

Strategic Housing Market Assessment Report

Executive Summary

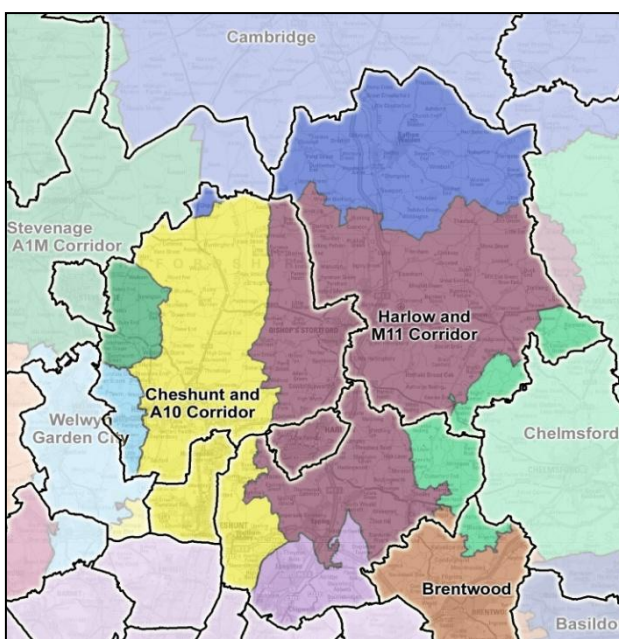
Introduction

1. This is an executive summary of the Strategic Housing Market Assessment (SHMA) report for the housing markets of the London Commuter Belt (East)/M11 sub-region (LCB (East)).
2. The SHMA was commissioned in 2008 by Brentwood Borough Council, Broxbourne Borough Council, East Herts District Council, Epping Forest District Council, Harlow District Council and Uttlesford District Council which, for the purposes of this study, are collectively called the London Commuter Belt (East)/M11 sub-region

What is a SHMA?

3. A SHMA is a framework that local authorities and regional bodies can follow to develop a good understanding of how housing markets operate. It promotes an approach to assessing housing need and demand which can inform the development of local development document and regional spatial strategy planning for housing policies, as set out in Planning Policy Statement 3: Housing (PPS3). The government has issued Practice Guidance setting out the framework of a SHMA and suggests how it might be carried out.
4. The SHMA framework consists of an evidence base and a process. The process included consultation and involvement partners and stakeholders to develop a housing market partnership (HMP). This process enabled those involved to share and pool information, intelligence and will help to ensure that SHMA findings are regularly reviewed; assist in the analysis and interpretation of housing market intelligence; and consider the implications of the assessment.
5. A SHMA should be considered robust and credible if, as a minimum, it provides all of the core outputs and meets the requirements of all of the process criteria stated in the Practice Guidance.

Why the SHMA was undertaken at the sub-regional level?



6. Housing markets do not necessarily follow local authority boundaries. The LCB(East) SHMA has concluded that there are two substantial sub-markets covering most of this area – Cheshunt/A10 to the west of the area and Harlow/M11 to the east of the area – with Brentwood identified as a further independent sub-market. The analysis also showed the north of Uttlesford (including Saffron Walden) to be part of the Cambridge sub-market, while Chigwell and surrounding areas (in the very south of Epping Forest) were associated with North London. The Chelmsford, Stevenage and Welwyn Garden City housing sub-markets all

