK increased, while out-migration fell. The Central trend projection produced by GLA assumes that migration trends will partly but not fully return,

after 2017, towards their longer-term pattern. The three projections variants indicate growth in the population of South East London over the 2011-2031 period ranging from 14.5% (Low trend projection) to 20% (High trend), with the Central trend projection showing an increase of 17% (234,786 people). From 2011-2017, projections under the three variants are identical. In 2018, there is a difference of just over 3,000 people between the Central and the Low/High variants, rising to just over 37,000/38,000 by 2031.

5.14 Overall, the Central variant projections seems likely to provide the best assessment of future population change in South East London, reflecting post-2007 impacts but also allowing for a return towards previous patterns. Over time it will be important to monitor and to adjust these assumptions to ensure they reflect outcomes in practice.

5.15 Table 5.2 summarises the Central Trend projection results for the period 2011-2031 for South East London and for individual boroughs. The population is projected to grow by 234,786 over this period, or on average 11,739 per annum. The rate of annual growth is highest at the beginning of the projection period (1.36%) and lowest towards the end (0.53%). The projected level of natural change in South East London is projected to remain fairly constant at just over 13,000 per annum, as is net international in-migration (just over 9,500 per annum). In line with the assumptions underlying this projection, net out-migration to the rest of the UK is projected to grow slowly till 2018, after which it is projected to increase from 11,200 to reach over 13,000 in 2031.

5.16 As the table shows, this is a lower rate of increase than that projected for London as a whole (20%). At borough level, projected growth rates distinguish between Lewisham (20% growth), Greenwich (19%) and Southwark (18%) on the one hand and Bromley (15%) and Bexley (14%) on the other. In absolute numbers, Bexley is projected to experience growth of just over 30,000 people from 2011-2031, with the other boroughs gaining between 45,000 and 56,000 people each in broad terms.

Table 5.2 Projected population change 2011-2031

| | Population | | | Increase 2011- 2031 | Index (2011=100) | | |
|-------------------|------------|-----------|-----------|---------------------------|------------------|------|------|
| | 2011 | 2021 | 2031 | | 2011 | 2021 | 2031 |
| London | 8,217,475 | 9,203,293 | 9,839,366 | 1,621,891 | 100 | 112 | 120 |
| South East London | 1,366,480 | 1,507,866 | 1,601,266 | 234,786 | 100 | 110 | 117 |
| Bexley | 233,002 | 250,506 | 264,492 | 31,489 | 100 | 108 | 114 |
| Bromley | 311,110 | 336,976 | 356,266 | 45,156 | 100 | 108 | 115 |
| Greenwich | 255,483 | 284,694 | 304,620 | 49,137 | 100 | 111 | 119 |
| Lewisham | 277,525 | 312,093 | 333,539 | 56,014 | 100 | 112 | 120 |
| Southwark | 289,361 | 323,597 | 342,350 | 52,989 | 100 | 112 | 118 |

Source: GLA 2013 Round Population Projections, Central Trend Projection

Population composition

5.17 Greater London has a younger population than England, and over the period from 2001-2012 (Figure 5.7) the proportion of people in the 16-24 age group increased, whilst the proportion aged 65 and over reduced, in contrast to national trends. South East London followed the same trend, as did Lewisham, Southwark and Greenwich. Conversely, in Bexley and Bromley the proportion of people aged 65 and over increased, in line with the national trend. The proportion of children (0-15) in the population declined throughout South East London, except in Greenwich. The proportion of people aged 45-64 increased throughout South East London between 2001 and 2012. As a result, the working age population (16-64) grew from 66% to 68% of the total.

