

# 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:

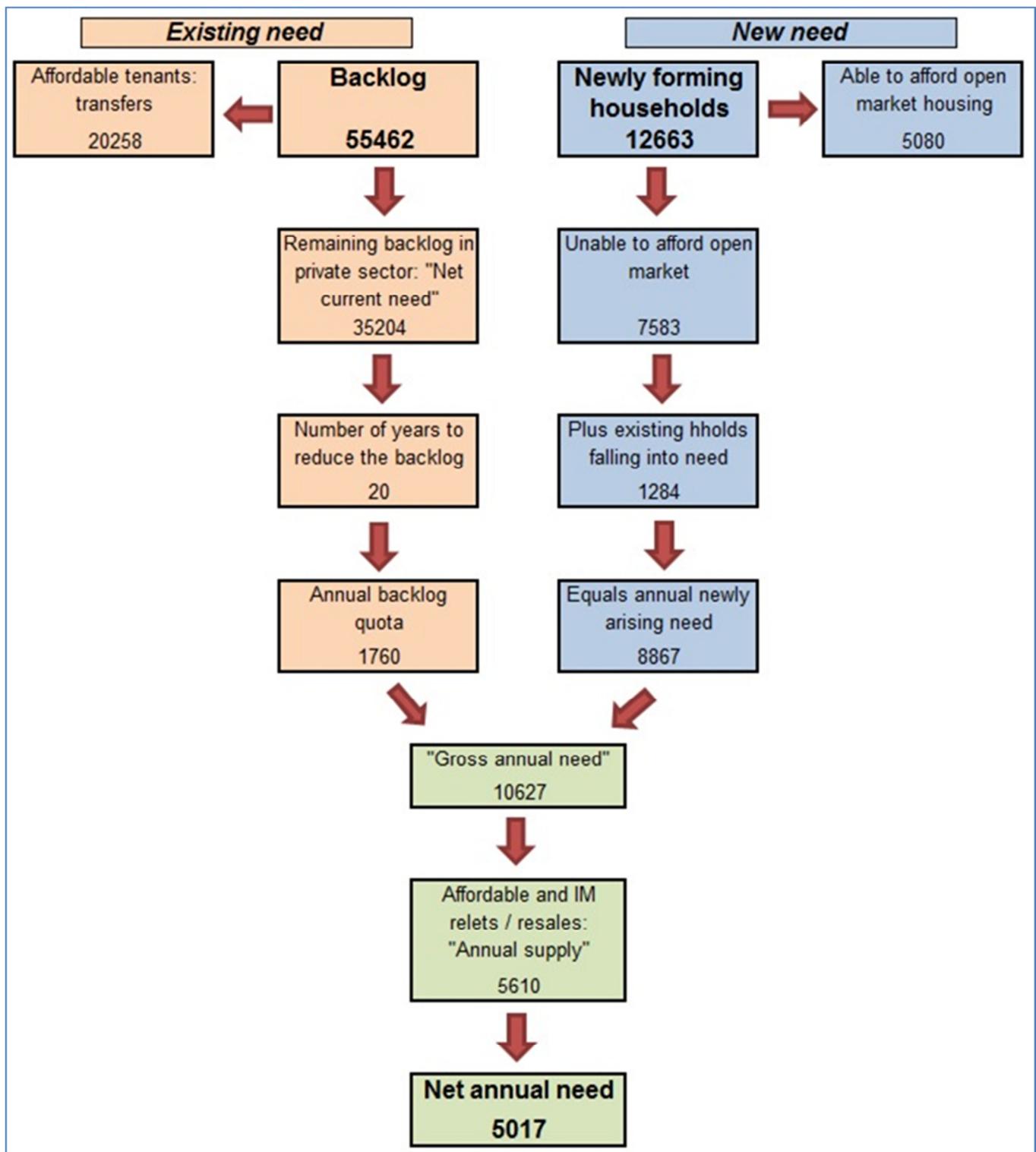
- There is a total housing requirement of about 143,800 dwellings in South East London during the 2011-2031 period, or just under **7,200 per annum**
- The current backlog unmet need for affordable housing in South East London is estimated to be circa **55,500**. We assume that this backlog will be addressed 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.

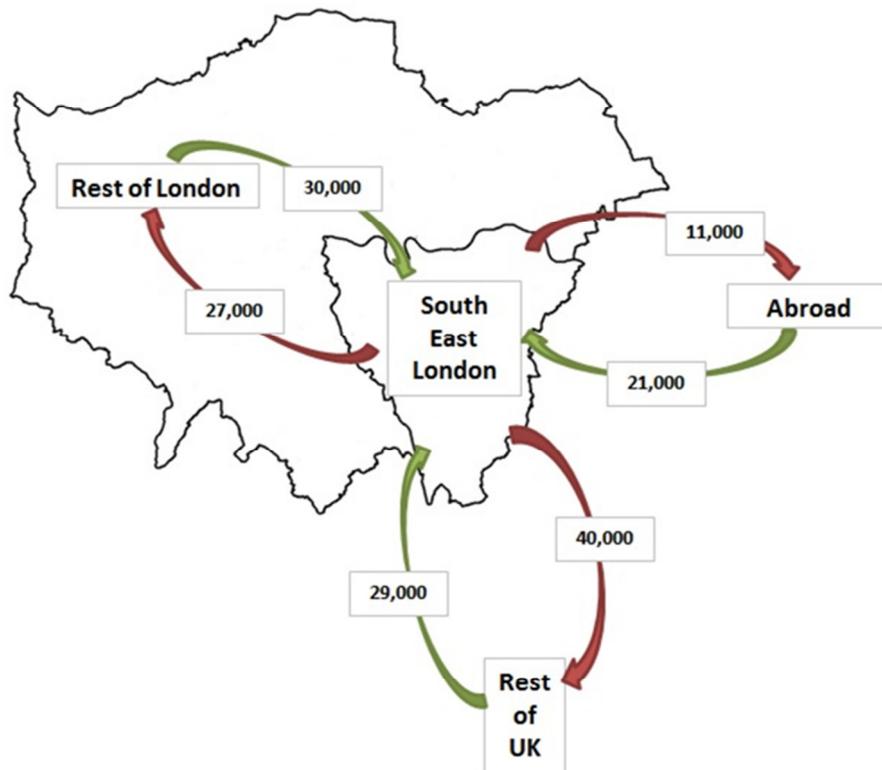
Demographic demand is demand driven by population growth, both natural (more births than deaths) and migrational. The population of South East London is projected to grow by 235,000 over the 2011-2031 period, on average over 11,700 per annum.

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.