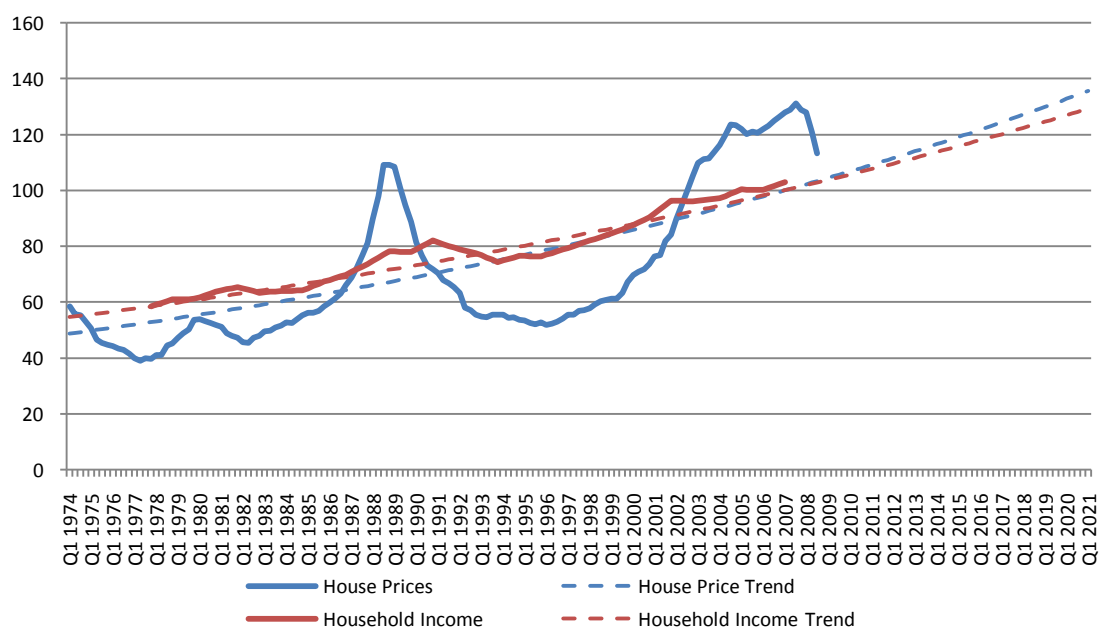
encroach into LCB (East)/M11 sub-region, but none include any significantly populated areas.

What methods were employed what assumptions were made?

7. Consultants ORS have developed housing market models to estimate the future housing requirements of existing and emerging households. Models are based upon a large number of secondary data sources such as the Census, the Land Registry, Local Authority records etc.
8. The SHMA uses the following definitions, information and processes;
 - PPS3 definitions and requirements;
 - Use of trend based assessment of the social housing requirement in the context of increasing numbers of households, changing demographics and future sales of existing social housing stock;
 - Use of secondary data on house prices and incomes. Conclusions about housing requirements are based upon long term price and income trends rather than a snapshot at a point in time (Figure 1);

Figure 1

Average House Price and Average Household Income Trends (Note: Long-term trends at Q1 2007 = 100. Source: Nationwide House Price Index, Seasonally Adjusted; Halifax House Price Index, Seasonally Adjusted; CLG Live Tables; Retail Price Index, ONS; Social Trends ONS, Regional Trends ONS)



- The housing requirement by 2021 (the overall number of new homes) is that envisaged by the East of England Plan 2008 (Secretary of State's Revisions). Policy H1 of the Plan sets out the distribution of dwelling provision across the sub-region for the period 2001-2021 (**Error! Reference source not found.**Figure 2);
- To achieve a projected level of housing delivery to 2026, the annual delivery rates within the East of England RSS 2001-2021 have been rolled forward to 2026. The RSS 2001-2021 identifies a target of 48,600 (Figure 2 below) dwellings across the sub-region; and

which equates to a delivery target of 2,430 per annum. This in turn equates to 12,150 over a five year period. Therefore, the modelled housing requirements to 2026 have assumed a dwellings delivery of 48,600 plus an additional 12,150 for the period 2021-2026 giving a total of 60,750 which has been rounded to 60,800 additional dwellings. The East of England RSS is currently under review with on-going consultation on the new RSS covering the period 2011-2031.

Figure 2

District Housing Requirement 2001-2021 for LCB (East)/M11 Sub-region (from RSS Policy H1). Note: Figures are for overall net requirements and the figure for Harlow is for total housing growth at Harlow, including urban extensions in Epping Forest and East Hertfordshire districts. (Source: East of England Plan, 2008, Government Office for the East of England).