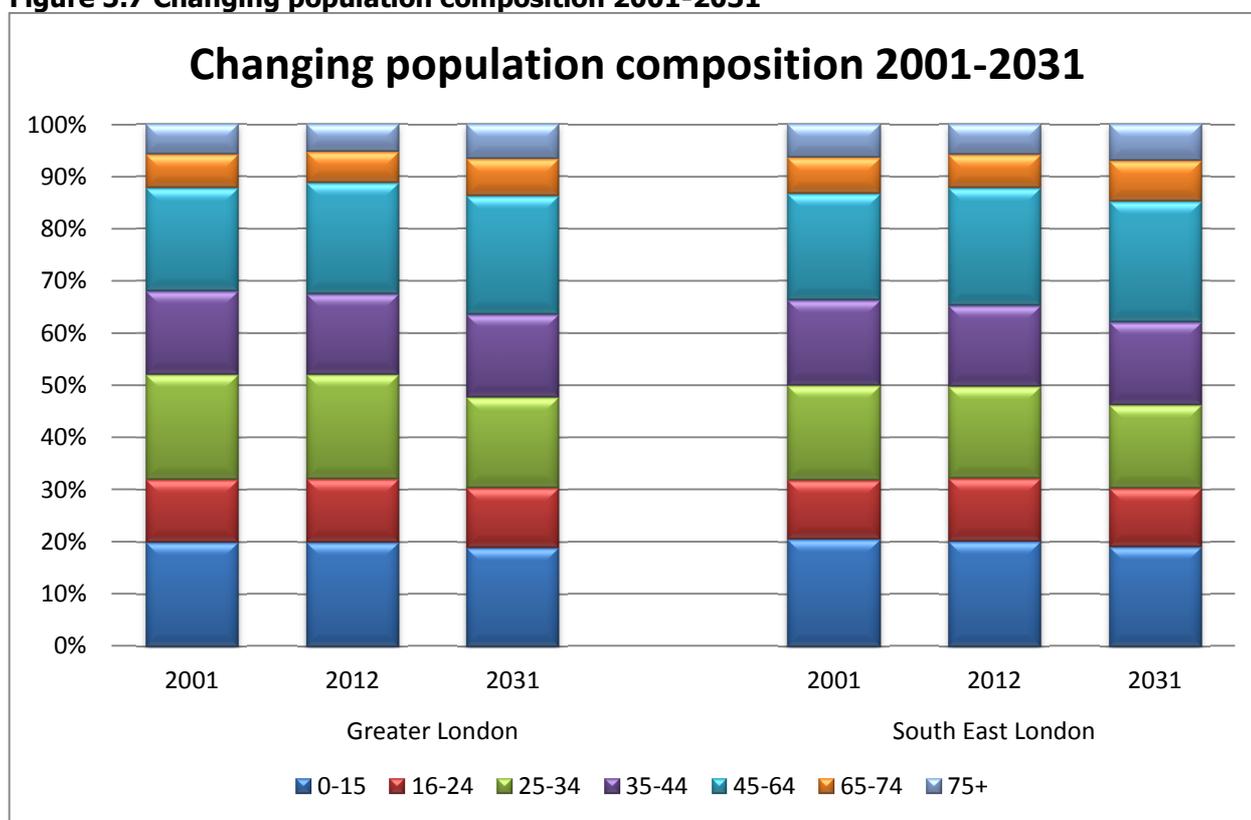
5.18 The GLA Central trend population projection suggests that the main feature of change in the population by age group over the 2012-2031 period will be the ageing process. For both Greater London and South East London, increases are projected in the proportion of people in all age groups of 35 and over, with the largest increases in the 65 and over groups. Hence the proportion of people aged 65 or

more in South East London is projected to grow from 12% to 15% over the 2012-31 period, whilst the 16-34 age group will decline from 30% to 27%. The working age population (16-64) is projected to fall back to its 2001 level of 66%.

5.19 Within South East London, all the Boroughs are projected to follow this ageing process. However, in Bexley and Bromley, which were already following this trend in 2012, the key feature is the level of growth in the proportion of people aged 75 or more, by around two percentage points in each case.

5.20 As the overall population of South East London is increasing, the absolute number of people in all age groups will increase, even though the proportions of younger people are projected to fall. For example the number of children aged 0-15 will grow by 10% between 2012 and 2031. Likewise the working age population will grow by 13%. Across South East London as a whole, the number of people aged 75 or more is projected to increase by over 31,000 (39%) between 2012 and 2031. The rate of growth is projected to increase particularly rapidly from 2017 onwards. This has obvious implications for a wide range of services including housing.

Figure 5.7 Changing population composition 2001-2031



Source: GLA 2013 Round population projections, Central Trend Projection

5.21 GLA projections also suggest that London's population will continue to diversify, with the numbers of people from Black, Asian and other minority ethnic communities expected to grow as a result of both natural growth (as the populations of these ethnic communities tend to be younger than the White population) and as a result of continuing migration from abroad. Over the period 2001-2012, the proportion of the White population in South East London fell from 75% to 66%, and by 2031 is projected to fall further to 58%.

5.22 Within South East London there were significant differences in the proportion of the population who were white in 2012, ranging from 53% in Lewisham and 54% in Southwark to 81% in Bexley and 84% in Bromley. In 2031, within the general pattern of an increase in the proportion of people from non-White ethnic groups, these differences will remain. This is discussed further in Chapter 7.

Household change

5.23 Households are more important in determining housing requirements than population. In 2011, there were 563,000 households in South East London, with an average of 2.4 persons per household. This represented an increase of 7% over the number of households in 2001, but the two are not directly comparable because of changes in the definition of a household used in the 2011 Census.

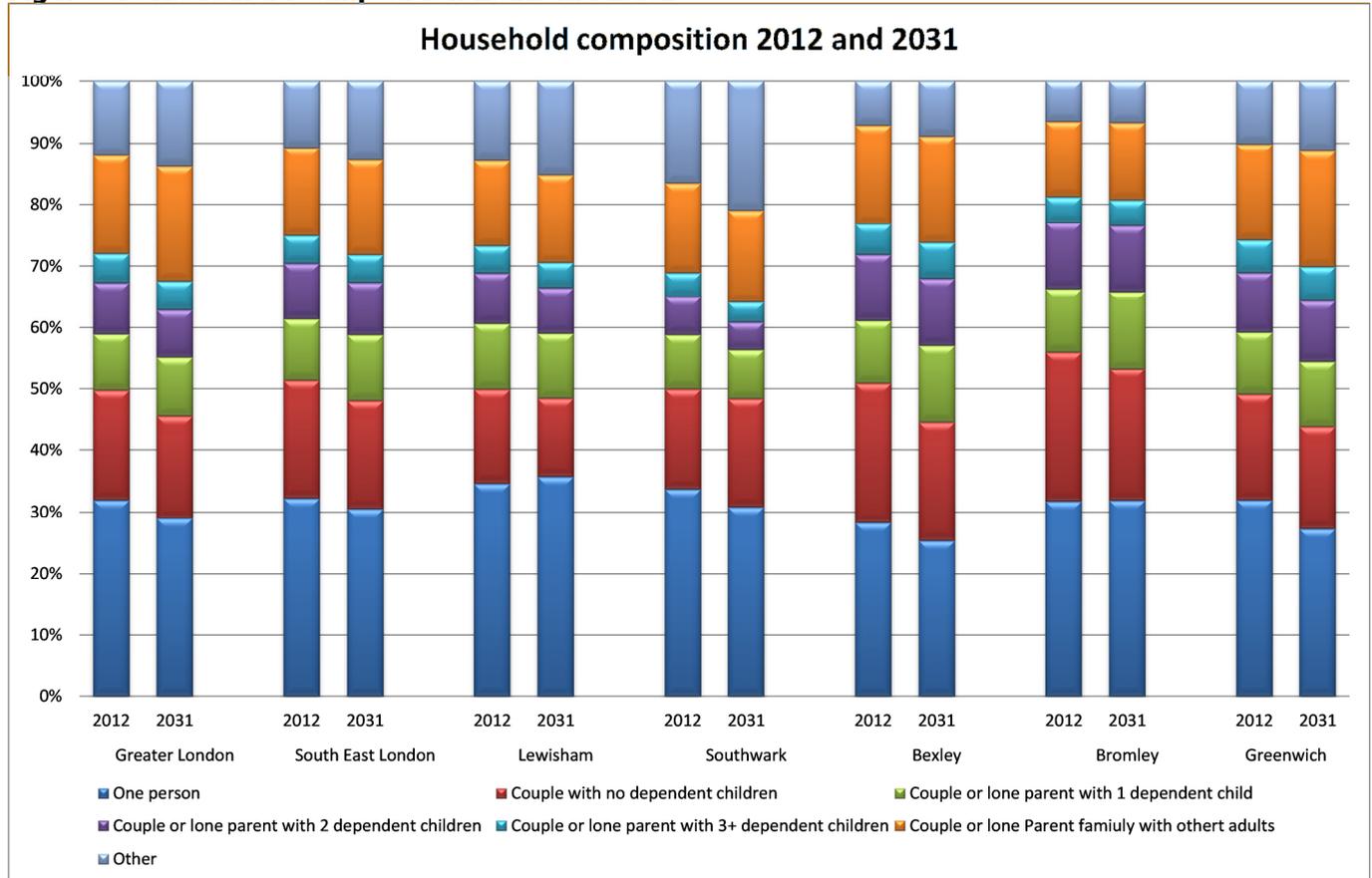
5.24 Figure 5.8 shows households by type in 2012. 32% of households in South East London in 2012 consisted of one person living alone, a similar proportion to that for Greater London as a whole. Lewisham and Southwark had higher proportions of one person households (35% and 34% respectively), whilst Bexley had fewer one person households (28%). Bromley and Greenwich each had 32%. Some 19% of households were couples without dependent children or other adults, a slightly higher proportion than for Greater London. Bexley and Bromley have significantly higher proportions of couples without dependent children or other adults than the rest of South East London (23% and 24% respectively, whilst the other Boroughs have lower proportions.

5.25 24% of households in South East London in 2012 were couples or lone parents with dependent children (compared to 22% for Greater London as a whole). Southwark stands out with only 19% of households in this category, whilst Bexley, Bromley and Greenwich had around 25%.

5.26 Finally, 25% of households were other multi-person households (for example couples or lone parents with other adults and with or without dependent children) or other households not in the above (for example groups of single people living together). Greater London had a higher proportion (28%) in this category, and within South East London, so did Southwark (31%). At the other extreme, only 19% of households in Bromley fell into this group.

5.27 Broadly speaking, Southwark stands out from the rest of South East London in having relatively few couples with or without dependent children or lone parents, and high proportions of people living alone or other multi-person households. In contrast almost half of households in Bexley and Bromley in 2012 were couples with or without dependent children or lone parents and there were fewer other multi-person households. Lewisham and Greenwich fell between these extremes.

Figure 5.8 Household composition 2012 and 2031



Source: GLA 2013 Round Central Trend Household Projection

Household projections

5.28 Projecting household numbers in the future is, like projecting population, a complex process involving a range of assumptions. Projections at the present time are made more difficult by changes to household definitions but also by the impact of the economic and housing market crises from 2008 onwards. For many decades up to 2011, average household size had been declining but the 2011 Census found a reversal in this trend, with average household size in London, for example, increasing from 2.37 to 2.47 between 2001 and 2011. Some recent commentators¹ consider that this reversal of the long term trend is a temporary phenomenon, brought about by a combination of reduced housing supply over this period, the financial hardship brought about by increased unemployment or uncertainty over employment security, and by the slowdown in housing market activity. If this is the case, economic and housing market recovery are likely to see trends revert to the longer term picture of declining household size, with some degree of 'catching up' by households unable to form during the post 2007 period.

5.29 Suppressed household formation is likely to lead to an increase in concealed family households. The 2011 Census revealed that this occurred between 2001 and 2011, with most of the increase likely to have been concentrated in the latter part of this period. GLA projections show over 83,000 households made up of a couple or single parent with other adults with a projected increase to 108,000 in 2031, although these do not necessarily include concealed households sharing involuntarily. It is also likely to lead to an increase in the number of other multi-person households and to a reduction in one person households, as children remain living with their parents on reaching adulthood and as groups of unrelated adults (predominantly but not exclusively younger people living in the private rented sector) form households rather than live alone. The process of younger people forming multi-adult households has been apparent in London for some time, driven by the already high cost of housing there. It is reflected, for example, in trends in household formation in GLA forecasts (Figure 5.9). It is one of the

¹ See for example *Planning for housing in England Understanding recent changes in household formation rates and their implication for housing planning in England*, by Neil McDonald and Peter Williams, University of Cambridge, RTPi Research Report 4, 2014.