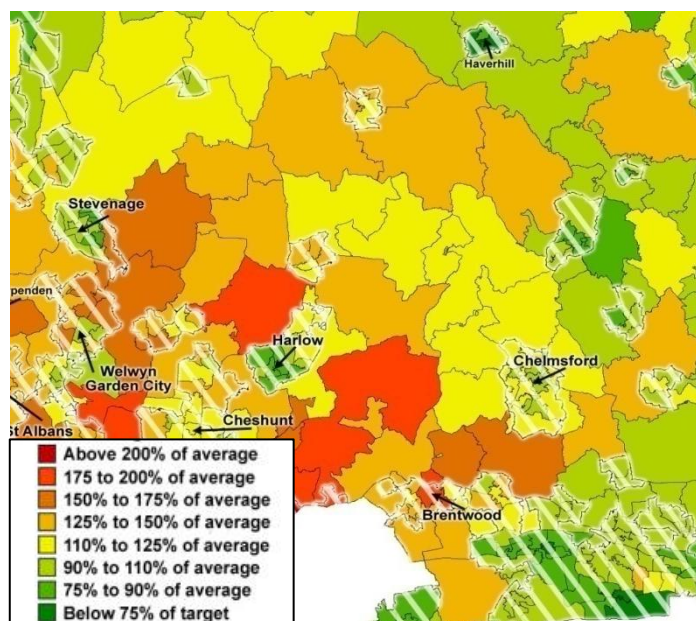
Local Authority Area	Total to Build April 2001 to March 2021		Of which Already Built April 2001 to March 2006		Minimum still to build April 2006-March 2021	
	Total	Annual Rate	Total	Annual Rate	Total	Annual Rate
Brentwood	3,500	175	920	180	2,580	170
Broxbourne	5,600	280	1,950	390	3,650	240
East Herts	12,000	600	2,140	430	9,860	660
Epping Forest	3,500	175	1,210	240	2,290	150
Harlow	16,000*	800	810	160	15,190	1,010
Uttlesford	8,000	400	1,610	320	6,390	430
Total	48,600	2,430	8,640	1,720	39,960	2,660

Who was involved in the project?

- The client councils formed a project group consisting of senior officials who were responsible for the delivery of the project. Stakeholders were consulted at key stages of the project and participated in consultation workshops. Formal consultation on the SHMA report was managed via the ORS extranet. The client councils agreed report amendments following consultation.

SHMA findings

What are the main characteristics of the housing markets?



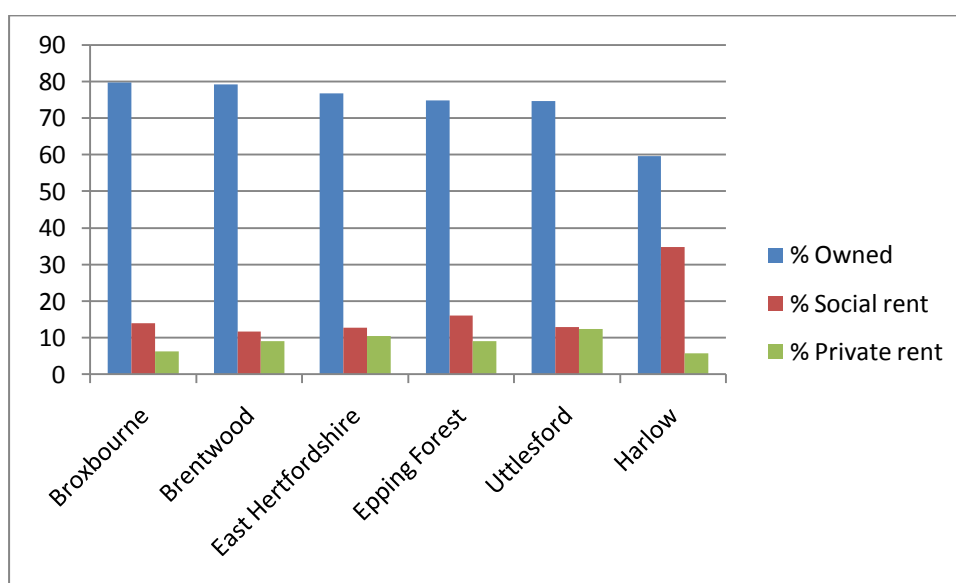
- The adjacent map shows the variation of **house prices** from The East of England average adjusted for property type for the period October 2006 to September 2007. Hatched areas are urban areas. Areas in red are where house prices are over 200% of the East of England regional average. The urban area of Harlow shows the lowest house prices and the area around Chigwell the highest.

- The highest levels of **deprivation** and unsuitable housing in the sub-region are associated with both

Harlow and some of the rural areas to the South. Relatively high levels of deprivation in rural areas are not unusual due to large numbers of retired households on relatively low incomes some of whom live in dwellings with higher heating costs. That said, when compared to other areas in England and Wales, deprivation in LCB (East) is low with most areas in the lowest quartile for deprivation relative to the rest of the country.