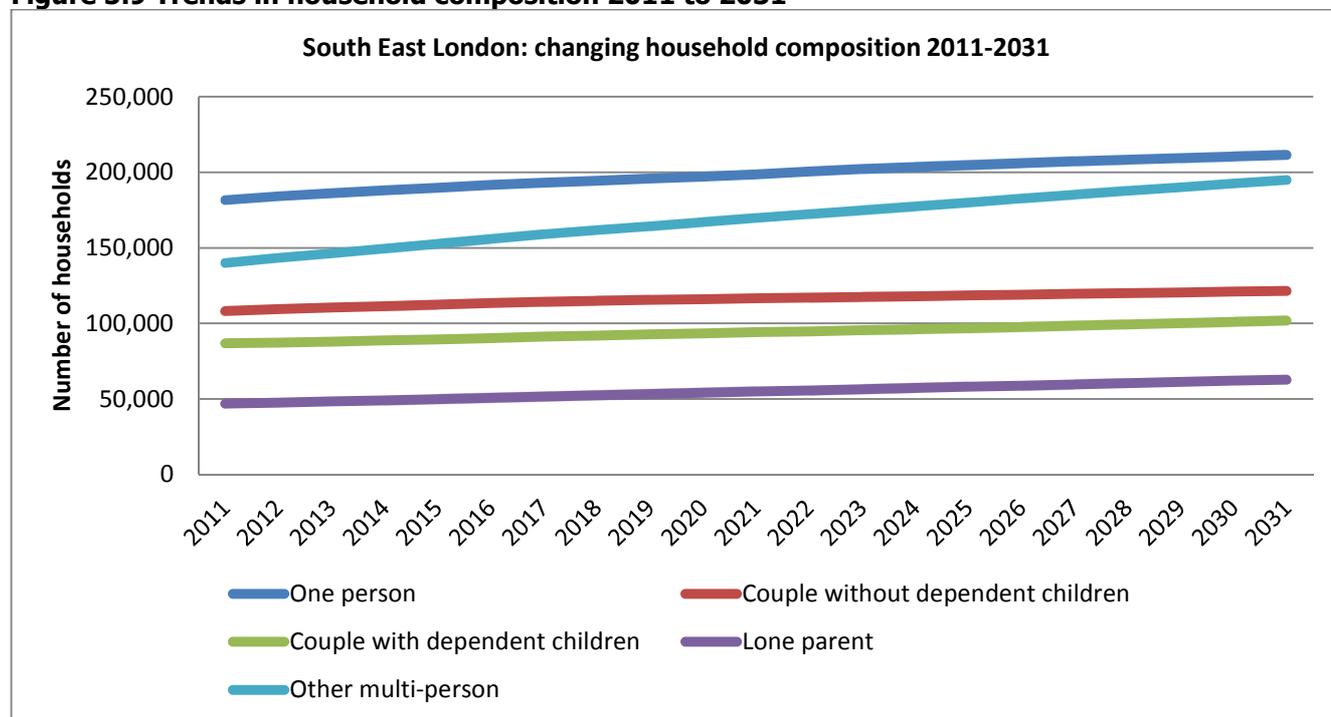
factors driving investment in private rented housing, as the return which can be achieved from renting to groups of young adults is much higher than that which can be obtained from families, because the number of earners is often much higher. A key issue for policy is whether this trend can/should be addressed through increased housing provision.

5.30 The GLA 2013 Round Central Trend household projections assume that household size will, from 2011, once again resume a downward trend, although the rate of decline is not assumed to catch up to its previous trajectory. For Greater London for example, average household size is projected to fall from 2.47 in 2011 to 2.37 in 2031, where earlier projections envisaged the average in 2011 to be 2.33 persons per household, falling to 2.20. This represents some reduction in the gap between current and earlier forecasts but not a catching up. In South East London, average household size is now projected to fall from 2.40 in 2011 to 2.29 in 2031.

5.31 Table 5.1 above showed projected household change under the Low, Central and High GLA Trend projections. These show household growth ranging from 5,700 per annum (Low variant), through 6,500 (Central variant), to 7,200 (High variant). The growth in households projected over the 2011-2031 period ranges from 20% to 26% with the Central variant suggesting a 23% growth, or almost 130,000 households. All three variants show relatively significant levels of household growth. As the table shows, growth rates are higher during the first decade of the projection period than from 2021 onwards. As indicated above, the Central variant household projections provide the most realistic set of assumptions but it will remain important to monitor these assumptions going forward.

5.32 Table 5.3 below shows the number of households projected in South East London over the 2011-2031 period under the Central variant in each borough. The largest increases are projected for Greenwich (27%), Lewisham (26%) and Southwark (25%), with Bexley (19%) and Bromley (18%) growing more slowly, although this still represents a substantial level of increase.

Figure 5.9 Trends in household composition 2011 to 2031



Source: GLA 2013 Round Central Trend Household Projection

Table 5.3 Projected household change 2011-2031

| | Households | | | Increase 2011-2031 | | Average hhd size | |
|-------------------|------------|-----------|-----------|--------------------|----------------|------------------|------|
| | 2011 | 2021 | 2031 | Total | Annual average | 2011 | 2031 |
| London | 3,278,340 | 3,738,132 | 4,104,484 | 826,144 | 41,307 | 2.48 | 2.37 |
| South East London | 562,894 | 633,689 | 692,180 | 129,286 | 6,464 | 2.40 | 2.29 |
| Lewisham | 116,550 | 133,450 | 146,771 | 30,222 | 1,511 | 2.36 | 2.25 |
| Southwark | 120,650 | 137,864 | 150,239 | 29,588 | 1,479 | 2.35 | 2.24 |
| Bexley | 92,905 | 102,226 | 110,771 | 17,865 | 893 | 2.50 | 2.37 |
| Bromley | 131,353 | 143,688 | 155,166 | 23,813 | 1,191 | 2.35 | 2.28 |
| Greenwich | 101,435 | 116,461 | 129,234 | 27,798 | 1,390 | 2.47 | 2.32 |

Source: GLA 2013 Round Trend Central Household Projection

5.33 In terms of projected household composition, all household types except other multi-person households (people living alone, couples or lone parent families with or without dependent children) are projected to remain static or decline as a proportion of all households in South East London up to 2031. The proportion of other multi-person households will increase by about 3%, with off-setting reductions in the proportions of people living alone and couples without dependent children. The growth in multi-person households and reduction in people living alone is in part driven by affordability issues. The overall pattern is made more complex because trends amongst younger households (for more single parents with dependent children, more multi-person households and fewer people living alone) are overlain by the ageing process (which keeps up the numbers of older people living alone or as couples without dependent children, reflecting historical patterns of household formation). The pattern of change is broadly similar for individual boroughs, with some exceptions for particular household types (for example a small projected increase in one person households in Lewisham and in couples with or without dependent children and lone parent households in Greenwich).

Demand driven by the economy

5.34 The National Planning Practice Guidance issued by DCLG in March 2014 indicates that the evidence base for development plans should include an assessment of the likely change in job numbers based on past trends and economic forecasts. This should be compared to projected change in the working age to assess the impact of employment change and whether this has implications for the need for new housing.

5.35 South East London has a large economy with around 600,000 jobs in 2011. However South East London is itself part of the large and complex Greater London economy, with high levels of economic and commuter linkages to other parts of the city and to other parts of the UK, especially the South East. Before looking in detail at the impact of the South East London economy on housing demand, it is useful to briefly look at the London economy as a whole.

Greater London economy

5.36 The Greater London Authority produces regular assessments of recent economic change and future economic prospects for London which provide a detailed profile of the London economy. In broad terms the London economy is dominated by service activities with less than half the UK average proportion of people working in manufacturing. The key areas of service activity currently specialise in finance and insurance; professional, scientific and technical activities (e.g. management consultancy, legal activities and accountancy); information and communication (including computer programming, motion picture activities and publishing); real estate; and business support services (cleaning and private security for example).

5.37 A high proportion of London's jobs in these sectors (and especially in professional and business support services, public services, information and communication, and finance and insurance) are in managerial, administrative, professional or associate professional/technical occupational groups, in part

because of the concentration of 'head office' functions in London. These occupation categories tend to include high proportions of people educated to degree or higher degree standard. As a result, almost half of London's jobs are held by people with a degree and this proportion is expected to exceed 50% over the next two decades.

5.38 The London labour market was affected by the recent recession but has shown considerable resilience and is recovering at a much stronger rate than in other parts of the UK. Employment fell in 2008-09 but recovered to previous levels by 2011. GLA Economics' latest medium term projection suggests that London's employment will grow in each year from 2012 to 2015, and in the longer term will increase 4.9 million jobs in 2011 to 5.8 million jobs in 2036. This is an increase of 861,000 over the whole period and an annual average growth of just over 35,000 jobs. Importantly, these are net changes to employment. In 2012 outflows and inflows were estimated to exceed 500,000. Employment is forecast to grow in most sectors but the most significant long term growth is projected in those areas of existing specialism: professional, real estate, scientific and technical activities, information and communication, administrative and support service activities, and accommodation and food services. In contrast, employment in manufacturing, wholesale, transportation and storage, and public administration are all projected to decline.

5.39 Not surprisingly these changes will increase the demand for professional occupations, managers and administrators who will account for some 45 per cent of all jobs in London by 2036. In contrast, there is projected to be a decline in the demand for clerical and secretarial occupations. This will increase the demand for people educated to degree level. The proportion of jobs requiring no qualifications is projected to fall to less than 5 per cent.

5.40 In 2011, almost 850,000 people commuted into London from outside the capital, representing 19% of all jobs in the city. The number of commuters has increased steadily from just over 700,000 since the early-2000s, and the proportion has also risen. Conversely, over 300,000 people living in London worked elsewhere.

5.41 London's population aged between 16 and 64 (the working age population) is projected to increase from 5.7 million in 2011 to over 6.6 million by 2031 and 6.8 million by 2036, an increase of 1.1 million people. At the current economic activity rate for London, this suggests the number of London residents in employment will increase by around 700,000. This is lower than the projected extra 861,000 jobs over the projection period, suggesting either a continuing (although slower than in the past) increase in inward commuting, or a requirement for improvements in labour force participation rates. GLA highlights for example the potential for increased labour force participation by older people.