12. Regarding **dwelling type**, across the sub-region about a quarter is detached housing with semi-detached 28%, terraced 25% and flats around 18% of the stock. There are considerable variations by Local Authority. Harlow has the highest proportion of terraced dwellings (50% of its stock) and flats (22%). It has the lowest proportion of detached dwellings (10%). Uttlesford has the highest proportion of detached dwellings (42% of its stock). Dwelling type varies greatly by tenure with owner-occupied housing having near equal proportions of terraced, semi detached and detached housing but relatively few flats (just under 10% of the stock). In contrast social rent and private rent has a much higher proportion of flats at just over 40% of the stock of each tenure.
13. The dominant **tenure** in LCB (East) is owner occupation (84%) of the total stock. Over 35% of the housing stock in Brentwood is owned outright (i.e. not subject to a mortgage) with slightly lower proportions in other Local Authority areas. Harlow has the lowest proportion at around 18%. (Figure 3).

Figure 3
Housing tenure by District 2001 for the LCB (East)/M11 Sub-region (Source: Census 2001).



14. The overall proportion of social rented housing in LCB (East) is slightly higher than the English average but lower than the East of England average although there are key differences between the authorities. Harlow has the highest proportion of social housing in the eastern region (at 33.1% of all dwellings), while 15.4% of the dwelling stock of Epping Forest is social housing. Brentwood has the lowest proportion of social housing at around 11.9%.
15. In 2001, around 9% of the housing stock in LCB (East) was in the private rented sector. In Uttlesford private rented housing accounts for 12% of the stock – twice the proportion of Harlow's private rented stock. Harlow has the lowest proportion of private rented housing of its

stock compared to other Local Authorities. This sector is primarily housing single people and multi-adult households. In recent years the private rented sector has grown in size and importance relative to other tenures. This is mainly due to buy to let investors responding to a growth in the market for private renting. This is due to shortages of affordable housing and the trend of home ownership becoming out of reach of a growing number of households. The rate of growth has slowed considerably due to the credit crunch.

16. This information is the housing context for a sub-region undergoing **significant change** in its housing and job markets due to rapid planned expansion. The policy aims are to link growth in the area with improvements in the infrastructure to improve long term sustainability; reduce commuting and improve the connection between living and working in the housing sub-markets.

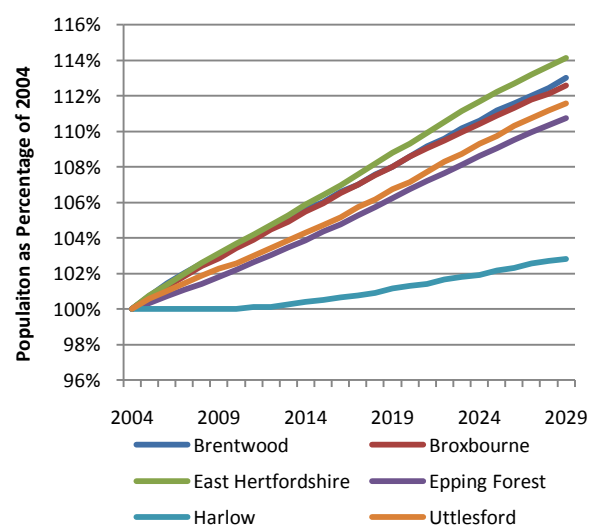
What are the drivers for change affecting the housing markets?

Demographic change

17. Nationally **demographic drivers** result in the population increasing through a combination of more births, fewer deaths and a net inward migration from overseas.

18. Based on population estimates from 2004, the Office of National Statistics estimate that the population of LCB (East)/M11 sub-region will rise to 620,000 by 2029. This would represent an 11% rise in the period 2004-2029 – an additional 62,000 people living within the study area. Of these 12,200 of these are projected to be aged 85 or over with a further 44,200 aged 60-84 years. (Figure 4).

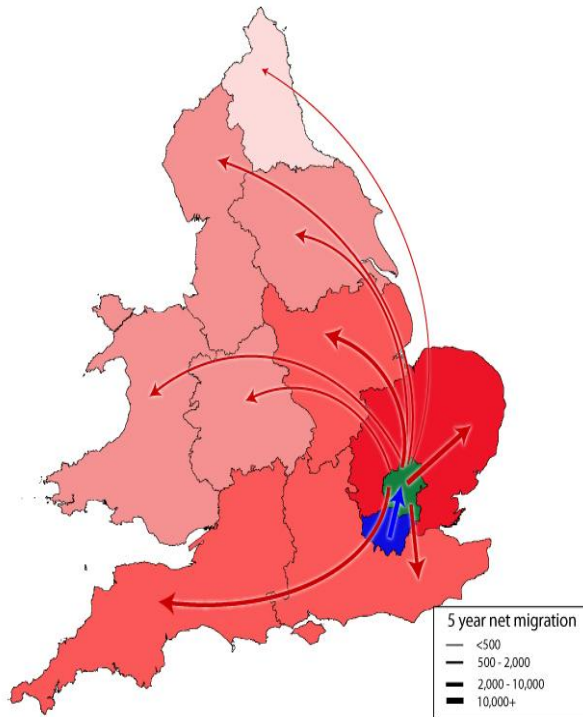
Figure 4
Population Projections by Local Authority 2004-2029 (Source: ONS
Revised Sub-national Population Projections: 2004 based data)



19. Analysis of household composition at the census shows that almost a quarter of the sub-region's households contain only pensioners, while 50% contain adult couples with or without children. Just over 20% of households contain only one adult in the form of a single person or lone parent. Household type does not vary greatly between Local Authority areas, however it is clear that Harlow contains the highest proportion of households (around 26%) of single adults, either as single people or as lone parents. Brentwood has the highest proportion of all pensioner households. It is important to consider the structure of households when assessing housing needs. An area with more single people requires more separate accommodation, while an area with large families will require larger houses to accommodate them.
20. Data from the 2001 Census showed that of the sub-region's 547,000 residents, 55,700 (10.2%) had moved within the last 12-months. Of those that had moved, 25,000 moved within the same

authority, another 25,000 moved from elsewhere in the UK and 2,600 moved to the area from overseas. The sub-region gained a net 1,060 people from across the UK in 2000-2001.

- 21. The figure below demonstrates the **migration flows** in and out of the study area. The study area is depicted in green. The thickness of arrows represents higher levels of net migration.



- 22. Overall, migration accounted for a rise in the sub-region population of 4,220 people from 2001 to 2006. All of the net population gain came from London, with net migrant population losses occurring to every other region of England and Wales.

- 23. Most of the net population gain came from North London but also some from East London.

- 24. Highest population losses through out-migration were to other parts of Essex – Braintree and Chelmsford, North Hertfordshire and South Cambridgeshire.

- 25. There are some interesting migration flows within the sub region. Broxbourne lost population through migration to all other authorities in the sub-region. It gained over 9,470 people from London.

Uttlesford gained population from all other authorities in the sub-region, further reflecting the movement of population away from North London. Harlow lost a significant number of people through migration to East Hertfordshire and Uttlesford but gained from Broxbourne and Epping Forest.

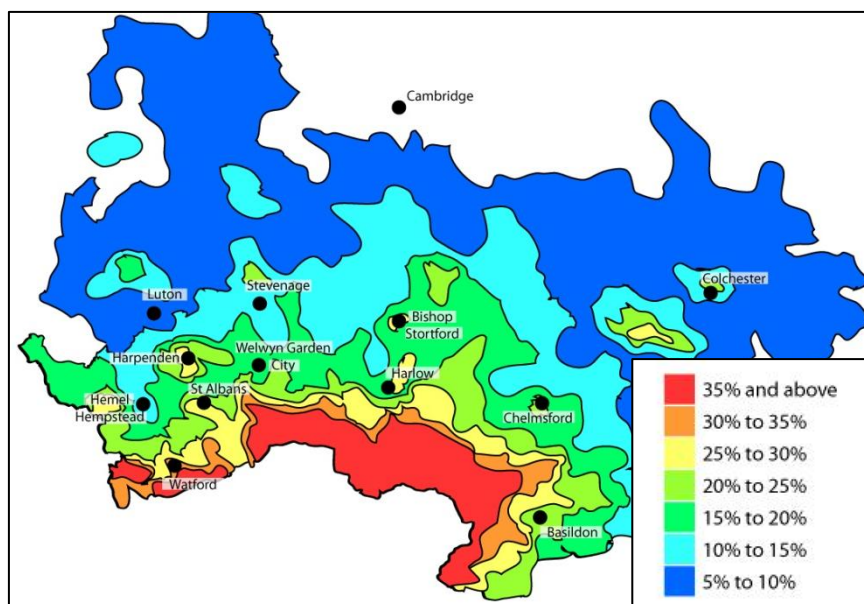
- 26. The area has seen a growth in population from overseas. Between 2001 and 2006, a net 1,400 international migrants moved to LCB (East) from overseas. Nearly a half of all new national insurance registrations were issued to Polish nationals.