South East London economy

5.42 The five South East London boroughs accounted for just under 600,000 of the 4.9 million jobs in London in 2011 according to GLA projections (Table 5.4). This represents only about 12% of the London total. With the exception of Southwark, the main centres of employment in London are outside the South East sub-region.

Table 5.4 Employment projections 2011-2036

| | Employment (000s) | | | | | Growth 2011-2031 | |
|-------------------|-------------------|-------|-------|-------|-------|------------------|------|
| | 2011 | 2016 | 2021 | 2026 | 2031 | Number | % |
| London | 4,896 | 5,057 | 5,224 | 5,396 | 5,573 | 677 | 13.8 |
| South East London | 588 | 623 | 641 | 665 | 690 | 102 | 17.3 |
| Bexley | 76 | 81 | 78 | 80 | 82 | 6 | 7.9 |
| Bromley | 118 | 120 | 123 | 127 | 130 | 12 | 10.2 |
| Greenwich | 79 | 85 | 89 | 93 | 97 | 18 | 22.8 |
| Lewisham | 73 | 77 | 81 | 85 | 89 | 16 | 21.9 |
| Southwark | 242 | 260 | 270 | 280 | 292 | 50 | 20.7 |

Source: *Draft further alterations to the London Plan, the spatial development strategy for Greater London*, January 2014 table 1.1 p23. Mayor of London (2014)

5.43 In 2013, the economic activity rate for South East London (as a proportion of the working age population) was 78%, the same as the national average. The average for London was slightly lower (77%). London's economic activity rate is consistently slightly below the England rate over time. Bromley and Lewisham (80%) and Bexley (79%) have the highest rates within South East London and Greenwich has the lowest rate (75%). 7% of the working age population in South East London in 2013 was unemployed, compared to 9% across London and 8% in England as a whole. Borough rates varied from 6% in Bromley to 11% in Greenwich, with Lewisham and Southwark also have rates of 10%. The inclusion of economically inactive people wanting work increases the South East London rate to 15%, with the borough level rates ranging from 18% in Southwark to 11% in Bromley. 11% of people in South East London were receiving benefits related to worklessness, with Greenwich, Lewisham and Southwark having rates above this (around 13%) and Bexley and Bromley below (around 9%). Like London as a whole, South East London has a high proportion of self-employed people (12%), with Bromley having the highest proportion (15%) and Greenwich and Bexley well below the average (8%).

5.44 The South East London economy, like that of London as a whole, is dominated by service activities (91% of employment) with only half the UK average proportion of people working in manufacturing (5%). The key areas of service activity in South East London are finance, IT, and other business activities (43% of employment, compared to 35% in London and 23% across England as whole). Fewer people work in transport & communications, distribution, hotels and restaurants, and tourism related services. About the same proportion of people work in public administration, education and health as in London as a whole (22%). Bexley has a higher proportion of people in manufacturing (8%) although this is still below the national average; and Bromley has even fewer in this sector than the London-wide average (4%).

5.45 Like London as whole, this industrial structure tends to generate jobs in managerial, administrative, professional or associate professional/technical occupational groups (53% of employment), although there are more people in associate professional/technical occupational groups and fewer managers than the London-wide average. South East London has more people working in administrative and secretarial positions, people providing caring, leisure and other services. There are fewer people in process, plant and machinery occupations, skilled trades or elementary occupations than in England as a whole. Differences between boroughs in terms of occupational structure are greater. Bexley and Greenwich have significantly fewer people in the managerial/professional sectors (around 42%) and Southwark has significantly more (60%). In Bexley, there are higher proportions of people working in administrative and secretarial employment, skilled trades, and process, plant and machinery occupations. In Greenwich, more people work in sales and customer services and elementary occupations.

5.46 The occupational structure of London and South East London tends to result in higher proportions of people educated to higher levels (the proportion of people qualified to NVQ4 or above is around 47% in both cases). Southwark and Lewisham (each 56%) have even higher proportions of people educated to this level. Greenwich and Bromley are slightly below the London/South East London level, but in Bexley the proportion of people with NVQ Level 4 qualifications is much lower (28%), but the difference is made up by people with Level 2 qualifications rather than with no qualifications at all. Southwark (10%) has the highest proportion of people without qualifications – about the same as the national average.

5.47 Chapter 2 examined patterns of commuting into and out from South East London. Across South East London as a whole, about 305,000 people lived and worked in South East London in 2010/11. A further 329,000 people commuted out of South East London to other areas, with the majority (86%) travelling elsewhere in London. This was more than offset by some 379,000 people who commuted into South East London from elsewhere, with 56% of this total travelling from other parts of London and 44% from outside London, especially areas to the east and south. Thus some 55% of workers living in South East London travelled outside the area for employment.

5.48 These patterns of commuting differ for individual boroughs (Table 5.5). Four of the five boroughs in South East London have a higher proportion of people living and working locally than South East

London as a whole (normally the larger the area the higher the proportion of people living and working within it). Bexley, Bromley, Greenwich and Lewisham all experienced net outward commuting. Bexley had the highest proportion of workers living within the borough (59%), followed by Bromley (55%), and Lewisham (53%). In Greenwich, 47% of workers lived locally. In contrast Southwark had a major net inward commuting balance, resulting in only 13% of workers living within the borough. This figure reduces the sub-region-wide commuting level considerably.