Commuting

- 27. Figure 5 illustrates the influence of Greater London on an area which covers large parts of Hertfordshire and Essex. The isobars show the proportion of the total workforce that travel to work in London. Areas coloured in red have 35% or more of their workforce travelling to any part of Greater London to work, areas in dark blue have less than 10% of their workforce travelling to London.

Figure 5

Travel to Work to London Across the wider London Commuter Belt (Source: UK Census of Population 2001. Note: bands represent the percentage of the employed resident population who work in the London region)



28. Census (2001) data identifies 170,000 people who both live and work in the London Commuter Belt (East)/M11 sub-region. This represents around 61% of all those living in the area who have a job, and 73% of all those who work in the area. Of this group, 26,200 work mainly at or from home, equivalent to 9.5 % of all those residents who have jobs. This is similar to the national and regional proportion of workers who work from home.

Economic Factors

29. The unemployment claimant count was lower in all of the Local Authority areas than in England or the Eastern region. The workplace population of LCB (East) has been declining since 2001.
30. Since 1997 there has been a 25% growth in the number of VAT registered businesses, which is above the England and Eastern region averages. Uttlesford has experienced the largest increase, and Harlow the lowest.
31. Compared to the population of England and Wales or the Eastern region as a whole, there are more people employed in managerial, professional and administrative occupations and fewer in skilled, plant and machinery and elementary professions. Also the population of LCB (East) is slightly under-represented in the higher qualification categories with under a fifth of the population having the equivalent of a degree or above. However, there is a lower proportion of people in LCB (East)/M11 sub-region with no qualification than in England and Wales or the Eastern region.
32. Residents in Brentwood and Uttlesford have the highest incomes in the sub-region. Those employed in Harlow earn more on average than those who are resident in the area by around £7,000 per annum. This pattern is reversed in all other areas, but it may imply that many residents travel outside the sub-region to higher paying jobs elsewhere in areas such as London.
33. Household incomes are on average lower in urban areas such as Harlow and Saffron Walden.

What is the requirement for additional housing to 2026?

34. Analysis of **affordability** of house prices and incomes of households who are not home owners was undertaken. It shows that there is virtually a complete absence of market housing options affordable to households with incomes less than £30,000. Much of the housing available to this group is in the private rented sector, and only if households commit more than 25% of their income to rent. Affordability considerations are used by the ORS housing market model to determine the requirements for intermediate affordable and market housing.
35. The overall estimated housing requirement for each Local Authority summarised in the Figure 6 below. This is a key output of the study and is part of the evidence required for each Local Authority's affordable housing policy. For comparison, estimates are based upon house prices and incomes being at 2007/8 levels and secondly at their long term trend levels (figure 1).
36. In both cases the housing growth targets for each Local Authority are used given in figure 2 (RSS Policy H1) minus the new housing delivered between 2001 and 2007, plus the projected growth target to 2026. The model estimates the requirement for affordable housing, deducts this from the total requirement and the market requirement is the balance.
37. The model estimates the tenure (Figure 6), and number of bedrooms that should be built in each Local Authority area.

Figure 6
Housing Requirement by LA 2007-2026 (Note: Figures may not sum due to rounding)

Housing Type	Local Authority					
	Brentwood	Broxbourne	East Herts	Epping Forest	Harlow	Uttlesford
Prices based on 2007-08 levels						
Market housing	(1,100)	700	5,400	(500)	8,400	2,500
Intermediate affordable housing	3,400	2,600	8,000	4,200	1,300	4,300
Social rented housing	1,000	1,600	1,800	2,900	2,500	1,300
Total Housing Requirement	3,200	4,800	15,200	6,600	12,200	8,100
Market housing	-	14.1%	35.7%	0.0%	68.7%	30.7%
Intermediate affordable housing	78.0%	53.2%	52.8%	59.1%	10.7%	53.2%
Social rented housing	22.0%	32.7%	11.5%	40.9%	20.5%	16.1%
Prices based on long-term trends						
Market housing	200	2,300	8,300	2,000	9,700	4,200
Intermediate affordable housing	2,100	900	5,100	1,800	0	2,600
Social rented housing	1,000	1,600	1,800	2,900	2,500	1,300
Total Housing Requirement	3,200	4,800	15,200	6,600	12,200	8,100
Market housing	4.9%	48.0%	54.7%	29.6%	79.5%	51.5%
Intermediate affordable housing	65.5%	19.3%	33.7%	26.5%	-	32.4%
Social rented housing	29.6%	32.7%	11.5%	43.9%	20.5%	16.1%

38. Referring to outputs for long term trends, the requirement for additional affordable housing is a large proportion of the overall requirement for each Local Authority with the exception of Harlow. There is no intermediate affordable housing requirement for Harlow. This can be explained by the combination of Harlow's large stock of social housing and its relatively low

market housing prices. Market housing is affordable to a greater proportion of households resident in Harlow than the other Local Authorities and this explains why the estimated future requirement is higher here than the other Local Authorities. There is little requirement for additional market housing in Brentwood because it is not affordable to many households who are not already home owners. The supply of second hand housing is likely to be sufficient for the future and affordable to households who are already home owners due to equity in their existing home. Brentwood Broxbourne and Epping Forest require larger proportions of additional social housing.

39. The model demonstrates that if market prices were to return to higher 2007/8 levels the requirement for market housing would reduce and intermediate affordable housing requirements would increase, (figure 6). We conclude that the requirement for intermediate affordable housing is sensitive to changes in the price of market housing.
40. Further analysis of long term affordability trends (figure 1) adds to the evidence that there will be **a long term shift away from home ownership to private renting**. In addition the SHMA estimates that assuming that the relationship between housing costs and household income remains constant, the proportion of households who are homeowners is likely to fall to from 74% in 2001 to 64% by 2026. This does not take into account the possibility that more prudent lending criteria as a result of the credit crunch may result in an even smaller proportion of home owners by 2026.
41. The SHMA also **estimates the dwelling size** for new build housing by tenure that would result in the best fit of dwellings to households based upon existing patterns of home occupancy and projecting forward demographic change. The full table is not reproduced here as it is a large table. In summary;
 - For market housing, around 50% of the future supply of new housing should be for 3 bedroom homes. Between 8% and 25% of the future supply depending upon the Local Authority area should be 4 bedroom homes;
 - For intermediate affordable housing, with the exception of Harlow, the supply of new housing should be more balanced but with a slightly higher proportion of smaller (1 and 2 bedroom) homes; and
 - For social housing, around 70% of the future supply should be for smaller (1 and 2 bedroom) homes.
42. Households requiring 1 and 2 bedroom homes are likely to be either older person households, single parents, couples with or without children and single people. Younger households without children in good health will not be considered a high priority for social housing which is largely allocated to households on the basis of the severity of housing need. Older person households may require support rather than re-housing to ensure that their existing home is safe and suitable. Frail older people will require more specialised housing with high levels of support known as extra care housing.
43. The small number of larger households requiring 4 bedroom affordable housing will have low income. Some will be in considerable housing need and will be considered a high priority for

large units of social housing for which there is a shortage. There is further consideration below of such households that may be overcrowded.

Which groups of people experience problems within the housing market?

44. Housing need arises when a household is unable to access suitable housing without financial assistance. The SHMA looked at a number of households groups that were found to be disproportionately in **unsuitable housing** and how unsuitable housing is distributed spatially. Many of the predicted areas of unsuitable housing are in urban areas. 12.8% of households across LCB (East) are predicted to be unsuitably housed equivalent to 31,100 households. However the effect on the housing requirement is small as many problems can be resolved without the need for re-housing.
- 2.1 An example of unsuitable housing that often necessitates re-housing is **overcrowding**. In 2001 5.5% of households in the sub-region lived in overcrowded conditions but there are significant variations by Local Authority and tenure. Overcrowding in the private rented sector was highest in Harlow and Broxbourne at 15% of private tenants. In social housing Broxbourne also had the highest level of overcrowding at 18% of all social tenants. There is very little overcrowding in owner occupied housing. The SHMA has established that a high proportion of **BME households** experience overcrowding. 24% of Bangladeshi, 22% of Black African and 20% of Chinese households were overcrowded. In comparison, the lowest proportion of overcrowding was for the White British group at 5.1%.
45. Local Authorities provide a wide range of services to support vulnerable households in their existing housing with the aim of ensuring that they enjoy **independent living** for as long as possible. The SHMA evidences high levels of need for adaptations and support services. Part of the future housing requirement will be for extra-care housing for older people as a consequence of the demographic trend of the ageing population.
46. The SHMA has drawn attention to **a gap in housing provision** for households that can afford more than a social rent but not afford market housing which is known as the intermediate affordable housing tenure. The gap arises because most existing homes in this tenure are shared ownership based and designed to help households into home ownership. These products are not generally affordable to lower income groups within the intermediate income band and are not available to those who do not have the financial standing to qualify for a mortgage. In general terms such households are not a high priority for social housing if they are in good health and do not have children. They will normally be find housing in the private rented sector and will spend a greater proportion of their income on rent than the Government considers reasonable. Intermediate affordable rented housing could assist this group if it were to be made available and at a price affordable to them.