Table 5.5 Commuting 2010/11

| | Living and working within borough/sub-region | Travelling out of borough/sub-region | Travelling into the borough/sub-region | Net outward commuting | Percentage of workers living in the borough/sub-region |
|-------------------|--|--------------------------------------|--|-----------------------|--|
| Bexley | 40,867 | 65,057 | 28,541 | 36,517 | 59 |
| Bromley | 48,802 | 100,911 | 39,312 | 61,599 | 55 |
| Greenwich | 36,033 | 68,869 | 40,529 | 28,340 | 47 |
| Lewisham | 30,600 | 97,297 | 27,380 | 69,917 | 53 |
| Southwark | 51,374 | 93,977 | 339,645 | -245,668 | 13 |
| South East London | 304,550 | 329,476 | 378,531 | -49,055 | 45 |

Source: ONS Annual Population Survey 2010, 2011 *Average of 2010 and 2011. See ONS (2013) Information About Commuter Flows Data from the Annual Population Survey at <http://www.ons.gov.uk/ons/rel/regional-trends/area-based-analysis/commuting-patterns-from-the-annual-population-survey--local-authorities--2010-and-2011/information-about-commuter-flows-data-from-the-annual-population-survey.html>

Future employment

5.49 Employment growth is increasingly recognised as a potential driver of housing demand and it is important to consider its impact on South London. Employment in South East London is projected to increase significantly (Table 5.4), by 102,000 (17%) between 2011 and 2031, a somewhat higher rate than for London as a whole (14%). Southwark (41%) and Bromley (20%) had the largest shares of employment in 2011. Employment is projected to increase by more than 20% over the next two decades in Greenwich, Lewisham and Southwark, but by only 10% in Bromley and 8% in Bexley. However this has only a small impact on relative shares of employment between boroughs.

5.50 Table 5.6 looks at the implications of this level of employment growth when set against projected demographic change in South East London. Drawing on the GLA 2013 Round Central Trend population forecast examined earlier in this chapter, the number of people of working age (16-64) is forecast to increase in all boroughs and by about 133,000 across the whole of South East London. Changes in the State Retirement Age (the point at which the State Retirement Pension is available), and a worsening in the returns from private or occupational pension are likely to have an impact on the labour force over the next two decades, as older people choose, or are obliged to remain for longer in employment. This represents a substantial increment to the working age population, of almost 30,000 people coming onstream. At present across South East London 78% of people of working age are economically active, although rates vary by borough. Assuming that this rate remains unchanged over time, this will result in about 126,000 additional economically active people in South East London in 2031. At current employment rates, this will result in 114,000 workers. This is above the forecast number of new jobs (102,000). In overall terms therefore, projected employment growth will not exceed labour supply and generate additional in migration. The additional complexity of commuting patterns also impacts on the position. Under present commuting patterns, only about 45% of these additional workers would seek employment in South East London, with the balance commuting in from elsewhere. It is possible that this pattern might change – and in addition the shortfall in projected employment growth in South East London on its own could generate increased outward commuting, or reduced migration. Table 5.6 summarises these estimates.

5.51 Looking at individual borough data, the picture is more complex. Almost half of the projected jobs growth in South East London will occur in Southwark. Even without taking into account commuting patterns, the projected growth in the working age population in Southwark will only provide for about 50% of projected employment growth, and with existing commuting patterns the shortfall even greater.

In each of the other boroughs, the increase in the potential workforce exceeds projected jobs growth. In Bexley, where projected jobs growth is more limited, the projected labour supply is greater than the projected increase in jobs even after taking account of commuting, so commuting from Bexley will need to increase. In Bromley and Lewisham, labour force and jobs growth are more or less in balance if existing commuting patterns continue to apply. Greenwich has a potential shortfall in labour supply, but on a smaller scale than Southwark.

Table 5.6 Working age population and employment growth 2011-2031

| | Working age population | | Addition- al aged 65/66 | Increase in WAP | Econom- ically active | Employ- ed | Forecast employ- ment growth | Working in area | Workers less Jobs |
|------------|------------------------|-----------|-------------------------------|--------------------|-----------------------------|---------------|---------------------------------------|--------------------|-------------------------|
| | 2011 | 2031 | | | | | | | |
| Bexley | 147,684 | 162,153 | 5,841 | 20,310 | 16,004 | 14,765 | 6,000 | 8,694 | 2,694 |
| Bromley | 197,398 | 217,017 | 8,082 | 27,701 | 22,022 | 20,776 | 12,000 | 11,507 | -493 |
| Greenwich | 173,696 | 202,088 | 5,311 | 33,703 | 25,277 | 22,446 | 18,000 | 10,564 | -7,436 |
| Lewisham | 193,427 | 229,868 | 5,412 | 41,853 | 33,273 | 29,799 | 16,000 | 15,727 | -273 |
| Southwark | 212,927 | 246,901 | 4,939 | 38,914 | 29,652 | 26,422 | 50,000 | 3,471 | -46,529 |
| South East | | | | | | | | | |
| London | 927,143 | 1,060,058 | 29,586 | 162,500 | 126,229 | 114,209 | 102,000 | 49,963 | -52,037 |

Sources: GLA 2013 Round Central Trend population projections for working age population, with adjustments as indicated in text; forecast employment growth as in Table 5.4.