What are the main implications of the SHMA for policy?

47. Policies for the provision of new housing can be informed by considering the dynamics of the housing market. In particular the impact of new build on the second hand housing market and the way in which the market seeks to fill gaps.

48. Although there is a low requirement for additional market housing in some Local Authority areas this does not mean that none should be built. In practice developers will continue bring forward proposals for new build for planning consent where they believe a market exists. It is also essential to deliver housing growth in a sustainable way. The growth of new build housing will tend to attract higher earning in-migrant households to the area. It will also be necessary for new build market housing to be built if affordable housing is to be delivered through the planning system. Overall this is a demand side impact on the housing market which may also result in a supply of cheaper second hand housing being released to the market as a consequence.
49. A priority for new build social housing should be to help alleviate overcrowding. In doing so, there are health and wellbeing benefits for the households themselves. In addition other smaller households will benefit from the dwellings these households vacate.
50. Some older people occupy housing that is too large for them and is also unsuitable given their health, relative low income and vulnerability to cold and tripping hazards. Ensuring that part of the new housing delivery across all tenures was particularly suited to older people, would increase choice for older people. It would benefit the household, health and support services and again release second hand housing into the market.
51. Options exist for helping to fill the gap in housing provision for intermediate housing groups identified by the SHMA and highlighted in the previous section;
- Large numbers of smaller social rented homes could be built but would only benefit this group if lettings policies enable such household to access them;
 - The option exists for intermediate rented housing to be provided with rents pitched at what local households can afford as suggested by PPS3 paragraph 29. This is not to suggest that shared ownership and low cost home ownership should not be provided to assist households who can afford and in so doing improve the social mix of a neighbourhood. It should be recognised that the shared ownership model will not assist most households in the intermediate group; and
 - Encourage use of the private rented sector. This sector has provided a market response to the growing demand for housing, driven by the growing affordability problems of home ownership. This is a trend that the SHMA estimates is likely to continue.
52. Individual Local Authorities can use the SHMA to evidence future affordable housing requirements. It provides the evidence of need to support an affordable housing policy. Local Authorities also need evidence from Economic Viability assessments before an affordable housing policy in accordance with PPS3 paragraph 29 can be determined.

Glossary

Term	Definition
Affordable housing	Affordable housing includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market.
Affordability	The terms ‘affordability’ and ‘affordable housing’ have different meanings. ‘Affordability’ is a measure of whether housing may be afforded by certain groups of households.
PPS3	Planning Policy Statements (PPS) set out the Government’s national policies on aspects of planning in England. PPS3 sets out the national planning policy framework for delivering the Government’s housing objectives. A principal aim of PPS3 is to underpin the Government’s response to the Barker Review of Housing Supply and the necessary step-change in housing delivery, through a new, more responsive approach to land supply at the local level. It reflects the Government’s commitment to improving the affordability and supply of housing in all communities, including rural areas, informed by the findings of the Affordable Rural Housing Commission.
Regional Strategy RSS The East of England Plan	The Regional Spatial Strategy (The East of England Plan) is published by the Secretary of State for Communities and Local Government. It covers the counties of Norfolk, Suffolk, Cambridgeshire, Essex, Hertfordshire and Bedfordshire. Together with relevant sections of the Milton Keynes South Midlands Sub-Regional Strategy, 2005 it constitutes the RSS for the East of England. This RSS covers the period to 2021 but sets a vision, objectives and core strategy for the longer term. In particular it seeks to reduce the region’s impact on, and exposure to, the effects of climate change and to put in place a development strategy with the potential to support continued sustainable growth beyond 2021.
Viability Assessment	An assessment of the likely economic viability of land for housing within the area, taking account of risks to delivery and drawing on informed assessments of the likely levels of finance available for affordable housing, including public subsidy and the level of developer contribution that can reasonably be secured.