5.52 Employment growth forecasts are, of course, subject to uncertainty, as are population projections. In addition, there are considerable uncertainties relating to the composition of the future labour force, especially around participation rates amongst people in their sixties and especially those over the long standing 65/60 retirement age threshold. The factors affecting participation by older people are complex and include changing health, childcare patterns, the nature of employment, and the attitudes of employers. The analysis above is based largely on existing economic activity rates, employment rates and commuting patterns but these may change as a result of economic or social trends or policy. Accepting these constraints, the analysis suggests that overall, there will be a reasonable balance between projected population and employment growth across South East London as a whole over the next two decades. Employment growth is not likely to be constrained by limited population growth, unless the current forecasts of population growth are over-optimistic, or cannot be achieved for example because of an insufficient supply of housing. On the contrary, the supply of labour seems more likely to exceed jobs growth, but the difference is not of sufficient magnitude to be of concern given the range of other uncertainties. Except in Southwark, the differences are such as to be catered for by shifts in commuting patterns, provided that population growth on the scale projected is achieved. In Southwark, projected employment growth is well above the projected increase in labour supply, reflecting existing patterns and the special locational factors influencing the concentration of employment in the borough.

5.53 The future composition of employment will affect the type of housing required in the future in South East London. Better paid employment will reduce housing need to some extent and increase housing demand. GLA forecasts suggest that employment growth in London to 2031 will be concentrated in the professional, real estate, scientific and technical activities sectors, information and communication, administrative and support service activities, and accommodation and food service activities. Manufacturing, wholesale, transportation and storage, and public administration are all projected to see declines in employment. However the impact of these changes on earnings will depend on the mix of occupations within each sector. It will be important to monitor the pattern of earnings as this will impact in the longer term on the level of housing need. If the benefits of this projected expansion in higher-echelon sectors are to benefit local residents, there are issues around the skill sets of the resident population that need to be considered which are beyond the scope of this study.

5.54 The employment forecasts produced by GLA have been used as a basis for this assessment of the relationship between housing and employment growth because they are up to date, extended in timescale to cover the whole 2011-31 period, and specific to South East London and individual

boroughs. However there are many forecasters and models for producing employment projections, especially for the shorter term. Some are projecting a more rapid employment growth in London in the short term. A projection by Oxford Economics² projects London-wide average jobs growth of 63,000 per year up to 2020, compared to 33,000 per annum over the same period projected by GLA. The projection does not provide data for South East London in isolation. Growth on this scale might require a considerably higher level of in-migration and housing provision to sustain it. However, it is also important to recognise that the cyclical nature of economic growth means that higher levels of short term growth may not be inconsistent with the long term growth rates projected by GLA.

Developments in transport infrastructure

5.55 The Greater London Authority has an ambitious strategy for transport improvements across London which aims, to support economic development and employment growth. These include improvements to the Tube with extended services, new trains and stations which are easier to navigate, improvements to transport for people with disabilities, better connections for deprived areas, better buses, improvements to cycling routes, and a range of measures to improve rail travel. There is a long-standing debate on the need for a new bridge across the Thames at Gallions Reach (with divergent views between the boroughs). There are also a number of other major investment projects which are likely to have a direct impact on the accessibility of the areas which they affect, and hence on employment provision and housing demand. The most significant of these is Crossrail.

5.56 The Crossrail project to improve existing routes and develop new rail routes along an east-west corridor from Bexley through Woolwich and onward through central London over the 2009-2020 period is likely to have a major impact on the northern part of South East London. The project includes a new station at Woolwich and replacement of the station at Abbey Wood where the route will connect with the existing North Kent line. The route of an extension through Bexley to Dartford, Gravesend and beyond is also being safeguarded. As well as improving accessibility to central London, Crossrail will provide job opportunities and encourage regeneration. This is likely to attract both residential development and employment growth to these areas. The 2012 Property Impact Study carried out by Crossrail also concluded that residential capital values are projected to increase by 20 per cent in areas around Woolwich and Abbey Wood. This will impact adversely on affordability and it will be important to monitor prices and rents in these areas going forward. During stakeholder consultation for this study, some participants suggested that Crossrail had already impacted on property values and investment in some parts of South East London such as Woolwich.

5.57 In the 2014 Budget the Chancellor of the Exchequer confirmed plans for housing development in the Ebbsfleet area of Dartford and Gravesham. The Ebbsfleet 'garden city' represents a model which the Chancellor hopes to see roll out. An additional 15,000 homes are proposed – 5,000 fewer than proposals originally announced in 2012. If it comes forward, development in this area is likely to attract some households from South East London and thus to impact on the London housing market, but the impact will depend on both the overall scale of development achieved and progress with delivery, which remain uncertain at this stage. While Ebbsfleet is a short travel time from central London (17 minutes by train) the cost of rail transport will also be a factor affecting South East Londoner's desire to move there.

Conclusion

5.58 Overall, this review of housing market drivers produces a picture which suggests strong levels of population and household growth in South East London. The picture of growth is in part driven by natural population change and the assumption that past trends in migration will continue, but it is also, crucially, supported by projections of future employment growth both in South East London and more broadly across London as a whole which suggest that significant population and household growth will be needed to support the future economy. The ageing of the existing population of South East London makes a contribution to this process as other things being equal, higher levels of in-migration or

² Oxford Economics (2012), *The economic outlook for London: Report prepared for the City of London Corporation by Oxford Economics*, December 2012

commuting are required to compensate for the reduction in the population of working age.